

Annual Progress Update 2018

January 2019

Olam
Sustainable Palm

Contents

Summary	02
Our Palm Commitment	03
Our Palm Footprint	04
Progress in 2018	05
Sustainable Plantations	05
HCV And HCS Assessment	06
Supporting Smallholders	07
Responsible Labour Practices	07
Supporting Communities	08
Traceable Supply Chain	09
Grievance Process	10
2019 Priorities	11

Summary

Olam is committed to sustainable palm oil production and sourcing, and to establishing a traceable and transparent palm supply chain.

Driven by our corporate Purpose to Re-imagine Global Agriculture and Food Systems, we recognise our critical role in agriculture and ingredient supply chains to deliver food, feed and fibre while enabling agriculture, farming communities and ecosystems to successfully co-exist.

Since setting out our first palm policy commitments in 2011 to cover our own plantations, we now have set out a time-bound action plan to establish traceability to plantations and production areas by 2020 and we are working with our third party suppliers to ensure they uphold our commitments under our Sustainable Palm Oil Policy.

Our total volumes of palm, produced through our own plantations and sourced via third parties, account for 0.4 per cent of total global palm volumes.

In 2018, we made strong progress in implementing sustainable practices on our own plantations, engaging our suppliers, developing a more transparent and traceable supply chain and working towards protecting forests and improving labour practices. This included:

- **Achieving 100 per cent traceability to mill for all our direct suppliers.**
- **Continuing engagement with our suppliers on our palm policy and NDPE commitments.**
- **Achieving 98 per cent RSPO certified sourcing for our UK processing facilities which includes 57 per cent of segregated source that is traceable to plantations and farm, and subject to annual audit by accredited certification bodies.**
- **Achieving full RSPO certification of Lot 1 of our Mouila plantation and Bilala mill on Gabon¹. Two further Gabon plantations (Mouila Lot 2 and Lot 3) have already obtained RSPO New Plantings approval and are expected to achieve full certification by 2021.**
- **Gaining approval through expert peer review for our High Conservation Value (HCV) assessment for the Makouke area in Gabon². We are awaiting feedback on our High Carbon Stock Approach (HCSA) voluntary assessment.**

Moving ahead, Olam is focused on delivering sustainably produced palm oil from all our existing plantations, maintaining our current RSPO certificates, and achieving full certification as planned for all our Gabon plantations by 2021.

Since January 2017, we have upheld a moratorium on new plantation expansion in Gabon to allow time for an international and national stakeholder process to resolve challenging questions, such as how to apply the high carbon stock (HCS) concept to high forest cover landscapes. Significant efforts are still required for this multi-stakeholder process to converge on solutions for high forest cover countries, such as Gabon and for smallholders.

We are extending our moratorium to commit to no plantation development or expansion (according to the current RSPO no-deforestation rules) for a further three years until all our plantations (Awala, Makouke, Mouila Lot 1, 2, and 3) have achieved RSPO certification in 2021.

As we continue to make progress towards meeting our targets, we recognise key challenges remain: on implementing no deforestation in high forest cover countries; ensuring the participation of smallholders and communities on sustainable development; transforming the global palm market towards sustainability; tackling negative perceptions on palm oil; and strengthening governance. All of which require the concerted effort and collaboration amongst all stakeholders in the palm supply chain.

¹ <https://www.olamgroup.com/news/all-news/press-release/olam-achieves-second-rspo-certification-palm-plantations-gabon.html>

² <https://hcvnetwork.org/reports/hcv-olam-palm-gabon-at-bindo-bifoun-makouka-gabon/>

Our Palm Commitment

Olam is committed to sustainable palm oil production and sourcing, and to protecting forests and areas of high conservation value both in our own plantations and through our third-party supply chain.

Our Sustainable Palm Oil Policy and our Living Landscapes Policy set out our vision for oil palm plantations to coexist with natural ecosystems and communities in carefully planned and managed landscapes, and ultimately to have a net positive impact.

We are fully supportive of the Roundtable on Sustainable Palm Oil (RSPO) and we are working towards a traceable and transparent palm oil supply chain that supports:

1. No deforestation of high carbon stock (HCS) or high conservation value (HCV) forests and ecosystems

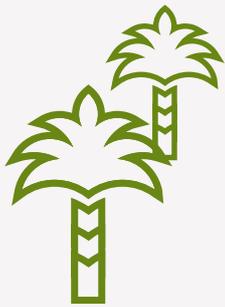
2. No development of peatland

3. Zero burning

4. Responsible labour practices and respects the rights of local communities

Our Palm Footprint

Upstream



Plantations Gabon

144,000 ha Concession
land area
55,385 ha Certified
100% Certification
by 2021
72,000 ha HCV Area



2 Mills Owned 100% traceable to plantation

1 Kernel Crushing Plant
4 Refineries
1 Processing Unit



2 RSPO Certified Mills

1 Kernel Crushing
Plant Certified

On target



100%
Upstream
Carbon
Neutral

Supply Chain



FFB suppliers
(smallholders and
company owned
plantations)



1,233
Indirect
Mills



13
Direct
Suppliers

Olam
As of Q4, 2018

We manage three plantation areas (Awala, Makouke, Mouila) in Gabon in Central Africa as a joint venture partnership with the Republic of Gabon, known as Olam Palm Gabon.

Awala and Mouila are new plantations developed since 2011 whilst Makouke is an older plantation acquired by Olam in 2016. Olam's palm plantations in Gabon cover 56,000 ha, i.e. 0.24 per cent of Gabon's land area. Gabon has a tiny population relative to its size and 88 per cent of the country is covered by tropical rainforest.

We operate edible oil processing and refining facilities in the U.K., Mozambique, Nigeria and Gabon. These facilities, along with our oil

palm plantations in Gabon, support our integrated palm oil supply chain and to date, four of our facilities in the U.K. and Gabon have achieved RSPO certification.

Our palm oil supply chain originates from our own plantations in Gabon as well as from third-party suppliers in Indonesia and Malaysia.

Progress in 2018

Sustainable Plantations

During 2018 we continued to make strong progress on enhancing sustainable practices on our own plantations. We are on track to achieve RSP0 certification for all our palm operations in Gabon by 2021.

Olam Palm Gabon is the largest certified producer in Africa, producing 31,500 mt of certified sustainable palm oil (CSP0) and 1,700mt of certified sustainable palm kernel oil (CSPKO) in 2018. As more of our area reaches maturity, we estimate our certified volumes will double in 2019.

Each of our palm plantations are greenfield developments (except the Makouke area which was acquired in 2016). They comply with the RSP0's procedures for new plantings (NPP) and our time bound plan for certification is adhering to the development of the plantation and establishment of mills in each location.

In January 2018, the Bilala mill and Lot 1 of our Mouila plantation achieved RSP0 certification, following our Awala plantation which in 2016 was the first African new plantation to become RSP0 certified. The audits were conducted by accredited certification body BSI, against the RSP0 Principles and Criteria and Gabon National Interpretation, and we expect Lot 3 of our Mouila plantation and our Makouke plantation to achieve RSP0 certification in 2019. Mouila Lot 2 is expected to achieve certification in 2021.

As a result of achieving full certification we intend to upgrade our supply chain certification for our mills and kernel crushing plant from mass balance to identity preserved or segregated, as applicable.

In December 2018, *National Geographic* covered the challenges around the global palm industry and included our palm operations in Gabon as a positive example of environmentally and socially responsible palm production where profitable agriculture, thriving communities and healthy ecosystems can coexist.

Olam is focused on delivering sustainably produced palm oil from all our existing plantations (Awala, Makouke and Mouila Lot 1, 2 and 3), maintaining our current RSP0 certificates, and achieving full certification as planned for all our Gabon plantations by 2021. We will not further develop or expand our industrial plantations over the next three years until this objective is achieved.

Olam Palm Gabon Plantation Statistics[△]

△ From 2012 to Q4 2018

144,000 ha Concession land area of which 56,000 ha are planted

72,000 ha
are protected as High Conservation Value areas



7,603
Gabonese workforce



59
villages benefitting from community investment



68%
Men



32%
Women



Progress in 2018

HCV And HCS Assessment

Olam's Living Landscapes Policy underlines our ambition to deliver a triple positive impact for prosperous farmers, thriving communities and regeneration of the living world. It contains a list of unacceptable land use practices and a set of detailed commitments on ending deforestation, which includes our commitment to no conversion or degradation of other natural habitats with high levels of organic carbon such as High Carbon Stock (HCS) forests.

Olam Palm Gabon manages a large conservation area of tropical forests and savannah, equivalent to the whole of Singapore (72,000 ha). This is almost one third of the global HCV conservation area reported by the RSP0³. This area is routinely monitored by our GIS team using drones in combination with monthly on-the-ground surveys, conducted by more than 64 HCV team members.

We increased and upgraded field material for HCV agents to allow improved survey efficiency, including training provided by WWF to roll out SMART⁴ monitoring tools in all our concessions. This effort is coupled with monthly law enforcement patrols carried out by the Ministry in charge of Forests and the National Parks to ensure that no illegal activity, such as hunting, is taking place in these protected areas.

In 2018 we pushed forward with ground-breaking new work to test an integrated HCV-HCSA methodology in our Makouke concessions (which were cleared and planted from 1960 onwards by other companies). We initiated the assessment in March 2017, as a precautionary approach to ensure we uphold our commitments on HCV and HCS.

The Makouke HCV assessment report was submitted in April 2018 to the Quality Panel of the HCV Resource Network Assessor Licensing Scheme (ALS), and the review process was successfully concluded in December 2018 (a requirement for any new plantings under RSP0's New Plantings Procedure). Additionally, in December 2018 we voluntarily submitted a High Carbon Stock Approach (HCSA) report to the HCSA Steering Group for quality review. Summary reports for both are available on the [ALS](#) and [HCSA](#) website.

No-deforestation is one of the key focuses of the new RSP0 Principles and Criteria, and one of the major challenges identified has been how to balance sustainable livelihoods and poverty reduction with halting deforestation in High Forest Cover (HFC) countries.

Olam is actively participating in the formation of RSP0's No Deforestation Joint Steering Group (NDJSG) which aims to guide the development and implementation of the procedures and methodologies for high forest cover countries and landscapes, such as Gabon.

This collaboration between the RSP0 and the HCS Approach group will develop a framework for RSP0 members to apply, in consultation with Indigenous Peoples, local communities and in-country civil society organisations.

With the same focus, we have been involved in the ongoing work and discussions led by The Tropical Forest Alliance (TFA2020) and the Africa Palm Oil Initiative (APOI) to build a comprehensive and adapted approach for responsible palm oil development in Africa. Olam supplied data supporting forest and carbon science in an African context, helping land use planning development and partnering with international institutions and universities to continue our scientific research in countries where we operate. For example, it includes studies on Gabonese forests' biomass with National Parks undertaken with the National Institution for Tropical Ecology and Duke University, with the objective to strengthen our knowledge on local context and propose an adapted model of sustainable development.

³ HCV area identified by RSP0 certified members as of June 2018 is 263,177 ha <https://rspo.org/impacts>

⁴ SMART stands for Spatial Monitoring And Reporting Tool and is used for measuring, evaluating and improving the effectiveness of site-based conservation and survey patrols

Progress in 2018

Supporting Smallholders

Olam is developing a smallholder agricultural programme located in Ndende, South of Gabon, as a joint venture with the government of Gabon to respond to the need highlighted by Gabonese stakeholders, including many NGOs, to bring sustainable development models to many of the poorest areas of rural Gabon.

This smallholder programme aims to balance job creation, livelihoods and poverty reduction with the need to conserve, protect and enhance ecosystems.

Its goal is to do this through innovative smallholder agriculture development, offering food and cash crop options, providing incentives to maintain forests and wildlife, and exploring other development options for the communities.

The palm oil component of this project was submitted as a new planting (NPP) and approved by the RSP0 in October 2016. The area is predominantly savannah grasslands, traditionally maintained by local communities with riparian galleries and isolated forest patches. The Ndendé concession was mapped using LiDAR to identify low carbon stock areas (<35tC/ha) suitable for development and ensure compliance with our no-deforestation commitment.

Responsible Labour Practices

Olam is committed to respecting the rights of all our employees and almost 85 per cent of the 8,900 people employed in our palm plantation operations are Gabonese. In 2018 we addressed a labour dispute including strike actions affecting our operations in Mouila.

As a new operation in a poor rural area, most of the many thousands of men and women we employ have never had a steady job, and with an average age of 33 years this is their first experience of work. As such we have to responsibly manage the demands of an inexperienced workforce with urgent needs for decent working conditions and remuneration.

In 2018, Olam Palm Gabon paid more than SGD 22 million (\$ 16.4 million) as salary to our workforce and provide training and enhanced work safety.

Following constructive discussions with workers and their representatives, we reaffirmed our commitment to employee rights set out in our Fair Employment Policy (2018) and the collective agreement signed with workers in February 2017. We have also established and agreed a robust process for open and regular dialogue with employees.

Additionally, we hope to partner with the Fair Labor Association in 2019 and to work with our suppliers to assess labour risks along the palm supply chain to support positive actions to improve labour practices within the sector.



Progress in 2018

Supporting Communities

Since we began developing our plantations in Gabon, we have actively supported the local communities around our plantations. We have invested US\$ 2.75 million since 2012 in community programmes, including US\$ 630,000 during 2018 in activities that are benefitting over 14,000 people in 59 villages.

As well as creating job opportunities in these rural areas, we have invested to support thriving communities by improving access to healthcare, supporting schools and education, improving living standards, building housing, providing access to fresh water, and constructing community facilities. Additionally we donate equipment and support initiatives to help stimulate local agriculture and income generation, including the construction of two cassava mills. We have also constructed 1,660 brick built homes for employees at our plantations.

We are committed to Free Prior and Informed Consent (FPIC) and we employ local people who understand the social and cultural traditions to enable us to engage effectively and ensure regular, open dialogue with these village communities.



6 Medical clinics

3 Nurses' houses built

15 Teachers' houses built

62 Income generation initiatives funded

63 Fresh water wells built or restored

23

Schools constructed or renovated

1,900 Solar lights installed

6 Community halls built

1,660 Employee homes built

Progress in 2018

Traceable Supply Chain

We have made significant progress on our commitment towards traceable and sustainable supply chains of our third party suppliers. During the past year we have achieved 100 per cent traceability to mill for all our direct suppliers.

In 2018, Olam sourced from 13 suppliers (11 are RSP0 members); this number is down from 48 suppliers in 2014.

	2016	2017	2018
No. of Suppliers	14	14	13
Annual volume	300,000	597,800	287,000
Traceability to mill	61%	90%	100%
Plantation Traceability			42%

We continue to collaborate with our direct suppliers who are making progress towards traceability to the plantation. In 2018, 42 per cent of the total palm we sourced was traceable to a plantation.

Since 2016, we have partnered with the World Resources Institute (WRI) to assess the risk profile of the 1,100 mills which potentially supply our direct suppliers, and we have been utilising its online

forest monitoring and alert system – Global Forest Watch Pro – since its launch in Q3 to enable us to conduct more timely assessments on deforestation risks linked to our third-party mills.

Our speciality fats business located in the UK (Olam Food Ingredients UK Ltd) is committed to RSP0 certified physical sourcing for its processing operations. During 2018, 98 per cent of our sourcing is RSP0 certified which includes 57 per cent of segregated source that is traceable to plantations and farm, and subject to annual audit by accredited certification bodies.

We continue to increase our physical sourcing in line with market and customer demand to provide assurance that production within our supply base is verified as having been undertaken sustainably to the plantation/ farm level, in accordance with globally recognised standards.

Currently, Olam produces, sources and trades approximately 0.4 per cent of global palm volumes⁵. In line with our palm oil policy commitments of no deforestation, no peat, no fire and no exploitation (NDPE), we have implemented rigorous sourcing requirements with our third party suppliers.

Olam's Traceable Volumes Procured By Regions

CPO & PKO



Derivatives



Total annual volume sourced

2018:
287,000 mt

⁵ Based on global production volume of 70.43 million mt in 2018 [Oil World, based on Oct/ Sept year]

Progress in 2018

For markets where there is little or no demand for certified oil, such as India, China, Central and West Africa, we assure our customers with full supply chain traceability to mill, consistent with our palm policy NDPE commitments. We further clarified our policy on suspension and engagement with non-compliant suppliers. If any supplier is found to be non-compliant, we will request our direct suppliers to suspend the producer/ mill.

The revised RSPO Principles and Criteria include a requirement on fresh fruit bunch (FFB) legality and traceability to plantation and farm with GPS coordinates. This will enhance traceability to plantation/ farm not only for current identity preserved/segreated products but additionally for products from mass balance sourcing. Furthermore, all RSPO members are required to submit concession maps regardless of their certification status. **GeoRSPO** has published map information submitted by members from previous annual reporting periods.

Grievance Process

We recognise that feedback and input from stakeholders is valuable to help drive best practices, evaluate compliance of our suppliers and increase transparency in our supply chains. Our grievance process and online dashboard, established in January 2017, continues to play a key role in helping us demonstrate our commitment and progress towards a sustainable and traceable palm supply chain.

In 2018, we continued to engage all our direct suppliers on our palm policy and NDPE commitments, as well as proactively sharing deforestation/ fire alerts and discussing actions regarding relevant grievance cases.

In this instance they will be investigated, and corrective actions sought, which may include compensation, conservation or restoration of peatland or forest by working with expert stakeholders and communities where feasible. This clarification is reflected in our Sustainable Palm Oil Policy.

As a result of this process we have suspended six suppliers.

Through our Grievance Log, we continue to report the status and progress of action for indirect suppliers that have been suspended. Through continuous engagement, our direct suppliers have investigated allegations, established NDPE policies and reported on traceability progress. Additionally, they have encouraged indirect suppliers to conduct HCV and HCS assessments, comply to the RSPO NPP requirement and restore peat areas in instances of violation.

Details are available on the monthly Grievance Log which is updated on a quarterly basis.

If any supplier is found to be non-compliant, we will request our direct suppliers to suspend the producer/ mill.



2019 Priorities

We will continue to advance and strengthen our efforts to deliver a sustainable, transparent and traceable palm oil supply chain, as well as implement sustainable practices on our own plantations. Priority actions will include:

1. Maintaining our moratorium on no plantation development or expansion until all our plantations have achieved RSPO certification in 2021.
2. Maintaining strong engagement with our suppliers on our palm policy and NDPE commitments.
3. Continuing to collaborate with our direct suppliers to make progress towards increasing traceability of third-party supplies to the plantation.
4. Continuous improvement of sustainable practices on our plantations in Gabon and progression towards the achievement of RSPO certification for Lot 3 of our Mouila plantation and our Makouke plantation.
5. Contributing to the multi-stakeholder dialogue on sustainable palm oil, offering our technical knowledge and support to the RSPO/HCSA No Deforestation Joint Steering Group (NDJSG), and maintaining our support for the Gabon stakeholder groups involved in the RSPO National Interpretation.
6. Partnering with the Fair Labor Association and our suppliers to assess labour risk along palm supply chain and contribute positively towards improvement in labour practices across the sector.