Cargill Palm Oil Progress Update

September 2016

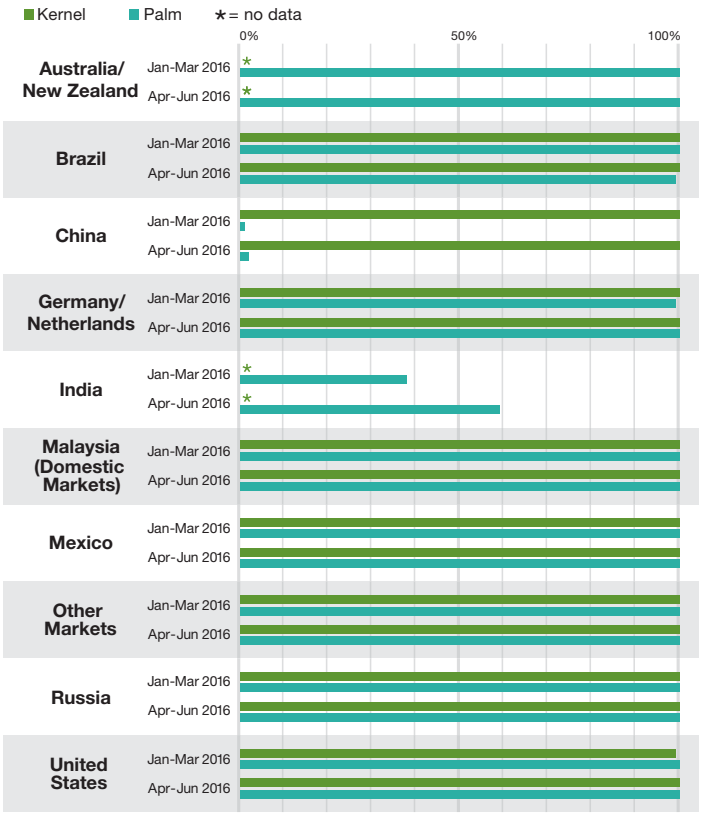
Traceability

Moving forward with traceability to plantation

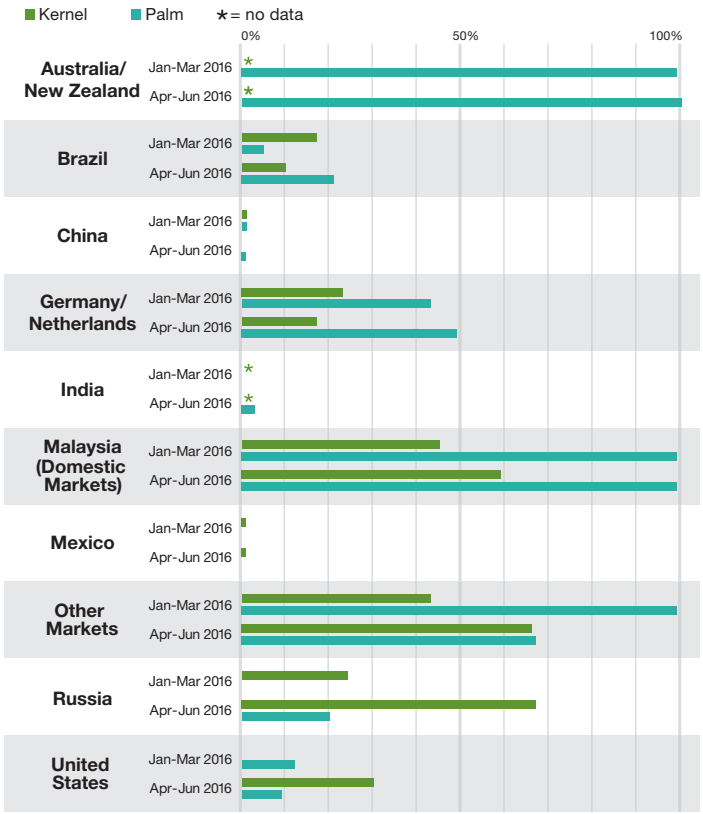
In the second quarter of 2016, Cargill further improved upon its global traceability efforts following the progress of achieving full traceability to the mill in key markets at the end of 2015. Combined with other markets, 90% of the palm we sourced (100% of the kernel and 88% of the palm) was traceable to the mill during the last quarter. We made significant progress in India and continue to strengthen engagement to improve traceability to China. We anticipate that these two markets will continue to present challenges, however, which we will seek to overcome through local initiatives supported by our project partners to engage key suppliers in these markets, and direct supplier engagement.

As part of Cargill's goal of achieving full traceability to plantation by 2020, we are delighted to share our interim progress. This is possible through direct engagement with mill suppliers and increased purchasing of RSPO Segregated products. Below are percentages for traceability to mill and plantation by market for the periods January through March 2016 and April through June 2016.

Traceability to the mill by market



Traceability to the plantation by market



Note: Traceability to plantation is defined as known information about the FFB suppliers; estates (names, parent company name, gps coordinates/addresses, % volumes, certification status), dealers (names, % volumes) and smallholders (number of smallholders, % volumes, certification status). RSPO Segregated oil sourced also fits into this category of fully plantation traceable. The traceability data included in this report should be considered estimates and the percentages were calculated based on self-declarations by our suppliers. The data covers what we physically delivered and processed. Cargill is cooperating with industry partners to develop verification and reporting of traceability information.

Malaysia origin data covers all exports, while domestic sales are taken into account under Malaysia domestic. 'Other markets' includes palm and kernel products shipped to Latin America (those countries not individually indicated already) UK, Central and Eastern Europe (the Caucasus), West and North Africa, Middle East, central and South Asia, Asia Pacific, and the Pacific rim. In some cases, palm and/or kernel products may be bought from another supplier who has a 'No Deforestation' policy and is mapping their supply chain but is unwilling to share their data. We are proactively engaging these suppliers to address this issue.

In the absence of substantive progress, some sourcing relationships may be reconsidered. We will do this in a transparent manner.

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Supplier engagement

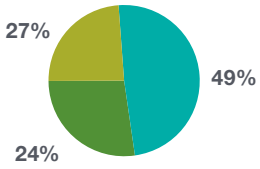
In committing to our supplier engagement process, Cargill puts in place various supplier engagement programs that aim to align our suppliers with our key principles shared by our customers.

To measure the level of transformation in our various supply chains, we considered a supplier's involvement in transformation plans such as the Aggregator/Refiner Transformation (ART) plan or Proforest supplier programs, whether they supply certified RSPO Segregated products, and have a credible responsible sourcing policy covering No Deforestation, Peat and Exploitation (NDPE).

For the second quarter of 2016, the charts below show the percentage of suppliers in key destination markets demonstrating the above-mentioned indicators. With continuous engagement in palm producing origins, greater alignment towards sustainable palm oil commitments will be achieved.

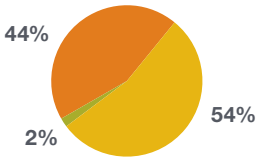
Percentage of the PKO volumes covered by a supplier engagement program

Brazil



Transformation and Certified Volumes
With NDPE, without known Transformation/Certified Volumes
Without NDPE & Transformation/Certified Volumes

Europe



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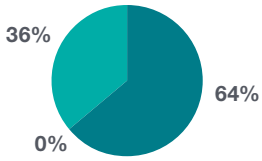
Mexico



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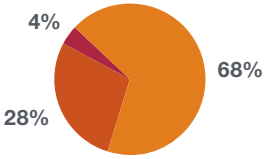
USA



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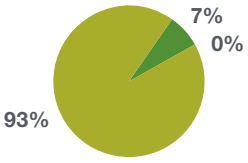
Percentage of the CPO volumes covered by a supplier engagement program

Brazil



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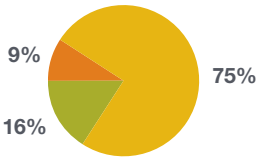

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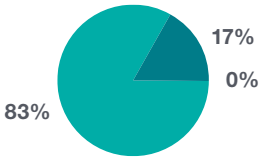

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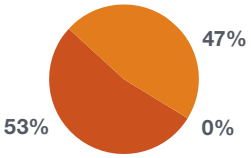

Transformation and Certified Volumes
With NDPE, without known Transformation/Certified Volumes
Without NDPE & Transformation/Certified Volumes

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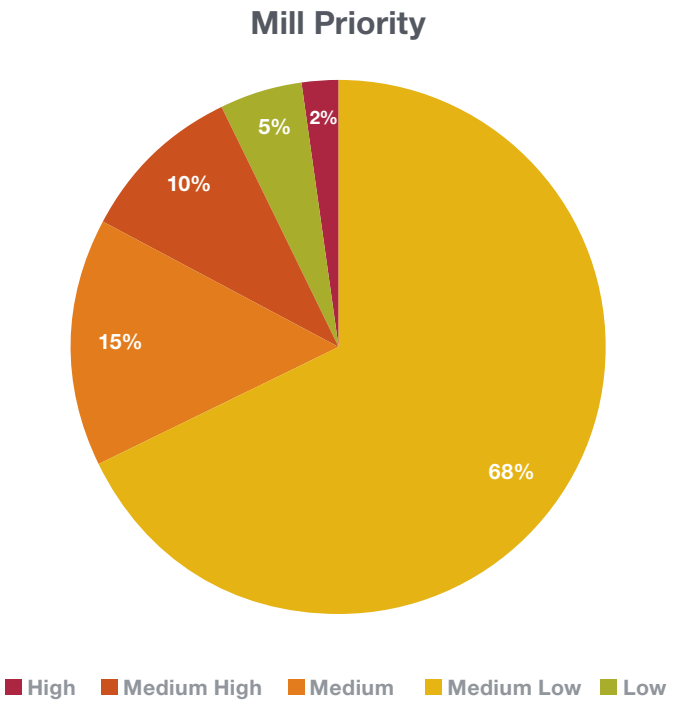
Deploying Global Forest Watch for mill risk assessments

Achieving traceability is not an end in itself, but a step in the journey of sustainable palm oil. The data allows for a deeper assessment of our supply chain enabling Cargill to analyze industry practices and drive market transformation. With information on our mill locations, Cargill has partnered with World Resources Institute (WRI) and Global Forest Watch Commodities (GFWC) to apply the PALM Risk Tool (Prioritizing, Areas, Landscapes and Mills) - one of the methodologies used internally to categorize mill risk. The tool assesses deforestation-related risk indicators, such as tree cover loss in primary forest areas and peatlands as well as fire activity. From this assessment, mills in Cargill's supply chain are assigned risk levels (high, medium high, medium, medium low or low) looking at historic impacts and potential future impacts within a mill's sourcing radius. These indicators are then compiled to create a single overall mill risk score, which helps prioritize our supply chain interventions. Below are percentage summaries of our mill risk assessment for the first quarter of 2016.



Through this environmental risk assessment approach, Cargill is better able to prioritize site verification and tailor our supplier engagement and monitoring programs. This allows Cargill to better enforce our Sustainable Palm Oil Policy and increase transparency across our supply chain. Meanwhile, we continue to improve proactive identification of social risks by conducting field assessments of mills, and monitoring media reports for potential supplier violations of our land and labor policies.

Strengthening engagement through field verifications

Case study: Latin America

As part of Cargill's efforts to implement its responsible sourcing commitments, site verifications have become a powerful aid in increasing suppliers awareness of Cargill's commitments and expectations. Fostering a mutual understanding strengthens Cargill's supplier engagement programs and verification exercises by increasing cooperation, access to information and opportunities for collaboration.

Together with Proforest, Cargill recently conducted three site verifications within a total supply base of 50 mills in Colombia. A fourth verification will be completed in the next month. The greatest challenges are the prevention of forest loss and compliance with required social practices among contractors and mills. The verification process helped determine that peatland protection and land rights are not core issues in this region.

To increase forest protection, Cargill will promote best practices among suppliers, many of whom are unfamiliar with the high carbon stock (HCS) methodology and RSPO's new planting procedures (NPP). With Cargill's partners in the region, we will increase capacity building and training activities on HCS and NPP and share practical experience on implementing HCS procedures. In addition, landscape level HCS studies and maps can help guide suppliers in selecting areas to develop.

The site verification visits also revealed that health and safety procedures are a potential concern among independent suppliers and smallholders. As a result, Cargill has identified the need for improved use of personal protection equipment and safer storage and management of dangerous chemicals. For most suppliers this is a new area of work and there is little guidance available, requiring engagement with producers to develop and deploy better social and environmental practices. Moving forward, Cargill will work with Proforest to implement action plans at mills that engage independent suppliers and smallholders on health and safety procedures and raise awareness of existing best practices.

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Pilot HCS assessment in Papua New Guinea

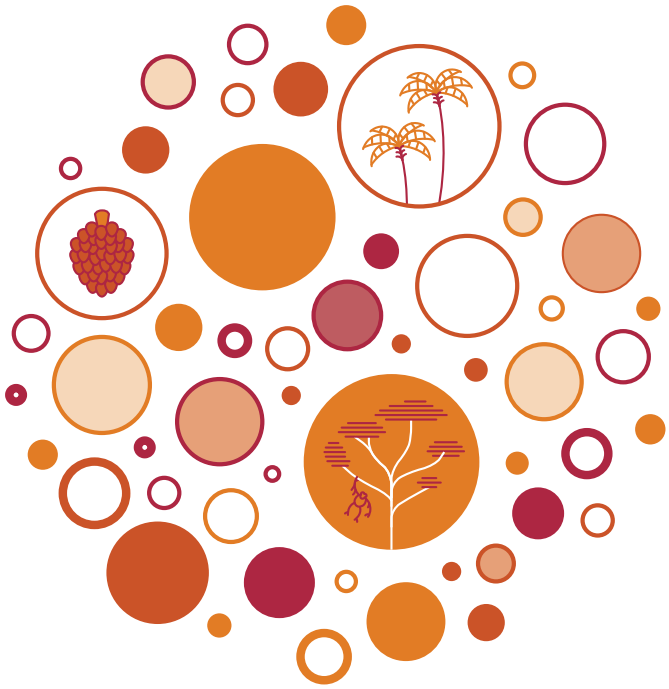
Cargill is committed to upholding its 'no deforestation' commitment in future expansion of both its own operations and those of third-party suppliers. We actively support our third-party suppliers in their implementation of responsible sourcing practices and aim to better understand the challenges that suppliers may face in doing so. Cargill has engaged Proforest to conduct pilot HCS assessments with three suppliers in different geographic contexts.

Cargill and Proforest recently conducted one of these pilot HCS assessments with Hargy Oil Palms Limited (HOPL), a subsidiary of Sipef in Papua New Guinea, with long-established operations on the island of New Britain. Cargill supported a pilot HCV-HCS assessment of logged-over areas identified by local communities for possible future conversion to oil palm. This pilot assessment is one of the first attempts at piloting parts of the integrated HCV-HCS-FPIC framework, and the first side-by-side comparison of both the HCSA and HCS+ methodologies in a real-life situation in the context of Papua New Guinea.

The area provides a unique set of characteristics suitable for such a pilot, including pressures to maintain biodiversity and forest cover, and increase development. The assessment area is considered High Forest Cover Landscape from an HCS perspective, while the high number of endemic bird species (amongst other factors) identifies parts of the area as HCV. Meanwhile, oil palm's role as the primary, if not the only current, economic activity in this part of Papua New Guinea brings along a set of demands for employment opportunities, improved infrastructure and services such as healthcare and education from local communities.

This raises questions about how 'no deforestation' commitments should be implemented in highly forested and little-developed landscapes. It also brings to caution the possible risk that the stringent screening of areas before their development will lead communities to either develop the land themselves or offer their land to companies which are not committed to 'no deforestation' policies and/or RSPO certification.

While the final results of the assessment are expected in late 2016 following stakeholder consultation, some critical issues have surfaced, including: viable options for improving livelihoods while protecting forests, compensation of community members for foregone economic activities in conservation areas, and other approaches to ensure net positive social and environmental outcomes. Cargill hopes that the findings of these pilots can contribute to the ongoing HCS Approach and HCS+ convergence process, in which we remain actively engaged.



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Partnership and Collaboration

Daemeter research on social conflict costs

In July of this year, Cargill's Hindoli oil palm plantation in South Sumatra was part of a pilot case study on the "Cost of social conflicts in Indonesia's palm oil sector." Implemented in collaboration with the Indonesia Chamber of Commerce and Industry (Kadin Indonesia), Indonesia Business Council for Sustainable Development (IBCSD) and Daemeter Consulting, the study systemically and quantitatively assessed the financial impact of social conflicts on affected parties, including palm oil companies, smallholder farmers and local governments.

The study is the first of its kind for the palm oil industry in Indonesia and was carried out at Hindoli's Mukut estate, as well as with other participating companies. The team from Daemeter worked alongside Cargill's site teams to identify and calculate the types of costs (direct and indirect tangible costs, as well as intangible costs) that would be incurred in the event of a social conflict such as a strike, community protest or work stoppage.

Through this study, we hope to share the findings with Cargill's management and operations teams, smallholders, local community and other relevant stakeholders to provide greater clarity and transparency on the costs of social conflicts in the palm oil industry and advance solutions through greater multi-stakeholder collaboration. Additionally, the study will help in Cargill's risk management of social conflicts that are financially relevant.

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