

thrive™



## Toward Sustainable Palm Oil

Cargill Sustainable Palm Oil Action Plan and Progress Update





# Sustainability is always ongoing. In this progress report, we'll highlight what we have done so far to build fully sustainable palm oil supply chains and what we will do in the next few years.

We will continue tracing our palm oil back to the suppliers, so that we can guarantee a product that is grown with respect for the planet. We will build on our past efforts to make sure that our smallholders have an opportunity to share in the knowledge we have built and the best chance at success in the market place. We will work with workers and communities to make sure they can fully enjoy their rights. We will continue striving for the best possible long-term performance.

In short, we will build sustainability in all its dimensions. But that is not an end point. Sustainability is not just a task to be completed, but a continuing journey. We know this because Cargill now has years of experience building sustainable supply chains, not only in the palm oil trade in Asia, but also in soy from Brazil, in our cocoa and cotton supply chains in Africa, and elsewhere. Along the way, we use the most responsible processing facilities available. In other words, we focus on the whole supply chain, not just on the point of origination. What we have learned, is that there is no such thing as perfection. The job never really ends. There is always room to do better.

This is a multi-stakeholder effort. To get to 100 percent sustainable palm oil, we must work with our suppliers, customers, local communities, governments, NGOs and our peer companies. All are important. If one doesn't do its job, the effort falls apart. It's not just about land use, workers' rights or a better legal framework—they all have to go together. So we will keep reaching out, soliciting advice and working with our partners along the supply chain.

At the U.N. Climate Summit in September, Cargill repeated its commitment to no deforestation in its palm oil supply chain. We take that commitment seriously. This report offers the first comprehensive snapshot of our progress so far. We are proud of what we have done, but we know there is much more hard work ahead of us. We invite you to hold us accountable as that work continues.



David W. MacLennan

A handwritten signature in black ink that reads "David W. MacLennan". The signature is fluid and cursive.

**David W. MacLennan**

President and Chief Executive Officer

# For more than ten years, Cargill has taken significant steps to improve the sustainability of the palm oil industry throughout Indonesia and Malaysia—both in our own plantations and in those of our smallholders.

We were an early adopter of the Roundtable on Sustainable Palm Oil (RSPO) in 2004. Today, our approach is based on the input of our customers and other various stakeholders—voices that have been crucial in the development of Cargill’s new sustainable palm oil policy.

The policy was adopted in July 2014. Its cornerstones are no deforestation in high conservation value (HCV) and high carbon stock (HCS) areas, no development on peat, respect for human rights, including community land and labor rights, and the inclusion of smallholders in the supply chain. In the same period, we joined The Forest Trust (TFT), a non-profit organization that helps companies deliver products responsibly. TFT will support our supply chain mapping and the implementation of the new palm oil policy.

At the September 2014 U.N. Climate Summit in New York City, Cargill committed to no deforestation in its palm oil supply chains. We joined other palm oil companies and Kadin, the Indonesian Chamber of Commerce, in signing the Indonesian Palm Oil Pledge, focused on driving sustainable practices in that country. At the same time, we extended our commitment to tackling deforestation across our other worldwide supply chains.

“We want to be the most trusted supplier of sustainable agricultural goods.”

**David W. MacLennan**  
President and Chief Executive Officer

“We want to be the most trusted supplier of sustainable agricultural goods,” said CEO David MacLennan

This report covers our sustainable palm oil action plan and the progress we have made so far. Moving forward, we will report on our progress three times a year, and review and adapt our action plan annually. Knowing that collaboration and consensus building are key to transforming the industry, we will do this in consultation with our stakeholders. In that same spirit, we continue to engage with the RSPO, the Sustainable Palm Oil Manifesto group and the HCS Approach Steering Group.

Cargill is committed to building a traceable and sustainable palm oil supply chain that conforms fully to our new policy. You can learn more about our approach to Corporate Responsibility and sustainability at [www.cargill.com](http://www.cargill.com). The details of our sustainable palm oil story are at [www.cargill.com/sustainable-palm-oil](http://www.cargill.com/sustainable-palm-oil).



# Cargill's approach to sustainable palm oil

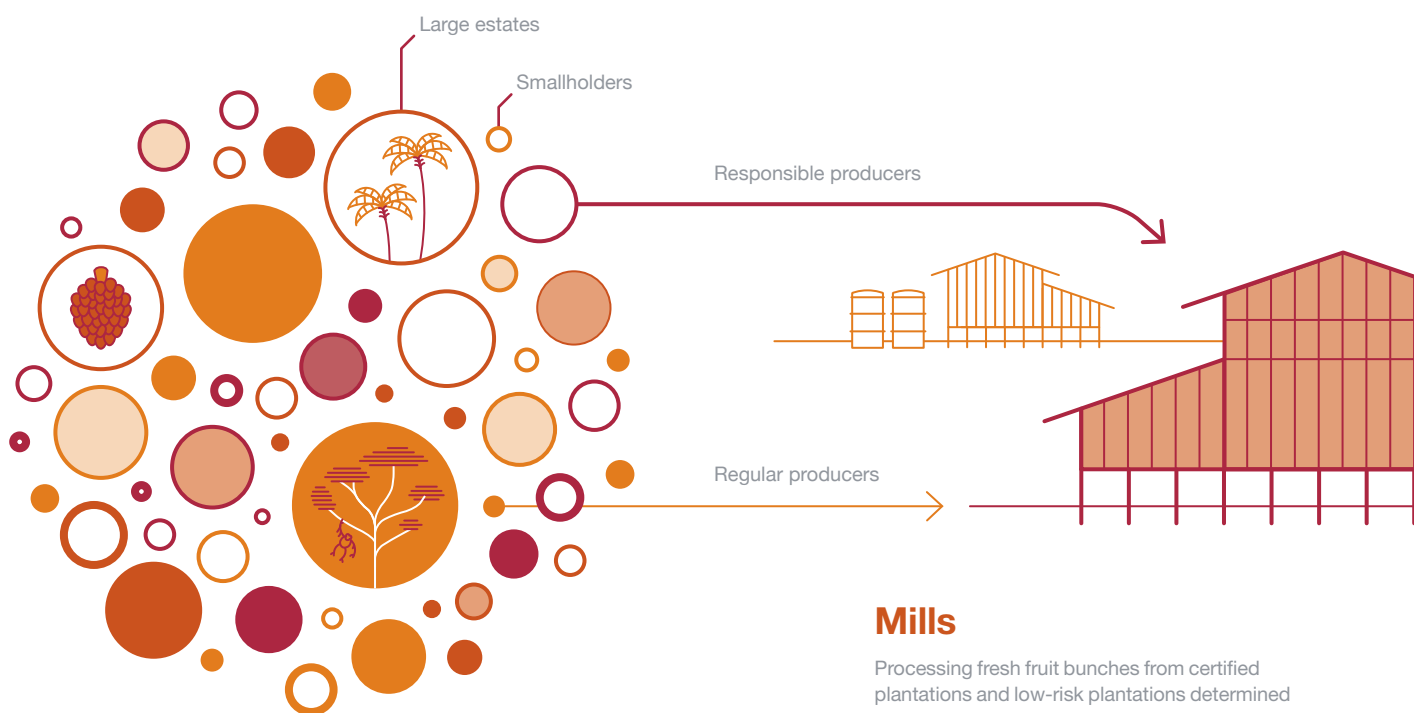
Through deliberate, measured steps, we are building a responsible palm oil supply chain. Traceability is key to this process. It is a means to an end, enabling us to understand our supply chain and improve our palm oil sourcing and sustainability.

The first step is establishing traceability to the mill. We accomplish this by collecting the mills' names, GPS coordinates and certification status. Each mill is analyzed through desktop research and satellite mapping to identify potential environmental and social risks in its draw area. Risk indicators include forest cover loss, peat, proximity to protected areas, fire alerts and certification status.

We are also developing indicators for labor and land rights. Where high-risk areas are identified, we plan to carry out on-the-ground field assessments in partnership with TFT. If necessary, we will work with suppliers to develop individual action plans and improve responsible supply chain practices. We aim to keep suppliers' action plans—and our own—on track through constant monitoring and measuring, receiving assistance from specialized third-party groups and local communities.

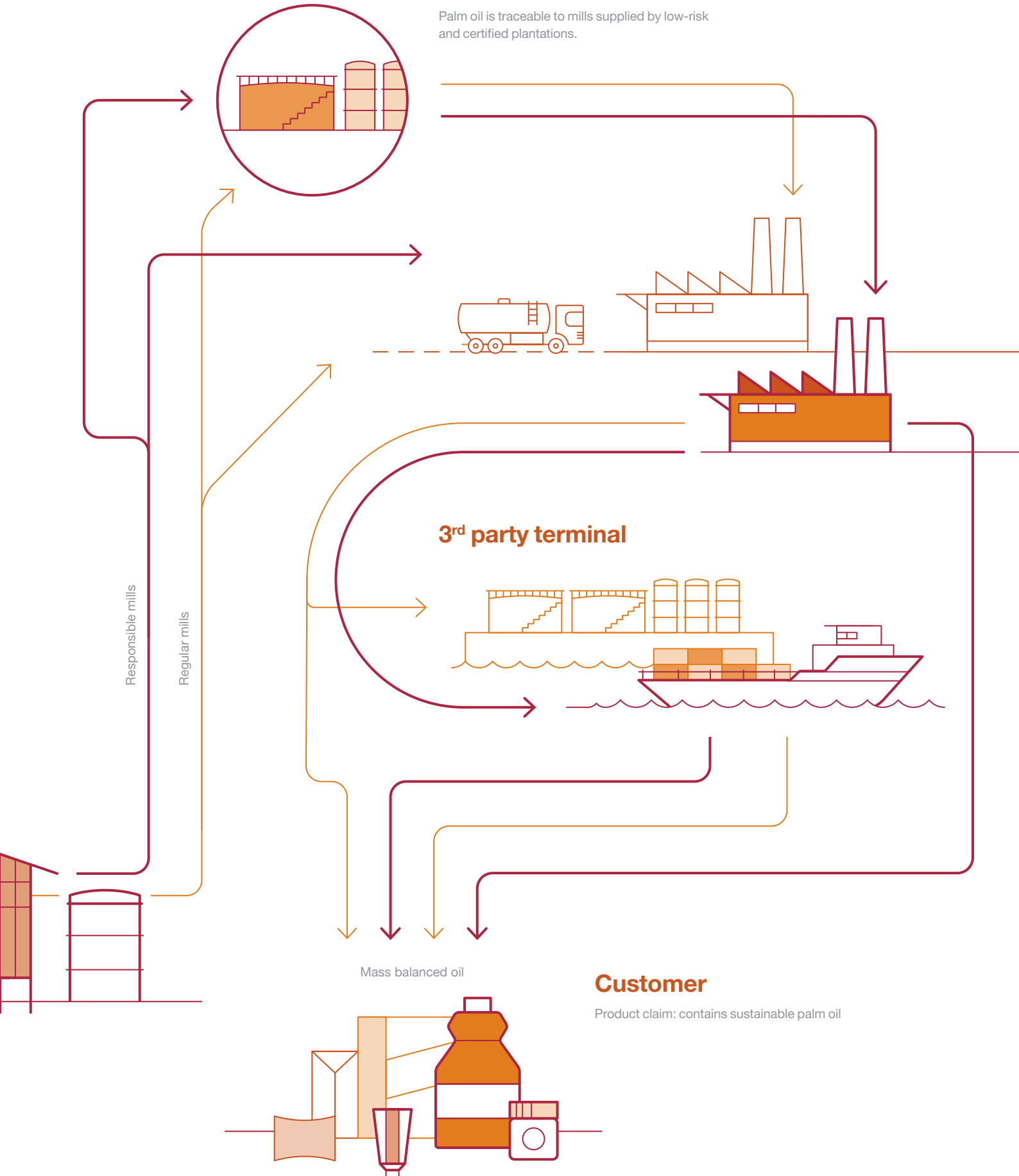
## Plantations

Palm oil is cultivated on appropriate land tracts (never HCS or HCV land), where the community has provided its free, prior and informed consent. Sustainable production and higher yields are achieved through shared best management practices. Small holders represent a sizeable part of oil palm cultivation globally. Independent smallholders are not tied to a mill and are free to choose their buyer. Supported smallholders are tied to a specific mill and typically receive support from plantation companies



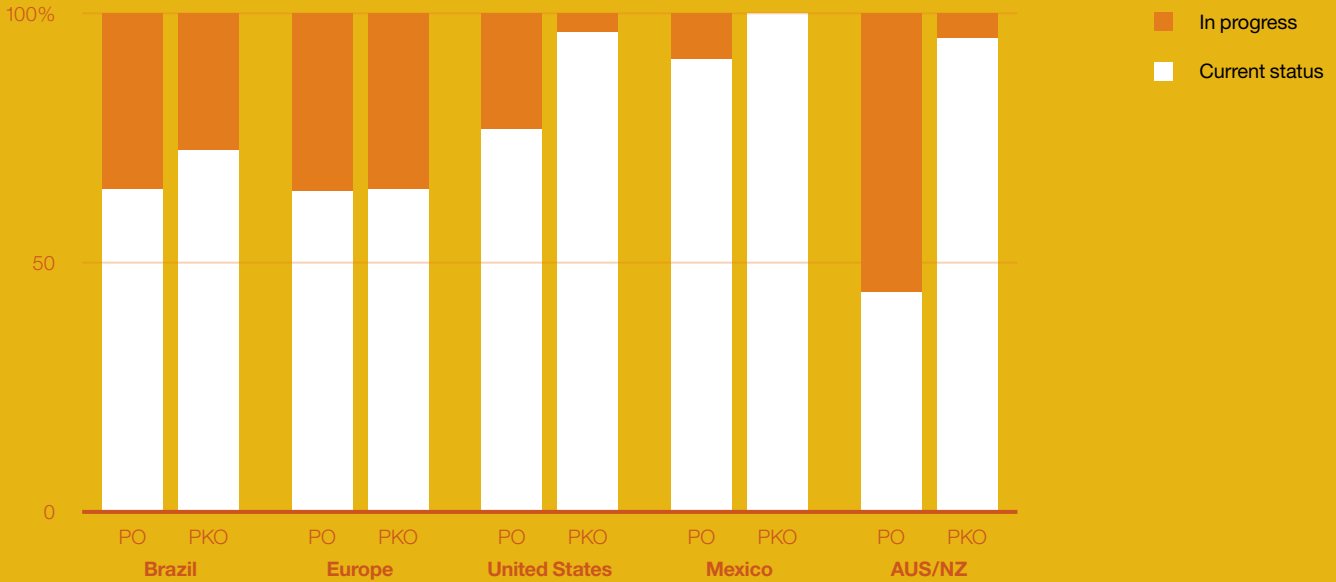
### Independent storage

Palm oil is traceable to mills supplied by low-risk and certified plantations.

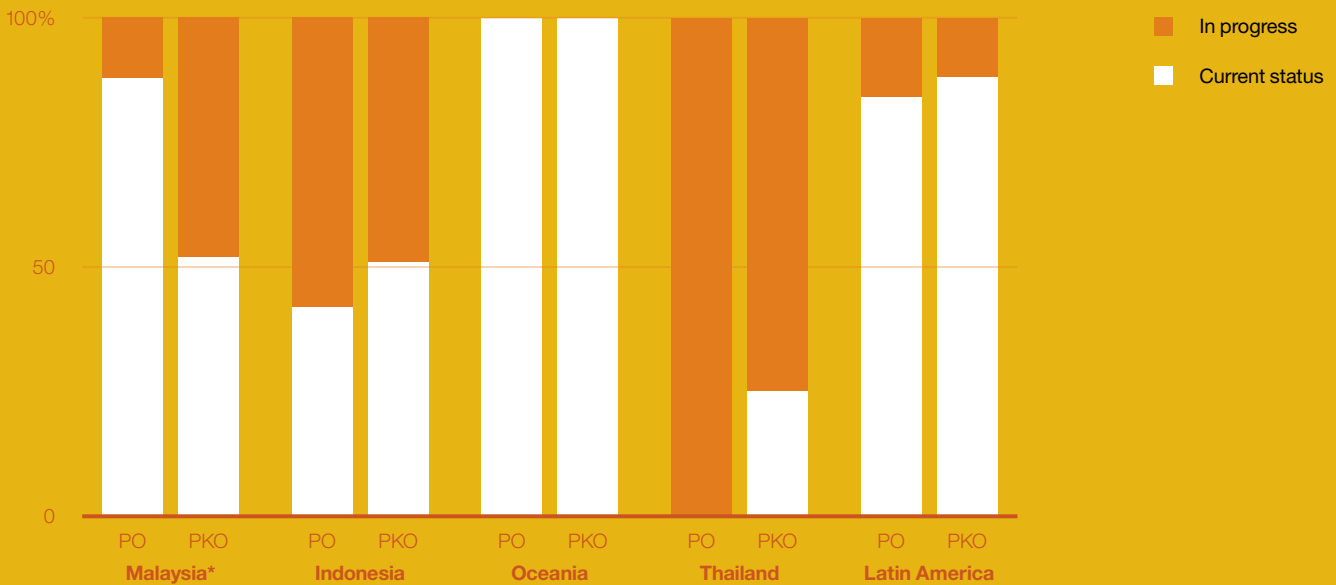


# Our progress this year

Tracibility to mill status in key markets



Traceability to mill status in origin



\*100% of PKO and CPO is traceable for our Kuantan Refinery.

**Note:** The traceability data included in this report should be considered estimates. The percentages were calculated based on self-declarations by our suppliers. Cargill is cooperating with industry partners to develop verification and reporting of traceability information. Malaysia as a destination market was not included in this report and will be included in future reports.



## The new palm oil policy

Cargill published its updated palm oil policy in July 2014. The policy states that 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
- Inclusion of smallholders

Cargill will work to ensure that all palm products that it produces, trades or processes are in line with these commitments. We will collaborate and seek the support of customers, suppliers, governments, NGOs and other stakeholders to achieve these goals.

## Joining The Forest Trust

In August 2014, Cargill became a member of The Forest Trust (TFT), the NGO that helps companies build sustainable supply chains. The membership capped off a year of hard work with TFT. The group helped us map the full palm oil supply chain for our own Malaysian refineries to the individual mill. Cargill can now offer its customers traceable palm oil from its own refineries and is continuing its efforts to map third-party suppliers in Indonesia and Malaysia.

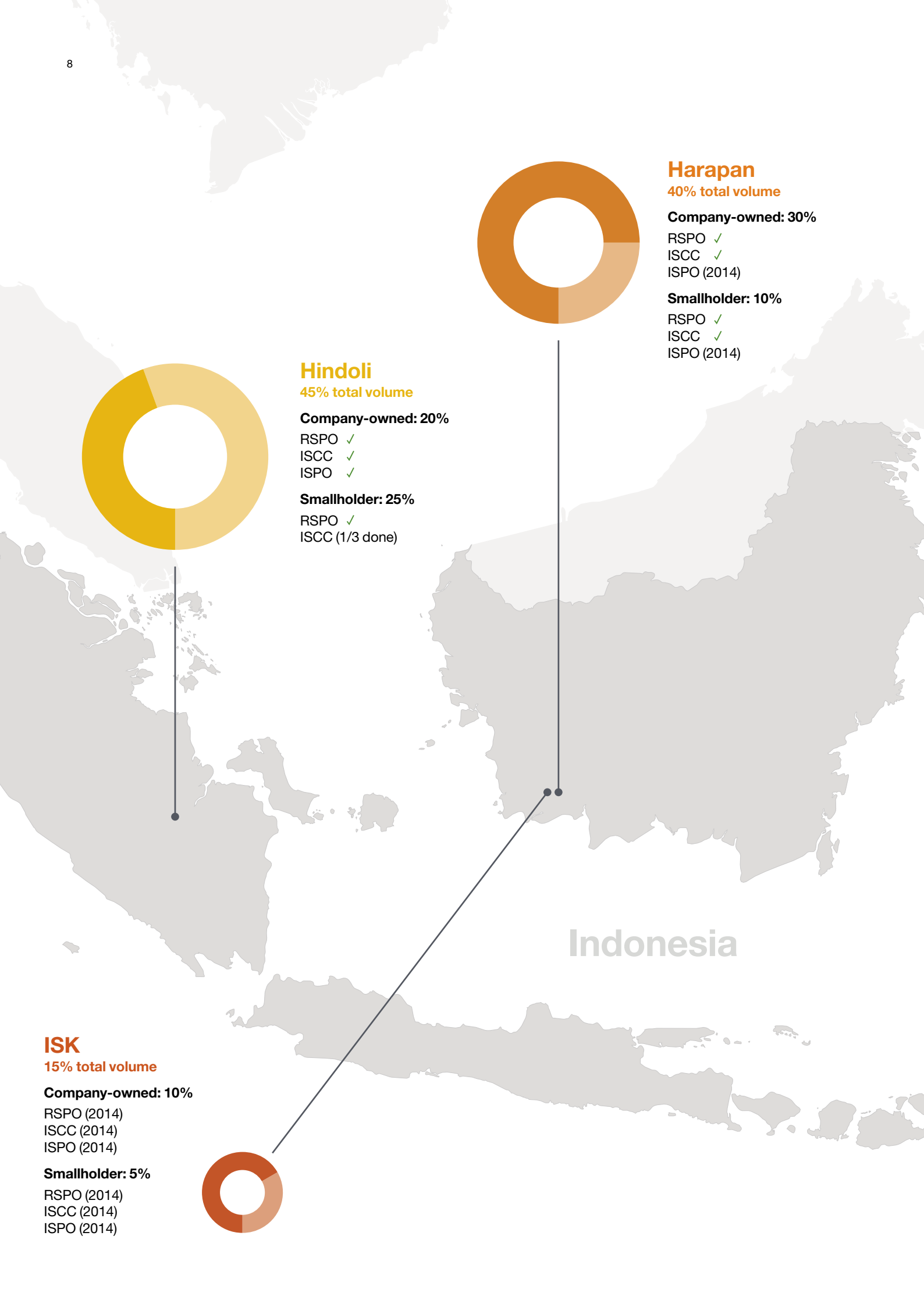
## Pioneering the HCS methodology

In partnership with TFT, Cargill piloted a “High Carbon Stock” (HCS) study for the proposed expansion of our PT Hindoli plantation in South Sumatra (Indonesia). Using the methodology developed by Greenpeace and TFT, the study proved to be an extremely valuable learning experience.

The study produced greater clarity on the practicality of implementing the HCS methodology on the ground. It allayed our concerns around thresholds (the distinction between what is and what isn’t an HCS area), which have been widely miscommunicated across the industry, and demonstrated the value of a more holistic, landscape-level approach to identification and conservation of HCS areas. The experience also highlighted the importance of community engagement and HCS assessments before land acquisitions. Communities can make or break the conservation viability of a HCS area, which they otherwise might use for hunting, collection, farming or cultural purposes.

The HCS study resulted in logical, commercially viable outcomes, determining areas which are appropriate for development and others that must be conserved to support ecosystems. We will continue to roll out this approach to other areas being considered for development. Given the clear benefits of the HCS approach for the communities, business and the environment, we will support our suppliers in committing to no development on high carbon stock or high conservation value areas, and to respect indigenous communities’ land rights in future land development.

To review a summary of our HCS Report, please visit [www.cargill.com/wcm/groups/public/@ccom/documents/document/na31709186.pdf](http://www.cargill.com/wcm/groups/public/@ccom/documents/document/na31709186.pdf).



### Harapan

40% total volume

**Company-owned: 30%**

- RSPO ✓
- ISCC ✓
- ISPO (2014)

**Smallholder: 10%**

- RSPO ✓
- ISCC ✓
- ISPO (2014)



### Hindoli

45% total volume

**Company-owned: 20%**

- RSPO ✓
- ISCC ✓
- ISPO ✓

**Smallholder: 25%**

- RSPO ✓
- ISCC (1/3 done)



# Indonesia

### ISK

15% total volume

**Company-owned: 10%**

- RSPO (2014)
- ISCC (2014)
- ISPO (2014)

**Smallholder: 5%**

- RSPO (2014)
- ISCC (2014)
- ISPO (2014)



## Continuing RSPO certification of our own plantations

In 2009, Cargill's Hindoli Plantation was one of the first plantations to be certified by the Roundtable on Sustainable Palm Oil (RSPO). Since that time we have made continuous improvements, both in terms of advancing certification to cover 100 percent of Cargill's plantation and adjacent smallholder land and in attaining certification under the International Sustainability and Carbon Certification (ISCC) scheme, which provides a framework for measuring greenhouse gas reductions.





## Reiterating our commitment to zero burning

In September 2014, Cargill Tropical Palm and other participants in the plantation industry in South Sumatra signed a declaration to support the prevention of land and plantation fires, reinforcing our long-standing zero-burning policy and taking the lead in fighting haze in the region. We conduct regular fire prevention programs and ensure we have adequate firefighting vehicles and personnel on standby at each of our locations. We will continue to raise awareness and educate local communities on best fire prevention practices.

## Helping independent smallholders achieve certification

Since July 2013, we have worked with the NGOs Solidaridad and Wild Asia to assist independent mills and smallholders in achieving RSPO certification in Malaysia. If we can achieve certification for the pilot group of 34 farmers covering 133 hectares, we plan to scale up the program to include at least another 100 farmers by the end of 2015.

In South Sumatra, Indonesia, Cargill's PT Hindoli assisted a cooperative of 45 independent smallholders to achieve RSPO certification. This has improved the livelihoods of the Tani Maju cooperative smallholders, as they were able to maximize productivity and command a premium for sustainable fresh fruit bunches (FFB). The cooperative, only the second to achieve certification in Indonesia, received guidance on best management practices from Cargill. To learn more about the project, please visit [www.cargill.co.id/en/news/NA31680655.jsp](http://www.cargill.co.id/en/news/NA31680655.jsp).

# 48 months

The time it takes for a new tree to bear fruits. Smallholders need savings to bridge this period.

## Replanting support for smallholders in Indonesia

Cargill has worked with smallholder cooperatives to build monetary reserves. Following replanting, smallholders incur a loss of income for 48 months, as they wait for the new trees to bear fruit. Having sufficient savings to see them through this period is crucial.

# The action plan

The action plan we present here encompasses the specific steps and indicators that will guide the implementation and monitoring of progress on our sustainable palm oil policy, effective immediately. Our plan is built upon two foundations:

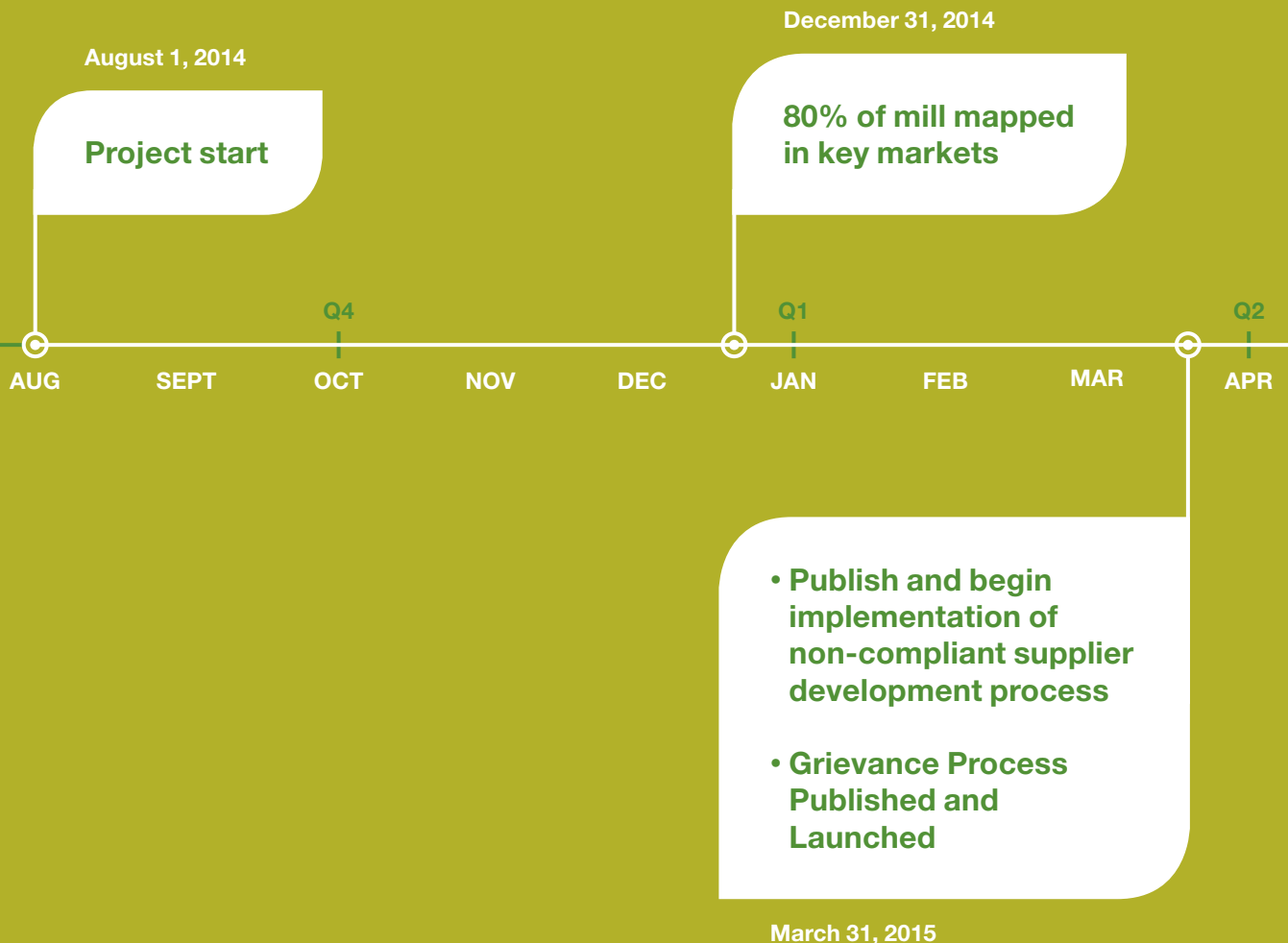
## 1. Measure

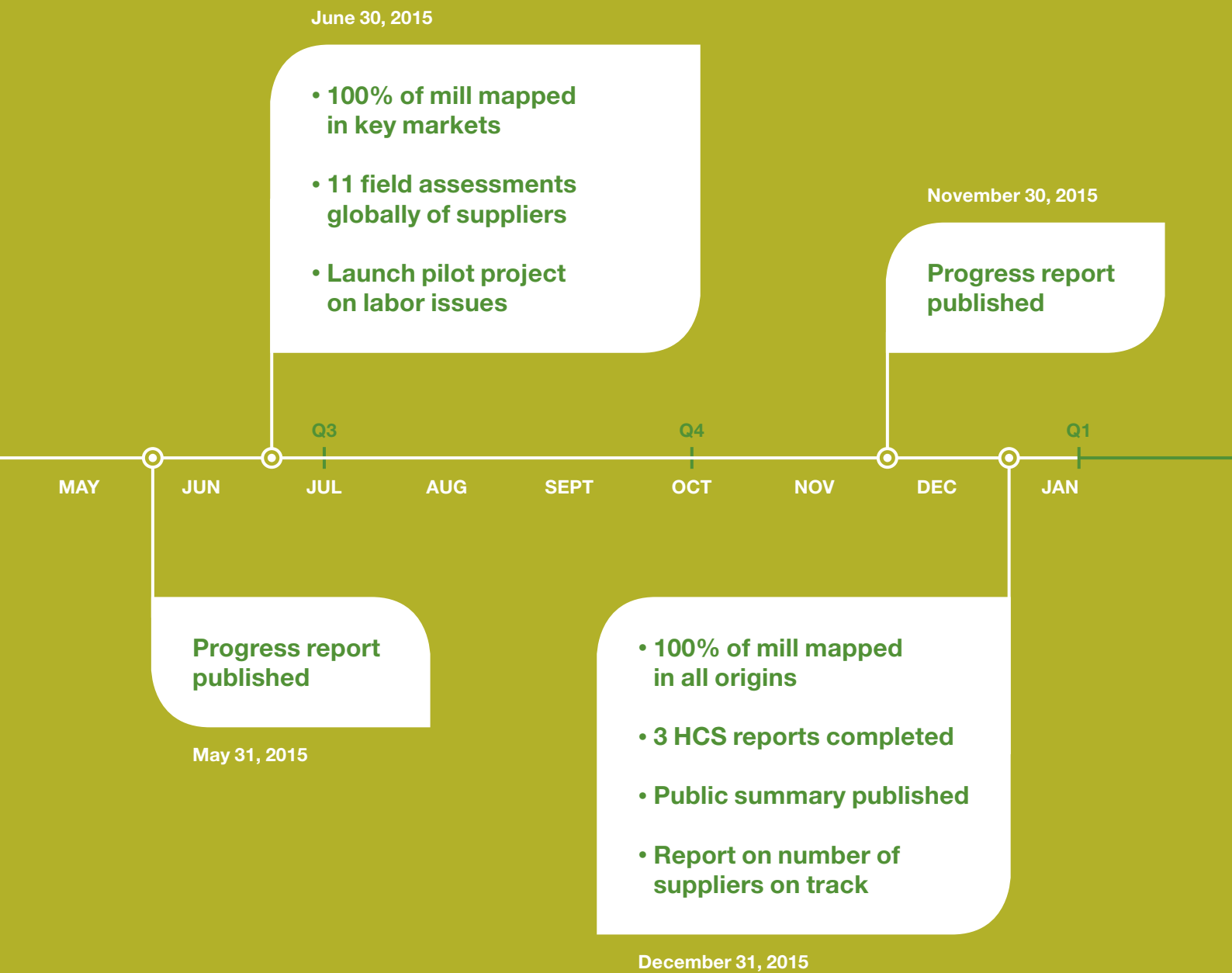
We commit to tracking our progress toward fully sustainable palm oil. In close cooperation with our stakeholders, we have created a set of indicators and action steps, which we will continually review and update. We will use field visit and close consultation with our supply chain partners as well as the latest technology.

## 2. Strengthen

We will build up and promote sustainable practices throughout our supply chain by building capacity. While improving existing plantations, we will pay special attention to new developments. We will continue focusing on involving smallholders.

Some of the milestones we aim to achieve are outlined below:





# Measure: monitoring and evaluating progress and engagement

Developing an action plan is only the first step.

A well-known maxim says that “what gets measured, gets managed.” Consequently, Cargill will track key indicators to monitor progress, identify and promote best practices, get to the root causes of problems, and take corrective action if necessary.

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## What we plan to do

- In partnership with stakeholders, develop a transparent grievance process that allows issues in our supply chain to be raised and addressed
- Conduct field assessments to identify best practices as well as areas that require improvement
- Monitor implementation of the action plans generated through due diligence procedures and field assessments of suppliers
- Pilot the use of unmanned aerial vehicles (UAVs) to identify and monitor land use in Indonesia

### Using UAVs for measurement

Cargill is working to map the use of forests in Indonesia using unmanned aerial vehicles. The technology will enable smaller teams to map concessions. It will also help address land use issues, conservation, plantation management transparency, and the identification of HCS and HCV forest areas.

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## Indicators

- Publish grievance process; track issues by frequency, region and number of complaints resolved
- Number of field assessments carried out and summary report of results published
- Number of suppliers on track with action plan commitments







# Strengthen: building capacity throughout the supply chain

Supply chain capacity building drives change and improvement.

It engenders buy-in from the suppliers, who gain a better understanding of the value of sustainability, while we have the opportunity to learn, engage and share best practices. While our policy is effective immediately, we recognize that many action areas require new approaches that have not been widely adopted by the industry. For example, we will need to work in collaboration with suppliers on issues such as labor, land rights and HCS. Based on that process, we will be able to generate innovative supply chain practices and apply them on a greater scale.

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## What we plan to do

- Use road shows to communicate on policy and action plans with suppliers
- Engage with suppliers to develop and monitor their action plans toward compliance
- Launch a process to work with non-compliant suppliers before removing them from the supply chain
- Develop criteria to determine when non-compliant suppliers are removed
- Review our own internal procedures and policies to ensure alignment with our palm policy
- Publish an annual review of our own action plan, a summary report of supplier action plans and semi-annual progress reports on policy implementation
- Gather feedback on implementation and progress from key stakeholders
- Support training on issues surrounding community engagement, labor, and identification and management of conservation areas

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## Indicators

- Number of suppliers met during road shows
- Publish process for addressing non-compliant suppliers; tally number of suppliers entered into the process and number of suppliers phased out versus suppliers demonstrating improved practices
- Identify and review our own policies
- Publicly disclose progress reports, action plans and summary supplier compliance reports



## Making a positive impact through new developments

One of the shortest ways to more sustainable palm oil is to incorporate better environmental and social due diligence in the planning of new developments.

These practices are outlined in the RSPO's New Planting Procedure. Responsible new development also includes HCS and peat studies and processes to accommodate local communities' rights and livelihoods. Making a rapid impact implies working closely with suppliers, service providers, our employees and local communities.

### What we plan to do

We will aim to identify suppliers who are engaged in expansion activities, and support them through training. To this end, we will develop specialized policies, procedures and staff capacity building programs. To support responsible expansion, we will conduct due diligence procedures, and prioritize desktop reviews and field visits to suppliers who have planned or are in the middle of new development.

- Conduct desktop assessments and field visits based on the grievance process, due diligence, advice from local NGO networks and commercial considerations
- Monitor supplier announcements of new plantings through the RSPO website for stakeholder consultation and notification
- Pilot remote monitoring of land use changes and burning in at least one supply region in partnership with WRI
- Help three supply chain partners carry out High Carbon Stock studies, in partnership with Proforest
- Support training for suppliers, local communities and third-party support providers on issues surrounding community engagement and identification and management of conservation areas
- Collaborate through multi-stakeholder forums to develop definitive decision-making guidelines for peat. In other words: determine a procedure to identify peat areas that should be excluded from potential development.

### Priority for further assessment

Based on desktop analysis we can identify suppliers who may be involved in activities that violate our sustainability policies. They will be subject to field assessment and monitored closely for non-compliance. We will offer training and support to help them meet sustainable palm oil criteria.

### Indicators

- Track non-compliant suppliers and the percentage of palm oil procured from them
- None of our suppliers expand without completing the RSPO's New Planting Procedure and HCS and peat studies
- Publish annual summary of remote monitoring of land use
- Complete HCS reports and publish summary
- Launch working group with other stakeholders to develop a Peat Decision-Making Guideline



# Improving existing plantations

We aim to exert a positive influence on issues of legality, labor rights, HCV and HCS area management and greenhouse gas (GHG) emissions at our own plantations as well as those owned by suppliers.

Performance will be assessed through desktop risk analysis, field visits and third-party verification when required. Improvement will be driven through the development of procedures, monitoring tools, new technologies and training. We will promote improvement, particularly in the area of labor, through training, development of toolkits and awareness campaigns.

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## What we plan to do

- Carry out field assessments to improve suppliers' practices.
- Pilot solar-powered, satellite-connected remote sensor technology to improve productivity and security and locate fire hot spots
- Report on greenhouse gas emissions using the RSPO Palm GHG Calculator at our own plantations and review suppliers' calculations through the RSPO Annual Communication on Progress
- Contract a third-party mediator and verification service provider for independent corroboration of issues reported through the grievance process
- Develop and pilot indicators on best labor practices implementation and monitoring in collaboration with social NGOs and other key industry stakeholders
- Develop a standard operating procedure for addressing child, forced and bonded labor if identified in the supply chain

### Field assessments

The goal of supplier field assessments is not to find fault, but to evaluate, understand and remedy. We will meet with millers and growers to explain the purpose of the assessment, followed by the site and field assessment itself. If we find issues, we will discuss practical solutions and make recommendations for improved, responsible practices.

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## Indicators

- Number of field assessments carried out and regions covered
- Summary of RSPO palm GHG calculations
- Summary of mediation and verification work
- Best labor practice indicators developed
- Child, forced and bonded labor SOP published



## Involving smallholders in a responsible supply chain

Smallholders are local land owners who grow palm oil on small farms. Cargill will assist them in developing sustainable land use and agronomic practices, enabling them to participate in responsible supply chains.

Improved practices must not harm their profitability. Our goal is to help them enjoy the added value that comes with being a responsible stakeholder in the supply chain.

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### What we plan to do

- Continue to expand independent smallholder certification projects at our own plantations
- Expand the third-party smallholder certification project in peninsular Malaysia
- Developing a responsible smallholder program in Latin America

### Certification helps

Smallholders who received RSPO certification after they were trained at Cargill's PT Hindoli plantation in Indonesia report getting better prices for their product. "Hindoli was not only training us on how to plant our crops, but the company also buys all of our fresh fruit bunches," they said.

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### Indicators

- Number of smallholders around our plantations who have achieved certification and comply with our policy
- Number of independent smallholders achieving certification in peninsular Malaysia
- Number of independent smallholders certified in Latin America

# Glossary of terms

## FFB

The Fresh Fruit Bunches (FFB) is the oil palm fruit produced by oil palm trees. At the oil palm mill, crude palm oil and palm kernel is extracted from the FFB.

## Field assessment

A field assessment of suppliers begins with meeting with millers and growers to help them understand further the purpose of the assessment. This is followed by site and field assessment. The purpose of site visits is to understand their practices and how they fare against Cargill's policy and NOT to find faults. Should there be any issues raised, we would discuss with millers and growers practical solutions and recommendations to help them improve their practice and transformation toward responsible and good management practice.

## Palm GHG Calculator

A methodology to calculate GHG emissions developed by the RSPO, specifically for palm oil plantations.

## Haze

Haze is smoke arising from forest fires, which are lit to clear land for agricultural use. Prevailing winds can carry the smoke haze long distances and into urban areas. Above certain concentrations, the smoke haze can pose health risks.

## HCS

High carbon stock: Primary forest as well as high, medium and, low density forest and regenerating forests are regarded as high carbon stock (HCS) forests, while degraded lands with small trees, scrub or grass can be considered non HCS.

## HCS approach

A process which distinguishes natural forest from degraded lands, through the analysis of satellite images and field studies.

## HCV

High conservation value forest is a designation developed by the Forest Stewardship Council. HCV forest must meet at least one of a list of criteria specified by the Council.

## Individual action plans

The plans which Cargill develops in partnership with suppliers in order to help them align with the Cargill Sustainable Palm Oil Policy.

## ISCC

International Sustainability and Carbon Certification

## Peat

Peat is an accumulation of decaying plant matter, which takes thousands of years to develop. It is of significant conservation value because it is the world's most effective carbon sink.

## Proforest

An independent organization which works with governments, NGOs and businesses to achieve the sustainable use of the world's resources.

## RSPO

Roundtable on Sustainable Palm Oil—a multi-stakeholder initiative, which promotes the growth and use of sustainable palm oil.

## Solidaridad

An international civil society organization with more than 45 years of global experience in facilitating the development of socially responsible, ecologically sound and profitable supply chains.

## Supplier

Cargill plantations, refineries and third-party plantations, processing and trading companies supplying Cargill.

## Sustainable Palm Oil Manifesto

The Sustainable Palm Oil Manifesto is an industry collaboration, which sets higher sustainability standards for growers, traders, end users and other stakeholders. The Manifesto demands increased commitment to sustainable production right across the supply chain to increase sustainable agriculture.

## TFT

The Forest Trust is a global environmental non-profit organization which helps companies run responsible supply chains.

## Wild Asia

An NGO which engages businesses to promote change and improve environmental and social practices.

