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Cargill Palm Oil Progress Update

April 2015



Cargill®

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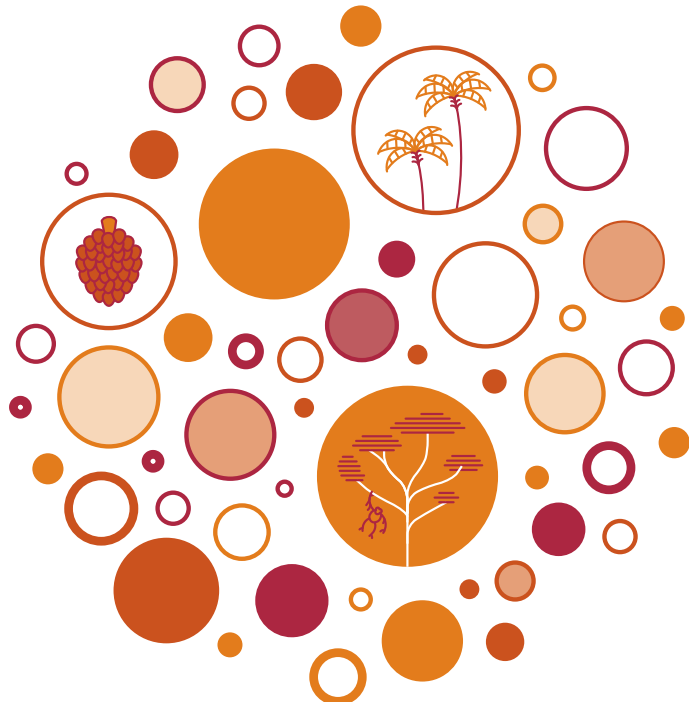
This is Cargill's second palm oil update. Our first report and action plan was published in late 2014.

Progress has been good overall. The percentages of traceable palm oil are on the rise in most places, but mixed in others due to suppliers' changing volumes and reporting.

On the ground, efforts to build a 100% traceable, sustainable supply chain continue. To meet the growing demand for traceable, sustainable palm oil, Cargill acquired a new plantation in West Kalimantan, Indonesia, on December 30, 2014. The property is adjacent to our existing operation. Cargill is taking steps to bring it in line with the company's July 2014 palm policy and achieve certification by the Roundtable on Sustainable Palm Oil (RSPO).

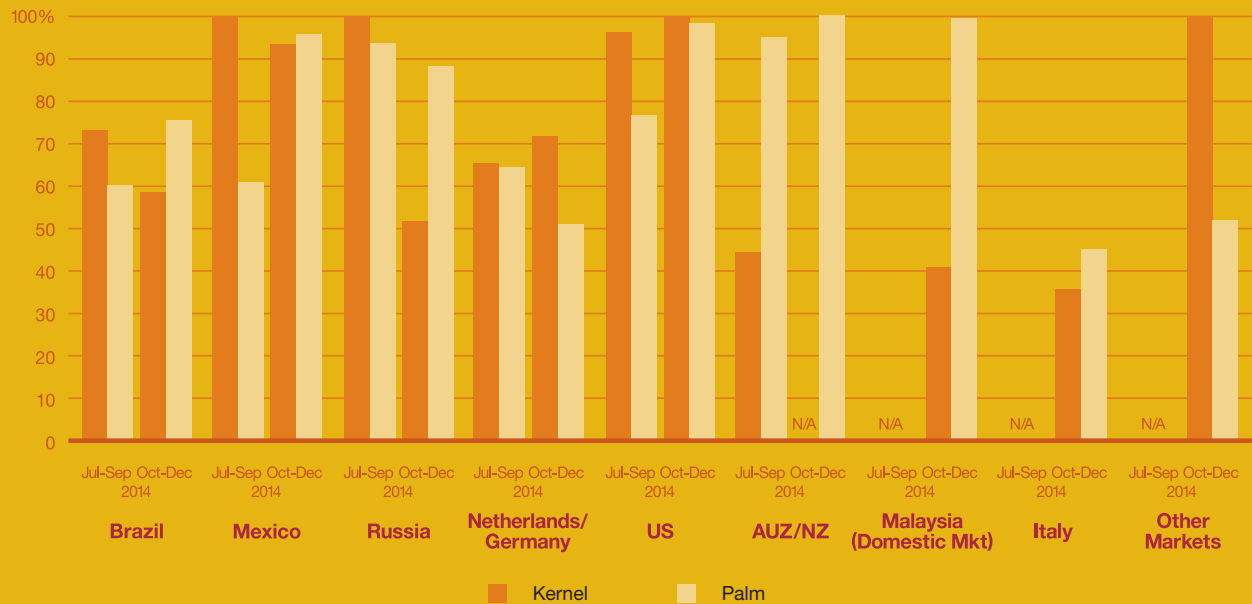
We are moving our pilot of Unmanned Aerial Vehicles into the operational phase. UAVs will allow us to better monitor land use and environmental issues. Meanwhile, we have been engaging with suppliers and smallholders to help them adopt sustainable practices. A grievance procedure that will allow all stakeholders to raise issues and see them addressed in a transparent manner will be completed shortly after stakeholder consultation.

Cargill has committed to publishing four palm oil progress reports annually.

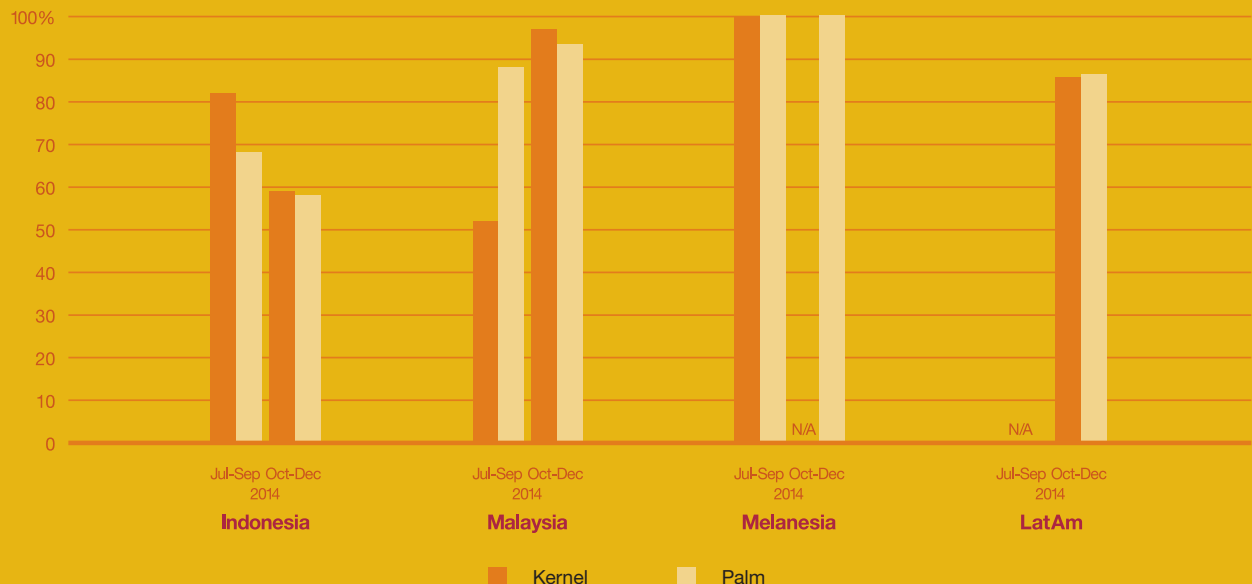


Supply Chain Traceability Progress

Traceability in key markets



Traceability in origin



Note: The traceability data included in this report should be considered estimates. Cargill is cooperating with industry partners to develop verification and reporting of traceability information. The percentages were calculated based on self-declarations by our suppliers. ALL shipments to the US from October (ie. arriving in the US after October) were 100% traceable. Malaysia origin data is based only on shipments for key markets. 'Other markets' includes palm and kernel products shipped from Malaysia to the UK, Central and Eastern Europe (the Caucasus), West and North Africa, central and South Asia, Asia Pacific, and the Pacific Rim. Malaysia also does not include refined products bought from other refiners. This will be included in the next report, as will products shipped from Indonesia to other countries which are not yet listed in these tables. One supplier who has made the same no deforestation and traceability commitments, has supplied us more oil but has not yet shared the mills from which the oil may be sourced. We will continue to encourage our suppliers to operate and report as required. In the absence of substantial progress, some relationships may have to be reconsidered. We will do this in a transparent manner.

Our commitments

Cargill will build a traceable and transparent palm oil supply chain firmly committed to:

- No deforestation of high conservation value (HCV) lands or high carbon stock (HCS) areas
- No development on peat
- No exploitation of rights of indigenous peoples and local communities

It is our goal to achieve 100% traceability to the mill level by December 2015 and to provide palm oil that is 100% traceable back to sustainable plantations by 2020. Some markets are geared to achieve 100% traceability by June 2015 due to strong supplier cooperation.

We will work to ensure that all palm oil and palm products that Cargill produces, trades or processes are in line with these commitments.

Traceability to sustainable plantations

In a recent round of in-depth stakeholder interviews, several of our customers said that they expect traceability to the plantation level. Customers see traceability to the mill as an important, but intermediary objective. “Traceability to the plantation is the next step,” said one buyer for a prominent international consumer goods company.

At the same time, suppliers report feeling squeezed by what they see as escalating sustainability demands. Many are not sure what is expected of them. Based on their feedback, Cargill will improve its communications with suppliers and better incorporate them into the planning process. We also will share experiences gained while implementing our policy commitments at our own plantations.

A key step in getting to 100% traceable palm oil is greater transparency. Obtaining the following information from mills will help achieve that: names of estates, dealers and the number of smallholders supplying the facility, and the percentage of fresh fruit bunches (FFB) sourced from each of these categories.

Combining the information we already have received from mills with the online satellite monitoring system Global Forest Watch, we can identify forest cover loss, fires and development on peat. However, Cargill recognizes the limitations of aerial monitoring, specifically for social issues. Based on on-the-ground engagement and field assessments, we are continuing to develop methods to address these issues.



Poliplant Group acquisition

At the end of 2014, Cargill acquired a palm oil plantation adjacent to our existing operation in West Kalimantan, Indonesia. The approximately 50,000-hectare Poliplant Group (PPG) plantation will enable us to better meet the growing demand for sustainable palm oil.

Efforts are now underway to align PPG with the high sustainability standards Cargill has set at its other plantations and in its 2014 palm oil policy. We are in the process of identifying gaps that need to be addressed and aim to achieve RSPO certification for the newly acquired plantation as soon as possible. The environmental consulting group Daemeter will assist us in this endeavor. Daemeter has been enlisted to help Cargill identify high carbon stock (HCS) and high conservation value (HCV) lands, carry out social assessments and develop corrective action plans.

We will strengthen ties with all PPG stakeholders, promote greater accountability and help them build their capacity to operate in a more responsible manner. Formal community surveys are being scheduled. Early conversations have shown that many community members have an interest in Cargill's smallholder program, since they have seen it in action at our adjacent property, the RSPO-certified PT Harapan Sawit Lestari plantation.

We will provide additional updates on PPG's further integration and sustainability improvements in future reports.

Using UAVs to monitor land use

Since our last update, we have made steady progress in our effort to deploy Unmanned Aerial Vehicles – drones – around our plantations. UAVs will enable smaller teams to map and monitor land use, and respond quickly to issues such as burning or theft.

Cargill is set to take delivery of two electric-powered, fixed-wing UAV's. Our team will take a four-day pilot training in Sabah, East Malaysia. Participants will graduate as certified UAV pilots with the ability to develop industry-standard maps.

The unmanned planes, when fully operational, will put us in a better position to achieve the goals outlined in Cargill's sustainable palm oil policy. Among other things, they will be used for HCV/HCS assessments, where they can supplement the work that was previously done with satellite imagery.

UAVs have numerous advantages over satellites. Satellites can only be used for very brief time slots, when they are over the target area, whereas UAVs can be launched whenever there's a need, with minimal response times. Unlike satellites, they are mostly unhampered by cloud cover. Finally, they are much cheaper to operate.

Modern technologies such as drones and on-the-ground electronic remote monitoring will help us manage our plantations with greater precision, achieve greater yields on the same amount of land and keep better tabs on land use, water management and other sustainability issues. We will keep you updated in future reports.





Engagement on the ground

While we continue mapping the physical flows of palm oil, we also keep working on ways to propagate best sustainability practices and correct existing issues in the supply chain.

In partnership with The Forest Trust (TFT), Cargill has started offering roadshows to inform suppliers of our palm oil policies and help them develop progressive practices. Feedback so far has been positive. Suppliers who participated report they have gained a better understanding of our policy and practices.

We have visited a growing number of independent palm oil mills, estates, dealers and smallholders to assess their performance in comparison to the sustainability criteria outlined in our own palm oil policy and those set forth by the RSPO. These field assessments are not audits, but opportunities to have open-ended discussions. TFT provides feedback to the suppliers and helps us identify compliance gaps so we can assist suppliers in developing time-bound corrective action plans.

Since November, we have carried out three assessments each in Malaysia and Brazil, and we've assessed a sample of the supply base, comprised of mills, estates, small growers, smallholders and dealers. Among the issues found were unsafe chemical management, unsatisfactory worker accommodations and contracts, occupational safety and health management issues and a lack of grievance procedures. In one case, a supplier has already initiated the permitting process for building improved worker housing.

The corrective action plans and recommendations provided during the on-site meetings are incorporated into a more comprehensive report that is subsequently shared with the suppliers. We will share greater details on the issues found and recommendations we have made in our next progress report.

The main challenge is scale, as the palm oil industry is a patchwork of thousands of large and small plantation businesses, smallholders, dealers and traders, spread out over different countries, regions and municipalities. One potential way to overcome that challenge and speed up the industry's transformation is the Aggregator/Refiner Transformation (ART) approach, which we aim to pilot in partnership with TFT at one of our facilities in Malaysia. The hope is to eventually scale this initiative to Indonesia and work with a third-party supplier.

If proven successful, the ART approach will allow us to tackle problems in targeted areas without having to visit and assess every single facility there. The procedure hinges on carrying out field assessments at a sample of mills in a target area, developing corrective action plans and sharing them with the mills and parent companies that did not initially participate. The assumption is that if certain issues are found in a number of mills in any particular area, they will most likely exist in other mills in that same area. Based on the guidance in the report, these other mills will be in a better position to identify similar issues in their own supply bases and close compliance gaps.

Grievance procedure

We are finalizing the grievance procedure we announced in our last report. The goal is to enable all stakeholders to raise issues and see them addressed fairly, effectively and in a reasonable amount of time. The working document is based on a TFT template, adjusted for Cargill's specific needs. It will improve our existing processes to identify and address problems.

In the coming period, we will consult with external stakeholders. We expect to formalize and begin using the new procedure before the end of the second quarter of 2015. We will report back in our next progress report.

IPOP secretariat

In collaboration with a number of peer companies in the palm oil business, Cargill is setting up a formal secretariat for the Indonesian Palm Oil Pledge (IPOP) in Jakarta. The secretariat will work with the Indonesian government to develop policies for the conservation of HCV and HCS conservation areas. It will be a voice for IPOP members, coordinate on sustainability matters with stakeholders such as the RSPO and GAPKI (the Indonesian Palm Oil Conference), and coordinate communications with third-party palm oil suppliers throughout Indonesia.

Sustainable Palm Oil Manifesto

Cargill is a signatory to the Sustainable Palm Oil Manifesto, a commitment to achieve common objectives held by a group of key palm oil growers, traders, processors and end users, to ensure sustainability in the entire supply chain from cultivation to consumption.

The signatories are firmly committed to the RSPO and its Principles and Criteria. Signatories will continue to ensure that the palm oil produced, traded, processed and consumed are in line with RSPO standards.

More information on the Manifesto is available at www.carbonstockstudy.com



