

PALM SUPPLY CHAIN POLICY PROGRESS REPORT – JANUARY 2017

Olenex and Wilmar tackling Human Rights and Labour Issues in the Palm Oil Supply Chain

On the 30th of November last year, Amnesty International (AI) released a report titled “The great palm oil scandal”. The focus of this report was on alleged human rights and labour issues in Wilmar’s supply chain. Two Wilmar estates and three third-party suppliers of Wilmar were specifically mentioned in this report. Since Wilmar is one of the parent companies of Olenex, you will find in the appendix of this report more information and the next steps of Wilmar relating to the allegations in the Amnesty International report.

ART: How Olenex, Wilmar and TFT verify Producers’ Compliance

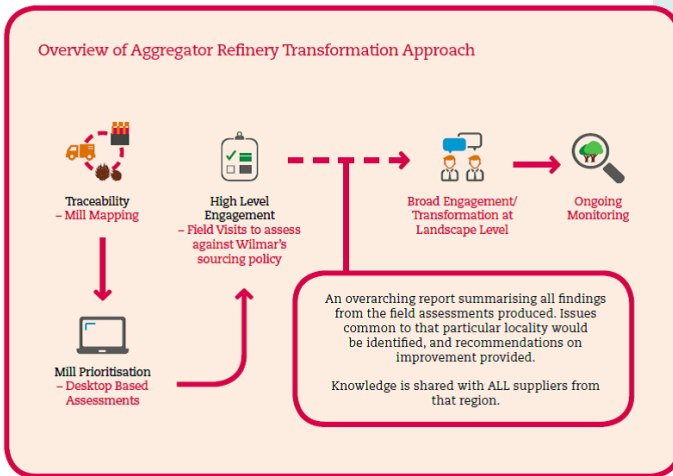
The logical next step after establishing full traceability to the supplying mills, is to verify if these mills and their supply base are complying with our Palm Supply Chain Policy.

To this extent, Olenex is following our parent company Wilmar with their Aggregator Refinery Transformation (ART) program, which was developed in partnership with The Forest Trust (TFT). The ART program is used to drive transformation towards more sustainable practices at a given region. A sampling regime is necessary, given the large number of supplying mills (Olenex > 880).

The ART structure contains five steps (see also picture 1 below):

1. **Traceability:** Mapping of mills supplying a specific refinery A.
2. **Mill prioritisation:** Desktop assessment of all mills supplying to refinery A. Rate risk level of these mills from high to low.
3. **Deep engagement:** Field visits ($\sqrt{\text{square root}}$ of total supplying mills to refinery A) to mills chosen in the previous step starting with the mill with the highest risk.
4. **Broad engagement:** Creation of an overarching report which contains the findings of the individual mill visits. The report is anonymized and includes not only the findings but also the recommendations for improvement. This report is shared with all suppliers of refinery A.
5. **Continued monitoring of the region:** In addition to the monitoring efforts, workshops are hosted to clarify findings, provide solutions and emphasize importance of sustainable practices.

Picture 1: Aggregator Refinery Transformation (ART)



The selection of mills, as mentioned under step 2 and 3, is conducted with TFT through the Mill Prioritisation Process (MPP). This process is based on the analysis of spatial and non-spatial data pertaining to potential risks within a 50km radius. Overlaying these locations on a map with spatial information on national parks, forested areas, peatland, biodiversity hotspots, provides a base for the risk rating desktop assessment.

Traceability to Plantation. Following this approach towards verification of the mill

and its supply base, minimizes the effectiveness of Traceability to Plantation. By taking into account the 50km radius around the mill, it already assumes that all the plantation within the area supply to the mill and hence should be monitored on their compliance with sustainable practices.

Click [here](#) to watch a short movie by the [European Palm Oil Alliance](#) on palm oil traceability.

The ART program aims to achieve progress on the following fronts:

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

Currently, Olenex has finalized step 1 *Traceability* and 2 *Mill Prioritization* of the ART process. Step 3, 4 and 5 are executed simultaneously on the different continents in different regions. As of end Q4 2016, 64 assessments have been completed covering mills in Indonesia, Malaysia, Latin America, and Africa that are supplying into the Olenex supply chain.

The ART overarching reports applicable to the Olenex supply chain can be downloaded [here](#).

Table 1: Total number of verified mills per region under the ART program

Region	Wilmar Mills	Third Party Mills
Indonesia	3	34
Malaysia	4	19
Latin America	-	2
Ghana	1	1
ART total (64)	8	56

Traceability Update

The traceability score is calculated by dividing the known volume which was supplied by all traceable mills against the total received volume, during a period of four quarters. We apply very strict criteria to the definition of *known mills*. To define a known mill, we require (1) the mill name, (2) the parent company name, (3) the mill address and (4) the GPS coordinates. If one or more of these elements are missing, we assume the mill to be *unknown* i.e. non-traceable.

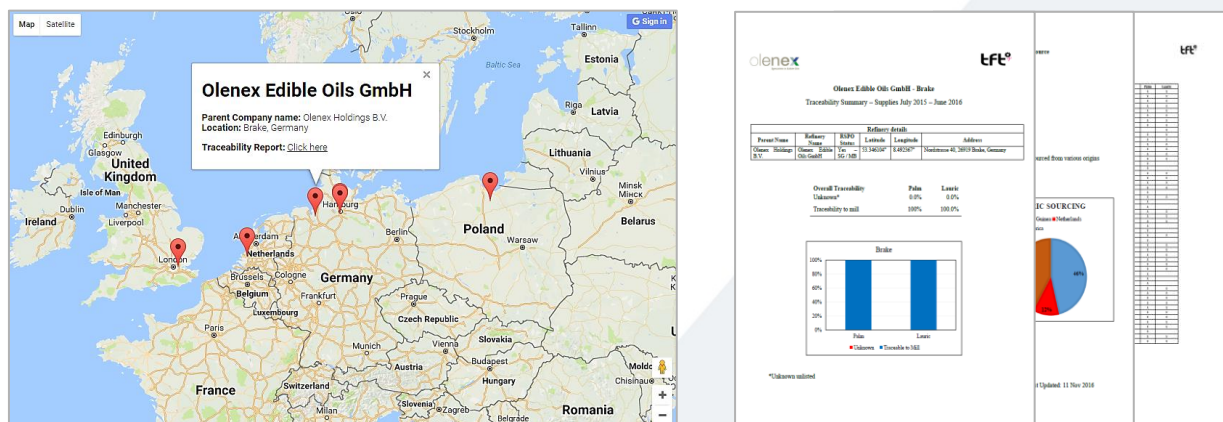
Applying this definition, all Olenex refineries achieved traceability scores of >98% in the latest traceability reporting period (Q4 2015 to Q3 2016).

Table 2: Traceability results for Olenex refineries, Q4 2015 – Q3 2016

Refinery	Palm (%)	Lauric (%)
Rotterdam (NL)	99.9	98.8
Brake (DE)	100.0	100.0
Hamburg, Nippoldstraße (DE)	99.9	-
Hamburg, Seehafenstraße (DE)	99.9	98.1
Purfleet (UK)	100.0	98.7
Czernin (PL)	98.1	-
Average	99.8	98.7

In order to access individual traceability reports for each Olenex refinery, please click on the map below or visit our Olenex [sustainability website](#). The reports provide traceability results, origin information as well as the list of supplying mills.

Picture 2: Supply chain map on Olenex website and Traceability reports



Wilmar Smallholders Support Honduras (WISSH)

As a partner of Wilmar, Olenex is sponsoring the WISSH program as this program is an important part of our effort in supporting smallholders.

The WISSH programme has been initiated since the beginning of 2016 with the aim to empower smallholders and improve their livelihoods, while maintaining responsible sustainable practices.

WISSH aims to reach a specific group of 4000 smallholders in the departments of Atlántida, Colón, Yoro and Cortés in Honduras. WISSH was built upon the criteria in Wilmar's No Deforestation, No Peat and No Exploitation (NDPE) policy, and created in partnership with the mills of the AIPAH group.

The third WISSH progress report was released in January 2017 and can be found on the [Olenex website](#). This report highlights the training activities from August to December 2016, and the preparations for 2017.

During the AIPAH - Wilmar meetings in Honduras which was held in September 2016, it was decided to make WISSH a three year program, covering 2016 to 2018. **Therefore, expect more WISSH in the following reports!**

Picture 3: WISSH Smallholder training August 18, 2016



WISSH >>

Empowering Smallholders

For any queries, please do not hesitate to get in touch us:
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Appendix – Olenex and Wilmar Tackling Human Rights and Labour Issues in the Palm Oil Supply Chain

Wilmar welcomes Amnesty International's (AI) report, as it helps highlight labour issues within the wider palm oil industry, specifically in Indonesia, and catalyse concerted efforts required to resolve these issues.

The focus on Wilmar, as the largest processor and merchandiser of palm and lauric oils worldwide, is often used to draw attention to problems in the wider palm oil industry. As Amnesty International (AI) indicated in the report on page 13, Wilmar was chosen as the focus of its investigation because of our size and scale. On the 29th of November, Wilmar released a statement calling for collaboration in labour transformation within the palm oil industry and detailing our action plan regarding the allegations.

Summary of events

On the 10th of August, a couple of months before the AI report was released, Wilmar was already made aware of the allegations against its own estates PT Perkebunan Milano (Milano) and PT Daya Labuhan Indah (DLI) and hence logged them on their [grievance list](#) (N27).

At the release of the AI report, Wilmar also registered the allegations on the third party suppliers namely PT Abdi Budi Mulia (ABM), PT Sarana Prima Multi Niaga (SPMN) and PT Hamparan Masawit Bangun Persada (HMBP) on the [grievance list](#) (N28).

For transparency and accountability to all our stakeholders, you can find in this record together with all the latest updates, including:

- **Links** to multiple internal assessment reports.
- **Time line** of the events and the next steps
- Information about our **collaboration with Business for Social Responsibility** (BSR) and Golden Agri Resources (GAR); a project reviewing current labour practices in the Indonesian palm oil sector.
- **Preliminary findings of field assessments** in Wilmar's PT Milano and PT DLI from 12 to 15 December 2016. The assessment methodology involved visual observations, interviews, focus group discussions and documentation reviews. More than 100 Wilmar employees, almost all of whom are non-management workers, were interviewed by BSR. The full BSR report will be ready by end Jan 2017, and will be made publicly available in Feb 2017.

Wilmar's engagement with Worker Representatives and Unions

As part of Wilmar's regular engagement with their workers and their representatives, the Wilmar management met with union representatives from Serikat Pekerja Seluruh Indonesia (SPSI) and Serbundo on 9th January 2017. The meeting was to clarify the labour issues in PT Milano and PT DLI, as well as to seek feedback and suggestions on the development of solutions and improvements with regards to some of the issues highlighted by AI. The minutes of the meeting have been published on Wilmar's sustainability dashboard and can be found [here](#).

The issues raised by AI and Wilmar's findings thus far are being actively discussed by Wilmar's Plantation Operations Management – led by the Indonesian Plantation Director together with the General Managers of all operating regions in Indonesia, the Wilmar sustainability team, HR, Legal and Finance. Teams across the various divisions are working together to devise long-term and sustainable solutions for the

improvement of working and living conditions for our workers. Nevertheless, Wilmar's proposal for solutions will also need to be jointly agreed by Wilmar's unions before it can be adopted across our operations. Wilmar remains committed to continue with this process until they are able to address all the issues highlighted.

Third-party suppliers linked to Amnesty International's Report

1. PT ABM

Wilmar and TFT conducted a field visit to PT ABM from 13 to 17 December 2016. PT ABM was cooperative in providing documentation for review and setting up all the interviews that were requested. Direct interviews have been conducted with: 45 workers (5% of PT ABM's labour force consisting of monthly contracted and freelance daily workers), nine sub-contracted workers, three board members of the workers' union, 15 members on the board of the Petani Plasma Cooperative (part of PT ABM's supply chain), one village head and one school vice-principal. The assessment report is being prepared and will be published on Wilmar's sustainability dashboard once it has been finalised.

2. PT SPMN

Wilmar and TFT met with PT SPMN on 20th December 2016 to discuss in further detail, the allegations raised in the report. PT SPMN has also agreed to a field visit by a joint Wilmar and TFT team. PT SPMN is RSPO-certified; Wilmar has been made aware that RSPO is currently looking into the matters raised in the AI report, and an assessment by RSPO's accreditation body, Accreditation Services International GmbH (ASI), to look into potential non-compliances at PT SPMN is scheduled in January 2017. Wilmar will allow the RSPO due diligence process to take its course before conducting our joint field assessment with TFT. In the meantime, Wilmar will continue to closely monitor and engage with PT SPMN.

3. PT HMBP

Wilmar initiated engagements with PT HMBP as soon as AI's report was published. After several attempts, the first meeting with PT HMBP was finally held on 18 January 2017 and Wilmar is in the process of following up with them to further discuss the alleged labour issues.

Engagement within the RSPO and the RSPO certification process

Wilmar has been transparent and cooperative with the Roundtable on Sustainable Palm Oil (RSPO) and the respective certification with regards to PT PMilano and PT DLI which are both RSPO-certified. Wilmar does not expect any further implication on our RSPO certifications or membership outside of the regular certification process. Both PT PMilano and PT DLI will be assessed again as part of our ongoing RSPO certification in 2017.

Wilmar has also engaged with most of the major plantation companies as well as the RSPO for collaboration on labor transformation across the sector. Although still at an early stage, discussions have been very positive and encouraging. Within the RSPO, Wilmar is actively participating in the Labor Working Group which is part of the existing Human Rights Working Group. The Labor Working Group's objective is to develop improvements and provide better clarity in the implementation of human and labor rights components under the RSPO Principles and Criteria.

Please do not hesitate to contact us if you have further queries on this matter: olenex.sustainability@olenex.com