

# CARGILL PALM OIL PROGRESS UPDATE JULY 2017

## TRACEABILITY

To kick-start the year for the first quarter of 2017, Cargill achieved a global combined average traceability to mill of 93 percent (100 percent of the kernel and 92 percent of palm) and 33 percent traceability to plantation (20 percent of kernel and 35 percent of palm). Our own plantations and mills in Indonesia are fully traceable<sup>1</sup>.

We continue to seek ways to improve traceability in China and India, where traceability remains a challenge. Cargill Investments (China) Ltd recently participated in the fourth China Roundtable on Sustainable Palm Oil to share best practices in sustainable palm oil production and procurement in China. Such discussions are necessary first steps in building suppliers' trust in sharing traceability information and their understanding of the need for more sustainable supply chains.

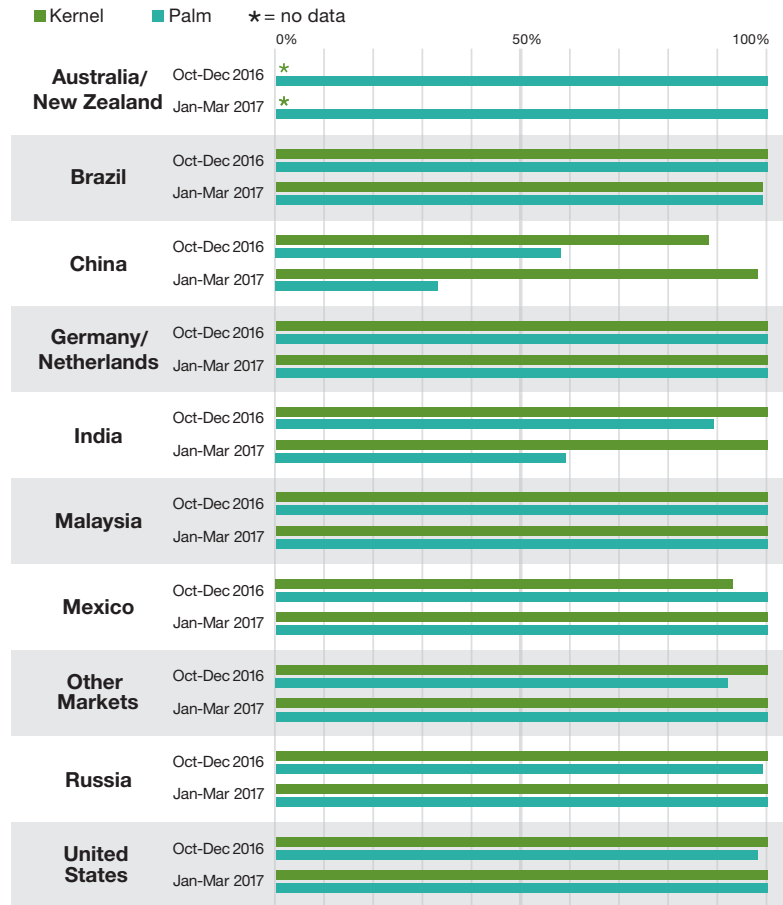
Ceres Scope 3: Report the percent of physical supply from traceable mills.

Scope 4: Report the percent of physical supply from traceable estates.

Scope 6: Report the names of the company's direct palm oil suppliers.

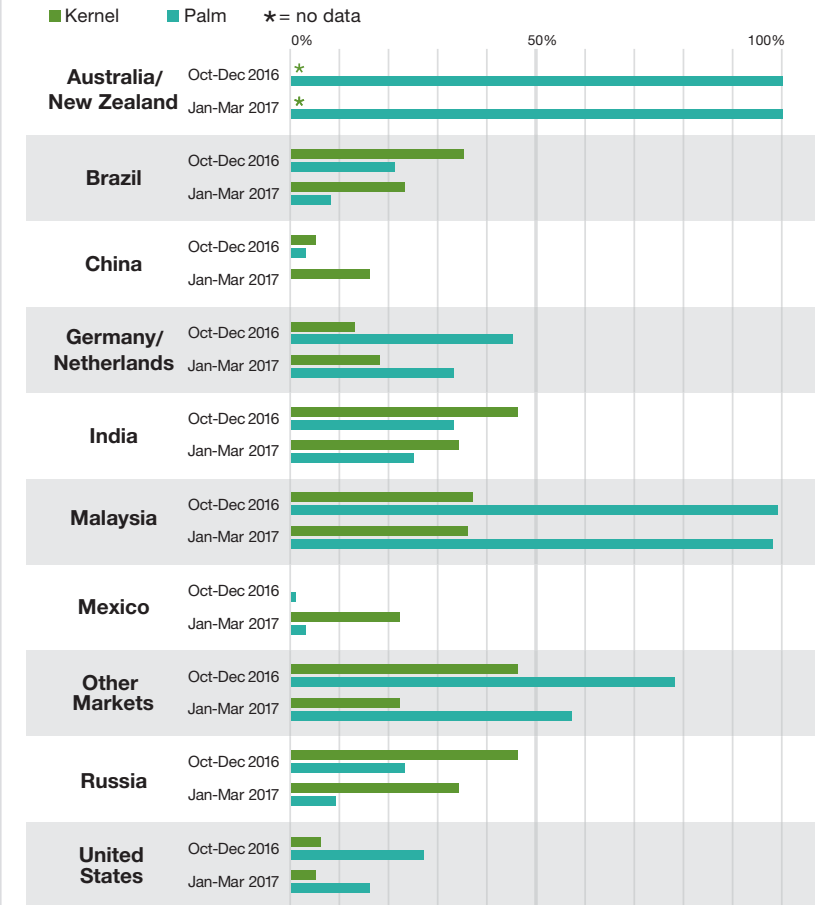
<sup>1</sup> Names and geo-referenced maps of our entire mill list including Cargill mills and third party supplier mills are available on our [Palm Sustainability Dashboard](#).

Traceability to the mill 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.

Traceability to the plantation by market



\*'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

## SUPPLY CHAIN TRANSFORMATION

Cargill's sustainable palm oil policy covers our entire supply chain for all the palm we ship and physically handle, including through our third-party suppliers. Our supplier engagement activities are intended to ensure our suppliers are aware of our policy and receive the necessary support to implement it in their operations and supply chain. In the majority of cases, this entails working in partnership and aligning with our direct suppliers – leveraging their commercial relationship with third-party mills and supporting change in principles and practice.

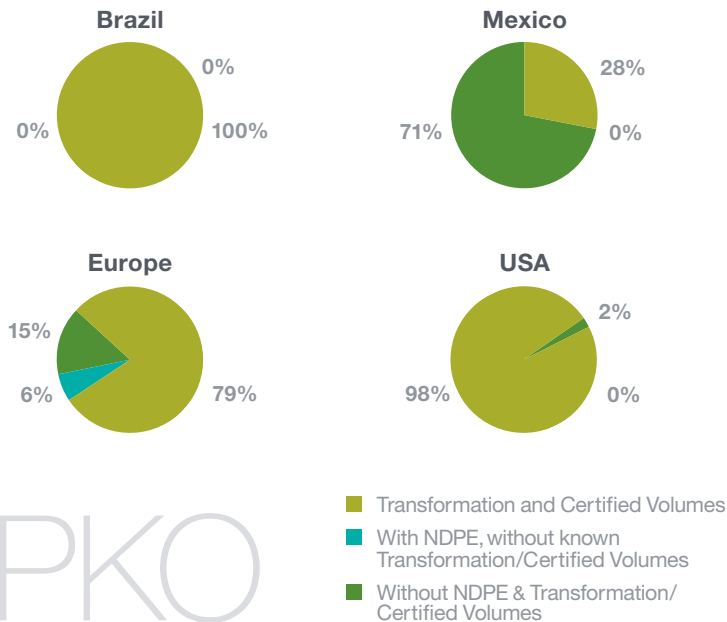
We measure supplier progress through our suppliers' involvement in engagement programs that include the Aggregator/ Refiner Transformation (ART) plan or Proforest's supplier outreach programs, whether they supply certified Roundtable on Sustainable Palm Oil (RSPO) Segregated products, and have a credible responsible sourcing policy covering No Deforestation, Peat and Exploitation (NDPE).

We continue to engage direct suppliers without commitments to develop and implement NDPE policies, and are encouraged by the progress. Our work with two suppliers in Colombia who demonstrates such progress is further detailed below.

For the first quarter of 2017, 71 percent of our supply chain were implementing transformation and certification programs in their supply chains. The charts

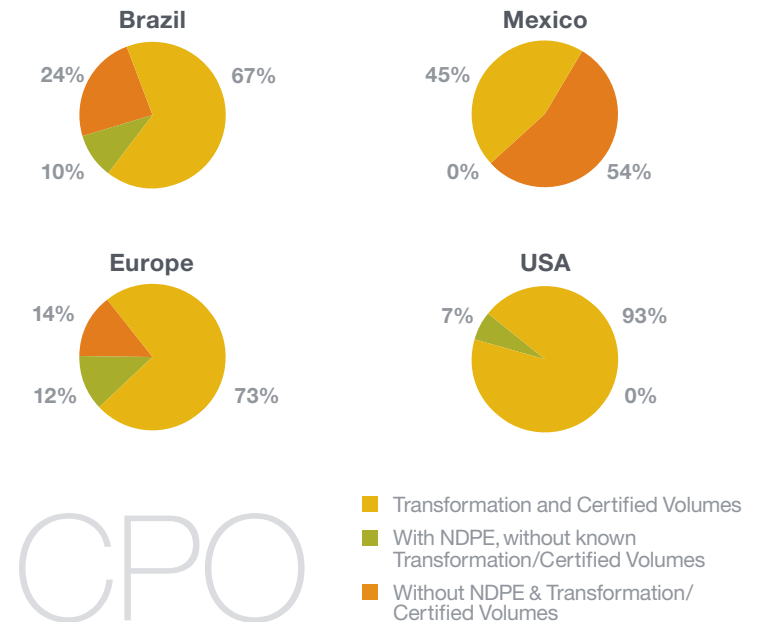
below show the percentage of volumes in key destination markets covered by these efforts. We will continue to explore various partnerships to support and encourage both direct and indirect supplier participation in transformation programs.

Percentage of the PKO volumes covered by a supplier engagement program



PKO

Percentage of the CPO volumes covered by a supplier engagement program



CPO

Ceres Scope 1: Report whether the company's palm oil policy applies to:

- A. The physical oil the company produces, purchases, and/or trades;
- B. The company's direct suppliers and all of their operations; and/or
- C. The company's subsidiaries, joint ventures, and/or investments.

Note: Each chart will add to a range of 98 percent to 102 percent due to rounding up and/or down of percentages.

## SUPPLIER ENGAGEMENT

### COLOMBIA SUPPLIER ENGAGEMENT: BUILDING CAPACITY TO IMPLEMENT NDPE

Following the site verification visits Cargill conducted in Colombia last year together with Proforest, in 2017 we are focusing our efforts in the country on capacity building and training of our direct suppliers and their third party suppliers on “No Deforestation, Peat and Exploitation” (NDPE) policies and common social and environmental issues.

Colombia is the third ranking country by volume for Cargill’s palm oil sourcing, mainly delivering to our refineries in Europe and Mexico. Past site verifications also highlighted core issues of deforestation and compliance with social practices. As a result, the country is a key priority for engagement with our direct suppliers and their respective third-party mills.

In May, we conducted two NDPE workshops with our main Colombian direct

Ceres Scope 9: Describe the company’s methodology for prioritizing, assessing, and engaging suppliers, refineries and/or mills.

suppliers. Cargill welcomes the commitments they made during the workshops to adopt a NDPE policy and implement action plans. This marks promising progress towards achieving one of our 2018 goals for 100 percent of direct suppliers to have or commit to having a credible NDPE policy<sup>2</sup> as communicated in Cargill’s 2020 Roadmap released in March of this year. The workshops were attended by individuals representing roles in trading, commercial, supply chain, and sustainability. Most importantly, the presence of management was valuable to gain company-level buy-in as they command the financial and strategic decision-making.

Additionally, Cargill organized three workshops with its direct and indirect Colombian suppliers to further socialize Cargill’s sustainability policy and commitments, and address three key topics that had surfaced as common issues during past site visits: health and safety, waste management and subcontractor management (legal aspects). Through role play exercises, self-reflection on present company practices and sharing of industry and



national standards, our suppliers were better able to understand the basis of NDPE commitments and how it drives value transformation in an organization. They were also able to appreciate the positive impacts a policy can have on the wider community when implemented consciously.

Encouraged by our suppliers’ interest to further partner with us in our palm sustainability journey, Cargill will continue working with them on implementation of their commitments, fostering collaboration through innovative platforms and by addressing key social and environmental issues such as labor. We will also look

into the most meaningful way of including smallholders in such workshops. As one participant commented, “sustainability is a shared responsibility.”

<sup>2</sup> This goal is part of the supplier engagement pillar strategy of ensuring HCS, HCV and peat areas are conserved, and land, labor and human rights are respected in our third-party palm supply chain.

## SUPPLIER ENGAGEMENT

### MALAYSIA SUPPLIERS - MILL FOLLOW-UP VISITS AS CRITICAL ENGAGEMENT TOOL

Ninety percent of volumes from Cargill's Kuantan and Westport-Hup Lee refineries have been involved in our supplier engagement efforts. More than 65 percent of our supply chain participated in sustainability workshops while 25 percent took part in mill assessments.

*Ceres Scope 9: Describe the company's methodology for prioritizing, assessing, and engaging suppliers, refineries and/or mills.*

A large percentage of our refineries' volumes are supplied by small and medium-sized companies without an NDPE policy, therefore these initial workshops and mill assessments, carried out in partnership with TFT, provide critical exposure to sustainability commitments and are a platform for industry-wide dialogues on sustainability. Subsequently Cargill monitored progress of implementation where we channeled considerable resources in the last quarter towards

conducting follow up visits with selected high priority mills.

Mill engagement is a continuous process which requires consistent follow-up. These are more effective when done through site visits, which allow for more in-depth conversations with the mill. We recently carried out 6 follow-up visits at mills across Peninsular Malaysia focused on reviewing the implementation progress of action plans designed following previous mill assessments by TFT. Through the visits, we were able to

gain a better understanding of implementation barriers. For example, small and medium-sized companies require affirmation that sustainable practices will not jeopardize operating efficiency and cost savings. Therefore we recently began sharing positive case studies of other notable suppliers, who share similar characteristics to these mills and have successfully adopted necessary changes. Mills are also faced with tight resource constraints and must identify key priorities and systematic

shifts. Effectively working within these constraints leads to a higher implementation rate and also strengthens the relationship with our suppliers.

As part of our 2020 goals, we are developing tools for assessing supplier sustainability compliance and are exploring how to best integrate this into our commercial decision-making, including long-term contracts and higher volumes. At the same time we also realized that mill engagements need to take into account ownership structures as mills that are part of a parent group will rely on their headquarters for direction on policy implementation. For 2017/18, we will be engaging with approximately 40 parent companies of direct palm and palm kernel oil suppliers to review or develop their own sustainability policies and implementation plans. We will guide our suppliers in the process and connect them to appropriate resources. Cargill values the role of our suppliers as key partners in our sustainability journey and will empower them in their own journey.



## SUSTAINABLE PLANTATIONS

### STRENGTHENED FOCUS ON LABOR AND HUMAN RIGHTS

Labor and human rights issues in the palm oil supply chain are increasingly of concern, particularly as monitoring is not as straightforward in comparison to readily available satellite tools for environmental activities. Cargill is committed to ensuring our own operational as well as supplier practices are aligned with our sustainability policy. In our third-party supply chain, we aim to share experiences and best practices with our suppliers to ensure compliance and contribute to collaborative efforts of strengthening understanding of and guidelines related to labor and human rights. In the last quarter our team has been active on engaging social issues at field level in our own plantations and at industry level through emerging multi-stakeholder efforts.

Ceres Scope 15: Describe the social and human rights issues in the company's operations and supply chain, and how the company identifies, assesses, prevents, and addresses such issues.

Ceres Scope 21: Describe the company's participation in external initiatives and activities that aim to support implementation of the company's policy.



In May, Cargill invited Verite to assess our practices in our West Kalimantan concession, PT Harapan Sawit Lestari. We believe independent labor assessments such as this one are a valuable part of identifying areas for continuous improvement, demonstrating best practices and contributing our learnings in labor and human rights dialogues. The Verite assessment covered two estates and two mills based on the following categories: labor and human rights, compensation and hours, and health and safety. A number of best practices were highlighted by Verite in areas of safety, career development, education system, engagement of staff and accuracy in documentation. Most importantly we achieved

the objectives of the assessment, which is to identify and address areas where we can do better. Some of these areas include being more inclusive with recruitment advertising, explicitly detailing employment expectations, ensuring employees adhere to the weekly 54 hour limit and strengthening our legal protection of casual and temporary workers. We are now reviewing the recommendations in detail and will share the findings and our follow-up actions in the next progress report.

### CARGILL @ RSPO'S 5th EUROPEAN ROUNDTABLE

Cargill continually looks to contribute to multi-stakeholder dialogues and on the ground efforts to address labor and human rights issues. During the recent European Roundtable in London, Alexandra Experton, Sustainability Director, Cargill Agricultural Supply Chain, was one of the speakers for the panel on "Respecting Human Rights on Palm Oil Plantations". She elaborated on the importance and progress of the RSPO Human Rights Working Group (HRWG), which is informing the ongoing RSPO Principles and Criteria review and improving guidelines

for member companies and auditors. She also touched on the importance of involving governments in efforts to achieve better practices sector wide through development of stronger enforcement of labor regulations, beyond the bounds of RSPO membership. Ms. Experton also highlighted the value of learning from other commodities and standards which have successfully address land and labor issues.

Colin Lee, Director of Corporate Affairs, Cargill Tropical Palm, also participated in a UNICEF side event as a panelist in a discussion on "Children's Rights in the Palm Oil Sector" during the European Roundtable. The rights of children are of paramount importance and preventing abuses requires a multipronged approach to address multiple root causes. Lee spoke on a variety of complex topics including childcare, safety, healthcare, nutrition and education. He emphasized Cargill's holistic approach to upholding children's rights, which includes empowering working parents and strengthening education systems in nurturing an environment for children to thrive.



**"Human rights is not just our responsibility as global citizens but fundamental to good, successful business by creating and maintaining an engaged, healthy and safe workforce."**

**Alexandra Experton**

Sustainability Director,  
Cargill Agricultural Supply Chain,  
Asia Pacific

## APPENDIX – CERES REPORTING GUIDANCE FOR RESPONSIBLE PALM

As part of our commitment to transparency, we have referenced our sustainability progress updates to the Ceres Reporting Guidance

for Responsible Palm where appropriate for the quarter's report. References to other indicators can be found through our palm sustainability website,

sustainable palm oil policy, past progress reports and our dashboard.

SCOPE	DETAILS	PAGE REFERENCE
1	Report whether the company's palm oil policy applies to: A. The physical oil the company produces, purchases, and/or trades; B. The company's direct suppliers and all of their operations; and/or C. The company's subsidiaries, joint ventures, and/or investments.	2
3	Report the percent of physical supply from traceable mills.	1
4	Report the percent of physical supply from traceable estates.	1
6	Report the names of the company's direct palm oil suppliers	1
9	Describe the company's methodology for prioritizing, assessing, and engaging suppliers, refineries and/or mills.	3, 4
15	Describe the social and human rights issues in the company's operations and supply chain, and how the company identifies, assesses, prevents, and addresses such issues.	5
21	Describe the company's participation in external initiatives and activities that aim to support implementation of the company's policy.	5

For more information, please visit [Cargill.com/palmoil](http://Cargill.com/palmoil)

