

Advancing systems and accelerating progress

Building a transparent, traceable and
sustainable palm oil supply chain

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Cargill's palm oil 2018 progress update and 2019/2020 action plan

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Achieving transformation requires a willingness to engage with a variety of stakeholders globally.



Advancing systems and accelerating progress

Cargill is committed to transforming our supply chains and operations to meet the needs of today without compromising future resources. To do so, we seek to be deforestation-free, mitigate impacts on the climate, expand opportunities for communities in palm producing countries and improve the future of the palm industry. Achieving these aims requires collaboration. We work closely with a variety of partners – from NGOs and industry groups to our customers, suppliers and smallholder farmers – to improve transparency and drive positive change.

As we approach 2020, there is increasing pressure on brands, traders and refiners to achieve the commitments set forth in “No Deforestation, No Peat and No Exploitation” (NDPE) requirements. We know more work is needed to transform the palm oil supply chain, but at the same time there is value in acknowledging the significant progress made. There has been unprecedented collaboration, co-creation of solutions to increase adoption of NDPE policies, and implementation of time-bound action plans that deliver on commitments to protect forests and uphold labor rights.



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

Our approach

We recognize there is still much work to be done – and we believe that for sustainable practices to become mainstream, we must invest to improve and reform those already engaged in the market. Otherwise, the industry risks continued growth of unsustainable

production driven by market forces outside Europe and the U.S., known as “leakage” markets. Rather than immediately banning all noncompliant producers, Cargill seeks to engage them to transform practices using the “verify, engage and transform” approach.

Deeper understanding

Our journey to establish and advance robust systems has placed on us a steep learning curve. We have invested time and resources to better understand the environmental and social impacts that stem from our operations, those of our supplier partners, the constantly evolving stakeholder landscape and the improvements we must make to become an increasingly sustainable business. Our aim is to be a leader in promoting transformational change in the industry.

As our understanding of the root causes of issues facing the palm industry evolves, we strive to remain agile and transparent in our response. In 2018, our business

applied this deeper understanding in concrete ways, including reviewing and updating our policies, strategies and processes to better address key challenges. Examples of these developments are noted below.

A major driver of improvements in 2018 was the work we did on the ground to address the root causes of deforestation, peat and human rights issues and develop long-term solutions. This report includes several examples of ways we worked to address those issues through partnerships, including projects on landscape initiatives, labor and human rights, smallholder inclusion and on our own plantations.



Grievance process

We updated our grievance process and developed guidance on topics such as child labor, forced and bonded labor, deforestation and peat clearance to address instances of noncompliance in a more consistent and transparent manner.



Monitoring and verification

We partnered with Global Forest Watch to improve our monitoring process using radar technology and developed detailed guidelines for verifying compliance with our supplier policy.



Reporting

We supported the development of an NDPE Implementation Framework to facilitate reporting of progress toward stated commitments.

Looking ahead

We are on track to achieve our goal of ensuring a traceable, transparent and sustainable supply chain by 2020. In 2019 and 2020, we will continue to build on the robust systems we put in place

during the past year. To pursue scale and greater impact, we are prioritizing key activities in line with our strategic pillars of transparency, engagement and verification, which are detailed in this report and outlined in the updated palm oil sustainability content on [Cargill.com](https://www.cargill.com).

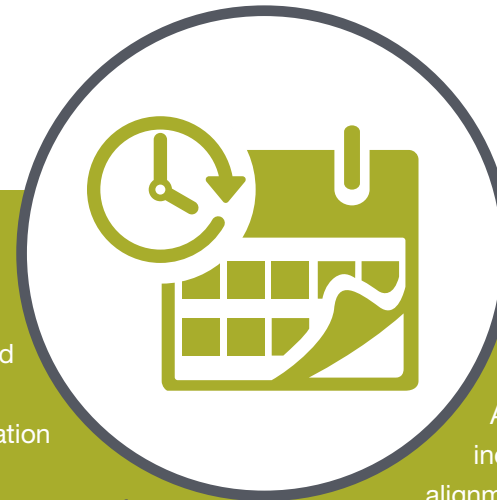
Sustainability remains core to our operations. We believe achieving transformation requires a willingness to engage with a variety of stakeholders globally, and we applaud the efforts of our partners and the key stakeholders who have been instrumental in our progress

so far. We will continue working with producer groups, industry peers and others to drive change. We appreciate your support and collaboration on this journey.



John Hartmann

Global Sustainability Lead
Cargill Agricultural Supply Chain and
Cargill Global Edible Oils Solutions

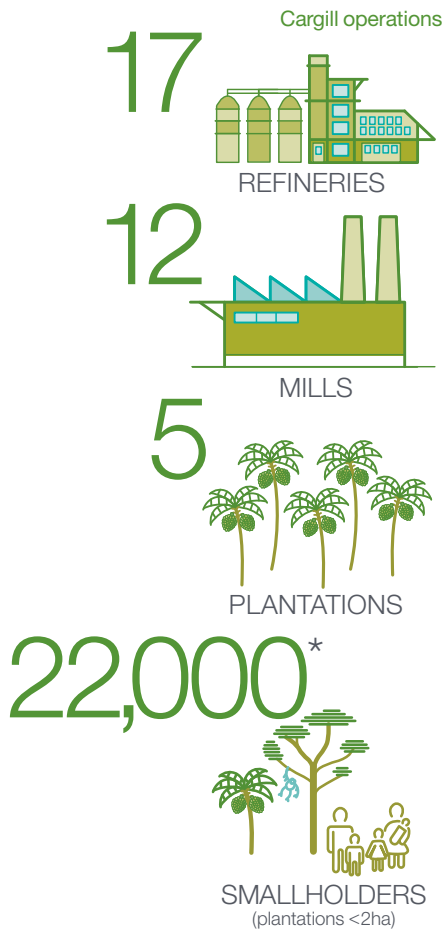


Cargill palm sustainability timeline

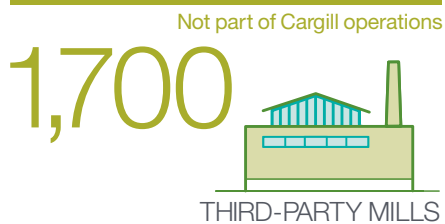


Operating a global palm supply chain

Our footprint



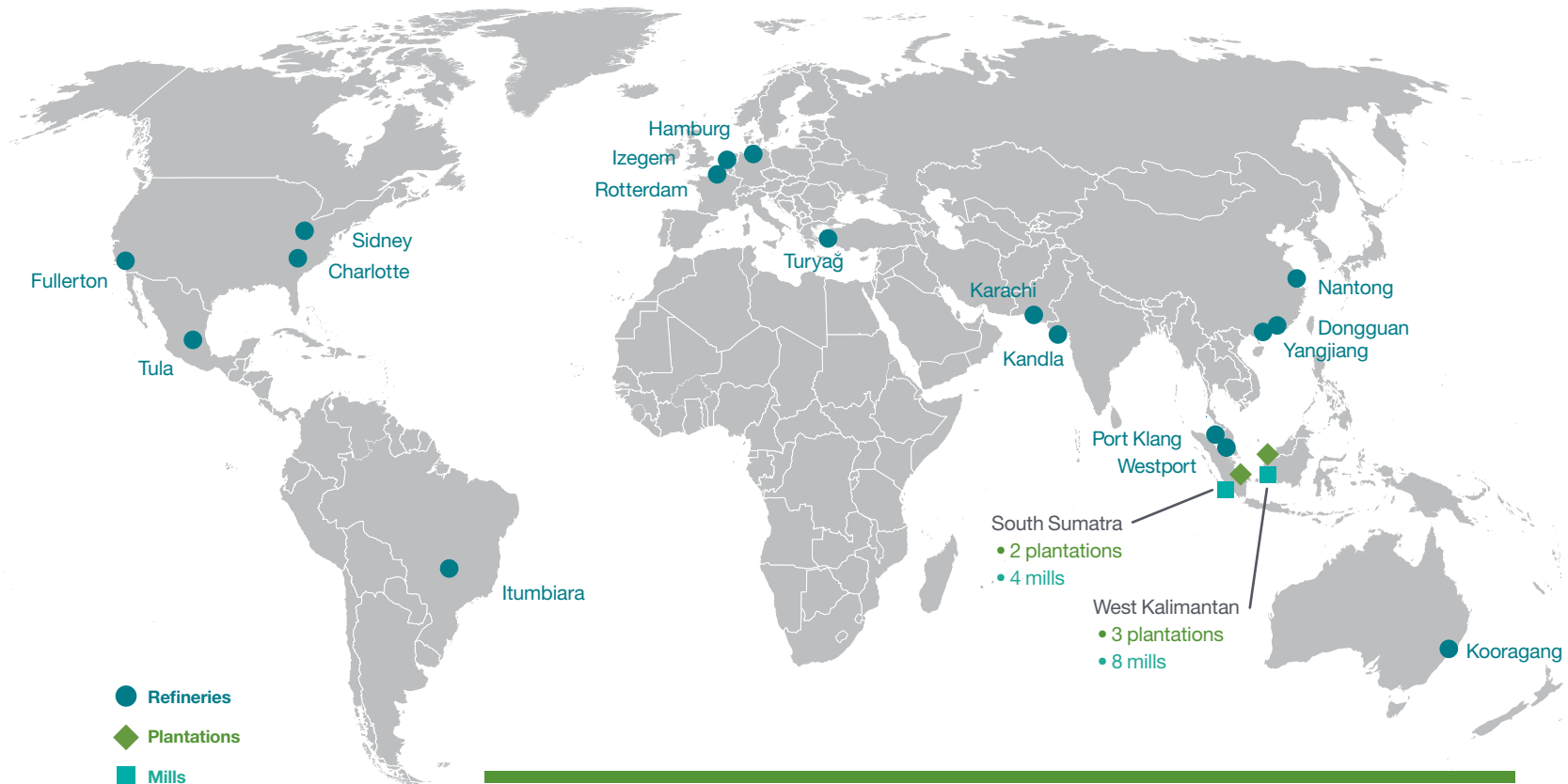
* Smallholders partnering with Cargill plantations in Indonesia



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 activities in the palm supply chain include sourcing, trading and refining oil from third-party mill

suppliers¹. We buy some of that oil directly from mills; the majority of the oil we purchase is sourced indirectly on the open market through traders and refiners. We also purchase smallholders' palm oil through cooperatives and indirectly from independent smallholder farmers.

¹ Our mill list can be found on our Palm Sustainability Dashboard.



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

Strengthening our commitments

In March 2019, Cargill announced our updated [Policy on Sustainable Palm Oil](#), which replaces the policy we launched in 2014. Cargill's commitment to producing and sourcing palm oil in an economical, environmentally sustainable and socially responsible manner is embodied in our requirements, which aim to deliver palm oil that is produced in accordance with "No Deforestation, No Peat and No Exploitation" (NDPE) practices. Cargill commits to a traceable, transparent and sustainable palm oil supply chain that:

- Protects high conservation value (HCV)¹ areas, high carbon stock (HCS)² forests and peatlands regardless of depth
- Respects and upholds the rights of workers, indigenous peoples and local communities
- Enables smallholders to become successful businesspeople, improving their livelihoods through responsible production, maximizing yields and improving quality
- Supports the inclusion of smallholder farmers

These renewed NDPE commitments are based on strengthened industry standards and evolving understanding about key issues and their root causes. Highlights include:



We will work to ensure that all palm oil and palm products that Cargill produces, trades or processes are in line with these commitments (see [policy](#) for more details). We collaborate and seek the support of suppliers, customers, governments, non-governmental organizations and other stakeholders to implement this policy.

Broader commitments

The palm oil industry faces challenges and is focused on reducing deforestation and upholding human rights, labor and land rights in the palm supply chain. In addition to addressing these topics in our [Policy on Sustainable Palm Oil](#), Cargill's broader updated [Forest Policy](#) and [Human Rights Commitment](#) also govern our actions. These documents articulate Cargill's commitment to eliminate deforestation and protect human rights in our supply chains. Our [Supplier Code of Conduct](#) is another key element of our palm oil policy.

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)

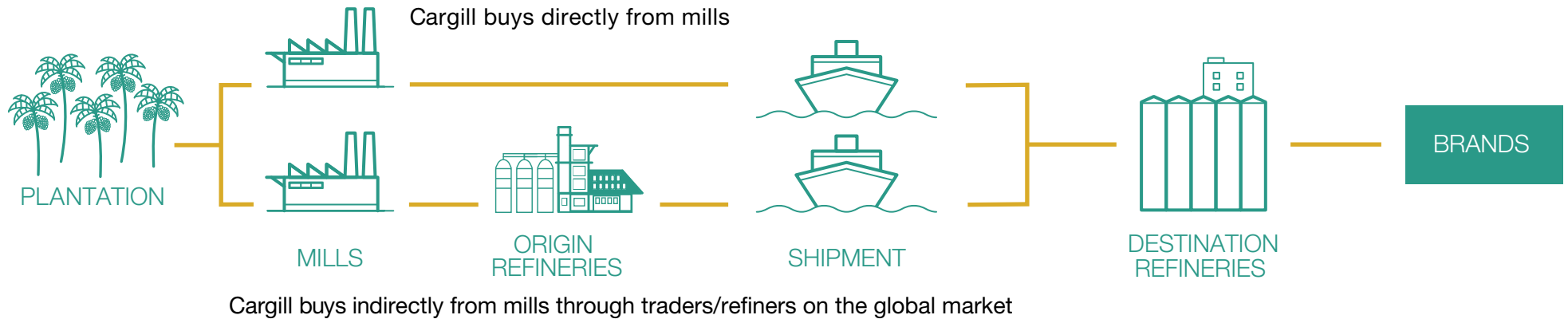
1 NO POVERTY 	2 ZERO HUNGER 	4 QUALITY EDUCATION 	5 GENDER EQUALITY 	6 CLEAN WATER AND SANITATION 
8 DECENT WORK AND ECONOMIC GROWTH 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 	15 LIFE ON LAND 	17 PARTNERSHIPS FOR THE GOALS 

2018 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 2018 impact scorecard.

2018 palm impact scorecard

Cargill Supply Chain



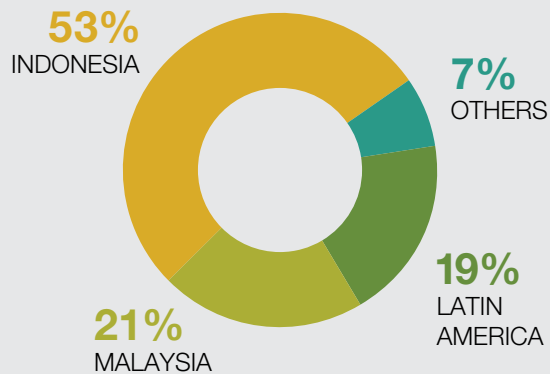
PROPORTION OF RSPO CERTIFIED VOLUMES OUT OF GLOBAL VOLUMES

18% PHYSICALLY CERTIFIED OF ALL CARGILL VOLUMES

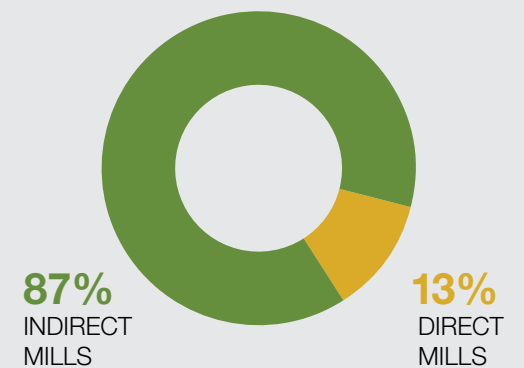
29% EUROPE RSPO SEGREGATED

16% EUROPE & US RSPO MASS BALANCE

ORIGIN OF THE VOLUMES AT DESTINATION



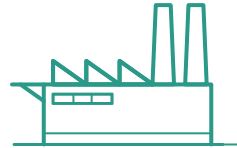
DIRECT AND INDIRECT MILLS SOURCING



Traceability scores:

92%

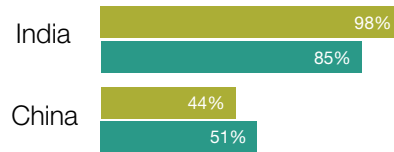
Cargill Global Traceability score to mill level



Traceability to Mill Level by Market

PALM Q3 Q4

100% Europe, Russia, USA, Malaysia, Brazil, Mexico, Pakistan, Australia/New Zealand



KERNEL Q3 Q4

100% Europe, Russia, USA, Malaysia, Brazil, Mexico, Pakistan, Australia/New Zealand



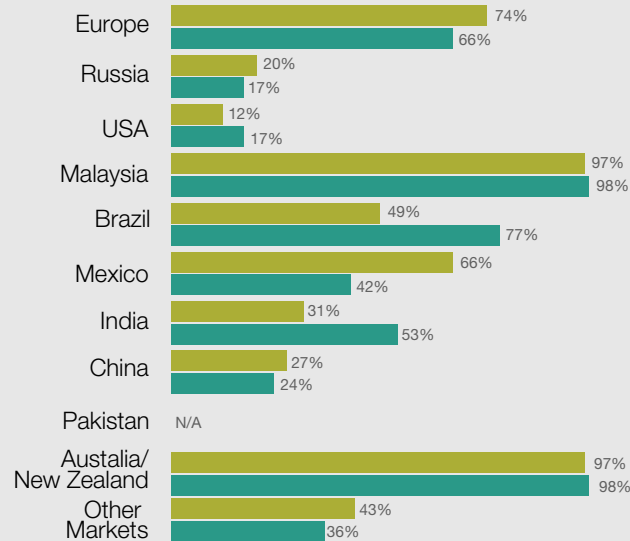
42%

Cargill Global Traceability score to plantation level

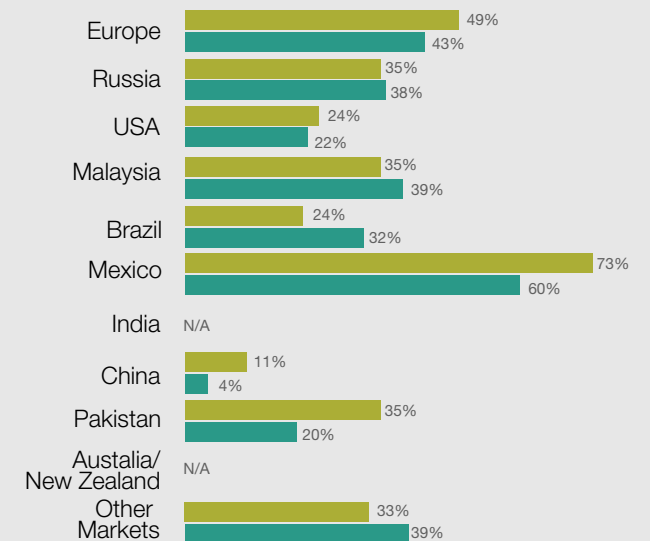


Traceability to Plantation Level by Market

PALM Q3 Q4



KERNEL Q3 Q4



Sustainability performance:

Q4 2018

Number of third-party mills and refineries in Cargill supply chain



33 Third-Party Refineries



1,369 Third-Party Mills



121 Segregated Mills

Monitoring



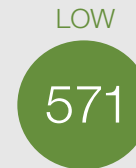
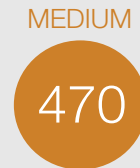
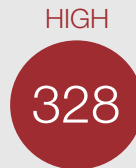
Cargill is using satellite imagery to monitor for potential land use changes in 100% of our palm supply chain. **100%**

Labor & Human Rights

30% Human rights issues have been socialized with direct mills through Cargill programs

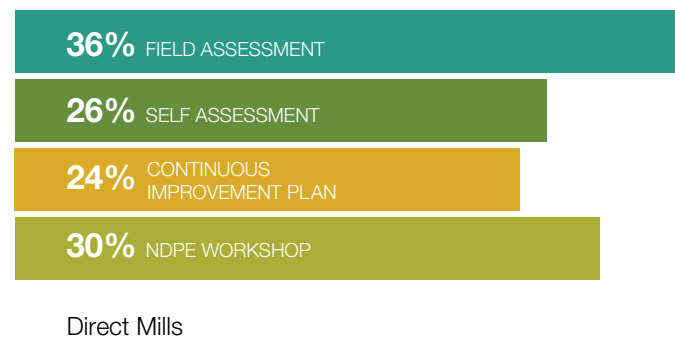
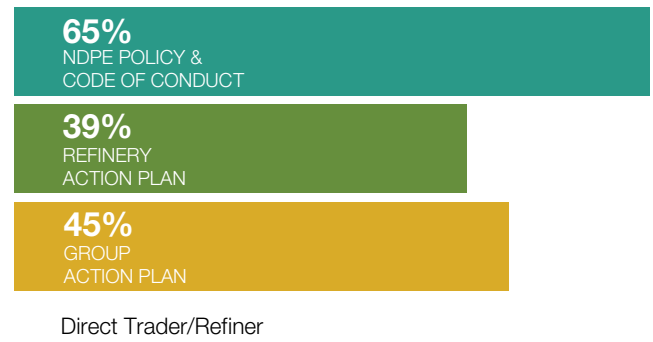
69% Direct trades/refiners with comprehensive human rights policies

Mill prioritization for engagement



*Cargill is using the Global Forest Watch Pro Palm Risk Tool Methodology to categorize the mills from high to low

Creating Impact with Our Sustainability Programs



Sustainability performance:

Smallholder Program

3,384

New farmers certified in a Cargill program in 2018

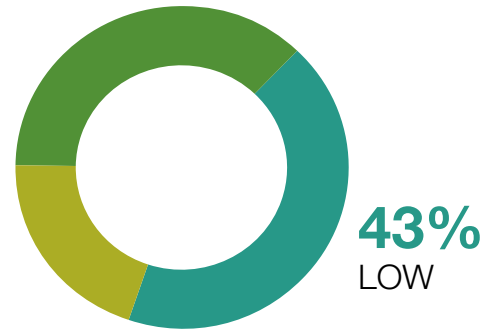


4 Smallholder projects (NORAD, WildAsia, Solidaridad, Development of Smallholder Empowerment Tool)

Landscape Program (Siak/Pelalawan)

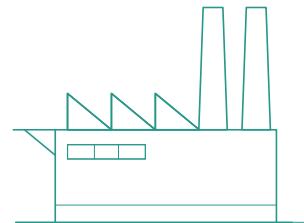
37%
MEDIUM

20%
HIGH



Cargill mill priority in Siak/Pelalawan

30



Total number of mills in Cargill supply chain engaged in Siak/Pelalawan Landscape Program

Cargill Plantations

% mills RSPO certified

83%
CERTIFIED

17%
NON CERTIFIED

% plantations RSPO certified

62%
CERTIFIED

38%
NON CERTIFIED

% managed smallholders RSPO certified

73%
CERTIFIED

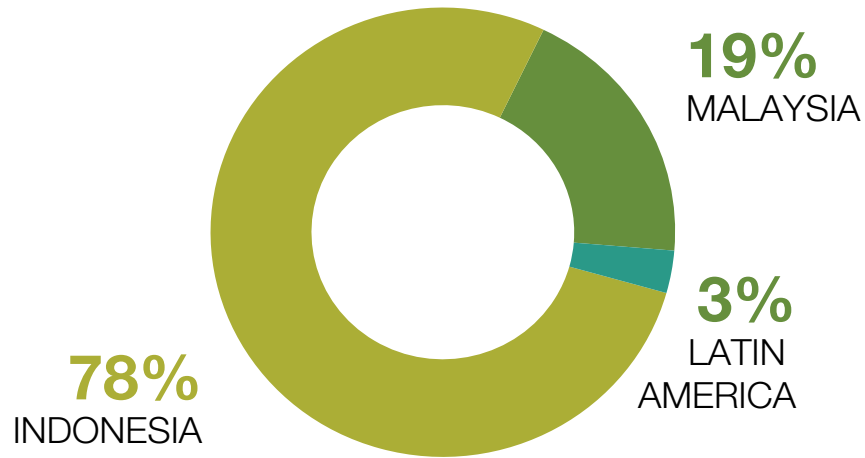
27%
NON CERTIFIED

100% Fresh Fruit Bunches originate from NDPE-compliant sources

100% Cargill Operations and surrounding communities (5km) covered by a fire prevention and awareness program

Grievances:

LOCATION OF GRIEVANCES



GRIEVANCES LOGGED



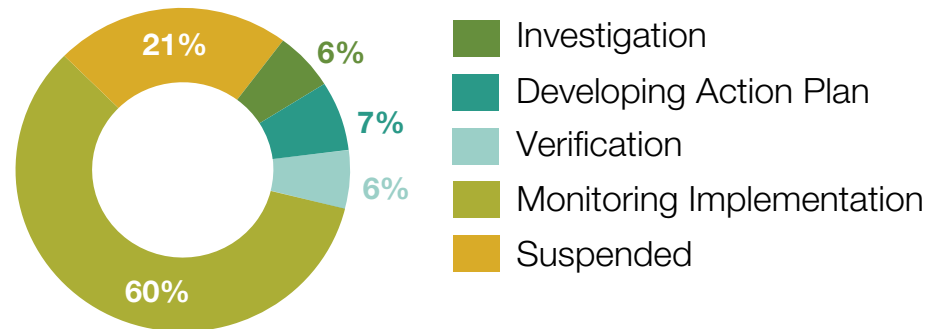
Direct Third Parties



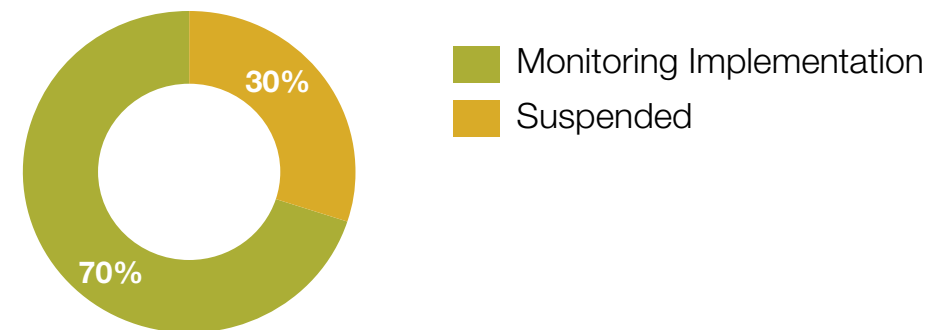
Indirect Third Parties

ADDRESSING GRIEVANCES

Deforestation



Labor/human rights

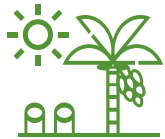


Systems and processes implemented in 2018



Traceability

- Risk-calibrated approach for traceability to plantation
- Mill traceability verification guidelines



Approach to deforestation

- Updated environmental mills risk assessment (GFW Palm Risk Tool)
- GFW monitoring process
- Landscape prioritization methodology
- Response protocol for alerts management (draft)



Approach to labor and human rights

- Regional social risk assessment methodology
- Ethical recruitment due-diligence tool
- Cargill-owned plantations labor audit checklist
- Global labor risk management system (draft)



Supplier engagement

- Producer groups roadmap template
- NDPE modules for capacity building of suppliers
- Mills self-assessment template
- “Connected 4 Change” Latin America platform
- Policy Compliance guidelines for supplier verification



Grievances

- Updated grievance procedure
- Guidelines addressing social and environmental issues in the context of grievances



Reporting

- NDPE implementation framework

We continue to adjust our strategies based on what we learn during implementation. We measure and regularly report our progress (see the [Palm Sustainability Dashboard on Cargill.com](https://www.cargill.com/palm-sustainability-dashboard)).

Transparency

Traceability

Goal:

Traceability to plantations by 2020 in high-priority landscapes

Cargill is increasing the transparency of our supply chain and sourcing practices in four ways:

1. We map our supply chain to the plantation level.
2. We share our mill list.
3. We disclose noncompliant suppliers on our dashboard.
4. We engage with our direct and indirect suppliers to make their concession boundary maps publicly available by uploading them on the GeoRSPO and Global Forest Watch platforms.

Cargill's goal is to have all palm oil volumes we produce, trade (ship and physically handle) and process traceable to plantations in high-risk supply chains by 2020. While initially Cargill was pursuing 100% traceability to plantations, we revised our approach in 2018 to focus on areas at higher risk of unsustainable practices, including deforestation, peatland clearance and fires. We collect traceability data in order to identify, monitor and reduce risks in our supply chain. In regions where we already know the risk is low, expanding traceability at

the mill level to a radius of 50 kilometers around the mill provides a sufficient level of detail, allowing us to direct resources to areas at higher risk of deforestation. By targeting high-risk landscapes and prioritizing our efforts to gather more data at the plantation level there, we are able to achieve greater impact.

Our strategies for achieving our traceability-to-plantation goal are based on the following factors:

- Traceability to plantations is a resource-intensive process, so Cargill prioritizes the collection of data in high-priority landscapes where the risk of noncompliance is greater.
- In 2018, we worked with partners to develop a new, risk-calibrated approach for collecting data. This approach is based on the principle that NDPE-related risks vary among production regions and more detailed data is needed on plantation locations where risk is higher than where it is low. For high-risk areas, palm production should be traceable to the individual production unit (e.g., the farm); for low-risk areas, palm can be traceable to the level of a village or municipality.
- The risk-calibrated approach is currently being finalized and is based on defining high-risk land and mill locations as areas with forest, uncultivated peat and protected areas including a 1 kilometer buffer.

- We focus on collecting traceability-to-plantation data in origins where we buy directly from mills (primarily in Malaysia and Latin America – where most of our volume comes from Brazil, Colombia and Guatemala).
- For indirect purchases from traders and refiners, we request plantation-level information from our direct counterparts and support them to collect this data over time.
- In all cases, we engage our suppliers to disclose concession boundary maps to improve tracking, monitoring and responding to deforestation or other noncompliance and grievances in our supply base.

Commitment to reducing deforestation

Cargill is committed to protecting forests and native vegetation and ending deforestation in our palm supply chain. We are using various tools and approaches to address deforestation, including:

- **Mapping** – We are mapping our supply chain in high-risk landscapes to the plantation level using our risk-calibrated approach.
- **Reactive approach** – We monitor our supply chain for any land development and take action when development is identified, including



Improving traceability in India

We are making progress by increasing traceability across our global palm oil supply chain. In India, for example, traceability to the mill level has grown significantly in four years—from 0% at the end of 2014 to 90% at the end of 2018.

“We believe there are growth opportunities for sustainable sourcing in India. *Through a strategic decision to procure palm oil only from controlled and limited suppliers, we have consistently increased our traceability scores.* As one of the leading importers of palm oil, we will continue to set the pace and engage in meaningful dialogues with our suppliers to help ensure a sustainable supply chain.”

Pratik Pattanayak,
Trader, Cargill Global
Edible Oil Solutions



verification and engagement. We have a strong grievance process in place with clear guidelines for deforestation grievances. Any verified deforestation will lead to an immediate stop-work order and moratorium followed by development of an action plan with clear milestones.

- **Proactive approach** – We strengthen capacity at the producer group level to prevent deforestation from taking place through workshops to raise awareness about deforestation, development of policies around no-deforestation and new development, creation of processes for implementing policies, and mapping of areas to protect the supply shed.
- **Landscape approach** – We build upon existing public and private local efforts and multi-stakeholder platforms to advance a shared vision of a sustainable, inclusive production model in order to develop scalable solutions for addressing deforestation in a systemic way. We pilot multi-stakeholder approaches to sustainable supply sheds and support and empower local organizations.

We recognize that more effort will be required at the smallholder level – beyond the work we are doing at the mill and large-scale plantation level – to address deforestation. This will be one area of focus in the year to come.

NDPE Implementation Framework

In June 2018, Cargill began working with Proforest and other stakeholders to develop a standard approach for monitoring and reporting progress on NDPE commitments. The resulting [NDPE Implementation Framework](#), led by Proforest,

is designed to increase transparency about the progress that has been made so far, what still needs to be done, and the challenges that must be addressed in order for companies to deliver on NDPE commitments.

The framework's methodology standardizes the process of researching and categorizing mills into pre-defined categories of progress to ensure consistency and improve accuracy. The objective is to evaluate each mill using criteria to measure progress related to deforestation, peat and labor, recognizing that progress may differ on each topic. Cargill and other stakeholders conducted pilot studies in 2018 using the framework and draft indicators, then shared the results and gathered feedback on the methodology. Leading up to the 16th annual Roundtable on Sustainable Palm Oil (RSPO) meeting in Malaysia, Cargill, Pepsico and Proforest facilitated a workshop to discuss outcomes from the pilot studies and gather input from NGOs, brands, growers, traders and other stakeholders across the supply chain in order to further improve the methodology and process. The discussion led to further refinement of the framework as a tool to build greater transparency on progress, highlight remaining gaps and address challenges.

In 2019, refinement of the framework will continue as Proforest and Earthworm Foundation (formerly The Forest Trust) lead the industry effort to fine-tune the methodology (including adding the step of allocating palm volumes to the producers of fresh fruit bunches), scale up implementation, ensure compatibility with the [Accountability Framework](#) and develop guidance on verification. Cargill aims to start reporting the performance of its direct mills through the NDPE implementation framework over the course of 2019.

Grievances

Goal:

Report on all grievances in our supply chain transparently and publicly

Our approach: verify, engage, transform

We hold ourselves and our suppliers accountable to respond to grievances, set time-bound action plans to ensure progress and close the grievance in a timely manner as agreed to by the complainant. [Cargill's Palm Grievance Procedure](#) provides a transparent, open and robust process for dealing with grievances. Cargill does not tolerate retaliation against anyone who, in good faith, raises a concern or participates in an investigation or whistleblowing.

We believe procedures must be reviewed regularly to ensure they reflect industry developments and lessons learned by our team, so in 2018 we reviewed and updated the Grievance Procedure we introduced in December 2015. The revised procedure includes the following additions:

- Greater detail around the scope of managing indirect supplier grievances, group associations and non-palm commodities
- Updated procedure flow on timelines and activities around verification, engagement and action plans as well as clear expectations on continued noncompliance

- Additional detail regarding the specific management of deforestation and peat development grievances: Cargill is taking a more stringent approach related to noncompliance on issues of deforestation and peat development in our supply chain. In line with our commitment to a deforestation-free supply chain, we are taking immediate steps toward swiftly putting a stop to any additional clearing upon detection and verification, after which we engage with the supplier to define an action plan with clear timelines and milestones.

Our focus on industry transformation has driven us to develop and adopt a “Verify, Engage and Transform” approach to noncompliance. This approach has been successful in leading our suppliers to immediately implement moratoriums on development, introduce policies and put in place processes to prevent any further deforestation or clearance of peatland. This approach requires suppliers to immediately halt noncompliant activities and suspension of suppliers who are unable or unwilling to deliver on set milestones agreed upon during the engagement process. Our engagement process requires suppliers to adopt an NDPE policy, as well as the implementation of a corrective action plan and related processes. We monitor supplier progress on a monthly basis.

To support suppliers in addressing and resolving grievances, we have engaged experts from the [Global Environment Centre \(GEC\) Foundation](#),



[Fair Labor Association \(FLA\)](#), [Proforest](#) and [Landesa](#) to develop guidance documents that provide a structured, consistent and transparent approach for determining expected actions and timelines. The guidance includes information about how to verify grievances, identify causes, develop action plans, minimize further noncompliance and communicate progress to stakeholders. The guidance covers key topics, including peat development, deforestation, wages, forced labor, child labor and land rights.

We believe that to make sustainable practices mainstream, we must invest in improving and reforming those already engaged in the market. Otherwise, the industry risks continued growth of significant, unsustainable volumes driven by market forces outside Europe and the U.S., known as “leakage” markets. Limiting the market access of certain producers – particularly those who have not yet received information or training on NDPE – increases the likelihood that they will continue unsustainable practices unchecked. We aim to avoid the worst-case scenario in which these suppliers will be harder to reform without economic incentives. It is our belief that the only way to ensure sector transformation is for upstream actors to incentivize producers who are willing to advance their practices and to reward them with a viable free market.

Engagement

Suppliers

Goal:

Direct and indirect suppliers are compliant with Cargill's NDPE policy

Through our supplier engagement process, we help ensure our suppliers are operating in compliance with our [NDPE policy commitments](#) and our [Supplier Code of Conduct](#).

In the markets where we buy directly from mills, we conducted field assessments in 2018 of 58% of mills located in high-risks areas to identify gaps in the mills' performance, provide support to develop continuous improvement plans to address those gaps and verify compliance. We use the Aggregator/Refiner Transformation (ART) plan, an approach developed by [Earthworm Foundation](#) and the [Proforest supplier engagement approach](#) to ramp up the transformation process of high-priority mills on a wider scale than simply one mill catchment at a time, focusing on change efforts across an aggregator/refiner's entire supply base.

We provided capacity-building activities in 2018 to support low-, medium- and high-priority mills to help them meet NDPE commitments; 19% of our direct suppliers participated in NDPE workshops in 2018. Activities included training, coaching on topics

such as deforestation, labor issues and worker health and safety, and tool development. We hosted workshops that brought together representatives from multiple mills for training and development, providing a platform for them to share insights directly about challenges and solutions.

Latin America

During 2018, we saw significant progress by suppliers in Colombia and Guatemala in meeting NDPE commitments. Across the region, 88% of our suppliers are covered by self-assessments and 58% of mills are covered by NDPE policies.

To continue moving our suppliers toward greater sustainability, we finalized plans for our Connected 4 Change engagement program to measure supplier progress and provide online training for mills focused on reducing deforestation and protecting human rights.



88%

of our suppliers in Colombia and Guatemala are covered by self-assessments and

58%

of mills are covered by NDPE policies.



In Guatemala, Cargill participated in several capacity-building initiatives for suppliers in 2018. Cargill and other stakeholders supported a series of Social License to Operate workshops developed by Earthworm Foundation to educate suppliers about managing social risks. Cargill shared our experiences during the first workshop about risk assessment; subsequent workshops focused on technical capacity building and implementation. Workshop participants included our main Guatemalan palm oil suppliers. We also conducted two capacity-building workshops for suppliers related to human rights and water management and we co-sponsored a conference to raise awareness about HCSA.

Malaysia

We continue to encourage our suppliers to develop NDPE policies – so far 95% of our direct suppliers in Malaysia have NDPE policies in place. We supported our suppliers' continuous improvement efforts by engaging in 2018 with four mills to conduct post self-assessment and intensive verification visits. From these engagements, we worked with Earthworm Foundation to identify areas for improvement and formulate action plans to close gaps. We provided funding for [Earthworm's Tools for Transformation](#) to give suppliers immediate access to resources. We also helped to fund an [HCV assessment and a social impact assessment](#) at one of our Malaysia-

based palm oil suppliers, resulting in 1,858 hectares of HCV being identified and conserved.

We support our suppliers to ensure their operations are free from forced and bonded labor risks. We connected Earthworm with Charuk Putting Palm Oil Mill, one of our long-term contract suppliers to facilitate their participation in an ethical recruitment study. Findings from the study were showcased in an ethical recruitment forum in June 2019.

Social risk assessment methodology

We worked with Proforest in 2018 to apply its social risk assessment methodology to approximately 2,000 mills in our supply chain. The high-level, desk-based assessment covered 17 countries in Central and South America and Asia, with particular focus on Colombia, Indonesia, Malaysia and Mexico. The methodology helps identify labor- and land-related risks, such as child labor, forced labor, inadequate health and safety protections, land rights abuses and land disputes. Cargill hosted a stakeholder workshop in which participants from 10 companies and five NGOs came together to learn about the social risk methodology and provide input. Proforest is revising the methodology based on that feedback. Cargill will continue supporting the work of Proforest to produce a tool that delivers a higher degree of granularity that will aid in making informed sourcing decisions.



In July the coalition of companies, together with Daemeter and Proforest, officially announced the collaboration with the Siak government to support and strengthen the transformation towards sustainable palm oil in the Siak District.

Landscape projects

Goal:

Common environmental, land and labor issues are addressed through relevant landscape programs and case studies

Many of the challenges in the palm oil supply chain, such as deforestation and human rights concerns, are not specific to a single mill or to the palm sector alone. These issues often are common within a region and across commodities. 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.

In 2018, we joined a multi-stakeholder [landscape-level intervention](#) to address

environmental, land and labor issues in the Siak and Pelalawan districts of Indonesia. Cargill is one of seven palm oil purchasing and consumer goods companies participating in a collaboration with local government, NGOs, producers and smallholders to achieve sustainable land use. We are building on existing efforts to develop scalable solutions, pilot sustainable approaches, support local organizations, improve smallholder livelihoods and share lessons learned with other landscape initiatives.

In 2019, we are pursuing landscape programs in other areas of Sumatra and West Kalimantan, including Ketapang. We also are exploring development of initiatives in Latin America to address workers' rights in the palm sector through collaboration with public, private and civil society stakeholders.

Smallholders

Goal:

Smallholders included in our supply chain and their livelihoods improved

We promote the inclusion of smallholders in our supply chain and improvement of their livelihoods. Our approach includes collaborating with mills in our supply chain to help them deliver on their smallholder transformation plans and participating in programs focused on building smallholder capacity and promoting responsible farm development. In 2018, we supported smallholders through engagement efforts in Brazil, Guatemala, Malaysia and near Cargill's operations in Indonesia (see Cargill plantations section for Indonesia details).

Brazil

In the Brazilian state of Pará, Cargill is working with our palm oil supplier Biopalma, Earthworm Foundation and others to support the [Rurality project](#) that is helping 675 smallholder farmers improve productivity, achieve NDPE compliance and a better quality of life. The program includes: interviewing farmers to understand current practices and challenges; mapping plantations using GPS data to improve logistics for transporting farmers' fresh fruit bunches; engaging with local stakeholders, such as government entities, NGOs, companies, trade unions and other groups; and developing action plans to help farmers improve yields and livelihoods.

In 2018, an action plan was developed to address issues identified during a rural dynamics diagnostic review conducted in 2017, which included interviews with a sampling of 73 farmers and 15 stakeholder groups. That review revealed that while yields met or exceeded productivity expectations for two-thirds of the farmers, many of them were unable to generate stable profits and required more training on key sustainability issues. The action plan identifies activities for 2019-2021 to improve delivery of technical assistance to farmers, promote more open and transparent communication between the supplier and the farmers, improve social conditions, and pilot the HCSA with farmers at the landscape level.

Guatemala

In Guatemala, Cargill formed an alliance with Solidaridad and palm supplier Palmas del Ixcán to help [105 smallholder palm farmers](#) from the regions of Ixcán and Quiché implement good agricultural practices and achieve RSPO certification. The objective is to help these farmers improve social, environmental and economic sustainability at their farms and develop a segregated, RSPO-certified supply chain to meet market demand for sustainable oils. The program includes use of a digital application that facilitates traceability, self-assessment and training.



“I can give my family the opportunities they deserve. Two of my children have graduated from college and my youngest is working on the farm alongside me so that he can one day take over.”

Hugo Walter Cruz,
palm farmer in Chisec, Guatemala who participates in a sustainable farming program with Cargill, Solidaridad and Palmas del Ixcán

Malaysia

In Malaysia, we worked with Wild Asia, Tian Siang Air Kuning Palm Oil Mill and a fresh fruit bunches dealer in Air Kuning, Perak to help smallholders achieve RSPO certification. Through the program, smallholders are encouraged to avoid application of herbicides and use palm oil mill by-products, including empty fruit bunches, as natural fertilizer. In 2018, more than 260 farmers participated in the program, representing one third of all RSPO-certified independent smallholders in Malaysia. As of June 2019, the number of participating farmers had grown to 335.

Peatland restoration in Indonesia

As part of Cargill's commitment to prioritizing landscapes for targeted action, we continued our focus in 2018 on protecting peatlands in Indonesia. Along with our supplier Musim Mas, we are supporting the work of Proforest in collaboration with the Indonesian Peatland Restoration Agency's Peat Care Village program in four villages in Riau, Sumatra. Cargill has helped fund a pilot program, including training of two village facilitators, to lead community-based identification, protection and restoration efforts of local HCV and HCS peatlands. The next step will be to bring together experts in community engagement, botany, birds and mammals to engage with village members, further integrate the HCV-HCS approach and scale the rollout more broadly across the Siak-Pelalawan landscape.

Cargill plantations

Goal:

Cargill-owned mills/plantations (and smallholders supplying to them) are compliant with our NDPE policy

RSPO certification for smallholders

At Cargill's plantations in West Kalimantan and South Sumatra, Indonesia, we provide support through smallholder empowerment programs to help farmers achieve and maintain RSPO certification and International Sustainability and Carbon Certification (ISCC) standards. In 2018, 3,019 smallholders across eight cooperatives at Cargill's PT Poliplant Sejahtera oil palm plantation in West Kalimantan received RSPO certification. They join four other groups of smallholders in Cargill's Indonesian supply chain with RSPO certification (at PT Hindoli in South Sumatra and PT Harapan Sawit Lestari and PT Indo Sawit Kekal in West Kalimantan). To date, Cargill has helped more than 16,500 of its 21,600 smallholders in Indonesia to be RSPO certified.



“Our partnership with Cargill has enabled us to adopt sustainable agricultural practices. Our yields have increased along with our ability to operate more efficiently. RSPO's certification is a great endorsement of our sustainable practices and successful partnership with Cargill. *We anticipate greater improvements to our livelihoods, now that our fresh fruit bunches can feed into the global certified sustainable palm oil market.*”

Suherman,
head of Subur Makmur Cooperative,
West Kalimantan, Indonesia, which achieved
RSPO certification in 2018

Forest conservation

In 2018, Cargill announced our 25-year commitment to finance the Nanga Lauk Village Forest Conservation Project, a community forestry project in Indonesia's Heart of Borneo region. The project enables community members to sustainably protect and manage the forest while also obtaining an income from sustainable use of natural resources, such as ecotourism and wild forest products. The project is funded through the Sustainable Commodities Conservation Mechanism (SCCM) developed by Lestari Capital in partnership with Cargill.

SCCM is a new financial mechanism that promotes long-term conservation through global commodity markets, allowing companies to meet sustainability commitments and comply with RSPO Remediation and Compensation Procedures. SCCM addresses a critical lack of long-term financing for conservation and restoration initiatives and ensures that corporate sustainability standards and certifications have verified impact.

The Nanga Lauk project supports biodiversity, protection of HCV land and the livelihoods of 195 households. The project is expected to prevent deforestation and forest degradation while protecting carbon stocks and ecosystems. The 1,430 hectares covered by the project are located in West Kalimantan, helping to support RSPO certification for four Cargill operations located in the province:

PT Indo Sawit Kekal, PT Maya Agro Investama, PT Andes Agro Investama and PT Andes Agro Lestari. The project design was validated under the Plan Vivo and Verified Conservation Area standards.

Fire prevention

Cargill has committed to strengthening its processes to monitor, detect and suppress fires in and around its plantation concessions in South Sumatra and West Kalimantan. During the dry season, Cargill will improve transparency by publishing regular, online updates of its hotspot monitoring within its plantation concessions.

Cargill has in place a comprehensive system to protect against fires, powered by state-of-the-art technology. Recently, Cargill deployed a thermal sensing camera system to detect hotspots and smoke within a five-kilometer radius of our PT Hindoli plantation in South Sumatra, covering a total of 9,000 hectares. When a hotspot is detected, Cargill's on-site team will immediately investigate the coordinates provided by the system and work with local authorities to contain and suppress the fire. By automatically and continually monitoring for hotspots, this technology complements existing hotspot detection measures, such as manned watch towers and drones, to provide more comprehensive monitoring of fire-prone areas.



more comprehensive monitoring of fire-prone areas.

To date, Cargill's Fire Free Village Program includes 48 villages in fire-prone communities and its efforts were recently recognized by the provincial government of South Sumatra through an award for Cargill's comprehensive fire prevention, monitoring and control measures.

NDPE training

Cargill regularly trains our employees in best practices to ensure they understand how to implement our Sustainable Palm Oil Policy. In October 2018, for example, more than 40 participants attended a three-day workshop at our Learning Academy in West Kalimantan focused on our NDPE commitment and classification,

monitoring and patrolling of HCV and HCS lands with the SMART (Spatial Monitoring and Reporting Tools) system. Cargill's PT Hindoli plantation started to deploy the SMART system in 2018 through our partnership with the Zoological Society London on landscape management and KELOLA Sendang, a program protecting HCV areas and the natural environment by supporting holistic restoration projects in Banyuasin, South Sumatra, Indonesia. SMART's approach covers three areas: software, capacity building and site-based protection standards.

Cargill commits to continue deploying SMART software to all Cargill plantation HCV/HCS areas in order to measure, evaluate and improve the effectiveness of our wildlife law enforcement patrols and site-based conservation activities.

Labor and human rights

Goal:

Human rights are protected in Cargill supply chains

Cargill is committed to protecting the human rights of workers, indigenous people and local communities in our supply chains. Our approach addresses specific labor challenges in our supply chain and systemic issues requiring collaborative, industry-level actions.

Our labor program is tailored to fit the different roles we play in the palm oil supply chain. For example, our plantations aim to lead by example in ensuring the highest standards of labor and human rights is embodied across our operations and seek to positively influence independent smallholders and neighboring estates. In Malaysia, where we own refineries and therefore have direct commercial relationships with mills, our program is tailored toward assessing supplier performance, building awareness and strengthening capacity with aspiration for continuous improvements and alignment with our policy commitments. Where we are linked to mills and plantations through our trading program, we strive to develop resources which our suppliers can benefit from and cascade down their supply chain.

2018 initiatives

In 2018, Cargill participated in several multi-stakeholder initiatives to better understand and address complex labor and human rights challenges in the palm supply chain.

- **Malaysia** – The Malaysian palm oil industry faces challenges, including recruitment and treatment of migrant workers, forced labor and debt bondage. As a result, Cargill has undertaken a proactive series of assessments, system reviews and tool development for our supply chain in Malaysia, including our own refineries and supplying mills as well as more broadly through industry discourse and research on key issues. We worked with multiple partners in 2018 to help improve practices related to ethical recruitment and migrant labor in Malaysia.

Cargill joined with industry partners to commission an assessment of recruitment practices, fees and working conditions of migrant laborers in the palm oil sector. The assessment, conducted by Embode, looked at migration of workers brought to Malaysia from Nepal, Bangladesh, India, Indonesia and Burma by networks of recruitment agents.

The assessment revealed how the involvement of several stakeholders along the labor supply chain contributes to the complexity of the situation. We believe all stakeholders have a role to play in preventing exploitation of workers. Cargill does not tolerate the use of illegal, abusive or forced labor

in any of our operations anywhere in the world, and we aim to exert a positive influence on labor practices on palm oil plantations owned by our suppliers.

Cargill worked with Earthworm Foundation on a project focused on ethical recruitment to prevent labor exploitation and human trafficking in the palm supply chain in Malaysia. The project included an assessment of challenges, including recruitment fees paid by foreign workers, lack of due diligence by some companies using recruitment agents and contractors, employment conditions of sub-contracted workers, issues of deception in recruitment, and instances of debt bondage. We partnered with Earthworm to develop an ethical recruitment due diligence tool based on insights from the assessment so that suppliers can more effectively analyze and adapt their approach to worker recruitment.

Cargill encourages our suppliers to conduct due diligence on recruitment agents and contractors, understand fees paid by workers, review employment conditions, and ensure their operations are not at risk of forced labor or human trafficking. To address the common practice of employers withholding migrant laborer passports, for example, we worked to raise awareness among our third-party mill suppliers about the importance of returning passports to their workers. In 2018, three of our suppliers declared their intention to

Our approach to protecting labor and human rights

Comprehensive and robust commitments at corporate and supply chain level

Developing effective processes and procedures

Proactive monitoring and risk identification

Piloting worker voice tools and deploying awareness programs at field level

Championing industry efforts to address systemic challenges



return the documentation. The story of one of those suppliers – the first in the state of Terengganu to return migrant worker passports – is featured on the Earthworm website. suppliers – the first in the state of Terengganu to return migrant worker passports – is featured on the [Earthworm website](#).

We are participating in an additional program led by a customer and a labor rights organization focused on assessing labor conditions in the Malaysian palm oil sector, including issues related to labor and human rights, compensation and hours, and health and safety. The assessment includes a sampling of our supplier mills and their supply bases that indirectly provide palm oil to Cargill’s Port Klang refinery. The assessment examines health and safety practices and identifies opportunities to improve systems and processes associated with the management, monitoring and mitigation of labor and human-rights related social issues and risks. Based on the outcome of the assessment, capacity-building and monitoring programs will be designed to improve conditions and support compliance with labor and human rights standards.

- **Indonesia** – In Indonesia, Cargill participated in an assessment conducted by LINKS in collaboration with the RSPO and trained our palm plantation employees about the UNICEF 10 Business Principles of Children’s Rights and mitigation of potential risks. [Learn more](#).

- **Guatemala** – In Guatemala, we collaborated with Proforest and Oxfam to develop a series of three webinars for suppliers focusing on NDPE and human rights for plantation workers. We communicated Cargill policies and expectations and provided our perspective on addressing social risks.
- **Colombia** – In Colombia, we participate in three industry initiatives to improve NDPE practices and protect labor and human rights:
 - Through our participation in the multi-stakeholder [Sustainable Trade Platform](#), we are collaborating with 25 organizations to help transform the palm oil value chain.
 - We are part of the [Tropical Forest Alliance Colombia](#), which promotes sustainability in the palm oil sector, including a zero deforestation agreement.
 - Cargill is part of the core technical group that is establishing the national interpretation of the new RPSO principles and criteria in Colombia.

Industry engagement

To address the need for systemic changes, Cargill joined Golden-Agri Resources, Musim Mas, Sime Darby, and Wilmar in signing the [Decent Rural Living Initiative](#) in 2018. Convened by Forum for the Future,

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.

We are collaborating to advance work within the Decent Rural Living Initiative by partnering with growers, consultants, trade unions and NGOs to identify priority areas and potential solutions. In Indonesia, our initial focus is on identifying and scaling solutions that improve family well-being, with a focus on women’s role in their dual capacity as earners and primary caregivers within their families. Cargill also participates in the RSPO Human Rights and Labor Working Groups and the Latin American Consultative Group of the RSPO.

Next steps

Moving forward, we plan to focus on rolling out tools to provide workers with an amplified voice in the effort to strengthen identification and monitoring of labor issues in the palm oil supply chain. We also will conduct a comprehensive review of our Cargill Malaysia refinery and supply base, including a labor and health and safety assessment to identify opportunities to improve systems and processes associated with the management, monitoring and mitigation of labor and human rights-related social issues and risks. We also will participate in an ethical recruitment stakeholder forum in collaboration with Earthworm Foundation.

Verification

Goal:

NDPE compliance verified across Cargill supply chain

We monitor practices and verify progress to ensure our suppliers are complying with Cargill's Policy on Sustainable Palm Oil and NDPE commitment.

Satellite and radar technology

To verify practices, we monitor for potential deforestation using Global Forest Watch Pro, a satellite imagery system that provides alerts on deforestation-related issues within our supply chain. We actively monitor 100% of our mills using the Global Forest Watch Pro system. If issues are identified, we engage with our suppliers to develop corrective action plans.

In 2018, we collaborated with World Resources Institute to begin using radar technology to track issues across our supply chain in near-real-time and address concerns in accordance with our grievance procedure. In areas prone

to cloud cover, radar can pierce through the clouds and provide data that cannot be obtained using optical sensors alone. Radar systems also are capable of capturing data at night. The addition of radar technology provides more timely and reliable deforestation detection.

Data from both these satellite and radar monitoring technologies are integrated into the Global Forest Watch platform to enable effective monitoring.

Policy compliance verification

In 2018, we began developing palm sustainability policy verification guidelines and indicators to demonstrate the level of compliance with our NDPE policy commitments across our supply chain. We are partnering with independent parties to perform a technical review of our guidelines and conduct relevant stakeholder consultations to verify supplier compliance with NDPE commitments. Our goal is to develop a common verification approach that can be adopted by the entire industry. Following the review, we will pilot this policy compliance verification approach with the traders and refiners who supply palm oil to us.





Key learnings

As we collaborated with stakeholders to advance robust systems in 2018, we gained additional insights in the areas of supplier engagement, management of grievances and implementation of landscape projects. We will apply this deeper understanding and adjust our strategies accordingly as we move forward in 2019 and beyond. Key learnings from 2018 are listed below.

Supplier engagement

For all our suppliers globally, we have learned that personalized one-on-one engagement is important and more successful in driving transformation than engaging in a larger group setting with multiple suppliers. Yet investment in one-on-one capacity building is not enough to ensure continuous progress of suppliers. We need to put in place better systems that support and measure long-term transformation. Integrated data management systems are required to clearly understand supplier performance and monitor progress. There also is a need to provide incentives and encourage suppliers to go beyond national legal frameworks in order to achieve sector-wide transformation. Recognizing the value of being part of global markets is necessary to drive change on the ground.

Grievances

Cargill's commitment to transform our supply chain drives us to support suppliers in the development of action plans and identification of thresholds to monitor processes leading to transformation. We must invest in existing suppliers so they adopt sustainable practices and support them to resolve grievances rather than pushing for removal of unsustainable volumes from the supply chain, which could result in growth of unsustainable volumes in markets outside Europe and the U.S. Being open and transparent with stakeholders creates an environment of trust and a platform for greater collaboration. We will identify clear indicators for potential risks and develop a proactive rather than reactive approach to monitoring and addressing deforestation alerts.

Landscape projects

Investing time and resources to balance varied interests and achieve alignment among multiple stakeholders is a valuable step when designing a landscape project. Once alignment is achieved, it enables greater impact on a broader scale.

2019 action plan

We have charted a clear path in 2019 with bold steps that will bring us closer to our goal of building a 100 percent transparent, traceable and sustainable palm oil supply chain.

2019/2020 palm sustainability action plan

Our 2019/2020 palm sustainability action plan aligns with our [roadmap](#)

Transparency

Traceability

We will be traceable to high-risk landscapes by 2020

Strategy

Traceability is an important tool for monitoring and responding to deforestation and peat clearance. Cargill is focusing on high-risk landscapes where there are remaining forest and peat. We are working with suppliers to improve transparency in their sourcing and accountability on the ground in the collection of concession data.

FY19/20 key actions

- Roll-out the risk-calibrated approach in our supply chain to collect TTP* data
- Collect TTP* information from mills through self-assessment tools where we buy directly
- Encourage the disclosure of concession maps by our suppliers

Grievances

We will be traceable to high-risk landscapes by 2020

Strategy

Cargill takes a time-bound approach to manage grievances, measure progress and support suppliers who demonstrate willingness to transform. We will continue to report transparently on all grievances and work with the industry to adopt common standards and thresholds on grievance resolution.

FY19/20 key actions

- Implement guidelines on minimum requirements to address social and environmental issues
- Roll-out supplier group engagement process in the context of grievance
- Define methodology for the verification of grievances for direct and indirect suppliers

Reporting

FY19/20 key actions

- Report the performance of our direct mills through the NDPE implementation framework
- Encourage traders and refiners to report on our indirect mills using the NDPE implementation framework

*TTP: Traceability To Plantations is defined as known information about 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.

Engagement

Supplier engagement

- All our direct and indirect suppliers are compliant with our NDPE policy commitments
 - Common environmental, land, and labor issues are addressed through landscape programs and case studies relevant to our supply chain
-

Strategy

Our supplier engagement process defines how we work with and hold our suppliers accountable to consistently deliver on expected milestones in line with NDPE commitments at both operational and landscape levels. We will continue to engage directly with mills to conduct field assessments, develop continuous improvement plans and verify their operations. We will work with producers at group level to ensure they adopt an NDPE policy, a time-bound action plan and a refinery action plan that covers mills in their supply base. Through baseline assessment, we have developed supplier profiles that allow us to prioritize our engagement efforts with suppliers.

FY19/20 key actions

- Continue to roll-out NDPE modules and supplier engagement programs in all geographies
 - Ensure that all direct traders and refiners have a group level NDPE policy and action plan
-

Landscape projects

Strategy

Participate in multi-stakeholder landscape programs involving industry partners, local governments, NGOs, producers and smallholders to improve traceability in high-risk landscapes and scale interventions to improve practices

FY19/20 key actions

- Accelerate work on Siak/Pelalawan landscape initiative
 - Pursue landscape initiatives in multiple geographies, including Ketapang, Indonesia and Colombia
-

Smallholders

Strategy

- We promote the inclusion of smallholders in our supply chain and improvement of their livelihoods by incorporating them in high-priority mill assessments and providing support to mills on smallholder transformation plans
 - We participate in programs with our peers and suppliers that build smallholder capacity and promote responsible farm development
-

FY19/20 key actions

- Scale up project with WildAsia on certification and reduction of agrochemical use in Malaysia
 - Expand project with Solidaridad on certification in Guatemala
 - Increase support for NORAD Rurality project through work with partner organization Earthworm Foundation and supplier Biopalma in Brazil
 - Develop a smallholder empowerment tool for mills (and potentially intermediaries) using technology to engage smallholders into more sustainable practices
-

Engagement

Cargill plantations

Strategy

We will uphold exemplary labor and environmental standards on our plantations, sharing our experience and working with our neighbors, smallholders and through industry initiatives to improve practices across the regions in which we work

FY19/20 key actions

- Roll out annual comprehensive labor, health and safety assessments in our operations
- Work with IDH on Ketapang Verified Sourcing Areas to map independent smallholders and develop a roadmap to improve smallholder practices
- Ensure that 100% of surrounding smallholder and neighboring plantations (within a 5 km radius) have been engaged in NDPE awareness and fire prevention
- Support local authorities on wildlife patrolling through training and deployment of Spatial Monitoring and Reporting Tools (SMART) in West Kalimantan, Indonesia

Labor and human rights

Strategy

Collaborate with governments, industry groups, growers and NGOs to address potential labor and human rights issues

FY19/20 key actions

- Pilot tools on ethical recruitment practices
- Implement and scale pilots under Decent Rural Living Initiative
- Develop a global program for the monitoring of labor practices in our supply chain

Verification

We will monitor our supply chain proactively through technology to detect breaches of policy compliance and source from independently verified NDPE compliant companies

Strategy

Cargill's verification system is intended to increase transparency in the supply chain and demonstrate accountability to stakeholders. We are investing in new technologies such as Global Forest Watch Pro and radar technology to identify and track issues across our supply chain in real-time and provide deforestation alerts and impact data. We will also work with partners to review and pilot test our policy compliance verification protocol with the goal of aligning on a common industry approach.

FY19/20 key actions

- Review, conduct stakeholder consultation and pilot policy compliance verification protocol
- Define and develop response protocol for managing deforestation alerts
- Conduct labor monitoring in three different origins using worker voice tools

Abbreviations

ART:	Aggregator/Refiner Transformation
HCV:	High Conservation Value (areas that support vital natural ecosystems and biodiversity or maintain the subsistence or culture of local communities)
HCS:	High Carbon Stock
HCSA:	High Carbon Stock Approach
ISCC:	International Sustainability and Carbon Certification standards
MB:	Mass Balance
NDPE:	No Deforestation, No Peat and No Exploitation
NGO:	Non-Governmental Organization
RSPO:	Roundtable on Sustainable Palm Oil
SCCM:	Sustainable Commodities Conservation Mechanism
SDGs:	Sustainable Development Goals
SG:	Segregated
SMART:	Spatial Monitoring and Reporting Tools

Contact Us

This report outlines our efforts to improve transparency, engagement and verification within our palm oil supply chain.

We welcome your feedback as we collaborate with others to transform the palm industry and make it more traceable, transparent and sustainable. To report a grievance related to our sustainable palm oil commitments, visit [Cargill.com](https://www.cargill.com).

Please direct other comments, suggestions and inquiries to:

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