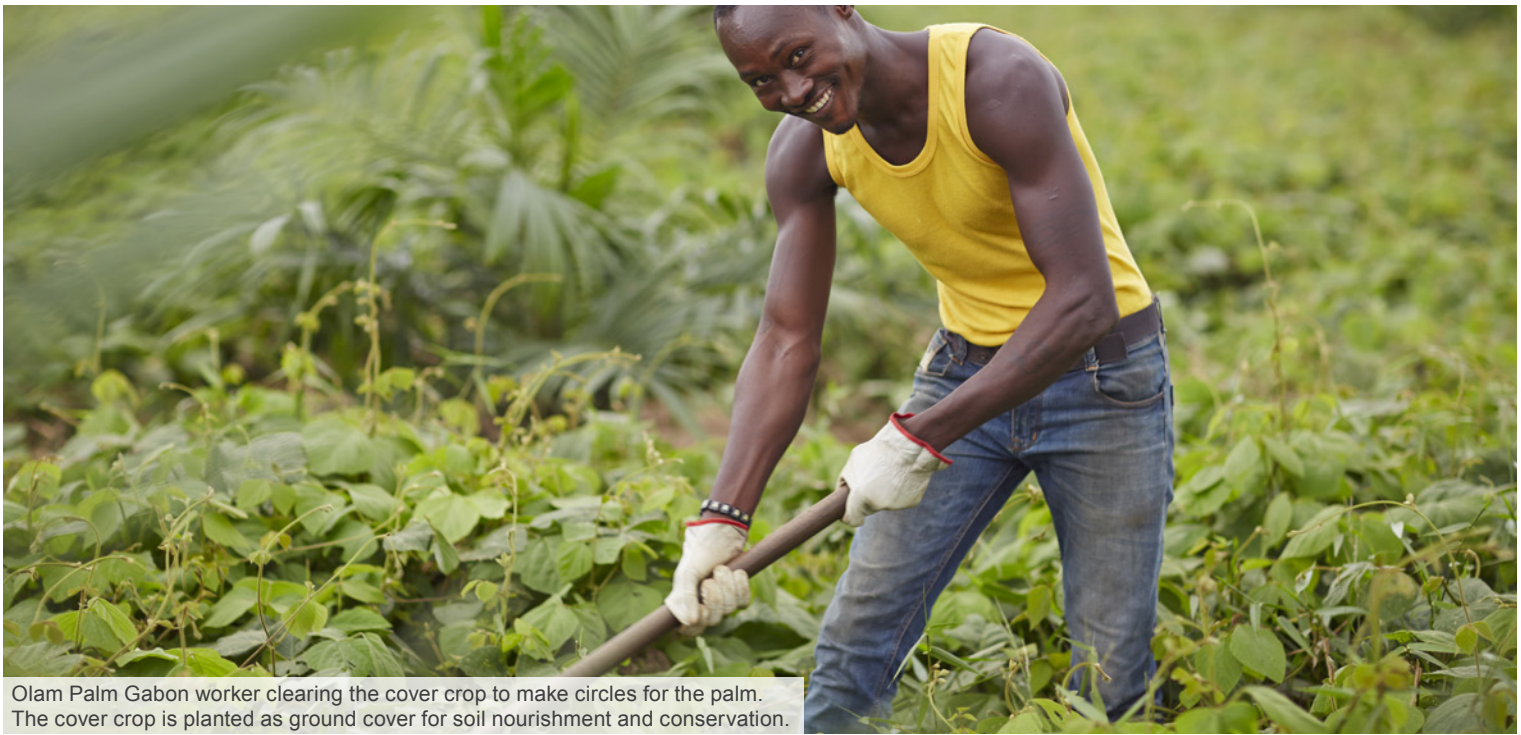




**Building a
sustainable
palm oil
business**





Olam Palm Gabon worker clearing the cover crop to make circles for the palm. The cover crop is planted as ground cover for soil nourishment and conservation.

Introduction to Olam's Palm operations

Olam International is a global agri-business with its roots in Africa, buying crops from smallholders such as cocoa, coffee, cotton and cashew. Over the last 27 years, our operations have extended across 70 countries. In that time we have established farms and plantations, as well as processing facilities.

We are committed to Growing Responsibly, ensuring that our profitable growth is ethical, puts environmental stewardship firmly into our decision-making process and unlocks mutual value for communities. This has helped us to create many partnerships with organisations concerned with improving farmer livelihoods, such as customers, Development Finance Institutions, NGOs, foundations and governments.

We are a relatively new entrant to the palm sector, launching our Edible Oils business in 2007 with minority stake investments in African-based operations. Our business consists of third party trading, plantations and milling in Gabon, and refining and distribution in Mozambique.

We began to develop our palm plantations in Gabon in 2011 under a Joint Venture partnership with the Republic of Gabon (Olam Palm Gabon). The government was looking for a business partner to help develop an agricultural economy, to reduce its reliance on finite oil and gas exports and food imports, as well as support cooperative smallholder programmes. From our side, Olam recognised that Gabon had

ideal agri-climatic conditions and soil for growing oil palm and that the government shared our strong sustainability ethic. From the start, both Olam and the government were committed to developing palm oil plantations responsibly through RSPO¹ certification.

In 2011, we also began our third party trading business, procuring oil from Indonesia and Malaysia for customers around the world.

In November 2017, the Sustainable Palm Oil Transparency Tool (SPOTT), compiled by The Zoological Society of London (ZSL), ranked us the 7th most-transparent company globally.

Cover images:

Top image: Olam Palm Gabon plantation. Bottom right image: GRAINE cooperative planting, Oyem area.

¹ Roundtable on Sustainable Palm Oil



Olam's plantation at Mouila where palm is planted around areas of High Conservation Value to create an ecological network within the landscape.

Palm plantations, Gabon

Gabon urgently needs to develop an economy less dependent on fossil fuels, as well as providing much needed private sector employment. (See Gabon fact box on page 4.)

Gabon has the challenge that most of its land is covered by forest. Of the 12% non-forested land, much of it is swamp or infertile. The Gabon Land Use Plan has therefore identified part of its logged forest for agriculture development.

Olam Palm Gabon has planted 56,000 hectares (ha) to date, of which 47% was secondary, degraded or previously logged forest, and the balance was savannah. We are conserving an even bigger land area of High Conservation Value area (72,000 ha) within our concessions. (See page 6 for how we used scientific and knowledge-based tools to assess the forest's suitability for what to develop and what to conserve).

The Awala plantation was the first new development in Africa to obtain RSPO certification, including the mill. In December 2017, Olam Palm Gabon successfully achieved its second RSPO certification for the Bilala mill in Mouila Lot. OPG is the largest RSPO certified plantation

“Widely thought to be the next frontier for palm oil, Africa is at great risk of unsustainable palm oil development harming its native forests and incredible wildlife. The example set by Olam sends a strong message that palm oil companies can expand responsibly and shows how palm oil companies can expand without cutting down valuable forests or harming wildlife or people.”

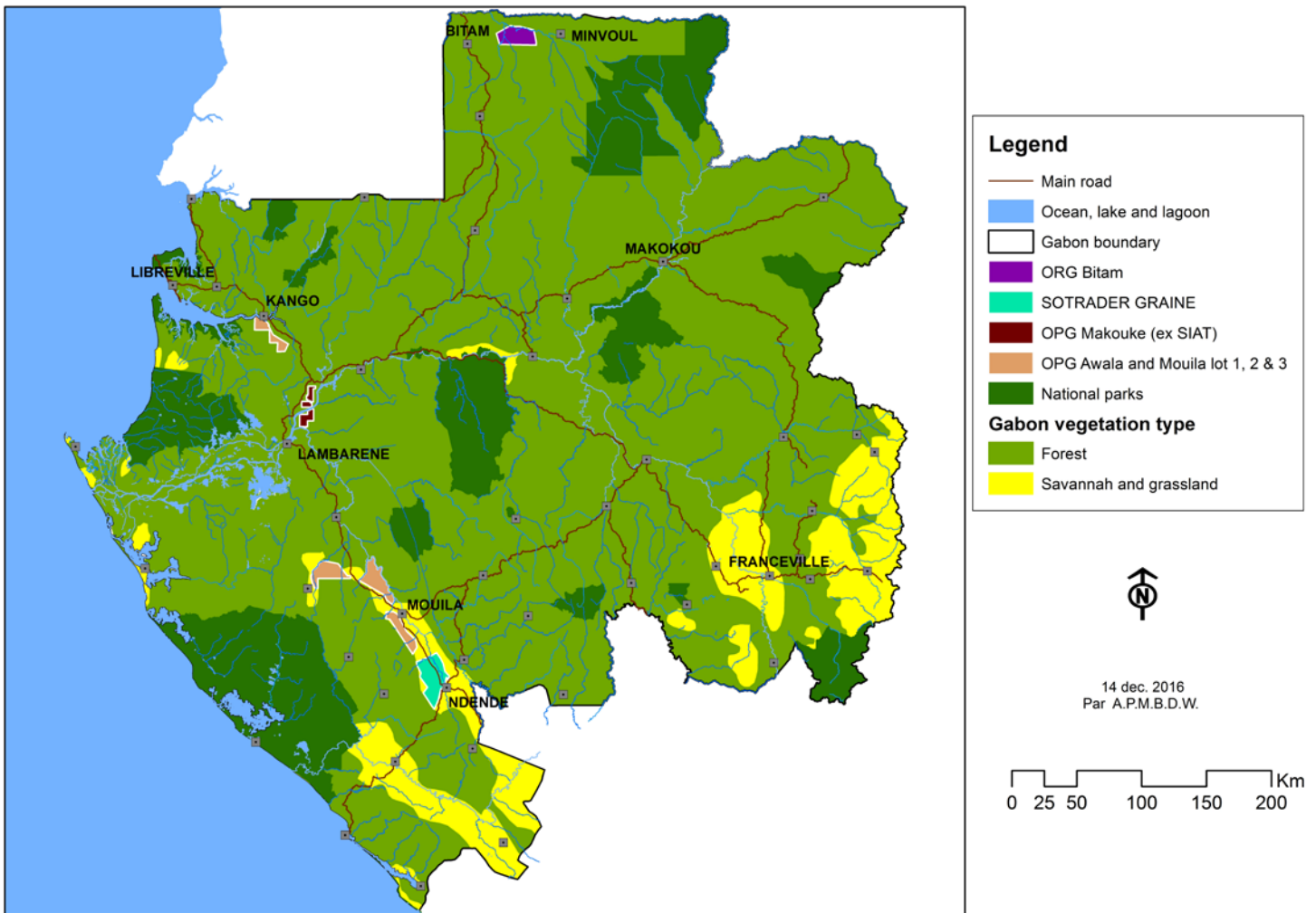
Ludovic Miaro III, WWF's Africa Regional Palm Oil Programme Coordinator, in a blog posted on the WWF website, 10th November 2016

in Africa today, whereby more than half of its certified area is managed as conservation area. OPG targets 100% RSPO certification by 2021.

We are also a minority partner in another Republic of Gabon joint venture to develop smallholder palm and food cash crops in a project called GRAINE². In this concession, we are developing 7,500 ha out of a 30,000 ha plantable area and are conserving 28,000 ha classified as HCV areas.

Both of these projects are subject to globally accepted methodologies to assess their value for development from a biodiversity, carbon, community and cultural perspective, verified by experts. In addition, local communities are consulted using the process favoured by international development professionals. Under GRAINE, cooperatives will own a land title for the first time in Gabon's history.

² GRAINE, which means 'seed' in French, stands for "Gabonaise des Realisations Agricoles et des Initiatives des Nationaux Engages" (Gabonese Initiative for Achieving Agricultural Outcomes with Engaged Citizenry). The JV entity is called SOTRADER and is owned by the Republic of Gabon and Olam (51:49 RoG:Olam).



Gabon is nearly 90% forest. Our total planted area is less than 0.5% of Gabon's land area. Over 60% of each shaded area indicating the location of the plantation is protected as High Conservation Value forest.

2 operations:

1. Olam Palm Gabon (OPG)

- Private Public Partnership (PPP) with Republic of Gabon (RoG). 60:40 (Olam: RoG)
- 56,000 ha has been planted
- 5,809 ha being rehabilitated from acquisition of SIAT
- 72,000 ha already being conserved, total area will be larger than planted area
- Awala Plantation: first new development in Africa to get RSPO certification
- Mouila lot 1 certification achieved in December 2017
- Expected Fresh Fruit Bunch yield of 24 MT/ha, CPO yield of 5.2 MT/ha (global average is about 3.5 MT/ha)
- US\$750 million will be the total investment by Olam Palm Gabon

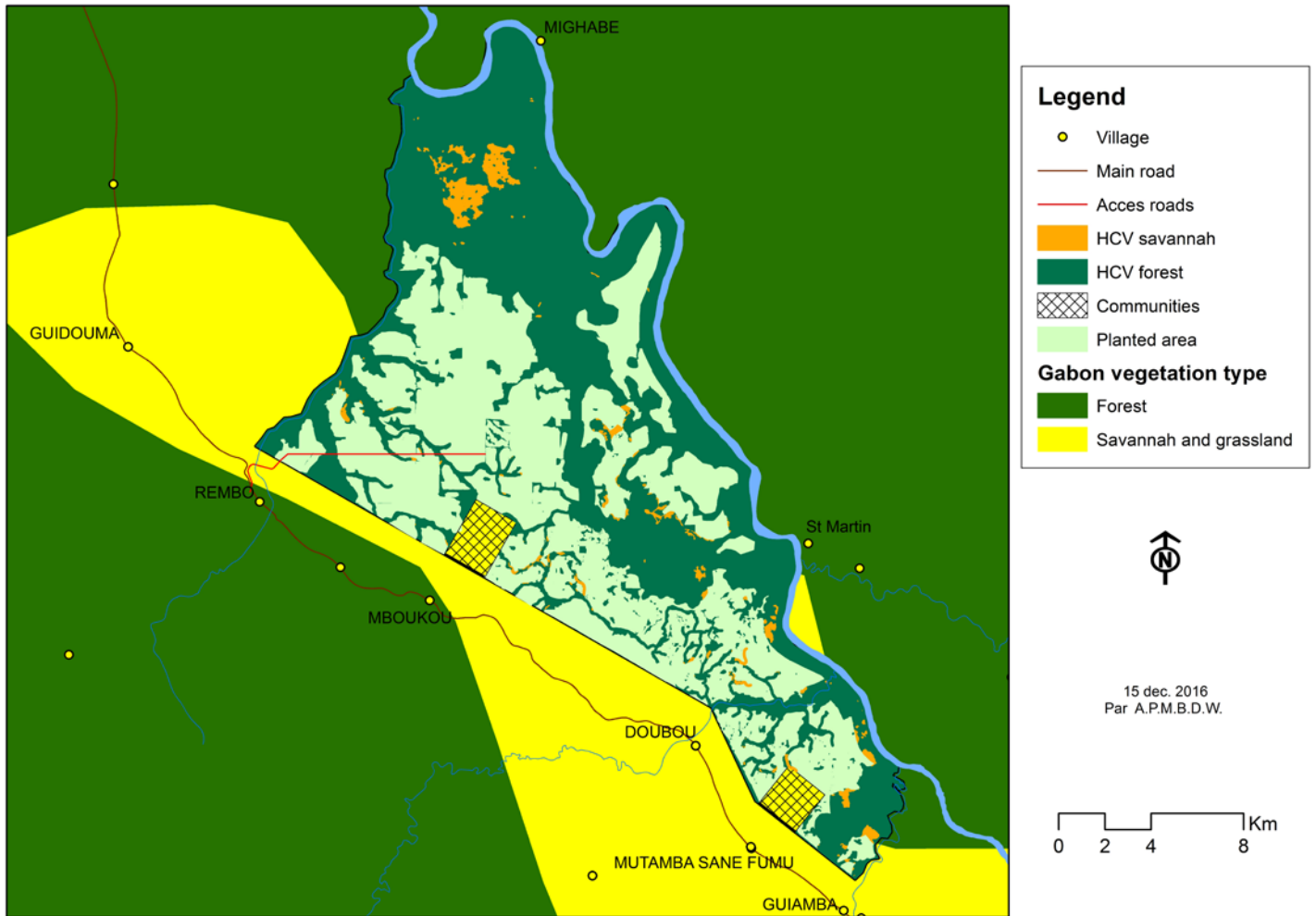
2. GRAINE

- Smallholder palm and food cash crops project for local economic development
- PPP with Republic of Gabon 49:51 (Olam: RoG)
- US\$900–950 million is the estimated investment for project GRAINE

Gabon's need for sustainable development:

- 32.7% of people live at or below the poverty line
- 20% unemployment overall, 35% youth unemployment
- 60% of all food imported
- 60% of budget revenue from oil and gas, with reserves running low
- 90% of land area is forested

We have demonstrated a different and more sustainable model for palm plantations



Map illustrating the extensive ecological network and forest block preserved for wildlife in Mouila Lot 1.

- **Selecting broad areas** in landscapes which are far from national parks and where the natural environment has already been degraded.
- Within specific sites, ensure that we identify the land that is of **High Conservation Value** (HCV) for biodiversity, community or cultural reasons.
- **Prioritise the 'least value' land** for development and invest heavily in conserving the high value areas. We actively manage these HCV areas, helping to prevent poaching and illegal hunting.
- **Engage the local communities** to ensure that they agree with our analysis and with the project.
- **Validate our assessments** through broad-based consultations with NGOs and experts.
- **Create positive social and economic impact** in the local communities through employment, capacity building, and rural infrastructure development.
- Ensure we are **100% RSPO certified** from new planting through to mill completion with zero burning for land development.



RSPO-1-0114-12-100-00

Roundtable on Sustainable Palm Oil (RSPO) is the largest roundtable that unites all stakeholders of the industry to 'transform markets to make sustainable palm oil the norm'. Today RSPO has more than 3,000 members, 2.4 million ha of certified production area and close to 12 million tonnes of certified palm oil globally. RSPO is financially and technically supporting smallholders to achieve certification and partnering with government to develop jurisdictional certification landscapes.



Olam Palm Gabon team assessing a buffer zone of low density forest. Buffer zones are areas preserved between the plantation and, for example, a river or a village.

Looking after Gabon's rich wildlife

Among many other animals and birds, Gabon is home to the central chimpanzee and western lowland gorilla – they are found throughout the country. We commissioned independent experts to conduct great ape surveys before our operations started, and we consulted extensively with the Gabon National Parks Agency, national NGOs such as WWF, the Wildlife Conservation Society to conserve their core habitat. Wildlife protection teams now monitor illegal hunting and work with villages to eliminate poaching.

Tools for assessing landscapes

High Conservation Value (HCV) is a recognised approach for assessing landscapes. It is a multi-dimensional process, looking at forests through the lens of biological, ecological, social and cultural values which are important at the national, regional or global level. Olam Palm Gabon was the first company globally to have its HCV assessments independently peer-reviewed through the HCV Resource Network's quality control system.

In combination with this HCV analysis, we have helped develop a High Carbon Stock (HCS) approach

which complements HCV. Using aerial LiDAR, biomass and carbon assessment, we identify HCS forest areas and we combine this data with the HCV analysis. Our work in this area has been peer-reviewed by independent scientists and conservationists. They demonstrated that the balance of carbon emissions from our Mouila plantations would be globally positive for the climate, fixing 4.8 million tonnes of CO₂eq over a 25 year period (the equivalent of over a million passenger vehicles' annual emissions) mainly due to selection of low carbon stock areas for palm plantation and conserving large areas of re-generating HCV forest.

“When I visited Gabon in 2015 with the leading team of scientists involved in the High Carbon Stock Study, I was hugely impressed by the overall approach adopted by Olam in developing its concession areas, by the level of engagement with local communities in implementing the RSPO's new Planting Procedures, and by the methodology it used to minimise emissions of greenhouse gases from forest conversion. I saw for myself how Olam is developing a new model for palm plantations in the 21st century. One that is climate positive, and ecologically and socially integrated.”

Sir Jonathon Porritt,
Co-Founder Director of Forum
for the Future and Co-chair of the
High Carbon Stock Study



A botanist from the National Institute for Tropical Ecology Research (IRET) measures trees in field plots, contributing to our forest conservation and carbon assessments.

Maximising the yield from the land

All agri-businesses today need to optimise the finite amount of land suitable for feeding the world's growing population. In Gabon we have invested in a Centre of Excellence which will undertake the testing and analysis of palm plant tissues, soils, fertilisers, water, effluent, and agri-chemicals to improve yield and efficiency. We are also collaborating with research organisations, such as Temasek Life Sciences Laboratory (TLL) and the National University of Singapore (NUS), the Agropolis Fondation in France, and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in Australia to carry out R&D projects in oil palm to improve operational efficiencies, productivity and yields.

Commitment to Forest Conservation

Many palm oil companies have signed zero or no deforestation pledges by applying the High Carbon Stock Approach (an industry standard designed for no-deforestation pledges in fragmented forests. It is known as HCSA). They are mainly operating in Asia where historical logging took place before the environmental measures of today were introduced. Olam, however works in Gabon. A country with nearly 90% forest cover. The government of Gabon has no intention of razing vast tracts of its primary forests to the ground. On the contrary it has made international commitments to halve its carbon footprint by 50% by 2025 and preserve its rich and biodiverse forests. It is, though, in need of developing an agricultural economy for the future and has requested that

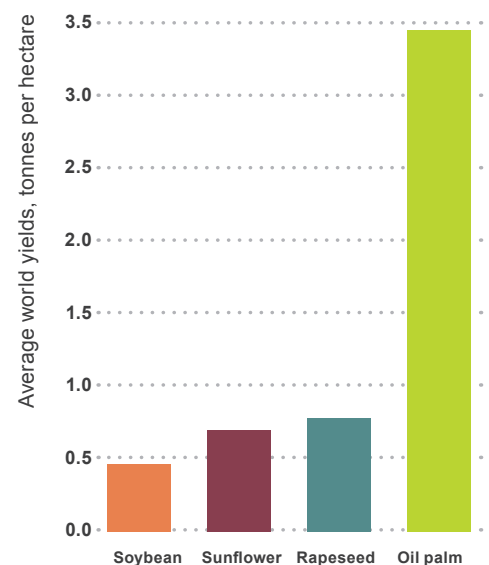
Olam helps it build this economy in a responsible and sustainable way. We agree that Gabon has a right to convert a small percentage of its least valuable, logged or secondary forests to meet these needs. Therefore we pledge to conserve HCV and HCS in a process agreed by all the Gabon stakeholders. We will adopt the HCS Approach for Gabon when, through an inclusive process, it addresses the needs of forest-rich nations.

“We are deeply committed to conserving Gabon’s priceless heritage and we will work hard to take the right decisions, balancing the need for economic growth with climate and environmental imperatives.”

Dr Christopher Stewart,
Global Head of Corporate
Responsibility and Sustainability,
Olam International

World average oil yield per hectare

If planted responsibly, oil palm is the most efficient of the oil seed crops, requiring approximately 10 times less land than other vegetable oils.



Dr James Fry, LMC International, Palm Oil and its Competitors: Market realities, HCS Science Study Overview Report, Dec 2015



Installing solar lighting in villages.

Helping to reduce rural poverty

One of the benefits of large-scale agriculture is the ability to create jobs for communities in rural areas. This helps to reduce urbanisation. Olam has today created employment opportunities for about 7,700 Gabonese nationals, of whom about 60% never had permanent employment. We have invested in training these employees with the range of new skills required on a palm plantation and its associated utilities.

Since the start of development we have engaged with all 86 villages in the proximity of our plantations, under an international engagement process known as Free, Prior and Informed Consent (FPIC). This puts the onus on Olam to ensure that everyone in a village understands our goals, has the opportunity to raise concerns, not just at the start of the development but for each year thereafter. We have established Social Contracts with each village which have included building schools, dispensaries, roads, football pitches, as well as digging bore holes and installing solar lighting. It is in our best interest to ensure that our community neighbours are happy. Not only is it the right thing to do, but social disputes are costly and reputationally damaging.

“I have worked closely with the Olam and SOTRADER senior management from the development stage of both programmes because Olam’s oil palm activities have an important bearing on Gabon’s commitment in its Nationally Determined Contribution (NDC) to reduce carbon emissions by 50%. We have mapped out low carbon and low biodiversity areas suitable for oil palm development and we have constrained the projects within these zones, providing a case study to enable us to develop a methodology to apply across all sectors through our National Land Use Plan. By working exclusively in savannahs, regenerating farmland and degraded logging areas, we have minimised the ecological impacts of the developments. Furthermore, researchers from Gabon’s Tropical Ecology Research Institute have mapped out community use of the areas to ensure there is no conflict with traditional land rights.

Professor Lee White CBE, Head of Gabon’s National Parks Agency and UNFCCC Forest and Agriculture coordinator for Gabon



Village cassava project supported by Olam in the village of Rembo, Ngounie Province, Gabon.

Growing food crops under the GRAINE programme – meet the cooperatives

Magnamouani Cooperative

Members:

15 women and 4 men

Land area:

9.5 ha

Area planted:

3.51 ha of bananas,
3.4 ha of cassava and
1.6 ha of chillis

Area protected:

0.99 ha (sloping area plus a buffer zone to the Liboumba river).

From August 2016 the cooperative has been harvesting and selling chillis at the local market in Makokou.

“Madame Nadège Pekoutaka, when did project GRAINE start in your village and what have been the benefits?”

“Since the start of the programme we have seen changes in the village. Earning money means that we can save and send our children to school. And the agri training means that we have improved our usual way of doing things.”



Mme Nadège Petkoutaka and her fellow Magnamouani cooperative members.

Earth Promise Cooperative

Members:

18 women and 25 men

Area:

30 ha

Area planted:

8.17 ha of bananas and
13 ha of cassava

“Monsieur Jean Lirois Anizok, since GRAINE started in your village, what have been the benefits?”

“GRAINE is a good programme for rural people because it brings work and income for the people. We have seen changes in our lives, the money means we can send our children to school and feed our families.”

“What do you hope from the GRAINE programme?”

“It should extend to all other villages and embrace more crops for planting, especially sweet potato, yam, corn, peanuts and so on.”



M. Jean Lirois Anizok of the Earth Promise cooperative.



Fresh Fruit Bunch of the oil palm tree.

Trading operations

Olam is responsible for the physical sourcing of less than 1% of the total volume of palm oil produced globally, 270,000 MT³ selling to customers primarily in Asia, Africa and Europe. We also participate in paper trading of palm oil as a risk mitigation tool. In this scenario, no physical oil is delivered.

We procure physical product from palm oil companies based in Asia, who in turn source primarily from Indonesian and Malaysian suppliers. 90% of Olam's palm oil volume comes from suppliers who are RSPO members, all of whom are committed to working towards RSPO sustainability goals.

Our Sustainable Palm Oil Policy stipulates that suppliers must uphold our Commitment to Forest Conservation **not to deforest areas valued for high carbon stock and conservation; no burning during land clearance, and no development on peatland.**

The Policy also states that our suppliers must implement full compliance to our [Supplier Code](#), or RSPO. Our Code clearly stipulates that human rights and labour standards must be upheld.



If any supplier is found to be non-compliant to our policy and Code, they will be investigated, corrective actions sought and if they continue to be non-compliant, we will cease trading with them. We have zero tolerance for forest burning from our suppliers, and we expect suppliers to take immediate action if burning is found in their supply chain.

We have published our list of suppliers on our website. We are working with the World Resources Institute (WRI) to help us verify that all our suppliers and their supply chains are in compliance with our [Supplier Code](#) and [Sustainable Palm Oil Policy](#). Our timebound targets are stated in our 2020 road map in our Palm Policy. Any mills found to be sourcing from areas identified as being medium or high risk from poor production practices will be assessed, and potentially removed.

Total global consumption of Edible Oils (soy, sunflower, palm and rapeseed/canola) is around 175 million metric tonnes. About 80 million is traded globally, with palm oil contributing about 63%. Olam is responsible for less than 1% of trade flows.

³ 2016, global production 62 million metric tonnes

Olam is a leading agri-business operating from seed to shelf in 70 countries, supplying food and industrial raw materials to over 23,000 customers worldwide. In addition to palm oil, our commodities portfolio includes cocoa, coffee, cotton, edible nuts, grains, spices & specialty vegetable ingredients, rice, rubber and wood products.

We are committed to Growing Responsibly, seeking to ensure that profitable growth is achieved in an ethical, socially responsible and environmentally sustainable manner.

As regards our general corporate transparency, we report across all our supply chains using the frameworks of GRI, CDP Climate Change, CDP Water, CDP Supply Chain and CDP Forests. Following ongoing engagement with colleagues and external stakeholders we have identified 7 material areas: Livelihoods, Land, Water, Climate Change, Labour, Food Security and Food Safety. These material areas are also clearly aligned to our 10 goals, objectives and targets, which are detailed in our full 2016 Annual Report and GRI report. In turn, where applicable, these are aligned to the UN Sustainable Development Goals. We work with customers to provide products for all the major certification programmes. We report to our technical NGO partners, Development Finance Institutions (DFIs) and donor organisations.

External reporting and commitments

Olam is committed to transparent reporting and to public statement of our commitments:

Reporting:

9th

Corporate Responsibility and Sustainability Report

5th

year GRI reporting

6th

year Carbon Disclosure Project (CDP)

4th

year completing CDP water module

4th

year completing Forest Footprint Disclosure

Commitments:

- UN CEO Water Mandate
- UN Guidelines on Responsible Land Tenure
- UN Global Compact
- UN Global Nutrition for Growth Compact
- Fair Labor Association affiliate member

For more information please email palmsustainability@olamnet.com

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