

# Staying the Course through Challenging Times



## ABOUT THIS REPORT



### Scope

The scope of this report covers the Group's palm oil plantations and mills in Indonesia and Malaysia. The financial data covers the entire Group, unless otherwise stated.

This report does not cover:

- » Operations in which Wilmar has less than 51% ownership or those that the Group does not exercise significant influence or operating control;
- » The Group's other upstream and downstream activities outside of oil palm plantations and mills (in particular suppliers and refineries), including Indonesia and Malaysia;
- » The Group's unplanted areas within the plantations for environmental figures, including in Indonesia and Malaysia.

Wilmar's business portfolio spans a wide range of commodities, and some of its core products include palm oil, soy and sugar. And in most of these product segments, the Group operates an integrated supply chain that also includes downstream activities such as refining. From our engagement with stakeholders, most of the feedback received centres on the plantation and mill business segment. For this reason, we have chosen to report on the upstream division, as it is the most scrutinised among our activities and the key concern of our stakeholders. This business segment contributes about 25% of the Group's pre-tax profit.

We recognise that beyond our palm oil upstream activities there have also been some stakeholder concerns about our downstream supply chain, particularly in our raw material sourcing from third-parties. We have taken these concerns on board and are working internally to strengthen our systems and processes to mitigate risk in that sector. We aim to report our endeavour in that area in future reports.

### Reporting cycle

Our first sustainability report was published in November 2010. This is our second sustainability report for the financial years 2010 and 2011. Going forward, this will remain a biennial report.

### Reporting standards

We are reporting against the Global Reporting Initiative (GRI) G3.1 at application level C+. Our approach is based on the principles of AA1000 AccountAbility Principles (2008) of inclusivity, materiality and responsiveness. Please refer to the section on page 71 "How we address the AA1000 Principles" for details.

### External Commentary and Assurance

Firstly, we have engaged a widely recognised expert stakeholder to provide commentary on the report. The expert understands the material issues in the palm oil industry and our efforts on the ground. He also possesses strong links to the NGO and research communities. Hence he is well-positioned to opine on the materiality and responsiveness of the report. We would also like to highlight that we have commissioned the expert's consultancy in the past to conduct HCV assessments and social surveys, as well as to develop tools and approaches for our biodiversity management. Please refer to the section "Overall Assurance Statement" for details.

Secondly, we have for the first time engaged KPMG to perform assurance work on selected information disclosed in the report. As Sustainability Reporting is an ongoing process, we chose to disclose and to discuss some of the most pertinent material issues for Wilmar and its stakeholders, in context to the report's boundaries at this point in time. Due to the inherent limitations of the internal control structure, it is possible that errors or irregularities in the information presented in this report may occur and not be detected. We endeavour to increase our efforts on the reporting process and present information in as complete and accurate manner as possible. For the first year of assurance work, we have decided to perform review on a limited scope of information disclosed in the Sustainability Report. This does not cover all the material issues, e.g. the land rights and land conflicts have been excluded. However, our aim is to extend the scope of the assurance work and opinion in the next Sustainability Report. Please refer to the section "KPMG Assurance Statement" for details.

\* Restatements: We have adjusted our Health and Safety figures disclosed in the 2010 and 2011 Annual Reports due to a difference in definitions that was subsequently identified between our Malaysian and Indonesian operations.

WILMAR INTERNATIONAL LIMITED  
SUSTAINABILITY REPORT 2011

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STATEMENT FROM:  
**Chairman  
& CEO**

WELCOME TO WILMAR'S SECOND SUSTAINABILITY REPORT WHICH  
COVERS OUR PLANTATIONS AND MILLS IN MALAYSIA AND INDONESIA.

IN THE TWO YEARS SINCE OUR LAST REPORT, WE HAVE MADE FORWARD STRIDES  
EMBEDDING SUSTAINABILITY INTO OUR CULTURE, AND PROGRESSED TOWARDS  
CERTIFICATION OF OUR OPERATIONS. IT HAS BEEN TWO YEARS OF IMMENSE LEARNING,  
IN WHICH WE HAVE FACED A NUMBER OF CHALLENGES, BUT I SEE THIS AS PART  
OF OUR JOURNEY TOWARDS LONG-TERM SUSTAINABILITY.





## STATEMENT FROM CHAIRMAN & CEO

### KUOK KHOON HONG

Chairman and Chief Executive Officer  
Wilmar International Limited

**WE CONTINUE TO ENGAGE, AND ARE GRATEFUL TO THE MANY STAKEHOLDERS WHO HAVE SUPPORTED OUR QUEST TO OVERCOME THE DIFFICULTIES WE FACE. I VIEW THESE ENGAGEMENTS AS OPPORTUNITIES TO LEARN AND IMPROVE THE WAY WE OPERATE, ESPECIALLY IN TERMS OF SYSTEMS AND PROCESSES.**

The most visible challenges have been around numerous NGO campaigns concerning Wilmar over the past year. These campaigns draw attention to incidents of social conflict in some of our plantations. These reports have been difficult to address, as they often combined relevant critiques with entirely wrongful allegations, but we remain fully committed to productive engagement.

We have always said that we are not perfect and that we are open to engagement to understand how we can improve. Due to the dynamic nature of social conflicts, there is always a need to review our systems and procedures and make the necessary corrections to suit local conditions. But so long as the vital issues of land tenure in Indonesia are not resolved, overlapping land rights issues will continue to exist. Many of the issues we have faced are highly complex and take time to resolve. The challenges are further intensified by the difficulty in conducting a reasonable dialogue against a background of repeated untruths and deliberate misinformation. We continue to engage, and are grateful to the many stakeholders who have supported our quest to resolve the conflicts we face. I view these engagements as opportunities to learn and improve the way we operate, especially in terms of systems and processes.

There are other sustainability challenges faced by the industry as a whole, such as the proliferation of certification standards for palm oil. This can cause both confusion and certification fatigue. Wilmar has decided to proceed with a combination of certifications, with the Roundtable on Sustainable Palm Oil (RSPO) standard as the core. However, the market should be mindful that too many schemes may prove to be counterproductive. This is especially true for smallholders as adherence to multiple standards can be an onerous burden for them, risking their marginalisation if they cannot keep up.

Likewise, the market's response to certification has been disappointing with the take-up of Certified Sustainable Palm Oil (CSPO) remaining low. While Wilmar is committed to continue on the journey to sustainability, irrespective of the premiums the market is currently offering, it is crucial that smaller producers see a commercial advantage in sustainability.

Another challenge facing both the industry and the Group alike that is not covered in the scope of this report but which I would like to explain briefly our position concerns the palm oil value chain. Some environmental NGOs have approached palm oil users to urge their raw material suppliers to adopt sustainability practices, failing which those suppliers should be ruled out. Today's market reality requires supply chains to be connected and integrated with suppliers, partners and customers; in other words, to be traceable from end-to-end. Such a supply chain is ideal but cannot be built overnight; it needs to be developed as the industry, infrastructure and technology evolve. The transformation is steadily taking place with more industry players on the RSPO bandwagon. Cutting off from the global supply chain so-called errant suppliers who currently may not be able to meet sustainable standards in the short term may not be a solution.

## STATEMENT FROM CHAIRMAN & CEO

The palm oil industry works in an extensive, complex and fragmented market, with multiple actors along the supply chain, including (independent) smallholders, and intermediaries such as middlemen, spot-traders and distributors. It is for this reason that many companies, including ourselves, are unable to ensure a fully traceable supply chain, at least at the moment. Sufficient time is required for the market system to accept and adjust global ethics and expectations in a reasonable manner, without causing undue economic hardship and damage to smaller suppliers. On our part, we are in the early stages of establishing a system to reduce third-party sourcing risk. At the same time, we are also sharing our experience as early adopters who are already reaping some benefits from sustainable practices with our suppliers, in the spirit of encouraging more to join us on this sustainability journey.

While such challenges remain and continue to be high priorities, we have made great progress in many areas. Our biodiversity work is moving forward with strong NGO partnerships; many focused on conserving endangered species such as the orangutan and the proboscis monkey.

We have also just updated our policy on new plantings whereby there will not be any new development on peat, regardless of depth. In consultation with our stakeholders, we decided to adopt this policy as part of our commitment to reduce our greenhouse gas emissions.

This report provides readers with in-depth accounts of both our successes and challenges. I hope our stakeholders will recognise the efforts we are putting into continuing our progress and resolving issues through dialogue and transparency.

Some stakeholders, both internal and external, may ask whether it is worth it. If the cost of sustainability is to deal with controversy on a regular basis, why choose to stick your head above the parapet? I believe we do not have a choice: gone are the days when shareholders are only concerned about profitability. As one of the leading companies in our industry, sustainability measures are equally vital in establishing and maintaining our license to operate. There is no other way and we are committed to staying the course through challenging times.



## PERFORMANCE AT A GLANCE

The key areas with specific targets for improvement are outlined here and discussed in detail throughout the report.

COMMITMENT	TARGET	REMARKS
<b>RSPO Certification</b>		
All Indonesian mills have completed RSPO P&C certification audits	2013	Revised to 2015/16
All Malaysian mills have completed RSPO P&C certification		Achieved
<b>Biodiversity</b>		
No new development prior to the completion of a high conservation value assessment	since 2008	-
All existing plantations will have a high conservation value area assessment	2013	On-track
<b>Greenhouse Gas Emissions</b>		
No new development on peat, regardless of depth	w.e.f. Oct 2012	-
<b>Herbicides</b>		
No use of paraquat	2011	Achieved
<b>Health and Safety</b>		
Indonesia – Maintain Lost Time Incident Rate (LTIR) below 2.5	2012	-
Malaysia – Achieve LTIR below 5 in all Malaysian operations	2012	-
<b>Communities</b>		
No expansion without Free, Prior and Informed Consent from local communities	2012	-
<b>Smallholders</b>		
All existing associated smallholders in Kalimantan have completed RSPO certification audits	2019	-
All existing associated smallholders have completed RSPO certification audits	2019	-
NB: Production targets as set out in our 2009 Sustainability Report have been suspended, due to recalculations. New and more robust targets will be introduced in our next Sustainability Report.		



## OVERALL ASSURANCE STATEMENT



**IT'S A PLEASURE TO PROVIDE OUTSIDE COMMENTARY ON WILMAR'S SECOND SUSTAINABILITY REPORT (PLANTATION & MILL DIVISION ONLY). THE REPORT IS THE LATEST IN A SERIES OF BIENNIAL REPORTS TO DESCRIBE WILMAR'S UPSTREAM OPERATIONS, CORPORATE TARGETS FOR SUSTAINABILITY AND PROGRESS TOWARD MEETING THESE GOALS. THE REPORT EMBODIES SIGNIFICANT DATA COLLECTION, RESPONSIVENESS TO STAKEHOLDER CONCERNS, AND FURTHER ESTABLISHES THE COMPANY'S COMMITMENT TO TRANSPARENCY.**

Wilmar is one of the leaders in global efforts to mainstream sustainability throughout the palm oil supply chain. As a leading integrated business in this industry, Wilmar is naturally a focus of praise where it succeeds and critique where it is seen to fall short of stakeholder expectations. These past two years have been marked by achievements and challenges in equal measure, and it's a privilege to share my views on these developments.

In comments I provided in 2009 on Wilmar's first-ever Sustainability Report, I highlighted four areas where stakeholders would appreciate further information and/or specific targets for tracking progress. I would like to begin by reviewing how Wilmar responded to these four issues in the current report.

- i. In 2009 I highlighted the value of providing greater detail on Wilmar's greenhouse gas (GHG) footprint as a basis for tracking success of future emission reduction efforts. Data collection for disclosure of Wilmar's GHG footprint remains ongoing, but concrete steps are being taken to reduce emissions throughout its supply chain, including methane capture during waste-water treatment, reduced use of chemical fertilisers and announcement of a Group-wide policy prohibiting development of new plantations on peatland of any depth. This policy and together these efforts merit recognition.
- ii. Previously, I drew attention to benefits of providing more detailed information on use of contract labour versus permanent staff on Wilmar's plantations. The new report details Wilmar's employment policy, provides information on contract labour across different geographies, and explains why it remains high in certain socio-economic settings. The data are excellent and the explanations are plausible, but Wilmar should continue tracking this issue as part of its commitment to job creation and rural development.
- iii. In 2009, I highlighted stakeholder interest to learn more about Wilmar's efforts to evaluate policies and practices of its suppliers. In this report, Wilmar provides further detail on components of its supply chain, efforts to raise awareness among suppliers, and development of a scorecard-based mechanism for informing purchasing decisions and managing third-party supplier risk. Wilmar is not yet in a position to set up a fully segregated supply chain that excludes uncertified oil, but is taking concrete steps to leverage voluntary commitments from its suppliers. Such efforts should continue and further disclosure in the future will be welcomed.



iv. In the last Sustainability Report, I also encouraged Wilmar to share its experiences on practical application of Free Prior & Informed Consent (FPIC) in different geographies to promote broader understanding among stakeholders. The current report emphasises Wilmar's commitment to FPIC procedures and improved documentation in its new plantations, but does not address "experience sharing" per se. Social issues are not ignored, however. The report shares detailed information on Wilmar's conflict resolution procedures, especially efforts to resolve high-profile social conflicts in Jambi through third-party mediated negotiation by the Compliance Advisory Ombudsman (CAO) of the International Finance Corporation (IFC). This process is ongoing, appears to be on track and they have committed to fully disclose the outcomes in future reports.

Overall I consider the new report responsive to my original comments, and a demonstration of Wilmar's commitment to increasingly transparent reporting.

Further achievements highlighted in the report also deserve mention. These include:

- i. Complete phase out of paraquat on Wilmar plantations, in line with targets set in 2009;
- ii. Expanded collaboration with local and international NGOs to develop public-domain tools for biodiversity management in oil palm;
- iii. Continued progress toward preparing smallholders for RSPO certification;
- iv. Expanded investment in staff training to build capacity and increase employee retention;
- v. Use of independent auditing by KPMG of select topics in the report considered important to stakeholders.

Taken together, these developments (and others highlighted in the report) are further evidence of Wilmar's commitment to continuous improvement and transparency.

#### ABOUT DR. GARY PAOLI

**He has conducted ecological research on biodiversity conservation in Indonesia since 1991, and is a founding director of Daemeter Consulting, a leading independent firm promoting sustainable practices in agriculture and forestry ([www.daemeter.org](http://www.daemeter.org)).**

**Dr. Gary is a leading advocate on responsible use of the High Conservation Value (HCV) approach for safeguarding social and biodiversity attributes of production landscapes. He contributes to international meetings on sustainability, especially commodity Roundtables such as the RSPO, and publishes peer-reviewed papers and reports on Indonesian biodiversity and its conservation in natural and human dominated landscapes.**

Three areas where further details can be provided to improve future reporting include:

- i. Wilmar has taken a strong stance on reducing its water footprint. The current report presents new data on water use, showing increased water use efficiency in palm oil mills. Setting clear targets for continued efficiency gains is recommended as a means for tracking Wilmar's progress toward meeting this important goal.
- ii. Wilmar has policies to promote gender equality through ensuring equal pay and creating a workplace that allows women to advance. Implementation of this policy could be strengthened by setting targets and developing a system for tracking advancement, participation in training and general attitudes of female employees.
- iii. Wilmar should consider setting explicit productivity targets to improve CPO yields per ha as a means of expanding production. Such targets would be well received by a growing segment of stakeholders, and align well with industry initiatives and government targets in Indonesia to grow the industry through intensification as well as plantation growth.

As in the 2009 report, it is recognised that some stakeholders will be pleased by the level of disclosure and achievements featured in the current report, while others will find that progress on some fronts has been too slow or disclosure is too limited. Such differences of opinion are unavoidable, and must be viewed in proper perspective. They are indicative of a functional public discourse in which views are exchanged in pursuit of a common goal to improve industry practices.

I would like to congratulate Wilmar on the current report, and wish the company and its stakeholders luck in continued efforts to mainstream sustainability throughout the palm oil supply chain.



WHO WE ARE :

# Wilmar International

WILMAR INTERNATIONAL LIMITED, HEADQUARTERED IN SINGAPORE, IS ASIA'S LEADING AGRIBUSINESS GROUP. FOUNDED IN 1991, WE ARE TODAY RANKED AMONGST THE LARGEST LISTED COMPANIES BY MARKET CAPITALISATION ON THE SINGAPORE EXCHANGE. WE HAVE OVER 300 MANUFACTURING PLANTS GLOBALLY AND AN EXTENSIVE DISTRIBUTION NETWORK COVERING MORE THAN 50 COUNTRIES, INCLUDING THE MOST POPULOUS COUNTRIES IN THE WORLD – CHINA, INDIA AND INDONESIA. WE EMPLOY ABOUT 90,000 PEOPLE GLOBALLY.



## WHO WE ARE: WILMAR INTERNATIONAL

Our business activities can be classified into the following segments:

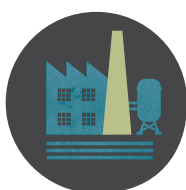
BUSINESS SEGMENT	ACTIVITIES
Merchandising and Processing » Palm and Laurics » Oilseeds and Grains	Refining and fractionation of edible oils, production of specialty fats, biodiesel and oleochemicals Crushing of oilseeds and milling of flour and rice
Consumer Products	Blending, packaging, branding and marketing of edible oils. Other consumer products include rice, flour, grains and soy milk powder
Plantations and Palm Oil Mills	Cultivation and milling of oil palm
Sugar	Milling of sugarcane to produce raw sugar, molasses and ethanol, and refining of raw sugar to produce food-grade sugars
Others	Manufacturing of fertilisers as well as ship owning and chartering

### INTEGRATED BUSINESS MODEL



1

ORIGINATION



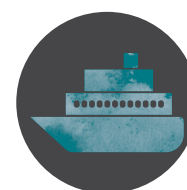
2

PROCESSING



3

PRODUCTS



4

MERCHANDISING  
& DISTRIBUTION

### PRIMARY BRANDS, PRODUCTS AND SERVICES

Business-to-consumer products  
(consumer pack)

COUNTRY	CONSUMER BRAND
China	Arawana “金龙鱼” Koufu “口福” Orchid “胡姬花” Gold Ingots “元宝” Golden Carp “鲤鱼” Huaqi “花旗” Baihehua “百合花” Wonderfarm “香满园”
Indonesia	Sania, Sania Royale, Fortune
India	Fortune, King's, Bullet, Raag
Vietnam	Neptune, Simply, Meizan, Cai Lan
Bangladesh	Rupchanda, Meizan
Australia and New Zealand	CSR™ and Chelsea™

Business-to-business products (bulk)

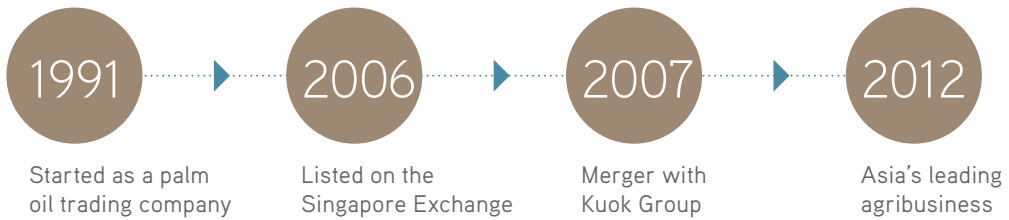
CATEGORY	PRODUCT
Palm & Laurics	Bulk oil such as RBD* palm oil, RBD palm olein, RBD palm stearin, RBD palm kernel oil; specialty fats; oleochemicals and biodiesel
Oilseeds and grains	Oilseed meals, edible oils, wheat flour, rice and bran
Plantations & Palm Oil Mills	Crude palm oil and palm kernel
Sugar	Raw and refined sugar; sweeteners

\*RBD – Refined, Bleached and Deodorised

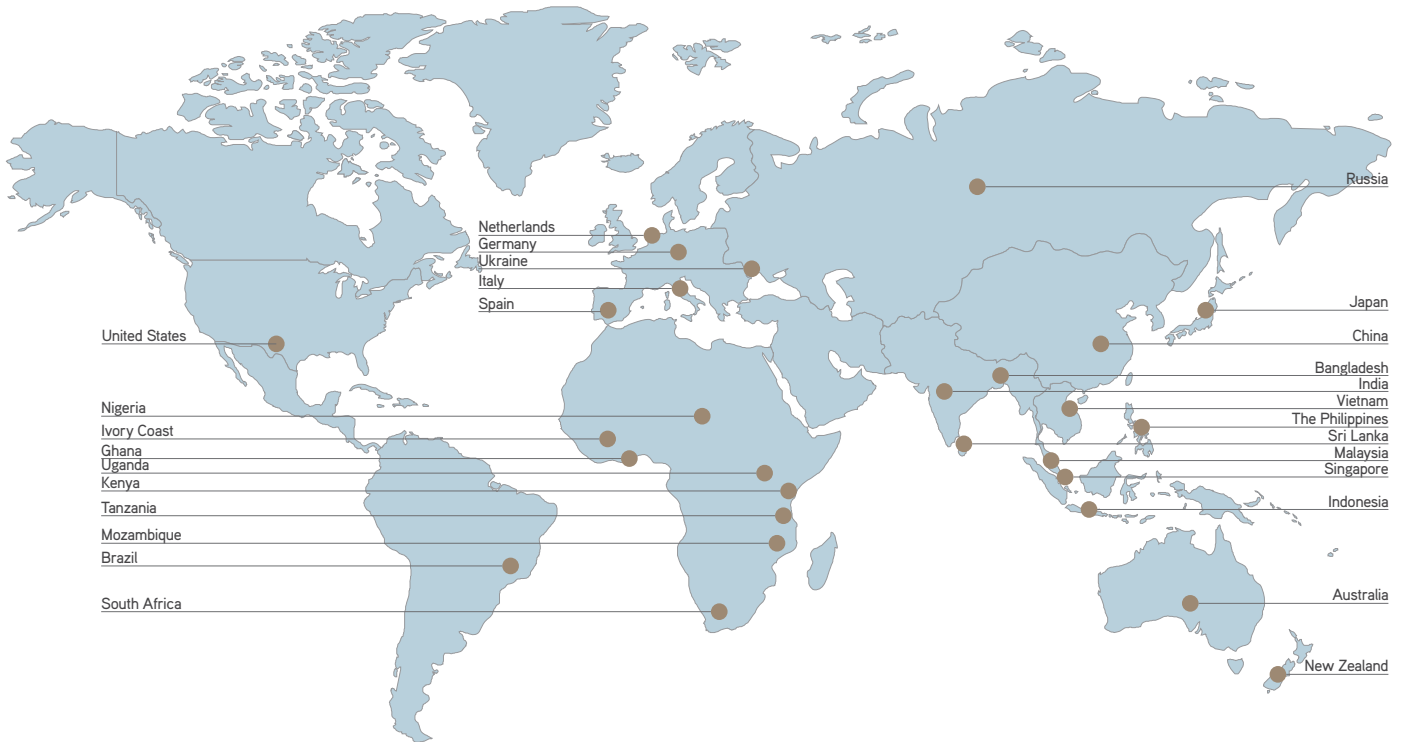


# WHO WE ARE: WILMAR INTERNATIONAL

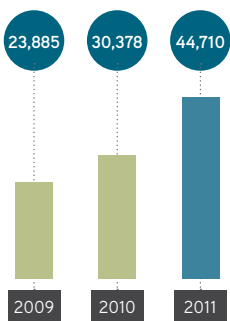
## MILESTONES



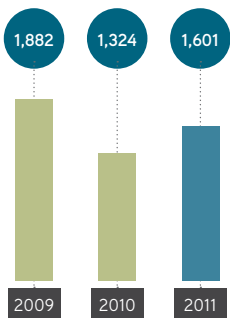
## OPERATIONAL PRESENCE



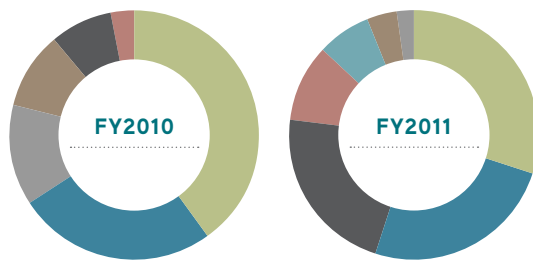
**REVENUE  
[USD MILLIONS]  
(FY2011)**



**NET PROFIT  
[USD MILLIONS]  
(FY2011)**

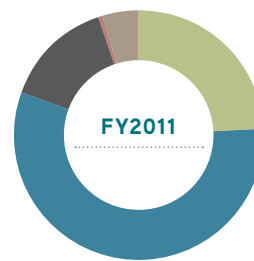


**SEGMENTAL PROFIT  
BEFORE TAX  
BREAKDOWN [%]**



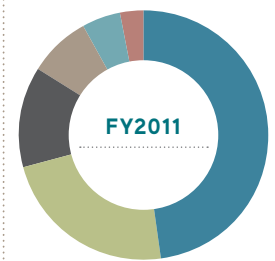
	2010	2011
Plantations and Mills	26	25
Merchandising and Processing - <i>Palm and Laurics</i>	40	30
Merchandising and Processing - <i>Oilseeds and Grains</i>	8	22
Consumer Products	10	4
Sugar	-	7
Others	13	2
Associates	3	10

**WORKFORCE  
BY REGION  
(FY2011)**



	2011
China	21,635
Indonesia	49,861
Malaysia	12,696
Europe & Africa	385
Other Asia Pacific	4,132
Total	88,709

**REVENUE BREAKDOWN  
BY MARKETS [%]  
(FY2011)**



	2011
People's Republic of China	48
Southeast Asia	23
India	13
Europe	8
Australia / New Zealand	5
Others	3



WHAT WE DO :

# Plantations & Mills

WITH A TOTAL PLANTED AREA OF 242,403 HECTARES IN MALAYSIA AND INDONESIA, WILMAR IS AMONG THE LARGEST OIL PALM PLANTATION COMPANIES IN THE WORLD. 74% OF OUR TOTAL PLANTED AREA IS LOCATED IN INDONESIA WHILE 24% IS LOCATED IN EAST MALAYSIA (2% IS IN AFRICA WHICH IS OUTSIDE THE SCOPE OF THIS REPORT). THE WEIGHTED AVERAGE AGE OF OUR OIL PALM TREES IS APPROXIMATELY 10 YEARS OLD.

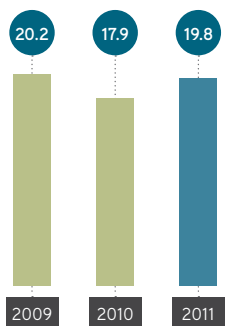




# WHAT WE DO: PLANTATION & MILLS



## GROUP FFB YIELD



In 2011, our plantations produced 4.1 million tonnes of oil palm crop or fresh fruit bunches (FFB), 21.6% more than in 2010 due to an increase in mature planted areas and an improvement in production yield. We have slowed down our new plantings due to the emphasis on environmental and social impact assessments for new developments. Our year-to-date newly cultivated area was 2,650 ha, a decrease of 48.0%, as compared to the earlier area of 5,132 ha.

Our mills process FFB from our own plantations, smallholders, independent outgrowers and FFB traders.



WHO DOES IT :

# Corporate Governance

OUR TEN-MEMBER BOARD OF DIRECTORS IS THE HIGHEST GOVERNANCE BODY OF THE GROUP. THE BOARD LEADS AND SETS THE OVERALL BUSINESS DIRECTION OF THE GROUP TO PROTECT AND ENHANCE LONG-TERM SHAREHOLDER VALUE AND RETURNS. THE BOARD IS GUIDED BY THE SINGAPORE CODE OF CORPORATE GOVERNANCE 2005 (“CODE”), WHICH IS A VOLUNTARY CODE.



## WHO DOES IT: CORPORATE GOVERNANCE

**THE BOARD IS LED BY MR KUOK KHOON HONG, WHO IS BOTH CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO). MR KUOK IS INSTRUMENTAL IN TRANSFORMING THE GROUP INTO ONE OF ASIA'S LARGEST AGRIBUSINESS GROUPS. A LEAD INDEPENDENT DIRECTOR, MR YEO TENG YANG, IS APPOINTED TO ENSURE ADEQUATE ACCOUNTABILITY AND TRANSPARENCY IN THE DECISION-MAKING PROCESS.**

### Committees and composition

There are five standing board committees: The Audit, Risk Management, Remuneration and Nominating Committees, as well as the Executive Committee (Exco). The Exco of the Board oversees the management of the business and affairs of the Group, and is also part of the CSR Council which reviews sustainability strategy and issues.

The Board is made up of Directors with a wide range of skills, experience and qualifications in areas such as accounting, finance, business management and specific relevant industry knowledge. The Board consists of seven Singaporeans, two Malaysians and an American. It has three Executive Directors and seven Non-Executive Directors, four of whom are considered independent based on definitions of the Singapore Code of Corporate Governance.

As part of the Group's continuing efforts to update its Directors on changes to the regulatory environment, the Board Directors are encouraged to attend seminars and courses paid for by the Group. The composition and effectiveness of the Board are reviewed annually by the Nominating Committee (NC) which comprises two Independent Directors and an Executive Director.

The Board's performance is assessed annually by the NC. The assessment is conducted based on factors such as the Board's understanding of business operations and development of strategic directions.

### Risk Governance Structure

#### BOARD-LEVEL RISK MANAGEMENT COMMITTEE (RMC)

- » Chaired by Lead Independent Director
- » Oversees Executive Risk Committee (ERC)
- » Reviews overall risk management guidelines / framework, policies & systems
- » Reviews & approves enterprise risk limits / recommends to BOD

#### INDEPENDENT MIDDLE OFFICE

- » Captures and measures Group-wide risks
- » Monitors for breach in limits
- » Circulates daily risk exposure report to ERC
- » Alerts risk to merchandising team, ERC and/or RMC when exposure seen reaching trigger levels

#### EXECUTIVE RISK COMMITTEE (ERC)

- » Comprises Executive Directors
- » Monitors & improves overall effectiveness of risk management system
- » Reviews trade positions & limits

#### OPERATING UNITS

- » Merchandising (commodities price & credit risks)
- » Treasury (forex and interest rate risks)
- » Operation / Legal / Reputational



# WHO DOES IT: CORPORATE GOVERNANCE

## Sustainability governance and management

Our CSR Council consists of senior managers and Board Executive Directors, led by the Chairman and CEO. The Council reviews policies and provides the financial and other necessary guidance to implement these policies.

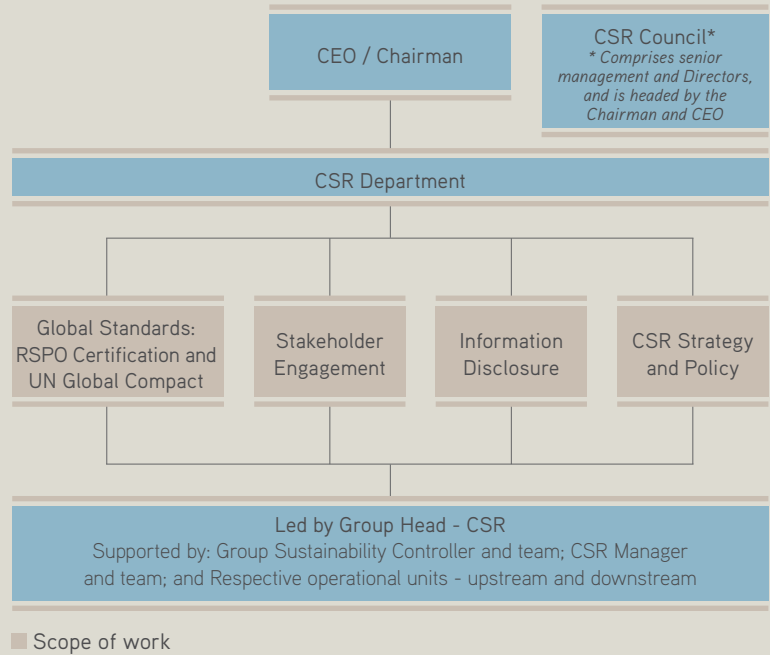
### Core values

- » **Integrity:** We value honesty, trustworthiness and high ethical standards.
- » **Excellence:** We strive for excellent performance in everything we do.
- » **Passion:** We are passionate about growing our business globally.
- » **Innovation:** We value innovative efforts, ideas and methods to continually improve our business processes.
- » **Team work:** We work as one team to achieve our corporate goals.
- » **Safety:** We pay careful consideration to the health and safety of our employees in the workplace.

### Ethics policy

Our company Code of Conduct prohibits the giving and receiving of any types of bribes, including gifts, entertainment or other benefits which may influence our employees' ability to carry out duties legally and / or in line with company interest. Any benefits or gifts must be declared to the reporting superior. This Code of Conduct is codified in our employee handbook.

## CSR Management Structure



# Setting the Standards for Sustainable Practices





HOW WE DO IT:

# Sustainability Strategy

AS AN INTEGRATED AGRIBUSINESS, WE FACE  
A COMPLEX MYRIAD OF ISSUES RELATING TO  
OUR PLANTATION AND MILL OPERATIONS, OUR  
SUPPLY CHAIN AND OUR MARKETPLACE.



# HOW WE DO IT: SUSTAINABILITY STRATEGY

## Operations and standards

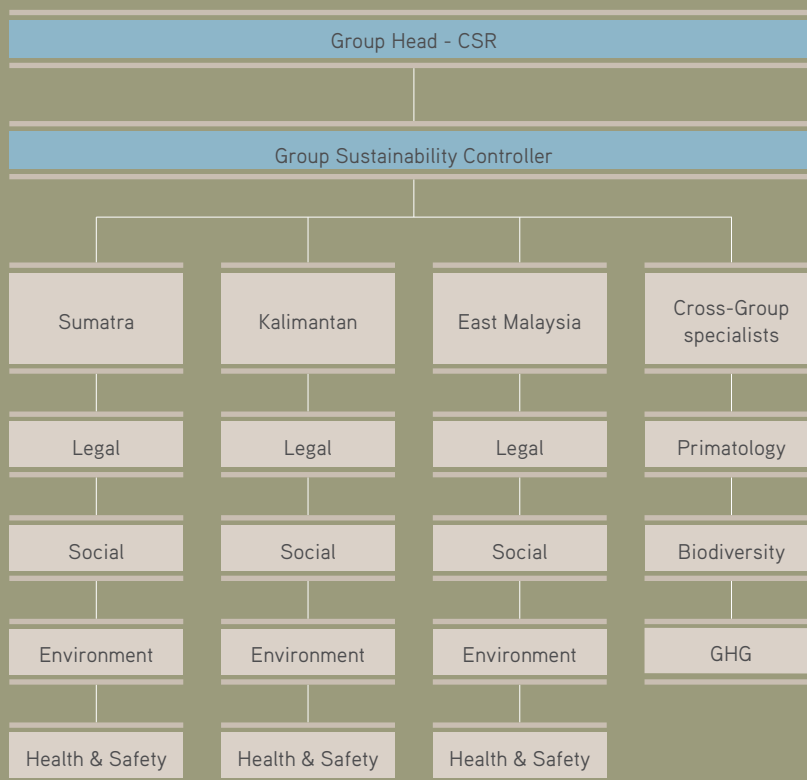
The Roundtable on Sustainable Palm Oil (RSPO) certification standard is at the core of our sustainability strategy for plantations. This standard represents the outcome of almost a decade of multi-stakeholder dialogue, and hence ensures a high level of built-in responsiveness to concerns. All of our plantations and mills in Malaysia have been RSPO-certified, and our Indonesian operations are scheduled to complete certification by 2016. In addition, we are moving towards certification against the International Sustainability and Carbon Certification (ISCC) standard for biofuels, as well as the recently launched Indonesian Sustainable Palm Oil (ISPO) standard.

## Identifying material issues

While certification assists us in understanding and responding to broad stakeholder concerns on oil palm cultivation, we want to ensure that concerns specific to Wilmar are appropriately mapped and addressed. Broad stakeholder dialogue has therefore become an important tool in helping us create a robust strategy. Through input from diverse stakeholders via a variety of sources, especially from customers, investors and civil society organisations, we started to map out a materiality matrix of issues and prioritised them according to the level of stakeholder concern and their impact on our business. We believe this can help us identify areas in which we can make a difference and prioritise the deployment of resources in areas of most critical concern.

Wilmar’s resulting global sustainability strategy is based on careful evaluation of issues considered material by stakeholders and the Group, incorporating findings from our own trend analysis, internal engagement and a varied external engagement process. Issues from this analysis were prioritised based on our understanding of stakeholder needs and concerns.

RSPO internal audit and monitoring structure





## HOW WE DO IT: SUSTAINABILITY STRATEGY

We are currently in the process of formalising our materiality process at the Group level. Given that this work is ongoing, we will continue to consider the best way to capture stakeholder feedback through our current activities and mechanisms for engagement. In the longer term, we will continue to improve our stakeholder engagement systems at the local level.

Moving forward, our sustainability strategy, planning and programmes will continue to be based on this materiality analysis, continuous stakeholder engagement and feedback. The process will inform corporate strategy development and further integrate sustainability into our business model, management systems and corporate strategy throughout the Group.

Critical issues are assessed and incorporated into action plans by our CSR Council and Risk Management Committee (made up of our CEO and two Independent Directors reporting directly to the Board of Directors). We believe that disclosure and transparency is critical, and adopted the Global Reporting Initiative as a reporting framework in 2009. This approach is complemented by our aim to adopt the principles of AA1000 AccountAbility Principles (2008): stakeholder inclusivity, materiality and responsiveness. The combination of these approaches allows us to manage performance against identified goals using an international standard and recognised industry framework.

### How we engage

Whilst staff at all levels are involved in our stakeholder engagement efforts, our Corporate Social Responsibility Department guides overall strategy development and implementation to ensure inclusiveness and responsiveness towards internal and external groups, ranging from employees, investors and commercial partners to governments, civil society groups and local communities.

At the local level:

- » Our Social Departments engage with our workers, local governments, non-governmental organisations (NGOs) and local community groups on issues of immediate concern to them, either through the formal channels of our Complaint and Grievance Procedures or the regular formal/informal meeting sessions.

- » We undertake environmental and social impact assessments, as well as high conservation value (HCV) assessment and follow free, prior and informed consent (FPIC) guidelines prior to land development; we incorporate the results and recommendations of the studies into our management plan for each plantation to mitigate our environmental and social footprint in our business activities.
- » Our future aim is to further implement the concepts of inclusivity and responsiveness through a more structured approach to stakeholder engagement at the local level.

At the global level:

- » We engage with our financiers, investors, customers, suppliers and multinational organisations such as NGOs on a regular basis.
- » We participate in one-on-one meetings, surveys, public forums and multi-stakeholder initiatives.

**MOVING FORWARD, OUR SUSTAINABILITY STRATEGY, PLANNING AND PROGRAMMES WILL CONTINUE TO BE BASED ON THIS MATERIALITY ANALYSIS, CONTINUOUS STAKEHOLDER ENGAGEMENT AND FEEDBACK.**

### Global networks

In addition to international and national certification standards, we became a signatory to the United Nations Global Compact (UNGC) pledge in 2008, as a commitment to conduct business in a responsible manner, especially in the areas of environmental protection, human rights and workers' rights. We have also endorsed the UNGC CEO Water Mandate, a public-private initiative to encourage companies to embrace water sustainability policies and practices. Endorsing CEOs have a responsibility to prioritise water resource management and contribute to the vision of the UNGC and the Millennium Development Goals.

In addition, Wilmar is a founding member of the Asia-Pacific Business and Sustainability Council (APBSC) – a business-led regional association dealing exclusively with business and sustainable development. It aims to serve as a platform for leading companies in the region to explore and share knowledge, experiences and best practices to find solutions for some of the world's environmental woes. The other founding members include Walmart Asia, Monsanto and Medco. The APBSC was created by the Washington DC-based non-governmental group, Conservation International (CI) in 2010.

The following table sets out each stakeholder group and examples of how we currently engage with them.

STAKEHOLDER GROUP	ISSUES	METHODS	OUTCOME
Shareholders, investment community and bankers	» Update on Roundtable on Sustainable Palm Oil (“RSPO”) certification	One-on-one meetings, surveys, public forums and multi-stakeholder initiative, RSPO.	We have incorporated sustainability issues into our investor relations and communication strategy. In addition, sustainability issues have since been factored into our non-financial risk assessment for new acquisitions and joint ventures.
Employees	» Talent retention » Employee development	Annual performance appraisals.	Feedback from our annual performance appraisals were incorporated into strategies for talent retention.
Local community	» Native customary rights	Social Impact Assessment (SIA), regular feedback and awareness meetings, complaints and grievance procedure, ad-hoc engagement.	Developed the complaint and grievance procedure, based on the principles of Free, Prior and Informed Consent.
Non-governmental groups	» Biodiversity loss » Climate change » Environment rehabilitation » Good Agricultural Practices	One-on-one meetings, partnerships, public forums and multi-stakeholder initiative, RSPO.	Partnerships with Zoological Society of London on the Biodiversity and Agricultural Commodities Programme project and Borneo Orangutan Survival Foundation, as well as other local NGOs.
Workers	» Workers’ conditions and contract labour » Occupational Health and Safety	Social Impact Assessment (SIA), engagement with trade unions, grievance procedure, gender committees, health and safety training.	Improved housing and workers’ welfare.
Governments and regulators	» Country-specific sustainability certification programme	Public forums and multi-stakeholder initiative, RSPO.	Dedicated resources for the new country-specific certification schemes.
Customers	» Supply chain certification and traceability	One-on-one meetings, public forums and multi-stakeholder initiative, RSPO.	Initiated a group-wide training and awareness programme for our colleagues who receive sustainability-related queries from customers.
Suppliers	» Supply chain certification and traceability	One-on-one meetings, partnerships and multi-stakeholder initiative, RSPO.	Conducted a workshop in Malaysia for suppliers of crude palm oil to our refineries on RSPO-certified oil.
Industry bodies	» Chemicals » Water usage » Occupational Health and Safety » Climate change » Biodiversity loss » Community and workers’ lives » Good Agricultural Practices	RSPO, Indonesian Palm Oil Association and Malaysian Palm Oil Association, etc.	As one of the plantation companies (via our subsidiary, PPB Oil Palms Berhad) which volunteered for the RSPO pilot test programme in November 2005, we are committed to the RSPO certification as well as other related certification schemes. We have established a public time-bound plan for these certifications.
Media	» Biodiversity loss » Climate change and peatland » Deforestation » Customary rights of indigenous populations	One-on-one meetings and multi-stakeholder initiative, RSPO.	We are initiating a global communication programme.



# Our Performance

{23} PROGRESS ON RSPO CERTIFICATION // {26} SUPPLY CHAIN AND TRACEABILITY // {30} LAND RIGHTS AND CONFLICTS // {34} SMALLHOLDERS // {36} BIODIVERSITY AND CONSERVATION // {48} GHG MITIGATION // {52} REDUCTION IN CHEMICAL USE // {54} WATER AND SOIL // {58} EMPLOYEES // {60} WORKER CONDITIONS AND CONTRACT LABOUR // {62} HEALTH AND SAFETY

DATA :

{64} FINANCIALS // {65} AGRICULTURAL PRODUCTION STATISTICS



## CERTIFICATE

Field of attention:

**RSPO**

CERTIFICATE NO: CUC809360RSPO-1.2008

Issued to

**PPB Oil Palms Berhad**

15th Floor Wisma Jerneh, No.38 Jalan Sultan Ismail,  
Kuala Lumpur, Malaysia

## OUR PERFORMANCE PROGRESS ON RSPO CERTIFICATION



**WE ARE COMMITTED TO 100% CERTIFICATION OF OUR PLANTATIONS, MILLS AND ASSOCIATED SMALLHOLDERS. OUR PRODUCTION OF CERTIFIED SUSTAINABLE PALM OIL (CSPO) FROM INDONESIA AND MALAYSIA INCREASED TO APPROXIMATELY 520,000 TONNES PER ANNUM IN 2011. THIS REPRESENTS ABOUT 9% OF CURRENT GLOBAL CSPO PRODUCTION CAPACITY IN THE MARKET, MAKING US THE SECOND LARGEST PRODUCER OF CSPO IN THE MARKET. OUR CERTIFIED PRODUCTION AREA CONSTITUTES ABOUT 43% OF OUR TOTAL AREA PLANTED.**

### Malaysia

All of our Malaysian plantations and mills are certified according to the RSPO Principles and Criteria (P&C). Our total certified volume in Malaysia constitutes 60% of our Group's current total CSPO volume. We were the first plantation company in Sarawak to achieve RSPO certification in 2010.

### Indonesia

With five certified mills, Indonesia contributes the remaining 40% of the Group's annual CSPO production capacity. We were the first plantation company in Kalimantan to be certified according to the RSPO P&C in August 2010. CSPO production capacity will continue to grow as much of our certification efforts are presently concentrated in Indonesia. In our 2009 Sustainability Report, we set a goal to achieve full certification of our Indonesian plantations and mills by 2013. We are still working on this target with a timeline to be extended to late 2015 or early 2016 instead.

The delay in RSPO certification is due to significant land conflict with local communities in PT Asiatic Persada (Jambi province, Indonesia), which has slowed down our overall certification progress considerably. RSPO rules stipulate that companies cannot proceed with certification unless significant social conflicts have been resolved or are in the process of being resolved. The Compliance Advisor Ombudsman (CAO) of the International Finance Corporation (IFC; a member of the World Bank) is currently mediating the case as a neutral third-party in accordance with established procedures of CAO's independent recourse mechanism. We have interim measures to engage with affected local communities and work out a mutually acceptable solution for all parties. For more information on this land conflict, please refer to our section on "land rights and conflicts" on page 30.



## OUR PERFORMANCE

### PROGRESS ON RSPO CERTIFICATION

#### Other sustainable palm oil certification – Indonesian Sustainable Palm Oil

Since our last report in 2009, the market has evolved to incorporate different types of certification systems, notably the Indonesian Sustainable Palm Oil (ISPO) certification. The government of Indonesia recently launched ISPO certification as a mandatory requirement for all Indonesian companies as well as smallholders. Under the ISPO system, companies are expected to become ISPO-certified by end 2014. Once the new regulatory requirement comes into effect, all our plantation and mills will need to undergo ISPO certification before undertaking RSPO certification or re-certification, in line with Principle 2 of the RSPO standard which requires members to comply with applicable laws and regulations in countries where they operate.

#### International Sustainability and Carbon Certification (ISCC)

ISCC is an international system for certifying biomass and bioenergy, specially the entire biofuel supply chain. It incorporates sustainability criteria such as reduction of greenhouse gas emissions, sustainable use of land, protection of natural biospheres and social sustainability. Wilmar is also diligently pursuing ISCC and some of Wilmar's plantations, mills, refineries and biodiesel plants are now certified against the ISCC standards. The achievement of ISCC certification signifies that the Group's relevant products comply with the strict sustainability criteria set by the European Union's Renewable Energy Directive.



## Revised Time-bound Plan for RSPO Certification Audits

NO	PALM OIL MILL	LOCATION	CERTIFICATION AUDIT
1	PT Milano (Pinang Awan)	North Sumatra	Completed
2	PT Mustika Sembuluh	Central Kalimantan	Completed
3	PT Kencana Sawit Indonesia	West Sumatra	Completed
4	PT Kerry Sawit Indonesia	Central Kalimantan	Completed
5	PT Tania Selatan	South Sumatra	Completed
6	PT AMP Plantation	West Sumatra	Completed
7	PT Agro Nusa Investama (Sambas)	West Kalimantan	2012
8	PT Buluh Cawang Plantations 1	South Sumatra	2012
9	PT Bumi Sawit Kencana	Central Kalimantan	2012
10	PT Gersindo Minang Plantations	West Sumatra	2012
11	PT Sarana Titian Permata	Central Kalimantan	2012
12	PT Mustika Sembuluh 2	Central Kalimantan	2013
13	PT Agro Palindo Sakti 1	South Sumatra	2013
14	PT Asiatic Persada	Jambi	2013
15	PT Citra Riau Sarana (ML) 3	Riau	2013
16	PT Citra Riau Sarana 1	Riau	2013
17	PT Daya Labuhan Indah-2	North Sumatra	2013
18	PT Mentaya Sawit Mas	Central Kalimantan	2013
19	PT Agro Nusa Investama (Landak)	West Kalimantan	2013
20	PT Agro Palindo Sakti 2	West Kalimantan	2014
21	PT Kerry Sawit Indonesia 2	Central Kalimantan	2014
22	PT Citra Riau Sarana 2	Riau	2014
23	PT Murini Sam Sam	Riau	2014
24	PT Sinarsiak Dianpermai	Riau	2014
25	PT Karunia Kencana Permaisejati	Central Kalimantan	2014
26	PT Rimba Harapan Sakti	Central Kalimantan	2015
27	PT Musi Banyuasin Indah	South Sumatra	2015
28	PT Buluh Cawang Mill 2	West Kalimantan	2015



## OUR PERFORMANCE SUPPLY CHAIN & TRACEABILITY

**SINCE OUR 2009 REPORT, THE RSPO HAS STREAMLINED RULES AND REGULATIONS FOR THE DIFFERENT SUPPLY CHAIN CERTIFICATION MECHANISMS, MAKING IT EASIER FOR DOWNSTREAM INDUSTRY PLAYERS TO PURCHASE CERTIFIED SUSTAINABLE PALM OIL (CSPO) AS A DEMONSTRATION OF THEIR COMMITMENT.**

### Promoting RSPO

Beyond our own plantations and mills, we are encouraging our third-party suppliers to join the RSPO and pursue certification. This is also in line with the RSPO code of conduct that requires members to promote and communicate this commitment to its customers, suppliers, and the wider value chain where necessary.

We hosted a workshop on RSPO and responsible sourcing for our suppliers in Kota Kinabalu, Sabah, Malaysia in early 2011, which was attended by 25 palm oil supplier companies. Internally, we conducted a number of workshops to educate our sales and marketing colleagues on RSPO, as well as the various CSPO traceability options available for use to encourage their customers to adopt as a show of support for sustainability.



China is the world's second largest importer of palm oil after India, and therefore plays a significant role in helping to make CSPO a mainstream product. The Worldwide Fund for Nature China (WWF China), together with the China Chamber of Commerce for Import and Export of Foodstuffs and Native Products, has launched an initiative to promote use of sustainable palm oil in China. Key players in the palm oil sector with strong and keen interest signed the "Statement of Support for Promotion of Sustainable Palm Oil in China". We recognise the importance of our role in driving the agenda; we are one of the pioneer signatories to this cause and have participated in the various outreach initiatives for CSPO in China. We have also launched a series of outreach programmes to educate colleagues in China about CSPO and different traceability schemes for their customers.

### Sustainable supply chain systems

Our CSPO is sold to the market via the GreenPalm "Book & Claim", the "Mass Balance" and the "Segregation" mechanisms.

Each of these systems comes with its own advantages, requirements and pre-approved consumer claims. The book and claim mechanism is the most simplified method for a buyer to obtain CSPO without high administrative costs and complex logistics. The graphic representation on the right shows progression of the different supply chain systems, starting from the simplest (GreenPalm Book and Claim) to the most stringent (Identity Preserved).

Beyond our palm oil producer role, as a Group we also procure and process significant quantities of crude palm oil (CPO) from local smallholders – contracted, supported (plasma) and independent – as well as traders and middlemen. This has been, and remains a normal practice that serves the basic function of aggregating small quantities of FFB from widely dispersed mills and smallholder farmers.

### RSPO supply chain systems



*With reference from RSPO factsheet on "RSPO Supply Chain Systems Overview". Full guidance is also available online at [www.rspo.eu/market](http://www.rspo.eu/market).*



## OUR PERFORMANCE

### SUPPLY CHAIN & TRACEABILITY



So while we have a high level of control over our own operations, complexity of the palm oil supply chain makes us less able in the near term to demand third-party compliance across the board for the following reasons:

- » Limited control: while companies can police their direct suppliers and sometimes even the tier beyond that, they cannot see the base of their supply pyramid.
- » Third-party procurement: importers often refuse insight into their supply chain as customers may also be their competitors.
- » Limited knowledge: suppliers, especially in developing countries, are often unfamiliar with the concept of sustainability.
- » Too many standards: suppliers are overwhelmed by too many codes desired by the market. Though they may be similar, the various certification schemes and processes are perceived as a burden.

Currently it is not economically or administratively feasible for any one player in the industry to set up a fully segregated supply chain. Wilmar operates an integrated business model, meaning that a fully traceable sustainable supply chain would require far-reaching structural changes to our operations that would have immediate and profound impact on our business. Thus, as a processor, we will continue to obtain stock from mainstream suppliers; while at the same time vigorously supporting development of RSPO supply chain mechanism and the mainstreaming of CSPO production models. For this reason, we require sufficient time to adjust to the requirements of market expectations in a reasonable manner. We remain highly committed to responsible production and sourcing of palm oil, and where commercially possible, seek partnerships with other industry players to develop and offer CSPO channels for the market.

In parallel to this, we have taken concrete steps toward establishing a sourcing mechanism to manage third-party supply chain risk. Initial stages have involved gathering information on the sustainability status of our palm oil and FFB suppliers. This information was then used to produce a supplier scorecard, which is used to make purchasing decisions.



## **PARTNERSHIP TO PROVIDE FULLY TRACEABLE AND SEGREGATED CERTIFIED SUSTAINABLE PALM OIL**

**IN MAY 2011, WE PARTNERED WITH NEW  
BRITAIN PALM OIL LIMITED (NBPOL) TO FORM  
AN INTEGRATED SUPPLY CHAIN AND JOINT  
MARKETING ARRANGEMENT. LISTED ON THE  
LONDON STOCK EXCHANGE, NBPOL IS ONE  
OF THE LARGEST FULLY INTEGRATED  
INDUSTRIAL PRODUCERS OF SUSTAINABLE  
PALM OIL GLOBALLY.**

This partnership aims to supply Continental Europe with fully traceable and segregated sustainable palm oil from NBPOL's RSPO-certified plantations. From third quarter of 2012 onwards, the palm oil supply will be available from Wilmar's refinery in Brake, Germany. This will ensure a wide range of products and blends of certified sustainable palm oil for the European food market. The refinery in Brake has a designed capacity of approximately 700,000 tonnes per annum, of which 300,000 tonnes will be dedicated to palm oil supplied from NBPOL's plantations.

## OUR PERFORMANCE LAND RIGHTS AND CONFLICTS

**WE BELIEVE THAT OUR SOCIAL LICENSE TO OPERATE IS CRUCIAL TO THE LONG-TERM SUCCESS OF OUR BUSINESS. WE KNOW FROM OUR OWN EXPERIENCE HOW A LEGITIMACY GAP CAN ENDANGER OUR REPUTATION AMONG OUR STAKEHOLDERS. WE ALSO BELIEVE THAT THE PRODUCTION OF PALM OIL – WHEN CARRIED OUT IN A RESPONSIBLE AND SUSTAINABLE MANNER – CAN ACHIEVE BUSINESS, ECONOMIC, ENVIRONMENTAL AND SOCIAL GOALS THAT ARE NECESSARY FOR THE GROWTH AND DEVELOPMENT OF THE COUNTRIES IN WHICH WE HAVE PRESENCE.**

In pursuit of these ideals, we respect and uphold the principles of human rights based on the free, prior and informed consent (FPIC) concept. Especially after our experience in West Kalimantan (for more details, please refer to page 56 - 57 of our Sustainability Report 2009), we have learnt to deal with land disputes by including use of independent third-parties to ensure a fair process; and have also strengthened and refined our grievance mechanism, control and documentation procedures. Most importantly, we have adopted a proactive stance towards our engagement with local communities.



Yet, our last two years have shown there are still areas where we need to improve. We recognise that we have sometimes been managing symptoms, rather than addressing the root cause of an issue, itself a reflection that grievance and mediation processes take up significant resources, both at operational and management levels. The experience is a reminder that sustainability is a journey.

Oil palm cultivation and production in Indonesia has often caused social tensions between companies and communities in many geographies. This is the case because regulations are not always clear and land areas are often encumbered with multiple levels of customary rights and claims. Companies often have no authority to decide which parties have customary rights over land, and will always need to consult with relevant authorities for insight and leadership support. This process is often slow and at times the government's decision may not be accepted by the affected communities.

### Indonesia – The Context

In Indonesia, it is inherent in the oil palm industry to face land rights conflicts from time to time, even when land concessions have been legally granted by the government. While the underlying causes of conflict vary, frequently they arise from one or more of the following:

1. Genuine claims by local inhabitants (subject to traditional tenure rights);
2. Overlapping land use rights issued by local and national governments to separate third parties;
3. Illegal land occupation by speculators whose claims are incompatible with traditional/customary land tenure rights.

### OUR PREFERRED RESOLUTION TO SUCH CONFLICT IS THE FORMATION OF MUTUALLY-BENEFICIAL PARTNERSHIP WITH LOCAL COMMUNITIES UNDER THE SMALLHOLDER OIL PALM PLANTING PROGRAMME.

Against such a background, Indonesia continues to be a very challenging operating environment. With regard to parties making substantiated claims, we already have a land claim resolution and compensation mechanism in place to address such resource conflicts. Our preferred resolution to such conflict is the formation of mutually-beneficial partnership with local communities under the smallholder oil palm planting programme. Villagers earn a stable income, while providing the company with fruit supply. Another resolution method is the delineation of areas under claim as enclaves for local communities should they prefer not to make their land available (relinquish their land rights) to the company. As for overlaps between local and national government jurisdiction, we seek to engage with these parties to provide further clarity to prevent conflict. On the third issue of illegal settlers, we take a firm stand against speculators who seek to take advantage of weak legal enforcement, employing official and legal means to resolve claims of this type.

On all these fronts, our work continues as we believe our operations will provide socio-economic support and development to these regions in the long-run. We are also cautiously optimistic that the social and land rights issues in Indonesia can be resolved eventually, and that our initiatives at community development, as well as our collaborations with various parties, including the local governments, will contribute to the resolution of these issues.

It is important to know that land claims settlement in Indonesia follows a verification and compensation mechanism that involves participation of the local government, the village administrative team and indigenous community elders. We firmly believe that due process must be followed to respect both local traditions and the official legal system.



## OUR PERFORMANCE

### LAND RIGHTS AND CONFLICTS

#### The Jambi case

Our top stakeholder concern over the last two years has centred on our operations in Jambi province, Sumatra (Indonesia). Local community-based organisations and international NGOs have stressed the need to safeguard human rights of local communities impacted by our operations in this area.

Wilmar acquired a plantation company – PT Asiatic Persada – in Jambi in November 2006. Prior to Wilmar's involvement, Asiatic Persada was owned and managed by three different companies in different periods. The conflict between the indigenous people of Jambi and previous management of this company started in the late 1980s.

There are two types of social conflicts in the area:

- » Between the company and indigenous community (the Suku Anak Dalam – SAD) who have traditional rights to the land;
- » Between the company and local people not indigenous to the region and who have made illegal settlements on the company's concessions.

In both cases, we have initiated a grievance process and sought the assistance of the local Indonesian government and the Compliance Advisory Ombudsman (CAO) of the International Finance Corporation (IFC) to mediate this process, with local NGOs involved as well. The CAO has successfully supported land claim resolutions relating to other Wilmar plantations, including in West Kalimantan.

The CAO's assessment has included approximately 30 interviews, group meetings and discussions with local community members, NGOs, local government and representatives of PT Asiatic Persada, as well as multiple field trips to Jambi.



**FOLLOWING THE CAO ASSESSMENT ALL PARTIES HAVE AGREED TO MEDIATION BY A JOINT MEDIATION TEAM INVOLVING LOCAL GOVERNMENT AND THE CAO, AND SUPPORTED BY AN OFFICIAL DECREE OF THE GOVERNOR OF JAMBI PROVINCE.**

Following the CAO assessment all parties have agreed to mediation by a Joint Mediation Team involving local government and the CAO, and supported by an Official Decree of the Governor of Jambi Province. The process of mediation has begun and is ongoing.

Separately, for the second group of complainants, PT Asiatic Persada has – on goodwill basis – provided the parties evicted from the concession by relevant authorities with humanitarian support, including housing, food, employment opportunities, medical services and financial aid.

Further, we have appointed a new General Manager for the PT Asiatic Persada plantation in Jambi. The manager has extensive experience in working with local communities and managing plantations of this nature.

The following chronology outlines the significant events and actions we have taken to strive to resolve outstanding land conflicts in our Jambi operations:

DATE	EVENT
16 August 2011	German NGO, RobinWood, released a statement accusing Wilmar of human rights violations.
20 - 22 August 2011	Preliminary internal investigation showed RobinWood report to contain many inaccuracies. For example, no one was shot or killed as reported and no one had been forcibly removed from their land (three letters were sent to the land squatters prior to eviction).
24 - 26 August 2011	TUV Rheinland (independent auditor) conducted field audit against NGO allegations.
30 August 2011	Wilmar issued a statement: "Wilmar Reaffirms Commitment to Respecting Human Rights".
29 September 2011	The independent auditor report audited against the NGO allegations and confirmed that that most of the allegations were unsubstantiated. However, Wilmar acknowledged that the way people were evicted off its property could be better managed in accordance with due process. Wilmar promised to improve on its system and process in this area.
7 - 22 October 2011	Another NGO – Forest People’s Programme (FFP) – offered to “re-audit” against RobinWood and TUV report.
November 2011	FFP released audit report (to RSPO and other external stakeholders), repeating some allegations made by RobinWood. Wilmar disagreed with the representation of some facts.
22 November 2011	Wilmar approached the CAO to mediate.
29 November 2011	Multi-stakeholder meeting in Jakarta for the CAO to explain the process of its involvement.
10 - 14 December 2011	CAO field assessment in Jambi.
16 February 2012	First joint CAO/Government meeting with the affected local communities took place in Jambi; NGOs, the RSPO and the Asiatic Persada management team were also present to observe the process.
	MoU on terms and reference of the mediation process was signed.
7 - 9 March 2012	Further humanitarian aid was provided to those affected by the eviction process.
March 2012 - Present	Mediation process started and still ongoing.

## OUR PERFORMANCE SMALLHOLDERS

**ACCORDING TO THE RSPO, SMALLHOLDERS ARE FARMERS WHO CULTIVATE OIL PALM AS THEIR MAIN SOURCE OF INCOME, SOMETIMES ALONG WITH OTHER SUBSISTENCE CROPS.**

**SMALLHOLDERS PRODUCE MUCH OF THE WORLD'S PALM OIL. IN THE TWO MAJOR PRODUCING COUNTRIES – INDONESIA AND MALAYSIA – WHICH ACCOUNT FOR OVER 80% OF GLOBAL PRODUCTION, SMALLHOLDERS CULTIVATE ABOUT 40%\* OF THE OIL PALM AREA IN THESE TWO COUNTRIES.**

Wilmar engages in smallholder programmes in Indonesia, Malaysia and West Africa. In Indonesia, the Group supports 38,021 ha of land under the government-originated Plasma scheme. We support the smallholders in micro-financing, land-clearing, planting inputs such as seeds, fertilisers and pesticides on loan basis, as well as technical assistance, especially on good agricultural practices. Upon reaching maturity (which takes about three to four years), or when the plasma co-operatives are well-established, the small plantation plots are handed over to the smallholder co-operatives for self-management. While awaiting their oil palm trees to mature, most of these farmers are employed by Wilmar to work in the Group's plantations and receive training in essential agronomic skills to equip them to manage their own plots in the years to come.



\* Sources:

1. [http://www.fao.org/uploads/media/06\\_IIED\\_-\\_Towards\\_better\\_practice\\_in\\_smallholder\\_palm\\_oil\\_production\\_01.pdf](http://www.fao.org/uploads/media/06_IIED_-_Towards_better_practice_in_smallholder_palm_oil_production_01.pdf)
2. <http://www.palmoilhq.com/PalmOilNews/rsपो-extends-reach-to-cover-oil-palm-smallholders/>

## Assisting smallholders in achieving certification

Our associated smallholders (plasma smallholders) are integral to our supply chain, and are naturally incorporated into our RSPO certification scheme.

Our 2009 report highlighted some concerns over the technical, financial and organisational limitations of smallholders to undertake certification. We feel that smallholders should not be left out from the growing sustainable palm oil market, and should be empowered to benefit from the improved practices and financial gains enjoyed by the bigger and more established plantations.

In 2011, we worked with CREM, a sustainability consultancy representing the Dutch Government, on a programme called "Certification of Palm Oil smallholders in Indonesia". Based in the Netherlands, CREM provides consultancy, research and training in the field of sustainable development.

The programme started with a pilot project to integrate smallholders into the Group Certification process, aiming to develop a practical system of integration. This programme will also assess whether the pilot project adheres to the Dutch "Cramer Criteria" – the sustainability criteria for bioenergy and biofuels, formulated by a committee chaired by the present Dutch Minister of Environment, Jacqueline Cramer.

The programme was carried out by one of our operating units in West Sumatra, PT Kencana Sawit Indonesia, working with their plasma smallholders. Following an RSPO gap assessment by an RSPO-accredited auditor, consultations are ongoing with various parties involved on the challenges, opportunities and feasibility of smallholder certification.

## Revised time-bound plan for associated smallholders and outgrowers

	NAME OF PLANTATION	LOCATION	AREA		YEAR OF CERTIFICATION AUDIT
			CATEGORY	PLANTED (HA)	
1	PT Mustika Sembuluh	Central Kalimantan	Plasma	186	2013
2	PT AMP Plantation	West Sumatra	Plasma	611	2013
3	PT Permata Anak Negeri Pasaman	West Sumatra	Outgrower	1,320	2013
4	PT Kencana Sawit Indonesia	West Sumatra	Plasma	650	2013
5	PT KAMU	West Sumatra	Outgrower	1,800	2013
6	PT Citra Riau Sarana	Riau	Plasma	5,070	2014
7	PT Gersindo Minang Plantations	West Sumatra	Plasma	1,306	2014
8	PT Permata Hijau Pasaman	West Sumatra	Plasma	354	2015
9	PT Musi Banyuasin Indah	South Sumatra	Plasma	1,492	2015
10	PT Jama Tulen	Central Sumatra, Jambi	Outgrower	1,576	2016
11	PT Musi Banyuasin Indah	South Sumatra	Plasma	1,442	2017
12	PT Maju Perkasa Sawit	Central Sumatra, Jambi	Outgrower	401	2017



## OUR PERFORMANCE

### BIODIVERSITY AND CONSERVATION

**WILMAR BELIEVES THAT EFFECTIVE CONSERVATION IS ACHIEVED BY A COMBINATION OF APPROACHES. THESE INCLUDE CONTINUAL IMPROVEMENT OF OUR HIGH CONSERVATION VALUE (HCV) AREA MONITORING EFFORTS; INTERNAL CAPACITY BUILDING; ENGAGEMENT WITH LOCAL COMMUNITIES AND OTHER OIL PALM PLANTATION COMPANIES; AS WELL AS PARTNERSHIPS WITH ACADEMIC AND RESEARCH INSTITUTIONS, NGOS AND GOVERNMENTAL ORGANISATIONS.**

**CONSERVATION SHOULD BE VIEWED AT A LARGE LANDSCAPE LEVEL, AND IN WILMAR THE DEPLOYMENT OF STAFF AND FUNDING FOR CONSERVATION EFFORTS IS RELATED TO THE LEVEL OF BIODIVERSITY AND THREATS FACED IN THOSE AREAS.**

Wilmar's policy for HCV assessments, as required under RSPO, is for all new development projects' HCV assessments to be carried out by independent RSPO-accredited HCV assessors. For existing plantations planted before 2005, the HCV Assessments are done by a combination of independent consultants and teams comprising external and internal expertise.



## Total of Wilmar's High Conservation Value (HCV) Areas - Hectares

REGION	2009		2010		2011	
	HCV	RIPARIAN	HCV	RIPARIAN	HCV	RIPARIAN
Sabah	5,040	930	5,040	930	5,816	948
Sarawak	1,579	374	1,579	374	1,579	374
Central Kalimantan	14,659	1,270	14,659	1,270	13,049*	1,270
West Kalimantan	NA	NA	13,458	1,209	17,431	1,507
Sumatra	1,261	37	2,913	1,031	3,084	2,098

\* The HCV assessments in Wilmar's Central Kalimantan estates were conducted by an independent HCV consultant company which divided the HCV areas into several different categories which included i) HCV areas recommended for conservation, ii) areas not recommended for conservation. The latter reflected the consultant's professional judgement that while these areas contained biological HCVs, they were not practical for conservation management as they were either isolated, exposed or often severely degraded; as a result biological diversity was seen as having a low chance of being sustained in the long term and/or would require excessive management beyond the value of the site. The assessor recommended converting these areas and compensating with conservation investments in equal natural areas which they recommended for conservation which would ensure the protection of continuous large blocks of habitat supporting similar HCVs. In our 2009 Sustainability Report, the total area reported (14,659 ha) included both areas combined because the estates had not begun clearance on the areas recommended for conversion. As at end December 2011, a total of 1,610 ha has been cleared and planted, out of the total of 2,798 ha of the areas recommended for conservation. Despite these areas being recommended for clearance and planting of oil palm by the consultants, the on-ground practice in these areas is that the HCV team will first conduct surveys in these areas to update and verify the conditions on the ground and to verify the absence of any HCV species or sites of cultural importance prior to any clearance.

### Conservation Management

Wilmar has established regional conservation teams for effective protection, management and monitoring of HCV areas with higher numbers of staff allocated to areas where there is higher biodiversity and/or higher numbers of endangered, rare and threatened species.

Where certain HCV areas are considered to be more special in terms of species and biodiversity compared to Wilmar's other plantations, collaborative projects with NGOs and governmental organisations are sought to set and meet species-specific conservation goals and to ensure more effective conservation and protection over and above the RSPO's standards for HCV management monitoring.





## OUR PERFORMANCE

### BIODIVERSITY AND CONSERVATION

#### Conservation Management in Indonesia

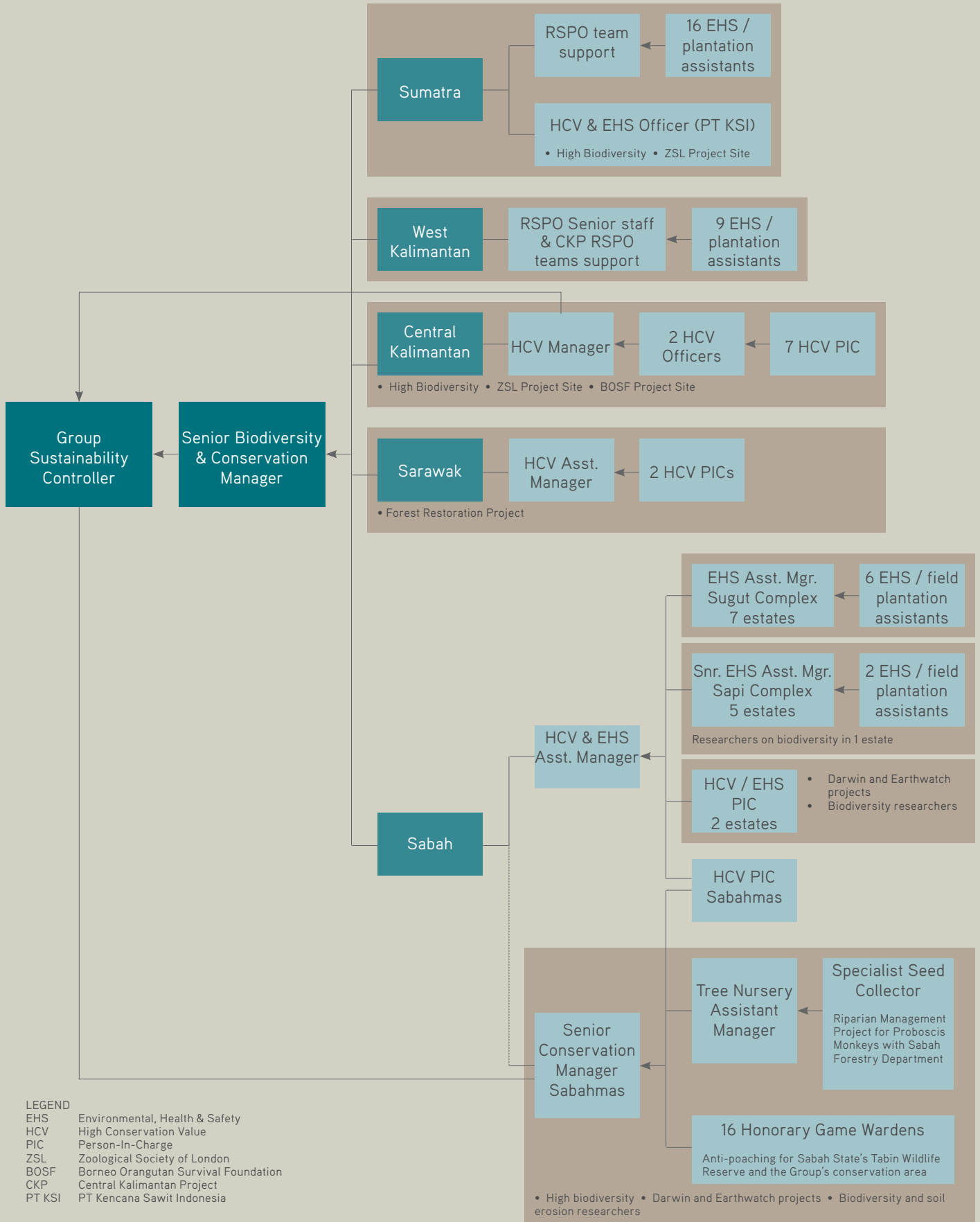
In Indonesia, a three-day intensive HCV monitoring training, which includes two days of field training, is done on an annual basis for all conservation staff, Global Information System (GIS) staff and supporting departments such as the Community Development and Plasma smallholder teams. It is mandatory for estate managers to attend the classroom and workshop training. All staff are provided with monitoring forms, management decision process charts and region-specific wildlife identification guide books. HCV staff are equipped with cameras, binoculars and relevant identification books. Further field training of conservation staff is done on a continual basis as and when needed. Future plans for 2012 - 2013 for improvement to HCV monitoring includes the purchase and expansion of the use of camera traps in our HCV areas and the incorporation of the new ZSL software and data base in order to monitor trends in the threats and other findings in our HCV monitoring.

#### Orangutan Conservation

Wilmar has continued to develop its orangutan conservation efforts since the survey of the orangutan population to understand its distribution and the survey of social economic aspects of the local communities in our Central Kalimantan estates in 2007. The initial surveys were done by the Indonesia Primatological Association (APAPI), Tanjungpura University (UNTAN), WWF Indonesia and the Central Kalimantan Province Independent Network for Development of Transparency and Accountability (JARi).



## Biodiversity & Conservation Organisation Structure



**LEGEND**  
EHS Environmental, Health & Safety  
HCV High Conservation Value  
PIC Person-In-Charge  
ZSL Zoological Society of London  
BOSF Borneo Orangutan Survival Foundation  
CKP Central Kalimantan Project  
PT KSI PT Kencana Sawit Indonesia



## OUR PERFORMANCE

### BIODIVERSITY AND CONSERVATION

Our progress for orangutan specific conservation in 2010 and 2011 has included the following:

#### 2010 Progress

Wilmar's primatologist conducted a six-month orangutan research project in the HCV area in PT. Mentaya Sawit Mas (PT. MSM) to estimate the population of orangutans, identify priority orangutan areas and then conservation management strategies were developed.

- » During this time Wilmar established a tree nursery from seeds and wildlings in PT. MSM which included 47 species of orangutan food plants for enrichment of the HCV areas. PT. MSM has been progressively planting these trees throughout its conservation areas.
- » Wilmar joined FORINA (The Indonesian Orangutan Forum) and also presented a paper on orangutan conservation in oil palm plantations at the "International Workshop for Orangutan Conservation" which was hosted by the Ministry of Forestry and FORINA.
- » The Central Kalimantan plantations conservation team was expanded and all staff were further trained in HCV monitoring with the use of GPS being mandatory. The team began to produce maps with linked photographs of nests for all relevant estates.

**ALL STAFF ARE PROVIDED WITH MONITORING FORMS, MANAGEMENT DECISION PROCESS CHARTS AND REGIONALLY SPECIFIC LAMINATED WILDLIFE IDENTIFICATION GUIDE BOOKS.**



#### 2011 Progress

- » Further expansion of the conservation team.
- » Wilmar developed a specific Standard Operating Procedure (SOP) on orangutan conservation for all our Central Kalimantan plantations.
- » Together with BKSDA (the Natural Resources Department of Ministry of Forestry) and YAYORIN (an orangutan education NGO), Wilmar conducted a joint education programme to educate workers and staff in seven companies on the importance of orangutan conservation in Indonesia. About 360 staff and managers and over 600 workers took part.
- » Extensive orangutan education posters were set up throughout the seven Wilmar companies and the local school following the education programme and these posters continue to be updated.
- » The Central Kalimantan plantation conservation team underwent training in Sebangau National Park with the Orangutan Tropical Peatland Project (OuTrop) on orangutan monitoring and long term biodiversity monitoring. The team then began to expand the network of orangutan transects for orangutan nest census surveys and to conduct more intensive orangutan monitoring.
- » A social expert team was hired to do a social assessment of the communities around PT. MSM and collect their views on orangutans and conservation in order to ascertain the possibilities for larger landscape conservation of orangutans, and to recommend ways on how to involve the local communities in conservation initiatives in our HCV areas. This is especially important given that the small orangutan population in our HCV area is most likely part of a much larger metapopulation that moves between Wilmar's conservation areas and the forest and riparian areas outside of PT. MSM's plantation concession.
- » Development of specific orangutan conservation management plans began in Sarana Titian Permata (PT. STP) and PT Rimba Harapan Sakti (PT. RHS).
- » Further nurseries for enrichment planting of the HCV areas with orangutan food plants in two other estates began development in 2011.



#### Plans for 2012

- » Orangutan transects will continue to be expanded throughout the HCV areas in PT. STP and PT. RHS, so we can monitor the small orangutan population in our HCV areas and the orangutan management plans will be reviewed by independent orangutan experts. Further training for the conservation team is planned based on the consultants' findings.

#### Conservation collaboration and partnerships in Indonesia

##### Zoological Society of London

In Indonesia, we have partnered with the Zoological Society of London (ZSL) under the Biodiversity and Agricultural Commodities Programme (BACP) in two of our most biodiverse areas in Indonesia in Central Kalimantan and in Kecana Sawit Indonesia Plantation in Sumatra. The first two year partnership has included collaboration with the Wildlife Conservation Society (WCS), the Indonesia Institute of Sciences (LIPI) and Pandang University with students who conducted research on the identified biodiversity gaps in research in oil palm plantations.

**A SOCIAL EXPERT TEAM WAS HIRED TO DO A SOCIAL ASSESSMENT OF THE COMMUNITIES AROUND PT. MSM AND COLLECT THEIR VIEWS ON ORANGUTANS AND CONSERVATION IN ORDER TO ASCERTAIN THE POSSIBILITIES FOR LARGER LANDSCAPE CONSERVATION OF ORANGUTANS.**

#### Deliverables and achievements

This two-year BACP project entitled "Increasing the effectiveness of biodiversity-related RSPO Principles and Criteria" was aimed at providing RSPO members the key tools and information to help them in identifying, managing and monitoring biodiversity within their oil palm plantations. The deliverables have included:

- » A practical toolkit for identifying and monitoring biodiversity in oil palm landscapes.
- » A practical handbook for conserving high conservation value species and habitats within oil palm landscapes.
- » Report on management options available for reducing the impact of oil palm on biodiversity.
- » Symposium and the symposium publication "Towards Sustainable Palm Oil: A Framework for Action". This symposium was held in London.
- » Biodiversity and palm oil resource website: <http://www.oilpalm-biodiversity.info/>



## OUR PERFORMANCE

### BIODIVERSITY AND CONSERVATION

- » Review of the key research that has been done on biodiversity and the important gaps in research on how palm oil production affects biodiversity.
- » ZSL MoU with Andalas University, Padang and student and masters scholarships for students doing research under the identified gaps on biodiversity in oil palm.
- » Technical Report on the Legal and Policy Barriers for Biodiversity Conservation within oil palm plantations in Indonesia (WCS).
- » Report on “To what extent are the RSPO biodiversity P&C supported and recognised by the spatial planning processes that determine where oil palm expansion occurs in Indonesia”.
- » Financial review on what extent the Indonesian government’s revenue from the palm oil industry influences land use decisions that determine the impact of oil palm on biodiversity.
- » Workshops held in Indonesia together with LIPI for conservation managers of oil palm plantations, academics and practitioners.

#### Plans for 2012

Wilmar and ZSL under the BACP have extended their partnership for a further one year project for 2012 in Central Kalimantan which will focus on developing protocols for monitoring HCV areas and a software program which will enable oil palm plantations to monitor, analyse and adapt their HCV monitoring systems. The software program will support and improve our current HCV monitoring system in Central Kalimantan with possible later expansion of its use to other plantations.



**THE OBJECTIVE (OF THIS MOU) IS TO DEVELOP AND TRIAL-RUN ORANGUTAN BMP FOR ORANGUTAN CONSERVATION IN OIL PALM PLANTATIONS.**

#### The Central Kalimantan Government and the Borneo Orangutan Survival Foundation

The tripartite collaboration between our subsidiary PT. MSM, the Central Kalimantan Government and the Borneo Orangutan Survival Foundation (BOSF) on developing Best Management Practices (BMP) for orangutan conservation is ongoing. The MoU was signed on the 9 May 2011, and the project will end on 31 December 2012.

The objective of this collaboration is to develop and trial-run orangutan BMP for orangutan conservation in oil palm plantations, including species protection; habitat establishment and enrichment; translocation of any isolated orangutans, buffer zone management; research, training and education; human-orangutan conflict mitigation (within the plantation landscape); and involvement of local communities in the orangutan conservation and management process, with efforts towards community development.

The long term aim is to identify opportunities to implement BMP as a formal policy in Central Kalimantan, provide solutions for the threat to orangutans and their habitat, as well as share and promote the results and framework so that the BMP can later be applied by other oil palm plantation operators to achieve orangutan conservation across a wider landscape. The government is committed to supporting this programme for the conservation of orangutans and their habitat, and for raising the prosperity and capability of local communities in Central Kalimantan to succeed in its vision for a "Clean and Green Province".

#### Progress

In 2011, Wilmar focused on developing BMP throughout its own plantations and in 2012, the project will focus more on the social aspects and challenges in orangutan conservation, the development of the government's technical team and the possibilities of extending the best management practices at a landscape level. The development into a formal policy is likely to take longer than the duration of the MoU. Wilmar continues to be committed in ensuring the success of this novel project.

**WILMAR  
CONTINUES  
TO ENGAGE  
WITH THE  
COMMUNITIES  
AND THE LOCAL  
GOVERNMENT  
TO GAIN THEIR  
SUPPORT ON THE  
CONSERVATION  
OF THESE  
AREAS.**

#### Challenges of conservation management in Indonesia

Under the current legal system in Indonesia, HCV areas are not recognised under Indonesia law. Yet, as an RSPO member, Wilmar is required to set aside and conserve these areas. The lack of legal support for HCV management has resulted in the loss of HCV areas allocated by Wilmar, especially in West Kalimantan where the land has been taken back by the government and relicensed to a non-RSPO company for later clearance. In Central Kalimantan, Wilmar is working with the government to show that HCV areas should not be viewed as unproductive "idle land", but rather as actively managed conservation land that must be preserved. In Indonesia, our estates continually need to provide evidence of active management of the HCV areas to demonstrate they are not "idle land" vulnerable to government calls for surrender.

As a result, our HCV areas including our riparian areas (which are protected by law) continually face threats of large scale illegal mining, illegal logging, burning, forest clearance for the planting of crops by local community members who operate outside their village's jurisdiction. Continual community engagement and education on HCV areas have alleviated but not stopped the expansion of these threats and challenges. In some instances, HCV areas are used as bargaining tools by communities threatening to cut down and burn the areas unless we relent to their demands. One village has even declared in a letter that it rejects conservation and wishes instead to clear the areas and plant oil palm, with communities even setting up barricades to prevent our conservation staff from monitoring remaining forest areas. Wilmar continues to engage with the communities and the local government to gain their support on the conservation of these areas.





## OUR PERFORMANCE

### BIODIVERSITY AND CONSERVATION

#### Conservation Management in Malaysia

In Malaysia, the land tenure system allows for areas to be set aside for conservation, making it much easier to protect and conserve HCV areas. Threats and pressure on the HCV areas are also less than those faced in Indonesia making the achievement of conservation goals much easier.

#### Sabah

In Sabah, one of our main focus areas has been in Sabahmas Plantation due to its high biodiversity and its location along the Segama River and adjacent to the Tabin Wildlife Reserve. Besides staff assigned to HCV monitoring, we have a specific conservation team under our Senior Conservation Manager with staff specific for the riparian enrichment project and 16 Honorary Wildlife Wardens. The Honorary Wildlife Wardens focus on the protection of the Tabin Wildlife Reserve and our conservation areas in Sabahmas Plantations and rainbow Ridge Conservation Area and are well known for their successes in greatly reducing poaching syndicates in the area.

#### Collaborations and partnerships in Sabah

##### Sabah Forestry Department

Wilmar has an ongoing five-year project with the Sabah Forestry Department for the enlargement, restoration and enrichment of state and company land specifically for the population of the Endangered Proboscis Monkeys using Proboscis Monkey food plants.

##### Progress

Progress has been faster than expected with almost 30km already planted with 30,167 trees. Advanced pruning of existing oil palm trees in the riparian areas has been key for stimulating germination of natural dormant seeds and seedlings to start generating and flourishing. As a result of the increase in light between the palms, natural regeneration has increased and so the number of trees required for planting has been lower than anticipated. Currently, there are 19 species and 22,477 saplings in the nursery. The objective is to complete the full 47km by end of 2013, and then the final year will be for selective planting of the remaining seedlings.

##### International and national academic institutions

PPB Oil Palms Berhad has an ongoing relationship with the South East Asian Rainforest Research Programme (SEARRP) and collaborations with several universities including Cumbria University, York University, Cambridge University, Swansea University and the University Malaysia Sabah (UMS) with other local collaborators. Under these collaborations Masters, PhD and Post-Doctorate students have ongoing research on biodiversity in our oil palm plantations, normally lasting two to three years per student. Under these collaborations we also have two ongoing projects: the three-year Darwin Initiative Project and the five-year Earthwatch Project.



## Student research progress

Besides the annual submission of progress reports, academic seminars and poster presentations were held in a conference entitled "Biodiversity and Ecosystem Services in Oil Palm: Developing tools to assist in Malaysia's drive for sustainability in palm oil" at IPAS Training Centre in our Sapi Plantation on 16 August 2011. Students from international universities and from UMS presented their findings to date. Attendees included UK guest speakers and York University and Swansea University supervisors, UMS supervisors and UMS guests, the Director of SEARRP and key Wilmar staff and top management from Indonesia, Sabah and Sarawak and Singapore.

## Darwin Initiative Project Progress

The three-year Darwin Initiative Project entitled "Developing tools for reducing biodiversity losses in tropical agricultural landscapes" began in 2009 and is ongoing until August 2012. This research is designed to enable conservationists, land managers, and policy-makers to assess the ecological benefits of promoting biodiversity within agricultural landscapes, and to provide clear practical advice on the consequences for biodiversity and ecosystem functioning of incorporating natural forest remnants within oil palm plantations.

One of the achievement highlights of the project included the collection of a new ant species in the forest litter in a forest fragment in our Sabahmas Plantation which was previously discovered by the same post-doctorate student in Danum Valley Conservation Area. It has been described by taxonomists as *Lordomyrma reticulata*. This is a rare species of its genus and information on its ecology and biology is still lacking. Taxonomic information has been published in the journal *Zootaxa*: <http://www.antweb.org/description.do?sufamily=myrmicinae&genus=lordomyrma&name=reticulata&rank=species>.

A webpage on the ants of Borneo, including those collected on our plantations, has been set up (<http://www.antweb.org/borneo.jsp>), hosted by the California Academy of Sciences, USA.



## Progress on the Earthwatch Project

This five-year project began at the end of 2010 and is ongoing until 2015. It is linked with the above Darwin project but focuses more on ecosystem services and functioning. The students' research on ecosystem functioning included research on dipterocarp trees, species richness, leaf litter, decomposition and important insects in ecosystem functioning in forest fragments.

## Sarawak

In Sarawak, we have specific conservation team focusing on HCV monitoring and our forest restoration project. We are focused on silviculture and forest enrichment in three main priority estates with the main focus on our Bukit Durang Conservation area, which is a continuous conservation areas between two estates. PPB Oil Palms Berhad is currently in the process of formalising a partnership with a governmental organisation on our forest enrichment project.

## OUR PERFORMANCE

### BIODIVERSITY AND CONSERVATION

International Union for Conservation of Nature  
(IUCN) Red List of Threatened Species  
(of which can be or potentially be found  
in some of Wilmar's conservation areas)

#### THREATENED BIRD SPECIES

SPECIE	IUCN RED LIST STATUS
Black Hornbill	Near threatened
Blue-rumped Parrot	Near threatened
Diard's Trogon	Near threatened
Garnet Pitta	Near threatened
Great Argus	Near threatened
Helmeted Hornbill	Near threatened
Long-tailed Parakeet	Near threatened
Reddish Scops Owl	Near threatened
Red-naped Trogon	Near threatened
Red-throated Sunbird	Near threatened
Rhinoceros Hornbill	Near threatened
Rufous-collared Kingfisher	Near threatened
Scarlet-rumped Trogon	Near threatened
White-crowned Hornbill	Near threatened
Wrinkled Hornbill	Near threatened
Blue-banded Kingfisher	Vulnerable
Bornean Wren-babbler	Vulnerable
Hook-billed Bulbul	Vulnerable
Large Green Pigeon	Vulnerable
Short-toed Coucal	Vulnerable
Straw-headed Bulbul	Vulnerable

#### THREATENED MAMMAL SPECIES

SPECIE	IUCN RED LIST STATUS
Sarawak Surili, Bornean Banded Langur	Critically endangered
Asian Elephant	Endangered
Bornean Gibbon	Endangered
Hairy-nosed Otter	Endangered
Sunda Otter-civet	Endangered
Sunda Pangolin	Endangered
Silver Langur, Indochinese Lutung	Endangered
Pale Giant Squirrel	Near threatened
Large Flying Fox	Near threatened
Banded Palm Civet	Vulnerable
Bearded Pig	Vulnerable
Binturong, Bearcat	Vulnerable
Sunda Clouded Leopard	Vulnerable
Asian Small-clawed Otter	Vulnerable
Southern Pig-tailed Macaque	Vulnerable
Sambar Deer	Vulnerable
Bornean Slow Loris	Vulnerable
Smooth-coated Otter	Vulnerable
Sun Bear	Vulnerable
Sunda Tarsier	Vulnerable
Tufted Ground Squirrel	Vulnerable

IUCN Red List status is an official classification used to categorise threat levels for species.



## ALLEGATIONS OF MISCONDUCT

SINCE 2006, THERE CONTINUES TO BE ORANGUTAN ALLEGATIONS CHARGED AT WILMAR. WE UNDERSTAND STAKEHOLDERS' CONCERNS FOR THE CIRCUMSTANCES AND FUTURE OF THESE PRIMATES, AND WOULD LIKE TO PRESENT THE ACTIONS TAKEN BY THE GROUP RELATED TO THIS ISSUE.

We are one of the few companies in the industry that invest resources into conservation efforts for these primates on a continued basis. In 2009, we hired a primatologist (and a former orangutan NGO staff) to help develop procedures and build the capacity of our employees at environmental conservation work. This work is ongoing, with activities taking place throughout 2011 with the assistance of our local conservation manager.

The media again reported on allegations regarding the orangutan event that occurred in June 2011 in the concession area of PT Sarana Titian Permata in Central Kalimantan. Wilmar takes these allegations seriously, and responded to these reports by undertaking an investigation involving local authorities, including local district police, the Special Response Police Forest Task Force (SPORC) of Indonesia and the Nature Conservancy Agency (BKSDA). These third-party findings confirmed that many of the allegations had no evidence to support the purported claims. The police had also released a statement to the media putting on record that there was no

evidence supporting the accusations that orangutans have been killed in the Wilmar concession area.

We accept that large corporations make good campaign targets for some civil society organisations but we also realise that we can be good collaborators to NGOs. Some of such initiatives are featured in this report, which are a testament of the benefits that can be reaped from constructive relationships. We will continue our commitment in our environmental stewardship, and will continue to identify relevant partners to help achieve what we have set out to do.

We are not an expert in environmental or social affairs but as a company with presence in - more often than not remote areas - areas that may not have easy access to government support and resources, we can support and complement efforts in these areas. We strongly believe as a collective entity we can together achieve greater good if the civil society organisations can approach us in the spirit of cooperation rather than confrontation.



## OUR PERFORMANCE GHG MITIGATION

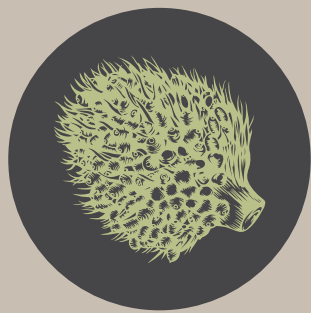


CLIMATE CHANGE CONSTITUTES THE MOST SIGNIFICANT LONG-TERM ENVIRONMENTAL THREAT TO LIVELIHOODS AND THE ENVIRONMENT. IT WILL ALSO IMPACT OUR BUSINESS, WITH SHIFTS IN RAINFALL PATTERNS AND OTHER CLIMATIC VARIABLES HAVING A DIRECT IMPACT ON OUR OPERATIONS ACROSS OUR ENTIRE SUPPLY CHAIN.

TO OUR STAKEHOLDERS, ANY SUSTAINABLE BUSINESS MUST CONTRIBUTE TO REDUCING GREENHOUSE GAS (GHG) EMISSIONS. THE SIGNIFICANT CHANGES FOR OUR INDUSTRY ARE, FIRSTLY, THE MALAYSIAN GOVERNMENT'S COMMITMENT TO REDUCE GHG EMISSIONS BY UP TO 40% BY 2020, AND THE RSPO'S GHG2 WORKING GROUP'S RECOMMENDATIONS TO INCORPORATE GHG EMISSION REDUCTION REQUIREMENTS INTO THE RSPO PRINCIPLES AND CRITERIA.

## Sources of GHG emission and areas for reduction

With reference from RSPO Greenhouse Gas Calculator for oil palm products:



### PLANTATIONS

- » emissions due to transport and use of fertilisers
- » emissions due to peatland
- » emissions avoided by carbon sequestration in the palm biomass



### TRANSPORT & LOGISTICS

- » emissions due to harvesting and collection of fruits



### MILLS

- » emissions due to fuel combustion
- » emissions due to POME treatment (accounts for 88% of GHG emissions)
- » emissions avoided based on methane capture projects
- » emissions avoided by power generation based on biomass, as with industry standards



## Policy

In Indonesia, we develop lands that are licensed by local governments for oil palm cultivation in accordance with Indonesian law. These lands are primarily degraded and logged-over secondary forests. On these lands, we employ best agricultural practices that help mitigate greenhouse gas emissions: zero-burn; no-tillage; biological nitrogen fixation by planting legume species; maintaining riparian zones along natural waterways; recycling organic waste such as empty fruit bunches (EFB) and palm oil mill effluent (POME) for land application to replace inorganic fertilisers with organic ones.

With effect from 1 October 2012, we will not establish new plantings on peatland, regardless of depth. This policy was adopted in line with our commitment to a precautionary approach, due to the concern of stakeholders on the potential GHG emissions from peat plantings.

We work on different projects, including setting aside contiguous tracts of high conservation value (HCV) forests for biodiversity preservation within our oil palm plantations and invest in clean development mechanisms (CDM) – biomass boilers and methane capture systems – at our mills and refineries. The CDM initiatives are aimed at reducing GHG emissions by generating “green” power to replace fossil-based electricity. The CDM is an arrangement under the Kyoto Protocol allowing industrialised countries with a commitment to GHG reduction to invest in ventures that reduce emissions in developing countries, serving as an alternative to more expensive emission reduction methods in their own countries.

## Initiatives to reduce emissions

We run Clean Development Mechanism (CDM) projects across the Group’s various business segments. From our palm oil upstream operations (plantations and mills), we currently have three methane capture projects which recover methane from wastewater treatment ponds to be utilised for electricity generation: one in Indonesia which is already generating credits; the other two in Malaysia that are still undergoing validation.



## Controlling fire and haze

Burning to clear land for plantation development is another key concern of many stakeholders about the industry. In addition to worsening global warming, the resulting haze from those fires transcends national boundaries, causing real environmental and health concerns to neighbouring countries. In Indonesia, it is illegal to burn, and companies caught doing so can be severely punished. Wilmar has a daily monitoring system that reports on fire incidences across its plantations in Indonesia. If there are accidental fires, the plantations have to ensure that the fires are being attended to immediately. The size of the affected area, time taken to put the fire out – supported with photographs – are recorded; a police report on the fire incidence will be filed, and evidence submitted.

Wilmar upholds a policy of zero burning for our operations. Our fire response and management system includes trained fire brigade crew, watch towers and a monitoring system to detect hotspots that help us respond to fires relatively quickly and efficiently.

In spite of having policy and systems in place to prevent and suppress fires, fire occurrences still happen within our plantation areas. Most of these incidences were caused by fires spread over from neighbouring land plots managed by small farmers, especially those practising shifting cultivation, who traditionally and continue to use the slash and burn method as their preferred method to clear land. This is despite the fact that burning is illegal in Indonesia. Other accidental causes of fire are from natural climatic conditions (protracted drought period), cooking and sparks from discarded cigarettes, etc.

**WILMAR HAS A DAILY MONITORING SYSTEM THAT REPORTS ON FIRE INCIDENCES ACROSS ITS PLANTATIONS IN INDONESIA. IF THERE ARE ACCIDENTAL FIRES, THE PLANTATIONS HAVE TO ENSURE THAT THE FIRES ARE BEING ATTENDED TO IMMEDIATELY.**

## Fires

	2009	2010	2011
<b>CENTRAL KALIMANTAN</b>			
Planted hectares burnt	173	1	98
Unplanted hectares burnt	339	40	182
Total no. of fires	76	3	93
<b>WEST KALIMANTAN</b>			
Planted hectares burnt	6.3	2.5	7.38
Unplanted hectares burnt	20	0	0
Total no. of fires	8	1	4
<b>SUMATRA (RIAU)</b>			
Planted hectares burnt	8.5	2.5	67.5
Unplanted hectares burnt	15	0	0
Total no. of fires	7	2	6





## OUR PERFORMANCE

### REDUCTION IN CHEMICAL USE



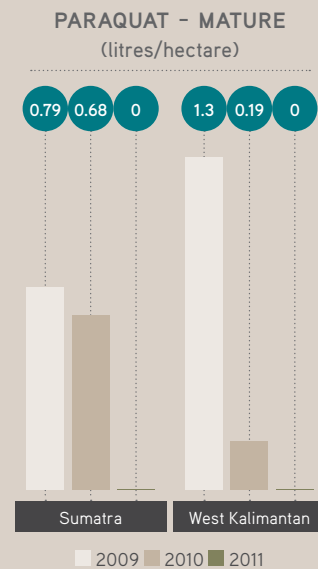
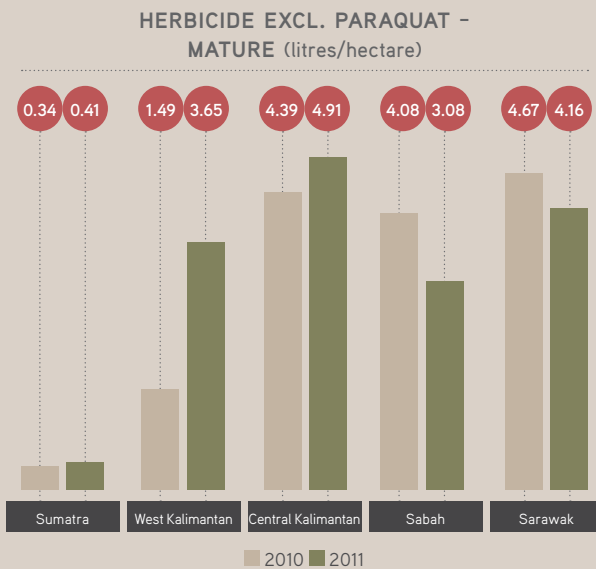
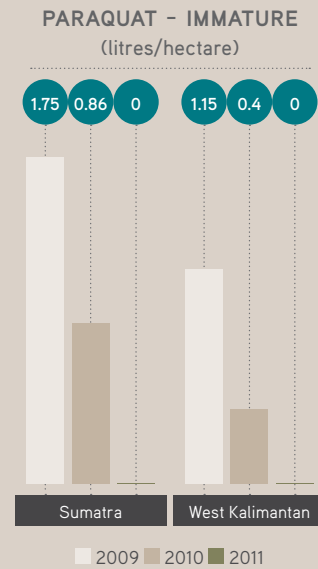
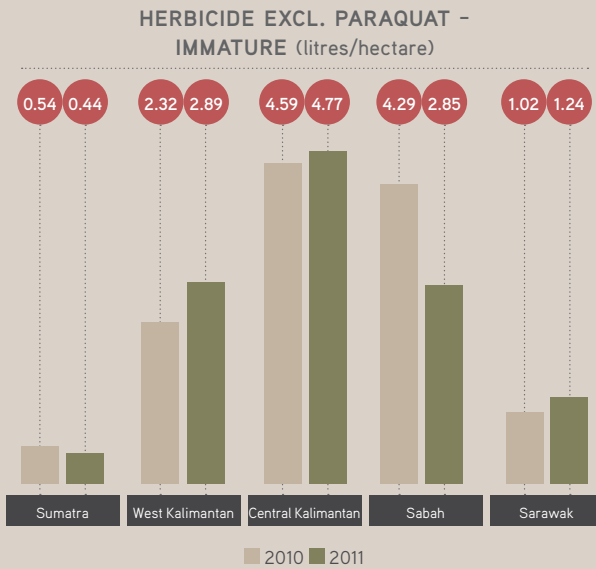
**SIMILAR TO THE ENVIRONMENTAL CONCERNS RELATED TO INORGANIC FERTILISERS, WE RECOGNISE THE PROBLEMS POSED BY EXCESSIVE USE OF OTHER AGRI-CHEMICALS SUCH AS PESTICIDES, FUNGICIDES AND HERBICIDES THAT MAY BE WASHED OFF BY THE RAIN INTO NEARBY NATURAL WATERWAYS. AS PART OF OUR COMMITMENT TO REDUCING CHEMICAL USAGE TO MITIGATE IMPACTS ON THE ENVIRONMENT, NON-CHEMICAL PEST CONTROL MEASURES ARE PREFERRED AT WILMAR, IN PARTICULAR THROUGH INTEGRATED PEST MANAGEMENT (IPM) SYSTEMS DESIGNED TO MINIMISE USE OF CHEMICALS BY RELYING ON BIOLOGICAL AND CULTURAL ALTERNATIVES.**

Spraying is an integral part of plantation work. All workers responsible for spraying are required to undergo training on the use of personal protective equipment (PPE) as well as on the handling, use and storage of chemicals. The standard PPE wear includes protective eye-wear, facial masks, gloves and boots; they have to be worn whenever the workers carry out their duties. Showering is compulsory after each shift. In addition, these workers are subject to regular check-ups to detect presence of residual chemicals; female sprayers who are pregnant are temporarily assigned other job responsibilities that are much less hazardous. Training is essential for new workers, while existing workers are required to undergo periodic refresher course.

All chemicals are stored in locked facilities where only authorised personnel have access to them. There are also measures in place to prevent and respond rapidly to accidental spillage. Containers previously used for storing chemicals are collected, stored and disposed of according to legal requirements.

#### **No use of paraquat**

We recognise stakeholders' concerns regarding potential poisoning from paraquat. Adhering to the precautionary principle approach in the RSPO Principles and Criteria, we are phasing out the use of paraquat in our operations. We prefer to err on the side of caution, even though we believe that paraquat usage can be safe if users abide by safety rules and procedures. Our plantations in Sabah and Sarawak (East Malaysia), as well as Central Kalimantan (Indonesia) have ceased the use of paraquat since 2008, and we have successfully reduced usage for Sumatra and West Kalimantan with each successive year. We are pleased to announce that all our plantations in Malaysia and Indonesia now have completely phased out the use of paraquat. We achieved our target within the stated time frame published in our 2009 Sustainability Report.



## OUR PERFORMANCE

### WATER AND SOIL

#### Water sources, usage and management

**WATER RESOURCE MANAGEMENT IS CRITICAL TO OUR BUSINESS. THIS IS WHY WE ENDORSED THE UNITED NATIONS CEO WATER MANDATE TO MITIGATE OUR WATER FOOTPRINT. IN REGARD TO WATER, OUR STAKEHOLDERS ARE PRIMARILY CONCERNED WITH IMPACTS OF CHEMICALS AND MILL WASTE ON WATER QUALITY IN NATURAL WATERWAYS, POSING A THREAT TO THE ENTIRE ECOSYSTEM. OTHER STAKEHOLDERS ARE CONCERNED THAT WATER USAGE FOR AGRICULTURE WILL COMPETE WITH LOCAL COMMUNITIES FOR THIS PRECIOUS RESOURCE.**

The measure of biological oxygen demand (BOD) determines the level of water pollution from suspended organic matter in palm oil mill effluent (POME). Across Wilmar operations, since our 2009 report, the BOD levels for POME discharged to the river remained constant or lowered in some cases, while the BOD levels for effluent used for fertilising the agricultural land increased, especially for Central Kalimantan. As the BOD limit in Indonesia for land application is 5,000mg/l, the BOD level for Central Kalimantan was still far lower than legal limits. This surge was caused by a new mill whose effluent pond was not running well. We are taking the necessary corrective measures and improvement targets for this mill.



BOD LEVELS BY REGION AND DISCHARGE DESTINATION (mg/l)		
BOD LEVEL - RIVER DISCHARGE	2010	2011
Sabah	32.70	28.80
Sarawak	17.50	17.40
West Kalimantan	165.81	114.39
Sumatra	123.18	81.71
BOD LEVEL - LAND APPLICATION	2010	2011
Central Kalimantan	368.22	1,864.04
West Kalimantan	-	-
Sumatra	611.86	836.17

Rainfall in East Malaysia and Indonesia is plentiful and accounts for much of our plantation use and also to some extent domestic use, where we have installed rainwater capture. Much of our irrigation is done by reusing waste water from FFB processing. For industrial (mill) use, we draw water primarily from rivers and from the ground, using tube-wells during prolonged drought seasons.

### Water usage

INDONESIA (m <sup>3</sup> )	2010	2011
<b>Sumatra</b>		
Plantation	40,727,050	6,451,604
Mill	6,665,548	7,121,680
<b>Central Kalimantan</b>		
Plantation	214,647	251,269
Mill	641,661	1,465,963
<b>West Kalimantan</b>		
Plantation	28,632	34,115
Mill	310,596	346,221
MALAYSIA (m <sup>3</sup> )	2010	2011
<b>Sabah</b>		
Plantation	505,627	507,619
Mill	2,519,908	2,612,414
<b>Sarawak</b>		
Plantation	203,561	192,570
Mill	840,188	684,935

**RAINFALL IN EAST MALAYSIA AND INDONESIA IS PLENTIFUL AND ACCOUNTS FOR MUCH OF OUR PLANTATION USE AND ALSO TO SOME EXTENT DOMESTIC USE, WHERE WE HAVE INSTALLED RAINWATER CAPTURE.**



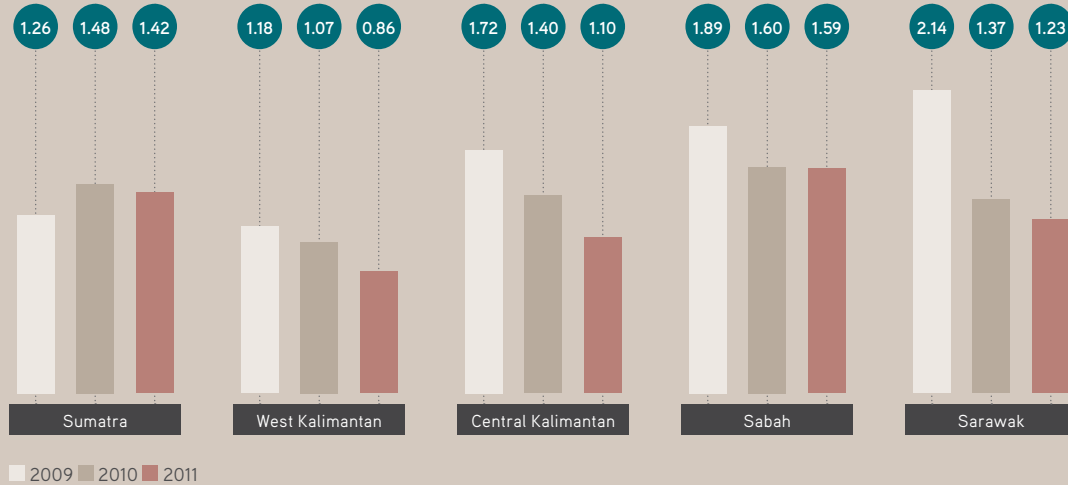
Note: Data collected include these water sources: rainwater, ground-water and rivers.



## OUR PERFORMANCE WATER AND SOIL



Water use (m<sup>3</sup>) per tonne of FFB Processed (Mills)



The amount of water used to process one tonne of FFB has steadily decreased. We hope to continue this trend to reduce our demands on water from natural waterways to avail more of the water resource to local communities.

## Soil management – peat and fertiliser

Quality soil plays an important role in attaining good palm oil yields. The quality of soil is in turn, dependent on management practices and geography.

We recognise problems posed by excessive fertiliser use, including that fertilisers may be washed off by rain into waterways. We strictly adhere to maintaining a no-planting buffer of between 5 – 10 metres along rivers, depending on the width of the natural waterways; as well as to ensure that no palms accidentally planted within this buffer are fertilised or sprayed. Where palms have been planted within buffers, the area will be left to regenerate back into its natural state and the dense vegetation can help to filter whatever water washes off during rainstorms.

It makes no business sense to use excessive inorganic fertiliser. Setting appropriate amount and composition of nutrients is determined based on annual leaf nutrient analyses – which acts as a health check on the palms – to ensure that optimal input is provided to sustain yield till the next harvest.

**WE STRICTLY ADHERE TO MAINTAINING A BUFFER OF BETWEEN 5-10 METRES, DEPENDING ON THE WIDTH OF THE NATURAL WATERWAYS; AS WELL AS TO ENSURE THAT NO PALMS ACCIDENTALLY PLANTED WITHIN THIS BUFFER ARE FERTILISED OR SPRAYED.**

Where soil organic matter is found to be lacking, empty fruit bunches (EFB) are systematically applied to the field. Depending on the nutrient health of the palms, there is a plan to reduce the use inorganic fertiliser in fields that will be fertilised through application of EFB in the subsequent years.

Other stakeholder concerns about soil centre on peatland. Our stakeholders regard peatland as “a carbon sink”, and the clearing and draining of peatlands have a significant net positive impact on carbon emissions. We do not develop on deep peatland of more than three metres. It is also not commercially sensible to develop on deep peatlands because they pose a significant challenge to machine mobility and require more elaborate infrastructure setup.

In areas where we have peat plantings, we have put in place best management practices for peat areas in line with recommendations of the RSPO Peat Working Group. The water levels are maintained at specific depths and monitored through a series of well-placed and constructed weirs. Peat subsidence is also monitored in strategic locations.

None of our Malaysian plantations contain peatland, though we do have small areas of peatland among our planted area in Indonesia. These plantings were established prior to the debate and recognition of the role and value of tropical peatland as a carbon sink. To manage these peat areas effectively, we adopt a comprehensive and sound hydrological approach, such as maintaining high water levels, preventing fires and other monitoring and management methods.



## OUR PERFORMANCE EMPLOYEES



**WE HAVE COME A LONG WAY SINCE OUR INCORPORATION IN 1991, FROM A SMALL TRADING COMPANY WITH A TEAM OF CLOSELY KNITTED EMPLOYEES TO A DIVERSE GLOBAL WORKFORCE OF ABOUT 90,000 PEOPLE; FROM A SMALL PRIVATE COMPANY TO A LARGE PUBLICLY LISTED ONE. ONE OF THE BIGGEST CHALLENGES FOR US IS TO STAY NIMBLE AS WE GROW LARGER. AS WE CONTINUE TO EXPAND OUR BUSINESS, WE NEED CAPABLE AND TALENTED INDIVIDUALS TO COME TOGETHER AS A COHESIVE AND EFFECTIVE TEAM, CAPABLE OF ADAPTING TO NEW COMPETITIVE REALITIES AND ADDRESSING STAKEHOLDERS' EXPECTATIONS. FOR THE PAST TWO YEARS, WE HAVE FOCUSED ON STRENGTHENING OUR CORPORATE CULTURE AND GROOMING TALENTED INDIVIDUALS AS FUTURE LEADERS WITHIN THE ORGANISATION.**

### Decent pay and conditions

Minimum wages in Indonesia are not set by national standards, but rather by provincial and district wage councils that set different minimum wage requirements that vary by province and sector. It can be as high as 1,100,000 Rupiah per month in Papua to as low as 500,000 Rupiah per month in East Java. Under law, Indonesia has a 40-hour work week and a seven to eight-hour work day.

Our minimum wage in our Indonesia operations for both temporary and permanent employees is equal to or higher than the regional minimum established by the wage council. This wage is supplemented further by benefits such as housing, transportation, utilities, education and medical services to our staff, benefits that many workers in Indonesia do not receive.

There is no minimum wage in Malaysia. Based on an eight-hour day, 26 working days a month, a typical monthly wage can range from approximately MYR650 - 1,000 for a general worker, and up to MYR1,700 for a harvester. In addition to this, all workers are provided with free housing, water and electricity free of charge.

From January 2013, Malaysia will introduce a minimum wage, which is set at MYR800 monthly for Sabah and Sarawak. We will review the wages to ensure full compliance.

## Wilmar's Minimum Wage in Indonesia

IN RUPIAH	2010	2011
Wilmar Wage	802,500	910,000

## Malaysia

ITEM	BREAKDOWN	2011	2010
Management by ethnicity (%)	Indigenous	69	66
	Chinese	17	23
	Malay	7	5
	Indian	4	3
	Others	3	3
	Total	100	100
Women as % of employees	Malaysia	36	36
Women as % of management	Malaysia	11	10

### Compensation and benefits for professional staff

Generally, employee compensation and benefits comprise a basic salary and bonus, which is linked to individual performance and the Company's performance. As a form of added incentive, key employees receive remuneration in the form of share options.

We also participate in national pension schemes as defined by the laws of the countries where we operate. For example, it is mandatory for the Group to contribute to the Central Provident Fund (CPF) in Singapore. Some of our companies in Indonesia have to provide for an employee gratuity, according to the Labour Law No. 13/2003 dated 25 March 2003.

### Training and development

We believe in providing all employees with career and personal development opportunities. Our training programmes aim to equip our employees with key skills to support their career goals. Our professional staff is given opportunities for overseas assignments to gain exposure to different markets and trades.

In 2010, we developed a "Commitment of People Development" pact for our Indonesian operations. This pact aims to sharpen skills and enhance individual potential.

In 2011, we developed a comprehensive e-learning platform comprising more than 360 e-courses on management skills, personal qualities and professional skills. This platform is made available to our employees across the Group.

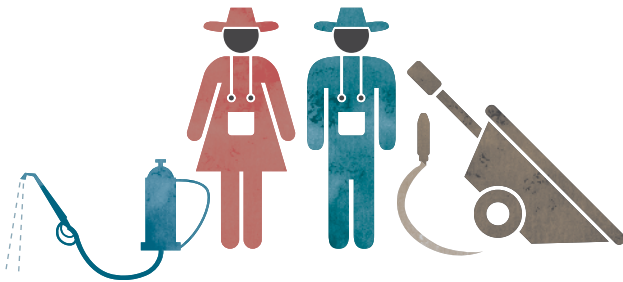
We have also implemented the Frontline Leadership Programme and Senior Leadership Development programme as training for our senior leaders.

### Gender

We believe that a diverse workforce brings about a more harmonious working environment and community. Despite being a traditionally male-dominated business, the Group recognises that women constitute a growing population of the world's workforce and thus makes a conscious effort to provide opportunities for women to advance in a non-threatening environment.



## OUR PERFORMANCE WORKER CONDITIONS AND CONTRACT LABOUR



**IN OUR 2009 SUSTAINABILITY REPORT, AN EXTERNAL STAKEHOLDER COMMENTARY HIGHLIGHTED THE NEED FOR WILMAR TO ADDRESS THE HIGH NUMBER OF TEMPORARY WORKERS IN OUR INDONESIAN PLANTATIONS, MOVING TOWARDS AN INCREASE IN WORKERS ON PERMANENT CONTRACTS.**

At the time, the high level of temporary workers was caused by the young age of many of our plantations, and the recent hire of many workers. In Indonesia, newly recruited workers are classified as temporary. When these workers work for more than 21 days per month for three consecutive months, their status will be upgraded to a permanent worker. Hence, even workers hired with a view to permanent employment will appear as temporary for the initial three months of work.

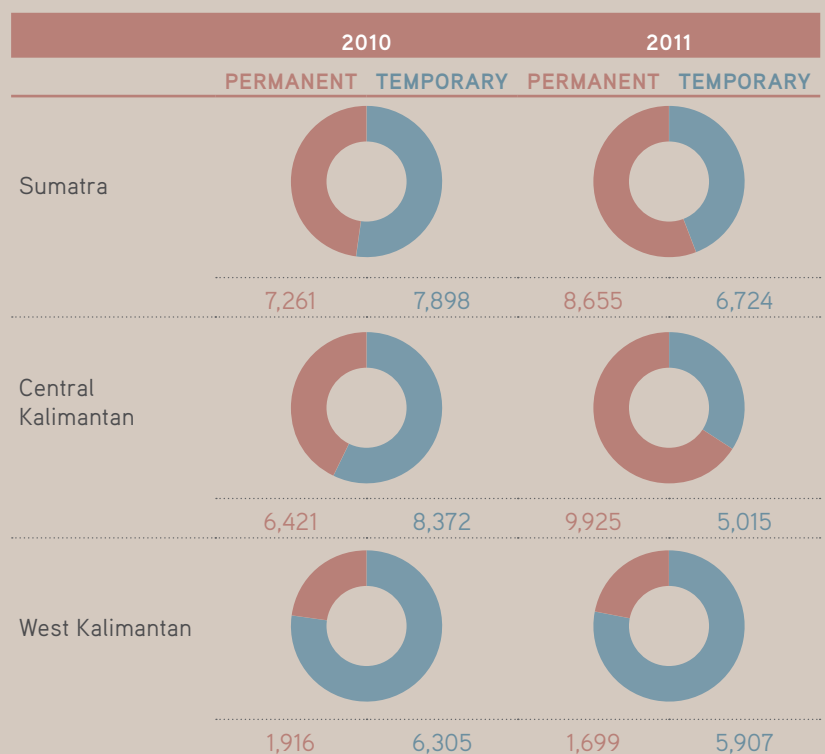
In Central Kalimantan where there is a lack of workers from the resident population (Central Kalimantan is among the lowest populated provinces in Indonesia), the number of workers with temporary status is relatively low because there are not enough workers for the amount of plantation work. Most of the workers in Central Kalimantan originate from other parts of Indonesia and tend to reside in our plantations for housing benefits. Hence, they stay longer than the required three-month period and are categorised as permanent employees.





In other areas, such as Sumatra or West Kalimantan, Wilmar often offers employment to the local community. In these areas, people often have alternative seasonal dependent income means, and will work on a casual basis to supplement their regular source of income. These workers do not reside in the housing provided by the plantations, as they prefer to reside in their own houses with their extended families. They commute daily to the plantations which are normally near their villages. These workers prefer a flexible approach to work, because they have to tend to their own oil palm or rubber plots, or even paddy farms, much like freelance professionals in urban cities who choose freelance work over a permanent job because of the flexible work schedule for their own commitments. Hence, we will negotiate with the workers who prefer flexibility to agree on working five days a week and not more than 21 days a month, effectively maintaining their status as a temporary labour. This is done with the support of the labour unions or worker representatives and the local government's District Labour Officer. It is a mutual agreement or understanding between workers who prefer temporary status and plantation management.

### Permanent – Temporary Worker Ratio in Indonesia





## OUR PERFORMANCE HEALTH AND SAFETY



ALL EMPLOYEES HAVE THE RIGHT TO A SAFE WORKING ENVIRONMENT, AND OCCUPATIONAL HEALTH AND SAFETY REMAINS OUR PRIORITY. WE HAVE A SYSTEM OF HAZARD IDENTIFICATION, RISK ASSESSMENT AND CONTROL (HIRAC), TO ENSURE OPTIMAL HEALTH AND SAFETY LEVELS IN OUR OPERATIONS.

### Lost Time Incident Rate

PLANTATIONS		
	2010	2011
Sabah	2.90	2.26
Sarawak	8.53	7.14
Central Kalimantan	4.86	5.47
West Kalimantan	NA	1.99
Sumatra	8.56	7.07

MILLS		
	2010	2011
Sabah	4.47	3.70
Sarawak	6.67	6.03
Central Kalimantan	3.43	1.97
West Kalimantan	NA	0.50
Sumatra	0.39	0.50

Nevertheless, we regret to note there were instances of fatalities in 2010 and 2011 in Indonesia. Our Malaysian operations achieved zero fatality in 2011. The management and staff of Wilmar offer our condolences to families of the deceased. Every fatality case is followed up with a thorough review of cause and actions to prevent recurrence. The reviews are followed by continued efforts in training and use of protective equipment.

### Fatalities

PLANTATIONS		
	2010	2011
Sabah	1	0
Sarawak	0	0
Central Kalimantan	0	0
West Kalimantan	0	0
Sumatra	6	0

MILLS		
	2010	2011
Sabah	0	0
Sarawak	1	0
Central Kalimantan	1	0
West Kalimantan	0	0
Sumatra	2	2

\* Restatement: Due to a difference in definitions that was subsequently identified between our Malaysian and Indonesian operations, we have adjusted our Health & Safety figures disclosed in the Annual Reports 2010 and 2011.





## OUR PERFORMANCE FINANCIALS

### INCOME STATEMENT

US\$ MILLIONS	FY2011	FY2010	FY2009
Revenue	44,710.0	30,377.5	23,885.1
Profit before tax	2,078.7	1,644.2	2,294.4
Net profit*	1,600.8	1,324.0	1,882.0

### BALANCE SHEET

US\$ MILLIONS	AS AT 31 DEC 2011	AS AT 31 DEC 2010	AS AT 31 DEC 2009
Total Assets	39,639.8	33,969.4	23,448.8
Total Liabilities	25,391.4	21,411.5	12,037.2
Shareholders' funds	13,370.2	11,855.8	10,931.1

### SEGMENTAL SALES VOLUME BREAKDOWN

MT MILLIONS	FY2011	FY2010	FY2009
Merchandising and Processing			
Palm and Laurics	20.3	20.8	19.1
Oilseeds and Grains	19.9	18.3	15.6
Consumer Products	4.4	3.7	3.2
Sugar			
Milling	2.7	Nil	Nil
Merchandising and Processing	2.5	Nil	Nil

### SEGMENTAL PROFIT BEFORE TAX BREAKDOWN

US\$ MILLIONS	FY2011	FY2010	FY2009
Plantations and Mills	733.8	635.8	396.9
Merchandising and Processing			
Palm and Laurics	585.9	587.1	692.8
Oilseeds and Grains	422.9	117.5	606.9
Consumer Products	85.3	149.8	225.3
Sugar	141.3	Nil	Nil
Others	41.6	188.5	84.0

### GEOGRAPHICAL REVENUE BREAKDOWN

US\$ MILLIONS	FY2011	FY2010	FY2009
Southeast Asia	10,176.2	7,443.8	5,492.8
People's Republic of China	21,658.4	15,869.7	13,197.2
India	1,388.9	1,179.3	1,213.0
Europe	3,514.4	2,190.3	1,638.7
Australia / New Zealand	2,007.1	41.6	Nil
Others	5,965.1	3,652.9	2,343.4

\* Net profit refers to profit attributable to owners of the company, excluding non-controlling interest

## OUR PERFORMANCE

### AGRICULTURAL PRODUCTION STATISTICS

	FY2011	FY2010	FY2009
<b>Plantation</b>			
FFB production (MT)	4,072,961	3,348,891	3,213,360
FFB yield <sup>1</sup>	19.8	17.9	20.2
<b>Mill</b>			
Crude palm oil (MT)	1,778,882	1,597,890	1,575,534
Palm kernel (MT)	413,554	371,626	367,894
<b>Extraction rate<sup>2</sup></b>			
Crude Palm Oil (%)	20.6	20.7	20.9
Palm kernel (%)	4.8	4.8	4.9

#### Annual production capacity<sup>3</sup> of certified products

COUNTRY	MILL	LOCATION	CRUDE PALM OIL (MT)	PALM KERNELS (MT)
Malaysia	Reka Halus	Sandakan, Sabah	27,000	7,000
	Ribubonus	Sandakan, Sabah	21,000	3,000
	Sabahmas	Lahad Datu, Sabah	47,000	10,000
	Sapi	Sandakan, Sabah	38,000	8,000
	Saremas 2	Miri, Sarawak	52,000	12,000
	Saremas	Miri, Sarawak	52,000	11,000
	Sri Kamusan Palm Oil	Sandakan, Sabah	27,000	5,000
	Terusan	Sandakan, Sabah	43,000	10,000
	<b>Subtotal</b>			<b>307,000</b>
Indonesia	PT Milano (Pinang Awan)	North Sumatra	28,000	6,000
	PT Kencana Sawit Indonesia	West Sumatra	38,000	8,000
	PT Kerry Sawit Indonesia	Central Kalimantan	52,000	9,000
	PT Mustika Sembuluh	Central Kalimantan	81,000	17,000
	PT Tania Selatan - Burnai Timur Mill	South Sumatra	14,000	3,000
	<b>Subtotal</b>			<b>213,000</b>
<b>Total</b>			<b>520,000</b>	<b>109,000</b>

1 FFB yield - Amount of FFB divided by mature area in hectares. Oil palm plantations are considered mature when 60% of oil palm per block is bearing fruits with an average weight of 3 kilograms or more per bunch.

2 Crude palm oil extraction rate - Metric tonnes of CPO divided by metric tonnes of FFB.

3 The annual production capacity here is an estimate of the potential amount of certified sustainable palm oil and palm kernels produced by the mill.

## GRI3.1 INDEX

GRI DISCLOSURE	INDICATOR LOCATION – SECTION	PAGE	TYPE	COMMENT
<b>1. STRATEGY AND ANALYSIS</b>				
1.1	Statement from the most senior decision-maker of the organisation	Statement from Chairman and CEO	2 - 4	Full
1.2	Description of key impacts, risks, and opportunities	Statement from Chairman and CEO Performance at a glance How we do it: Sustainability Strategy	2 - 4 5 19 - 20	Full
<b>2. ORGANISATIONAL PROFILE</b>				
2.1	Name of the organisation	Who we are: Wilmar International	8 - 11	Full
2.2	Primary brands, products, and/ or services	Who we are: Wilmar International	8 - 11	Full
2.3	Operational structure	Who we are: Wilmar International	8 - 11	Full
2.4	Headquarters location	Who we are: Wilmar International	8 - 11	Full
2.5	Countries of operation	Who we are: Wilmar International What we do: Plantations and mills	8 - 11 13	Full
2.6	Nature of ownership and legal form	Who we are: Wilmar International	8 - 11	Full
2.7	Markets served	Who we are: Wilmar International	8 - 11	Full
2.8	Scale of organisation	Who we are: Wilmar International	8 - 11	Full
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Who we are: Wilmar International	8 - 11	Full
2.10	Awards	Wilmar International Annual Report	30 - 31	Full
<b>3. REPORT PARAMETERS</b>				
3.1	Reporting period	About this report	ifc*	Full
3.2	Date of most recent previous report	About this report	ifc*	Full
3.3	Reporting cycle	About this report	ifc*	Full
3.4	Contact	Contact	76	Full
3.5	Process for defining report content	How we do it: Sustainability strategy About this report How we address the AA1000 Principles	19 - 20 ifc* 71	Full
3.6	Boundary of the report			Full
3.7	Specific limitations on the scope or boundary of the report	About this report	ifc*	Full

\* ifc: inner front cover

GRI DISCLOSURE	INDICATOR LOCATION – SECTION	PAGE	TYPE	COMMENT
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	About this report	ifc*	Full
3.9	Data measurement techniques and the bases of calculations	Data	64 - 65	Full
3.10	Effect of any re-statements	Data	64 - 65	Full
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Data	64 - 65	Full
3.12	Table identifying the locations of the Standard Disclosures in the report	GRI3.1 Index	66 - 70	Full
3.13	Policy and current practice with regard to seeking external assurance for the report	About this report	ifc*	Full

#### 4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

4.1	Governance structure of the organisation	Who does it: Corporate governance	14 - 16	Full
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Who does it: Corporate governance	14 - 16	Full
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Who does it: Corporate governance	14 - 16	Full
4.4	Mechanism for shareholders and employees to provide recommendations or direction to the highest governance body	How we do it: Sustainability Strategy	19 - 20	Full
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	How we do it: Sustainability strategy Progress on RSPO certification	19 - 20 23 - 25	Full
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Who does it: Corporate governance	14 - 16	Partially
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	GHG Mitigation Reduction in chemicals use	48 - 51 52	Full
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	How we do it: Sustainability strategy	19 - 20	Full
4.13	Memberships in associations and/or national/ international advocacy organisations	How we do it: Sustainability strategy	19 - 21	Full



## GRI3.1 INDEX

GRI DISCLOSURE	INDICATOR LOCATION – SECTION	PAGE	TYPE	COMMENT
4.14	List of stakeholder groups engaged by the organisation	How we do it: Sustainability strategy	19 - 21	Full
4.15	Basis for identification and selection of stakeholders with whom to engage	How we do it: Sustainability strategy	19 - 21	Full
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	How we do it: Sustainability strategy	19 - 21	Full
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	How we do it: Sustainability strategy	19 - 21	Full
NOT REPORTED : 4.5 - 4.7; 4.10				

### PERFORMANCE INDICATORS

#### ECONOMIC

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Core	Who we are: Wilmar International Employees Data	8 - 11 58 - 59 64 - 65	Partially
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Core	GHG mitigation	48 - 51	Partially
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Additional	Employees	58 - 59	Partially
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Core	Smallholders	34 - 35	Partially
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Additional	Smallholders	34 - 35	Partially
NOT REPORTED : Disclosure on Management Approach: EC3; EC4; EC7; EC8					

#### ENVIRONMENT

	Disclosure on management approach	Core	Biodiversity and conservation GHG mitigation Controlling fire and haze Reduction in chemical use Water and soil	36 48 51 52 54	Full
EN4	Indirect energy consumption by primary source	Core	GHG mitigation	48 - 51	Partially
EN5	Energy saved due to conservation and efficiency improvements	Additional	GHG mitigation	48 - 51	Partially

GRI DISCLOSURE		INDICATOR LOCATION – SECTION		PAGE	TYPE	COMMENT
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Additional	GHG mitigation	48 - 51	Partially	
EN8	Total water withdrawal by source	Core	Water and soil	54 - 57	Partially	
EN11	Location and size of land owned, leased and managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Core	Biodiversity and conservation	36 - 47	Full	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Core	Biodiversity and conservation	36 - 47	Full	
EN13	Habitats protected or restored	Additional	Biodiversity and conservation	36 - 47	Full	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Additional	Biodiversity and conservation	36 - 47	Full	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Additional	Biodiversity and conservation	46	Full	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Additional	GHG emissions	48 - 51	Partially	
EN21	Total water discharge by quality and destination	Core	Water and soil	54 - 57	Partially	
EN23	Total number and volume of significant spills	Core			Full	No significant spills in 2010 or 2011
NOT REPORTED : EN1 - EN3; EN6; EN9; EN10; EN16; EN17; EN19; EN20; EN22 ; EN24 - EN30						
<b>LABOUR PRACTICES AND DECENT WORK</b>						
	Disclosure on management approach	Core	Employees Worker conditions and contract labour Health and safety	58 - 59 60 - 61 62 - 63	Partially	
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Core	Employees Worker conditions and contract labour	58 - 59 60 - 61	Partially	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Additional	Employees Worker conditions and contract labour	58 - 59 60 - 61	Partially	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Core	Health and safety	62 - 63	Partially	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group	Core	Employees	58 - 59	Partially	
NOT REPORTED : LA2; LA4 - LA6; LA8 - LA12; LA14; LA15						

## GRI3.1 INDEX

GRI DISCLOSURE	INDICATOR LOCATION – SECTION	PAGE	TYPE	COMMENT		
<b>HUMAN RIGHTS</b>						
	Disclosure on Management Approach	Core	Land Rights and conflict	50	Full	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Core			Full	100% significant investment will include a Social Impact Assessment and be subject to Free, Prior and Informed Consent
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Core	Supply chain and traceability	26 - 29	Partial	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Core	Worker conditions and contract labour	60 - 61	Partially	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Core	Land rights and conflict	30 - 33	Partially	
	NOT REPORTED : HR3 - HR5; HR7 - HR10					
<b>SOCIETY</b>						
	Disclosure on Management Approach	Core	Land rights and conflict	30 - 33	Partially	
S01	Percentage of operations with implemented local community engagement. Impact assessments, and development programmes	Core	How we do it: Sustainability strategy	19 - 21	Full	
S09	Operations with significant potential or actual negative impacts on local communities	Core	Land rights and conflict	30 - 33	Full	
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Core	Land rights and conflict	30 - 33	Full	
	NOT REPORTED : S02 - S08					
<b>PRODUCT RESPONSIBILITY</b>						
	Disclosure on Management Approach	Core	Supply chain and traceability	26	Full	
	NOT REPORTED : PR1 - PR9					

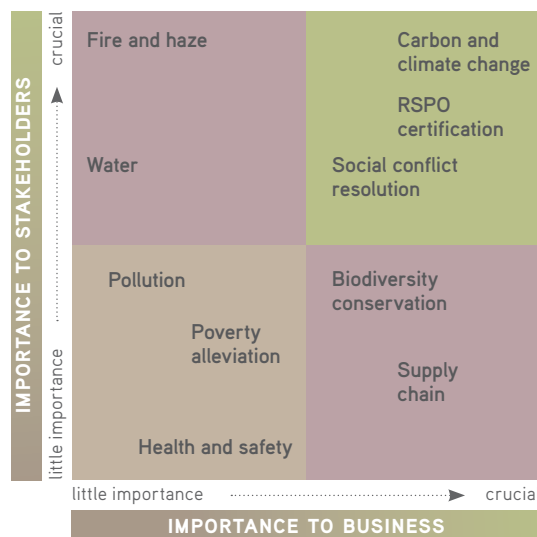
## HOW WE ADDRESS THE AA1000 PRINCIPLES

### We seek to align our strategy and reporting with the Principles of the AA1000 AccountAbility Principles Standard - AP1000APS:

- » Materiality: Addressing the most material issues, assessing which issues have the highest relevance and priority for inclusion in our reporting and sustainability efforts.
- » Inclusivity: Ensuring that a wide range of stakeholders has a voice in the development of our sustainability strategy and reporting.
- » Responsiveness: Continuously engage and respond to stakeholders' concerns.

#### Materiality

We review issues raised by both internal and external stakeholders on a regular basis. For this year's report, we have reviewed correspondences and direct communications from investors, customers, NGOs and a wide range of other stakeholders to form the basis of a materiality matrix:



Our 'materiality matrix' maps the issues that our stakeholders are most concerned about against those which are of concern to Wilmar, addressing factors such as financial or reputational impact on our business. This matrix is limited to the Group's plantation and mill activities only.

For the issues identified as 'high impact - crucial', we are establishing targets and key performance indicators to measure progress. For issues identified as 'medium impact', we will explain our approach to issues but we will not necessarily report on performance. The issues identified as 'low impact - little importance' are not reported on but remain in view to ensure any changes can be identified and responded to.

#### Inclusivity

Whilst staff at all levels are involved in our stakeholder engagement efforts, our Corporate Social Responsibility Department guides the overall strategy to ensure that stakeholders' views are included in our identification of issues. We engage with both internal and external groups, ranging from employees, investors and commercial partners to governments and local communities. See page 21 'how we engage' for details on engagement.

#### Responsiveness

We are committed to transparency and accountability for our performance and challenges. It is important to us to ensure that stakeholders see their concerns being addressed. In addition to a structured review of questions and concerns raised since our last report, we have retained an expert commentator with strong links to the areas in which we operate, who has assisted us in addressing issues of key importance to stakeholder groups. He has reviewed drafts of this report and his conclusions can be found on pages 6 - 7.



## KPMG ASSURANCE STATEMENT



### **INDEPENDENT LIMITED ASSURANCE REPORT TO WILMAR INTERNATIONAL LIMITED ON A SELECTION OF INFORMATION PUBLISHED IN THE WILMAR'S 2011 SUSTAINABILITY REPORT FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2011 RESPECTIVELY.**

We were engaged by Wilmar International Limited ('Wilmar') to provide limited assurance, covering the years ended 31 December 2010 and 2011 respectively, on a selection of information ('the Information') disclosed in Wilmar's 2011 Sustainability Report (the 'Sustainability Report'):

- » The description on pages 19 to 21 and 71 of its adherence to the AccountAbility principles of inclusiveness, materiality and responsiveness set out in AA1000 Accountability Principles Standards 2008 – AA1000APS ('the AccountAbility principles'); and
- » The sustainability information relating to orangutans on page 47 in the section "Biodiversity and conservation" ('The Assured Sustainability Parameter').

### **Management's responsibility**

Management is responsible for the preparation and presentation of the Sustainability Report in accordance with the Global Reporting Initiative (GRI) Guidelines version 3.1 (G3.1) as described in the "About This Report" section of the Sustainability Report, and the information and assertions contained within it.

Management is also responsible for the implementation of processes and procedures which adhere to the AccountAbility principles; for determining Wilmar's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders, material issues and the target audiences for the Sustainability Report; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

### **Our responsibility**

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE 3000) Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the Institute of Certified Public Accountants of Singapore. These Standards require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Information is free from material misstatement.

We also conducted our engagement in accordance with the requirements of a Type 2 moderate assurance engagement under AA1000 Assurance Standard 2008 – AA1000AS, issued by AccountAbility. Moderate assurance under AA1000AS is an assurance level equivalent to limited assurance under SSAE 3000. A Type 2 assurance engagement covers not only Wilmar's adherence to the AccountAbility principles as documented in the Sustainability Report, but also evaluates the reliability of the Assured Sustainability Parameter.

The engagement was conducted with a multidisciplinary team that included professionals with suitable experience in both assurance skills and in the applicable subject matter including AA1000APS/AS, stakeholder engagement, environmental, social and financial aspects.

We have not been engaged to, and therefore do not, provide assurance in respect of any other information in the Sustainability Report or any period prior to the year ended 31 December 2010. We have only provided a conclusion on Wilmar's description of its adherence to the AccountAbility principles and on the Assured Sustainability Parameter based on the work performed.

## Assurance approach

A limited assurance engagement consists of making inquiries, primarily of persons responsible for Wilmar's adherence to the AccountAbility principles and for the preparation of the Assured Sustainability Parameter presented in the Sustainability Report, and applying analytical and other evidence gathering procedures to the information, as appropriate.

These procedures included:

- » Inquiries of management to gain an understanding of Wilmar's processes for determining material issues for Wilmar's key stakeholder groups;
- » Interviews with management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- » Interviews with the relevant staff at the corporate level and business unit level responsible for providing the Information in the Sustainability Report;
- » Obtaining documentation to support assertions made by management and relevant staff in relation to sustainability strategy and implementation within the business;
- » Comparing the Information in the Sustainability Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Information;
- » Reading the Information presented in the Sustainability Report to determine whether they are consistent with our overall knowledge of, and experience with the sustainability performance of Wilmar.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

## Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that, for the years ended 31 December 2010 and 2011 respectively:

- » Wilmar's description on pages 19 to 21 and 71 of the Sustainability Report of its adherence to the AccountAbility principles, is materially misstated; and
- » The Assured Sustainability Parameter on page 47 of the Sustainability Report has not in all material respects, been prepared and presented in accordance with the GRI reporting principles.

## Adherence to the AA1000 AccountAbility Principles

As Wilmar has disclosed in the Sustainability Report, the following aspects of adherence with AA1000 Principles are current areas of focus:

### In relation to the principle of 'Inclusivity'

As described on pages 19 to 21 and 71, Wilmar has started to engage stakeholders both locally and globally, respectively managed by the local Social Departments and by the Corporate Social Responsibility Department.

### In relation to the principle of 'Materiality'

As described on pages 19 to 21 and 71, Wilmar has started the process of formalising materiality identification and determination process at Group level. Additionally Wilmar is undertaking development of Corporate procedures specifying the methodology used to identify and determine issues of materiality in order to justify its relevance and inclusion, and harmonise the process to ensure it is systematically applied throughout the organisation, in particular at site level.

### In relation to the principle of 'Responsiveness'

As described on pages 19 to 21 and 71, Wilmar has started setting up programmes, policies and targets with the help of performance metrics for areas which have been determined to be material, in particular based on the Principles and Criteria set out in the Roundtable on Sustainable Palm Oil (RSPO) certification process. Wilmar aims to pursue the process in order to ensure that all the material issues are addressed for the relevant stakeholders, both at Corporate and site levels.

# KPMG ASSURANCE STATEMENT

## Emphasis of Matter – Recommendations and Observations

Without affecting our conclusion, we draw attention to the description of the operations and geographical regions excluded from the reported information as well as the limitations of the reporting process as outlined in the section “About This Report” of the Sustainability Report.

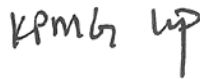
We also make the following recommendations for the further development of sustainability management and sustainability reporting:

- » The Group has started to enhance and refine its stakeholder engagement both locally and globally. We recommend further development of a systematic stakeholder engagement approach by continuing and completing the materiality and stakeholder dialogue process formally, and by broadening the scope from the plantation and mills activity to the other activities upstream and downstream.
- » The sustainability reporting process should be improved through further development of collection and consolidation of data gathering processes, the implementation of Group-wide reporting guidelines and control procedures, and deployment of new IT systems, especially at Corporate and Regional level.
- » We recommend further strengthening of sustainability governance structures Group-wide to ensure discharging of assigned responsibilities for stakeholder engagement and sustainability reporting.

## Restriction of use

Our assurance report is provided solely to Wilmar in accordance with the terms of our engagement. Our work has been undertaken so that we might report to Wilmar on those matters we have been engaged to report upon in this assurance report and for no other purpose. We do not assume responsibility to anyone other than Wilmar for our work, for our assurance report, or for the conclusions we have reached in our report.

Singapore, September 11, 2012



KPMG LLP



**AA1000**  
Licensed Assurance Provider  
000-136

## GLOSSARY

### **Biodiversity**

The diversity (number and variety of species) of plant and animal life within a region.

### **Biofuels**

Biofuels are fuels that are derived from biomass (recently living organisms such as wood or vegetable oil) or their metabolic by-products, such as manure from cows. They are a renewable energy source, unlike other natural resources such as petroleum or coal.

### **Biological Oxygen Demand (BOD)**

The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

### **Clean Development Mechanism (CDM)**

A Kyoto Protocol initiative under which projects are set up in developing countries to reduce atmospheric carbon generate tradable credits called CERs. The credits can be used by industrialised nations to offset carbon emissions at home and meet their Kyoto reduction targets. The projects include afforestation, reforestation and implementation of clean fuels technology.

### **CPO**

Crude palm oil. Unrefined oil from the fruit of the oil palm.

### **CSPO**

Palm oil certified in accordance with the RSPO certification scheme.

### **Global Reporting Initiative (GRI)**

A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

### **High Conservation Values**

The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their 9th principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic, cultural, biodiversity and landscape value.

### **ILO (International Labour Organisation)**

A tripartite world body representative of labour, management and government and an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called "conventions", offered to member nations for adoption.

### **Independent Director**

According to the SGX Code of Corporate Governance (2005) a Director is considered independent if he/she has no relationship with the Group, which would otherwise interfere with the exercise of independent judgement of the Group's affairs.

### **Integrated Pest Management (IPM)**

IPM refers to the science-based approach which aims to reduce the use of inorganic pesticides through biological control, which attempts to utilise the pests' natural enemies, or modify the environment to favour its natural enemies. This will mean a lower cost of production and a more ecologically-friendly method.

### **IUCN Red List**

The International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organization based in Switzerland which is involved in preservation of natural resources. Publishes the Red Data Book, which lists the endangered species of every nation.

### **Non-executive Director**

A Board Director who does not currently hold other employment with the company. Unlike an Independent Director, a non-executive can have significant financial interests or close personal ties to the company.

### **Non-governmental Organisation (NGO)**

In this report, it refers to grassroots and campaigning organisations focusing on environmental or social issues.

### **Peat**

Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.

### **Plasma smallholders**

Smallholders that are structurally linked to and dependent on one mill. Often these are also referred to as "plasma" schemes around "nucleus" plantations in Indonesia, associated or tied. The structural link can for instance be caused by historic reasons (land ownership), geographical reasons (mill monopoly), contractual reasons (partnership) or financial reasons (debt).

### **Roundtable on Sustainable Palm Oil (RSPO)**

A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.

### **Social Impact Assessment**

Social impact assessments include the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programmes, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.

### **Stakeholders**

Any group or individual who is affected by or can affect the company's operations.

### **Sustainability**

A term expressing a long-term balance between social, economic and environmental objectives. Often linked to Sustainable Development which is defined as "Development that meets the need of current generations without compromising the needs of future generations".



## CONTACT

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