

GRIEVANCE REPORT*

Wilmar is listed as the largest buyer of palm oil from two important suppliers that continue to clear forested peatlands in Sumatra and Borneo, Indonesia

30 June 2015

** In respect of the questions set out in this grievance report, we expect Wilmar to provide comprehensive responses by no later than **7 July 2015**. We are looking forward to studying the Wilmar responses. Thank you for your attention.*

Background

Wilmar is listed as the largest buyer of palm oil from PT. Patiware (a subsidiary of the Ganda Group) and Provident Agro Group (PALM). Patiware remains active in clearing forested peatlands in West Kalimantan, with Wilmar recorded as the largest buyer of palm oil from this company, or at least during the first quarter of 2015.

This is indeed strange. If Wilmar's supply chain from the Ganda Group cannot be monitored' by Wilmar, what is the situation as regards the supply chains of other business groups? This is a crucial question that needs serious attention, especially in view of Wilmar's efforts to clean up its supply chain from deforestation and peatland destruction.

Even stranger than the Patiware case, Wilmar was once again listed as the largest buyer of palm oil from the Provident Agro Group in the first quarter of 2015. In fact, the case of Provident Agro, which was first raised by Greenomics Indonesia through a report dated 22 September 2014, was included in Wilmar-TFT's Third Update Report (1 July-30 September 2014) under the classification of "Engagement and Supply Chain Mapping." Nevertheless, the clearance of forested peatlands continued apace subsequent to the publication of the Wilmar-TFT Third Update Report.

Even stranger still, Wilmar was recorded as the biggest buyer of palm oil produced by the Provident Agro Group. It will be clear from this that the measures related to "Engagement and Supply Chain Mapping," as described in Wilmar-TFT's Third Update Report, are far from clear in the context of supply chain monitoring.

The above two issues reveal that Wilmar's supply chain continues to be strongly associated with the clearing of forested peatlands as Wilmar is recorded as the largest buyer from two suppliers that continue to engage in the clearance of forested peatlands, at least up until the end of the first quarter of 2015. However, the clearing of forested peatlands, including for purposes of drainage, is obviously still continuing, given that the palm-plantation development work on the two concessions remains unfinished.

This is a grievance report that calls up Wilmar – in accordance with the commitments it has announced to the public, both through its zero deforestation policy and IPOP – to explain the extent of supply chain linkages between Wilmar and Ganda Group, given the continuing high level of relevance of this issue. Patiware, for example, is listed as the largest supplier of Wilmar Indonesia.

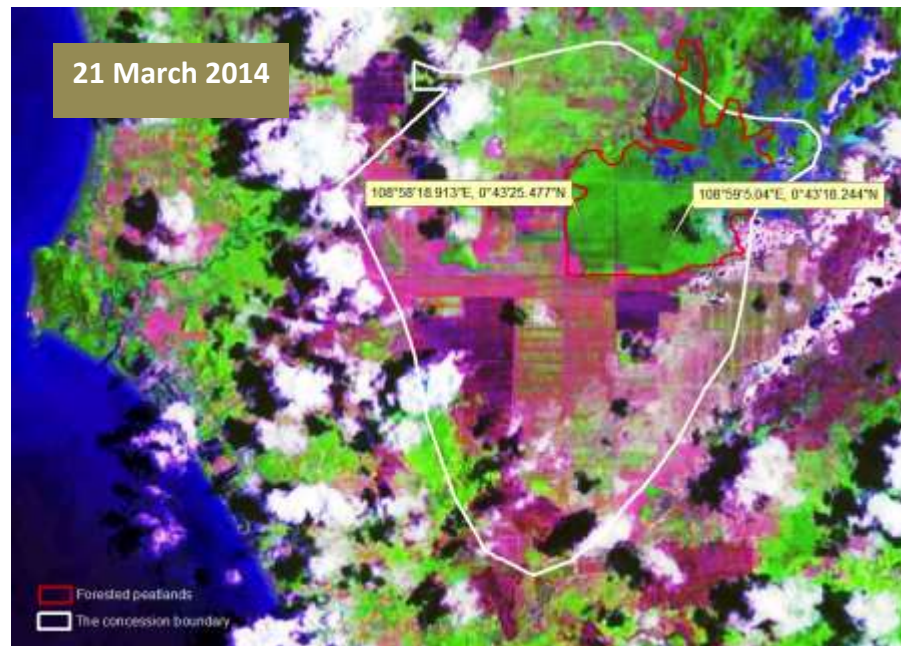
In this report, we also seek explanations from Wilmar and TFT concerning Wilmar's decision to continue buying palm oil from Provident Agro Group, even though the matter was included in Wilmar-TFT's Third Update Report under the "engagement and supply chain mapping" classification.

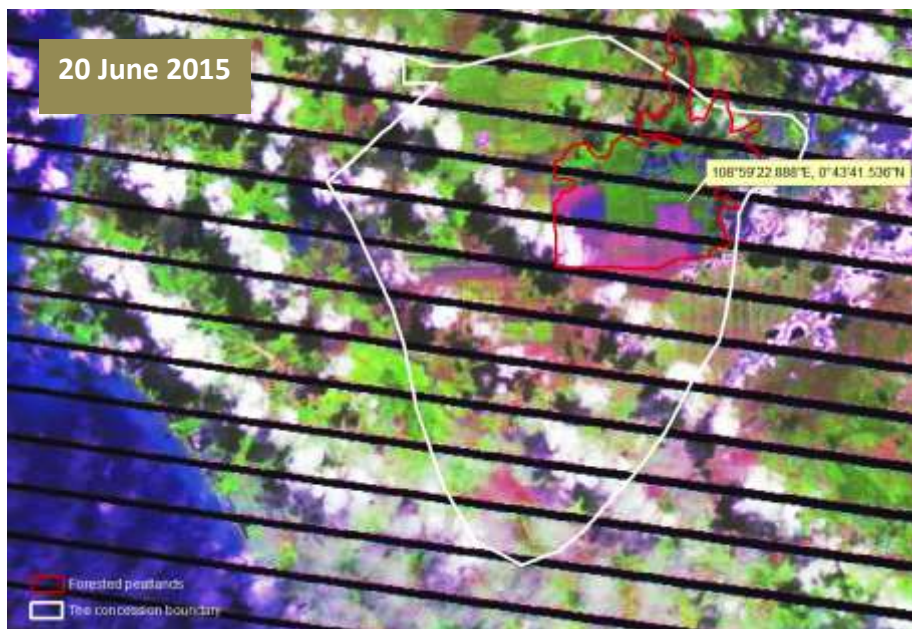
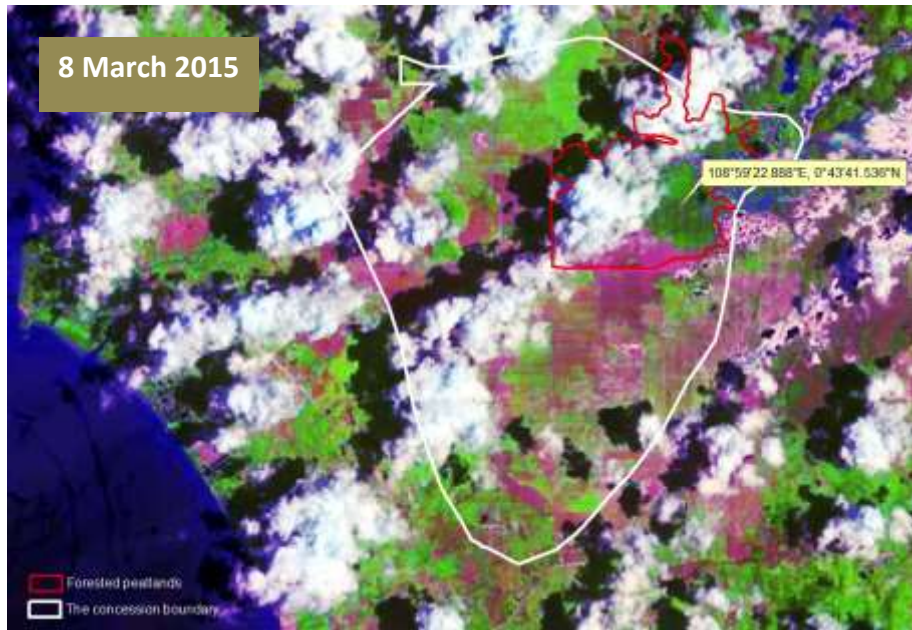
Methodology

The report uses Landsat 7 and Landsat 8 images to monitor land cover changes. As official sources, the report also refers to 2013 land cover data from the Ministry of Environment and Forestry. For information on peatlands, we refer to data from Wetlands International. This report refers to the first quarter reports submitted to the Indonesia Stock Exchange by PT Wilmar Cahaya Indonesia Tbk and PT Provident Agro Tbk.

Ganda Group, Wilmar's largest palm oil supplier, continues to clear forested peatlands in Indonesian Borneo

PT Patiware, a subsidiary of the Ganda Group, continues to clear forested peatlands in West Kalimantan, Indonesian Borneo. Landsat images taken between 21 March 2014 and 4 June 2015 clearly show that PT Patiware has been clearing forested peatland as part of the development of new palm plantations.





By sourcing palm oil from PT Patiware, Wilmar is in breach of its own zero deforestation policy and its efforts to clean up its supply chain from peatland destruction. It is also certainly not in line with Wilmar's commitments under IPOP.

Wilmar needs to explain why it is so blasé about sourcing palm oil from the Ganda Group, and is even listed as its biggest buyer? Does Wilmar have no data on the operations of PT Patiware? Wilmar also needs to explain the extent to which it has conducted supply-chain mapping on the palm oil supplied by Ganda Group.

Also, whether the continued clearance of forested peatland by PT Patiware shows that Wilmar is prepared to tolerate forested peatland clearance and deforestation by its suppliers up until the end of December 2015?

In addition, Wilmar needs to realize that the clearing of forested peatlands on the PT Patiware concession actually increased in scale after Wilmar signed IPOP.

Naturally, this gives rise to a crucial question – what is the real extent of Wilmar’s commitment to cleaning up its supply chain through its zero deforestation policy and IPOP? Does Wilmar not require the furnishing of relevant data and information from its suppliers? Or, is deforestation and the clearing of forested peatland something that is tolerated under its sustainability policy and IPOP? What is the real reason? Wilmar most assuredly needs to provide explanations on these issues.

What’s behind the continued sourcing of palm oil from Provident Agro post publication of Wilmar-TFT Third Update Report?

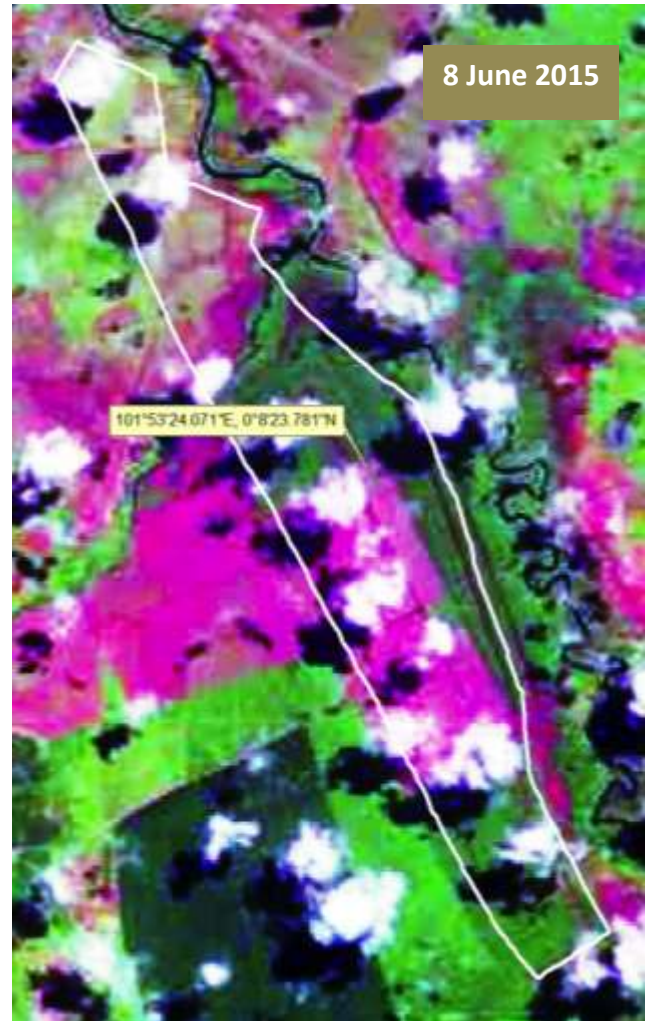
Wilmar-TFT's Third Update Report (1 July-30 September 2014) seems to have elicited little attention and even escaped the notice of Wilmar's trading department, at least as far as purchases of palm oil from Provident Agro during the first quarter of 2015 are concerned. Or, perhaps Wilmar did not consider it to be an infringement of its zero deforestation policy, meaning that the company is prepared to continue tolerating the clearance of forested peatlands by its suppliers up until the end of December 2015?

Wilmar needs to provide explanations as the Provident Agro case, which was highlighted by Greenomics Indonesia through its report at the end of September 2014, has been included in Wilmar-TFT's Third Update Report.

However, it is also appropriate to question the extent of Wilmar's commitment to the implementation of IPOP, given that a subsidiary of Provident Agro has been shown to be continuing to clear forested peatlands post the signing of IPOP by Wilmar.

The Landsat images below reveal land cover changes on the concession of PT Langgam Inti Hibrindo, a subsidiary of Provident Agro, in Riau Province, Sumatra. Landsat images from 20 January 2014 and 23 July 2014 were used by Greenomics Indonesia in its report dated 22 September 2014 (*see the report*).

Meanwhile, the Landsat images below dated 7 January 2015 and 8 June 2015 show the clearing of forested peatlands subsequent to Wilmar's signing of IPOP at the end of September 2014.



The relevant questions that need to be raised at this juncture are the extent to which monitoring was conducted by Wilmar-TFT in connection with their Third Update Report? Was any monitoring at all conducted? Wilmar most assuredly needs to come up with a comprehensive explanation.

Conclusions

- Wilmar is still the largest buyer of palm oil from the Ganda Group, one of whose subsidiaries continued clearing forested peatlands even after Wilmar signed IPOP. This raises a big question mark about the supply-chain mapping conducted by Wilmar since it announced the adoption of its zero deforestation policy, including the cleaning up of its supply chain from deforestation.
- Wilmar's supply chain continues to be linked to the clearance of forested peatlands. The Wilmar-TFT Update Report was not supported by a clear monitoring process. As a consequence, the supply chain mapping of Wilmar's palm oil sourcing is opaque because of continued purchasing from controversial sources, as monitored through the Wilmar-TFT Update Report.

For further discussion please contact:

Vanda Mutia Dewi

Executive Director – Greenomics Indonesia
vandamutia@greenomics.org