

SUSTAINABILITY UPDATE - COCONUT

Edition #1 2021



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COCONUT OIL SOURCING REGIONS AND SUSTAINABILITY CHALLENGES

The coconut oil Olenex processes in its European refineries is sourced primarily from the Philippines – the largest coconut producer in the world – and from the northern tip of Indonesia. In total, these two countries have planted almost 6.5 m hectares of coconut trees contributing to more than half of the global coconut production ([FAOSTAT 2021](#)).



Olenex Sourcing Regions (FY 2020)

Philippines

Share

77%

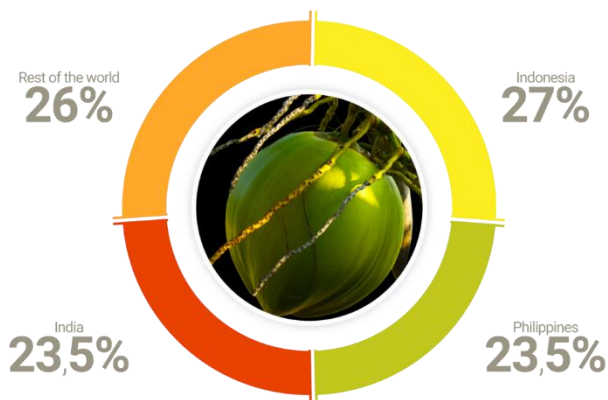
Indonesia

23%

Other

<1%

COCONUT GLOBAL PRODUCTION 2019



Coconut production is dominated by smallholder farmers

In the Philippines and Indonesia, coconuts are predominantly grown by smallholder farmers. After the harvest, farmers remove the husks from the coconuts and crack the nut open revealing the precious, white copra inside. To remove water and make it storable, the copra is dried.

The dried copra passes through multiple layers of agents and collection centers until it reaches the processing facilities for oil extraction. Crude coconut oil is extracted either by the use of a mechanical press or with the assistance of chemical solvents.

The route to sustainable coconut oil

While coconut growers are predominantly smallholder farmers, this does not mean the coconut oil supply chain is without sustainability challenges. One challenge is the complexity of the supply chain with a large number of growers, intermediary collectors and traders. This makes traceability back to the region of origin or even the plantation extremely difficult.

Another challenge is the age of coconut trees. In general, the population of coconut trees is aging. Replacing them is key to a sustained production with high yields. However, smallholder farmers often lack the financial means for the replanting activity. Further to this, they need to bridge the income gap until the new trees start producing again. This process ultimately leads to a reduction in coconut products supply.

The role of sustainability certification

Could sustainability certification help to address the sustainability challenges prevalent in the coconut industry? Voluntary sustainability certification schemes like organic, FairTrade or Rainforest Alliance do exist. But contrary to the palm oil industry, certified production and supply chains are still in their infancy. That is why certified volumes are minimal.

The Olenex approach to more sustainable coconut oil

In order to get closer to the actual coconut farmer and support sustainability transformation on the ground, Olenex – together with its parent company and coconut oil supplier Wilmar – takes a two tier approach:

- Tier 1: Social and environmental programs in the proximity of Wilmar's processing facilities.
- Tier 2: Sector approach to protect the rights of children in the coconut oil supply chain.



WILMAR COCONUT CSR ENVIRONMENTAL AND SOCIAL SUSTAINABILITY PROGRAMS



A major supplier into the Olenex coconut oil supply chain is Wilmar. The Olenex parent company operates coconut processing facilities at two locations in the Philippines: Roxas and Gingoog. Both facilities have long-standing CSR programs in place benefiting adjacent communities and the environment.

Rejuvenation Program

Aging trees, poor tree management as well as pests and diseases have adverse effects on coconut (copra) supply. This is a threat to the coconut industry and farmers' income alike. The rejuvenation program aims to sustain production of copra while supporting farmers to increase their income.



Coconut seedling nursery near Wilmar's Gingoog and Roxas processing facilities.

Wilmar established its first coconut seedling nursery in 2014 with enough area to accommodate at least 10,000 seedlings. The Philippine Coconut Authority (PCA) supports the selection of good quality seed material. Wilmar continuously disperses free coconut seedlings to farmers in the provinces of Zamboanga del Norte and Misamis Oriental. To date, more than 155,000 seedlings were donated to farmers. The availability of free coconut seedlings encourages farmers to rejuvenate their aging coconut plantations.



Farmers picking up free coconut seedlings from a nursery using everything from a rickshaw to a truck.



Nutrition Program

Poverty is the primary reason of malnutrition. Wilmar's nutrition program commenced in 2014 and meanwhile serves six schools in nearby districts. During school year 2019/2020, a total of 3,902 students benefitted from the program. In order to supplement students nutrition, school children receive an additional healthy and nutritious meal once a week. This supplemental feeding enables all students present to enjoy the sumptuous meal. Food preparation and serving is taken care of by parents and teachers. The initiative is widely praised by the community, local government, parents, and the Department of Education.

The principal of Minang Elementary School said that no words can express how happy her school was being selected as recipient. Minang Elementary School has one of the highest record of malnutrition in the region. With the support of the Wilmar nutrition program, Minang was able to reduce the number of malnutrition cases.



School children celebrate 2019 Christmas Party while receiving a nutritious meal.



Healthcare Program

Wilmar established two healthcare centers close to its processing facilities serving nearby communities. Wilmar Community Healthcare Clinics are privately owned and provide healthcare services to rural neighbors who in the past lacked regular access to basic healthcare. The clinics offer free medical consultation, health care, basic/generic medicine as well as first aid in emergency cases. The clinics are staffed with licensed physicians to conduct medical check-ups. Full-time nurses and midwives complement the staffing. The clinics also aim to increase awareness and prevention of disease through patient education and counseling. Since their establishment in 2014, the two clinics served more than 60,000 patients.



Eye Check-up: Twenty patients were given free prescription eyeglasses.



Dental Check-up/Tooth Extraction. Free medication and dental kit were given.



Environmental Program

Wilmar Philippines engages in the preservation of the ecological balance by planting trees. The objective is to bring noticeable improvement to rural greenery, increase forest cover, reduce greenhouse gas emissions and protect ground water supplies. In order to achieve this, Wilmar offers 1000 Mahogany tree seedlings per month to interested landowners. Mahogany trees are planted by farmers in the boundaries of their farms. Since inception of the program in 2008, more than 1.5 million seedlings were distributed for planting in the provinces of Zamboanga del Norte and Misamis Oriental. Recently, worsening safety in the highlands discouraged farmers to go up and plant trees leading to a decline in planted numbers of trees.



**He who plants a tree, plants a hope.
Wilmar – Phils., "Plant a Tree"**



COCONUT SECTOR APPROACH PROTECTING THE RIGHTS OF CHILDREN IN THE COCONUT OIL SUPPLY CHAIN – THE PHILIPPINES

Millions of smallholder farmers are engaged in coconut cultivation in the Philippines. They often live in remote areas in poverty and without access to education. As a result, it is possible that children may do unpaid family work. Such work may involve everything from land preparation to harvesting. Older children aged 15 to 17 years old may be found in processing facilities working under hazardous conditions.

For the coconut oil supply chain, where no global sustainability and standard-setting platform exists, child labour issues are not addressed in a comprehensive manner because there is no sector initiative in place. Therefore, Wilmar, together with commercial partners, renown development organisations and with financial support from the Dutch government embarks on a multi-year journey to protect the rights of children in the coconut supply chain in the Philippines.



PROTECTING THE RIGHTS OF CHILDREN IN THE COCONUT OIL SUPPLY CHAIN - PHILIPPINES

The project is looking more specifically at various regions in the island of Mindanao (southern part of the Philippines), where the crushing and refinery facilities are located, and some provinces in the Visayas (central part of the Philippines), where some of the key suppliers are located.

A two-step approach for the identification and prevention of child labour

The project will consist of two phases. The first phase of the project is meant to reveal the prevalence and root causes of child labour. It further aims to identify the macro and micro risks that contribute to the vulnerability of workers and pose barriers to policy implementation. Together with local experts, potentially vulnerable groups are identified, and the frequency of child labour will be



studied. Root causes of child labour are identified and the link between the participating companies and child labour will be determined. Finally, this has to move into the second phase where the focus will be on finding appropriate measures to prevent child labour. This involves the implementation of a proper due diligence system by the processors and traders of coconut oil.

Due diligence

The project will raise the bar on children's rights protection in the coconut oil supply chain, which can serve as an example for coconut supply chains in other regions. By developing child labor due diligence systems at sector level, the involved companies are working in line with the requirement by legislators of EU member states to perform proper due diligence.

A strong partnership

Partners in this first-of-its-kind sector approach are the following companies and organisations.

Industry associations

- The Netherlands Oils and Fats Organisation (MVO)
- The Association of Dutch Producers of Edible Oils and Fats (VERNOF)

Non-governmental development organisations

- ICCO, part of Cordaid
- Global March against Child Labour
- Verité

Commercial processors and traders of coconut oil

- Cargill
- Wilmar

The partners successfully applied for additional funding from the *Fonds Bestrijding Kinderarbeid* (*Funds Against Child Labour*) by the Netherlands Enterprise Agency (RVO).



Colofon

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Author: Nepomuk Wahl

Edition: #1 2021

Design & Layout: Joost van Leeuwen

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