

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

MARCH 2020 UPDATE





DEFORESTATION-FREE PALM OIL:

OUR PLEDGE, OUR PROGRESS

In collaboration with other industry players, consumer goods companies and Non-Governmental Organisations (NGOs), Wilmar is committed to putting sustainable practices at the heart of our business. In December 2013, we committed to a No Deforestation, No Peat, No Exploitation (NDPE) policy in the production and sourcing of palm oil, which extends to our entire supply chain.

In December 2018, Wilmar banded together with Unilever, Mondelez International and Aidenvironment Asia (as of December 2019 known as Earth Equalizer) to deliver a new commitments for the responsible sourcing and production of palm oil. The new commitments are enshrined in a [Joint Statement](#), outlining a number of measures that positions Wilmar at the vanguard of sustainable palm oil production and sourcing.

Building on the assertive targets set within the Joint Statement in 2018, Wilmar is now continuing our progress towards sustainable practices through a reporting process entitled **Deforestation-Free Palm Oil: Our Pledge, Our Progress**.

This update reports on progress of our commitment to remove deforestation from our supply chain.

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

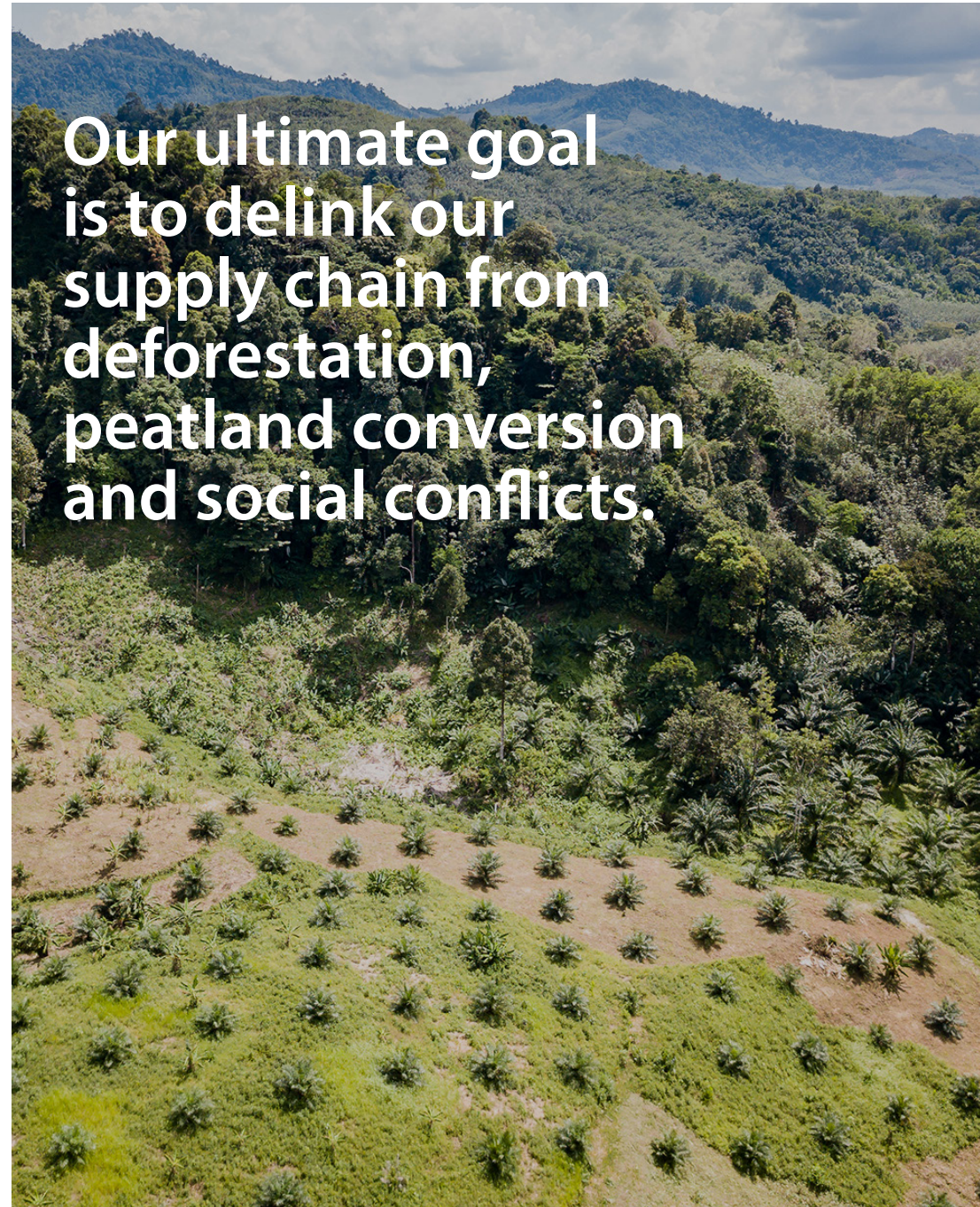


SUPPORT OF SMALLHOLDERS



REGULAR PUBLIC REPORTING ON OUR PROGRESS

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



2019 HIGHLIGHTS

In 2019 we updated our NDPE policy. Over the course of the year, we focused on communicating our updated NDPE commitments to our suppliers to ensure they are enabled to work with us as we collectively remove deforestation from our global supply chains.



Encompassing around 1,000 direct supplier mills, this has been a colossal undertaking, but an essential step if we are to confidently offer sustainable palm oil to the market. Our updated grievance procedure has also been in place since June 2019, which clarifies the cut-off date for deforestation and reiterates the need for Recovery Plans.

As of end 2019, 90% of our suppliers at group level have either provided a written confirmation of commitment to our NDPE policy, published their own NDPE policies, reported their NDPE compliance via our Supplier Reporting Tool (SRT) platform or have become a member of the Roundtable on Sustainable Palm Oil (RSPO).

The rules of engagement with our suppliers explicitly state the importance of compliance with our NDPE policy. Non-compliance, and/or failure to engage with Wilmar on issues of compliance will result in suspension of a supplier at group level.

It is important to emphasise that, through corrective measures and action, suspended suppliers can re-enter our supply chain. To provide clarity, we have published our criteria for “re-engagement”, also known as “[Minimum requirements for supply chain re-entry after](#)

[suspension due to NDP non-compliance](#)”.

This document lists the tangible measures a suspended supplier must take to be eligible to re-enter Wilmar’s supply chain. It is the suspended supplier’s ability to meet these requirements that determines the resolution of their non-compliance and any potential return to our supply chain.

The updated NDPE policy sets our deforestation and peat development cut-off date as 31 December 2015. This means that supplier groups with non-compliant forest clearing and peat development after that date are required to submit Recovery Plans commensurating with the scale of the non-compliant development, with priority given to existing grievance cases. Recovery Plans may include protecting and restoring ecosystems or assisting local communities to secure social forestry rights. Wilmar’s sustainability team engages and supports our suppliers throughout this process.

Currently there are no industry-wide accepted criteria for what constitutes an adequate Recovery Plan. In 2019, through a group process convened by Mighty Earth, Wilmar worked with other palm oil companies and NGOs in an effort to define such criteria. The working group discussions are ongoing.

PROGRESS ON ENSURING SUPPLIER IMPLEMENTATION OF NDPE AND MANAGING GRIEVANCE CASES

Wilmar implements a range of programmes with suppliers to assess potential non-compliance with our NDPE policy, gauge progress and help identify areas for improvement. This work involves four key areas:



1

All potential new suppliers must undergo a due diligence assessment to show compliance with our NDPE policy. It is a prerequisite for all new suppliers to publish their NDPE policy or to provide a written confirmation of their commitment to comply with our NDPE policy, and to provide group-level maps for monitoring;

2

Existing suppliers are required to provide information and data on NDPE compliance via the [SRT platform](#). The data from SRT is analysed annually in combination with RSPO-certified status and Consortium of Resource Experts' (CORE) [neighbourhood risk analysis](#), to determine the overall risk level of NDPE non-compliance and to prioritise the mills that need to be verified on the ground;

3

We guide our suppliers to close the gaps identified through the SRT by sharing documentation, assisting to develop Standard Operating Procedures (SOP) and sustainability policies, and helping to conduct field assessments that inform suppliers' compliance. The grievance mechanism can be triggered via the SRT process where there is a serious lack of action to address identified NDPE non-compliances;

4

The Supplier Group Compliance Programme (SGCP), delivered by Aidenvironment Asia (as of December 2019 known as Earth Equalizer). The programme monitors over 20 million hectares and covers over 500 groups, monitoring deforestation within company-owned or managed lands both within and beyond Wilmar's existing supply chain. Any verified deforestation will trigger the grievance procedure.

PROGRESS ON ENSURING SUPPLIER IMPLEMENTATION OF NDPE AND MANAGING GRIEVANCE CASES

Updated in 2019, [Wilmar's grievance procedure](#) comprises the following six steps:

- 1** **Supplier is contacted** and a schedule for resolving the issue is put in place. If deforestation or peat development has been confirmed to have occurred in 2019 or after, suspension at group level will immediately be effected;
- 2** **Desktop review** which includes analysis, documentation and an initial supplier response. For deforestation or peat development issues, this includes a Land Use Change Analysis (LUCA) to identify any deforestation liabilities after 2016;
- 3** **Initial assessment**, in which the case is either concluded, or moved forward in the event of non-compliance;
- 4** **Field verification** may be necessary to confirm findings in some cases. This normally includes site visits and interviews with stakeholders;
- 5** **Internal reporting**, which involves review and discussion of each grievance case, ultimately leading to a final internal report;
- 6** and finally, our **findings are reported** on the [grievance list](#).

To date, we have successfully closed 90% of the 59 logged grievance cases. Each recorded case specifies actions to be taken for the supplier to remain in, or re-enter, our supply chain.



MONITORING PROGRAMME FOCUSES ON DEFORESTATION AND THE SUSPENSION APPROACH

With around 1,000 mills in our direct supply chain, we have invested substantial resources in developing extensive programmes to socialise and implement our NDPE policy. As part of our full verification framework for supplier compliance, in addition to the SRT and grievance mechanism, Wilmar also launched the [Supplier Group Compliance Programme \(SGCP\)](#) in December 2013, to proactively monitor risk of association at supplier group level.

As a result of this proactive monitoring programme, we are able to identify deforestation or peat development occurring within our supply chain much more easily. The SGCP monitoring, which is delivered by Aidenvironment Asia (as of December 2019 known as Earth Equalizer), triggers deforestation alerts that are clearly actionable as the occurrences are directly linked to the concessions and companies that own them.

When deforestation alerts are received, Wilmar's grievance team verifies them with the supplier directly. This is an important step, given that Wilmar's policy is to immediately suspend supplier companies at group level where deforestation or peat development has occurred in 2019 or later. With the "suspend then engage" approach, Wilmar is sending a clear business signal that deforestation is unacceptable. Once suspension is in place, we remain available to engage with the supplier and help them achieve NDPE compliance again.



As of December 2019, 1.5 million hectares of non-compliant oil palm plantations have been excluded from our supply chain as a result of supplier monitoring and grievance procedure. Since the launch of our grievance procedure in 2015, 26 supplier groups have been suspended for non-compliance with our NDPE policy, of which 22 were related to deforestation.

MONITORING PROGRAMME FOCUSES ON DEFORESTATION AND THE SUSPENSION APPROACH

If a supplier is suspended due to deforestation or peat development non-compliance, the following actions must be taken before they can be considered for re-entry into the Wilmar supply chain:

- 1 The company issues an immediate group-wide “stop work” order on land clearing and peatland development;
- 2 The company must acknowledge the total area of non-compliant development of forest or peatland areas post-31 December 2015 within the group’s entire concession and commit to developing and implementing a comprehensive Recovery Plan that is commensurate with past non-compliant development;
- 3 The company must publish a group-wide NDPE policy or signed agreement in compliance with Wilmar’s NDPE commitment and develop a new internal SOP in accordance with this policy;
- 4 The company must provide group-level maps of their concessions for Wilmar’s monitoring purposes;
- 5 The company commits to reporting at least every six months in the first year and annually thereafter, in order to demonstrate their compliance with the above requirements.

The timeline for re-entry depends on the speed and degree to which the company can comply with Wilmar’s requirements. There is no pre-determined timeframe and approval for re-entry is at the discretion of Wilmar’s sustainability team and suspension committee (headed by Wilmar’s Chief Executive Officer), who will take all of the above into consideration when making their decision.



RE-ENGAGEMENT SUCCESS STORIES: GAMA & MOPOLI RAYA

In June 2018, Greenpeace released a report linking GAMA to deforestation and peat clearance practices. Wilmar responded by suspending trade immediately with the companies identified, triggering a series of remedial actions.

The identified companies were consolidated into one entity, called GAMA Plantation Group (now known as KPN Plantation), which operates around 20 mills over a planted area of 200,000 hectares in the Indonesian regions of Sumatra, Kalimantan, Sulawesi and Papua. In collaboration with Aidenvironment Asia, in 2019 KPN Plantation embarked on a multi-year process to implement their new [NDPE policy](#). So far, remediation actions have been undertaken to restore riparian areas and to develop Recovery Plans in Kubu Raya, Sambas, Jambi and Merauke, with a focus on social forestry programmes. In recognition of the progress made by KPN Plantation, in early 2019 Nestlé publicly [reinstated the group into their supply chain](#).

In the biodiversity-rich region of Leuser (North Sumatra), a 2015 Greenomics report uncovered deforestation linked to the Mopoli Raya Group, which at the time was a Wilmar supplier. That same year, Wilmar suspended Mopoli Raya group. Following their suspension, Mopoli Raya agreed to a moratorium on land clearance in compliance with Wilmar's NDPE policy. A registered assessor was subsequently engaged to conduct a High Carbon Stock (HCS) assessment and High Conservation Value (HCV)



Mopoli Raya nursery of local tree species to provide seedlings for the forest restoration work.



Fish Farming Pilot Project in Merauke, Papua (KPN Plantation).

pre-identification. HCS and HCV are tools that plantation companies can use to assess the condition of the land prior to any new developments, ensuring that forests are protected from conversion. Wilmar's ongoing involvement, with the support of the Earthworm Foundation, has helped Mopoli Raya to navigate tenurial conflicts and illegal logging by communities, among others. Mopoli Raya has since announced their own [NDPE policy](#) and established a sustainability team that will follow through with their commitments. A short video highlighting Mopoli Raya's journey can be found [here](#).