

Cargill Palm Oil Progress Update

November 2016

Traceability

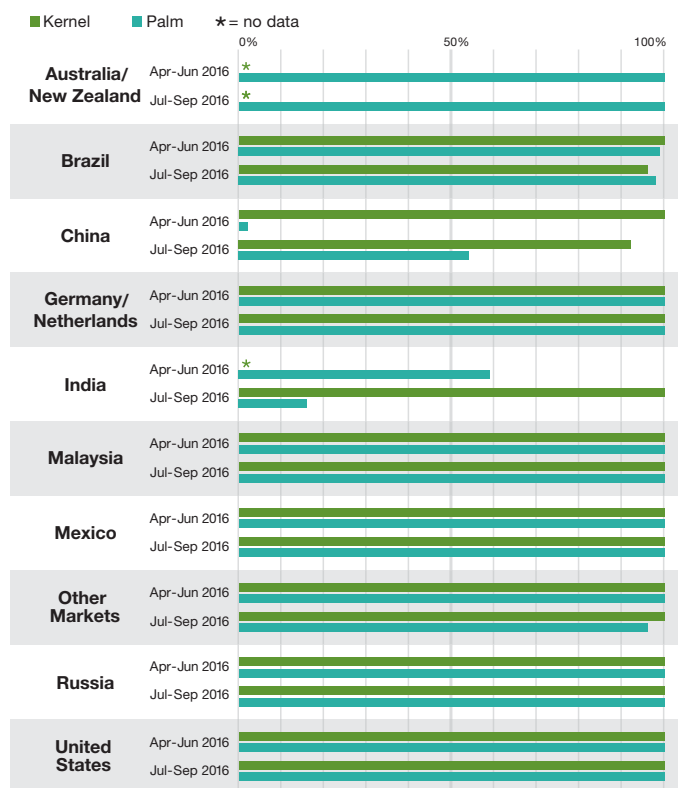
In the third quarter of 2016, Cargill made further progress against our commitment to achieve global traceability in all our palm operations. 91% of the palm we sourced (99% of the kernel and 90% of the palm) was traceable to the mill. We continue to realize full traceability to the mill in key markets. However, we do recognize the challenges associated with the Chinese and Indian markets. Continuous engagement efforts with direct suppliers as well as working with project partners are strengthening traceability progress in these regions.

We began reporting traceability to plantation in the previous quarter and will continue to share our progress. In the third quarter, 35% of the palm we sourced (26% of the kernel and 36% of the palm) was traceable to plantation.

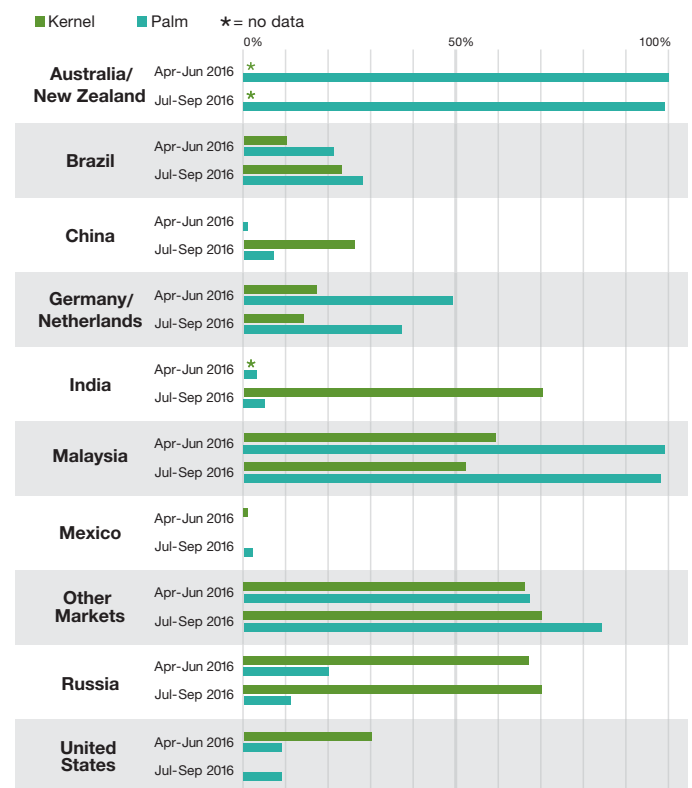
Efforts to identify plantation traceability will be tenfold compared to mill traceability. Cargill procures mainly from third-party suppliers: traders, brokers, refiners, crushers and millers. We do not have direct links to fresh fruit bunch (FFB) suppliers with the exception of instead of in our own plantations in Indonesia. In addition, there are massive numbers and variety of FFB suppliers to a single mill. Despite these challenges, we have embarked on collecting the relevant information via direct suppliers and supplier engagement programs carried out on site.

We are establishing a roadmap towards our 2020 commitments and will share our 2017 traceability action plan in the next progress update. Below are percentages for traceability to mill and plantation by market for the period April through June 2016 and July through September 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.

*'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.



Supplier engagement

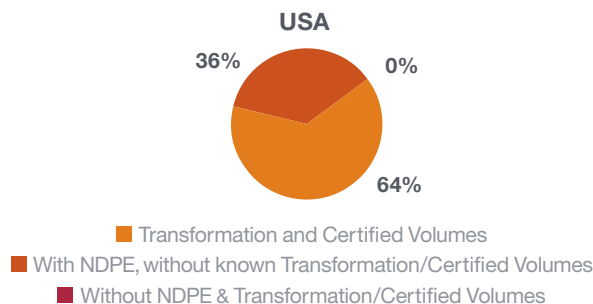
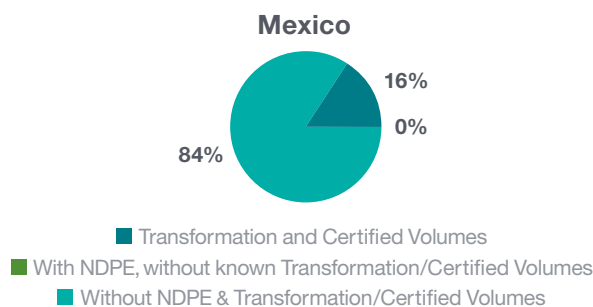
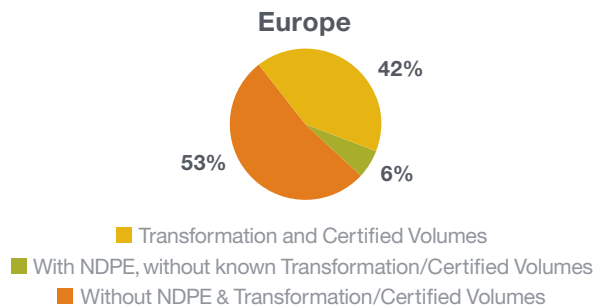
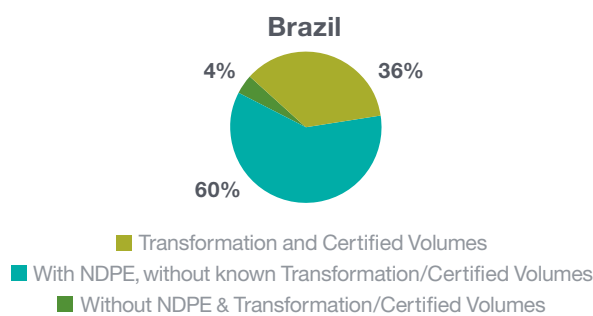
Measuring Supply Chain Transformation

Cargill began reporting supply chain transformation in the previous quarter as part of our 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 consider a supplier's involvement in transformation plans such as the Aggregator/Refiner Transformation (ART) plan or Proforest supplier programs, whether they supply

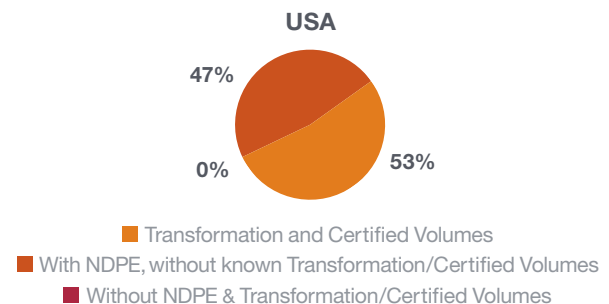
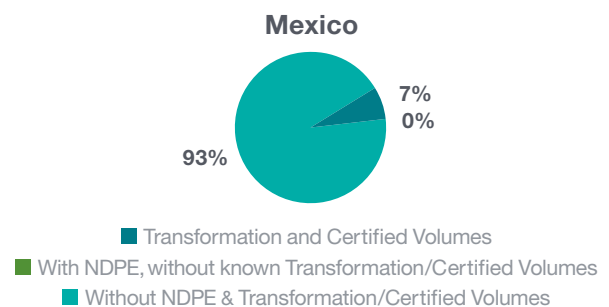
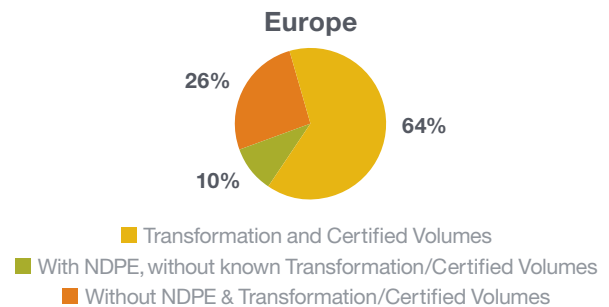
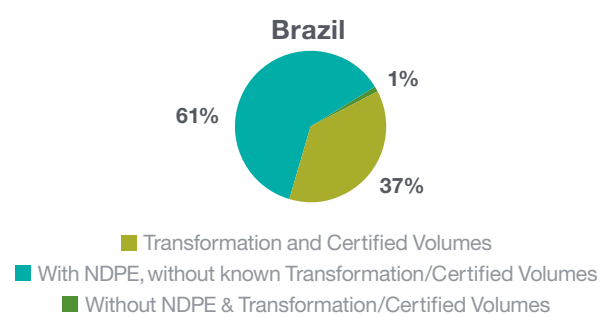
certified RSPO Segregated products, and have a credible responsible sourcing policy covering No Deforestation, Peat and Exploitation (NDPE).

For the third quarter of 2016, the charts below show the percentage of suppliers in key destination markets demonstrating the above-mentioned indicators. We will continue to explore various partnerships to further encourage supplier participation in transformation programs.

Percentage of the PKO volumes covered by a supplier engagement program



Percentage of the CPO volumes covered by a supplier engagement program



Partnering with TFT in Peninsular Malaysia

Cargill's engagement with suppliers commenced in Q4 2015 following a series of supplier field assessments. It has progressed to cover significant portions of our supply shed in Malaysia through both deep level engagements (DLE) and broad level engagements (BLE)¹.

These supplier engagements cover the supply shed of Kuantan and Westport-Hup Lee.

To date, six DLEs have been completed and all suppliers involved have committed to corrective action plans, which are being closely monitored. Additionally, two BLEs were carried out in Q2 2016 with representatives from 21 mills (approximately 25% of Cargill's suppliers). These single-day supplier workshops are carried out with the aim to emphasize the importance of Cargill's Sustainable Palm Oil Policy and share findings observed and recommendations made from the series of field assessments. Common issues recently highlighted relate to chemical management and labor practices such as Occupational Safety and Health (OSH) and passport retention. Trainings and workshop discussions focused on these issues and other topics relevant to Cargill's policy, such as peat management and High Carbon Stock (HCS) and High Conservation Value (HCV) methodologies.

Suppliers also completed self-assessments to provide details on the level of supplier compliance, which aid in prioritizing mill engagements, and customize solutions to address any identified gaps. More than 50% of these mills have responded to the self-assessment. A link to the TFT Transformation Toolkit has also been shared with all mills to provide guidance and information on milling and plantation management operations.

While no deforestation has been identified in Cargill's supply chain during visits to date, deforestation has been identified in parts of the Kuantan supply shed landscape. With the benefit of Cargill's supply chain traceability work, we are able to identify suppliers near sites of reported deforestation and engage with them to both ensure that deforestation is not in their supply chain and identify actions they can take to prevent further deforestation in their region.

¹ Each Deep Level Engagement consists of field visits followed by a report outlining the visit observations and recommendations. An action plan is developed for the parent company as well as the mill and FFB suppliers to improve policies and practices. Broad Level Engagements on the other hand, serve to target specific training and support activities to a wider group of mills from the same region. More information on TFT's Aggregator Refinery Transformation (ART) process can be found [here](#).

Planning for a third BLE workshop is currently underway and will take place in November 2016. The focus will be on suppliers from the northern region of Peninsular Malaysia (Kelantan) - a region of concern with regards to deforestation. The workshop will be carried out over 2 days and will retain the focus of past workshops on critical topics related to compliance with Cargill's policy. The workshop has been extended by an additional day to allow participants to delve deeper into each topic through interactive sessions that can facilitate stronger communication between Cargill and our suppliers.

Cargill's Palm Grievance Process: Reviews and lessons from the past year

Cargill's grievance process has been key in demonstrating our commitment to palm sustainability and supply chain transformation. Through our grievance process, we have seen our suppliers' practices evolve with our support, demonstrating the importance of active engagement.

One such supplier currently in our grievance process is Felda Global Ventures (FGV). The supplier's plantations were reported by the media in June 2015 for forced labor allegations, prompting Cargill to include the supplier in our grievance process. FGV has taken the report as an opportunity to review its social compliance management system and pilot various improvements to its labor management practices. For example, the supplier completed a pilot installation of safety boxes in five of its estates for guest workers to safely keep their passports in. Keys to the boxes are held by the workers - allowing ease of access to their identity documents while ensuring safekeeping is prioritized. FGV is currently studying the effectiveness of the project before the second phase of safety box installations is carried out to other estates.

As part of our grievance process, we establish engagement channels with suppliers to review action plans and share best practices. In a monthly update session with FGV, Cargill recently shared our experience developing and managing a grievance process to aid FGV in establishing its own process. We continue to engage with FGV to advance sustainable practices.

Cargill is committed to working with suppliers that demonstrate a willingness to improve their operations, though suppliers that remain non-compliant may face suspension. Such a decision was made in July 2016 when Cargill suspended the supplier IOI Group after multiple rounds of engagement proved unsuccessful.

While the commercial relationship was suspended, we believe in supporting our suppliers in their commitment to carry out corrective action. As a result, Cargill is closely reviewing IOI's progress following the release of their implementation plan and collaborating closely with subject matter experts. We are currently developing a new set of comprehensive time bound milestones to establish criteria for reinstatement.

Challenges remain in handling indirect supplier grievances where Cargill does not have a direct connection or means of engagement. In such instances, we work with our direct suppliers, who may have direct commercial relationships, to forge proactive partnerships where possible. These can take the form of funding HCS assessments or independent assessments to ensure third-party suppliers are in compliance with our policy.

All grievances are detailed in our [Grievance Log](#) as part of our continuous efforts in transparency and accountability towards our stakeholders.

Sustainable Plantations – Cargill Tropical Palm

First RSPO certification for Poliplant Group and PT Hindoli's new palm kernel crushing plant

Cargill's PT. Poliplant Sejahtera (PSA) oil palm plantation in West Kalimantan, Indonesia and PT. Hindoli Sungai Lilin Kernel Crushing Plant in South Sumatra, Indonesia were both recently certified by the Roundtable on Sustainable Palm Oil (RSPO).

Cargill's acquisition of Poliplant Group in 2014 comprises five plantations of approximately 50,000 hectares of planted company and smallholder land. PSA's mill and estate operations are the first under Poliplant Group to be RSPO certified. PSA's certification covers Sirihim mill operations and 4,005 hectares of associated inti (company-owned) estates. In addition, 7,500 hectares of smallholder land, managed by 3,873 smallholders (seven cooperatives) under the government's PIR-Trans (transmigration) program, is on track to be in PSA's RSPO certification in 2017. Upon certification, Cargill will be able to purchase sustainably produced and RSPO-certified fresh fruit bunches from these smallholders – further strengthening our position as a supplier for sustainable palm oil. PSA is also currently supporting independent smallholders from Kundangan Manis Cooperative through the RSPO procedure for new plantings. With RSPO certification, smallholders can contribute to improving the livelihoods of their families and their local communities.

The certification of PT. Hindoli's Sungai Lilin kernel palm crushing plant enables Cargill to help meet the increasing global demand for sustainable palm kernel oil by global consumer goods companies. The kernel crushing plant

produces about 98 metric tonnes of sustainable palm kernel oil and 124 metric tonnes of palm kernel expeller daily. It also features the use of renewable energy from biomass, which converts oil palm waste into electricity for its operations and employee housing units in the neighboring Sungai Lilin sub-district. PT. Hindoli will begin selling RSPO certified palm kernel oil and palm kernel oil expeller in the international and domestic markets respectively, starting November 2016. The certification of Cargill's palm kernel crushing plant further underscores our progress and commitment towards building a transparent, traceable and sustainable palm oil supply chain.

Fire-free village communities in South Sumatra and West Kalimantan

Cargill's oil palm plantations, together with the Ministry of Forestry and Environment of Indonesia, have launched the Cargill Fire-free Village Program aimed at empowering local communities in fire prevention and control.

The program has been implemented at seven fire-prone villages in South Sumatra and 19 in West Kalimantan with the Masyarakat Peduli Api (fire-free village task force), local government, police and the Provincial Disaster Mitigation Agency; recognizing the importance of undertaking a multistakeholder approach to tackling fires. The villages are located around Cargill's plantations in the regencies of Musi Banyuasin and Banyuasin (South Sumatra) and Ketapang (West Kalimantan). Each village is led by a team of 15 community members who serve as fire prevention and management champions for their respective communities.

The Cargill Fire-free Village Program comprises two core elements: Fire Prevention; and Fire Detection, Monitoring and Suppression. The workshops are designed and led by a team of forest and land fire management experts (Manggala Agni) from the Ministry of Forestry and Environment. Village communities are taken through a series of educational workshops on the environmental, economic and health impacts of the use of fire in land clearing.

The second component of the program teaches good fire management methods such as ensuring ongoing availability of aerial, land and water resources. This includes access to unmanned aerial vehicles such as drones for monitoring of fires and land burning activities, fire-fighting equipment and personnel, and water bodies in the form of canals and dams. The program has strengthened the skills and confidence of locals to tackle recurring land fires. "The knowledge and practical skills gained from this workshop are invaluable to me and the farmers in my cooperative. We need to stop burning our land for the sake of our children and our future," shared Santoto, a smallholder farmer who attended the workshop.



Partnership and Collaboration

Progress on Smallholder Peat Areas Protocol

In Cargill's [June 2016 Palm Oil Progress Report](#), we shared our ongoing involvement in the "Smallholder Protocol for Sustainable Management of Peat Areas and Responsible Replanting of Oil Palm" in Pekanbaru. Over the past few months, our NGO partner Winrock International has hosted a number of workshops with subject matter experts and smallholders to solicit feedback on elements of the proposed protocol, which will provide guidance targeted at smallholders on sustainable management of existing plantations on peat and responsible re-planting practices, reducing emissions and improving market access.

By engaging smallholders in workshops, we have identified a widespread lack of understanding of standards, such

as RSPO and the Indonesian Palm Oil (ISPO) systems, and for peat management. Winrock's continued workshops and pilot testing have already proved to have a positive impact on practices in the village areas of focus. They have received significant interest from the smallholder groups and local government to continue the workshops, paving the way to scale up the project. Another round of field testing is currently underway to inform another iteration of the draft protocol, which will be presented to a number of stakeholder groups for review.

For more information, please visit Cargill.com/palmoil.

