



## **Wilmar's No Deforestation, No Peat, No Exploitation Policy Fourth update report: 1 October – 31 December 2014**

### **Introduction**

This fourth quarterly report is produced by Wilmar and The Forest Trust (TFT) and is organised into two parts:

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

The fourth quarter has seen consolidation of the progress made on traceability with data now compiled for all major palm oil sourcing geographies. It also marked the completion of the substantive phase of supplier engagement with a final meeting of key suppliers in Indonesia.

During the quarter Wilmar also moved to expand the smallholder support programmes previously established in Malaysia through co-operation with the Indonesian Oil Palm Smallholders Union.

### **1) Engagement and supply chain mapping Supply Chain Mapping - Traceability**

Further progress was made on the traceability analysis and summary data with traceability now measured across Malaysia, Indonesia, Europe, India, Bangladesh, China and Nigeria.

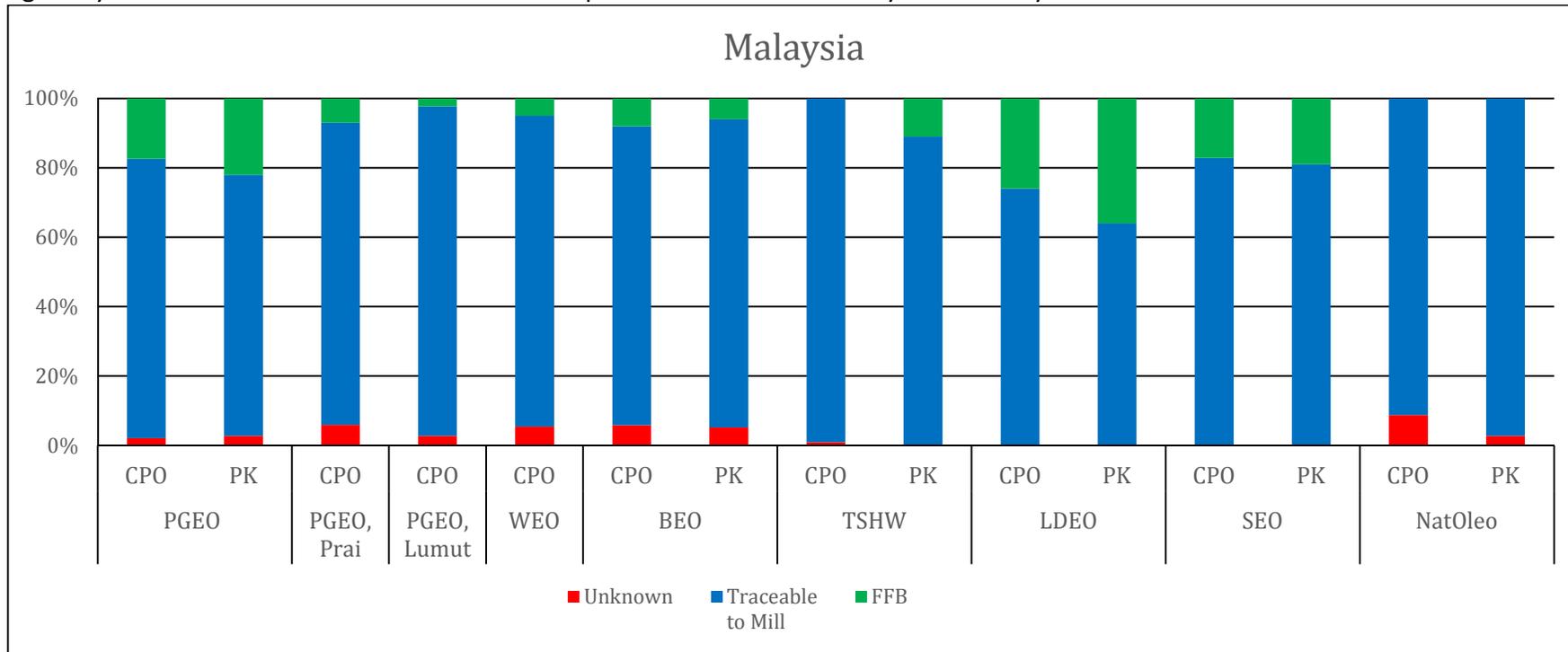
In all the traceability work the emphasis is on identifying details of the mills. The locations of the mills are required to conduct an assessment of the potential risk in relation to forest reserves, peat soils, deforestation events and other environmental and social factors. This helps identify priorities for supplier engagement to discuss the Policy and its implications with mill owners and their fresh fruit bunches (FFB) suppliers. The objective remains to encourage transformation throughout the industry; and while traceability is a component of this, it is not an end in itself.

The charts below illustrate traceability data tabulated at the respective countries:

- 1) Malaysia and Indonesia: calculations are based on volumes received from individual mills and inter-refinery transfers during the calendar year period January – September 2014;
- 2) Europe, India, Bangladesh, China and Nigeria: calculations are based on shipment volumes received at respective destinations during the calendar year period January – September 2014.

## Malaysia

Eight key Wilmar refineries and one oleochemical plant have now been analysed in Malaysia as follows:



## LEGEND

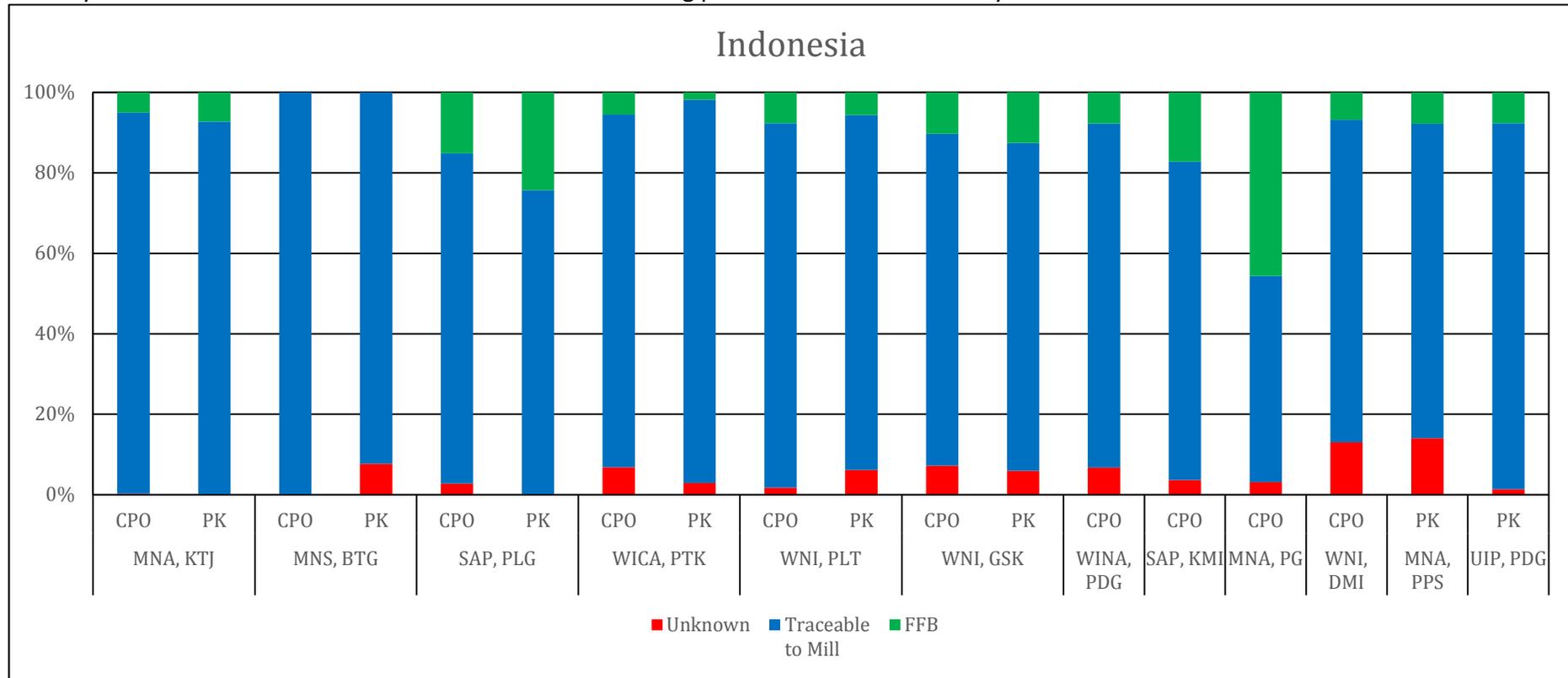
Refinery	Code
PGEO Edible Oils Sdn Bhd, Pasir Gudang	PGEO
PGEO (Prai Division)Edible Oils Sdn Bhd, Prai	PGEO, Prai
PGEO (Lumut Division)Edible Oils Sdn Bhd, Lumut	PGEO, Lumut
Wilmar Edible Oils Sdn Bhd, Butterworth	WEO

Refinery	Code
Bintulu Edible Oils Sdn Bhd, Bintulu	BEO
TSH-Wilmar Sdn Bhd, Kunak	TSHW
Lahad Datu Edible Oils Sdn Bhd, Lahad Datu	LDEO
Sandakan Edible Oils Sdn Bhd, Sandakan	SEO
Natural Oleochemicals Sdn Bhd, Pasir Gudang	NatOleo

In total, there are four million tonnes of crude palm oil (CPO) and 0.7 million tonnes of palm kernels (PK) entering Malaysian refineries that are traceable at least to mills

## Indonesia

Ten key Wilmar refineries and two stand-alone kernel crushing plants have now been analysed in Indonesia as follows:



### LEGEND

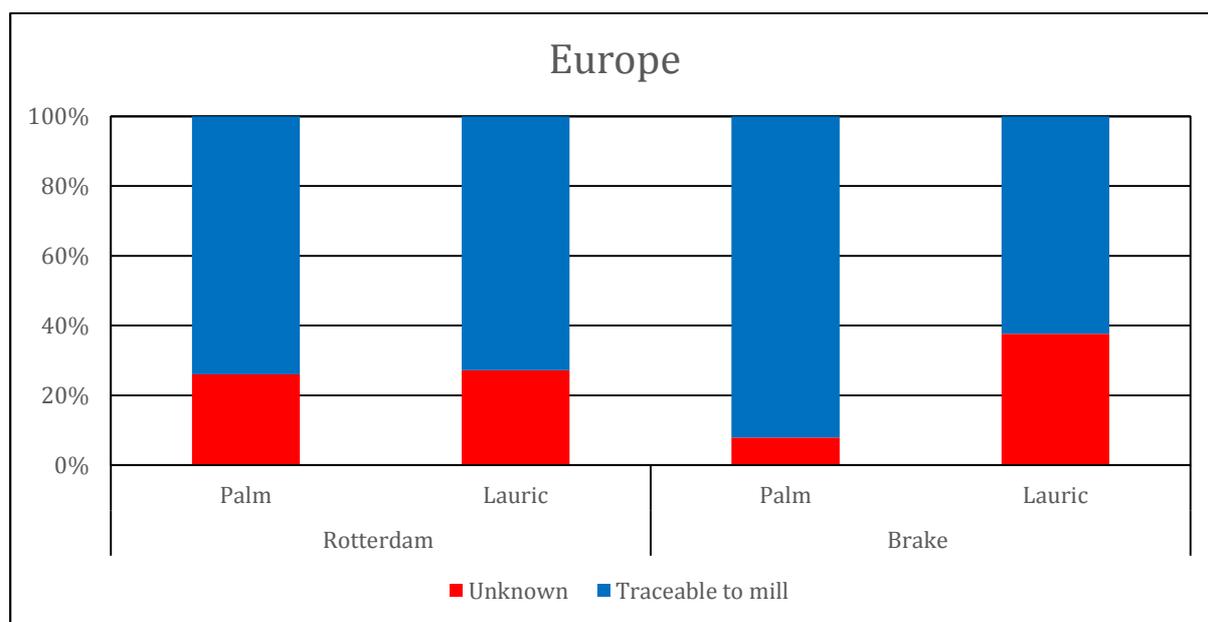
Refinery	Code
PT Multimas Nabati Asahan, Kuala Tanjung	MNA, KTJ
PT Multimas Nabati Sulawesi, Bitung	MNS, BTG
PT Sinar Alam Permai, Palembang	SAP, PLG
PT Wilmar Cahaya Kalbar, Pontianak	WICA, PTK
PT Wilmar Nabati Indonesia, Pelintung	WNI, PLT
PT Wilmar Nabati Indonesia, Gresik	WNI, GSK

Refinery	Code
PT Wilmar Nabati Indonesia, Padang	WINA, PDG
PT Sinar Alam Permai, Kumai	SAP, KMI
PT Multimas Nabati Asahan, Pulo Gadung	MNA, PG
PT Wilmar Nabati Indonesia, Dumai	WNI, DMI
PT Multimas Nabati Asahan, Paya Pasir	MNA, PPS
PT Usaha Indah Persada, Padang	UIP, PDG

Overall there are seven million tonnes of CPO and 1.5 million tonnes of PK entering Indonesian facilities that are traceable at least to mill.

## Europe

The two refineries at Brake, Germany and Rotterdam in the Netherlands, source most of their palm oil (PO) and PK based products from Malaysia, Indonesia, Papua New Guinea and Latin America. For all volumes arriving at these refineries, traceability results are demonstrated in the below chart\*. The Group has implemented appropriate processes to increase visibility over the mills in the European supply chain. One such initiative involves creating transparency through to the origin of volumes received from the CPO CIF Rotterdam paper trade market which is expected to result in future improvements to transparency and traceability results.

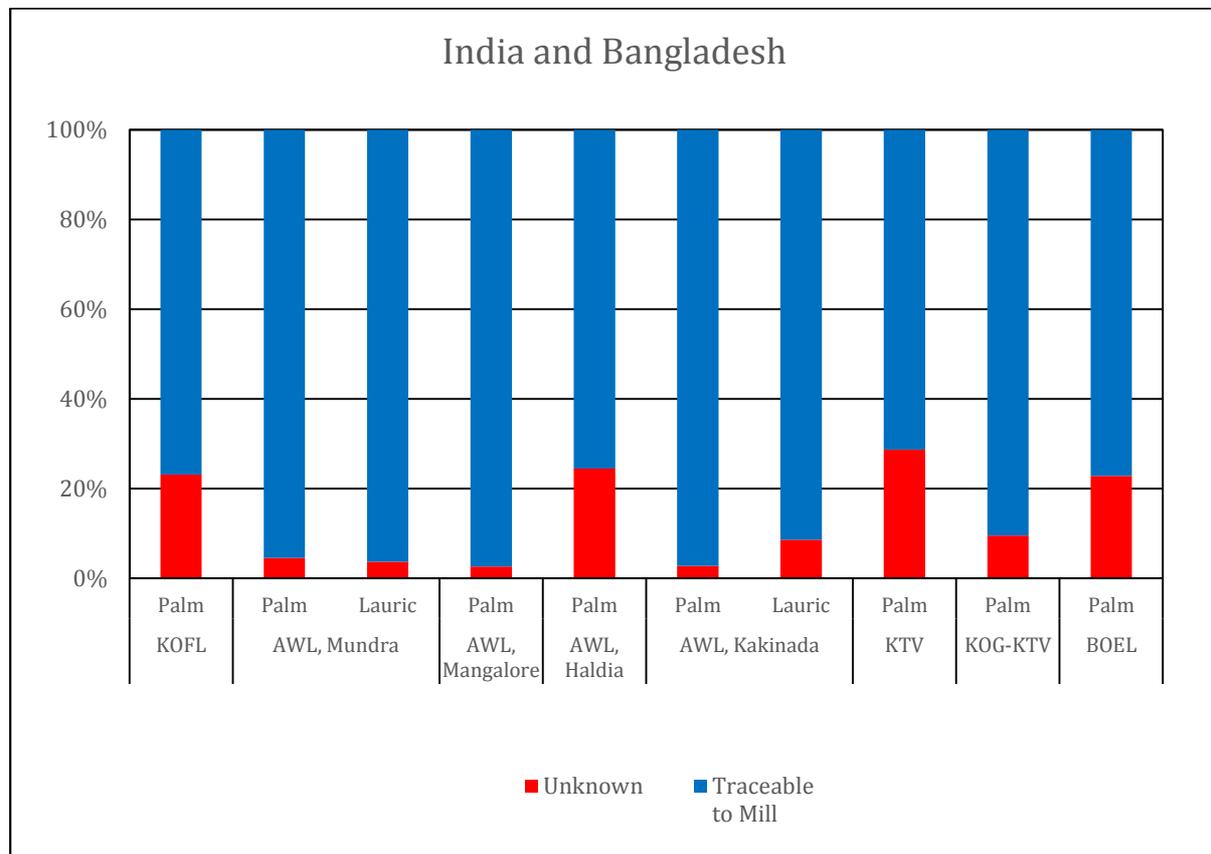


*\* Figures are inclusive of all arrivals at Rotterdam and Brake. Traceability figures used for Wilmar Indonesia and Malaysia's own shipments are based on Jan-Sept 2014 figures.*

Overall there are over 500,000 tonnes of palm and lauric products from these Wilmar Europe refineries for which we have identified the supplying mills.

## India and Bangladesh

Out of eight refineries in India, seven supply PO and PK products and one processes only soft oils\*. Bangladesh (Bangladesh Edible Oils - BOEL) supplies a small amount of PO products. Attaining traceability to the supplying mill has been largely successful for all refineries which source most of their PO and PK based products from Malaysia and Indonesia\*\*.



\* Soft oil is not part of this reporting, hence mention of refinery processing soft oils has been omitted in this report.

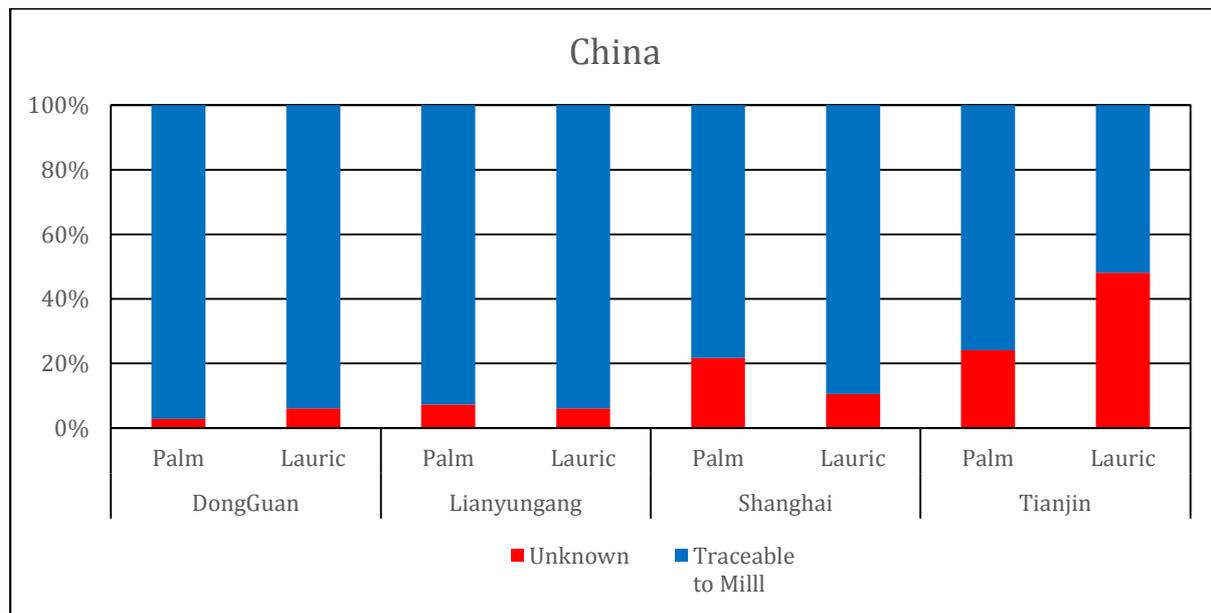
\*\*Traceability figures used for Wilmar Indonesia and Malaysia's own shipments are based on Jan – Sept 2014 figures.

## LEGEND

Refinery	Code
Krishnapattinam Oils and Fats Pvt Ltd , Krishnapattinam	KOFL
Adani Wilmar Limited, Mundra	AWL, Mundra
Adani Wilmar Limited, Mangalore	AWL, Mangalore
Adani Wilmar Limited, Haldia	AWL, Haldia
Adani Wilmar Limited, Kakinada	AWL, Kakinada
KTV Health Food Pvt Ltd, Chennai	KTV
KOG - KTV Foodstuffs (I) Pvt Ltd, Tuticoron	KOG-KTV
Bangladesh Edible Oils	BOEL

## China

A total of four oleochemical plants have now been analysed in China:



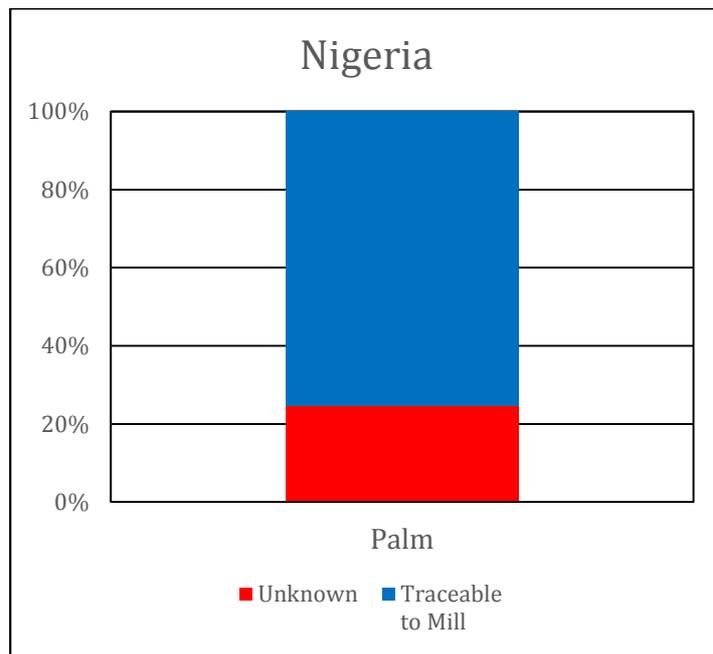
## LEGEND

Refinery	Code
Wilmar Oleochemical (DongGuan) Co., Ltd	DongGuan
Wilmar Oleochemical (Lianyungang) Co., Ltd	Lianyungang
Wilmar Oleochemical (Shanghai) Co., Ltd	Shanghai
Wilmar Oleochemical (Tianjin) Co., Ltd	Tianjin

In line with our third quarterly update report, we expressed ongoing works in regards to traceability for our China market. During the fourth quarter of 2014, we progressed with collection of traceability information for our refineries in China, starting with four oleochemical plants. At this stage we are not yet able to show data pertaining to other palm processing plants. As many in the industry know, China maintains a specific market dynamics that makes attaining clear data on traceability challenging. Wilmar recognises this and is working through these issues progressively, and hopes to be able to show increasing levels of information in time to come.

## **Nigeria**

The PZ Wilmar refinery in Nigeria, Africa, has now been analysed:



## **Engagement**

The quarter marked the completion of the substantive phase of supplier engagement with a final meeting of key suppliers in Indonesia as a side event to the Indonesian Palm Oil Conference (IPOC) in Bandung. Wilmar met with key Indonesian suppliers and plantation company managers to communicate its Policy and explain implementation of its No Deforestation, No Peat, and No Exploitation commitments, and also invited one of its suppliers who had conducted high carbon stock (HCS) forest assessments to share its experience of the exercise, including opportunities and challenges. Although this sees our initial rounds of engagements concluded, Wilmar is maintaining a very high level of engagement with many of its suppliers to support them address challenges in achieving full compliance of its Policy.

## **Dashboard**

Wilmar continued to develop its dashboard during Q4 towards the official launch planned for January 2015. During December 2014, the Group continued working on content development to provide meaningful information on Wilmar's Policy implementation journey, while simultaneously testing the functionality of the dashboard. Some of the key features of this Dashboard will include information on Certification Progress, Traceability and Supply Chain, as well as the Grievance Procedure. The Group's Grievance Procedure was also formulated during the quarter and further updates can be found on the dashboard under the Grievance Procedure section.

In January Wilmar will be providing details via its website pertaining to how the dashboard can be accessed and what information would be required from stakeholders and interested parties to gain access to the site.

### **Transparency to transformation**

In Sabah, Malaysia, Wilmar and TFT visited seven mills and a sample of their FFB suppliers that are in the supply chain feeding the Sandakan Edible Oils refinery. A report summarising issues and solutions is in preparation and will be discussed with the participating companies early in Q1 2015. A range of items have been identified that can help the mills work with their FFB suppliers to adopt responsible practices. Feedback will be sought from these companies before conducting workshops with the wider industry in East Malaysia to clarify Wilmar expectations and explain what assistance is available to them.

In North Sumatra, Indonesia, a desktop process has been undertaken on the mills supplying Kuala Tanjung refinery in order to identify priority companies for engagement and visits in Q1 2015. As in Sandakan, the target is to visit a minimum of 10% of the mills.

## **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 toolkit and training**

A second HCS workshop held to further socialise and explain the HCS concept and methodology for consultants interested in supporting Wilmar suppliers to conduct HCS assessments. The purpose of the HCS workshop was: to share details of the HCS Methodology and discuss experiences from application of the HCS methodology.

The first draft of the HCS toolkit was completed during the quarter and distributed to stakeholders through the newly formed HCS steering committee for review and comment. Once the review is completed the toolkit will be widely distributed which will allow TFT or other qualified parties to train more service providers in order to help meet the increasing demand for such services.

### **GHG Emissions**

Wilmar is committed to reducing greenhouse gas (GHG) emissions associated with its supply chain and has been working actively within the RSPO's GHG working groups since 2008 to address GHG emissions from mills and plantations. One of the major outcomes of the initial

process was the development of the Palm GHG calculator, a tool developed in collaboration with scientists and stakeholders to assist palm oil producers in quantifying GHG emissions from palm oil mills and plantations. Wilmar has since been active in the RSPO Emission Reduction Working Group (ERWG). A pilot programme was launched in March 2014 to review the functionality of the proposed new version of the PalmGHG calculator. To that end, Wilmar participated and submitted data for the pilot study and completed calculations for all Wilmar mills in Sabah and Sarawak in Q4 of 2014 using the new version V2.0.1.

Apart from land use, palm oil mill effluent (POME) is the largest GHG emitter in the production of palm oil. To reduce emissions from POME, we have installed methane capture facilities at six of our mills in Malaysia and Indonesia with a further nine currently under construction. Locations of these methane capture plants are shown below.

The six facilities with operational methane capture plants are:

1. PT Multimas Nabati Asahan (North Sumatera)
2. PT Milano Pinang Awan (North Sumatera)
3. PT Murini Sam-Sam Palm Oil Mill (POM) 2 (Pelintung)
4. PT Mustika Sembuluh POM 1 (Central Kalimantan)
5. Sapi Palm Oil Mill (Sandakan)
6. Saremas Palm Oil Mill 1 (Miri-Bintulu)

The nine methane capture plants under construction are:

1. PT Musi Banyuasin Indah (South Sumatera)
2. PT Tania Selatan (South Sumatera)
3. PT Buluh Cawang Plantation (South Sumatera)
4. PT Mustika Sembuluh POM 2 (Central Kalimantan)
5. PT Kerry Sawit POM 1 (Central Kalimantan)
6. PT Kerry Sawit POM 2 (Central Kalimantan)
7. PT Bumi Sawit Kencana (Central Kalimantan)
8. Terusan Palm Oil Mill (Sandakan)
9. Saremas Palm Oil Mill 2 (Miri-Bintulu)

### **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.*

### **Smallholders**

As part of Wilmar's commitment to facilitate the inclusion of independent smallholders into the supply chain, Wilmar begun discussions with the Indonesian Oil Palm Smallholders Union (SPKS) regarding technical assistance and support to smallholders to help them achieve rapid compliance with the Policy. Work is proposed to commence in Riau, with SPKS commencing independent mapping of potential smallholders for the collaboration in locations associated with two Wilmar mills. SPKS is an experienced civil society organisation

working to empower independent oil palm smallholders with a presence in 5 provinces of Indonesia: Riau, Jambi, North Sumatera, West Kalimantan and East Kalimantan.

### ***Social Impact Assessment Balikpapan***

Wilmar continues to work on addressing conservation issues concerning the Wilmar subsidiary PT WINA in Balikpapan Bay, East Kalimantan, Indonesia. In order to better understand the concerns of the local community a social impact assessment was commenced in early October 2014, in cooperation with local stakeholders represented by the NGOs *Sentra Program Pemberdayaan dan Kemitraan Lingkungan* (STABIL), *Wahana Pencinta Peduli Laut Indonesia* (WAPPELA), *Forum Masyarakat Lingkungan* (FORMALIN) and activists concerned with the preservation of the environment around Balikpapan bay. The Social Impact Assessment was implemented in four villages with community views canvassed through interviews of 100 people and focus group discussions involving a further 120 people. The process allowed Wilmar to directly hear the concerns of the community regarding their livelihoods of fishermen in relation to the operations of PT WINA. The draft report is scheduled to be distributed for Public Consultation in the third week of January.

### **Grievance Procedure**

The Grievance Procedure was drafted and initial cases were logged in December 2014. A list of grievances will be published on the Dashboard. Initially the list will be small, but may be expanded as Wilmar transparently logs more cases as they come along to better inform all concerned parties.

As part of the Grievance Procedure development a targeted group of civil society organisations were provided a preliminary draft of the procedure so that they could provide input and comment. Wilmar was grateful for the input and has incorporated a range of the suggested feedback. Other recommendations are being further considered, especially from the perspective of how practically Wilmar can implement such recommendations. Wilmar will make the procedure public in January 2015 and will remain open to input and continuous improvement. It will be through the application of the procedure in practice that we will be better able to determine its effectiveness and areas that may require adjustments.

A grievance was logged by Rainforest Action Network (RAN) during the quarter in regards to the Leuser Ecosystem in Northern Sumatra. Initial discussions were held with RAN to clarify some details of their report and open a dialogue toward the aim of further information sharing. In order to address the concerns raised by RAN, Wilmar and TFT completed a risk assessment of the supply chain in Northern Sumatra and Aceh and a legal review to better understand the risks, issues and challenges associated with suppliers operating in the vicinity of the Leuser Ecosystem. Dialogues with 'at risk' suppliers have already commenced and the risk assessment results will be used to allow field assessments of those suppliers with the aim of achieving full compliance with Wilmar's Integrated Policy. Key to this process will be the strengthening of FFB procurement procedures of mills in the region.

Stakeholders with grievance issues can write in to [grievance\\_procedure@wilmar.com.sg](mailto:grievance_procedure@wilmar.com.sg)

## **Latin America**

Wilmar's supply chain in Latin America currently involves five countries in Central and South America: Brazil, Colombia, Ecuador, Guatemala, and Honduras. To date, 34 palm oil mills have been identified in the Latin American supply chain. Accordingly, a literature review was undertaken to identify the main social and environmental risks of palm oil production documented in these countries. Oil palm expansion is ongoing in each of the Latin American countries from which Wilmar currently sources and the review reveals that these countries present a number of the social and environmental risks commonly found in other production regions, as well as some circumstances specific to the particular regional or national contexts, including rural zones of armed conflict, areas in post-war recovery, the presence or involvement of drug trafficking organizations, and displaced civilian populations.

Following the high-level review of social and environmental risks in each country carried out in Q4, a plan is underway to begin a Desktop Risk Assessment of the palm oil mills identified in the region. This will involve a spatial analysis of risk issues, including deforestation, and desktop research and due diligence on specific producer companies and mills. The outcome will be a prioritization of high risk mills that may require field assessments to ascertain their compliance with Wilmar's palm oil policy.

## **Nigeria/Uganda**

In November TFT visited the Wilmar operations in Calabar, Cross River State Nigeria. TFT met with management to discuss the Wilmar Policy implementation and also socialized the Policy to various stakeholders. A HCS assessment was completed in the Ibiae greenfield. A community liaison Manager and four community liaison officers were established and TFT conducted a FPIC workshop with the Wilmar social teams. Two traceability assessments were also undertaken in Côte d'Ivoire, Ivory Coast.

In Uganda, the Wilmar Policy was socialised to all managers and key staff. TFT engaged with Friends of the Earth Uganda and carried out a field visit to help them better understand relevant challenges. Wilmar socialized the Policy to smallholder representatives and visited smallholders' expansion areas in order to begin an assessment of how the Policy can be adapted to their context. TFT provided tools to improve grievance resolution and a recruitment process was also initiated to hire dedicated resources to manage grievances. TFT also visited the Bidco refinery to collect information regarding CPO sourcing.

## **III) Next steps**

The first quarter of 2015 will see a shift to an environment of increased transparency with the dashboard being made available to all stakeholders and traceability data widely available.

Engagement with NGOs and community groups will be a key focus of the quarter with the aim of establishing relationships that facilitate information-sharing and the development of

mutually-acceptable solutions to key industry issues. Particular focus will be given to addressing the challenges that smallholders face in the supply chain.

Wilmar will continue to engage directly with suppliers who are willing to work toward solutions that help achieve Policy compliance.