

RSPO Annual Communication of Progress

1. Profile

Guidance: The following information, notably the operational structure, will help report users to adequately understand (and respond to) the context of your report. Give a brief description of operating companies and locations, subsidiaries, joint ventures, most important products and/or brands, estimated palm oil production or trade volume. This will only need to be supplied once, unless profile information has changed during the reporting period (e.g. through mergers or acquisitions).

Name of the organisation:	PPB OIL PALMS BERHAD
Membership type (tick one only):	<input checked="" type="checkbox"/> Ordinary <input type="checkbox"/> Affiliate
Membership category (tick one only):	<input checked="" type="checkbox"/> Oil palm growers <input type="checkbox"/> Palm oil processors and traders <input type="checkbox"/> Consumer goods manufacturers <input type="checkbox"/> Retailers <input type="checkbox"/> Banks and investors <input type="checkbox"/> Environmental/nature conservation organisations(NGOs) <input type="checkbox"/> Social/development organisations (NGOs)
Operational structure of the organisation:	

Responsible Contact(s)

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Person submitting progress report:	SIMON SIBURAT	
Financial contact for membership fee:	MAK CHEW TATT	

Guidance: The standard reporting period is 12 months or less. The date of submitting the report should not be longer than 3 months after the end of the reporting period.

Reporting Period:	September 2009 to August 2010
Date of Report:	August 2010

2. Details of Progress

A. Analysis and Strategy for Sustainable Palm Oil

1. High-level strategic view of the organisation's relation to sustainable palm oil and related longer term objective.

The company continues to be committed to the RSPO in producing sustainable palm oil and has been dedicated to the certification process since 2008 when a time-bound plan was submitted to the RSPO. The first RSPO certification milestone was achieved in 2008, when three palm oil mills in Sabah i.e. Sapi, Reka Halus and Sabahmas and their supply base were certified. In October 2009, 2 palm oil mills in Sabah i.e. Terusan and Ribubonus underwent RSPO audits with peer reviews now in progress. For 2010, two palm oil mills in Sarawak i.e. Saremas Palm Oil Mill 1, Saremas Palm Oil Mill 2 and their supply base were awarded the RSPO certificate in June 2010. In light of this, we became the first company to have RSPO certified operating units in Sarawak. As of 2010, our target to complete the time-bound plan is on track with one final operating unit in Sabah i.e. Sri Kamusan Palm Oil Mill and its supply base to undergo RSPO certification in the last quarter of 2010.

In order to ensure we meet our sustainability objective, the company has made minor adjustments to the structure of the operating unit by employing ESH officers to monitor sustainable practices and maintain the RSPO standard within the organisation.

2. Time bound plan with milestones/targets.

Ever since the merger between Wilmar International Limited and PPB Oil Palms Bhd in mid 2007, the board sought ways to streamline the operations in Indonesia and Malaysia. It was decided that all of PPB Oil Palms subsidiaries in Indonesia would be transferred into Wilmar International Limited holdings before the end of 2009. As a result, PPB Oil Palms Bhd plantations and mills are only found in Malaysia and the time-bound plan was revised accordingly.

Meanwhile, we remain firmly committed to attain RSPO certification for all of PPB Oil Palms holdings in Malaysia within a time frame of three years as reported to the RSPO secretariat. We will work towards ensuring that all eight mills and 15 plantations of our subsidiaries in Malaysia will attain RSPO certification by the end of 2010. Thus far, five mills have been certified with two undergoing peer review. One remaining mill will be audited in last quarter of 2010.

3. Targets for the next reporting period.

It is our aim to adhere to the time-bound plan and to maintain the existing certificate by implementing the RSPO P&C in our daily operation. The next reporting period will be September 2011.

4. Statement from the organisation's senior representative.

Guidance: Depending on the member organisation's profile or specific keywords provided by the organisation, it needs to consider and report how it will contribute to the RSPO mission. The objective translates into operational, time-bound deliverables on the longer term (3 to 5 years, with annual review) and the short term (one year, with annual updates). Justify any changes from last year. A sufficiently senior decision-maker confirms the commitments made.

B. Progress made in producing, procuring and/or utilizing sustainable palm oil

Guidance: Provide a report or update in relation to:

- the time-bound plan,
- applicable requirements (citing relevant principles and criteria, Chain of Custody/Trade and Traceability rules, Communication and Claims rules, Code of Conduct where possible); and
- efforts in engaging key stakeholders (interest groups, business relations, etc).

Information provided should be objective and verifiable, where possible quantified (volumes, hectareage, numbers of smallholders/labour/communities, etc).

Our time-bound plan is on track and every effort is made to produce sustainable palm oil from our operating units in line with our commitment to RSPO. In Malaysia we have a number of projects and initiatives aimed at increasing awareness towards sustainable palm oil production and research especially related to biodiversity within oil palm landscapes. We have also embarked on a Riparian Management Project on one of our certified estates and are taking part in a pilot study which aims to develop a compensation mechanism for HCV areas that were cleared between November 2005 and November 2007.

Riparian Management Project

In this five-year project on the Sabahmas Plantation, one of our RSPO certified estates in Sabah, PPBOP is working together with the state government under a MoU to restore and enrich the riparian areas along the Segama River. The Segama River is the second longest river in Sabah and is an important river in terms of richness in biodiversity. Working together with the Sabah Forestry Department this project is restoring 382ha of riparian area and expanding the riparian area to 50m in width, which is more than double the legal requirement. The primary purpose of the project is provide further habitat and food plants for the 13 groups of Proboscis Monkeys (more than 150 individuals) and the other resident wildlife in this area. Proboscis Monkeys are a totally protected species Under Sabah Wildlife Law and also an IUCN Endangered species (they are endemic to Borneo and their population is threatened by loss in habitat throughout Borneo). The project is also aimed at community development by supporting communities through growing tree species which can be planted in our riparian areas

We have a team dedicated solely for this project. Seeds and wildlings have been collected from our own riparian areas and to date over 13 species have been propagated and over 2000 trees have been planted. Planting and propagation is ongoing and we currently have over 50,000 seedlings of various riparian species available in the nursery. We have a five-year management plan in place. Research focused on the key indicators for the Proboscis Monkeys is planned for 2010 onwards.

Sustainable Palm Oil Education and Awareness Programmes

International clientele and traders

As PPB OP is a subsidiary of Wilmar, many of Wilmar's traders who sell our sustainable palm oil as well as Wilmar's main buyers/clients which include Unilever, MARS and Neste Oil have taken part in several sustainability awareness programmes in Sabah and/or Sarawak. These education and awareness programmes enable visitors to see and understand sustainable practices in our plantations,

mills and refineries so that they may better understand what is being done to ensure our palm oil is being produced sustainably.

HSBC, PPBOP and SEARRP

For the past year, one of our certified estates, Sabahmas Plantation (Sabah), has been running sustainable palm oil education and awareness programmes together with the Director (Dr Glen Reynolds) of the South East Asian Rainforest Research Programme (SEARRP) for all HSBC branch managers, regional managers and top management based in all areas of Malaysia. In the regular three-day programme, HSBC staff learn about sustainable forestry in Danum Valley and sustainable palm oil production at our Sabahmas Plantation. The aim of the programmes is to educate managers on sustainable practices in these two industries so that they are better equipped to practice due diligence as required under the Equator Principles.

Earthwatch Awareness Programmes for corporations

In partnership with SEARRP, the Sabahmas Plantation in Sabah has been part of awareness programmes for international and domestic corporate Earthwatch group visits. The Earthwatch Institute engages people worldwide in scientific field research and education to promote the understanding and action necessary for a sustainable environment. It collaborates with businesses of all sizes to provide expedition opportunities to employees that promote an increased focus on environmental sustainability and community involvement. Part of their itinerary is to visit one of our certified plantations to understand sustainable palm oil production with emphasis on set-aside conservation areas which include a large conservation buffer area which has a high number of Endangered, Rare and Threatened (ERT) species and the riparian areas. Visitors also look at soil erosion mitigation procedures and some of the sustainable practices in the field.

Research Projects and Initiatives

In the past most of the biodiversity research done in Sabah focused primarily on the affects of logging on biodiversity. Since the decline in the importance of the logging industry and the growing importance of the palm oil industry to the Malaysian economy. More and more international researchers have incorporated palm oil plantations as part of/or the entire focus of their research. Currently less than one percent of all biodiversity publications are related to oil palm plantations. Aware of the desperate need for further biodiversity research in the industry and the need to assess how the present sustainable practices can make a difference to biodiversity, PPB OP is taking part in a number of projects and working together with a number of international universities who are conducting research on several of our plantations.

Collaboration with International Universities

PPB OP supports a number of international PhD students in their studies on biodiversity related to research in oil palm. Our plantations provide accommodation and logistical support for all study sites in our plantations.

1. Cumbria University (RSPO, premiums and biodiversity of areas required to be set aside by RSPO)

Ellie Lindsay is doing a PhD entitled *“Enhancing biodiversity in oil palm plantations, the economic impact and best practices.”*

This study aims to establish the best management practices for enhancing biodiversity by taking into account the current and potential amounts of biodiversity and the feasibility of conservation strategies for plantation managers. To develop sustainable conservation management within oil palm plantations, this study examines the affects of oil palm on biodiversity in Sabah, assesses the economic impacts of interventions for biodiversity on the price of biofuel imported into the UK and researches on customers' willingness to pay a premium for certified palm oil. Ellie has collected data on biodiversity using butterflies in different conservation areas which include riparian areas, fragmented forests, open areas grazed by buffalo and oil palm areas. Ellie is in her third year of her PhD. She has found so far that Alpha diversity was highest in set-aside conservation areas closely followed by the riparian zone sites. Her results so far have also indicated a positive reaction towards RSPO, while interviews from a wide range of stakeholders including NGOs, government and oil palm growers have revealed different perceptions on conservation management in oil palm plantations. Data formulated from these three separate lines of research will produce best practice guidelines for conservation in oil palm plantations and the value of biodiversity in areas are required to be set aside by the RSPO.

2. Cambridge University (biodiversity of fragments, ecosystem services provided in terms of beneficial insects and the economic benefit of forest fragments in terms of yield)

Tim Cockerill's PhD title is *“Assessing the importance of rainforest fragments and their associated arthropod biodiversity to oil-palm plantations”*. This objective of this research is to describe patterns of diversity and abundance of parasitoids which control oil palm pests across forest-plantation boundaries and to determine host-parasitoid relationships between oil-palm pests and their predators.

Tim has just started the third year of his PhD. Wilmar has also supported NERC and other funding

applications for post-doctorate and PhD students to commence 2010/2011 studies on oil palm.

York University (biodiversity in fragments and oil palm and viability of fragments to support biodiversity in oil palm)

Jen Lucey's PhD is titled: *"Assessing invertebrate diversity in tropical agricultural regions."*

Her research aims to investigate the changes in species diversity, community and trophic structure of invertebrates at the forest-oil palm ecotone with specific focus on ground dwelling ants and fruit-feeding butterflies. The study also assesses the viability of forest fragments within oil palm in supporting invertebrate biodiversity.

Jen is currently in her third year of her PhD. Her research will shed more light on the affect of palm oil on insects and will enable more informed decisions about the development of sustainable practices and conservation management.

Darwin Initiative

PPB OP is supporting the three-year Darwin Initiative project titled *"Developing tools for reducing biodiversity losses in tropical agricultural landscapes"* with research being conducted on four of our plantations. The project aims to ensure capacity building with local Malaysian students and to provide practical advice on the consequences for biodiversity and ecosystem function when incorporating natural forest remnants within oil palm plantations. Overall, it aims to promote responsible economic growth whilst maximising biodiversity conservation. This objective is being achieved in our plantations by the collection of field data on species richness of key target taxa and ecosystem functioning in natural rainforest remnants and adjacent areas of oil palm, quantifying forest 'spillover' effects and the contribution of forest remnants to biodiversity of surrounding agricultural areas in relation to remnant size and location. The focus is on ants and butterflies, which are highly diverse with many species endemic to Borneo. These are high-profile sensitive indicators of environmental changes, and comprise species with different ecological functions (herbivores, detritivores, predators etc). This makes it possible to examine changes in ecosystem functioning as well as diversity *per se*. The methods developed by the project will also be applicable to other taxa and shall leave a lasting legacy of personnel trained in their application.

Research began in 2009 and we currently have Post-Doctorate, PhD and masters students with their dedicated research assistants conducting research on our plantations.

Earthwatch Project

PPB OP is also supporting a five-year Earthwatch Project aimed at *“Maintaining rainforest biodiversity, ecosystem functioning and conservation value in the face of climate and land use change.”* This project focuses on ecosystem services, biodiversity, as well as restoration of degraded forest fragments in oil palm. This project would assist towards RSPO’s guidelines on conservation management by addressing the issues raised by RSPO auditors in previous audits on the need for active restoration of forest fragments. This project also researches soil loss in oil palm plantations and effective strategies for monitoring and mitigating soil loss.

The objectives of this project are:

- i) To establish the regeneration status and restoration requirements of degraded and fragmented forest and to discover how restoration is best achieved.
- ii) To assess biodiversity and vegetation structure in pristine and degraded rainforest, forest under active restoration and in rainforest fragments.
- iii) To assess the ability of degraded and fragmented forest to maintain ecosystem function.
- iv) To establish the comparative resilience of forest fragments and degraded/restored rainforest to predict increase in drought intensity and heavy rainfall frequency associated with climate change.

This project also aims at capacity building with two local PhD students with national and domestic collaborators. Research began in 2009 and will continue for a 5-year project.

Although this project will involve a number of students, those who have begun already include two PhD students. Vani has begun her PhD research on our certified Sabahmas Plantation under the title, *“The impact of forest disturbance, fragmentation and restoration on erosion and sediment sources and transport.”* Benny, another PhD student is focusing on forest restoration and the growth, survival and herbivory on dipterocarp seedlings planted in forest patches in our conservation areas and other set aside areas.

C. Challenges

1. Significant economic, social or environmental obstacles encountered in production, procurement and/or use of sustainable palm oil and efforts made to mitigate or resolve them.

The protection and management of HCV areas within the plantations can bring about a significant amount of cost especially when you have a plantation next to the protected Tabin Wildlife Sanctuary. Under the RSPO, members must show evidence of a commitment to discourage any illegal or inappropriate hunting, fishing or collecting activities.

In our Saremas operation in Sarawak, environmental awareness among school children was jointly carried out by the estate and the CSR team at our Bukit Durang conservation area in March 2010. Some 30 school children participated on the importance of HCV conservation.

In our Saremas operation, we have co-existed with five Iban longhouses with a total of 88 families and 450 individuals since the establishment of the estates in 1987. These Iban communities do not have any Customary Rights over the land because they were originally from other parts of Sarawak. This understanding was confirmed by the Social impact assessment conducted by an independent team that revealed the fact that these Iban communities started off as Timber camp workers in the 1970's and eventually established themselves in the area. On compassionate grounds, PPBOP took the initiative to co-operate and co-exist with these local communities by granting them the user rights to use the land to carry out their traditional lifestyle as long as the land is under our lease.

In June and July of 2010, our Sarawak CSR team also provided fire safety briefings as well as basic first aid courses to five Iban long houses located within our estate..

In addition, we have also built schools for the children of our foreign workers who are not entitled to public school education under national regulations. We have about 10 Humana schools throughout our estates in Sabah and Sarawak. The Humana schools are run together with a Social NGO known as the Borneo Child Aid society that runs over 100 schools in Sabah. The group was the first estate in Sarawak to set up a Humana school. We have plans to build more of such schools on our other estates as required.

On another note, our Ribubonus estate in Sabah has taken the initiative in assisting a native 16 year-old handicapped girl by the name Rozita Sabindong in getting her personal identification papers. This girl had been living without the legal documents that entitle her for any form of assistance from the Malaysian Government. This girl has since been issued with a birth certificate by the authorities while her identification card is pending. She was also successfully registered with the welfare department and is receiving a monthly allowance of RM300.

In 2009, Ribubonus palm oil mill and Ribubonus estate were selected by the Malaysian Palm Oil Board (MPOB) to initiate the Sustainable Palm Oil Cluster (SPOC) project for the surrounding smallholders. This is important step towards adopting sustainable practices by the smallholders as awareness level among the community is further raised.

With the recent SIA being mapped out for our Sugut project in Sabah (which will be going for RSPO main assessment this year), we will continue to engage the local community positively on land related matters such as Kampung Koiboton where the community is currently settling down within our estate. Thus far, two stakeholder meetings for the Sugut region have taken place.. Eventually we will adopt a similar stance to that of our Sarawak operations and that is to recognize the presence of these local communities of Orang Sungai to co-exist with us and grow together with the company.

On the environmental front in regards to the quality of the palm oil mill effluent discharge, our commitment to adhering to the stringent guideline by the authority is demonstrated in our heavy investment in 2009 on additional ponding as well as an effluent treatment plant for our Sarawak operation.

About 80% of the Palm Oil produced today is consumed for food. To further add value to our Sustainable Palm Oil, the Palm oil mill division is committed to improving on the food safety aspect of their milling practices by pursuing certification on the ISO 22000: 2005- food safety management system. We have a 3-year plan to roll out the ISO 22000 to all of our palm oils in East Malaysia. This year, two of the palm oil mills namely Sapi and Terusan Palm oil mill have undergone stage one audit. Final audit should take place in the last quarter of 2010. The ISO 22000 integrates the principles of the Hazard Analysis and Critical Control Point ([HACCP](#)) system and application steps developed by the Codex Alimentarius Commission. The ISO 22000 emphasizes the importance of interactive communication. Communication along the food chain is essential to ensure that all relevant food safety hazards are identified and adequately controlled at each step within the food chain. This implies communication between organizations both upstream and downstream in the food chain. Communication with customers and supplies about identified hazards and control measures will assist in clarifying customer and supplier requirements.

2. Suggestions on how the RSPO can assist your organisation's sustainability performance.

RSPO can help to ensure that all non-producers who are RSPO members are committed to procuring certified palm oil at a premium.

RSPO can help in expediting the approval of the RSPO certification process in order to motivate more companies like ourselves to pursue the RSPO certification.

3. Suggestions on how your organisation can assist RSPO's overall progress.

We will continue to uphold the RSPO P&C in our day-to-day business in line with RSPO's objective in producing sustainable palm oil and we will continue to participate and support RSPO initiated activities.

Guidance: RSPO encourages openness about problems encountered as a way to provide a balanced and credible picture of performance and to invite solutions or views from other stakeholders.