

Building on a strong foundation

Investing towards a sustainable, transparent and successful palm oil supply chain.



May 2018

Progress

Cargill is committed to a 100 percent traceable, transparent and sustainable supply chain by 2020. In 2017 we made progress in each of the four components of our implementation plan, including traceability, supplier engagement, sustainable plantations and smallholder programs.

Contents

Cargill's palm oil 2017 progress update and 2018 action plans

2	A message from John Hartmann, Global Sustainability Lead, Cargill Agricultural Supply Chain and Cargill Global Edible Oils Solutions	5	Deepening our commitments	18	Sustainable plantations	26	Pillar 1: Traceability
		8	Cargill 2017 palm impact scorecard	20	Smallholder programs	27	Pillar 2: Supplier engagement
4	Operating a global palm supply chain	10	Traceability	22	Key learnings	28	Pillar 3: Sustainable plantations
		12	Supplier engagement	25	2018 palm sustainability action plan	29	Pillar 4: Smallholder programs

Our unique position compels us to advocate and propagate sustainable practices in every supply chain and with all stakeholders.



Building on a strong foundation

For 153 years, Cargill has connected producers to consumers and enabled the transformation of crop to food. Our ability to help feed the world for that length of time is made possible by our respect for every person, our planet and the laws of nations. We believe that true sustainability can only be achieved when all parties of an ecosystem cooperate ethically, lawfully and responsibly for the benefit of a greater common good.

We have gleaned deep expertise and insight from Cargill's long history and from the breadth and diversity of our operations globally. This has enabled us to stay true to Cargill's core values and beliefs as we help customers navigate complex and dynamic global supply chains. Our unique position compels us to advocate and propagate sustainable practices in every supply chain and with all stakeholders.

In 2004, we began our sustainable palm oil mission with the Roundtable on Sustainable Palm Oil (RSPO). Since then, our commitment to spread ethical and responsible practices across the global palm oil sector has grown to our present goal of ensuring a 100 percent transparent, traceable and sustainable palm oil supply chain by 2020.

We have built strong and trusting relationships along this ongoing journey, with palm oil producers, packaged consumer goods conglomerates, the numerous communities around our plantations and individual smallholder farmers. Cargill recognizes and applauds our partners and stakeholders for their incredible work to protect our planet and embrace certification and for participating in the ongoing effort to achieve a fully sustainable palm oil supply chain.

Progress on the ground

In 2017, we made continued making progress toward our goals. These are a few highlights of areas where we are making an impact:

- **Traceability:** 96 percent of our volume is traceable to mills and 55 percent is traceable to plantations.
- **Labor and human rights:** Cargill independently assessed our own plantations and launched efforts within our supply chain focused on labor in Malaysia. We also partnered on industry-led initiatives in Indonesia through the Decent Rural Living Initiative.
- **“No Deforestation, No Peat, No Exploitation” (NDPE) sourcing policies:** 65% of our direct suppliers have an NDPE policy and we continue to engage our direct and indirect suppliers on the implementation of these commitments to drive continuous improvement.

Our progress is further outlined in the pages of this report.

Embracing the challenges

While we are inspired by the momentum across our industry, we are resolved to overcome challenges facing sustainable palm oil production.

Cargill strives to lift up producers and their communities, encouraging sustainable development and efforts to ensure global food security. We seek out suppliers that share our principles and equip them with the support and tools to ensure sustainable practices.

Yet truly transforming our industry requires a willingness to engage with a variety of producers globally. We believe banning producers who fail to immediately meet our high standards undermines the potential for palm oil to be produced responsibly. We have suspended suppliers only as a

last resort when they fail to demonstrate a willingness to improve. It is a decision we do not take lightly. We will continue to work with producers who are willing to work with us to fulfill our commitments.

We also see a need for continued collective action toward shared goals. We operate within a complex supply chain and no one company, government or organization can transform the industry without the participation and collaboration of others. While stakeholders from across the sector step up to the challenges, we must ensure our various efforts align with common frameworks and principles. We know we can do more as an industry to scale up best practices. That's why we engage in a variety of forums to share knowledge and encourage best practices.

Our vision for the future

We are optimistic about our ability to meet our 2020 goals as part of a long-term strategy for industry transformation. As we expand our efforts in 2018, and as our industry takes strides forward, we are reevaluating our policy on sustainable palm oil to embrace the latest advances in our sector. We expect to release a new policy later this year.

To pursue our goals, we are advancing key priorities:

- **Verification mechanisms:** Measuring and verifying our progress will increase transparency and improve our processes. We are developing a procedure which will enable verification at two levels – supplier compliance against our policy and impact of our policy within the landscapes of our supply chain.

- **Sustainable landscape approaches:** By adopting sustainable landscape approaches, we can ensure greater alignment with producers operating in those landscapes. We will launch new landscape projects in 2018.

- **Technology:** We have made investments in satellite mapping and continue to leverage World Resources Institute's Global Forest Watch, including Global Forest Watch Pro, which will be rolled out in 2018 to provide a management system to track issues across our supply chain in near-real-time and respond to concerns in accordance with our grievance procedure.

- **Partnerships:** We are aligned with global efforts for sustainable development, including the U.N. Sustainable Development Goals. Unique to the palm sector, we support national initiatives, such as Malaysian Sustainable Palm Oil and Indonesian Sustainable Palm Oil, to embed sustainability principles and have seen an increased supplier interest on sustainability due to these efforts. We also support efforts to strengthen existing market standards, including RSPO's review of its Principles & Criteria and industry working groups.

Our ambitions should not be constrained by today's challenges and existing solutions. It is imperative that we balance forest protection with inclusive growth and sustainable development. Solutions for forest protection must also promote farmers' economic livelihoods, community well-being, indigenous rights and global food security needs. This is how we will continue to build on our foundation.



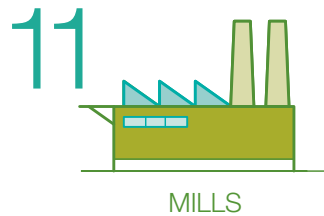
John Hartmann
Global Sustainability Lead
Cargill Agricultural Supply Chain
Cargill Global Edible Oils Solutions

Cargill palm sustainability timeline



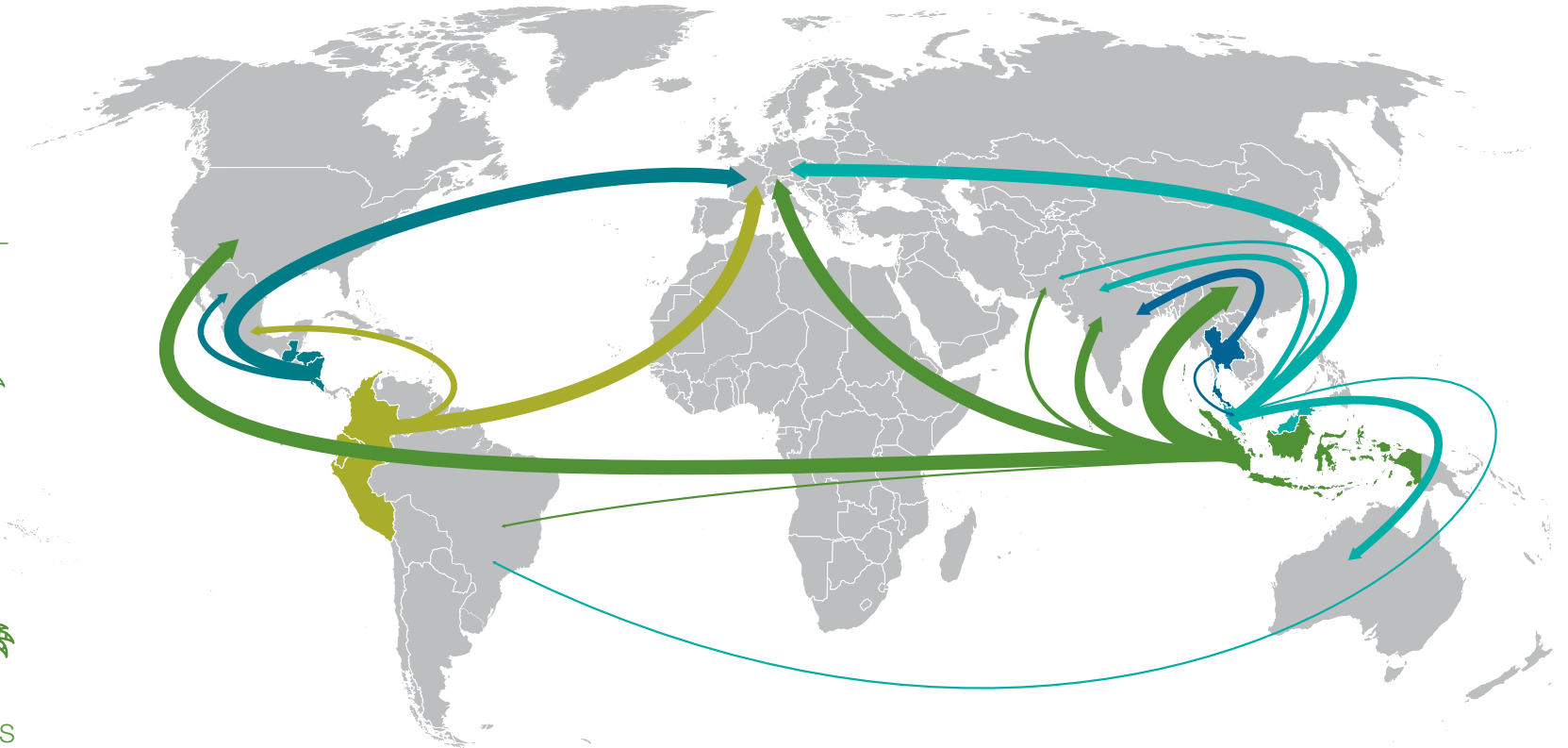
Operating a global palm supply chain

Our footprint



Cargill operates a global palm oil supply chain with physical assets in the form of plantations, mills and refineries. As a trader of major commodities around the globe, our key activity in the palm supply chain in the trading markets where we source

from third-party mill suppliers. We also purchase smallholders' palm oil through cooperatives and indirectly from independent smallholder farmers¹.



Origin countries:

Predominantly Indonesia, Malaysia, Thailand, Papua New Guinea, Colombia, Guatemala, Honduras, Ecuador, Mexico and Peru

Destination regions and countries:

Europe, United States, Mexico, Brazil, Malaysia, India, China, Australia and Pakistan

* Smallholders partnering Cargill plantations in Indonesia

¹ Our mill list can be found on our [Palm Sustainability Dashboard](#).

Deepening our commitments

In July 2014, Cargill launched our Policy on Sustainable Palm Oil and we are striving to build a fully traceable, transparent and sustainable palm oil supply chain by 2020. We are firmly committed to:

No deforestation of high conservation value (HCV)² lands or high carbon stock (HCS)³ areas



No development on peat



No exploitation of rights of indigenous peoples and local communities



The inclusion of smallholder farmers



We will work to ensure that all palm products that Cargill produces, trades or processes are in line with these commitments. Cargill is dedicated to producing and sourcing palm oil responsibly and ethically. We encourage and motivate, by example, all stakeholders in our global palm oil supply chain – from plantations to retailers – to commit, act and partner accordingly to

resolve issues of concern and leverage opportunities to do well by doing good, because we know that multi-stakeholder involvement is key to driving landscape-wide transformation.

Cargill regularly reviews our policies and procedures to ensure we remain relevant with new standards and that we

continue striving towards excellence. We recently embarked on a thorough review of our existing policy and will soon be publishing an updated policy that

reiterates our commitment to the High Carbon Stock Approach (HSCA), as well as details strengthened social and smallholder inclusion commitments.

² HCV assessments are used to identify whether proposed development areas support vital natural ecosystems and biodiversity or maintain the subsistence or culture of local communities.

³ Cargill publicly endorsed the HCSA on November 8, 2016. We were active participants in the HCS convergence process and continue to contribute in the implementation framework of the approach.

Commitment to the U.N.'s Sustainable Development Goals

Cargill is committed to using our global reach within the agriculture, food and nutrition sector to help achieve the U.N.'s Sustainable Development Goals (SDGs), which are aimed at ending poverty, improving food security, promoting

gender equality, advancing sustainable economic development, addressing climate change and ensuring prosperity for all. For more information visit [Cargill.com/SDGs](https://www.cargill.com/SDGs)

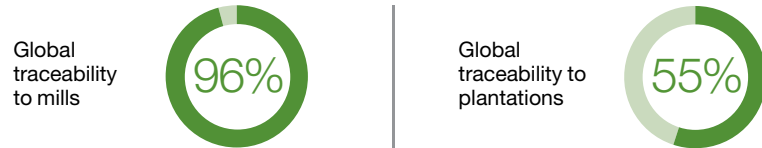


2017 in review

We set a high bar for palm sustainability. Meeting our goals by 2020 will be challenging, but we are making solid progress, as shown in the 2017 impact report and the details that follow for each of our four priority action areas – traceability, supplier engagement, sustainable plantations and smallholder programs.

Cargill 2017 palm impact report

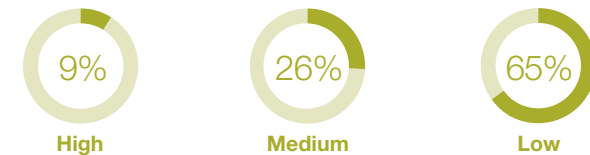
Traceability (third parties and owned plantations)



Supplier engagement



Mill priority



Mill priority data is derived using WRI's [PALM Risk Tool](#) which assesses deforestation-related risk indicators, such as tree cover loss in primary forest areas and peatlands as well as fire activity.

	Malaysia	Indonesia	Latin America
Number of high-risk mills subject to site assessment in 2015 and in 2017			
Since 2015	11	7	12
Since 2017*	1	1	3
Percent of mills visited with a continuous improvement plan			
	100%	57%	34%
Workshops that took place in 2017			
NDPE awareness raising	Number of workshops	2	2
	Percent of mills engaged	29%	Each workshop is designed for 1 mill and its third-party supply base
Conservation of forest and peat	Number of workshops	2	2
	Number of workshops	2	2
No exploitation of people (labor, wages, land rights)	Number of workshops	2	2
	Number of workshops	2	2

* We are moving away from individual site assessments as a majority of high-risk mills have been assessed by Cargill and/or our direct suppliers. As such, we are familiar with the issues in our supply chain and will move towards landscape programs and enabling scale.

Smallholders projects



Methodology developed with partners in 2017 to:

- Identify high-priority mills and landscapes
- Develop indicators to monitor social issues
- Support smallholders in the implementation of the High Carbon Stock Approach

Cargill participates in working groups to advance sustainable palm oil production, including:

- Tropical Forest Alliance 2020
- RSPO Human Rights Working Group
- IDH – the Sustainable Trade Initiative Landscape Working Group
- RSPO Principles & Criteria review
- Accountability framework
- Consumer Goods Forum
- Indonesian National Action Plan
- Malaysia Sustainable Palm Oil (MSPO) Technical Working Committee
- Decent Rural Living Initiative

Addressing grievances in our supply chain



4 Number of palm grievances with action plan

2 Number of suspensions*

*Commercial relationship was resumed with 1 supplier in 2017 following successful implementation of our expected milestones

Traceability

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

Cargill continues moving ahead with our commitment to achieve global traceability in all our palm operations by 2020. At the end of 2017, 96 percent of the palm we sourced (99 percent of the kernel and 96 percent of the palm) was traceable to the mill and 55 percent (32 percent of the kernel and 59 percent of the palm) was traceable to the plantation.

We improved traceability to the mill by an additional 3 percentage points and traceability to the plantation by 16 percent compared to last year. The increase in plantation traceability was due in large part to efforts with our Latin American suppliers to increase engagement programs in Colombia, Guatemala and

Mexico, including workshops to educate suppliers about the need for more data. This increase in traceability has allowed us to further improve the quality of proactive monitoring of our supply base.

Much of our progress in 2017 was made possible through collaboration with partners, suppliers and customers who share our commitment to developing an increasingly sustainable and traceable palm oil supply chain. For example, **Cargill was the first of PepsiCo's suppliers to trial its new traceability verification program.** During a two-day audit conducted by Control Union,

an independent certification provider, Cargill shared details about our entire global traceability process, including procedures, methods of data collection, data management and communication with suppliers. This review, which builds on Cargill's ongoing quarterly verification process that has been underway with The Forest Trust (TFT) since 2015, refined our approach to ensure data integrity. Cargill values the opportunity to participate in the PepsiCo program with the aim of developing a standard measurement and verification protocol that could be widely adopted by the industry.

Cargill has spent the past three years refining our traceability process, and our participation in this exercise was a very useful step to ensure that we deliver quality data to our customers and our processes are on par with industry best practices.

To further advance our commitment to transparency, we developed detailed standard operating procedures in 2017 for the collection, storage and verification of traceability data. These procedures cover the way Cargill requests, manages and records traceability information about the palm oil and palm we produce, trade and process. The information is used to track Cargill's key performance indicators on palm oil traceability and measure our progress as we work to build a responsible palm oil supply chain.

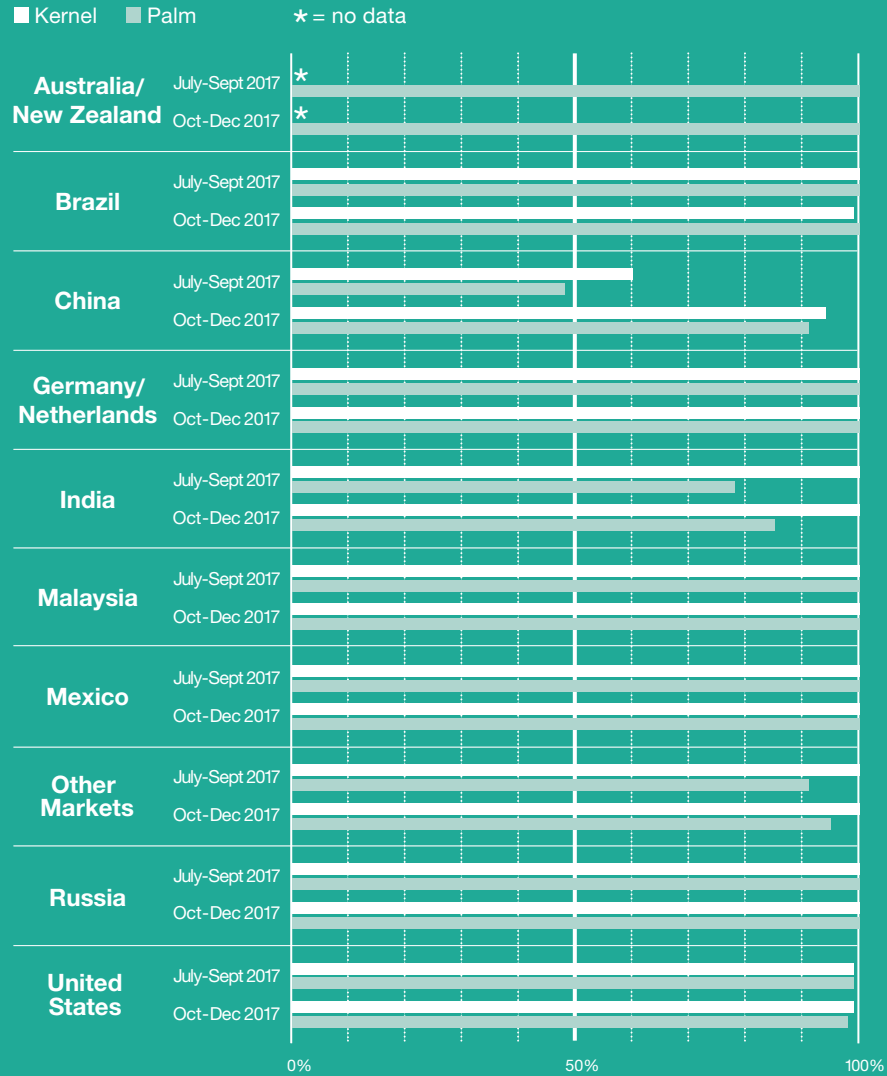


“Achieving traceability to the mill is the first step in helping to create a more sustainable palm oil industry. In 2017, Cargill took part in a PepsiCo pilot of our program for independent verification of supply chain mill data, which has helped us to review and fine-tune our processes. We hope to establish this verification as a new industry standard. Having a partner with Cargill's reach, commitment and expertise supporting us in this project has been critical to its success. This collaborative approach with suppliers like Cargill is being extended throughout 2018.”

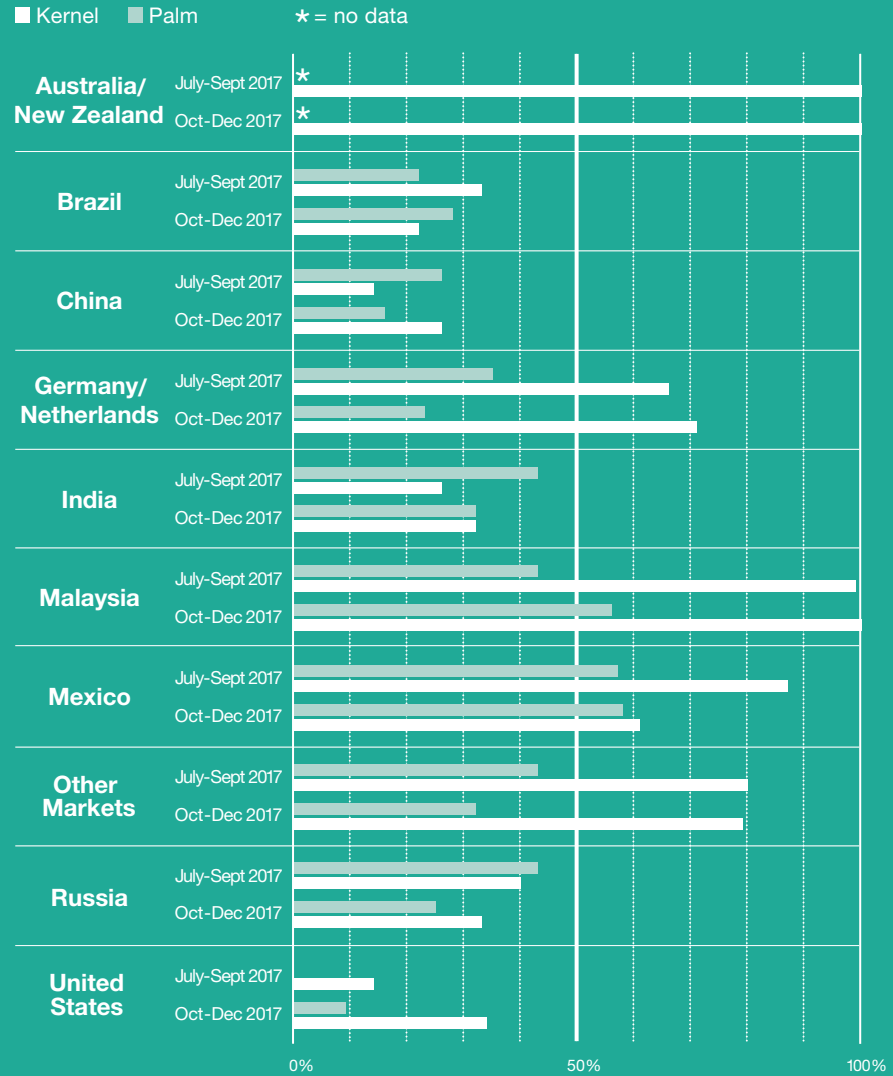
CHRISTINE DAUGHERTY,
VICE PRESIDENT GLOBAL SUSTAINABLE AGRICULTURE, PEPSICO

At the end of 2017,
96% of the palm we sourced was traceable to the mill and
55% was traceable to the plantation.

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.

Supplier engagement

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.

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 and all their operations. Our supplier engagement activities help to ensure our suppliers are aware of our policy and receive the necessary support to implement it in their operations and supply chains.

We work with our direct suppliers to leverage their commercial relationships with third-party mills to measure progress. We assess our progress based on multiple criteria, including:

- Involvement in engagement programs, such as the Aggregator/Refiner Transformation (ART) plan or Proforest's supplier outreach programs.
- Roundtable on Sustainable

Palm Oil (RSPO) Segregated product certification.

- Credible responsible sourcing policies covering No Deforestation, Peat and Exploitation (NDPE).

We are prioritizing focus on direct suppliers without commitments and supporting them to develop and implement NDPE policies. We are encouraged by the progress we have made so far. In the last quarter of 2017, 66 percent of total volumes were covered by an NDPE policy and 55 percent of our suppliers were implementing transformation and certification programs in their supply chains. We are working through partnerships to support and encourage both direct and indirect supplier participation in transformation programs.

Malaysia

Labor and human rights

Cargill is working to address labor and human rights issues in the palm oil supply chain. We work with partners through multi-stakeholder initiatives to share best practices across our third-party supply chain to ensure compliance and strengthen understanding of and guidelines related to labor and human rights. In Malaysia, we are working with industry partners to better understand and validate the complexities of the foreign labor recruitment process.

Cargill's refinery also took part in an independent review supported by Embode Limited on how issues pertaining to foreign labor were managed.

The assessment found Cargill's culture and approach to be open and proactive, and identified Cargill's grievance process for external stakeholders as a positive mechanism for advancing labor rights. As next steps, we will use the learnings from this review to help ensure our third-party suppliers in Malaysia are equipped with the

knowledge and know-how to implement non-discriminatory foreign labor processes in their operations. We also aim to develop more detailed insight of the processes in the origin countries from which foreign workers are being recruited, and determine how to better perform due diligence of recruitment agents as well as developing tools to support better practices by agencies.

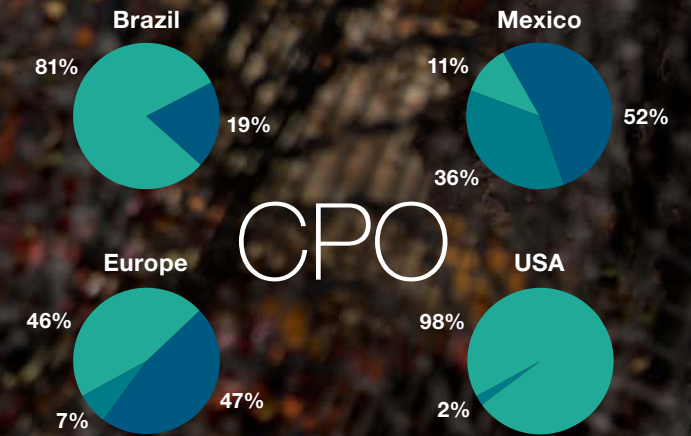
In the last quarter of 2017, **55%** of our suppliers were implementing transformation and certification programs in their supply chains.



Percentage of the palm kernel oil (PKO) volumes covered by a supplier engagement program



Percentage of the certified palm oil (CPO) volumes covered by a supplier engagement program



- Transformation and Certified Volumes
- With NDPE, without known Transformation/Certified Volumes
- Without NDPE & Transformation/Certified Volumes

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

Malaysia

Sustaining efforts with TFT

Cargill continues our partnership with The Forest Trust (TFT) to help transform practices in the palm oil supply chain through initiatives such as workshops and supplier engagements to increase NDPE awareness. In addition to ongoing Aggregator/Refiner Transformation (ART) plans and site assessments, we have initiated two new activities to further refine and scale up our supplier engagement efforts: the Deep Level Engagement Working Group (DLEWG) and the Progress Assistance Tool (PAT). The DLEWG was developed specifically to help suppliers resolve any remaining gaps identified during the assessment process and bring them closer to complying with NDPE commitments.

Cargill and TFT are partnering to roll out the PAT, a self-assessment tool to help more suppliers meet buyers' NDPE requirements without waiting for

individual site visits. PAT is becoming an integral component of scaling-up supplier engagement in Cargill's Malaysia supply chain. Suppliers use the PAT to identify gaps at their mills and plantations, then receive supporting materials and resources, hosted on the Tools for Transformation website, to help them address those issues. We are rolling out the PAT first to our long-term contract suppliers and then expanding it to other suppliers. In 2018, we will be conducting post-PAT verification visits to assess actions and documentation of sustainable practices, provide additional support and offer recommendations to help close any remaining gaps.

Our main challenges remain fostering sustained awareness for NDPE and getting suppliers to progress on their transformational journeys of implementing NDPE commitments.

Indonesia

Landscape prioritization

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 collective 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. The methodology considers multiple factors in selecting priority landscapes, including: environmental risks, such as deforestation and peat; social risks, including land rights issues, forced and child labor, health and safety; supply chain relevance; and ongoing sustainability initiatives led by other stakeholders.

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.



“We see it as a very significant step that Cargill is also including information on social issues as part of their process to identify and prioritize opportunities for engagement at a landscape level. It is essential now to ensure that Cargill moves ahead with interventions in identified priority landscapes during 2018 and beyond.”

NEIL JUDD, DIRECTOR, PROFOREST



Latin America

Continuous improvement

In Latin America, our supplier engagement progress includes working on assessing new mills, developing continuous improvement plans, supporting suppliers in drafting their own NDPE policies and working on traceability to plantations. Recognizing Latin America as a growing source of opportunities for sustainable palm production, we have expanded our team with additional resources to support deeper sustainability implementation on the ground with suppliers. As a result, we are now able to conduct quality proactive monitoring and have been able to identify issues and engage suppliers at an early stage on topics including land challenges, labor and environmental issues. We have conducted three new mill assessments in the region and expanded our engagement efforts with many suppliers.

Third-party supplier model in Guatemala

Cargill encourages our suppliers to continuously strengthen sustainability standards. Naturaceites, a palm oil supplier to Cargill in Guatemala, is taking a focused approach to building RSPO compliance among its third-party suppliers. Based on its own experience (two of Naturaceites' plantations are RSPO certified and the third is in the process of certification), the company has developed a model to help its external supply base achieve sustainability standards:

- **Technical support** – including technical analysis of crops and soil health. Results are shared with producers and the insights help Naturaceites forecast production levels, monitor production changes and trace the harvest.
- **Sustainability compliance** – including training on key topics (labor and legal issues, environmental issues, and health and safety issues). Sustainability premiums

are paid to producers achieving compliance with national legal criteria on sustainability issues. Compliance with environmental, labor, health and safety criteria is evaluated through an internal verification process.

- **Certification** – including support to achieve RSPO certification, documentation to meet RSPO requirements and training on topics, such as land use. Suppliers receive an additional premium after internal verification, diagnosis and monitoring.

One hundred percent of Naturaceites third-party suppliers participate in this model and two-thirds of the suppliers have achieved RSPO certification. Cargill will be visiting the supplier this year to further support their sustainability journey.

Developing thresholds in our grievance process

Cargill's grievance process, established in December 2015, has been key to demonstrating our commitment to palm sustainability and supply chain transformation. The process is open, transparent and serves as a guide to review, address and monitor the outcome of grievances from any external parties concerning the implementation of Cargill's Palm Oil Policy across our supply chain. Through our grievance process, we have seen our suppliers' practices evolve with our support, demonstrating the importance of active engagement.

We are strengthening Cargill's grievance process by developing a more comprehensive approach for engagement with suppliers that clearly defines the expected milestones to demonstrate compliance with our policy, including timelines and means of determining when an issue is considered adequately addressed. We are working with Proforest to develop this approach for use globally with Cargill's direct and indirect suppliers across diverse palm oil production systems

and landscapes. This overall approach will be supplemented by guidance on specific social and environmental topics that will add value to our existing supplier engagement tools.

Expert consultants will be involved in designing the process to address each topic. The approach will be tested through consultation with suppliers, and used with ongoing grievance situations. The first two topics to be addressed are labor grievances related to payment of workers by piece rate linked to minimum wage requirements and environmental grievances related to development on peat lands. Pilot programs and development of guidance materials for these topics is underway. We will use insights from these pilots to inform the process for future grievance categories, such as deforestation, land rights and health and safety. We also hope these materials will be useful for our direct suppliers in their own engagements.



We are strengthening our grievance procedure with thresholds and guidance materials for suppliers.

Sustainable plantations

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

Indonesia

Labor and human rights

In Indonesia, Cargill and four other companies launched an initiative in 2017 with Forum for the Future to help improve labor and human rights for agricultural workers in the palm industry. Together, we announced our commitment to **the Decent Rural Living Initiative** in March 2018, which will bring together diverse perspectives from growers, unions, NGOs and other key stakeholders to identify and scale solutions to complex sustainability challenges and uphold fair and safe employment conditions. This collaborative effort recognizes the necessity of balancing the economic livelihood needs of rural communities with conservation objectives to protect sensitive forest areas.

Protection of children

Cargill has partnered with UNICEF to protect children living on our plantations and in surrounding palm growing communities. Cargill participated in a Children's Rights and Business Practices assessment conducted by LINKS in collaboration with RSPO. The objective of the project is to reduce the palm oil industry's adverse impacts on children and help plantations to improve the lives of millions of workers and their families worldwide. Through the program, 43 Cargill plantation employees received training on each employee's role in integrating the rights of children and women into core business operations and supporting quality programs for children and communities, such as health, nutrition and education initiatives, in addition to reducing adverse impacts on children. Through focus group discussions we are assessing gaps and critical issues to ensure implementation of corrective actions and sharing of best practices.

Cargill palm plantation employees learned about the **UNICEF 10 Business Principles of Children's Rights**, how Cargill operations impact children, which principles are relevant to our business, our current strengths and how to mitigate potential risks.

- 1 Meet their responsibility to respect children's rights and commit to supporting the human rights of children
- 2 Contribute to the elimination of **child labour**, including in all business activities and business relationships
- 3 Provide decent work for **young workers, parents and caregivers**
- 4 Ensure the **protection and safety of children** in all business activities and facilities
- 5 Ensure that **products and services** are safe, and seek to support children's rights through them
- 6 Use **marketing and advertising** that respect and support children's rights
- 7 Respect and support children's rights in relation to the **environment and to land** acquisition and use
- 8 Respect and support children's rights in **security arrangements**
- 9 Help protect children affected by **emergencies**
- 10 Reinforce **community and government efforts** to protect and fulfil children's rights

Safety practices

Cargill's goal is to provide a safe working environment. We put in place the Achieve Zero Transformation Strategy at our palm plantations, which supports Cargill's overall focus on achieving zero fatalities. This structured approach to reducing injuries and fatalities included creating safety advisor positions at each Cargill palm plantation in Indonesia and established a mentoring program designed to help build safety competencies among local leaders to create a shift in how employees at the plantations think about the safety of their work. Leaders engage in discussions with workers about avoiding risks and the importance of safety equipment, systems and processes so we can send every worker back home safely to their families every day. The objective is to create a culture of

safety and intervention so that all workers are empowered to reduce risky behavior. Specific actions include advising workers about rules they should follow when harvesting oil palm bunches, educating workers on the use of personal protective equipment, prioritizing vehicle safety and providing training in delivery of first aid treatment. Our employees are integral to our safety strategy; through creative activities, we ensure effective socialization and implementation takes place in our day-to-day operations. Cargill is recognized as an industry leader when it comes to safe practices, so we are actively sharing safety-related experiences to improve safety across the palm industry, including with our suppliers during workshops.



Smallholder programs

Smallholders are included in our supply chain and engaged on sustainable, profitable practices.

“Cargill has been a great partner of choice in sustainability and always reached out to us to engage on sustainability-related activities dating back to 2012. We recognize that sustainability is the way forward to ensure continued business with our customers and protect the needs of future generations. As an independent miller, we need to take proactive measures to drive our third-party FFB suppliers towards more sustainable practices and MSPO Certification, and the message is further reinforced when it comes directly from customers like Cargill.”

STEVEN TAN,
GROUP EXECUTIVE
DIRECTOR,
TIAN SIANG
HOLDING SDN BHD



We support engagement efforts with smallholder farmers in our supply chain to expand use of sustainable practices and improve their livelihoods.

Malaysia

Independent smallholder certification

Cargill is committed to the inclusion of independent smallholders in a transparent, traceable and sustainable palm oil supply chain. We continue to work with Wild Asia Group to include more independent smallholders in engagement efforts to help them achieve RSPO certification. By building a strong, trust-based relationship with our palm dealer in Air Kuning, Perak, Cargill and Wild Asia have certified 175 farmers. The total number of certified farmers is expected to grow to 265 in 2018. With this increase, independent smallholders in the Cargill supply chain now represent one third of all RSPO-certified independent smallholders in Malaysia. We plan to build on this momentum to continue bringing more independent smallholders into the certification program.

Promoting sustainability

Cargill expects our suppliers to develop NDPE policies and engage with others to reinforce NDPE practices. Suppliers are key to helping spread the message of sustainability to dealers and smallholders. Two Tian Siang palm oil mills in Pahang took the proactive step of inviting Cargill to present a customer perspective on the need for sustainably produced palm oil. The mills wanted their suppliers to understand that market demands for sustainability are coming from end users through Cargill to the mills. Cargill shared our vision and customer expectations for 100 percent sustainable palm oil by 2020. That message, paired with information from local players about how to meet the Malaysian Sustainable Palm Oil (MSPO) certification standard, reinforced the understanding that the industry is moving toward greater sustainability and all members of the supply chain can benefit by participating.

Brazil

Empowering Pará smallholders

In the Brazilian state of Pará, we are working with mills and smallholders to improve the sustainability of oil palm cultivation. During our mill supplier engagement program with Biopalma, the inclusion of smallholders in sustainability efforts was identified as an action area.

Moving ahead with our action plan to address this need, we are working with Biopalma and TFT to help smallholders meet market demands and improve their livelihoods while protecting forests. Co-funded with the Norwegian Agency for Development Cooperation (Norad), this effort is part of TFT's Rurality program to help smallholders develop skills, respond to challenges and operate in a manner that is more economically and environmentally sustainable.

Through the Rurality program, smallholders will receive support to help them improve business management skills and increase productivity; adopt better health, safety and agricultural practices; improve environmental management and HCV/HCS

protection practices; and build relationships to prevent conflicts. In addition to improving farmer resilience and NDPE compliance, the program also will help to build connections between smallholders and the mill, which has relationships with more than 600 smallholders. Rurality will complement Biopalma's smallholder program, which includes financial support for smallholders through the government-sponsored PRONAF ECO Dende Program, that finances family farmer cultivation and promotes the expansion of sustainable palm oil.

To date, we have completed the scoping phase of this project, including developing an understanding of the landscape, local smallholder communities and other stakeholders, and broader environmental context in which the program will be implemented. Challenges include smallholder knowledge about regulations, difficulties with compliance, limited governance, conflicts over land tenure and the need for environmental management. These challenges will be addressed as part of the program action plan.



Smallholder success in Colombia

Cargill encourages supplier sourcing from smallholder farmers. In Tibú, Colombia, Gladys Ortega has overcome many challenges to become a successful palm farmer and a model supplier to the Palmicultores del Norte mill in Norte de Santander, Colombia, which supplies palm oil to Cargill's refineries in Mexico and the Netherlands. Despite enduring violence, displacement, a land challenge and fire, Gladys planted 7.5 hectares of oil palm in 2003

and joined a cooperative of 140 palm cultivators. Today, she harvests 34 tons of palm per hectare, a high level of productivity in her area, and has the heaviest fresh fruit bunches (FFBs) among all the mill's suppliers. She provides employment, is president of her village's community board and is pursuing RSPO certification. Her farm is considered a model of productivity and sustainable practices for other smallholders in the palm oil supply chain.

Photos:

Gladys' FFBs are the heaviest of all Palmicultores del Norte suppliers

Gladys' truck with palm harvest



Key learnings

In our 2016 Annual Report, we detailed challenges in supplier engagement, grievance engagement and in managing issues of labor and human rights. We worked during 2017 to ensure these challenges were addressed and we are encouraged by the progress we have achieved on these fronts. Our supplier engagement programs have gained momentum, and through the years of engaging suppliers through assessments and workshops, we have fine-tuned our programs and materials that enable and empower our suppliers onto continuous progress and ownership of their sustainability journey. We are excited about our grievance thresholds and we believe they

will assist suppliers – both direct and indirect – to have a clear understanding of expectations and, most importantly, have the tools for a strong action plan. Lastly, labor and human rights was key in 2017 and we made efforts to better understand complex issues in our own operations and those of our third-party suppliers. We aim to scale up these efforts through supply chain and industry partnerships such as the [Decent Rural Living Initiative](#).

Reflecting on 2017, we have identified the following challenges that we will work towards solving:

1 Evaluating impact of implementation plans:

Our first sustainability implementation plan was published in 2014 following the launch of our sustainability policy. Since then we have deepened our engagement to deliver on our commitments. Moving forward, we must enhance our ability to measure impact and improve practices.

2 Tackling leakage:

It is no surprise that suspension by exporting companies of non-compliant suppliers is spurring domestic leakage. This prevents the issues on the ground from being addressed.

3 Addressing systemic issues which go beyond palm:

Labor and human rights issues are often embedded within structures that require dialogue and action beyond just the palm industry. There is a need for dialogue with other industries, government sectors and civil society to ensure sustained positive changes. Widening the scope of landscape programs to include other non-palm partners will be critical.

4 Inclusion of smallholders:

As the industry strives for higher levels of compliance and aligns on standards that go beyond regulation, there is a need to constantly consider the ability of smallholders to participate. Such compliance requires significant investment in tools, mechanisms and training for smallholders that must be considered when the industry adopts standards.



2018 action plan

We have charted a clear path in 2018 with bold steps that will bring us closer to our goal of building a 100 percent transparent, traceable and sustainable palm oil supply chain by 2020.

2018 palm sustainability action plan

Our 2018 palm sustainability action plan aligns with our 2020 roadmap, published in [Cargill's Sustainable Palm Oil 2016 Progress Update](#), which includes clear indicators for measuring progress toward meeting our commitment to build a 100 percent transparent, traceable and sustainable palm supply chain by 2020. Since making that

commitment and launching our Policy on Sustainable Palm Oil in 2014, we have been consistent and transparent in reporting our progress in addressing NDPE issues of deforestation, development on peat areas and exploitation of labor and communities, as well as inclusion of smallholders in sustainability initiatives.



Cargill's 2018 palm sustainability action plan addresses each of the pillars that are the cornerstones of our policy. Our focus in 2018 includes strengthening our policies and procedures in each of these areas, which are fundamental for ensuring long-term and consistent

progress. Our policy will be updated to more clearly reflect our commitment to the HCSA, provide more detail about our commitments to prevent exploitation and to improve inclusion of smallholders. We are also advancing our policy on human rights – including the issues of forced

labor, child labor, retaliation and working conditions in our palm supply chain.

Other key focus areas for Cargill palm sustainability efforts in 2018 include: supporting our customers to move ahead with their own palm oil strategies;

working with industry partners to determine the thresholds and expected actions resulting from suppliers deforesting; rolling out landscape programs; and advancing the process to verify compliance with our 2020 NDPE commitments.

Traceability

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



2018 actions

We continue efforts to gather plantation data especially for high-risk landscapes. We are working to gain industry alignment around the traceability-to-plantation process and high-risk landscape definition through our participation in the Sustainable Landscapes Working Group. Other key actions include:

- Developing targeted traceability strategies for suppliers
- Improving accuracy and transparency of data
- Engaging with Cargill trading teams to implement traceability standard operating procedures (SOPs)

Supplier engagement

HCS, HCV and peat areas are conserved, and land, labor and human rights are respected in our third-party palm supply chain.



2018 actions

Will continue conducting mill assessments and workshops and implementing supplier action plans in 2018. We have completed supplier group mapping and will proceed with risk analysis, so we know where to most efficiently target efforts. In addition, we are implementing desktop assessments of social risks for mills – to strengthen supplier analysis – and are rolling out direct supplier NPDE programs to ensure suppliers are continuously demonstrating progress against our implementation plan. We will also conduct due diligence reviews of all suppliers, invest in radar mapping and strengthening our proactive monitoring system. Additional actions include:

- Encouraging all direct suppliers to adopt an NDPE policy by December 2018
- Developing a policy compliance verification protocol
- Developing and implementing grievance thresholds
- Conducting two landscape projects
- Implementing social risk assessment methodology developed with Proforest

Sustainable plantations

Our own plantation practices are aligned with Cargill's NDPE policy and are a role model for our supply chain.

2018 actions

In 2018, we will strengthen traceability tools to verify NDPE compliance at our own plantations. Other key actions include:

- Rolling out our labor action plan – based on findings from an independent assessment of labor practices at our West Kalimantan plantation, PT Harapan Sawit Lestari, conducted by Verite in 2017 (see details in the [July 2017 Cargill Palm Oil Progress Update](#)) – at other Cargill plantations
- Raising awareness among smallholders of HCSA requirements and other issues



Smallholder programs

Smallholders are included in our supply chain and engaged on sustainable, profitable practices.

2018 actions

Our efforts in 2018 to support smallholders include development of a Theory of Change program to map key issues facing smallholders, plantation size, metrics and best approaches for data collection. We are also developing a smallholder empowerment tool and conducting mapping of smallholder certification opportunities. Additional efforts include:

- Developing and implementing the model for smallholder production and HCSA protection, including identifying areas in need of protection, incentives for land protection and alternate uses for protected land (see details in [Cargill's Palm Oil Progress Update Q3 2017](#))
- Developing a mill empowerment tool to enable engagement of smallholders in sustainable practices on a broader scale
- Rolling out a new smallholder project in Latin America aimed at improving the livelihood of smallholders and developing a new RSPO segregated supply chain



Looking ahead

Collaborating with others, Cargill will continue to tackle challenges, manage complexities and set high standards in pursuit of a more sustainable global palm oil supply chain.