

Sustainable Palm Oil Sourcing Policy

1. Introduction

Palm oil is the most widely used vegetable oil in the world, and, as the global population increases to 9 billion by 2050, it is well positioned to remain a crucial part of the food production process. Palm oil production has the highest oil yield per hectare and provides a livelihood to millions of people in tropical agricultural communities around the world.

Bunge believes all agricultural supply chains should be environmentally sustainable and economically beneficial to local communities. Sustainable palm oil must be produced in a manner that is legally compliant and traceable, that protects forests and biodiversity, reduces greenhouse gas (GHG) emissions and respects the rights of indigenous peoples, workers and local communities.

Bunge is committed to building a supply chain that reflects these beliefs and the principles cited in this policy, which is based on current best practice and informed by stakeholder input.

Moving forward, in consultation with our stakeholders, we will review, adjust and improve our approach, and will strive to implement leading sustainability standards and apply the highest levels of transparency and stakeholder engagement.

2. Scope

Bunge is an active participant in the palm oil supply chain. We recognize the important role we can play in encouraging, through sourcing decisions and industry engagement, a transition to more sustainable practices.

This policy applies to all physical palm oil and derivatives that the company, including our subsidiaries and joint ventures in which we have management control, sources, trades, processes and utilizes worldwide, via existing and new suppliers. It is effective immediately.

We expect all of Bunge's (third-party) suppliers of palm oil products to adhere to all of the commitments in this Policy.

3. Commitments

Legal Compliance

- Compliance with all applicable national and local laws

Environmental management

- Identification and protection of High Conservation Value (HCV) areas and High Carbon Stock (HCS) Areas.
- For existing plantations on peat, appropriate management using Best Management Practices, as defined in the RSPO P&C and the RSPO manual on Best Management Practices for existing oil palm cultivation on peat. Where areas are identified as unsuitable for oil palm replanting, based on drainability assessments or other reasons, plans will be developed for the appropriate management of such areas, which could include rehabilitation.
- Implementation of programs to progressively reduce GHG emission, recycle/reuse palm biomass and generate renewable energy by methane capture.
- Enforcement of a no-burning policy.
- No use of Paraquat and pesticides that are categorized as World Health Organization Class 1A or 1B.

Human Rights and Workplace

- Respect and uphold the rights of all workers, including contract, temporary, and migrant workers, in accordance with the Universal Declaration of Human Rights, the International Labor Organization's core conventions, United Nations Guiding Principles on Business and Human Rights and the principles of Free and Fair Labor in Palm Oil Production.
- Uphold the right to freedom of association and recognize the right to collective bargaining. Allow trade unions to have access to workers. Ensure employees have access to credible grievance mechanisms that respect anonymity of complainants and whistle-blowers
- Eliminate all forms of illegal, forced, bonded, compulsory or child labor and, in particular, follow responsible recruitment practices, including not charging recruitment related fees at any stage in the recruitment process, including by agents or their sub-agents in receiving and sending countries.
- No retention of workers' passports/identity documents or withholding of workers' wages other than that prescribed by law.
- Pay all workers the statutory monthly minimum wage and overtime compensation, in accordance with the current labor regulations.
- Provide fair and equal employment opportunities for all employees, regardless of race, nationality, religion or gender.
- Promote a safe and healthy working environment that is free of harassment.
- Provide adequate equipment and training on the implementation of health and safety policies

Community Development and Social Impact

- Drive positive socio-economic impact for local communities, as well as respect and contribute to the quality of life and wellbeing of the communities affected by the suppliers operations
- Engage effectively with the communities in an open and transparent manner through consultation, supported by a grievance procedure in which existing and future complaints are resolved to the satisfaction of all stakeholders

- Support the inclusion of smallholders in the palm oil supply chain and help them to comply with our sustainability policy

4. Additional Commitments and requirements for New Plantings

Sustainability commitments, in addition to those stated previously, which are applicable to any new oil palm plantings by suppliers to Bunge and their third party suppliers include:

- No deforestation and protection of High Conservation Value (HCV) areas.
- No deforestation and protection of High Carbon Stock (HCS) areas, using the revised High Carbon Stock Approach (<http://highcarbonstock.org/the-hcs-approach-toolkit/>).
- No development of peatlands regardless of depth, and protection of peatlands through water management and fire prevention.
- Respect the land tenure rights of indigenous and local communities, including their right to give or withhold their Free, Prior and Informed Consent (FPIC) to operations on land over which they hold legal, communal or customary rights in accordance with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the Social Requirements for Conserving High Carbon Stock Forests.

5. Traceable Supply Chains

- Traceability is defined as traceable to a defined list of mills and plantations.
- Bunge's goal is to ensure that all volumes of palm (kernel) oil and palm (kernel) oil fractions will be 100% traceable to mills. We will strive to increase traceability to plantation level over time. The actual status and progress is reported via Bunge's Palm Oil Dashboard.
- We will actively promote and support the transformation of the palm oil supply chain through a process of supplier engagement. We will continue to engage with key suppliers to promote our policy commitments and build capacity of mills and supplier companies to ensure compliance. If there are suppliers who are unwilling to transform or prove to continuously miss the targets set in their time-bound plans, we will cease to do business with them.
- We will risk assess all palm oil supplier mills using tools such as the spatial data and remote sensing information made available by various organizations such as the World Resource Institute's (WRI) Global Forest Watch (GFW) platform. Together with stakeholder alerts, which will also include human rights risk alerts, we will establish priorities for conducting mill-level verification assessments.
- We will work with independent experts to develop a program of mill-level verification assessments, using risk assessment tools to identify high risk mills and ensure their adherence to the stated sustainability commitments

6. Transparency and Wider Engagement

Improving our level of engagement with stakeholders, including transparency on our performance and progress, is a key element in underpinning our policy commitments. We are committed to the following:

- Maintaining a public reporting system (Company dashboard) to communicate traceability information, progress on goals and activities, grievance cases, and updates on suppliers engagement and verification.

- Resolving complaints and conflicts within our supply chain effectively and responsibly via a credible, accessible and transparent grievance process.
- Following a multi-stakeholder approach as the right way forward to transform the palm oil sector. We will work with various stakeholders including suppliers, customers, non-governmental organizations (NGOs), trade unions, governments and independent verification bodies to implement our Policy (e.g. capacity building workshops, landscape projects etc.).
- Continuing to be an active supporter of the Roundtable on Sustainable Palm Oil (RSPO) and will work to strengthen the RSPO standard and its enforcement.
- Collaborating with palm oil producers, processors, traders and users in improving industry wide palm oil sustainability commitments.

**Bunge Sustainable Palm Oil Sourcing Policy:
Annex – Implementation of Policy Commitments by (Third Party) Suppliers**

This Annex details the specific mechanisms for implementation of policy commitments.

1. Scope

Any existing or potential supplier to the Bunge, both direct and indirect through a trading partner, is required to comply with the Bunge Sustainable Palm Oil Policy.

There are two ways that Bunge sources its palm oil products:

1. Direct supply: sourced directly from third-party mills.
2. Indirect supply: procured from trading partners who in turn source oil from their own operations or third-party mills.¹

In relation to both direct and indirect supply, Bunge recognizes two different types of sustainability risk in our supply chain:

1. Policy non-compliance in the supply base of mills in our supply chain (both direct and indirect supply).
2. Policy non-compliance at concessions controlled by supplier companies (direct and indirect) but outside of our mill supply chain (i.e. non-compliance at group level).

To ensure these risks are effectively mitigated, all suppliers must demonstrate compliance with our policy across their entire operations, including concessions from which Bunge does not currently source palm oil.

In addition, Bunge recognizes the risk of non-compliance by prospective suppliers, whether direct or indirect. Bunge will conduct appropriate due diligence to assess whether prospective suppliers have complied with our policy from February 2017, and if necessary to identify appropriate conservation / compensation / restoration measures to be carried out, prior to entering into any contracts.

Bunge takes responsibility for ensuring that our Sustainable Palm Oil Policy is communicated to all our suppliers.

Bunge may delegate responsibility for these steps to an implementation partner or trading partner (indirect supply) on a case-by-case basis. Bunge remains accountable for ensuring these tasks are completed and for ensuring pro-active monitoring using best-available data to verify our suppliers' compliance with the policy. As part of our commitment to support industry transformation, Bunge will develop implementation and monitoring systems that are compatible with the work that others are doing in this sector.

¹ As of 1 March 2018, Bunge has a long-term supply agreement with IOI Group, our JV partner in Bunge Lodders Crokiaan. IOI Group is considered a trading partner under this Policy and is subject to all of its content.

The Bunge sustainability team coordinates the implementation of Bunge’s Sustainable Palm Oil Policy, including this annex. Specific oversight of grievance procedures can be found in Bunge’s grievance policy and procedure.

Governance of sustainability activities throughout Bunge’s operations and supply is provided by the Sustainability & Corporate Responsibility Committee of Bunge’s Board of Directors.

Where a mill or company in our supply chain is subject to findings or allegations of non-compliance, Bunge will engage with the supplier (for indirect supply, through the relevant trading partner) to agree a time-bound action plan and/or initiate our grievance procedure (see section 2.3).

2. Implementation mechanisms

2.1 Addressing policy compliance in our supply base of mills

For direct supply chain mills, 100% of our oil is traced to mill. For indirect supply chain mills, oil received from our trading partners is accompanied by a list of supplying mills. Oil received via indirect supply chains is expected to be 100% traced to mill by end 2018.

Bunge will take the following actions to support policy compliance and identify any potential breaches of compliance in the supply base of mills in our supply chain:

- Obtain, verify and publish an up-to-date list of all mills and refineries in its supply chain, including geo-referenced coordinates, controlling group/parent company (majority shareholder) and whether it is a “direct supply” or “indirect supply” (via named trading partners).
- Conduct a proactive mill risk assessment for all mills in our supply chain (direct and indirect supply).
- For mills in our direct supply chain, we will continue to implement our program of engagement visits, reinforced by company-level engagement and mill workshops, according to our established three-step approach.
- For mills in our indirect supply chain, we will engage with each of our trading partners in order to ensure that an equivalent program of mill-level engagement is being implemented.
- Where policy non-compliance is identified at mill-level, Bunge will initiate the mechanisms detailed below in section 2.3.

2.2 Addressing policy compliance in suppliers’ wider operations

Bunge will take the following actions to identify potential non-compliance by companies in our supply chain at group-level:

- Identify, publish and maintain a complete list of companies in our supply chain on Bunge’s Palm Oil Dashboard.
- Conduct group-level risk reviews of all supplier companies. This will include requesting all companies in our supply chain to provide permits, legal licenses and concession maps (in shapefile format and where legally possible) for their entire

operations, as well as environmental impact assessments and HCS and HCV studies where available. Relevant sources of information include:

- Company concession maps
 - HCS, HCV and environmental impact assessments
 - Government maps, including peat, forest cover and moratorium area
 - RSPO complaints
 - Other traders' active grievance procedures
 - Reports, investigations and publications by civil society organizations
 - Third-party mapping websites, including Global Forest Watch and Greenpeace's Kepo Hutan
 - Articles in the media
 - Government action (e.g. investigations or court proceedings related to illegality, corruption and in response to forest fires)
- Regularly update these evaluations of all companies, and pro-actively seek and update best-available data.

Where policy non-compliance is identified in suppliers' operations outside of our supply chain, Bunge will initiate the mechanisms detailed below in section 2.3. The results of these group-level risk reviews, including the level of information provided by supplier companies, will be used to actively inform purchasing decisions. Where supplier companies do not provide specific information that has been requested in relation to their operations, Bunge will initiate the grievance procedure.

2.3 Procedure for dealing with breaches in policy compliance

The identification and tracking of breaches of our policy by both direct and indirect supplier mills, as well as group-level non-compliance, will be subject to oversight by Bunge's Grievance Committee. This committee will have full visibility of the details of any breaches and their status, including any non-compliance with Time Bound Action Plans (TBAPs). The committee will convene regularly, although members will have access to updates at any time.

2.3.1 Direct supplier mills

For mills in our direct supply chain, we will continue to implement our program of engagement visits (section 2.1). Where an engagement visit finds that a mill in our direct supply chain is in non-compliance with our policy, Bunge will engage with the supplier to agree a time-bound action plan to bring the mill into compliance within 12 months. The action plan will include appropriate conservation / compensation / restoration measures where applicable. If a direct supplier mill does not comply with the targets in their time-bound plans, Bunge will initiate the grievance procedure (see section 2.4).

Bunge will issue a requirement to immediately cease development where clearing potential HCS, HCV or peat is detected by Bunge or stakeholders. If a supplier does not comply with a requirement to cease clearing issued by Bunge, we will cease to do business with them. Where a mill in our direct supply chain is subject to other allegations of non-compliance by stakeholders, Bunge will initiate the grievance procedure (see section 2.4).

2.3.2 Indirect supplier mills

Each of our trading partners is expected to implement an equivalent program of mill-level engagement visits. Where an engagement visit finds that a mill is in non-compliance with our policy, the trading partner will agree a time-bound action plan to bring the mill into compliance within 12 months. If a mill does not comply with the targets in their time-bound plans, Bunge will initiate the grievance procedure (as below).

Bunge expects our trading partners to issue a requirement to immediately cease development where clearing potential HCS, HCV or peat is detected by their mill-level engagements or stakeholders. If a mill does not comply with a requirement to cease development, we will cease to do business with them.

If a trading partner does not have an equivalent program of mill-level engagement visits, we will by-pass our trading partner and include the relevant mills in our own program (see section 2.1), or cease doing business with that trading partner.

Where a mill in our indirect supply chain is subject to other allegations of non-compliance by stakeholders, Bunge will initiate the grievance procedure (see section 2.4).

2.3.3 Company level non-compliance

Where companies have been identified as potentially non-compliant with Bunge's policy outside of our mill supply chain (i.e. non-compliance at group level), Bunge will initiate its established grievance procedure (see section 2.4).

2.4 Grievance procedure

When we initiate our established grievance procedure (see Bunge website), we will:

- Issue a requirement to immediately cease development where clearing potential HCS, HCV or peat is detected by Bunge, its implementation partners or NGOs. If a supplier does not comply with a requirement to cease clearing issued by Bunge, we will cease to do business with them.
- Ensure the claims are investigated and, where appropriate, verified by independent experts.
- Engage with the supplier (where appropriate, through the relevant trading partner).
- Agree a time-bound action plan for the mill or company to bring its operations into compliance within 12 months.
- Where groups are suspected of serious or ongoing environmental, social and labour violations, Bunge shall consider suspending purchases from the group until investigations are concluded and any policy violations resolved.
- Require the company to carry out appropriate conservation / compensation / restoration measures where applicable, to adequately address all non-compliant activities since February 2017.

- Maintain reporting of all mills/companies subject to the grievance procedure on our website and provide regular updates on progress, including milestones and a clear deadline for compliance.

2.5 Ensuring policy compliance by potential new suppliers

All new suppliers (direct supply) are required to have complied with Bunge's Sustainable Palm Oil Policy from February 2017 and to be transparent about their operations. Prior to receiving deliveries of palm oil products originating from potential new suppliers (including via trading partners), Bunge will implement the following due diligence measures:

- Provide the potential supplier with a copy of Bunge's Sustainable Palm Oil Policy and advise them of the Bunge's requirements for (third party) suppliers.
- Conduct a group-level risk review, to determine if the company's operations have the potential to involve non-compliance with our policy. This will include a review of the potential supplier's feedback on Bunge's policy commitments and our request for relevant permits, legal licenses and concession maps (in shapefile format and where legally possible) for the potential supplier's entire operations, as well as environmental impact assessments and HCS and HCV studies.
- Undertake a gap analysis to identify what material is missing, inadequate or unclear, and request additional material from the potential supplier.
- Fact-check claims by seeking publicly available information including information lodged with government agencies, satellite mapping information (e.g. through Global Forest Watch), RSPO complaints and information available online.

Where potential new suppliers have undertaken plantation development that is incompatible with this policy after February 2017, appropriate conservation / restoration / compensation measures and an implementation plan will need to be agreed prior to the Bunge entering into contracts to receive oil originating from that supplier.

Where evaluation has been delegated to trading partners (indirect supply), Bunge will request its trading partners to observe similar due diligence measures and provide its findings to Bunge prior to shipping oil from potential new suppliers to Bunge or its subsidiaries.