

Progress Report
2019

Sustainable Palm Oil

Our transformation journey



Our transformation journey

Significant progress achieved in five years

Published June 2020

We have come a long way in the five years since we introduced our Policy on Sustainable Palm Oil in 2014. Within our supply chain and more broadly across the industry, we have taken steps to reduce deforestation and clearance of peat and address human rights issues related to palm oil production. This report is a reflection of that journey, showing what we have achieved to date and what still needs to be done to fulfill our commitment to build a transparent, traceable and sustainable palm oil supply chain.

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Our approach:

Palm oil sustainability



Letter to stakeholders



Our palm sustainability journey

When we embarked upon our journey to improve the sustainability of our palm supply chain in 2014, we were navigating uncharted waters. Until that point, our efforts had focused primarily on the performance of Cargill-owned

plantations and mills and driving sector change through the Roundtable on Sustainable Palm Oil (RSPO). In 2014 we expanded our approach outward, seeking to transform our third-party supply chain. We published our initial Policy on Sustainable Palm Oil and set forth a strategy with annual action plans focused on meeting key milestones by 2020. Now that 2020 is upon us, we are reflecting on what we have learned and achieved during the previous five years and what lies ahead for the remainder of this year and beyond.

Our initial strategy was built on four pillars – traceability, supplier engagement, sustainable plantations and smallholder inclusion – with collaboration as a foundational element

across all areas. Over the past five years, we have focused on establishing systems and processes to provide transparency. Examples include developing a grievance procedure and resolution guidance, due diligence protocol and initiating the Implementation Reporting Framework with Proforest and PepsiCo.

Our strategy

We believe that transforming the sector at the plantation level is key for both protecting forests and continued viability of palm in the global marketplace. We aim to drive industry transformation by addressing challenges within our third-party supply chain and working more broadly at the landscape level. We support suppliers to achieve cultural and operational change. Alignment of our suppliers with our “No Deforestation, No Peat and No Exploitation” (NDPE) commitments is essential, so we work with them to develop and deploy policies and action plans and ensure this is cascaded in their supply chain. We enable suppliers to do this by funding assessments and capacity-building workshops and providing tools that facilitate better practices.

We are firmly committed to the inclusion of smallholder farmers in the sustainable palm oil supply chain. We work with stakeholders globally to map and certify smallholders under national and international sustainability standards.

Progress and insight

We are proud of the progress we have made so far toward achieving our 2020 commitments. In some areas, such as traceability and direct supplier performance, we have made great strides toward meeting our 2020 goals. In the fourth quarter of 2019, for example, 93% of our palm oil volume globally was covered by NDPE policies and 58% of our direct traders/refiners had put in place a credible NDPE policy implementation plan to cover their supply chains.

Cargill is on track to eliminate deforestation in all commercial palm concessions in our third-party supply chain by the end of 2020.

In other areas, such as our ability to engage with indirect suppliers to achieve NDPE compliance, we realize the need to adjust our approach to accommodate limitations of commercial relationships. We have revised our strategy accordingly and are now working through our direct suppliers, providing them the training and tools they need to motivate improvements within their own supplier networks

while maintaining processes – including adopting a no-buy position on noncompliant suppliers based on our grievance process and monitoring of third-party mills and their potential supply sheds – that mitigate risks arising from indirect suppliers.

Looking ahead

Today, we operate in an environment fueled by expectations that companies need to do more – and at a faster pace. Stakeholders are demanding that individual companies and the palm oil industry overall report with increasing

transparency how we are delivering on our sustainability commitments. We are rising to the challenge to be a trusted partner. Collaboration is key to meeting these expectations and addressing shared challenges now and into the future. That is why Cargill is taking a leadership role as part of the Palm Oil Collaboration Group to further develop the Implementation Reporting Framework for measuring progress in our indirect supply chain, achieve industry alignment on how to handle the challenge posed by deforestation outside concessions and address the need for independent verification. The palm oil industry also must work together to develop a systemic response to resolve human rights violations, improve livelihoods and pursue broad public-private partnerships to tackle shared challenges in targeted, high-risk landscapes.

As we focus on meeting our own sustainability goals and advancing collaborative efforts, we are confident we will continue making steady progress and moving the industry to a new level of transparency and sustainability in 2020 and beyond.



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

Cargill palm sustainability timeline



Published Cargill Policy on Sustainable Palm Oil, began reporting mill traceability

Published first progress report and action plan including goals and key performance indicators (KPIs), launched Palm Grievance Procedure

Launched Palm Sustainability Dashboard, supported the High Carbon Stock Approach (HCSA) convergence, began reporting plantation traceability

Published 2020 Roadmap, established key processes, policies, procedures

Convened industry peers to collaborate on Siak-Pelalawan landscape initiative and development of NDPE Implementation Reporting Framework

Initiated formation of Palm Oil Collaboration Group with partners to pursue scale and evaluate impact

Improve monitoring in partnership with Descartes Labs and support remaining suppliers to develop action plans

Continue collaboration and take action to transform the industry

About Cargill

Our purpose is to nourish the world in a safe, responsible and sustainable way.

160K
employees

Working in
70
countries

With more than
150
years of
experience

Delivering for
customers in
more than
125
countries

Supporting
communities with
350
Cargill Cares
Councils

We aim to be the
**most trusted
partner** for food,
agriculture, financial
and industrial
customers.

Our business

Every day, we connect farmers with markets, customers with ingredients, and people and animals with the food they need to thrive.

We provide insights to our partners



We transform raw materials into finished goods



We move products around the world



For farmers

We supply feeds, other inputs and expertise to farmers, and buy crops and livestock from them



For customers

We deliver finished goods to customers in the foodservice, retail, consumer packaged goods and industrial sectors



How we work

Our integrated operating approach enables our businesses to provide industry-leading products and services in their specific sectors while also drawing on the full world of Cargill's expertise. We deliver this expertise locally, quickly and reliably through world-class capabilities and operations everywhere we do business. Our global functions equip our businesses to do this effectively and efficiently by providing process governance and deep subject matter expertise on issues that affect us, our customers and other partners.

Cargill's Executive Team is responsible for the company's strategic direction, talent development and overall financial performance. Led by Chairman and CEO David MacLennan, members of the Executive Team represent all of Cargill's enterprises, as well as major global functions. They use a diverse set of experiences from both inside and outside of the company to lead and achieve results.

Our Guiding Principles

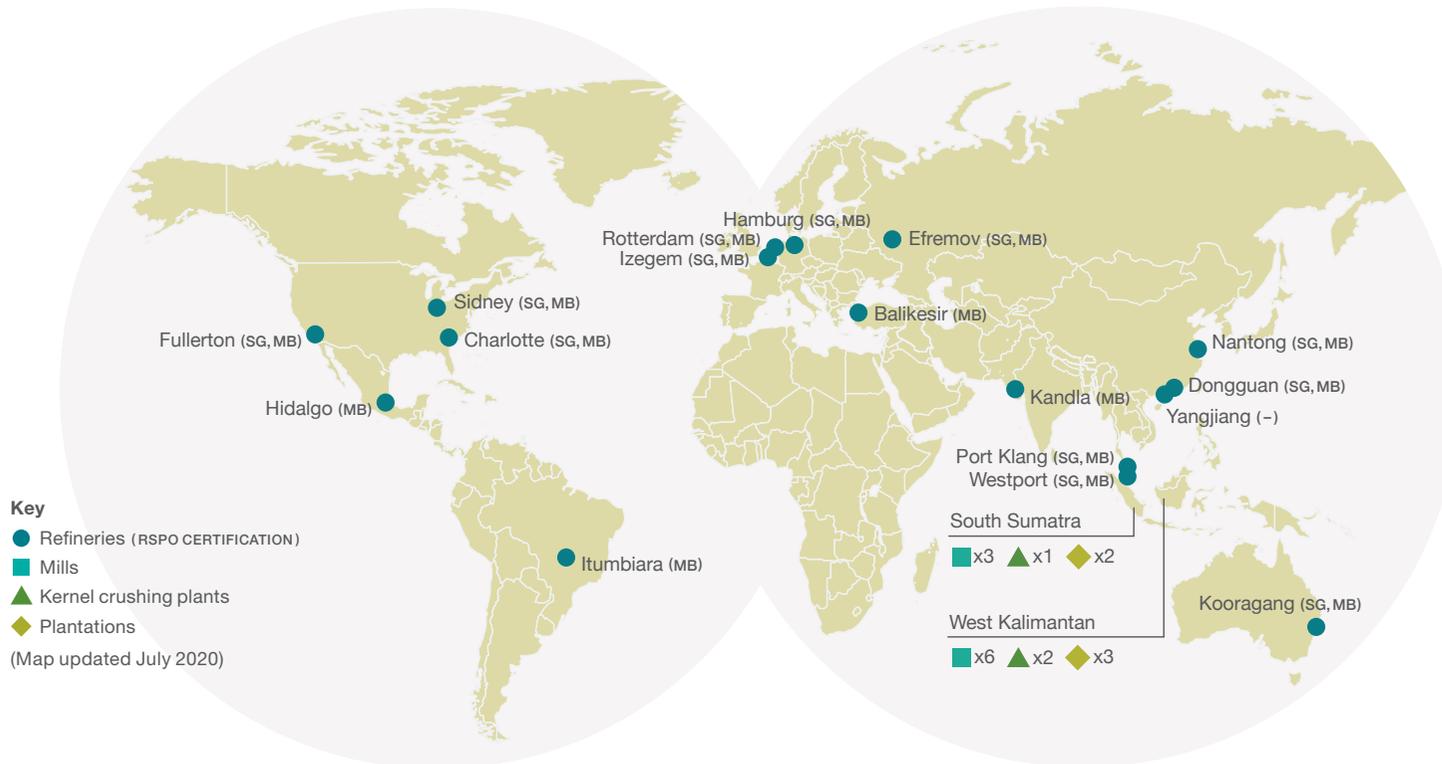
Doing business ethically is key to our long-term strategy and relationships. Our seven Guiding Principles make up the core of our Code of Conduct. We require all employees and contractors to follow them, and expect our suppliers to do the same.

1. We obey the law.
2. We conduct our business with integrity.
3. We keep accurate and honest records.
4. We honor our business obligations.
5. We treat people with dignity and respect.
6. We protect Cargill's information, assets and interests.
7. We are committed to being a responsible global citizen.

Cargill palm oil operations

Cargill operates a global palm oil supply chain with physical assets in the form of plantations, palm oil mills, kernel crushing plants and refineries. As a trader of major commodities around the world, our key activities in the palm supply chain include sourcing, trading and refining oil from third-party mill suppliers¹. We buy some of the oil directly from mills; the majority of the oil is sourced indirectly via traders and refiners on the open market. We also purchase from smallholders through cooperatives and indirectly from independent smallholders.

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



 17 Refineries

 9 Mills

 3 Kernel crushing plants

 5 Plantations

 22,000 Smallholders
Cargill partners with 22,000 smallholders (plantations <2ha)

Not part of Cargill operations

 1,277 Third-party mills

Our commitments

Ensure a traceable, transparent and sustainable palm oil supply chain

Cargill's commitment to producing and sourcing palm oil in an economical, environmentally sustainable and socially responsible manner is detailed in our [Policy on Sustainable Palm Oil](#). In accordance with "No Deforestation, No Peat and No Exploitation" (NDPE) practices, Cargill commits to a supply chain that:

- Protects high conservation value (HCV) areas, high carbon stock (HCS) 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
- Upholds high standards of transparency through reporting of traceability, time-bound implementation plans, resolving grievances and achieving third-party verified policy compliance



End deforestation

We are taking steps to protect forests in our palm oil supply chain in line with the High Carbon Stock Approach (HCSA) and consistent with Cargill's companywide commitment detailed in our [Forest Policy](#).

Protect human rights

We treat people with dignity and respect, provide equitable, safe and supportive workplaces and take action to promote human rights in our supply chains as described in our [Human Rights Commitment](#).

Governance

To guide us in meeting our sustainability commitments, we have established a clear governance structure for sustainability across Cargill, starting at the top and

reaching down into each of our supply chains, including palm oil, to ensure consistency and accountability. This governance structure is detailed on [Cargill.com](#)

The U.N. Sustainable Development Goals

Cargill is committed to using our global reach within the agriculture, food and nutrition sector to help achieve the U.N. 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](#).



Our progress: 2020 goals and achievements

Goals and key performance indicators

In 2015, we defined a roadmap for achieving our 2020 sustainable palm oil goals, including key performance indicators (KPIs) to measure our progress. As we progress on the implementation of our strategy, we reassess our goals and indicators based on what we are learning. In 2018, we refined

our goals and KPIs to improve the way we measure our impact and align with changing industry expectations and common understanding, including an increasing focus on protection of labor expectations and common understanding human rights and recognition of the need for greater transparency in the way

progress is verified and communicated. We also fine-tuned our approach for collecting traceability data and engaging with suppliers. As an industry operating in uncharted territory five years ago, we have come a long way in how we collaborate, identify and implement solutions, and report progress.

Evolution of our sustainable palm oil roadmap

| <i>Roadmap priorities</i> | <i>What we learned: 2015-2018</i> | <i>Current goal</i> | <i>Current KPIs</i> |
|---|---|--|---|
| <p>Traceability</p>  | <ul style="list-style-type: none"> Initially we focused on traceability to 100% of plantations in our supply base by 2020. We discovered 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. In areas with higher risk of noncompliance with NDPE requirements, we focus on tracing to the farm level. We now prioritize collection of data using a risk-calibrated approach to ensure we are targeting high-priority landscapes with greater risk of noncompliance. | <p>Traceability to plantations by 2020 in high-priority landscapes.</p> | <ul style="list-style-type: none"> Percentage traceable to plantation level Note: We began transitioning to risk-calibrated approach in 2019 (see p. 27 for details). |
| <p>Grievances</p>  | <ul style="list-style-type: none"> We updated KPIs in 2018 to improve the level of reporting transparency and clarity about required actions for remediation. | <p>Report on all grievances in our supply chain transparently and publicly</p> | <ul style="list-style-type: none"> Percentage of verified grievances have an action plan Updates provided on management and monitoring |

| Roadmap priorities | What we learned: 2015-2018 | Current goal | Current KPIs |
|---|---|---|--|
| <p>Supplier engagement</p>  | <ul style="list-style-type: none"> • We learned it is important to adapt our approach to better reflect our sourcing relationships. • We adjusted our KPIs to more closely match the various ways we source (direct and indirect), the commercial leverage we have with our suppliers and how we hold them accountable to deliver on our commitments. | <p>Direct and indirect suppliers compliant with NDPE policy</p> | <p>Direct mills:</p> <ul style="list-style-type: none"> • Percentage of direct mills formally aligned with our NDPE policy • Percentage of direct mills have completed self-assessments • Percentage of direct supplier high-priority mills assessed and covered by continuous improvement plan <p>Direct traders/refiners:</p> <ul style="list-style-type: none"> • Percentage of direct suppliers (traders/refiners) with credible NDPE policy and implementation plan to cover their mill supply base |
| <p>Landscape projects</p>  | <ul style="list-style-type: none"> • As we have made progress in implementing landscape projects, we are using more precise indicators in the measurement of our impact. | <p>Common environmental, land and labor issues addressed through relevant landscape programs and case studies</p> | <ul style="list-style-type: none"> • Percentage of high-priority landscapes covered by a project |
| <p>Smallholders</p>  | <ul style="list-style-type: none"> • We continue our approach to working with smallholders through awareness raising, capacity building and certification. | <p>Smallholders included in supply chain and their livelihoods improved</p> | <ul style="list-style-type: none"> • Number of farmers certified in a Cargill program • Number of mills which performed an assessment of their smallholder supply base and engage smallholders in sustainable practices • Projects aiming to improve farmer livelihoods |

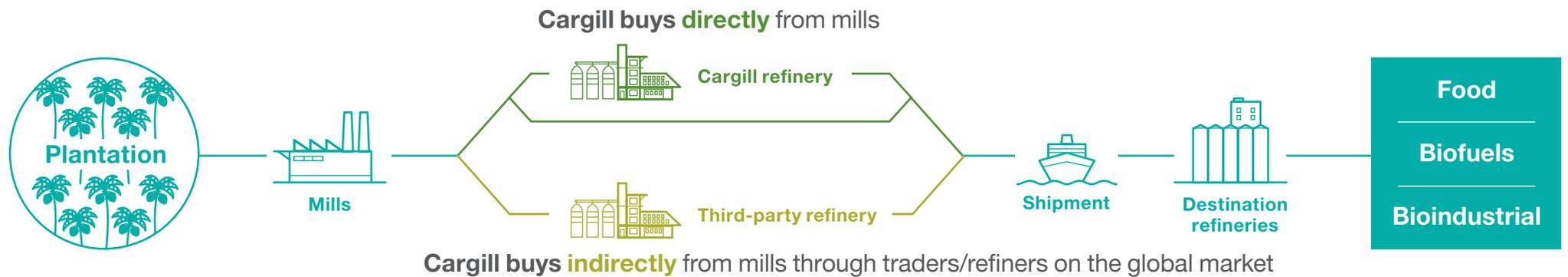
| Roadmap priorities | What we learned: 2015-2018 | Current goal | Current KPIs |
|---|---|--|---|
| <p>Cargill plantations</p>  | <ul style="list-style-type: none"> • We continue to uphold NDPE commitments in our own operations. | <p>Cargill-owned mills/plantations (and smallholders supplying to them) compliant with NDPE policy</p> | <ul style="list-style-type: none"> • Percentage of mills, plantations and managed smallholders RSPO certified • Percentage of fresh fruit bunches (FFBs) originate from NDPE-compliant sources • Percentage of Cargill operations and surrounding communities covered by a fire prevention and awareness program |

Added in 2018

| | | | |
|--|---|---|--|
| <p>Labor and human rights</p>  | <ul style="list-style-type: none"> • Initially, much of our efforts were focused on tackling challenges related to reducing deforestation and development on peat lands. • Responding to growing concern about human rights issues across the palm oil industry, we have partnered with experts in our own operations and with our suppliers through initiatives to drive sector-wide change. | <p>Human rights protected in Cargill supply chains</p> | <ul style="list-style-type: none"> • Percentage of direct suppliers for which human rights issues have been socialized • Percentage of direct suppliers that have comprehensive human rights commitments in their policy |
| <p>Verification</p>  | <ul style="list-style-type: none"> • We recognized stakeholders' desire for greater transparency in the way companies report impact. • We introduced a strategy to verify performance using technology to achieve more precise monitoring of our supply chain. • We increased transparency through improved reporting that verifies compliance with NDPE requirements. | <p>NDPE compliance verified across Cargill supply chain</p> | <ul style="list-style-type: none"> • Percentage of supply chain covered by satellite and/or radar monitoring • Number of field verifications of compliance with NDPE requirements |

2019 palm oil impact scorecard

Cargill supply chain



Proportion of RSPO certified volumes out of global volumes

17% Physically certified of all Cargill volumes

45% Europe RSPO segregated

22% Europe & US RSPO mass balance

Origin of the volumes at destination



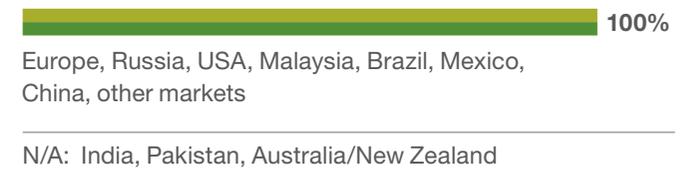
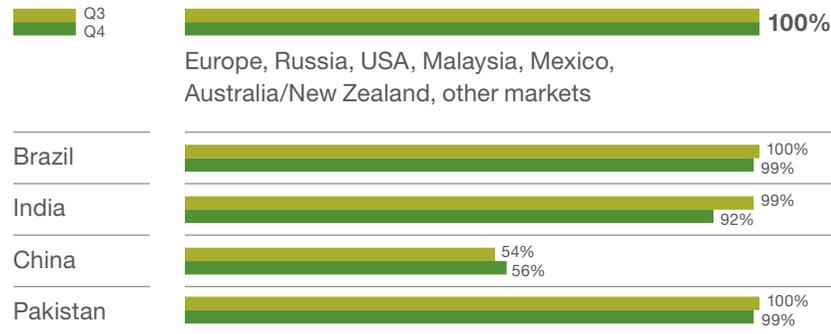
Direct and indirect mills sourcing (volumes)



Traceability scores

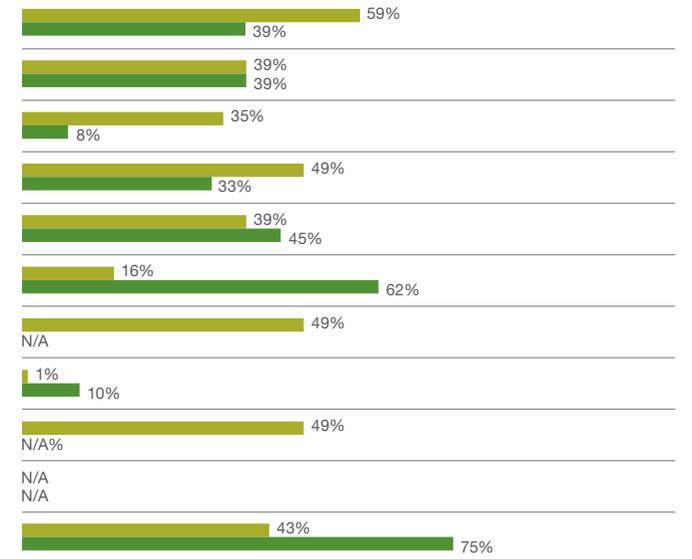
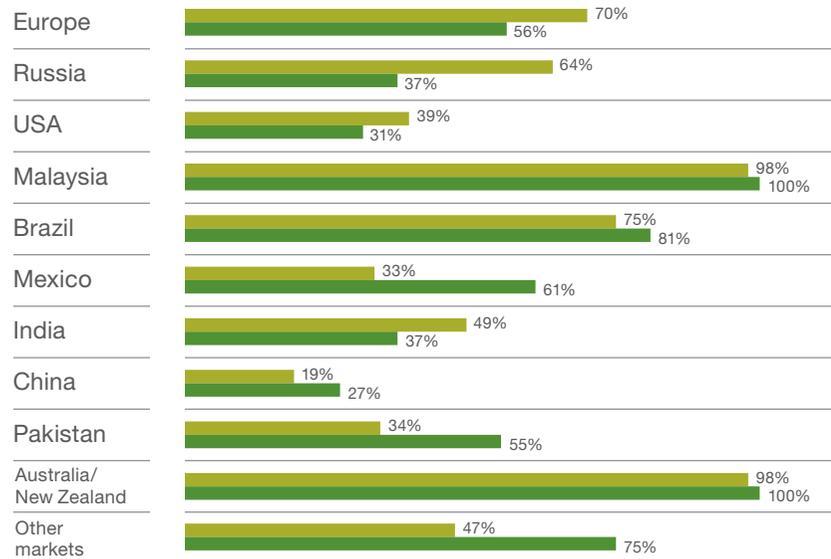
Traceability to mill level

93%
Global score



Traceability to plantation level

48%
Global score



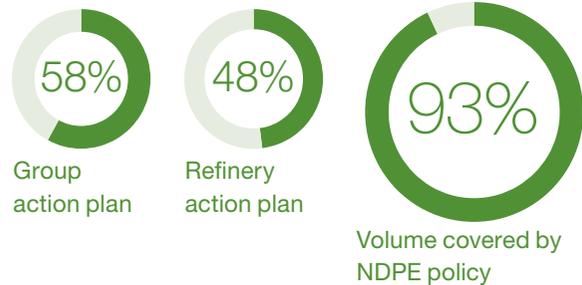
Palm

Kernel

Sustainability performance

Sustainability program impact

Direct trader/refiner



Direct mills



Third-party mills and refineries

32 Third-party refineries
 1,277 Third-party mills
 120 Segregated mills

Mill prioritization for engagement

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

303 high
 459 medium
 524 low

Labor and human rights

34% Direct suppliers that have comprehensive human rights commitments in their policy

54% Direct suppliers for which human rights issues have been socialized

Monitoring and verification

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

Sustainability performance

Smallholder program

3,459

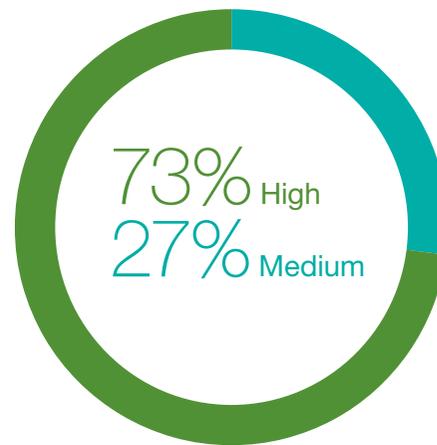
New farmers certified in a Cargill program in 2019

4

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

Landscape program (Siak/Pelalawan)

Cargill mill priority in Siak/Pelalawan



30

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

Cargill plantations

Percentage RSPO certified

■ Certified ■ 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

51
Direct third parties

7
Indirect third parties

Addressing grievances

Deforestation



50% Monitoring implementation
30% Suspended
7% Developing action plan
7% Investigation
6% Verification

Labor/human rights



50% Monitoring implementation
33% Suspended
17% Developing Action Plan



Cargill plantations

Our goal: Cargill-owned mills/ plantations (and smallholders supplying them) are compliant with our NDPE policy.

Since joining the RSPO in 2004, Cargill has been advancing sustainable practices in our palm plantations in Indonesia. We have maintained new developments in line with the High Carbon Stock Approach (HCSA) and peat conservation commitments, and we are continuing to make improvements in upholding human rights.



Forest preservation

In December 2019, Cargill committed US\$3.5 million to finance the Nanga Lauk community forestry conservation project in West Kalimantan, Indonesia over 25 years as a part of its RSPO remediation and compensation requirements. Through this project, Cargill will support the local indigenous community with training in basic business skills, harnessing natural resources and attracting sustainable ecotourism so that more than 700 villagers can improve their livelihoods and build a more sustainable

future while conserving surrounding forests and waterways.

This is the first project to be conceived via the Sustainable Commodities Conservation Mechanism (SCCM), which Cargill developed in conjunction with Lestari Capital, to help businesses finance and deliver long-term conservation projects with lasting impact. The [SCCM financial model](#) – the first of its kind in the palm oil industry – is a pioneering approach to preserving forests and protecting the rights of indigenous people.

“Cargill dedicated three years as Lestari Capital’s development partner to create the SCCM. The partnership helped Lestari Capital manifest a breakthrough vision for environmental finance: to enable corporations to securely, accountably and directly integrate the sourcing of environmental outcomes from conservation landscapes and associated biodiversity and social impacts into our supply chain. The SCCM simultaneously backstops Cargill’s RSPO commitments to the market, while ensuring that conservation projects have the runway needed for long-term conservation planning. We are thankful for Cargill’s shared vision, partnership and trust to innovate something completely new.”

Gabriel Eickhoff, Founder and CEO of Lestari Capital

We continue to work directly with smallholders in communities around our plantations to help them achieve and maintain RSPO certification and NDPE compliance, prevent fires and improve their livelihoods.

Based on our interactions with local communities and smallholders around our plantations and through dialogue with our suppliers, we have also explored protection-production models that balance conservation and livelihood needs – one of the biggest challenges facing the industry today. As an HCSA member, we are sharing our findings from this work to help the organization develop clear guidelines and support for smallholders to align them with “no deforestation” commitments while maintaining their livelihoods.

Upholding high standards of conservation in our operations

We have put in place or improved procedures to ensure continued compliance with our Policy on Sustainable Palm Oil and we regularly conduct internal audits of NDPE practices within our operations in addition to scheduled RSPO audits. We adopted HCSA into our land development criteria and smallholder projects in 2013. In 2017, we documented a standard operating procedure (SOP) for sustainable land clearing and new planting that are in line with the HCSA and build on the [RSPO New Planting Procedure](#) requirements. Our SOP for Sustainable Land Clearing and New Planting – which includes guidance for members of smallholder cooperatives, KKPA smallholders*, independent smallholders, suppliers, contractors and sub-contractors as well as other related parties – must be adhered to for all new proposed developments.

We have upheld our commitment to no new developments on peat, and where there are already existing peat areas on which palm was planted at the time of publication of our policy, we are following the RSPO Manual for Best Management Practices on Peatland.

* Kredit Koperasi Primer Anggota (KKPA) schemes are partnerships involving plantation companies and smallholder farmers (with plots of 2 hectares or less) organized by cooperatives or villages.

To ensure employees and relevant stakeholders – including smallholder cooperatives and independent smallholders who supply fresh fruit bunches directly to our mills as well as local communities and authorities – understand our policy and their role in adhering to our NDPE commitments, we regularly provide them with NDPE training and socialization.

In 2019, 439 employees and 1,070 community stakeholders participated in NDPE training and socialization activities.

To monitor compliance, we use Zoological Society of London's (ZSL's) Spatial Monitoring and Reporting Tool (SMART) conservation software to conduct effective, real-time patrolling of the HCV and HCS areas in and around our five plantations located in South Sumatra and West Kalimantan. In addition, we partner with BKSDA – the Natural Resources Conservation Center, a local government agency – to monitor the boundaries of the Cagar Alam wild-life reserve near our Poliplant plantation in West Kalimantan to protect biodiversity.

Since establishing the Cargill Fire-Free Village program in 2016 in and around our plantation concessions in South Sumatra and West Kalimantan, we have been working with local governments and 26 communities to help prevent and control fire by focusing on fire deterrence, detection, monitoring and suppression. In 2019, we deployed thermal sensing technology to improve detection of hotspots.

This technology, combined with mainstream tools, such as manned watch towers and drones, provides more comprehensive fire monitoring capability.



Addressing and preventing labor and human rights issues in our operations

We protect the rights of workers involved in our operations, including employees and contractors, as outlined in the Cargill Commitment on Human Rights and in our Policy on Sustainable Palm Oil. To develop employees' understanding of our commitments, we conduct annual training and regularly socialize our human rights policy. Guidance about a wide range of human rights related topics – such as recruitment, housing, medical and maternity leave, prevention of discrimination and harassment, pensions, minimum employment age and freedom of association – is made available in the local language (Bahasa).

Using Cargill Plantation System customized software, we automatically identify potential issues of noncompliance to human right standards, notify managers to investigate the risk and implement corrective actions to resolve the issue. The system is currently in use for all our plantation employees and will eventually be rolled out to cover third-party contractors as well.

Since our NDPE policy was introduced in 2014, 18,000 employees have received information about our commitments and expectations.

Prior to conducting an internal labor assessment of our palm oil operations in November 2019 to evaluate the effectiveness of our processes and systems, we revised our labor assessment checklist in line with industry standards, including RSPO, International Sustainability and Carbon Certification (ISCC), Indonesian Sustainable Palm Oil (ISPO) International Labour Organization (ILO) and the Palm Oil Innovation Group (POIG). The assessment covered a variety of topics, such as compliance with rules to prevent child labor, forced and trafficked labor, and discrimination, and assurance of equal opportunity, freedom of association, ethical recruitment, payment standards and working conditions. The exercise provided valuable insights to help ensure integrity and accountability as we continue to improve.

We plan to continue reviewing and strengthening the checklist to ensure all requirements are included and further train our internal assessors on social auditing with the support of external experts. We will then introduce this approach across our third-party supply chain. We will use the framework as a starting point for a broader review of our human rights due diligence, monitoring, response and remediation plans and processes.

Supporting smallholders

Cargill has helped more than 16,500 of the 21,600 smallholders around our plantations and mills in South Sumatra and West Kalimantan to become RSPO certified. As a result, more than 10,000 hectares of smallholder plantation land is now part of the sustainable palm oil supply.

In 2019, more than 3,000 farmers across eight smallholder cooperatives at Cargill's PT Poliplant Sejahtera oil palm plantation in West Kalimantan were RSPO certified. They join a growing list of RSPO certified smallholders at other Cargill plantations, including groups certified at Cargill's Poliplant Group in West Kalimantan in 2016, PT Harapan Sawit Lestari in West Kalimantan in 2015, PT Indo Sawit Kekal in West Kalimantan in 2014 and PT Hindoli in South Sumatra in 2009.

In the Ketapang region of West Kalimantan, we are helping independent

smallholders to improve productivity and sustainability while verifying that the area meets NDPE criteria. In 2019, Cargill began mapping smallholders outside of palm oil concessions in the Air Upas and Manis Mata districts (IDH is continuing the mapping in 2020). We are working with independent smallholders in the villages surrounding Cargill's PT Poliplant Sejahtera and PT Harapan Sawit Lestari plantations to address key challenges identified during the mapping exercise.

These intervention efforts include data verification, additional mapping and collection of information from smallholders, conducting social and environmental impact and HCV assessments, accelerating the process of ensuring land legality, organizing smallholders into cooperative groups, and increasing use of good agricultural practices and sustainability principles to prepare smallholders for certification.



2,500 smallholders

More than 2,500 independent smallholders in Ketapang are improving sustainability on 5,000 hectares of plantation land.

10,287 hectares

We have mapped 10,287.51 hectares outside of palm oil concessions in Ketapang.

Achievements and awards

Over the past five years, Cargill plantations and mills in Indonesia have received recognition for our leadership in advancing palm oil sustainability. Included here are examples of awards we received in 2018 and 2019.

Fire prevention

Our long-term commitment to zero burning through comprehensive fire prevention, monitoring and control measures was recognized twice: in South Sumatra, the provincial government honored Cargill's PT Hindoli plantations in

Sungai Lilin and Mukut; in West Kalimantan, Cargill's Poliplant Group received the Ketapang regency award.

Investment Award

Cargill's PT Hindoli plantation received the Investment Award from the governor of South Sumatra for

the company's efforts to operate a sustainable, progressive and responsible business.

Smallholder record

A smallholder cooperative supplying to our PT Hindoli plantation (Barokah Jaya KUD of Tegal Mulyo village) set an Indonesian [national record](#) for the heaviest fresh fruit bunch: 95 kg.

Smallholder certification

3,019 smallholders at Cargill's PT Poliplant Sejahtera plantation in West Kalimantan received [RSPO certification](#). In October 2019, the same group of smallholders received premiums worth US\$35,000 as added value for their RSPO certified palm.

Women's empowerment

Our program to empower women at our palm plantations in South Sumatra and West Kalimantan won top honors in the 2019 Best in Baking program Sustainability and Ingredients category, sponsored by the International Baking Industry Exposition.

[Click here](#) to see how empowerment programs have impacted women working at Cargill plantations.

Education

Cargill's education foundation school in South Sumatra won a Healthy School Award from the Ministry of Health.

Green Industry Award

Our six mills in South Sumatra and West Kalimantan received a Level 5 (highest level) Green Industry Award from the Indonesian Ministry of Industry for Cargill's role in contributing to local communities and the country's economy while maintaining sustainable environmental practices.

Sustainability

The Ministry of Agriculture in South Sumatra honored Cargill's PT Hindoli plantation with a PROPER Environmental award for our strong commitment to the community in the areas of infrastructure development, education, health and environment.





Cargill third-party supply chain

We are working to end deforestation, address labor and human rights issues, and support smallholders in our third-party supply chain. This section of the report provides updates on the progress we are making toward our goals in each of these priority areas.

95%

More than 95% of our palm oil volume comes from third parties.

Ending deforestation

Our journey

In 2014, we adopted principles, such as the protection of HCS areas, that served as the basis for our [Policy on Sustainable Palm Oil](#). In 2015, we developed our strategy to eliminate deforestation across our entire palm oil supply chain, including third-party suppliers. Over the past five years, we have moved from a reactive approach to a more proactive strategy and have made significant progress.

Cargill is on track to eliminate deforestation in all commercial palm concessions in our third-party supply chain by the end of 2020.

The next several pages show how we have evolved our approach, followed by more in-depth updates on our progress in key areas:



Traceability



Monitoring and verification



Addressing grievances



Supplier engagement



Landscape initiatives

Five years of progress:
Evolution of our approach to ending deforestation in our palm supply chain

| Strategy | Where we began (2014) | How we evolved | |
|----------------------------|---|--|---|
| Traceability | Traceability was limited to country of origin, which reduced our ability to accurately monitor deforestation. | <p>We defined and developed guidelines on traceability to mills and plantations, aligning with the industry through groups such as the Traceability Working Group convened by IDH. We have since established traceability across our supply chain to mills and continue to work on traceability to plantations. We continued to refine where and how we collected data to improve monitoring where it is most needed and account for different deforestation drivers.</p> <p>We have achieved 93% traceability to mills and 48% to plantations, providing good visibility into our supply chain. For palm oil destined for markets in the EU, we have reached 56% traceability to plantations.</p> | Today, using GPS coordinates and concession shape files, we can identify and visualize the potential risk of deforestation around the mills from which we purchase palm oil. We upload this data to a geospatial information system to monitor changes using satellites and radar imageries. By overlaying the data with maps of forests, peatland and protected areas, we can measure the risk and identify ongoing deforestation. We still have some ways to go collecting concession data, particularly in Indonesia due to certain limitations, but we continue exploring innovative ways to improve our monitoring at a more granular level. |
| Monitoring | We needed to create a robust monitoring system to track deforestation activity. | We developed a process to <u>monitor our supply chain</u> for potential land use changes. In 2016, we adopted the Global Forest Watch system using satellite imagery to visualize deforestation. We now have evolved to using more advanced technology, including radar that can penetrate cloud cover (a major advantage over satellite images) and a new algorithm that detects near-real-time deforestation inside and outside of palm concessions located around mills. | The new algorithm can make the difference in determining whether landscape changes are due to acceptable replanting activity versus actual deforestation. This distinction optimizes monitoring of our supply chain, verification and response. The approach allows us to categorize deforestation events by size, occurrence and type. When we receive the categorized alerts, we verify the circumstances of the deforestation and what action we need to take. We monitor all our supply sheds globally. |
| Grievance mechanism | Our process for addressing grievances was not externally visible or comprehensive around NDPE. | We have established a clear and transparent <u>process for managing and resolving NDPE grievances</u> . When a verified non-NDPE-compliant event occurs in our supply chain, we use our grievance process to address the violation, including suspending the supplier according to our <u>grievance</u> | <u>procedure</u> . Suspended suppliers are required to have a recovery plan to re-engage with Cargill. To provide transparency, we <u>disclose</u> grievances that fall outside the scope of our procedure. |
| Supplier programs | Our supplier engagement process lacked scalable impact. | With Proforest and Earthworm, we created robust <u>supplier engagement programs</u> to help our direct suppliers understand and comply with our NDPE commitments, and cascade this through their supply chains. These programs provide training to build supplier capacity and financial support for conducting HCS assessments, among other topics. | To improve sustainability in our indirect supply chain, we participate in multi-stakeholder <u>landscape programs</u> to address challenges that are not specific to a single mill or to the palm sector alone. Today Cargill is involved in three major landscape programs across Asia. |

Traceability

Our goal: Traceability to plantations by 2020 in high-priority landscapes.

We continue to work toward our goal of providing traceability to plantations by 2020 in high-risk landscapes, implementing a targeted, risk-calibrated approach.

Risk-calibrated approach

We began working with partners in 2019 to implement the risk-calibrated approach as a means to collect traceability data and prioritize follow-up engagement. The approach comprises a suite of tools and databases for mapping the fresh fruit bunch supply base of palm oil mills and provides a practical approach for tracing and understanding risk of outside third-party fruit sources. Central to this approach is tracing fruit back to aggregations of producers, defined as the smallest administrative unit in a region, such as a village or municipality.

The risk-calibrated approach maps areas of higher risk for NDPE based on the extent of forest, protected areas and uncultivated peat. Each administrative unit is then classified as higher or lower risk based on the extent of these areas. The approach also helps to prioritize mills for engagement on traceability to plantation based on the extent of higher risk areas surrounding the mill (within a 50 km radius).

We are rolling out the risk-calibrated approach across our supply base in a structured way based on classification of mills in four categories:

- **Fully traceable** with 100% traceability to plantation.
- **Lower-risk**
Mills with less than 25% high-risk land (as defined above).
- **Higher-risk with partial traceability data**
Mills with greater than 25% high-risk land and less than 100% traceability to plantation.
- **Higher-risk with zero traceability data**
Mills with greater than 25% high-risk land and no traceability to plantation data.

“Cargill is committed to producing a fresh fruit bunch supply chain fully traceable to points of origin. They’re among leading companies pursuing a novel, risk-calibrated approach to traceability, which traces fruit origins back to village, where risk of deforestation, fire or peat development is low, and pursues more granular farm-based mapping, engagement and monitoring programs where such risks are higher. The approach is practical and robust, enabling Cargill to achieve traceability at scale, while identifying priority areas for investment to mitigate sustainability risks on the ground in their third-party supply chain.”

Gary Paoli, Co-Founder and Director of Business and Research Development, Daemeter

Going forward, we report traceability progress based on the following key performance indicators:

- #/% of mills in each of the four categories described above
- #/% of low-risk mills which are 100% traceable to production area (% of mills that meet 100% traceability to plantation)
- #/% of high-risk mills which are 100% traceable to production area (% of mills that meet 100% traceability to plantation)

A major challenge for achieving traceability to the plantation in high-risk locations is obtaining information about the smallholders and third-party plantations who supply fresh fruit bunches to mills. The relationship between mills and third-party plantations and smallholders can change, making it difficult for mills to influence practices. Furthermore, in situations where Cargill is purchasing palm oil from a refinery and asking the refinery to obtain information from its mills about third-party plantation and smallholder sources, the mills often are reluctant to provide details due to a perceived competitive disadvantage.

To overcome these obstacles, we are working to change the model of how traceability data is collected. Connecting with village leaders to build relationships is an important element in the process of shifting perceptions in high-risk areas. We also are working with our peers, including mills and refiners, to encourage pre-competitive sharing of data. We have begun to introduce this information-sharing process across our supply chain to increase traceability and transparency for all involved.

Monitoring and verification

Our goal: NDPE compliance verified across the Cargill supply chain.

We take a two-track approach to verification, including remote monitoring using satellite and radar technology to verify compliance with deforestation and peat commitments, and soon through our newly developed verification procedure.

In 2019, Cargill and nine other leading palm oil producers and buyers joined together to support development of a new, publicly available radar-based forest monitoring system known as [Radar Alerts for Detecting Deforestation \(RADD\)](#). Because the system can penetrate cloud cover, it can alert us to forest changes faster – making it possible to see

deforestation happening in near-real-time – and with greater accuracy than prior satellite imagery. The precise detail will improve detection of smaller clearing areas. With this information, we can more quickly mobilize follow-up actions on the ground and improve sustainability to ensure compliance.

The RADD system, which is currently being developed for Indonesia and Malaysia, is already providing high quality data alerts. We are using that information and data from our own internal platform to monitor our supply chain. By 2021, when the RADD system is complete, the data will be shared broadly via Global Forest Watch and Global Forest Watch Pro so that companies, governments, NGOs and other stakeholders can all use it to monitor forests with the same information source and standards.

This collaboration is key for investigating and verifying events happening outside concessions in smallholder areas where land ownership information is unavailable. As a group, the coalition of 10 RADD-sponsoring companies is working together to engage local stakeholders to address palm-based deforestation activity and alert local authorities about other deforestation events through the mobilization of local

extension workers. We have agreed to take collective action to improve monitoring in three priority locations: Siak and Pelalawan, Aceh, and Ketapang.

While we continue to support these broader industry efforts, we also are investing in developing our own internal monitoring platform with Descartes Labs tailored to our supply chain and the needs of our customers. This platform will help us be more precise in how we analyze data relevant to our supply chain and will be complementary to the Global Forest Watch system.

Cargill's approach to verification is guided by the common set of definitions, norms and guidelines established by the [Accountability Framework initiative \(AFi\)](#). In addition to complying with established industry standards for verification, we are working with NEPCon, a third-party verification organization, to develop a set of guidelines to verify compliance by Cargill and our direct suppliers with NDPE commitments. To ensure consistency with industry requirements and expectations on NDPE, we are seeking input from stakeholders through a consultation process. When finalized, the guidelines will be rolled out across our supply chain.

Addressing grievances

Our goal: Report on all grievances in our supply chain transparently and publicly.

When our monitoring efforts identify deforestation or human rights issues, we immediately take action to address it. We continue to improve the level of transparency in our reporting about grievances in our supply chain and our response to verified issues.

We recently expanded the grievance list on our [web site](#) to show how we are investigating all grievances and indicate which grievances are valid versus those that fall [outside the scope](#) of our [Palm Grievance Procedure](#). This additional level of transparency builds upon the progress we made in 2018 when we revised our Grievance Procedure to include greater detail and a more stringent approach to instances of noncompliance.

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. We do not tolerate retaliation against anyone who, in good faith, raises a concern or participates in an investigation or whistleblowing. When instances of deforestation in particular are identified and validated, we immediately suspend suppliers and work with them to

define an action plan with clear timelines and milestones. Our supplier suspension process is outlined in our [Palm Grievance Procedure](#).

When we suspend suppliers, we remove them from our supply chain, but they may continue to operate in “leakage” markets – selling to customers in domestic markets and other locations that do not enforce NDPE standards. In this manner, these suppliers may continue to operate and even flourish using unsustainable practices. Cargill is exploring new ways to motivate suspended suppliers to change their practices. We recognize that some suppliers may be financially impacted by losing market share and selling at lower cost in addition to low palm oil prices last year, so we are exploring an engagement model that will balance their need for capital with our desire for them to reform and adopt more sustainable approaches.

Supplier engagement

Our goal: Direct and indirect suppliers are compliant with Cargill's NDPE policy.

We engage with our suppliers to ensure they are operating in compliance with our NDPE policy commitments and our [Supplier Code of Conduct](#) through visits, assessments and workshops. The risk-calibrated approach we introduced as part of our traceability efforts in 2019 is helping us to prioritize the most important areas and suppliers for action.

In the origins where we buy directly from mills, we conducted field assessments in 2019 for 50%* of mills located in high-risk areas to identify gaps in the mills' performance, provide support to develop continuous improvement plans which address those gaps, and verify compliance.

We also provided capacity-building activities in 2019 to support low-, medium- and high-priority mills to help them meet NDPE commitments; 54%* of our direct suppliers participated in NDPE workshops in 2019. Activities included coaching on topics such as deforestation, labor issues, worker health and safety, and tools. 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

In 2019, we reached 100% engagement with direct suppliers in our Latin America sourcing region through workshops, visits, self-assessments and follow-up visits. The percentage of our suppliers covered by NDPE self-assessments increased to 90%, establishing a solid baseline for tracking improvement in their sustainability performance in 2020. Since 2016, we have visited 14 suppliers to assess their progress on action plans under the responsible sourcing framework; at least half of them will be completing required actions in 2020. We also increased traceability of our supply chain in the region. In Guatemala, we achieved 100% traceability to plantation and in Colombia, we increased traceability to plantation from 40% in 2018 to 50% in 2019.

Our engagement efforts in Latin America included working with our suppliers to support implementation of the [SafeYouth@Work initiative](#), a tool created by the International

Supplier engagement impact in Latin America



sustainability programs, we continue to engage with them even though we may not buy from them every quarter. In this manner, we continue to build a broader base of NDPE-compliant suppliers. We are making steady progress and having a larger impact than the percentages indicate.

Labour Organization (ILO) that can easily be used by palm workers to identify health and safety risks. This tool was adapted and trialed by mills in our supply chain.

We introduced our Connected4Change online engagement platform to suppliers in 2019 to help them improve their capacity to meet our NDPE commitments and monitor their compliance over time. The portal includes a learning management system with training modules about social and environmental topics, resources and self-assessment tools for meeting Cargill's sustainability criteria. To date, 60% of our Latin American suppliers have used the platform, which initially targeted mills. We are now exploring how to adapt it for refineries and traders in our supply chain.

Our focus in 2020 is on working with our Latin American suppliers to achieve 100% traceability to plantations, ensuring effective monitoring, creating incentive models for compliance, mobilizing our capacity to build processes that result in action, and strengthening attention on labor and human rights issues.

Malaysia

We completed supplier engagements at nine mills and one palm kernel crushing facility and performed one deforestation verification visit in Malaysia in 2019. These visits included post self-assessment engagements, an intensive verification session and customer engagements funded by Nestle and IKEA. Completion of the mill engagements allowed us to expand our reach to Kelantan and Kedah in northern peninsular Malaysia – the first time we have engaged a supplier in that location.

These accomplishments in 2019 build upon our previous success in supporting our suppliers to improve sustainability in Malaysia, such as persuading suppliers to commit to returning workers' travel documents and collaborating to conserve an HCV area through joint funding of an assessment with Bunge Loders Croklaan. More than 1,000 hectares of HCV areas are identified and earmarked for conservation.

*Fluctuation in percentages from one quarter to the next is due to the fact that our base of suppliers changes each quarter in response to market supply and demand. Each quarter we add some new suppliers to our engagement efforts, so while the percentages may go down, the total number of suppliers in our engagement programs continues to rise. Once suppliers join our

Now that we have completed our initial engagements with all our direct suppliers in Malaysia, we will focus on encouraging continuous improvement and closure of gaps in our current suppliers' processes through transformation engagement activities focused on social factors, human rights and prevention of deforestation to ensure a responsible, sustainable supply chain.

Engagement with small, independent mills remains an important challenge for us as they represent 70% of our supply chain. We are focused on expanding engagement with fresh fruit bunch suppliers – primarily smallholders and fresh fruit bunch dealers – to these mills.

In 2020, we will continue to expand our engagements with existing and potential suppliers to support continuous improvement, including a focus on labor transformation programs to inspire our suppliers to achieve best practices in the areas of social and human rights. Other key areas of focus for our supply chain in Malaysia will be ensuring full traceability to plantations, completion of self-assessments and site verifications.

Indonesia

In 2019, we rolled out our group-level engagement approach across our palm supply chain in Indonesia. This initiative is one way we are seeking to drive compliance in mills and their supply sheds outside of our supply chain. Many of the

suppliers from which we source palm oil belong to larger producer groups. These groups generally own mills and plantations across different regions; they may have operations outside our supply chain with new developments (over which we do not have direct visibility) that may pose indirect risk to our NDPE commitments.

Our group-level engagements are intended to influence the entire producer group and support them in advancing toward more sustainable practices across their entire organization. When we piloted this approach in 2018 with two suppliers, we learned that a useful starting point for these engagements is to create a detailed producer group profile documenting all their subsidiaries, mills, policies, commitments, engagements and grievances. We share the profile with our supplier and let them know we are tracking practices of the entire producer group and holding our supplier accountable for any NDPE noncompliance occurring elsewhere in the group.

In 2019, we completed producer group profiles for all our suppliers and are now working with six suppliers to actively support them in creating action plans to address sustainability issues at the group level. We support suppliers with a package of tools to help them be successful in using the risk-calibrated approach for collecting traceability data, including use of Global Forest Watch data to create risk profiles, and questionnaires for conducting self-assessments to identify areas for improvement. Currently we are developing a module to assist them to conduct their own monitoring.



Over the past four years, Cargill has helped Permata Hijau Group develop and strengthen their NDPE policy, formulate a supply chain action plan and advise them on implementation. In March 2020, we provided tools and resources for

their supplier workshop introducing the risk-calibrated approach. Our collaboration with Permata Hijau Group is one example of how we engage with suppliers to improve sustainability.

NDPE Implementation Reporting Framework

In 2018, we continued working with Proforest, Earthworm Foundation (formerly The Forest Trust) and other stakeholders to develop the [NDPE Implementation Reporting Framework](#), a standard approach for monitoring and reporting progress on NDPE commitments. Progress included refinement of the framework methodology based on stakeholder feedback.

The intent is ultimately for the entire industry to share profiles and gain visibility about indirect palm oil suppliers; work is continuing to gain alignment on details in order to proceed with that step. In 2019, Cargill conducted pilots of the framework at two of our refineries in Malaysia and three refineries in Europe. We plan to scale up use of the framework across all Cargill palm oil operations globally in 2020.

“We applaud the collaborative spirit and partnership Cargill brought to the development of the NDPE Implementation Reporting Framework and welcome their continued leadership in supporting industry adoption and impact.”

Natasha Schwarzbach, Sustainable Commodities, PepsiCo Global Sustainability

Landscape initiatives

Our goal: Common environmental, land and labor issues are addressed through relevant landscape programs and case studies.

Issues related to deforestation and social exploitation often are not limited to a single supplier or sector, so we collaborate through landscape-level initiatives and platforms, such as the Tropical Forest Alliance (TFA), to address challenges that span physical and political boundaries and involve multiple commodities.

Siak and Pelalawan Landscape Program

To drive meaningful change, we joined a multi-stakeholder landscape-level intervention in 2018 to address environmental, land and labor issues in the Siak and Pelalawan districts of Indonesia. Cargill is part of a seven-company coalition working with CORE (Daemeter and Proforest) to develop and implement the [Siak and Pelalawan Landscape Program](#) to accomplish the following priorities:

- Protect and enhance forests and natural ecosystems.
- Protect and enhance peatlands.
- Empower smallholders and local communities in support of improved livelihoods.
- Respect labor and human rights.
- Develop a multi-stakeholder platform to enable collaboration and support district implementation of sustainable development goals.

In 2019, we established the governance structure and design of the program, including a five-year plan. Now in the first year of the plan, which began in January 2020, the coalition is focused on making progress in eight priority areas:

- **Conservation:** Conservation and/or restoration of 5,000 hectares of high environmental value area(s).
- **Village-level engagement:** Advance at least five priority villages toward sustainable models of production through smallholder support and capacity building.
- **Districtwide traceability:** Develop and implement districtwide traceability-to-plantation strategy, including a risk-calibrated approach as relevant.
- **Lowland forest biodiversity:** Support and strengthen existing protection and rehabilitation efforts in Tesso Nilo National Park, including removal of illegal oil palm plantations that occupy 75% of the park.
- **Mill-level engagement:** Building capacity and defining incentives to ensure NDPE compliance among all the mills in the landscape.
- **Social risks:** Pilot implementation of the [Ulula worker voice system](#) in two mills and three plantations to identify critical social risks related to palm oil production and conduct analysis of social conflict related to land use.
- **Multi-stakeholder platforms:** Support the implementation of multi-stakeholder platforms to ensure the initiative's goals are part of government plans and policies using transparent mechanisms to secure fair representation and governance.

We will continue with our efforts as part of the Siak and Pelalawan Landscape Program over the next four years to understand the intricate interplay between environmental issues and livelihoods and combine our resources and experiences to tackle the most pressing issues in a more powerful, innovative and efficient manner.

“Bringing multiple stakeholders with varied interest together to align on addressing critical topics makes industry collaborations challenging and resource intensive. Cargill is playing a key role in getting the palm oil industry to openly collaborate to transform supply chains.”

Veronique Bovee, Senior Project Manager, Proforest

Outlook

According to a [study](#) published in 2019, the amount of deforestation in Indonesia caused by large-scale oil palm plantations has declined in recent years. There is also good news from Latin American countries, such as Colombia and Costa Rica where the study found zero percent palm-related deforestation.

Good progress is being made on building mechanisms for addressing deforestation in directly managed palm plantations through engagement with producer groups, traceability, concession monitoring and certification.

While there is still considerable work to do on the direct supply base, there has been less progress on building effective approaches for independent smallholders and independent concessions. Therefore, moving into 2020, there is an urgent need to scale up efforts to tackle deforestation across the entire supply base. Cargill will continue to focus on broad approaches to reduce deforestation.

Addressing labor and human rights issues

Our 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 as detailed in our [Human Rights Commitment](#) and our [Policy on Sustainable Palm Oil](#).

We raise awareness about health and safety, recruitment and contracts through workshops with mills across our palm supply chain. Since 2014, we have been working with Earthworm Foundation to improve the welfare of workers in Cargill's Westport and Port Klang refinery supply chains in Malaysia. In 2019, we identified direct suppliers who have agreed to participate in the Labor Transformation Program, an Earthworm Foundation initiative to help suppliers refine their management practices on labor rights.

The goal of the program is to generate long-term engagement with suppliers and continuous improvement on social issues prevalent in the Malaysian palm oil industry: employment contracts, recruitment practices, grievance mechanisms and freedom of movement. Beginning in 2020, the program will include four additional topics: freedom of association, wages and working hours, health and safety, and access to safe accommodation. The six-month mill engagements include an initial site visit and a follow-up visit to assess existing practices, raise awareness, mentor

the supplier's operational management team and create an action plan. During the follow-up visit, the team will review recommendations, verify progress, provide guidance to close any remaining gaps and document findings to encourage ongoing transformation.

We are partnering with suppliers in Guatemala, Indonesia and Malaysia to support use of the [Ulula worker voice system](#) in our supply chains to improve workers' ability to provide feedback and help suppliers appropriately manage worker concerns.

We also are collaborating to support a second phase of the [Decent Rural Living Initiative](#) focused on implementing gender committee pilot projects, contract innovations and the potential for multi-party collective bargaining agreements. The group of companies involved in the initiative are working together to ensure structure, transparency and coordination of work on labor rights across the industry in Indonesia.

Looking ahead

We are engaging human rights experts to support the review and improvement of our human rights strategy, due diligence, monitoring and remediation in our palm oil supply chain over the next year, building on existing industry tools and recently developed guidelines. As part of this review, we will focus on labor rights and improvement in working conditions as well as our role in and appropriate means for resolving land conflict in our supply chain.

“Efforts that are being made to promote the development of countries and specifically, to promote more sustainable industries, achieve better efficiency when the largest number of stakeholders are part of these initiatives. This is the case of the traders, who as a result of being in the middle of the supply chain, have the ability to replicate knowledge and good practices both ways. The joint work with Cargill on the SafeYouth@Work project showed that it was positive in different aspects. First, it allowed companies who were part of the project to be approached more easily and with confidence. Secondly, it was possible to establish common objectives and exchange information between the ILO and Cargill; and finally, it makes it possible to think about new collaborations with possible projects that are being implemented to promote decent work in Colombia.”

Italo Cardona, International Labour Organization (ILO)
Andean Region

Smallholder programs

Our goal: Smallholders are included in our supply chain and their livelihoods are improved.

We work strategically with select mills in our supply chain to help them deliver on their smallholder transformation plans and participate in programs focused on building smallholder capacity and promoting responsible farm development. A key challenge when working with smallholders is creating a culture of continuous improvement in adoption of sustainability practices.

In Latin America, technology solutions are helping to overcome limited access to information and training materials. In Guatemala and Colombia, for example, we are using Smallholder Support apps created by Solidaridad Network to provide farmers with the step-by-step information they need in an accessible format to improve their practices. Farming Solutions app helps mills' extension teams to provide timely technical assistance, supporting smallholder farmers' autonomy to identify challenges, plan improvements and monitor progress on their farms over time.

Since the Farming Solutions tool is available in Spanish and has been adapted for use in Latin America, we decided to test it in 2019 with our smallholder project in Guatemala to understand its potential for influencing smallholders' sustainability transformation. The tool is adapted to fit the context and will be implemented by a group of 100 smallholders seeking RSPO certification in Guatemala. In Colombia, 400

smallholders will be using the tool to assess their sustainability practices and compliance, enabling them to analyze data, receive tailored support from extension staff to close sustainability gaps and evaluate the efficiency of their action plans. We plan to use the tool in future smallholder projects across Latin America.

Smallholder program impact in Guatemala

105
farmers

We continue working with Solidaridad and palm supplier Palmas del Ixcán in Guatemala to help 105 smallholder palm farmers from the regions of Ixcán and Quiché to improve social, environmental and economic sustainability at their farms and develop a segregated, RSPO-certified supply chain to meet market demand for sustainable oils.

19.41
metric tons

In 2018, Cargill, together with project partners, created a baseline of production and yield information showing average yield of 19.41 metric tons per hectare. Following implementation of good agricultural practices, including organic compost fertilization, pruning and nutritional assistance, yields increased by 13%.

12
plots

Smallholders learn sustainable agricultural practices by participating in training sessions, observing these practices on 12 demonstration plots and then replicating them on their own farms. Along with our project partners, we continue working with farmers to improve yields.

91
licenses

The project partners conducted and submitted smallholder environmental impact assessments resulting in the issuance of 91 environmental licenses by the Guatemalan national authority, helping farmers meet local legal requirements as they pursue RSPO certification.

In the Brazilian state of Pará, Cargill continues working with our palm oil supplier Biopalma, Earthworm Foundation and others to support the [Rurality project](#) that is helping smallholder farmers improve productivity, achieve NDPE compliance and a better quality of life.

In Malaysia, we continue to partner with WildAsia to support smallholders seeking RSPO certification; to date 335 smallholders in Perak have been certified. In November 2019, the smallholders were [recognized](#) for their achievement – becoming the first to receive both Malaysian Sustainable Palm Oil (MSPO) and RSPO certification. These farmers provide palm fruit to Tian Siang Air Kuning Palm Oil Mill, a long-term contract supplier to Cargill’s Port Klang refinery. Moving forward, Cargill aims to support an additional 25 farmers to become RSPO certified in 2020.

In Indonesia, Cargill and Musim Mas completed a pilot in Sungei Linau, Indonesia on the implementation of the HCV-HCS Approach at the smallholder level. Proforest and Daemeter led the project in cooperation with the Indonesian Peatland Restoration Agency to test a targeted approach designed to work at a community and/or landscape level to help smallholders understand and map HCV-HCS areas, existing farmland and potential planting areas, then discuss potential protection and production scenarios.

Sungei Linau village members determined which scenario would best meet their needs for conserving HCV areas and HCS forest, preventing encroachment by outsiders, reforesting areas and allocating land for agroforestry with crop diversification to support smallholder livelihoods. Community engagement and decision making were key to building the support needed to create long-term management and monitoring plans for the area. Cargill is currently seeking partners to support implementation of this production-protection model in the area and beyond.

The team will use insights from this pilot to develop a toolkit for use by smallholders elsewhere for community-based identification and protection of HCV lands and HCS forest. This pilot exemplifies the collaborative tools and approaches necessary to achieve sustainable inclusion of smallholders in the palm oil supply chain.



“Cargill’s sustained commitment and engagement of suppliers through our partnership in Brazil has allowed us to not only advance better social and environmental management practices at the mill level, but also develop a smallholder program focused on improving income, diversifying production and conserving natural resources. By connecting our work with mills to smallholder communities, together we are impacting over 600 smallholders with plans to do more.”

Dov Rosenmann, Head of Brazil, Earthworm

Key learnings

Incentivize change

We must continue working to identify how to inspire and incentivize suppliers – who have otherwise been hesitant to improve their practices – to transform.

Collaborate with governments

The role of government institutions in enforcing compliance with sustainability requirements is critical for success. We need to collaborate with government agencies and engage them to ensure sustainability compliance is addressed in a systemic way.

Prioritize engagement

Our transformative approach through continuous engagement with suppliers is critical to moving the supply chain toward greater sustainability. We accelerate progress by helping suppliers to improve where possible rather than immediately suspending them when challenges arise.

Build partnerships

Building meaningful partnerships to transform the industry is resource-intensive, takes time and requires long-term commitment to make impact at scale.

Innovate

Innovation in sustainability is essential in order to achieve greater impact and deliver desired results.



Our action plan

Looking ahead: 2025 strategy

Going forward, we will intensify our activities on the ground, taking a two-track approach to ensure compliance in our supply chains through supplier engagement and improving practices across broader supply sheds through landscape-level programs.

Our goal is to establish Cargill as the partner of choice and restore trust in the sustainability of palm oil. Transparency of our actions will be fundamental to restoring this trust. Reaching our goal will require us to tackle issues at scale.

Through collective action, we will achieve supply chain and industry transformation when:

Suppliers

Our suppliers demonstrate conservation of forest, peatlands and critical ecosystems, respect for land and labor rights.

Smallholders

Smallholders and communities are thriving as a result of responsible practices.

Landscapes

Landscapes demonstrate progress toward responsible practices.

Governments

Governments and businesses alike are enabled to improve the sustainability of palm oil.

Transparency

Transparency is improved, perceptions are influenced and trust is built through data and analytics.

Our actions for the next five years

Ensure compliance

Work with direct suppliers to verify their compliance with our policy and continue to support those who have not yet reached this milestone to be accountable to their action plans. We will work with them to better facilitate engagement of their supply chains to drive transformation, particularly at the fresh-fruit bunch dealer and smallholder levels, through tools and training. We will transfer suppliers to the grievance process where they are not making sufficient progress against milestones in their action plans.

Address leakage

Aim to address the “leakage market” by working with suspended suppliers where possible on re-engagement plans to prevent growth of unsustainable practices and drive progress on sustainable sourcing through collaborations in Indonesia, Malaysia, India and China.

Support smallholders

Pilot and scale ‘production-protection models’ with smallholders and communities to prevent deforestation outside concessions and ensure improvement of livelihoods.

Collaborate with peers

Pre-competitively collaborate with our peers through ongoing and new landscape programs with a focus on smallholder productivity, conservation, land rights and mill supply shed mapping.

Protect human rights

Implement improved human rights due diligence, monitoring and remediation. We also will work with our peers through the Decent Rural Living Initiative to improve the livelihoods and conditions of workers and their families.

Align with governments

Initiate dialogues with governments to raise awareness around activities, align with district or state level action plans and support strengthening of national certifications and enforcement of regulations to create an enabling environment for better practices.

Improve transparency

Increase transparency of our supply chain and progress against NDPE commitments through an innovative, interactive platform.



Preview of our 2020-2021 action plan

We are working to finalize our action plan to include the following activities:



Traceability

Data collection

Continue collecting concession and village level data using the risk-calibrated approach.



Monitoring

System

Improving monitoring of our supply chain through implementation of a new system with Descartes Labs in addition to our partnership with WRI on RADD.

Verification

Verifying a sample of suppliers for compliance through the verification procedure Cargill is developing with [NEPCo](#).



Supplier engagement

Supplier guidance

Continued support for the Connected4Change academy in Latin America, which provides tools and guidance for suppliers in the region to implement better practices in their operations and supply chains.

Close gaps

Supporting suppliers to close remaining gaps and achieve compliance through targeted efforts on grievance mechanisms and visits to review progress. We also will pilot HCSA to raise awareness and drive implementation in Brazil.

Collaboration

Continue to actively participate in the Palm Oil Collaboration Group trialing the NDPE Implementation Reporting Framework as well as developing a collective approach and taking action on deforestation outside of concessions.



Landscape initiatives

Further projects

Continue our landscape project in Siak and Pelalawan, launch a landscape project in Colombia and continue our Ketapang Landscape project.



Labor and human rights

Strategy and plan development

Reviewing and further developing our human rights strategy and action plan for our palm oil supply chain.



Smallholder programs

Model implementation

Exploring implementation of a production-protection model with smallholder communities identified during the Sungai Linau HCSA project (a collaboration with Musim Mas).

Abbreviations

| | | | |
|-------|--|--------|--|
| AFi: | Accountability Framework initiative | ISPO: | Indonesian Sustainable Palm Oil |
| FFB: | Fresh fruit bunch | MSPO: | Malaysian Sustainable Palm Oil |
| HCV: | High Conservation Value (areas that support vital natural ecosystems and biodiversity or maintain the subsistence or culture of local communities) | NDPE: | No Deforestation, No Peat and No Exploitation |
| HCS: | High Carbon Stock | NGO: | Non-Governmental Organization |
| HCSA: | High Carbon Stock Approach | POIG: | Palm Oil Innovation Group |
| ILO: | International Labour Organization | RSPO: | Roundtable on Sustainable Palm Oil |
| ISCC: | International Sustainability and Carbon Certification standards | SCCM: | Sustainable Commodities Conservation Mechanism |
| | | SDGs: | Sustainable Development Goals |
| | | SMART: | Spatial Monitoring and Reporting Tool |
| | | TFA: | Tropical Forest Alliance |
| | | ZSL: | Zoological Society of London |

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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