Summary of Third Party Mill Risk Assessment
December 2017

Introduction
In February 2017, Olam's Sustainable Palm Oil Policy was updated to cover our commitments to both Olam's own production and to palm oil sourced through third-party suppliers. Our Feb 2017 commitment including 100% traceability to mill and supply base by 2020 and verifying our third party supply chain.

Objective
Since 2016, Olam has partnered with **WRI** to assess risk profile of 1,100 indirect mills, risk assessed including past and future environmental risks linked to deforestation, conversion of primary forest, peatland and protected area.

In 2017, Olam has engaged with **Proforest** to independently conduct risk assessment on our direct suppliers, including their mill supply base. The assessment aims to:
1. Provide a systematic and credible basis to implementing compliance of our supply chain.
2. Prioritise and provide action recommendations based on risk assessment findings of our supply chain.

Scope
It covers all third parties sourcing for our trading and processing unit in 2016 and 2017 (up to Q3 2017).

Methodology
The risk assessment methodology is structured in three parts and each supplier was assessed against these three categories, namely:
   a) Geographical, biophysical, and social risk of mill supply base;
   b) Volumes supplied and certified material;
   c) Supplier information including NGO reports.

Unlike environmental risk which can be evaluated using satellite imagery, social risks of a supply base are derived using the IFC GMAP[1] tool, while methodologies specific to the oil palm sector are being developed. GMAP provides country and commodity level risk ratings for child labour, forced labour, working conditions, and the legal protections in place for these.

Findings
The traceability target for 2016 and 2017 is set to 30% and 50%, both has been achieved, in Q2 2017 Olam have already achieved 86% traceability while processing unit has establish 100% traceability since 2016.

	2016	**2017**(up to Q3 2017)
Number of suppliers	14[2]	14[3]
Annual volume	300,000	270,000
Traceability to mill	61%	86%

Action recommendations for specific suppliers include provision of traceability data, establish clear scope for companies' policy on associated companies, follow up on actual implementation of companies' policy, and follow up on grievance cases including company's future expansion plan and its compliance to the policy.

Following summary recommendations for each supplier is listed:

	Direct Suppliers 2017	Highlight	Next Step			
			Provide traceability data	NDPE Policy	Follow up on policy implementation	Follow up on current grievance cases
1.	AAA	Program in place			√	
2.	Astra Agro	Non RSPO, Joint venture companies	√		√	
3.	Astra KLK	Policy coverage on joint venture	√		√	
4.	FGV Trading	Grievance			√	√
5.	GAR	Mill traceability Grievance	√		√	√
6.	Green Edible Oil	Implementation of policy			√	
7.	PT Synergy Oil	Policy coverage on joint venture		√	√	√
8.	Virgoz	Policy coverage on third party suppliers		√	√	
9.	Louis Dreyfus	Large supply base			√	
10.	ICOF	Program in place, Grievance of their suppliers	√		√	√
11.	Sime Darby	Program in place	√		√	√
12.	Wilmar	Program in place			√	√
13.	ISF	Policy		√	√	
14.	IOI LC	Program in place			√	√

Next Step Forward

All recommendations made by Proforest will be fully implemented. The risk assessment provides a basis for prioritising our supplier engagement activities. In order to further strengthen our supply chain, purchase of physically certified material is also part of the risk mitigation strategy; it is well aligned with the customers' demand in certain market.

Mill verification can potentially identify a high risk mill that does not comply with the company policy and provide the basis for ongoing engagement, however Olam does not source directly from mills, the mill supply base is shaped by our direct suppliers. Although a number of our direct suppliers have already put in place a policy implementation and mill verification program with independent third parties such as TFT or Proforest, there is an on-going challenge of implementation in all cases.

> *The risk assessment of suppliers that has been carried out now provides Olam with a systematic basis for targeting supplier engagement activities. Olam will need to challenge suppliers to demonstrate effective approaches to policy implementation on the ground.*
>
> **- Proforest -**

Against Olam's sourcing background, a **landscape-level or jurisdictional approach** will be next logical step to complement policy compliance of our supply base. Priority landscape that cover majority of Olam's supplies and overlap with high risk supply base identified through WRI and Proforest's assessment will be continuously monitored using geospatial information.

Since 2016, Olam has partnered with World Resources Institute (WRI) to assess the risk profile of our mills. More than 1,100 mills have been analysed by WRI for their risk level using the Global Forest Watch PALM Risk Assessment Tool, which draws on best available geospatial data to assess both past impact and potential for future impact associated with "deforestation-related activities" within the sourcing area of a palm oil mill. Deforestation-related activities include fires and tree cover loss over time and in various land cover classifications such as peatlands, primary forests, and high carbon density areas. The list of our supplier mills, which are not covered by Non-Disclosure Agreements, has been shared with WRI to be incorporated into a publicly available global database – the "Universal Mill List" – which will be made available on the upcoming **GFW Pro platform**. GFW Pro, which will be launched in mid-2018, will enable companies like Olam to monitor our production and conservation areas – and those of our suppliers – for deforestation activities on a daily basis and prioritize field engagement activities more accurately and efficiently.

Detection of non-compliance such as fire or clearing peat land will be verified with direct and indirect mill suppliers in the landscape. It will be addressed through the time bound grievance protocol which requires actions to be taken, otherwise lead to suspension.