



Cargill's Sustainable Palm Oil Semi-Annual Progress Update

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Our commitment

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Our Palm Oil policy maintains and builds on NDPE principles and commits us to deliver a traceable, transparent and sustainable palm oil supply chain.

We are progressing toward this goal by focusing on: transparency, engagement, verification and transformation. By providing transparency into our supply chain and

key sourcing practices, we are able to identify critical and common challenges and drive improvement through enhancements in our own policy, direct supply engagement and collaborative efforts through various sustainability working groups, multi-stakeholder forums and landscape approaches. We verify progress through a variety of monitoring mechanisms, as well as a robust and publicly available grievance process.

Long-term, sustainable change is only possible if we bring producers along and recognize and reward best practice. For Cargill, it's not just about strengthening our own supply chain – it's about

taking a leading role in making the entire industry more sustainable. The outside world expects this of us, and we expect it of ourselves.

While we are encouraged by our progress and that of key industry players over the course of 2018, we know there is much more to do and remain committed to partnering to drive change at scale. By working together, we can more effectively address the issues, build capabilities and transform the industry.

Transparency

2020 Goal:

All palm oil volumes we produce, trade (ship and physically handle) and process will be traceable to sustainable mills and plantations level by 2020.

In the third quarter of 2018, Cargill continued moving ahead with our commitment to achieve global traceability in all our palm operations. 94 percent of the palm we sourced was traceable to the mill and 44 percent was traceable to the plantations (an increase of 6% from Q2.) Our own plantations and mills in Indonesia are fully traceable.

All key palm oil destination markets continue to retain 100 percent traceability to the

mill, yet we did experience some fluctuations in both plantation and mill traceability due to increasing market volatility and the fact that a greater percentage of the palm Cargill sources from Asia was obtained from suppliers in China that were unable to provide traceability data.

We are working to improve the traceability of the palm oil we source from China as we help to advance sustainable practices in this important

market. In July, we participated in the 2018 China Sustainable Palm Oil Supply Chain Forum and the second Roundtable for Sustainable Palm Oil (RSPO) China Forum, which were held jointly in Nanjing. The event also included the launch of the [China Sustainable Palm Oil Alliance](#). Cargill is a founding member of the Alliance, which serves as a platform for cooperation among stakeholders in the palm oil supply chain. The Alliance was convened with support from the RSPO, World Wildlife Fund (WWF) and China Chamber of Commerce of Foodstuffs and Native Produce (CFNA) and participation from traders, processors, manufacturers and retailers. As part of the Alliance, Cargill and other companies have made commitments to promote the adoption of sustainable palm oil in the Chinese market.

“China is the second largest importing country of oil palm, and there is a sense of urgency to increase the supply of sustainable palm oil to meet demand in various sectors. Cooperation is needed to make sustainable palm oil a norm in China. Communication and raising awareness are the next steps to make this a reality.”

Justin Yang

Trader, Cargill Grains and Oils in China

Traceability to the mill by market



Traceability to the plantation by market



Note: Traceability to plantation is defined as known information about the fresh fruit bunch (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.

Engagement

2020 Goal:

High carbon stock (HCS), high conservation value (HCV) and peat areas are conserved, and land, labor and human rights are respected in our third-party palm supply chain.

The overall percentage of our direct suppliers with credible, responsible NDPE sourcing policies and supplier engagement programs improved, reaching 74 percent at the end of the third quarter of fiscal 2018.

Landscape Engagement

To drive meaningful change, Cargill is focusing on supplier engagement not only at the mill level, but also through interventions more broadly at the landscape level, especially in high-priority landscapes as defined in our key performance indicators. Cargill recognizes that site verification of high priority palm oil mills is an important tool for engaging suppliers; however shared action is needed to tackle persistent, complex social and environmental risks involving multiple mills, growers, buyers and other stakeholders. Addressing these common issues through landscape programs is one of Cargill's 2020 goals.

Cargill has been working with Proforest to identify priority landscapes for targeted action, starting with Indonesia. We define landscapes either by

jurisdiction, physical boundaries and/or supply base such as a mill, group of mills or refinery.

Proforest's initial assessment showed the need for action to tackle deforestation and exploitation issues across many landscapes. We have decided to prioritize landscape actions where key issues exist, and where Cargill can have an impact. This can take the form of either leading a project based on existing Cargill-led supplier programs or through the presence of Cargill-owned plantations. We are also working to identify synergies that allow us to collaborate and support ongoing initiatives and projects led by others.

We are currently designing a landscape program through a systematic four-step approach that helps identify and map goals and objectives, the production supply base, root causes for identified issues, partners and ultimately whether new interventions at a landscape level are needed or if existing projects can be scaled. We are piloting this model in Indonesia and will then refine the approach with the intent to implement it globally.

Latin America

In June 2018, Cargill participated in the Latin American RSPO conference in Cali, Colombia. Cargill delivered a presentation as part of a panel discussion to inspire and incentivize palm growers in Latin America to adopt sustainable practices and achieve RSPO certification. Cargill provided an overview of the European certified palm oil market to help Latin American growers understand demand for certified sustainable palm oil and the economic benefits of demonstrating compliance with NDPE requirements – including becoming trusted and preferred RSPO certified suppliers. The panel discussion included RSPO in North America as well as companies representing the supplier, brand, refinery and grower perspectives.

In conjunction with the conference, Cargill hosted an event bringing together 20 suppliers from Colombia, Ecuador, Guatemala and Peru. Cargill presented the market opportunity for sustainable palm oil and the supplier group shared opportunities and challenges in the journey to improve palm oil sustainability. Suppliers from Colombia, Ecuador and Peru

discussed challenges related to smallholder compliance and deforestation risk, while suppliers from Guatemala talked about balancing relations with external plantations and other stakeholders. Hearing first-hand about the requirements of European markets gave the suppliers a clearer view of customer expectations and a better understanding of the opportunity to align and enable the flow of sustainable palm oil from Latin America to key destination markets.



“Latin America has a unique opportunity to position itself as a leader in sustainable palm oil. The region’s low deforestation rate, in particular Colombia’s commitment to be a deforestation-free country, makes Latin America an attractive origin market for Europe and other destination markets. The EU is increasing imports of palm oil from Latin America. European customers need certified sustainable palm oil in order to meet their own sustainability commitments. Latin America has significant potential to demonstrate its ability to grow palm sustainably.”

Marie Lavialle-Piot
Tropical Oil Sustainability Lead, Cargill

Asia

Cargill carries out site assessments to provide suppliers with a safe space to have an external party review its sustainability compliance. Following the assessment, suppliers work with Cargill and Proforest to develop a

timebound action plan which will help close any gaps. This is a critical component to our supplier engagement strategy.

An assessment with Sarawak Oil Palm (SOP) showed that

one of SOP's biggest challenges was socializing NDPE with its suppliers. It also unearthed a significant opportunity for SOP to galvanize support from Sarawak Oil Palm Plantation Owners Association (includes both SOP suppliers and non supplying producers) in order to effectively socialize NDPE across the Sarawak landscape.

Based on these insights, Cargill will support SOP in developing programming to drive awareness on NDPE commitments as well as deliver a deep dive on peat development and native community rights, which are key challenges facing Sarawak suppliers.



“In Colombia, palm is a sector with huge importance but also with great challenges that all actors of the supply chain need to face together. Joint work in productivity and sustainability will allow us to keep reaching the world in a competitive way.”

José Octavio Vélez

General Manager of Cargill Colombia



“The event provided us with deeper understanding of Cargill's efforts and mechanisms to achieve sustainability. One of the most interesting parts for us was knowing the company's strategies to support smallholders in obtaining certifications on sustainability standards. From our context, this is one key way to accomplish a 100 percent sustainable and traceable supply chain.”

Viviana Dueñas

Sustainability coordinator of Palmas del Cesar (Colombia)



Engagement

2020 Goal:

Our own plantation practices are aligned with Cargill's NDPE policy and uphold the highest standards.

Decent Rural Living Initiative

On July 30, Cargill joined a workshop to advance work within the Decent Rural Living Initiative. Participants included growers, consultants, trade unions, and NGOs who came together over the course of two days to identify priority areas and potential solutions.

The Decent Rural Living Initiative was convened by Forum for the Future, an independent non-profit that works with private and public organizations to solve complex sustainability challenge, and brings together Cargill, Golden AgriResources (GAR), Musim Mas, Sime Darby Plantations and Wilmar International Limited (Wilmar). The initiative seeks to improve the protection of human and labor rights of workers in the agriculture sector and empower rural communities by establishing cross-industry and stakeholder partnerships to address barriers and going beyond compliance.

Cargill Indonesia

Cargill Indonesia won Best Newcomer at the Sustainable Business Awards. The award was presented by Indonesia's Minister of National Development Planning for programs including sustainability certification for cocoa, palm and copra smallholder, palm mill operations, the Cargill Cocoa Promise, and forest restoration grower perspectives.



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