

PUBLIC STATEMENT

20 July 2022

Response to the CRR report “Wilmar’s Refineries and Brands Lag in Implementation of ESG Policies (June 2022)”

Wilmar was first contacted by the CRR lead writer via email on 5 April 2022 with regards to the development of the said report. Wilmar, through our European Sustainability Lead, had multiple direct engagements with the lead writer. Throughout this process, we had been open with information and input. From our engagement process, it was clear that the intention from CRR was to produce a report that is positioned negatively on Wilmar with no attempt to clarify nor check facts. The resulting report therefore reflects this, continuing to include a rehashing of many allegations from the past that have already been addressed by Wilmar. We believe that the timing of the report was intended to influence the various ESG benchmarking processes that are currently underway.

Addressing the issue of RSPO volumes

Wilmar is a long-standing [member](#) of the RSPO since Sep 2014. As of March 2022, all our refineries globally are certified against the RSPO Supply Chain Certification Standard and can deliver palm oil products under the Segregated (SG) and Mass Balance (MB) supply chain models. Further, as of the end of 2021, around 8.7% of all palm oil products transacted by Wilmar globally are RSPO certified.

It is therefore imperative to note that **the CRR report’s assessment on Wilmar’s RSPO purchases is factually incorrect**. To put things into perspective, as at end of December 2021, the [RSPO reported](#) that total available RSPO certified volumes globally stood just over 14 million metric tonnes which accounts for 19% of global palm oil production. During the same period, Wilmar’s RSPO uptake was 1.8 million metric tonnes, which covers 13% of the total global share of RSPO certified volumes.

Wilmar, as a company, is positioned as a processor and trader rather than as a grower or miller. As context, Wilmar’s own plantations and mills account for less than 7% and 10% respectively of our overall refining throughput. This means that Wilmar remains dependent to source RSPO volumes primarily from third-party producers. This poses a challenge as many similar vertically integrated companies retain their own RSPO produced volumes for their own processing and sales. Therefore, the pool of available RSPO volumes available to Wilmar is smaller than the full 14 million metric tonnes.

It is important here to also note that the share of RSPO certified in our supply chain is fully dependent on the market demand for MB and SG certified palm oil. Many companies are still sourcing conventional palm oil and cover those volumes with RSPO Credits (which still represent over 15% of all RSPO uptake in 2021). Whilst RSPO recognises all four supply chain models, RSPO credits work against physical RSPO uptake by the processors and trader’s caucus. Further, Wilmar’s own

refining throughput (over 23 million metric tonnes) exceeds that of RSPO certified global production (over 14 million metric tonnes).

The real issue is that there is an insufficient supply of RSPO volumes available globally. Currently, 91% of all available RSPO volumes is either already sold as RSPO certified or other international certification schemes. Despite this high uptake, since 2019, certified sustainable palm oil production area has not significantly increased and has remained around three million hectares.

This can be mainly attributed to the November 2005 ruling on no development on High Conservation Value (HCV) areas which has been a requirement since the 2007 iteration of the standards. The 2005 ruling means that any new planting from that date, if cannot be proven with an allowable HCV assessment (i.e., to show that development was only done on areas that are not HCV) - means that that plantation area is either:

- 1) non-permissible and the company at group level, if already an RSPO member, to be dismissed from RSPO, or
- 2) required to pay a compensation value of all HCV areas of USD 2500/ha before they can pre-qualify for RSPO certification if they are brand new RSPO members.

Addressing the issue of ESG risk reports and benchmarks

Wilmar has put a lot of effort into our ESG disclosure and reporting as it is an important component of sustainability delivery. We have a balanced approach to our disclosure, in that we disclose our performance publicly, in both the areas that we are doing well, as well as the areas that we can perform better. This transparency, coupled with the fact that we have in place external assurance provided to verify our Sustainability Reports since 2011, means that we can stand behind our reporting with confidence.

It is important to clarify that all ESG risk reports and benchmarks have different criteria and methodology of assessments. Firstly, it is crucial to differentiate between the paid-for risk reports such as those that are provided by Sustainalytics and MSCI versus the public benchmarking ESG indices like Dow Jones Sustainability Indices (DJSI), FTSE4Good, Zoological Society of London (ZSL) SPOTT, and more.

With regards to the paid-for reports, these are carried out on a per company basis. There are usually two versions of these types of reports – a public summary which does not provide full details of performance, and the paid-for report which does. The Sustainalytics methodology is unique in that it assigns a general risk to an entire sector – in this case agriculture sector is deemed as high risk. The sector risk score is also highly weighted and means that companies in a high-risk sector will be automatically allocated a higher risk level in addition to the assessment of the performance of the individual company. For Sustainalytics, the publicly available summaries do not provide this breakdown of performance, showing instead the summarised overall risk. Both MSCI and Sustainalytics also include risk based on “controversies” which are generally taken from publicly available media stories and reports. Neither MSCI nor Sustainalytics appear to analyse the actual accuracy of the controversies and it is not clear how responses provided by companies on how they have responded to the controversies are addressed.

This differs from the approach taken by the ESG indices or benchmarks, such as DJSI, FTSE4Good, and ZSL SPOTT – which look solely at the ESG performance and public disclosures of a company to create a ranking list of companies. While some benchmarks also look at public controversies, these do not usually affect scoring. For example, ZSL SPOTT does list the media stories related to an individual company, though this is not part of their scoring. The selection of companies assessed

within each benchmark is usually based on additional criteria and groupings into different sectors, e.g., DJSI and FTSE4Good only assess publicly listed companies with specific ESG based performance levels – hence not all companies will necessarily be included in some benchmarks.

This difference between the paid-for ESG reports and the ESG indices or benchmarks is because they serve different objectives, and are not necessarily a statement on whether some reports are better than others. Much like financial analyst reports, there are many options out there, and certain organisations may also have preferences for specific reports and benchmarks. As with financial analysis, ESG reports and indices are tools that financial institutions use as a reference point, and individual analysis of what is important to a financial institution needs to be carried out in addition to these reports.

Addressing the issue of cost of sustainability

Wilmar does not disclose our specific sustainability costs, simply because these are accounted for as part and parcel of overall supply chain and operational running costs. This approach is consistent in our approach to sustainability being fully integrated into our business. CRR's assertion that "*other large palm oil supply chain participants are specifying their costs*" is misleading, as the reference used ([CRR's own report from July 2020](#)) only covered FMCG companies, with no mid-stream processing, and this data, in turn, is only from a single source – the CDP Forest Disclosures. CRR's own report from July 2020 stated "*Overall, the CDP disclosure on cost differs substantially between companies. Some include the premium paid for certified commodities, while others do not. As a result, numbers are not comparable and lack transparency.*"

This is aligned very much with Wilmar's position that a disclosure of spend does not have a direct impact on the quality of sustainability performance. Instead, Wilmar's approach is to ensure our ESG disclosure and reporting matches with our implementation through a robust system of external assurance, notably:

- External assurance covering material indicators in every Sustainability Report since 2011
- From FY2020, the use of additional specialised auditors to assure our disclosures on NDPE and supply chain indicators within our Sustainability Report and Palm NDPE Implementation Annual Report
- Third-party sustainable certification of our processing facilities, mills, and plantations including amongst others ISO 14000, RSPO, SEDEX, MSPO, ISPO, ISCC, etc

We believe this approach is a much more effective and material means of ensuring our sustainability performance.

Addressing the allegation that Wilmar lacks financial support for smallholders

The allegation that Wilmar lacks financial support for smallholders is factually inaccurate and is solely based on the writer not being able to find a specific line on 'smallholders' in our financial reporting (from the CRR report: "*Wilmar's financial accounts also offer no indication of long-term financial support, loans, or guarantees to independent smallholders.*")

As reported in our Sustainability Report 2021, Wilmar purchases FFB from a total of 39,000 smallholders. This represents a total purchase of just under 670,000 MT of FFB in 2021 from smallholders globally. The value of these direct FFB purchases from smallholders is substantial and represents a tangible business value for smallholders.

In addition to this, Wilmar has also reported in our Sustainability Report 2021 improved productivity as part of our smallholder outreach programmes in the countries where we operate. This is part of

our efforts to assist with smallholder productivity levels, without further new development, while continuing to ensure NDPE policy requirements are adhered to. Our scheme smallholders have seen yield increases of 1.95 times the national smallholder yield in Central Kalimantan, Indonesia, and 1.58 times the national smallholder yield in Ghana.

Other allegations and Wilmar's Responses

- (1) CRR: *In 2022, CRR listed the top-10 deforesters of 2021, linking Wilmar to the mills of the number 6, PT Permata Sawit Mandiri, with 450 ha of clearing.*

Response: PT Permata Sawit Mandiri (PSM) is not a supplier to Wilmar. Wilmar had a previously listed grievance case on PSM in our public listing from 2014 (which has already been closed), when PSM was part of a different supplier group. PSM was subsequently sold by that supplier, and since then Wilmar has not been linked to PSM. The [CRR report referenced](#) in this allegation links Wilmar via supply from Goodhope. The same CRR report confirms that Goodhope has ceased purchases from PT PSM as of January 2022.

- (2) CRR: *In the 2022 CRR study on African palm oil, Wilmar was linked to numerous social and environmental impacts on its African concessions. These impacts include land-grabbing, loss of social and environmental high conservation values, and violence and intimidation*

Response: The allegations from the CRR report were not on Wilmar's own operations, and instead referred to operations belonging to SIFCA, where Wilmar has minority shareholding. It is inaccurate for CRR to continue to indicate in different reports that these are Wilmar's own operations.

- (3) CRR: *In the 2021 CRR report on China's palm oil supply chain, Wilmar was linked to human right violations in several cases. One of these cases is Wilmar's palm oil operations in West Sumatra, which has been accused of land grabbing.*

Response: Wilmar has had intensive community engagement in West Sumatra, carried out by the independent organization, Earthworm Foundation, since 2019. Wilmar has published regular updates of these engagements, which have shown resolution on the ground including the roll out of a local grievance mechanism targeted for communities.

[Earthworm Foundation Report 5](#): Wilmar's Operations Linked to Pasaman Barat Community, West Sumatra (May 2021)

[Earthworm Foundation Report 4](#): Wilmar's Operations Linked to Pasaman Barat Community, West Sumatra (September 2020)

[Earthworm Foundation Report 3](#): Wilmar's Operations Linked to Pasaman Barat Community, West Sumatra (April 2020)

[Earthworm Foundation Report 2](#): Wilmar's Operations Linked to Pasaman Barat Community, West Sumatra (February 2020)

[Earthworm Foundation Report 1](#): Wilmar's Operations Linked to Pasaman Barat Community, West Sumatra (November 2019)

- (4) CRR: *In 2021, Wilmar was visible in the supply chain of PKPS, which planned to develop an agricultural plantation on an 8,000-ha plot of land, which includes 971 ha of peat swamp forest. The scheme is called the Selangor Smart Agro Park project. In the same report, Wilmar was said*

to be in the palm oil supply chain of Djarum, which cleared 32,000 ha of forest between 2013 and 2017 in timber concessions. This problem was also a result of Wilmar's lack of a cross-commodity NDPE policy.

Response: Wilmar does not source from Perbadanan Kemajuan Pertanian Selangor (PKPS). However, several of Wilmar's suppliers are sourcing directly from PKPS. Upon publication of the CRR Report on 19 April 2021, our supplier immediately initiated engagement with PKPS when Wilmar highlighted the alleged deforestation in PKPS. Wilmar has established a direct engagement with PKPS to seek their clarification on the alleged deforestation. PKPS has clarified that the alleged area is devoted for a state government programme namely Selangor Smart Agro Park (SSAP), an initiative to develop a high-tech food security hub. SSAP was launched in March 2021 and is targeted to aid the local community to increase their livelihood and the development is not related to oil palm. PKPS has already imposed a moratorium on land clearing on 8 April 2021 and has committed to adopt NDPE policy in their operation. PKPS has shared their commitment letter to NDPE policy with our supplier and the letter has also been extended to Wilmar. In May 2021, [PKPS published a media release](#) to reiterate its commitment to NDPE policy. Separately the Djarum case has also been reported in our public grievance listing related to the allegations from the Greenpeace report "Final Countdown".

- (5) CRR: *In 2021, CRR cited a Rainforest Action Network report that identified ten companies (one of them was Wilmar) in agribusiness sectors in Indonesia that operate without the Free, Prior and Informed Consent (FPIC) of traditional land users.*

Response: Wilmar provided a response to the RAN report which highlights that RAN did not consider Wilmar's recently published [No Exploitation Protocol](#) – which does include specifics on FPIC implementation and addressing of non-compliances [Response to Rainforest Action Network Report](#).

- (6) CRR: *In 2021, CRR's report on the South Korean palm oil supply chain linked Wilmar to Daseng's plantation subsidiary PT Sintang Raya. Deasang was involved in clearing peatland, land grabbing, and not allocating plasma plantations for local communities.*

Response: The PT Sintang Raya case and the update of the ongoing investigation is publicly available on the Wilmar grievance listing.

- (7) CRR: *In 2020, Wilmar was linked to 700 ha of deforestation of Capitol Group and of companies tied to Indonesia's Fangiono family, which have been among the largest deforesters in the last few years. Wilmar was also linked to deforestation by TH Plantations. Moreover, deforestation by United Malacca Berhad's (UMB) industrial tree plantation raised questions about the scope of Wilmar's crosscommodity NDPE policy status.*

Response: Wilmar is clear on the scope of our grievance listing in our [Grievance Procedure](#). The cases listed here have been fully investigated and are either in our grievance listing or are not within scope.

- (8) CRR: *The 2019 CRR report about oil palm growers and their exposure to social compensation risk concluded that Wilmar belonged to the top three companies that have faced the most formal RSPO complaints linked to social issues in Indonesia in the last ten years. Wilmar International received 15% (of the 74 complaints filed), Golden Agri Resources (GAR) 12%, and Bumitama Agri 9%. Considering only the 22 active cases at the time of the writing of the report, Golden Agri-Resources (five cases), PT Pertamina – Persero (four cases), Wilmar International (three cases), and Bumitama (two cases) are on top of the list*

Response: As a responsible RSPO member we abide by all requirements of membership, and that includes cooperating in addressing any complaints raised through the RSPO Complaints channel. As with any grievance or complaint process, the number of cases received does not directly mean that a company has issues. In fact, in most of the cases, Wilmar has been found to be compliant with the RSPO P&C, and cases found to be untrue and subsequently dismissed. We have cooperated in all these cases, which has resulted in the successful resolution of these cases. Please see the [RSPO complaints tracker](#).

- (9) CRR: *Wilmar faces more conflicts with some NGOs about the pace of cooperation on achieving zero deforestation. In 2018, Greenpeace said that Wilmar was still sourcing from 18 out of 25 palm oil groups that cleared 130,000 ha of rainforest since 2015. Greenpeace emphasized that only a fraction of the palm oil Wilmar trades comes from its own plantations; more than 80% comes from other palm oil producers. Greenpeace listed three specific gaps that need to be filled: mandatory concession maps from suppliers and specific, timebound, and measurable actions to achieve independently verified "100% deforestation-free palm oil".*

Response: Wilmar has already [responded to the referenced Greenpeace Final Countdown report](#). Additionally, between 2016 – 2019 Wilmar entered genuine dialogue and engagement with Greenpeace to address some of their concerns, which resulted in the 2018 Joint Statement which involved not just Wilmar but also other FMCG companies. Wilmar was disappointed that Greenpeace chose to pull out of the Joint Statement initiative in 2019 rather than continue to find workable solutions on addressing some of their concerns.

- (10) CRR: *Greenpeace said Wilmar failed to provide evidence that it was actively implementing HCSA. Wilmar cited governance issues and mismanaged budgets for not providing the evidence. Wilmar argues that HCSA did not properly address its internal objections. NGOs accused Wilmar of being directly linked to fires, deforestation, and land conflicts and not fulfilling its information requirements. Wilmar was relatively important in funding the HCSA, which in 2020 saw income sources of USD 1.2 million and expenditures of USD 1.1 million.*

Response: Wilmar has clarified our reasons for [exiting the HCSA](#). The reasons include critical management and governance issues. Wilmar's exit from the HCSA has not changed our [commitment to removing deforestation from our supply chain](#). Additionally, our continued public reporting of our progress using the NDPE Implementation Reporting Framework (NDPE IRF) as reported in our [Palm NDPE Implementation Annual Report 2021](#) provides evidence that we remain committed.