



WILMAR'S NO DEFORESTATION, NO PEAT AND NO EXPLOITATION POLICY

Second Update Report: 1 April - 30 June 2014

Introduction

This is the second quarterly report to update Wilmar's stakeholders and other interested parties on the company's progress in implementing its No Deforestation, No Peat, No Exploitation Policy ("Policy") announced on 5 December 2013.

This report is produced by Wilmar and The Forest Trust (TFT) and has two sections:

- 1) engagement and supply chain mapping;
- 2) progress update against each of the commitments set out in Wilmar's Policy.

Efforts in the second quarter continued to focus on stakeholder engagement to ensure broad understanding of the Policy and its implications. This included meetings with over 200 suppliers across Indonesia and Malaysia, as well as discussions with buyers, communication with employees across all operations and progress on the development of Wilmar's online dashboard which will allow stakeholders to follow our progress.

The second quarter has also laid the foundation for a number of key steps in moving forward, including policy reviews and risk assessments.

I) Engagement & Supply Chain Mapping

Stakeholder engagement

Suppliers

During the second quarter of 2014, Wilmar – with support from TFT – completed its initial engagement process with over 200 Malaysian suppliers through meetings in Sabah and Kuala Lumpur. The meetings were well attended and few issues were raised, suggesting improved understanding of the Policy and its implications.

Sumatra is a key producer for Wilmar in Indonesia, supplying over half Wilmar's oil in Indonesia. A meeting was held with 40 suppliers in Sumatra to introduce and explain the Policy and address grower questions and concerns about the specific challenges they may face complying with the Policy. A final supplier meeting will be held in August.

Allegations of forest clearing against one supplier, outlined in an NGO report ([Greenomics](#)), have led to a series of discussions between Wilmar and the supplier's senior executives. Further to the High Conservation Value (HCV) assessment which is already underway, the supplier is talking to some High Carbon Stock (HCS) experts to understand more about the subject; in the meantime they have committed to cease any new land clearing while the HCV

assessment and HCS consultation are ongoing. We will continue to engage with them and monitor their progress.

Smallholders

Smallholders are an important player in our supply chain. As part of our Policy commitment, we signed an MoU with Wild Asia (a social NGO) on 9 April 2014 to collaborate on an independent smallholder project to support traceable and sustainable, deforestation-free production of palm oil by smallholders. This will involve increasing their productivity and quality through the adoption of sustainable practices; and eventually help them attain RSPO certification.

In particular, the objectives of this collaboration are:

- (a) To jointly identify independent producers in Wilmar's supply chain that may be targeted for integration into a traceability or sustainability support programme;
- (b) To improve the traceability of independent producers to the Group's mills or processing facilities as traceability is increasingly a requirement by many multinational corporation (MNC) clients;
- (c) To increase the volume of RSPO-certified products from independent producers to the Groups's mills or processing facilities.

Another important partner on this smallholder certification programme is The Sustainable Trade Initiative (IDH). IDH, based out of the Netherlands, is a public investor in supply chain sustainability programmes in critical commodity sectors, such as cocoa, coffee, timber, soy and now palm oil. They will help fund this project. If successful, IDH will support scaling up the scope of the project to enrol more independent smallholders into this sustainability programme.

In April, a meeting was held with a group of Iban community smallholders with a collective project area of about 1,920 ha and investors to review the potential of a Native Customary Rights (NCR) project in Bintangor, Sarawak, East Malaysia. Issues discussed included Free Prior and Informed Consent (FPIC) and HCS; and a field visit was also undertaken. Advice was provided by Wilmar and TFT on what would be required for the development of smallholders to comply with the Wilmar Policy.

NGOs

A meeting was held with Friends of the Earth (FoE) in Jakarta to discuss a range of issues and concerns that FoE raised about Wilmar and its suppliers in Uganda and Indonesia. Wilmar and TFT responded to these concerns by identifying and explaining activities that are planned or have already been undertaken that correspond to these concerns. Wilmar understands that there is still some way to go to be able to demonstrate strong change on the ground and will continue to seek opportunities to engage with NGOs to gain input to ways forward.

A number of discussions have taken place with NGOs in relation to issues or concerns affecting Wilmar's supply chain. They include the Aliansi Masyarakat Adat Nusantara (AMAN: Indigenous Peoples Alliance of the Archipelago); WildAsia; AidEnvironment, the Sarawak Dayak Iban Association (SADIA); the Malaysian Palm Oil NGO Coalition (MPONGOC) which currently includes the Borneo Rhino Alliance (BORA), Bornean Sun Bear Conservation Centre (BSBCC), Jaringan Orang Asal SeMalaysia (JOAS: The Indigenous Peoples Network of Malaysia), Land Empowerment Animals People, (LEAP), Malaysian Nature Society (MNS) Sabah branch, Partners of Community Organisations (PACOS) Trust and WWF Malaysia, amongst others.

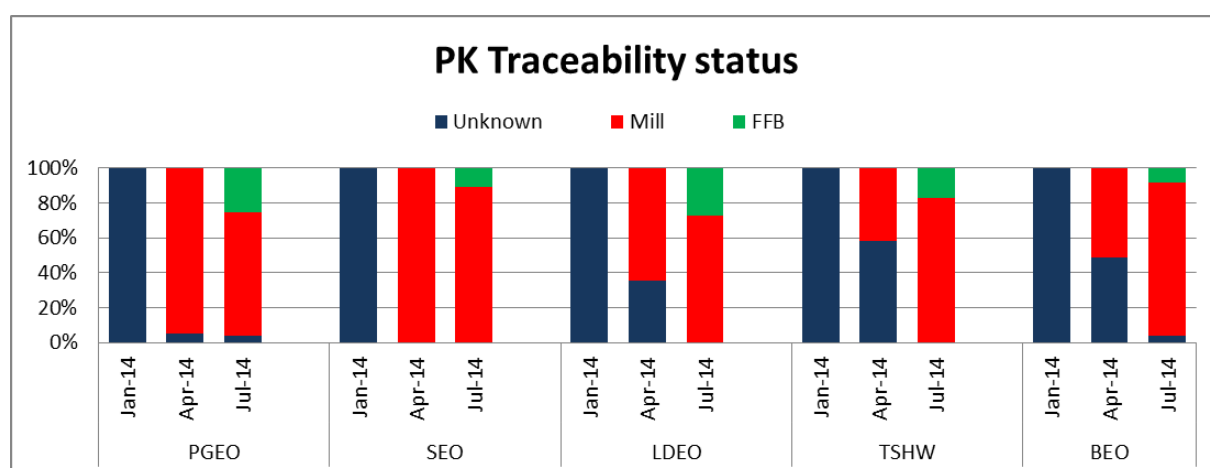
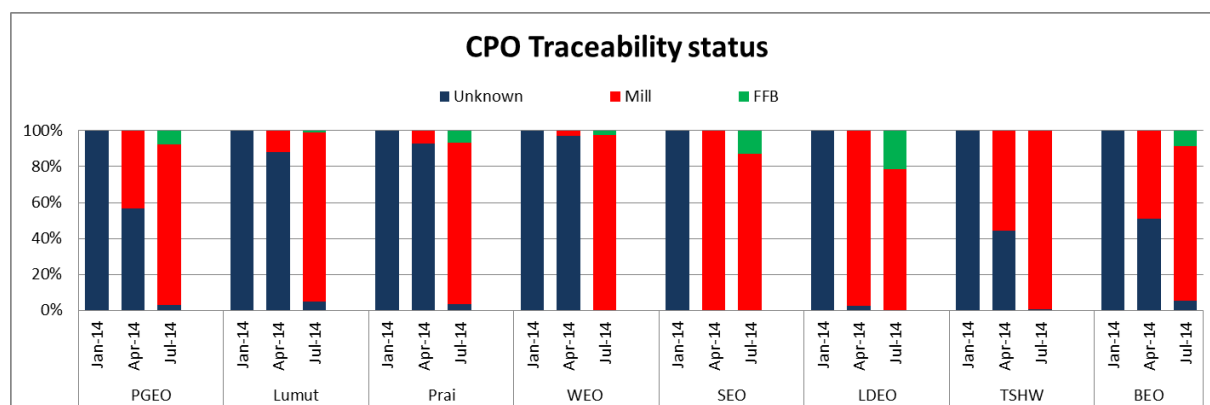
Internal activity

Capacity Building

Wilmar has taken steps to increase HCS/HCV capacity in Malaysia and Nigeria, and are pushing ahead with further recruitment including personnel to manage the grievance procedures in Singapore.

Supply Chain Mapping

Wilmar has made good progress improving the traceability of its palm oil supplies. At each refinery in Malaysia, 95% of Crude Palm Oil (CPO) and Palm Kernel (PK) supplies are traceable to at least the mill, and an increasing proportion is traceable to plantations.



To qualify as 'traceable to mill', data must be available on the mill name, parent company (if any), address and GPS coordinates, and the quantity of product supplied during the 2013 calendar year.

Data on traceability back to plantations is largely sourced from Wilmar-owned plantations and RSPO certified plantations. Wilmar is starting to work with third-party mills to obtain data on their suppliers including plantations, small growers and smallholders. There are significant challenges associated with the latter categories given the large numbers involved and also the common use of 'agents' who collect FFB from multiple smallholders. Wilmar is working on ways to overcome these challenges.

Wilmar is currently focusing on key refineries to increase traceability and assess compliance with its policy commitments. Our Q3 progress report will provide an update on data for Malaysia and Indonesia refineries, as well as further information on risk assessments of mills and their supply base to evaluate compliance.

II) Policy Commitment Progress

This section highlights Wilmar's progress and activities related to each of its Policy commitments set out on 5 December 2013. The focus in this early stage remains on avoiding deforestation and development on peat, although there is also considerable work being undertaken on social issues wherever and whenever these have been identified.

No Deforestation

No development of High Carbon Stock (HCS) forests or High Conservation Value (HCV) areas; no burning; progressively reduce greenhouse gas emissions on plantations.

- HCS assessments on Wilmar's operations
 - i. The HCS process at PT WINA in Balikpapan, East Kalimantan that began in Q1 has been completed and the results will be reported back to the community at a public meeting in August.

In the meantime, the RSPO informed that they have reviewed the case of PT WINA and is satisfied that Wilmar has undertaken positive action to address the issue; and as such is recommending that the case be closed for further monitoring.

- ii. A HCS field assessment in Nigeria is almost completed and the land use planning exercise will be completed in August.

No Exploitation of People and Local Communities

Respect the Universal Declaration of Human Rights and workers' rights; facilitate smallholder involvement; respect indigenous and local communities' rights; resolve grievances through consultation.

- **Wilmar's Operations**

- i. A site visit by TFT to PT Citra Riau Sarana (CRS) III, a Wilmar mill in Sumatra, included visits to its oil palm estates and plasma smallholders, to assess the alignment of operations with Wilmar's Policy. The assessment also included third-party suppliers and agents (collecting from smallholders). The site was selected partly due to previous issues with FFB sourced from the Tesso Nilo National Park, and to ensure procedures are in place to prevent this from occurring. Apart from one minor concern, there is no evidence of any social or exploitation issues.
- ii. A TFT social and environmental team met with representatives from local communities and NGOs at a site near Balikpapan. Their concerns have been noted and recommendations have been made to Wilmar. Responding to one of the key requests, Wilmar will hold a public meeting at a local village in late August to report back on all the studies conducted on-site to date, including HCV, HCS, social and biodiversity, as well as to discuss the next steps.

- **Third-party Suppliers**

Following a social conflict incident in Sumatra, Wilmar has engaged with the parent company (Palm Oil Group) to understand the case and make recommendations on how they can address some of the issues. As a result of the Group's positive actions, Wilmar has now recommenced purchases from the Group.

III) Next Steps

Dashboard

The Dashboard is a key focus of the coming quarter to enhance transparency. The Dashboard will provide a summary of progress against the key Policy commitments including data on traceability, progress with grievances and details of Policy implementation.

Grievance Procedure

The drafting of the grievance procedure is underway; and will be released in Q3 and will be followed by public reporting of all grievances on the Dashboard.

Strengthen Engagement with NGOs

There will also be increased emphasis on working with NGOs to improve dialogue and understanding the intent to work towards finding mutually acceptable solutions to issues identified.