

Olam & IFC

IFC's investment in Olam

IFC invested in Olam in 2002 and subsequent to our IPO in 2005 made partial divestment of their stake in 2006. On Saturday 8th of December, IFC informed us of their decision to sell the remaining 3.4% of their stake in Olam due to divergence of our approach to policies and strategies in the timber sector. Olam wishes to acknowledge that during the 5 years IFC remained a shareholder, they contributed in supporting the development of the Corporate Responsibility & Sustainability agenda of the company.

Importance of Forestry sector in Africa

The forestry sector represents a significant part of the GDP in several African countries, creating numerous jobs and developing public services such as roads, dispensaries and schools in isolated locations far away from infrastructure and populated areas. Given the predominance of the forestry sector to such countries, Olam believes in engaging indigenous suppliers and providing them with resources and training, so that they could better benefit from their national resources and become an integral part of the supply chain. Olam has therefore pursued a sourcing model engaging indigenous suppliers and providing them resources such as; micro finance, forestry equipment, capacity development, quality training and logistics support to help them conduct their activities in an effective manner, notwithstanding the limitations they may face as compared to large forestry companies.

Recent NGO studies in the Democratic Republic of Congo highlight concerns on harvesting practices adopted by small indigenous suppliers. This could be due to resource or infrastructure constraints, lack of institutional capacity or individual skill gaps that is inherent to a country trying to re-build its economy after years of civil strife. Olam believes that significant benefits will directly accrue to a larger segment of local people, if we develop a sustainable forestry management and supply chain model through indigenous suppliers and not abandon the sector for its' present limitations. We believe that such operations can form an integral part of the forestry sector and co-exist alongside direct forestry operations by large international companies.

Improving supply chain systems

Olam reaffirms its commitment to sustainable forestry including third party sourcing from indigenous suppliers. Olam recognises that it requires long term commitment to improve forestry practices of suppliers and to make it more compliant with international standards thereby "averaging up" existing forestry practices. Towards this commitment, Olam is establishing an independent system for Timber Legality and Traceability Verification for its third party suppliers. This is a significant step that will enhance acceptability of third party sourced wood products while assisting local suppliers to conduct their business in a sustainable manner, to the benefit of all stakeholders including the national governments.