

An aerial photograph of a vast, dense palm oil plantation. The palm trees are arranged in a regular, grid-like pattern, creating a textured green surface. A narrow, light-colored road or path runs vertically through the center of the image. A small, dark-colored vehicle is visible on this road, providing a sense of scale to the massive plantation.

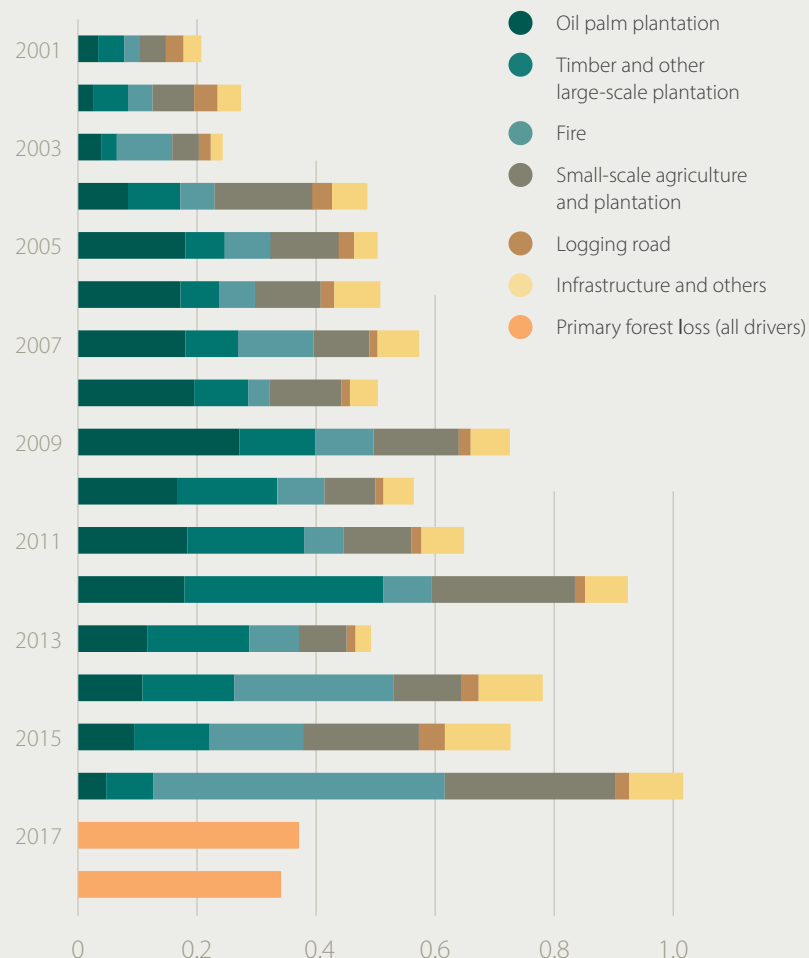
# DEFORESTATION-FREE PALM OIL: **OUR PLEDGE, OUR PROGRESS**

NOVEMBER 2020 UPDATE





## Annual Primary Forest Loss Area by Disturbance 2001-2016 in Million Hectares



### SOURCE

For 2001–16, Austin, K. G., Schwantes, A., Gu, Y., & Kasibhatla, P. S. (2019). What causes deforestation in Indonesia? *Environmental Research Letters*, 14(2), 024007; For 2017 and 2018 data, Hansen, M. C., Potapov, P. V., Moore, R., Hancher, M., Turubanova, S. A., Tyukavina, A. et al. (2013). Tree Cover Loss (Hansen/UMD/Google/USGS/NASA). Global Forest Watch database.

## DEFORESTATION-FREE PALM OIL

# OUR PLEDGE, OUR PROGRESS

At Wilmar, we are committed to putting sustainable practices at the heart of our business. In collaboration with other industry players, consumer goods companies and non-governmental organisations (NGOs), we are working to ensure our supply chain is geared towards the sustainable production and sourcing of palm oil, in line with our No Deforestation, No Peat, No Exploitation (NDPE) policy. The following update reports on the progress we have made so far, the challenges we continue to face, and how we aim to keep our momentum in the months ahead.

In recent years, the palm oil industry has significantly enhanced its sustainability credentials. In 2017 and 2018, deforestation in Indonesia reduced by more than 30% compared to the average annual loss rates from 2002-2016<sup>1</sup>, with more than 6.4 million hectares of forest estimated to have been spared from oil palm development<sup>2</sup>. Companies with NDPE commitments currently account for 74% of the combined refining capacities in Indonesia and Malaysia; a sure sign that a growing number of industry players are committed to transformation, despite multiple challenges and a raft of criticism.

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1. NYDF Assessment Partners. (2019). Protecting and Restoring Forests: A Story of Large Commitments yet Limited Progress. New York Declaration on Forests Five-Year Assessment Report. Climate Focus (coordinator and editor). Accessible at [forestdeclaration.org](https://forestdeclaration.org).

2. '28 Percent of Indonesia's Palm Oil Landbank Is Stranded'. Chain Reaction Research, 9 July 2019, <https://chainreactionresearch.com/report/28-percent-of-indonesias-palm-oil-landbank-is-stranded/> Accessed 18 February 2020.



In 2017, the European Parliament issued a resolution to phase out and eventually ban biofuels made from palm oil. Although the proposed ban would likely reduce demand for palm oil, there is little evidence to suggest it would stop deforestation. In fact, studies have shown that it could actually do far more environmental harm than good; a 2018 report by the International Union for the Conservation of Nature (IUCN) concluded that boycotting palm oil would most likely displace rather than halt global biodiversity losses<sup>3</sup>. Wilmar is rethinking the way palm oil production and consumption is managed; by working together to raise standards at every link in the supply chain, we are ensuring sustainability from farm to fork and mitigating the negative impacts of palm oil production.

When grown correctly, oil palm can be one of the world's most successful and sustainable agricultural crop. Per hectare, it offers a higher yield than any other oil crop, while also bringing improved employment opportunities and development to rural areas. Cultivating oil palm sustainably is neither difficult nor costly, provided there is synergy between stakeholders, plantations, refiners, consumers, bankers, institutional investors, governments and NGOs.

At Wilmar, we strive to be the catalyst for this collaboration. With a combination of satellite monitoring and grievance reporting, we ensure there is compliance with our NDPE policy at multiple levels, while holding the industry to higher standards of accountability. We believe in leading by example, which is why we implemented standard operating procedures in our own operations first, while also encouraging smallholders within our network to participate in relevant certification schemes.

Further afield in our supply network, we use our refineries as central hubs for engaging, assessing and enhancing supplier performance. Beyond our direct supplier mills, the scope of our NDPE policy extends to group-level oil palm plantations owned by companies with which we do business.

In spite of these marked improvements, there remains work to be done and challenges to be overcome.

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



# OUR OBJECTIVES

As part of our pledge to ensure our palm oil production is sustainable, we have set out to deliver the following:



**NDPE POLICY ENFORCEMENT  
AMONG SUPPLIERS**



**GROUP-LEVEL MAPPING  
OF ALL SUPPLIERS**



**ADDRESS DEFORESTATION AND PEAT  
DEVELOPMENT NON-COMPLIANCE  
THROUGH RECOVERY PLANS**



**SUPPORT OF SMALLHOLDERS**



**REGULAR PUBLIC REPORTING  
ON OUR PROGRESS**

**Our ultimate goal is  
to delink our supply chain  
from deforestation, peatland  
conversion and social conflicts.**

# MONITORING, REPORTING AND REMEDIATION: THREE PILLARS OF PROGRESS

## Wilmar's Deforestation-Free Approach



**Towards 100% Deforestation-Free ►**

### KEY PROGRAMMES



**Satellite Monitoring**



**Supplier Compliance**



**Grievance**

### DELIVERY METHODS

Supplier Group Compliance Programme (SGCP) and Radar Monitoring Technology to Detect Deforestation (RADD) platform

Commitment to NDPE

Traceability to mill

Assessing suppliers through Supplier Reporting Tool

NDPE Implementation Reporting Framework

Suspend first

Supplier re-entry criteria

To meet our commitment to 100% deforestation-free palm oil, Wilmar is taking a three-pronged approach:

**1. Satellite Monitoring:** In December 2013, Wilmar launched the Supplier Group Compliance Programme (SGCP). Delivered by Aidenvironment Asia (now known as Earthqualizer), this programme forms part of our full supplier compliance verification framework and is complemented by our Supplier Reporting Tool (SRT) and grievance mechanism (see below). SGCP helps us to identify deforestation through the monitoring of all concession areas within

a supplier group. It provides deforestation and fire alerts linked directly to the concessions and companies responsible for them, enabling us to confirm and act upon non-compliance occurring within our supply chain; once an alert is received, the grievance process is triggered.

In addition to the SGCP, in October 2019, Wilmar joined nine other palm oil producers and buyers to support and fund the development of a new, publicly available, radar-based forest monitoring system known as Radar Alerts for Detecting Deforestation (RADD).





**2. Supplier Compliance:** Our NDPE policy applies to all third-party suppliers at group level, with no exceptions. In an industry first, we have also made the complete list of our supplying mills available on our [Sustainability Dashboard](#). To date, we have completed formal engagements with all group-level palm oil suppliers.

**3. Grievance Mechanism:** We also set a new benchmark for transparency and accountability by implementing a [Grievance Procedure](#) to address concerns raised by stakeholders, with

timely and public updates on developments. Wilmar implements a 'suspend first' approach for suppliers at the group level. Effective 1 January 2019, suppliers involved in verified cases of deforestation and/or new development on peatland face immediate suspension. For past instances of non-compliance in which suppliers have been suspended, Recovery Plans are required to have a cut-off date of 31 December 2015; this ensures that any supplier attempting to re-enter our supply chain must adhere to the requirements of Wilmar's [re-entry criteria](#)<sup>4</sup>.

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4. Finalising re-engagement protocols was one of the targets previously included in the [second joint statement update](#) from June 2019. At that stage, completion of these criteria was 'in progress', pending the results of a field test conducted by a working group (WG). However, this group has since been disbanded, so Wilmar decided to publish its own re-entry criteria. With these requirements now established, suspension protocols and re-entry requirements for Wilmar suppliers are clearly identified.

On 24 September 2020, in response to feedback received from stakeholders as part of the June 2019 Grievance Procedure update, Wilmar officially launched the No Exploitation Protocol. Designed to support the existing Grievance Procedure, the new protocol cover non-compliance relating to land rights and the rights of workers, communities and indigenous peoples. These new directives support Wilmar's suppliers in taking corrective actions, undertaking remediation, addressing systemic change and reporting on progress. They have been developed alongside the Consortium of Resource Experts (CORE) within a working group comprising local and international NGOs, human rights groups and leading experts in labour and land rights such as Verité, Landesa and Earthworm Foundation.

# IRF: DELIVERING NDPE COMMITMENTS

Despite improvements in the transparency of supply chain activities and initiatives, there is still a need to measure and communicate NDPE progress more effectively to suppliers and stakeholders. To this end, in 2019 Wilmar became an active member of the Proforest-led NDPE Implementation Reporting Framework (IRF).

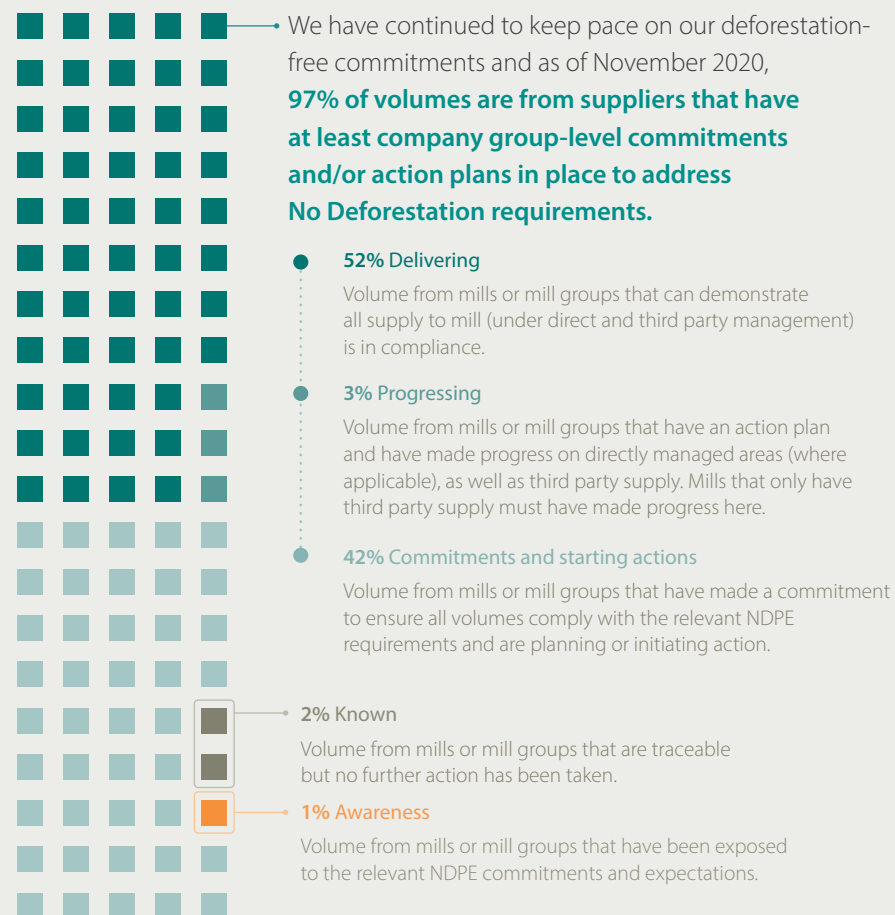
The tool involves the assessment and categorisation of supplier mills, evaluating their performance in relation to the three central pillars of our policy: Deforestation, Peat and Exploitation. This categorisation involves a wide range of data, from certification status<sup>5</sup> and grievances, to sourcing information, progress on own estates and third-party supply, monitoring and verification systems. Data collection for the IRF is supported by the SRT.

The IRF is proving to be a highly effective tool for understanding performance across the whole production base. It is helping Wilmar to report more broadly on progress with NDPE implementation, while providing detailed information that can serve as a basis for affirmative action on the ground. In cases where performance does not meet our standards, IRF data offers both a useful tool for improvement strategies and a metric for monitoring their implementation. For companies using the IRF, this is now a key resource for supporting progress.

To date, Wilmar has published [IRF Deforestation and Peat profiles](#) for all 23 origin refineries in Malaysia and Indonesia. Work is currently underway for destination refineries.

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5. RSPO and ISCC for Indonesia, Malaysia and LATAM; ISPO for Indonesia, MSPO for Malaysia.

## Progress of Deforestation-Free by Volumes (based on IRF reporting categories)

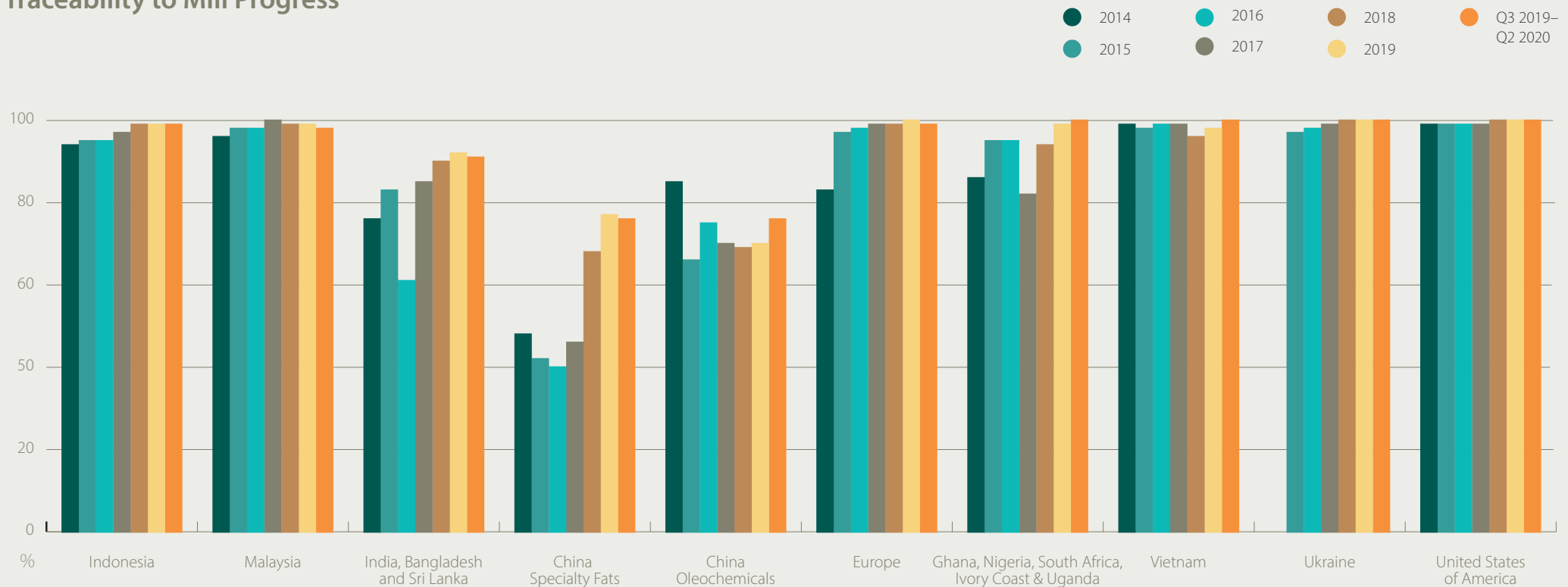


# SRT: RISK ASSESSMENT AND ASSISTANCE

As the world's largest palm oil trader and with third parties representing over 90% of our total supply base, we have both an opportunity and an obligation to lead our supply chain towards sustainable palm oil production. By tracing supply flows we are able to map our supply base, evaluate suppliers' performance against our NDPE policy, and engage with suppliers to drive continuous improvement. As of 30 June 2020, we have achieved 96%<sup>6</sup> traceability to mills.

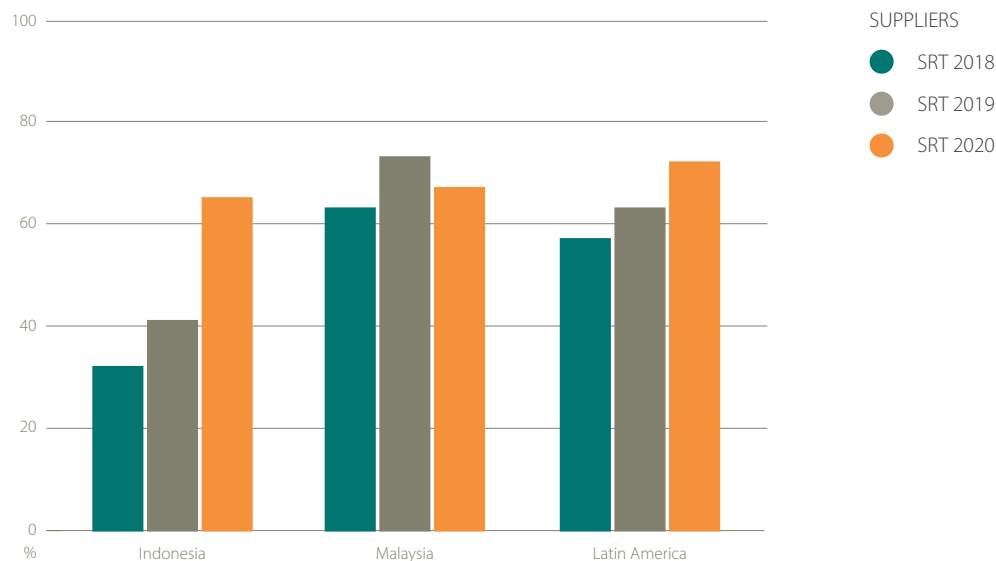
6. Based on the latest reports following the accounting period Q3 2019 - Q2 2020.

## Traceability to Mill Progress





## Published Supplier Reporting Tool (SRT)



In 2017, Wilmar developed and launched the Supplier Reporting Tool (SRT) to better assess our suppliers' progress and their implementation of our NDPE policy. Covering direct suppliers as well as Wilmar-owned mills, SRT is used to screen suppliers for environmental and social risks. This allows us to collate reports on specific NDPE-related criteria as reported by each supplier mill; based on these reports, we identify potential risks and provide assistance as required.

Risk assessment procedures involve analyses of SRT data in combination with mills' certification status, grievances and CORE's neighbourhood geospatial risk analysis. Those categorised with higher levels of risk, or 'high-priority' mills, then undergo site assessments and direct engagement as part of our NDPE policy implementation programmes. Since its launch in 2017, SRT has been rolled out to our suppliers in Indonesia, Malaysia, Honduras, Guatemala and Colombia.

## Wilmar's Suspend First Policy: A Look at the Numbers as of 30 September 2020

### 2.5 million hectares

of total oil palm plantations removed from our supply chain due to suspensions since 2015

### > 500 supplier groups

and more than 3,000 plantation units being monitored

### > 20 million hectares

of land covered by satellite monitoring in Indonesia, Malaysia, Papua New Guinea, Cambodia, Myanmar and Thailand

### 19 supplier groups

remain on our suspension list (managing 1.8 million hectares of oil palm plantations)

### 11 of 30 supplier groups

(managing 0.7 million hectares of oil palm plantations) met Wilmar's re-entry criteria (as of September 2020)

### 7 supplier groups

have been suspended since the introduction of our 'suspend first' approach

### 30 supplier groups

suspended since 2015

For SRT 2021, we expect to further improve our response rate, specifically targeting suppliers who have yet to participate to-date. In view of the current pandemic situation, which has limited our team's ability to conduct site assessment and verify SRT responses, we are exploring alternative solutions for remote assessment, which is likely to be informed by the 2020 SRT results and rolled out in H1 of 2021.



## The Amazon Soy Moratorium

In facing up to the challenge of raising standards for palm oil production in Asia, we are informed, instructed and inspired by similar efforts to reduce deforestation related to soy production in South America.

In Brazil, deforestation of the Amazon dropped by an estimated 80% between 2004 and the early 2010s, thanks to a combination of increased law enforcement, satellite monitoring, pressure from environmentalists, private and public sector initiatives, new protected areas and economic restructuring. These initiatives were coordinated under the 2006 Amazon Soy Moratorium (ASM); a landmark zero-deforestation agreement, in which 90% of companies voluntarily agreed not to buy soy grown on land within the Amazon biome deforested after 2006. The first of its kind in the tropics, the ASM had a huge impact on deforestation, offering a framework for other industries to follow.

However, the ASM story also illustrates the pitfalls of zero-deforestation agreements, underlining the centrality of multi-sector collaboration to their success. After the soy moratorium, many global soy traders simply moved their operations out of the Brazilian Amazon and into nearby areas, where deforestation could continue unabated. The ASM was also undermined by Brazil's shifting political climate, and the resulting will - or lack thereof - to enforce it. In January 2019, the new Brazilian administration changed policies on protections for the Amazon region, opening up the forest to extraction and logging contracts. Deforestation rates in the Brazilian Amazon have since re-escalated.

The ASM provides two very important lessons: that deforestation can be stopped, provided governments, industries, NGOs and communities work together; and that continued progress is only as robust as the unity of these groups. Cooperation is required to make changes, but a firm hand is also needed to ensure the problem of deforestation is resolved and not just relocated elsewhere. With that in mind, Wilmar is implementing a number of key strategies to monitor and enforce commitments to no-deforestation policy in Asia.





# CHALLENGES AND NEXT STEPS

The biggest challenge in creating a deforestation-free palm oil supply chain is the lack of industry-wide alignment on implementing market mechanisms on non-compliant companies.

While the Amazon Soy Moratorium (ASM) required all constituent companies to cease business relations with any growers found to have deforested after 22 July 2008<sup>7</sup>, the NDPE movement in the oil palm industry continues to take multiple approaches to the treatment of non-compliant suppliers by palm oil buyers. Disparities include deforestation cut-off dates, how suspensions are carried out, and the extent of the supplier group. This inconsistency presents a number of challenges, specifically:

- 1. The re-entry of suppliers who have been suspended.** Wilmar's 'suspend first' approach means that when deforestation has been identified and verified with the supplier, suspension is immediately enforced. Wilmar then works with the supplier to ensure action plans are put in place before potential consideration for re-entry. We urge industry-wide consistency with these protocols, so that suppliers suspended by one organization cannot redirect their oil into alternative supply chains where the requirements are not as strict.
- 2. The scope of suspensions for non-compliant suppliers.** This tends to vary from one company to another. Wilmar applies suspension at the supplier company group level; however, other companies may suspend at the mill level or apply controlled purchase approaches (i.e. staggered reduction of purchases over a period of time). This means that companies found to be in breach of no deforestation requirements can potentially still find routes into NDPE supply chains.



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<sup>7</sup> Abiove & Agrosatelite. (2019). Soy Moratorium. Monitoring Soy Crops in the Amazon Biome Using Satellite Images. Accessible at [abiove.org.br](http://abiove.org.br)

In addressing these challenges and to continue moving forward with our commitments towards ensuring a deforestation-free supply chain, Wilmar has taken a number of steps. These include:

- a. Wilmar's Group Definition has been aligned with the latest RSPO Group Membership Guidelines,** which take into consideration the Ultimate Beneficiary Owner when defining group ownership. This has broadened the scope of our suspensions process and provided a clearer framework for action with regards to non-compliant companies. Although this has helped standardise the scope of Wilmar's policy application, industry-wide adoption of the RSPO Group Membership guidelines is needed to ensure procedural consistency for those with NDPE commitments and the industry as a whole.
- b. Wilmar's re-entry requirements stipulate that Recovery Plans are put in place for deforestation or peat development after the cut-off date of 31 December 2015.** This is important because Recovery Plans provide an avenue for the recovery or restitution of deforestation occurring in the past, while also helping to stimulate the sustainable supply chain. However, the fact that not all companies require Recovery Plans means that the requirement has also dissuaded some suspended suppliers from re-entering Wilmar's supply chain, as they are able to sell elsewhere without recovery as a prerequisite.

Looking at the bigger picture, significant progress has been made in eliminating deforestation from the palm oil supply chain in Asia, though we must take these improvements a step further in the months ahead. Following the example of the ASM, unity and consistency in approach will be central to success. Through the innovations and initiatives outlined above, Wilmar continues to strive for a deforestation-free palm oil supply chain; with the support and synergy of other key players, we can deliver on this target.

