

TOWARDS SUSTAINABLE PALM OIL



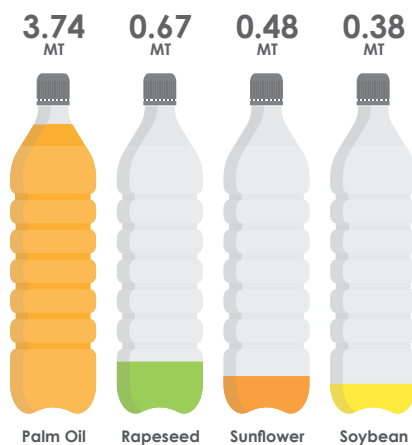
TOWARDS SUSTAINABLE PALM OIL

Our purpose is to offer, together with our suppliers, sustainable products and solutions to our customers. As a leading processor and merchandiser of palm and lauric oil, we work towards leading a pragmatic and enduring industry transformation.

WHY PALM OIL?

Palm oil is ubiquitous in the global marketplace. It is an ingredient found in more than half of all supermarket products. Since 1990, global palm oil consumption has quintupled.¹ Consumption is driven by emerging economies, such as India, Indonesia and China, where population growth and rising living standards are key factors for the exponential demand growth.

Vegetable Oil Yields Per Ha Per Year



Source: GreenPalm

Efficiency

Palm oil is the highest yielding crop on a per-hectare of land basis. Harvested all year round, oil palm yields five, eight and 10 times more oil per hectare than rapeseed, sunflower and soybean respectively. In other words, oil palm requires 10 times less land than soybean crop to produce the same volume of oil. In fact, palm oil accounts for about 35% of global edible oils while taking up less than 10% of the total global acreage devoted to oil crops.² It also requires far less pesticides or fertilisers. Its high yield makes it the most inexpensive vegetable oil in the market today. Without palm oil, edible oil prices would be many times higher than they are today.

Versatility

Palm oil demand continues to grow because it is the most versatile of all vegetable oils. Apart from the oil from the fruit, palm kernel oil and palm kernel expeller are also produced from the fresh fruit bunches. Palm kernel oil is a common ingredient in personal care products while the latter is used in the energy and animal feed sectors.

Oil palm cultivation is one of the largest contributors to rural poverty alleviation in Indonesia, Malaysia and Africa.



Poverty alleviation

Oil palm cultivation contributes to the alleviation of rural poverty in Indonesia, Malaysia and Africa. In Indonesia and Malaysia, the palm oil industry employs directly about 4.4 million workers.³ Oil palm estates also bring infrastructure development such as roads, electricity and clean drinking water to remote rural areas. Plantation workers live with their families in proper housing and have access to facilities such as clinics, schools, crèches and places of worship in the estate.

About 40% of the plantation area in Indonesia is owned by some two million smallholder farmers and a study by World Growth estimated that these farmers earn up to seven times more than subsistence farmers.



Harvested all year round, oil palm is the world's highest-yielding vegetable oil.

- 1 USDA, Bloomberg.
- 2 International Union for Conservation of Nature.
- 3 Embassy of The Republic of Indonesia in Brussels, Belgium, Malaysia Palm Oil Board.

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ALLEVIATING POVERTY IN AFRICA

We embarked on our first oil palm project in Africa in 2000. We were invited by the Government of Uganda to bid for an oil palm project in Sse Islands, Kalangala which was at that time one of the most impoverished districts. Together with our joint venture partner, we made it our mission to develop a first-class plantation and mill that would improve local livelihoods. Today, we are proud that the project is one of the best in Africa, achieving its goal of significantly improving the quality of life of our local employees as well as the smallholders who now earn a much higher income. The project has been an important source of development in terms of roads, housing, schools and income for the communities in Kalangala. Since project initiation, Kalangala has moved from bottom of the list in terms of economic development (71 out of 76) to among the top 10 districts in Uganda.

Today, Wilmar owns directly and through joint ventures and associates over 65,000 ha of oil palm planted area in Ivory Coast, Ghana, Nigeria and Uganda. The joint ventures and associates also manage over 149,000 ha under the smallholder and outgrower schemes. Our commitment remains constant – to improve local livelihoods in tandem with our business growth.

CONCERNS SURROUNDING PALM OIL

With the exponential growth in demand for palm oil, the land area of palm oil cultivation has also increased since the 1990s, while palm oil producing countries Indonesia and Malaysia experienced economic growth and benefits. However, this also gave rise to afflictions and concerns surrounding the environmental and social impacts of palm oil.

Forests, peatlands and biodiversity were adversely impacted during the early days of the oil palm sector's rapid expansion. Adding to that was the traditional slash-and-burn method for land clearance practised by communities in Indonesia, including oil palm smallholders. All these past industry practices resulted in, among others, an increase in carbon emission, loss of biodiversity and wildlife habitat as well as fires and haze affecting the region.

The industry also faces social and labour challenges that are often complex and layered with multiple perspectives from various actors. To further complicate matters, land titles and land claims are, at times, overlapping or unavailable while maps are incomplete or overlapping as well.

Legacy issues however are rudimentary in most industries around the world. The oil palm industry recognised many of these underlying issues and have embarked on the journey of transforming itself to be more sustainable. Palm oil continues to come under close scrutiny which is imperative to ensure less responsible players do not revert to their former unsustainable practices. However, it is just as essential that campaigns directed at the oil palm sector are factual and objective to avoid creating misconception or misrepresentation of the industry and its practices.

FACTS ABOUT PALM OIL



According to United Nations statistics, palm oil expansions account for less than four percent of forests cleared from 1990 to 2015.

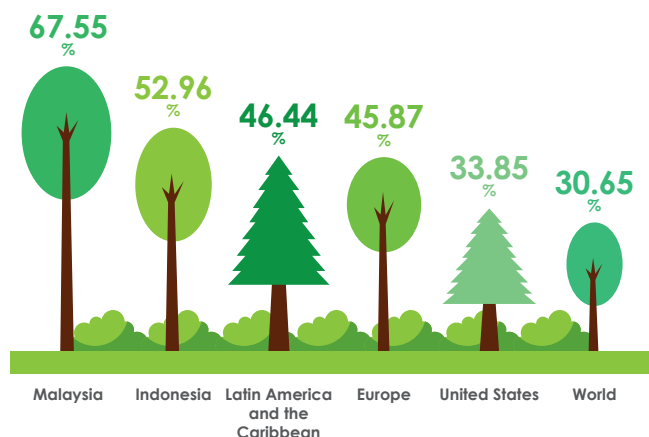


Independent research shows that beef, poultry and soy are bigger drivers of deforestation than palm oil.⁴



In Indonesia's worst fire and haze incidence in 2015, evidence from Global Forest Watch showed that only three percent of fire alerts by land-use area occurred within oil palm concessions and the majority of fires occurred outside large concessions operated by plantation companies.

Forest Cover as Share of Land Area in 2015



Source: UN Food and Agriculture Organisation

IS SUSTAINABLE PALM OIL POSSIBLE?

We believe that palm oil can be developed sustainably. As a leading palm processor and merchandiser, we recognise that we have a bigger responsibility to lead industry transformation.

It was in this spirit that Wilmar became the first in the industry to commit to a No Deforestation, No Peat and No Exploitation (NDPE) policy on 5 December 2013 that extended to our entire supply chain. The bold move was not triggered by any non-governmental organisation (NGO) pressure, rather it was our acknowledgment of the importance of sustainability in palm oil cultivation and our responsibility to steer the industry towards more sustainable practices in order for palm oil to remain a relevant and competitive commodity in the global market.

Very soon after, the majority of big palm oil players and consumer goods companies also adopted similar commitments.

In Indonesia and Malaysia, companies with NDPE policies currently operate a combined refining capacity of 53.2 million metric tonnes per year which is 74% of the total capacity in both countries. 11 of the 15 largest refiners in Indonesia and Malaysia have NDPE policies. This represents a higher commitment by a single agri-commodity to NDPE policies than in the rest of the world, where – based on refinery count – NDPE policies cover 65% of the refinery market.⁵

Building Blocks for NDPE Policy Compliance



4 Haupt, F., Streck, C., Bakhtary, H., Galt, H. (2017). *Taking a Bite Out of Climate Change: Why We Should Stop Harming the Planet and Ourselves by Eating Too Much Beef*. Working Paper prepared by Climate Focus.
5 Chain Reaction Research. *The Chain: Government of Indonesia Backtracks on Palm Oil Standards while Industry and Investors Demand NDPE and Supply Chain Transparency*. 20 February 2018.

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RAISING THE BAR FOR SUSTAINABLE PALM OIL

Wilmar's new supplier monitoring and engagement programme aims to achieve a supply chain free from deforestation from 2020 onwards.

In an industry first, we made available the complete list of our supplying mills on our Sustainability Dashboard. We also set a new benchmark for transparency and accountability by putting in place a Grievance Procedure to address grievances raised by stakeholders with timely and public updates on developments. All these initiatives were implemented voluntarily without stakeholder pressure.

We recognise that a large part of our footprint lies beyond our own operations. Our suppliers therefore have a critical role to play in forging a path towards sustainable palm oil production. For our NDPE policy to be effective,

engagement with our third-party suppliers and smallholders is key. To this end, we have implemented initiatives such as the Aggregator Refinery Transformation (ART) programme and the Supplier Reporting Tool (SRT) to assess our suppliers' level of compliance with our NDPE Policy.

The ART programme was conceptualised to strengthen every actor in the supply chain to promote transformation and provide a collaborative framework for refiners, millers and growers to overcome challenges on the ground.

As part of our progress towards covering 100% of our supply base, we launched the SRT in 2017 for suppliers assessed to be of lower risk. The SRT is an online self-reporting system that enables suppliers to report their current compliance to Wilmar's NDPE policy.

Wilmar raised the bar even further in 2018 when we launched our new supplier monitoring and engagement programme to accelerate our efforts towards a supply chain free from deforestation from 2020 onwards. The programme entails a more efficient mapping and monitoring process, and helps to strengthen our suppliers' commitments and compliance to our NDPE policy.

To be a truly responsible business, we believe that sustainability metrics must be incorporated into every aspect of the business, from daily operations to corporate financing. Wilmar became the first palm oil company to peg the interest rate of a loan to our performance in a comprehensive range of environmental, social and governance metrics. The first collaboration was undertaken with ING in 2017 and two subsequent ones with OCBC Bank and DBS in 2018, totalling about US\$350 million.



We work with several partners to protect and rehabilitate wildlife in oil palm landscapes.



PLANET

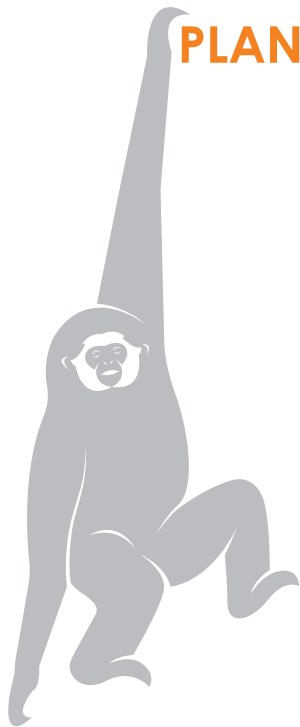
Wilmar-owned plantations are completely free from deforestation. We achieved a 100 percent score for being deforestation-free on the Sustainability Policy Transparency Toolkit⁶ (SPOTT), which is developed and managed by the Zoological Society of London (ZSL).

Beyond our own operations, we work with implementation partners to closely monitor our supply chain, which covers 14.8 million ha of plantations belonging to Wilmar and, more importantly, our third-party suppliers at group-level. The new Supplier Monitoring and Engagement Programme launched in 2018 will see us intensifying our efforts in this area.

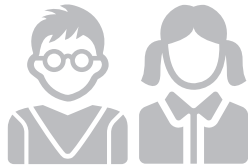
We have also been working tirelessly and channelling resources towards forest and wildlife protection and conservation efforts, working with multi-stakeholder initiatives such as the PONGO Alliance, South East Asia Rainforest Research Partnership and Kalaweit Foundation to protect and rehabilitate, among others, orangutans and gibbons. We also set aside approximately 30,000 ha for conservation in our own oil palm plantations in Indonesia, Malaysia, Nigeria and Ghana.



Wilmar's Sabahmas riparian area in East Malaysia has been restored to provide habitats for Borneo-endemic proboscis monkeys.



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PEOPLE

Wilmar is committed to respecting and protecting the human rights of workers. We are guided by international standards such as the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights and the International Labour Organisation conventions.

Caring for our Workers

Workers form the backbone of our plantation operations and it is our responsibility to provide good livelihoods and development opportunities to all our workers and their families. Since 2017, we have been rolling out labour reforms such as converting temporary employment contracts to permanent, wage restructuring and reinforcing gender equality.

Aerial view of a school complex in PT Gersindo Minang Plantation in West Sumatra, Indonesia.



Protecting Children's Rights

In addition to a strict No Child Labour policy that has been in place since 2010, we recognise that we need to also safeguard children and their rights. Hence the Child Protection Policy (CPP) was implemented in November 2017 to ensure that all children in our plantations, schools and facilities, as well as those under the care of our third-party suppliers and contractors, are provided with safeguards and protection from abuse and exploitation.

Wilmar was recognised by the Global Child Forum as the best performing company in its 'Corporate Responses to Protecting Children's Rights in Southeast Asia' report published in September 2018.





Education for a Brighter Future

We believe that quality education is the key to improving livelihoods and social development. We therefore make it a priority to build good schools for the over 10,000 children of compulsory school-going age living in our oil palm plantations in Indonesia, Malaysia, Nigeria and Ghana.

All our schools are monitored closely by the plantation general managers and senior management to ensure that we provide top quality education for the students.

In 2017, we embarked on a school redevelopment programme in Indonesia. 10 schools have been redeveloped and we target to complete the remaining five by 2020.

To support our goal of providing quality and well-rounded curriculum, the upgraded schools provide facilities such as computer rooms, science labs, libraries, music rooms, multi-purpose outdoor courts and canteens. Apart from an academic programme, there is also a range of extra-curricular activities such as sports, arts, music and uniformed groups that students can participate in. To attract good teachers, we provide comfortable housing for them near the schools.



Students have access to electronic tablets and a wide range of books in the school library.

Complementing the school redevelopment programme, we offer scholarships to some of the top universities at the national and provincial levels so that outstanding students will have the best opportunities to fulfil their potential.

We are also implementing the programme across our plantation estates in Africa. We aim for our schools to be among the best in plantations globally so that the children living within and around our plantations have access to opportunities as children living in cities.



Students can participate in a wide range of extra-curriculum activities such as a marching band and music lessons.

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About 40% of the plantation area in Indonesia is owned by some two million smallholder farmers.



Smallholders

Smallholders account for 40% of the world's palm oil production and it is important that we provide guidance and support to help them become compliant with our NDPE policy. We have developed programmes in Indonesia, Malaysia, Honduras and Colombia together with our partner organisations to facilitate the inclusion of smallholders into our supply chain.

In Latin America, we work with our first-tier suppliers on capacity building by providing training to their smallholder suppliers. We helped develop the Wilmar Smallholders Support Programme (WISSH) in Honduras as well as the Wilmar Small Growers Support Colombia (WISSCO).

We provide guidance and support to help smallholders comply with our NDPE policy.



FORGING AHEAD

There is ample evidence that palm oil has made the biggest strides in improving its sustainability than any other agri-commodity. As of 2017, more than six million ha of forest is estimated to have been spared from oil palm development in Indonesia.⁷ This is largely attributed to the individual NDPE commitments of key companies, alongside government policies.

The industry remains steadfast towards transformation despite the many challenges and criticisms it faces. Companies with NDPE commitments currently account for 74% of the combined refining capacities of Indonesia and Malaysia. However, that also means there are approximately 19

million tonnes which are not covered by any NDPE commitment breaching the market.⁸ While the industry continues to work towards closing this gap, the support from other stakeholders is equally essential.

There needs to be a higher level of commitment from buyers and consumers to encourage responsible producers especially amongst the smaller players and smallholders.

To expedite progress towards our goal of a 100 percent independently verified NDPE-compliant supply chain from 2020 onwards, we have formulated an ambitious time-bound plan. Key priorities of the plan are:

- 1) Higher transparency and verification of NDPE compliance across the entire supply chain
- 2) Participation in cross-industry collaboration to fight deforestation
- 3) Monitor labour and community issues to ensure No Exploitation



THERE NEEDS TO BE A HIGHER LEVEL OF COMMITMENT FROM BUYERS AND CONSUMERS TO ENCOURAGE RESPONSIBLE PRODUCERS ESPECIALLY AMONGST THE SMALLER PLAYERS AND SMALLHOLDERS.



EXTERNAL VALIDATION



**Verified 100%
Deforestation-free
by SPOTT**



**Top Scorer in Global
Child Forum's
Corporate Sector
& Children's Rights
Benchmark 2018 in
Southeast Asia**



**Singapore Apex
CSR Awards
2015 - Special
Recognition in the
Large Organisations
Category**



**Singapore
Sustainability
Awards 2015
- Sustainable
Business Award**

⁷ Chain Reaction Research. *Indonesian Palm Oil's Stranded Assets: 10 Million Football Fields of Undevelopable Land*. 8 February 2017.

⁸ Chain Reaction Research. *Unsustainable Palm Oil Faces Increasing Market Access Risks: NDPE Sourcing Policies Cover 74 Percent of Southeast Asia's Refining Capacity*. 1 November 2017.

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A SUSTAINABLE WAY FORWARD

By 2050, the world population is projected to reach 9.8 billion⁹ while global demand for palm oil is expected to reach between 120 and 156 million tonnes, accounting for 65% of all oils traded (if it reaches the upper limit)¹⁰. In order to feed the world, palm oil is actually part of the solution.

Boycotting palm oil is not the way forward as that will either worsen or displace deforestation. A 2018 report by the International Union for the Conservation of Nature concluded that boycotting palm oil would most likely displace rather than halt global biodiversity losses.¹¹

To meet the future increase in palm oil demand, the focus should be on improved yields, higher productivity and optimal use of resources, instead of acreage expansion. This calls for bigger companies that have the resources and capabilities to take the lead in developing solutions that can be replicated across the sector.

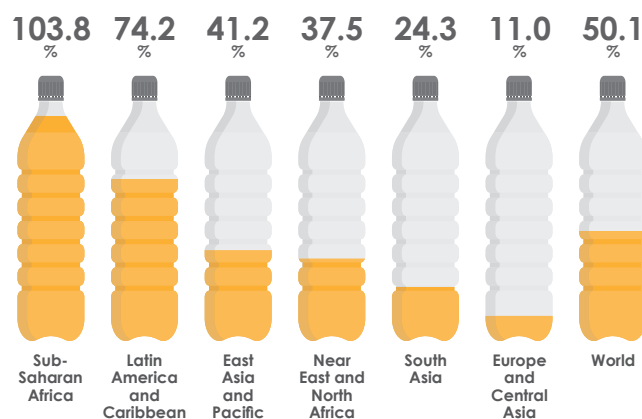
Non-governmental organisations (NGOs) also have a key role to play in protecting the environment and livelihood of rural communities. They should work constructively with the leading stakeholders to create pragmatic solutions for the entire industry.

For the palm oil industry to fully be sustainable, all stakeholders must make the journey together and leave none behind.



Global demand for palm oil will continue to grow in tandem with the world population. Sustainable palm oil has to be part of the equation to enhancing food security.

Projected growth in palm oil consumption from 2015 to 2050



Note: Business as usual scenario

Source: Food and Agriculture Organization of the United Nations

⁹ United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision.

¹⁰ Corley, R.H.V., 2009. *How much palm oil do we need?*

¹¹ A situation analysis by the IUCN Oil Palm Task Force. IUCN Oil Palm Task Force Gland, Switzerland: IUCN. xiii + 116pp.

BEYOND PALM OIL

Sugar

Our sustainability reporting has been expanded to include our global sugar operations since 2017.

In 2018, our sugar operations in Australia expanded the Bonsucro certification coverage to now include our farms and three mills in Burdekin, which are Invicta, Pioneer and Kalamia.

Further to that, we are continuing our effort to retain our Smartcane Best Management Practices (BMP) accreditation for our Burdekin and Herbert farms while also working towards being accredited for our Proserpine farms. Smartcane BMP is a world-class best practices system for growing sugarcane in Australia.

A pilot programme is also underway to study and showcase application methods of various mill by-products, which are known to improve soil quality and to help further minimise our environmental impact. Trial studies show that there has been a significant reduction in the movement of Nitrogen

and Phosphorus in the runoff water through banding and burying mill by-products below plant mound at low rates. These findings were shared with the wider industry to help further reduce the industry's overall environmental impact.

As part of our giving back to the local communities in which we operate, we provide educational bursaries, sponsorships and internship opportunities to schools and tertiary education institutions in Australia. We also contribute to raising awareness on mental health, suicide prevention and cancer prevention.

In Myanmar, we engage smallholder farmers by providing them with training and support as part of our effort to improve their technical knowledge and best management practices. We also contribute donations to support the construction and operation of schools in surrounding communities while running a holistic curriculum at the kindergarten within our manufacturing plant.

Giving Back to the Environment through Tree-Planting

In conjunction with North Queensland (NQ) Dry Tropics and Burdekin Landcare, Wilmar Sugar Australia (WSA) helped organise a community tree planting event at Kalamia Sugar Mill on 21 April 2018 as part of World Fish Migration Day celebrations.

About 420 young native trees were planted along mill-owned land on the banks of Lilliesmere Lagoon which is a critical watercourse in the Burdekin and home to a range of fish and wildlife species.

Once established, the trees will help to reduce erosion and increase oxygen levels in the lagoon. Their underwater roots will also provide habitat for fish.

More than 100 people, including about 20 WSA employees and their families, helped with the tree planting and participated in other activities such as the release of barramundi fingerlings.

NQ Dry Tropics arranged for a water pump to be installed near the planting site and WSA has committed to irrigate and maintain the trees until they are well-established.



We pursue both the Bonsucro and Smartcane BMP accreditation for our sugar operations in Australia.

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PHILANTHROPY

We allocate about 1% of our annual profit which is approximately US\$10 million to support various philanthropic efforts. This is in addition to the budget for building quality workers' housing and community facilities such as crèches, places of worship and clinics.

Education

Providing access to education is one of our philanthropic priorities as it is key in lifting rural families out of poverty. To this end, we have to date built and/or redeveloped 31 schools in China, 15 in Indonesia, 19 in Malaysia and six in Africa. All of our schools aim to provide city standard education for rural students. We also offer scholarships and bursaries to underprivileged students.

Students from Singapore universities volunteer their time to teach at our schools in China.



Health & Well-being

As a good employer and corporate citizen, we have a responsibility to take care of our employees and the local communities.

In China, we continue to support cataract operations as well as prosthetic limb surgeries for the needy to enable them to lead healthy and meaningful lives. For the well-being of the disadvantaged, we build and manage orphanages and nursing homes for the elderly and physically disabled. Our employees also volunteer their time to organise visits and provide care for the children and elderly.

Disaster Relief

Following several earthquakes and tsunamis that hit Indonesia throughout 2018, we provided prompt support and aid to the victims by distributing rice, noodles, water, flour, eggs, cooking oil, fuel, tents and blankets. We also assisted with the recovery efforts by providing machineries such as forklifts.



Apart from building nursing homes in China, our employees volunteer their time to care for the elderly.

We have built 31 schools in the rural areas of China since 2007 to provide quality education comparable to that available in cities.

SUSTAINABILITY PERFORMANCE

To effectively evaluate our performance against measurable targets, we monitor key performance indicators pertaining to the environment, social as well as supply chain.

Note: Sustainability performance indicators have not undergone limited assurance engagement at the time of printing.

ENVIRONMENT

Certifications

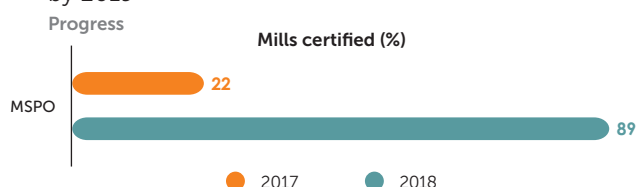
Targets:

- To complete Roundtable on Sustainable Palm Oil (RSPO)* certification for all Wilmar mills by 2023



* Independent mills are not subjected to RSPO requirements for time-bound plan.

- To attain Malaysian Sustainable Palm Oil (MSPO) certification for all Wilmar mills and estates in Malaysia by 2019

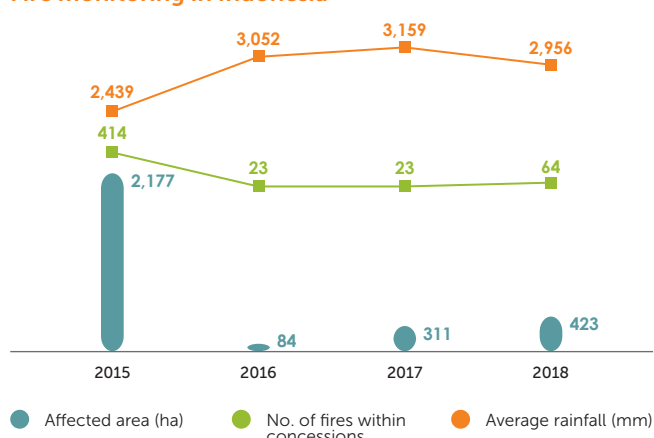


- To complete Indonesian Sustainable Palm Oil (ISPO) certification for 10 independent mills in Indonesia by 2025

Progress

Commenced in end 2018

Fire monitoring in Indonesia



Note: The fire incidences and affected area were high in 2015 due to lower rainfall. Although rainfall for 2018 was closer to levels in 2017, a larger affected area was reported as our implemented monitoring systems have matured over the years and are better at detecting and recording fires.

SOCIAL

Access to education

Target:

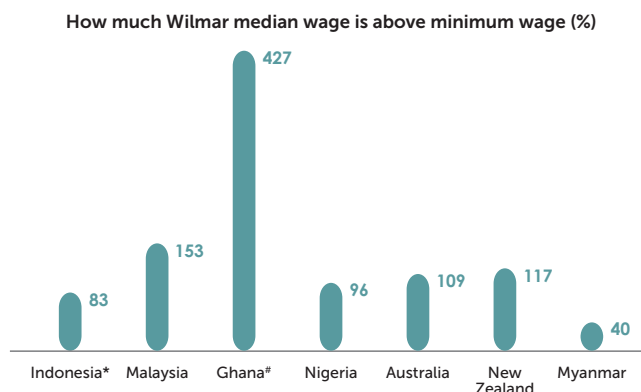
All children living in Wilmar's plantations and of compulsory school-going age to attend full-time education programmes by 2030

2018	Indonesia	Malaysia	Ghana	Nigeria
Total number of children of compulsory school-going age living in Wilmar plantations	9,639	1,832	547	367
Children of compulsory school-going age living in Wilmar plantations who attend:				
Wilmar schools	84%	54%	99%	34%
Government schools		34%	1%	65%
Total school attendance rate	84%	88%	100%	99%

Note: Only 2018 data is available as data collected in previous years excludes children attending government schools.

Minimum wage

We are committed to paying fair wages to all employees to ensure their incomes always meet at least the legal minimum wage while our median wages paid are always above the minimum rates by respectable margins.



* Indonesia's median wage calculation does not include the management level.

Ghana's median wage is aligned with the local palm oil industry standard which is significantly above the minimum wage.

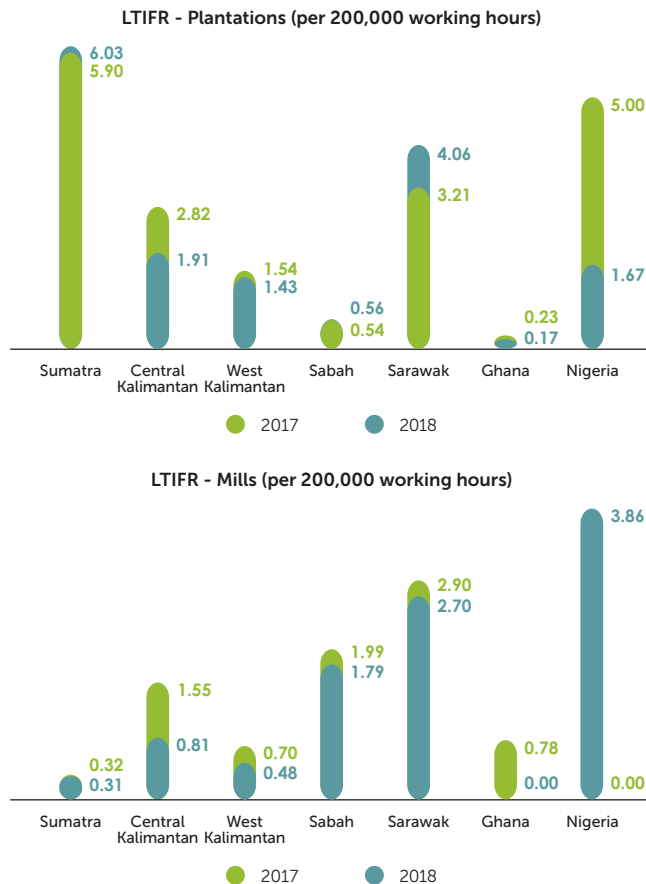
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SOCIAL

Lost Time Incident Frequency Rate (LTIFR)

Target:

To minimise the lost time incident frequency rate



Fatalities

Target:

To achieve zero fatality. Every unfortunate fatality is followed by a thorough review of cause and actions to prevent recurrence. The reviews are reinforced with continued efforts in training and protective equipment use to minimise, if not eliminate, risks.

Number of work-related deaths in Plantations

	2017	2018
Sumatra	2	2
Central Kalimantan	0	2
West Kalimantan	0	0
Sabah	1	0
Sarawak	0	0
Ghana	0	0
Nigeria	0	1

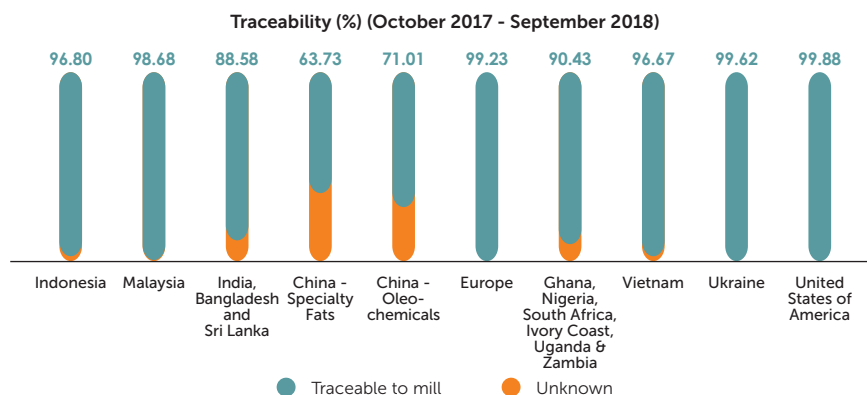
Number of work-related deaths in Mills

	2017	2018
Sumatra	1	1
Central Kalimantan	1	0
West Kalimantan	0	0
Sabah	0	0
Sarawak	0	0
Ghana	0	0
Nigeria	0	0

SUPPLY CHAIN

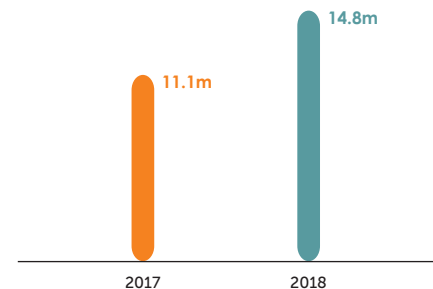
Traceability

Traceability analysis and summary data continued to be collected across Wilmar's global operations throughout the year. As of 30 September 2018, we have achieved 94% traceability to mills for our global operations which represents 23 million MT of oil being traceable up to mill level.



Supplier Group Compliance (SGC)

Total hectareage (ha) of suppliers area monitored under SGC programme by implementation partner (Aidenvironment)



Note: The total combined oil palm planted area in Indonesia and Malaysia was estimated at 17.5 million ha and 17.7 million ha in 2017 and 2018 respectively.