



Olam International's response to Mighty Earth and Brainforest report

- Gabon palm operations¹: Environmentally sustainable and socially responsible; Helping to meet Gabon's essential development imperative
- Third-party palm oil sourcing: Currently a small player involved in 0.4% of global volumes in 2016; Rigorous sourcing from no burn, no peat, no deforestation compliant suppliers; Explicit requirement being added on no exploitation
- Supply chain transparency: High standards across supply chain of all commodities; Full list of palm suppliers released²

Singapore, December 12, 2016 – Olam International is a global listed agri-business, operating in multiple food supply chains that is committed to its core purpose of Growing Responsibly. By adhering to this core purpose Olam is able to earn the trust of its shareholders, customers, suppliers, farmers, creditors, employees and many other partners. We know that we need to maintain that trust for the well-being of our business and the millions who depend on us for their own reputations, livelihoods and food security.

Companies working in agricultural production and trading are sometimes accused of hiding behind complexity. But participants and well-informed observers of the sector know that this complexity is very real. Olam does not claim to get everything 100% right. But we do 100% stand by what we commit to. And where we get it wrong, we own up and see how we can correct these mistakes and improve.

We have been made aware of a report that will be released on our palm operations. In recent months we have responded to questions from the US-based communications and lobbying company, Waxman Strategies, working as Mighty Earth (Mighty) and with Brainforest, a Gabon-based NGO.

We appreciate the vital role played by NGOs and civil society to keep the industry in check and working in partnership to drive best practice. The Mighty Earth report acknowledges some of Olam's responses, especially where the authors feel progress has been made. The report has also provided a series of recommendations, some of which we will take on board.

However, we are disappointed to see some important factual errors, and several key misinterpretations of Olam's policies and implementation. Considerably more fundamental though, is the basic principle of how Mighty views a country like Gabon and its sovereign right to develop sustainably, with the assistance of a responsible company, in a Public Private Partnership arrangement.

If planted responsibly, oil palm is the most efficient of the oil seed crops, requiring approximately 10 times less land than other vegetable oils such as soy and sunflower. When we first began our palm business in 2011, we made it a condition that our plantations had to be developed sustainably, both from an environmental and social perspective. This also applied to our palm trading operations – in some ways much more complex, as Olam is not in direct control of the farming operations.

¹ Olam has two palm projects in Gabon, both of which are JVs with the Government of the Republic of Gabon: OPG (Olam Palm Gabon), which is developing RSPO Certified plantations; and SOTRADER with project GRAINE, which is a smallholder programme.

² Please refer to Annex

Sunny Verghese, Co-Founder and Group CEO of Olam International said: “Gabon has a right and an essential need to develop its agriculture sector to diversify its economy, improve food security to feed its people and create new livelihood opportunities, while also protecting its natural forests. Olam’s palm plantations in Gabon are being developed in an environmentally and socially responsible way to contribute to each of these objectives. Our approach balances palm plantation establishment with natural forest protection. In fact we are conserving and protecting areas of verified high conservation value forest within our concessions greater in size than our plantations.

“For our third party palm sourcing, we are still a small player, accounting for only 0.4% of global palm volumes in 2016. We already expect full compliance to our [Sustainable Palm Oil Policy](#) and [Supplier Code](#), and have absolutely zero tolerance for the burning of forests. All of our current suppliers have either signed this code or have their own codes consistent with ours. We are also now releasing our full supplier list.”

Professor Lee White CBE, Head of Gabon’s National Parks Agency and UNFCCC Forest and Agriculture coordinator for Gabon said: “I have worked closely with the Olam and SOTRADER³ senior management from the development stage of both programmes⁴ 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.

“It is a shame that Mighty and Brainforest did not take the time to sit down with us and understand the methodology used before launching this critique.”

Sir Jonathon Porritt, Co-Founder Director of Forum for the Future and co-chair of the High Carbon Stock Study said: “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.

“Within Olam’s plantations there are huge swathes of regenerating forest under Olam’s protection, whilst around the plantations we saw villages where Olam had provided lighting, water, schools and much needed, fairly paid work. For critics who insist that Gabon cannot earmark even the least valuable 1% of its vast forest landscapes for farming, to alleviate deep levels of rural poverty and provide jobs and food security, I would say: your position would be met by anger and disbelief by the people and government of Gabon.”

We see the Mighty Report to be levelling two main areas of criticism towards Olam which we address below.

³ SOTRADER is a public-private partnership between the Government of Republic of Gabon and Olam International, the technical partner. SOTRADER aims to develop smallholders’ agricultural programme i.e. GRAINE (Gabon des Réalisations Agricoles et des Initiatives des Nationaux Engages) and promote sustainable development that benefits local population.

⁴ Olam has two palm projects in Gabon, both of which are JVs with the Government of the Republic of Gabon: OPG (Olam Palm Gabon), which is developing RSPO Certified plantations; and SOTRADER.

1. Olam is deforesting in Gabon and will not sign a no-deforestation commitment that adheres to HCSA methodology

To answer this, we have to travel to Gabon.

In Gabon 32.7% of people live at or below the poverty line (World Bank), it has 20% unemployment overall and 35% youth unemployment and the country imports 60% of all its food. It has relied on an oil and gas economy (60% of its budget revenue) that is not viable in the long-term. And 90% of its land area is forested. The Government therefore has a justifiable imperative to grow the agricultural economy beyond just subsistence farming. Its medium term goal is to establish 300,000 ha of agriculture, which will amount to about 1% of Gabon's total national land area.

Minister Yves Fernand Manfoumbi, Gabon's Minister of Agriculture said: "Through our PPP the Republic of Gabon and Olam are working to create jobs for rural people, diversify the economy of Gabon and contribute to global food security. Through capacity building the GRAINE programme⁵ is working to improve yields by modernising agricultural methods to take advantage of improvements made throughout the tropics and to fix people on one piece of ground. In doing so we are able to formalise rural land tenure, raise incomes, invest in fencing to protect crops from elephants and reduce CO₂ emissions from shifting cultivation 10-fold."

We have been working in a PPP with the Government, in the form of 2 Joint Ventures, Olam Palm Gabon (OPG), and a smallholder palm and food cash crop farming project called GRAINE.⁵ This will create what we believe to be a different and a more sustainable model for palm plantations:

- Selecting broad areas in landscapes which are far from national parks and where the natural environment has already been significantly 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.
- Discuss and 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 no burning for land clearance.

Olam's first palm plantation went from being the first in Africa to receive the Roundtable on Sustainable Palm Oil ("RSPO") New Planting Procedure verification to also becoming the first-ever new development in Africa to have its working plantation RSPO certified, including the mill.

Getting high-yielding plantations up and running requires an appropriate initial land base. Given much of Gabon's non-forested land is infertile savannah or swamps, there simply isn't enough available non-forested land to start up such a development. It is therefore necessary to include some highly

⁵ GRAINE is a smallholder cash crop and food security programme to benefit rural communities. It is owned by a JV between the Republic of Gabon and Olam called SOTRADER, (51:49 RoG:Olam) .

degraded forest lands. Therefore, Olam cannot sign up to the no deforestation commitments that adhere to the HCSA approach⁶ on the basis of available land in Gabon.

We agree with Gabon's sovereign right to convert a tiny percentage of its least valuable forested land for agriculture, so long as it is responsibly and transparently done. Our plans and progress for developing sustainable palm oil plantations have been shared transparently with stakeholders and put in the public domain from the start and we always welcome any initiative that will help us to improve further.

If we look at it in numbers:

- **58.8%** (25,735 ha) of the planted palm area was originally highly logged and degraded secondary forests (detailed analysis using LiDAR mapping) = **0.1%** of the total forested area of Gabon
- **41.5%** (18,265 ha) of the planted area was originally in savannah
- **55,000 ha** of HCV forest conserved by Olam (more than our total planting area of 44,000 ha) which we retain and protect against ongoing incursions by illegal loggers, commercial hunters, and other forms of encroachment
- **6,500** people employed from the local communities who are paid fair wages, with significant capacity building through new skills / training
- **US\$750 million** will be the total investment by Olam Palm Gabon
- **US\$900–950 million** is the estimated investment for project GRAINE

2. Olam's third party sourcing of palm oil comes from companies that are environmentally destructive and causing fire and haze

This refers to our palm trading business in Asia.

In 2016 we sourced 250,000 metric tonnes from third parties, the majority of which came from Indonesia. This is 0.4% of global production (62 million metric tonnes MT). As stated in our [October Interim Progress Report](#), these volumes have been sourced from 14 suppliers. 90% of the volume is from suppliers who are RSPO members who have a committed road map for 100% certification. All suppliers must ensure that their suppliers uphold the principles of the [Sustainable Palm Oil Policy](#), the [Olam Supplier Code](#) or their own Codes which have been approved by Olam. As part of our commitment to sustainable sourcing we have discontinued many suppliers who did not conform to our Supplier Code (reducing our supplier list from 48 in 2014 to 14 today).

The Report states that in 2015 we sourced 1.53 million MT but in fact 73% was paper traded volume.⁷ Furthermore, the [Sustainable Palm Oil Transparency Tool \(SPOTT\)](#) compiled by ZSL, an independent third party, ranks us as the 4th most-transparent company globally (above all the companies highlighted by Mighty for their transparency).

⁶ The HCSA methodology is designed for use in fragmented forest landscapes and mosaics in the humid tropics. Gabon, with over 23 million ha of mostly contiguous forests, is not in this situation. The carbon thresholds currently used would preclude any kind of responsible development on the scale required to meet the national development objectives.

⁷ The report bases its data on a figure of 1.53 million MT which includes paper traded volume. Companies do not take delivery nor ship this 'hedged' oil – it is used for risk mitigation in trading.

Our [Sustainable Palm Oil Policy](#) was updated in October to make our commitment to no Peat and No Burning more explicit, especially for our third party supply chains. Similarly whilst we have always practiced No Exploitation in both our own plantations and our third party sourcing, we will update our policy to say explicitly “No HCS, No HCV, No Peat and No Exploitation” in line with other leading companies in the sector.

If any supplier is reported to be in breach of our [Sustainable Palm Oil Policy](#), then we will investigate. If any non-compliance is seen or brought to notice which suggests a supplier is not following guidelines, corrective action is taken, which may also include eliminating suppliers from the list. In the main, our belief is that we have to be in the supply chain to help change it, otherwise the plantation owners or smallholders will simply sell to a less responsible buyer. **However, remedial action is not an option for any supplier who uses burning for land clearance. We will absolutely not tolerate the burning of forests and it will result in supplier expulsion from our supply chain.**

The report states that our deadline for supplier compliance to our [Sustainable Palm Oil Policy](#) is 2020. This is a misunderstanding. **Compliance to our policy, from all our 14 suppliers from Indonesia and Malaysia is expected even today.** It is the verification process of our supplier’s supply chain, (both the mills and third party suppliers that they buy from), that takes the traceability roadmap to 2020. Eleven of our third party suppliers have also signed [Olam’s Supplier Code](#) while 3 have codes consistent with ours. We have, in fact, disassociated Olam from suppliers in the past who did not strictly align with our Supplier Code requirements. Each of our suppliers must commit to not negatively impact human rights or the environment. **Due to the potential for misunderstanding highlighted in the report, we will review and amend our Palm policy to clarify this fact, with immediate effect.**

We are partnering with the [World Resources Institute](#) (WRI) to identify environmental risk associated with our suppliers’ mills, and their supply base, within a 50km radius. Given that a few of our suppliers have a sourcing network of over 800 mills, this is an immense task. Hence our year-on-year targets which are listed in the table (*Progress of specific targets in road map*) on page 4 of the [Interim Progress Report](#).

We are enclosing the list of our 14 suppliers as at our October 2016 [Interim Progress Report](#) in Annex 1.

Jean-Paul Pinard, Chairman of our Corporate Responsibility & Sustainability (CR&S) Board Committee said: “Olam International adheres to the highest standards of transparency and welcomes efforts to help us improve our sustainability policies and their implementation. Olam has engaged with great openness on its operations in Gabon, and has navigated a very responsible course between the need to provide economic growth, jobs and food security in a country which needs urgent economic diversification, and the non-negotiable requirement to protect Gabon’s priceless natural heritage. It is an achievement of which Olam should justifiably be proud. We are also committed to achieving end-to-end sustainable supply chains, which is a complex and challenging task where palm oil is concerned. We must, however, not be complacent and I will encourage Olam’s management team to continue to improve our policies and their execution, and work with our suppliers and stakeholders to ensure the integrity of all our supply chains.”

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About Olam International Limited

Olam International is a leading agri-business operating across the value chain in 70 countries, supplying various products across 16 platforms to over 16,200 customers worldwide. From a direct sourcing and processing presence in most major producing countries, Olam has built a global leadership position in many of its businesses. Headquartered in Singapore and listed on the SGX-ST on February 11, 2005, Olam currently ranks among the top 50 largest listed companies in Singapore in terms of market capitalisation. In 2016 Fortune recognised Olam at #23 in its 'Change the World' list.

More information on Olam can be found at www.olamgroup.com.

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ANNEX 1: LIST OF THIRD-PARTY PALM OIL SUPPLIERS⁸

1. Wilmar International
2. Golden Agri-Resources
3. First Resources Limited
4. Inter-Continental Oils & Fats Pte Ltd
5. AAA Oils & Fats Pte. Ltd.
6. Virgoz Oils and Fats Pte. Ltd.
7. Sarawak Oil Palms Berhad Group Of Companies
8. Mewah Group
9. PT. Eka Dura Indonesia
10. Keck Seng (Malaysia) Berhad
11. Felda Global Ventures
12. Sime Darby Unimills B.V.
13. Intercontinental Specialty Fats Sdn Bhd
14. IOI Loders Croklaan Edible Oils

⁸ Updated October 2016