

Cargill Palm Oil Progress Update

June 2016



Cargill is committed to building a 100% transparent, traceable and sustainable palm oil supply chain by 2020. We are working to implement an action plan for sustainable palm oil that is based on traceability, supplier engagement, smallholder programs, sustainable plantations, and partnership and collaboration.

Advancing traceability to the mill

In the first quarter of 2016, we achieved full traceability to the mill in key markets. Combined with other markets, 87% of the palm we sourced (99% of the kernel and 85% of the palm) was traceable to the mill. Setbacks in India and China in the recent quarter due to market dynamics have led to lower average traceability in palm. In these regions we are working on improving traceability through supplier engagement wherever possible.

Addressing grievances to build a more sustainable and transparent palm industry

As a global company, Cargill works with millions of producers and suppliers across a diverse portfolio of commodities. At any given time, we recognize events in our supply chains may compromise our stated commitments. In such instances, we strive to work with suppliers to correct these issues in an effort to drive lasting, positive improvements. Cargill is proud of its proven track record of driving industry change by working with suppliers, NGOs and other partners.

In December 2015, Cargill established a formal [grievance process](#) to address concerns at any point in the palm oil supply chain. Over the long-term, we are working to

transform the industry by holding suppliers accountable to comply with our [palm policy](#) and course correct based on defined, time-bound deliverables.

The following are among the active grievances under review:

- IOI Group – In April 2016, IOI was suspended as a certified supplier by the Roundtable on Sustainable Palm Oil (RSPO). Cargill's policy on sustainable palm oil is rooted in the RSPO's principles and criteria. Cargill leadership has actively engaged IOI's management and outlined necessary next steps to comply with our palm policy. If IOI fails to meet any of the deliverables by the dates outlined, we will suspend our business by not entering into any new purchase contracts. Read more [here](#).
- Reforestadora de Palmas del Petén (REPSA) – In November 2015, due to allegations related to environmental concerns and allegations of intimidation, Cargill changed the terms of its contract with the supplier. Under the new terms, we required REPSA to implement a transparent action plan to meet our standards for business operations over the next six months. Cargill's continued sourcing from REPSA will be dependent on monitoring and implementation of the action plan. Read more [here](#).

Supporting smallholders to improve practices

In February, Cargill sponsored and participated in a workshop on peatland conservation in Pekanbaru, Indonesia with the RSPO, the smallholders union (SPKS) and regional government officials. The workshop was designed to kick off the “Smallholder Protocol for Sustainable Management of Peat Areas and Responsible Replanting of Oil Palm,” which is being developed in partnership with Winrock International, IDH Sustainable Trade Initiative and Costco to reduce greenhouse gas emissions, improve production, and increase market access for smallholders.

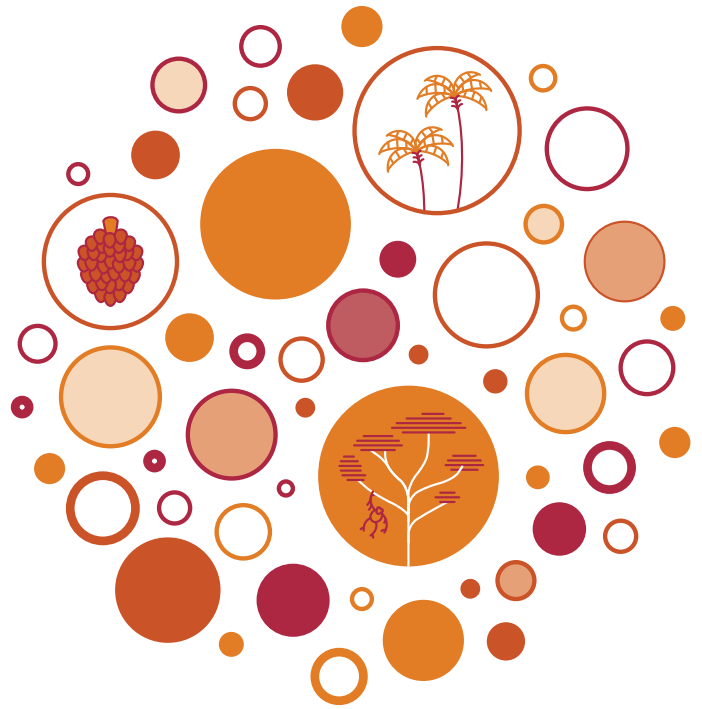
Cargill’s policy prohibits development on peat and this initiative is helping smallholders achieve this goal. As part of this initiative, the workshop focused on two key priorities:

- Providing an overview of the project plan and setting the context within the development goals of the region.
- Gathering and sharing insights from smallholders on challenges and successes. Topics included sustainably managing existing palm on peat, current support programs and policies, and best practices.

Particular focus was given to peat regulation and oil palm management. Input from the sessions will be reviewed during the development of the protocol, which will provide step-by-step guidance for smallholders and intermediaries to identify and implement more sustainable practices.

Engaging suppliers through sustainability workshops

Partnering with TFT, Cargill piloted a Sustainability Workshop in Kuantan, Malaysia in April. The Broad-Level Engagement was modeled on the Aggregator Refinery Transformation (ART) methodology, which advocates for Deep-Level Engagement of high-risk suppliers and Broad-Level Engagement of lower risk suppliers. More information on the ART process can be accessed [here](#).



Eleven palm oil mill suppliers attended the workshop, which covered a broad array of palm oil sustainability topics:

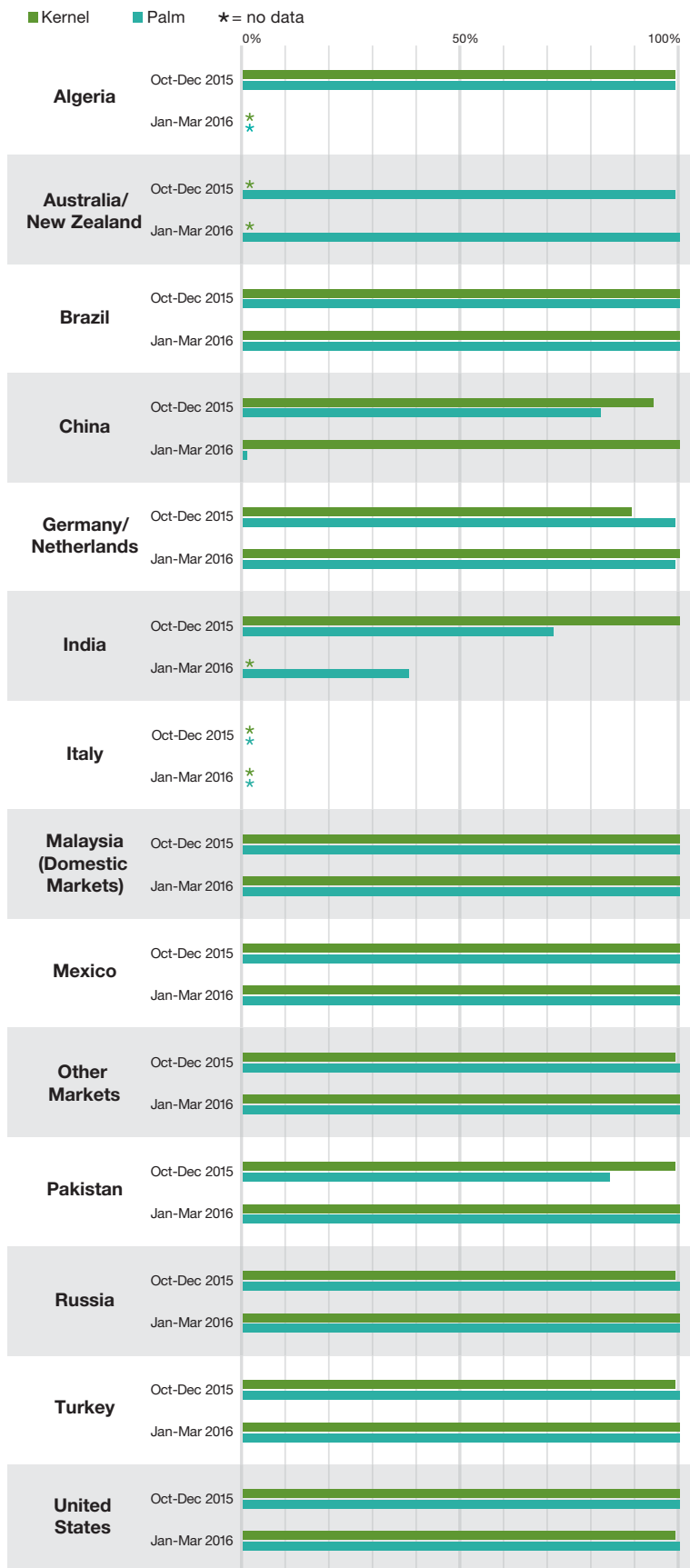
- An overview of Cargill’s Sustainable Palm Policy
- Sharing of common findings and recommendations from Deep-Level Engagements
- Introduction to TFT’s new Transformation Toolkit
- Talk on migrant labor by a representative of Malaysia Trades Union Congress (MTUC)
- Description of High Carbon Stock (HCS) and High Conservation Value (HCV) methodologies

Each mill was asked to apply the learnings from the workshop to their own operations and provide feedback to Cargill. This information will help guide the industry transformation journey towards sustainable palm oil production. Cargill is planning additional workshops in the coming months.

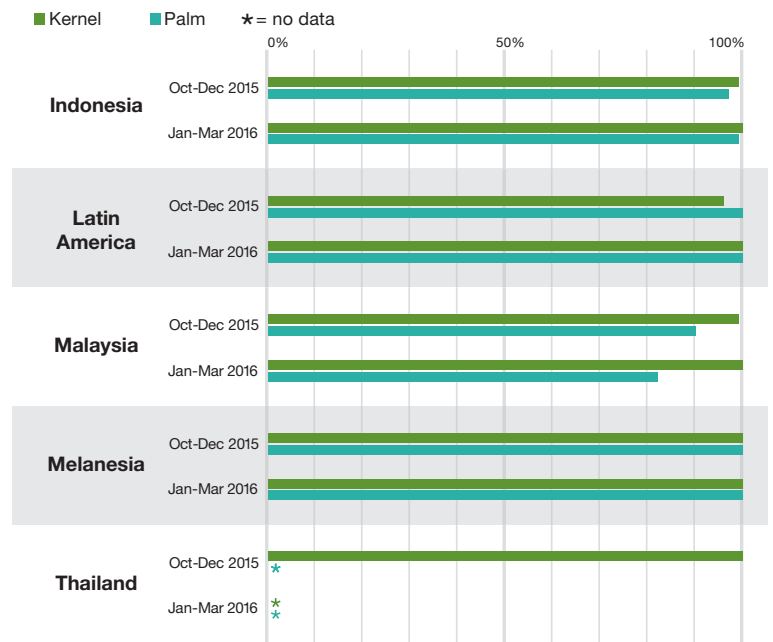
Tracking progress toward sustainable palm oil

In 2016, Cargill is prioritizing the collection of traceability information for new mills in our supply chain. We are also working to improve traceability to mill level in complex markets, including China and India. We report traceability to the mill by market and by country of origin. Below are percentages for the two most recent periods, October through December 2015 and January through March 2016.

TRACEABILITY TO THE MILL BY MARKET



TRACEABILITY TO THE MILL BY COUNTRY OF ORIGIN



Note: 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.

