



## Wilmar's Response to Rainforest Action Network's Report

6 June 2017 -- We refer to the report "Every Investor has a Responsibility" by Rainforest Action Network (RAN) published in April 2017. It is a compilation of issues from the last three years which Wilmar has either clarified or is addressing in an open and transparent manner – **see Appendix**. All the issues raised in this report have been either registered on Wilmar's grievance procedure or on the Roundtable for Sustainable Palm Oil (RSPO) Complaints Procedure.

Wilmar's approach to responsible palm oil production and supply chain management is guided by our [No Deforestation, No Peat and No Exploitation \(NDPE\) Policy](#). We always maintain an open dialogue with non-profit organisations to understand their views and expectations on complex sustainability challenges, and seek to collaboratively find solutions. RAN is no exception. We have engaged with RAN on several occasions to discuss these challenges as well as how we can work together in a constructive manner that will result in meaningful and lasting change in the palm oil industry.

Wilmar does not believe that suspending suppliers is the solution, as many of these issues in question are systemic in nature, and will take time and multi-stakeholder efforts to resolve. We believe in engaging with our suppliers and facilitating compliance to our NDPE policy as the best way to bring about industry transformation. This means supporting our suppliers with practical technical advice and training. Where suppliers have declined, or failed to show progress in committing to Wilmar's NDPE policy, we have resolutely ceased buying from those companies.

Wilmar believes that collective action, which must involve business, civil society organisations, workers, and the government, is the way forward to effecting real progress and change on the ground. We are currently [working with Verité](#) to develop robust solutions to address recurring and systemic labour issues towards improving labour practices in the Indonesian palm oil industry. A Memorandum of Understanding (MoU) involving some major palm oil companies and The Forest Trust (TFT) on using a collaborative landscape approach to address the Leuser Ecosystem challenge is also about to be signed - more information on this landscape can be found [here](#).

## **APPENDIX**

### ***Human Rights***

<b>Issue</b>	<b>Wilmar's Position and Progress to date</b>
<p data-bbox="188 340 598 405"><b><u>Customary land issues in West Sumatra</u></b></p> <p data-bbox="188 414 622 445">PT Permata Hijau Pasaman (PHP)</p>	<p data-bbox="699 340 1348 562">A complaint was filed with the RSPO on Wilmar's subsidiary PT Permata Hijau Pasaman I (PHP I), to seek clarity on the extent of PT PHP I's nucleus estate and reject PT PHPI 's landuse right application to the National Land Agency over the customary land of Nagari Kapa.</p> <p data-bbox="699 611 1337 757">Wilmar has been and remains cooperative in RSPO's investigation process. The timeline of the investigation of the case is tracked on the RSPO website and can be viewed <a href="#">here</a>.</p> <p data-bbox="699 806 1348 987">On 10 March 2015, the RSPO Complaints Panel (RSPO-CP) issued a preliminary decision stating that Wilmar was compliant with RSPO principles, and had acted in accordance with the law. The decision clearly states that:</p> <ul data-bbox="699 996 1348 1574" style="list-style-type: none"><li data-bbox="699 996 1348 1144">i. The Cultivation Right on the Land (Hak Guna Usaha - HGU) Certificate was issued to PT PHP1 in accordance with the law; and hence the company is also in compliance with the RSPO requirements.</li><li data-bbox="699 1193 1348 1574">ii. Land acquisition was done by the local government with the two local communities. As such, any discrepancies found should be raised with the local government. This issue of land boundary dispute between the two communities - Kapa and Sasak - is therefore a matter that should be discussed and resolved between the communities and the local government. Such disputes should be directed to the local administrative court rather than to Wilmar.</li></ul> <p data-bbox="699 1624 1321 1805">The complainant rejected RSPO-CP's initial decision. Following this, RSPO-CP ordered an independent investigation of the case which included field verification, and thereafter made their decision.</p> <p data-bbox="699 1854 1369 1953">Wilmar appealed against the decision as we found the following gaps in RSPO-CP's grievance handling process:</p>

	<p>i. The RSPO Complaints Panel’s decision was based on preliminary information</p> <p>ii. Change of the independent consultant’s role without due notification to and consensus of all parties concerned</p> <p>iii. Wilmar’s evidence and informants not included in development of the final report</p> <p>Wilmar’s appeal was accepted by the RSPO – see statement <a href="#">here</a>.</p> <p>Meanwhile, Wilmar is continuing engagement with the community to reach resolution.</p>
<p><b><u>Labour issues in North Sumatra</u></b>          Wilmar’s own operations (PT Daya Labuhan Indah and PT Perkebunan Milano) and three of Wilmar’s suppliers (PT Sarana Prima Multi Niaga, PT Abdi Budi Mulia and PT Hamparan Masawit Bangun Persada)</p>	<p>Wilmar was made aware of some labour-related issues in our operations in North Sumatra in August 2016. These issues were also highlighted in Amnesty International (AI) report, released in November 2016.</p> <p>Although AI specifically said they did not intend to raise this as a grievance, Wilmar voluntarily registered the case on our grievance procedure to be transparent and accountable to all stakeholders, and to share the findings of our investigations, as well as the actions we have taken to mitigate issues which have been identified.</p> <p>On the supplier front, we have been actively following up with the three suppliers in-question on their progress on addressing labour practices in their operations. More information on the progress we have made on improving labour practices can be found on our <a href="#">Grievance Procedure</a> (Ref No. N27 and N28).</p>
<p><b><i>Reforestadora de Palma de Petén SA (Repsa)</i></b></p>	<p>Wilmar has had active engagements and regular dialogues with Repsa since concerns about their business practices were brought to our attention by NGOs in November 2015. From the time till now, Repsa has demonstrated openness, transparency and accountability, as well as commitment to continuous improvement.</p>

Specifically, Repsa has

- undergone a site assessment conducted by TFT in November 2015 which resulted in a 12-month action plan that was collaboratively developed and commenced implementation in May 2016.
- undergone a 2<sup>nd</sup> assessment by TFT to assess their progress in the implementation of the action plan; a third field assessment by TFT was undertaken in May 2017.
- published policies on no violence and intimidation and zero-effluent discharge respectively, as well as launched their [grievance procedure mechanism](#) in 2016.
- published their responsible palm oil production policy in early 2017 (both of which have undergone public consultation), conducted a security programme assessment and undertaken a labour audit on its labour management systems and practices in 2017.
- to-date published three updates on their action plan implementation progress, with the third one most recently released on 17 May 2017 – see 3<sup>rd</sup> progress report [here](#).

In addition, TFT and the Consensus Building Institute (CBI) visited Sayaxché in Guatemala in 2016 to jointly carry out a social-scoping exercise to assess the willingness of local stakeholders to participate in a participatory process for dialogue and resolution. TFT and CBI returned a second time to Sayaxché to socialise the results of the social scoping exercise with the local stakeholders. This same [report](#) has been shared with Repsa who appreciated the views, insights and recommendations presented, and they have committed to considering collaborations with stakeholder groups to address them, where relevant.

Please refer to [Grievance Procedure](#) (Ref No. N17) for more information.

## Climate & Biodiversity

Issue	Wilmar's Position and Progress to date
<p><b>Genting Plantations</b></p>	<p>The case of Genting was a complex one involving two concessions, and the NGO complaint was lodged at the time when the High Carbon Stock (HCS) assessment was still being developed.</p> <p>HCS assessment was not a Wilmar pre-requisite when one of the concessions first commenced land development works. Nonetheless, Genting Plantations engaged a reputable assessor to determine the areas which could be developed to comply with Wilmar's Policy. Genting adhered to the recommendations made by the assessor. The other concession, a greenfield project, underwent the necessary HCS assessment by another respectable assessor who is a registered and approved HCS Approach practitioner.</p> <p>Wilmar already previously clarified in 2015 that Genting Plantations was neither a major or second largest supplier of Wilmar in Indonesia at the time; their supply only accounted for about 0.1% of Wilmar's total palm oil procurement in Indonesia.</p> <p>Please refer to our <a href="#">statement</a> and <a href="#">Grievance Procedure</a> (Ref No. N02) for more information.</p>
<p><b>PT Raja Marga</b></p>	<p>RAN alleged that one of our suppliers, PT Raja Marga, was sourcing from a company engaged in deforestation whose palm products had made its way into Wilmar's supply chain.</p> <p>Even prior to RAN's report, through Wilmar's own monitoring and due diligence, we have of our own accord already halted buying from PT Raja Marga since October 2016 after discovering non-compliant palm products in their supply chain to Wilmar's facility. This was communicated to RAN immediately when the allegation was brought to our attention.</p> <p>Please refer to <a href="#">Grievance Procedure</a> (Ref No. N29) for more information.</p>
<p><b>PT Agra Bumi Niaga (ABN)</b></p>	<p>PT ABN is not a direct supplier to Wilmar. One of our suppliers, PT Koperasi Prima Jasa (KPJ) used to purchase fresh fruit bunches from PT ABN. PT KPJ informed us that they have ceased procuring from PT ABN since early February 2017. As part of our</p>

	<p>monitoring and follow-up efforts, we have asked PT KPJ for evidence of their stop-purchase action, and will be conducting a site-visit to ensure that this is indeed the case.</p> <p>At the same time, we have also reached out to all suppliers operating within 50km radius in and around the Leuser Ecosystem to check if they procure from PT ABN. All the suppliers have replied that PT ABN is not in their supply chain.</p> <p>Please refer to <a href="#">Grievance Procedure</a> (Ref No. N31) for more information.</p>
<p><b><i>Leuser Ecosystem</i></b></p>	<p>Wilmar recognises Leuser Ecosystem as an important biodiversity landscape and has been working on improving supply chain sustainability and practices in that landscape since the issue was raised by NGOs such as the Rainforest Action Forest (RAN) in late 2014. The fact that there continues to be deforestation despite the presidential decree on moratorium from the Government of Indonesia and corporate actions on supplier suspension calls for a review of the current approach to addressing the sustainability challenge.</p> <p>Since 2016, we have been in discussions with RAN, the IDH - Sustainable Trade Initiative and other major peer palm oil companies operating in this landscape where we agreed to support the existing multi-stakeholder process which is led by the Aceh Government. Aceh Singkil and Aceh Tamiang of the Leuser Ecosystem have been earmarked as the areas of first priority for the landscape approach “Areal Prioritas Transformasi (APT)” - more information on our Collaborative Landscape Approach can be found <a href="#">here</a>. An MoU involving some major palm oil companies and TFT on using this approach to address the Leuser Ecosystem challenge is about to be signed which will enable formal public engagement to commence.</p> <p>We enclose <a href="#">here</a> an update on the work we have done in our supply chain in Leuser Ecosystem. Apart from having identified and risk-assessed all suppliers as well as conducted field audits on high-risk ones in that landscape, we have also, as part of our Aggregator Refinery Transformation (ART) programme:</p>

	<p>1) consolidated the findings and summarised into an anonymised report known as the "Overarching Report" for sharing with all suppliers supplying into those two facilities. The report was uploaded on our website in June 2016: <a href="http://www.wilmar-international.com/sustainability/progress/aggregator-refinery-transformation-art/art-overarching-reports/">http://www.wilmar-international.com/sustainability/progress/aggregator-refinery-transformation-art/art-overarching-reports/</a></p> <p>2) shared the findings of the assessments and recommendations on improvements with our suppliers from that region through a workshop, which was held in Medan in October 2016. We have also organized region-specific trainings that were open to all our suppliers and their suppliers, as well as any interested growers in that region. The first region-specific training was conducted from 25-27 April 2017; while second was conducted from 22-24 May 2017. Our trainings focused on following topics:</p> <p>I. Environment land use planning/ management, HCS/HCV, peat management + environmental impact management.</p> <p>II. Fair Labour Practices - Contracts, Child Labour, Access to Remedy, Freedom of Association, Harassment, etc.</p> <p>III. Community Conflict Resolution, FPIC, Land Tenure, Social Impact.</p>
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### **Governance**

<b>Issue</b>	<b>Wilmar's Position and Progress to date</b>
<b><i>Traceability to plantations</i></b>	<p>Wilmar has primarily focussed its attention on traceability to mill, because the mill is a good indicator of the approximate location of its suppliers.</p> <p>The palm oil supply chain is multi-tiered and fragmented. A typical palm oil mill is generally supplied by 100-200 growers, and dealers who may source from many more growers. In this context, each refinery may likely be supplied by about 10,000 growers or more.</p> <p>Getting information up to farm/plantation level therefore takes up much human, time and monetary resources. The information, by itself, does not address environmental and social issues. Moreover, the definition of traceable to plantation, or fresh fruit bunch (FFB) traceability, is also the subject of considerable debate.</p>

We believe resources could be much better utilised in supporting the transformation of mills and their supply base towards responsible practices.

Ensuring Compliance through Landscape Approach

For the above reasons cited, Wilmar adopts a collective regional approach to address supplier compliance. Known as the Aggregator Refinery Transformation (ART) approach which uses the refinery as a point of influence upon their supply base of mill suppliers and their associated fruit suppliers, Wilmar aims to achieve progress on the following fronts:

- Legal compliance
- Protection of high conservation value areas
- Environmental impact management
- No exploitation of labour and local communities
- Creation of shared values
- Traceability

More information on our ART programme and progress can be found on our [sustainability dashboard](#).