

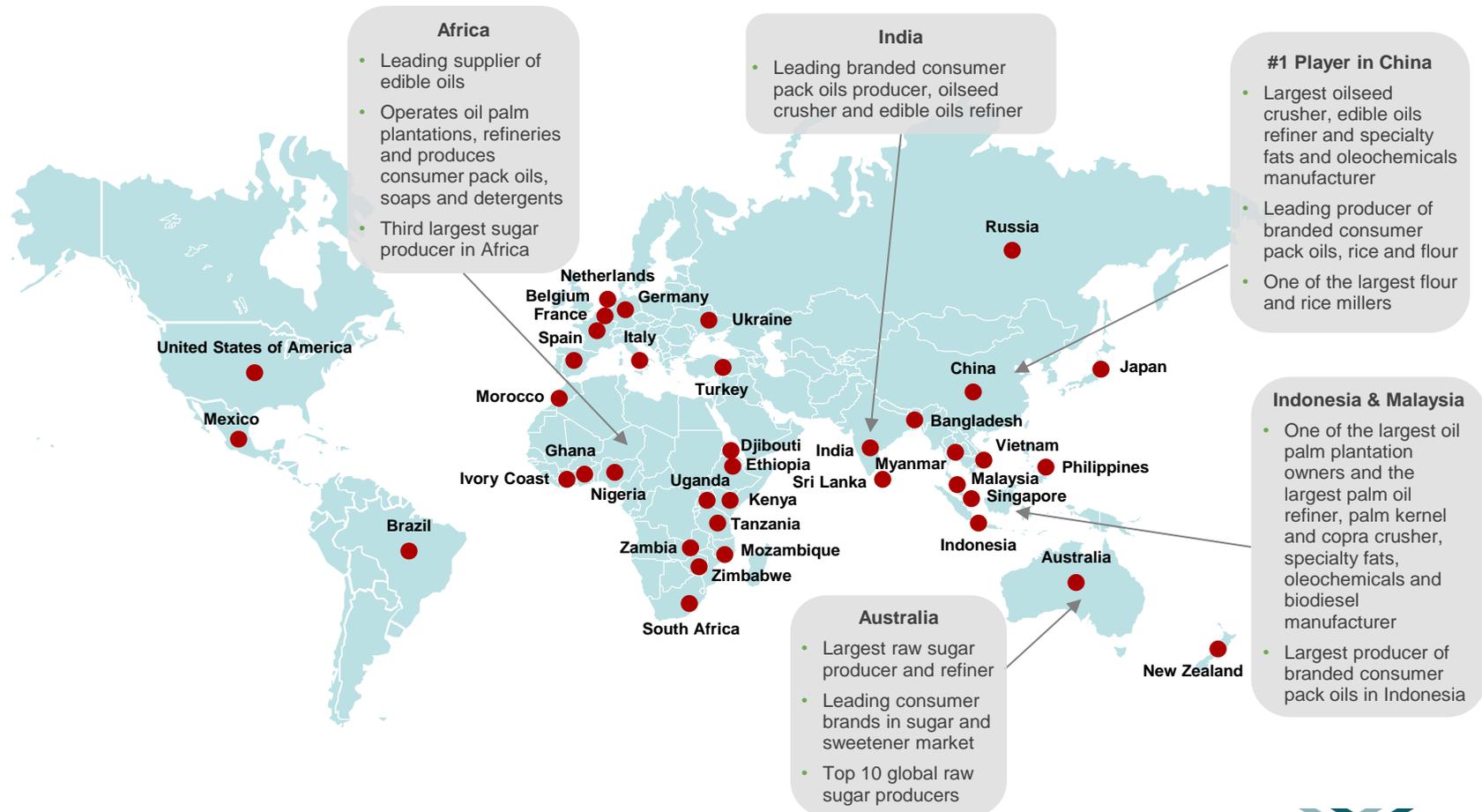
Financing Sustainable Smallholder Replanting



Wilmar's Global Presence

Global leader in processing and merchandising of palm and laurics oils, edible oils refining and fractionation, production of oleochemicals, specialty fats, palm biodiesel and consumer pack oils

- Over 450 manufacturing plants in 15 countries*
- Extensive distribution network covering China, India, Indonesia and some 50 other countries
- Multinational workforce of about 92,000 staff globally



* Subsidiaries only, not including associates

Smallholders in Indonesia

Integral part of the palm oil supply chain
&
Significant contributors towards a sustainable palm oil industry

- Over 3 million palm oil smallholders globally
 - 40% of global palm oil production
- Manage typically 2 – 5 Ha of land themselves

Associated Smallholders

- Contractually bound to a mill
- Facilitated or supervised in planting and crop management by mill

Independent Smallholders

- Not bound to any mill
- Self-managed and self-financed
- Inadequate info and knowledge in growing palms and selling oil
- Typically lower yields

Project Summary

Build increased future supply of sustainable palm oil production from smallholders by providing financial support to enable RSPO certification and replanting.

The programme innovates through requiring upfront commitment, especially from downstream buyer companies that are customers of the palm oil mill where the smallholder FFB is delivered to.

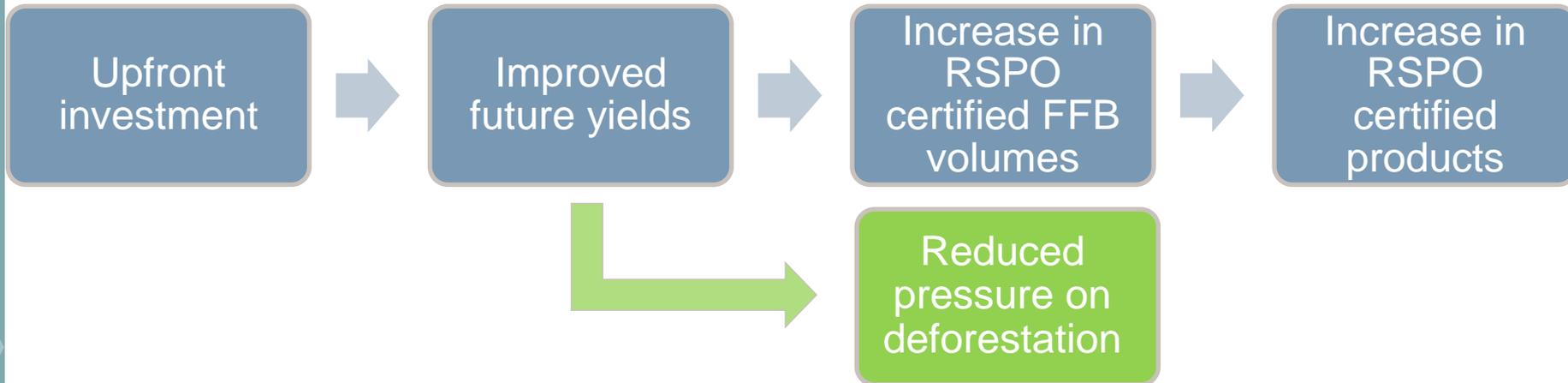
Location: Indonesia

Partners:

1. Independent Smallholder Cooperative
2. Mill Operator (Wilmar)
3. Civil Society Organisation
4. Consumer Business Company
5. Financial Institution

Commercial Model

- Wilmar's PT Tania Selatan Mill facilitated world's largest individual group of independent smallholders for RSPO certification in South Sumatra
- 2,700 independent smallholders with 5,500 Ha



- Currently RSPO certified products achieve a market premium
- RSPO volumes generated from the programme can be sold directly to interested customers

The Model – “Social Investment”

Financial Component

- Advanced off-take agreements of SH volumes
- Direct investment
- Providing debt financing to the programme
- Participating in the risk sharing.

Social Component

- Improved livelihoods of SH
 - Quality of life
 - Access to training on best agricultural practices and business management
 - Access to education for children

Risk Sharing

- Project partners jointly act as guarantors
- Reduction of interest rate offered to SH

Loan Tenure

- 15 years from the point of replanting
- Payments typically start 3 to 5 years after replanting.
- A portion of revenue to the SH from the sale of FFB is used for loan and interest repayment, until the loan is fully repaid.

Investment, Financing & Risks

Investment size & term

- US\$ 4,000 per Ha (replanting & cost to maturity) over 15 years.
- 10,000 Ha available

Types of financing instruments used

- Debt financing (in IDR) from financial institutions to cover replanting costs.

Expected return profile

- Payback period will begin in year 3 - 5, and be fully repaid by year 15.
- Rate of return is expected to be around 10%.

Risks

- Commodity price risk
- Exchange rate risk

Gaps in Financing

For 5,500 ha, pre-wash approved with a partner financial institution, entering indicative term sheet phase.

Other risk sharing partners include Nestle, and IDH. Off taker partner is L'oreal.

**Financing of interim livelihoods during immature phase is an opportunity to explore (estimated at USD\$ 15,000 over 5-years (\$3,000 / year), per household).*

No financing secured yet for remaining 4,500 hectares planned for replanting.

Conservation

RSPO Certification is a condition for financial assistance in replanting. RSPO standards require that best practices be applied in replanting. Expected improvement in land management, contributing to better environmental outcomes and emissions reductions.

Increased yields from better planting material has indirect impact of avoiding deforestation for palm expansion.