I. EXTERNAL DESCRIPTION

CARGILL ENVIRONMENTAL COMPLIANCE VERIFICATION GUIDELINE FOR SUSTAINABLE PALM OIL ("PALM VERIFICATION GUIDELINE")- (Created April 2021)

1. **Background**

Cargill introduced its Policy on Sustainable Palm Oil (Palm Policy) in July 2014 followed by an updated version in March 2019 . This Palm Policy allows for sustainability values and agricultural development to simultaneously thrive. Cargill's commitment to producing and sourcing palm oil in an ethical, environmentally sustainable and socially responsible manner are embodied in Cargill responsible production requirements that aim to deliver palm oil that is produced in accordance with the principles of "No Deforestation, No Development on Peat and No Exploitation of people and indigenous communities" (NDPE). Based on Cargill's Palm Policy, a time-bound strategic roadmap with key performance indicators was developed to ensure progress towards achieving a 100% transparent, traceable and sustainable palm oil supply chain. Accordingly, Cargill partnered with a third-party verification organization- Preferred by Nature (formerly known as NEPCon) to develop a guideline to verify Cargill and its direct suppliers' compliance with No Deforestation and No Peat commitments.

2. **Objectives**

The Cargill Environmental Compliance Verification Guideline strengthens our commitment to independent verification as a key element of delivering an NDPE palm oil supply chain. It provides clear guidance on how to assess suppliers' practices thereby increasing transparency and accountability within the supply chain.

It also fits in our broader supplier engagement strategy to help ensure that our plantations, as well as suppliers, are empowered to achieve and maintain compliance and are held accountable for transforming their supply chains.

3. **Scope**

The Guideline covers Cargill's own operations and direct suppliers' operations. Depending on the region and context, Cargill's direct suppliers may be mills, traders, refiners and processors. For extended implementation of Cargill's environmental compliance verification, Cargill expects its direct suppliers to verify and monitor their direct supply base including plantations, mills, traders and refiners/processors for compliance.

At the mill level, verification entails use of a mill-level checklist to verify whether the mills' practices are in accordance with environmental requirements outlined in the Palm Policy, as well as progress on continuous improvement plans. Direct suppliers that are mills are required to demonstrate compliance within their own operations, as well as their third party supply base (i.e., third party plantation company, schemed smallholders/plasma, cooperative/partnership or agent). The key principles at this level include: Commitment to source from NDP compliant sources, Compliance with Legislations and Policies, Traceability, Protection and Conservation of Ecosystems, Management of Environmental Impact and Sustainability Reporting.

At the trader, refiner/processor level, verification entails use of a trader, refiner/processor checklist to verify whether traders and refiners/processors have systems in place to ensure compliance of their supply base with No Deforestation and No Peat Commitments. The main objective is to confirm that traders and refiners/processors have systems in place, and that these systems are effectively implemented and verified across their supply base. The key principles at this level include: Commitment to source from NDP compliant sources, Compliance with legislations and policies, Traceability, Environmental Impact Management, Communication, Partnership and Collaboration, Sustainability Governance.

Cargill views the Accountability Framework initiative's (AFi) definition of verification as important context for its supply chain verification.

4. Outcome

Following the verification, a report will be shared with suppliers based on their performance. In the case of non-compliance, the supplier is required to establish and submit a timebound action plan to address and close the identified gaps. Cargill will follow up with suppliers to monitor implementation of an action plan. Surveillance verification checks will be conducted to ensure verified suppliers remain compliant with No Deforestation and No Development on Peat (NDP) requirements.

Although the requirements outlined in the guideline has similarities with the RSPO certification scheme, the value of Cargill's verification process is to help suppliers progress towards RSPO certification which has more procedural requirements.

5. References

This Environmental Verification Guideline is developed as part of our palm sustainability commitments and is based on the following guidelines:

a. Cargill Policy on Sustainable Palm Oil
b. Supplier Code of Conduct
c. RSPO Principles and Criteria (P&C) 2018
d. IDH TWG criteria for field verification assessment 2016
e. Accountability Framework initiative (Afi)

Cargill Environmental Compliance Verification Audit Process

1 Commitment to Policy

Cargill supplier is committed via its policy to produce & source sustainable palm oil.

Initial contact made between supplier, Cargill and Auditing Body to conduct Cargill Environmental Compliance Verification.

2 Preparing for the audit

Auditing Body prepares an audit plan & sends to supplier and Cargill.

Auditing Body conducts desktop research on selected suppliers

3 The audit takes place

On-site audit initiated with opening meeting & document review.

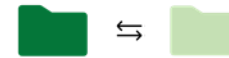On-site facility inspection & interview.

Closing meeting – suppliers confirm accuracy of facts.

4 Audit report

DRAFT | 30 DAYS

Auditing Body prepares draft report (30 business days from closing meeting).

Cargill & supplier review draft report & provide input to Auditing Body (15 business days).

15 DAYS

Auditing Body responds & prepares final report for Cargill & supplier (15 business days).

5 Corrective action plan

30 DAYS

Supplier submits corrective action plan (30 business days) from final report date.

Auditing Body verifies corrective action plan to decide whether the gaps are sufficiently closed.

Recognition to supplier when fully compliant.