Africa:
An Overview of Environmental & Social Dimensions
An Overview of Olam
Extraordinary growth in the agricultural supply chain over two decades

• Olam is a leading global player in agricultural and food ingredient supply chain.

• We have achieved leadership positions through diversification and selective integration.

• Our uniquely shaped business portfolio has grown consistently based on a repeatable and scalable adjacency formula.

• Upstream focus—Seed to Shelf: Capitalizing on the long-term S&D trends, we have made 21 investments in over 2.2 million hectares across 11 countries in 10 products.

| Plantations       | • Almond Orchards in Australia/US |
|                  | • Coffee Plantations in Laos, Ethiopia/Tanzania |
|                  | • Palm/Rubber plantations in Gabon & Ivory Coast |

| Farming (annual crops) | • Cotton farming in Mozambique, Ivory Coast & Brazil |
|                       | • Peanut cultivation in Argentina |
|                       | • Rice cultivation in Nigeria and Mozambique |

| Forestry Concessions | • FSC certified concessions in Republic of Congo |
|                     | • Concessions under certification process in Gabon |
|                     | • Concessions in Mozambique/Tanzania |

| Dairy Farming | • In Uruguay based on techniques from NZ |

| Agri-inputs: fertilizers | • Gas-based urea plant in Gabon |

Our stakeholders

11,000 Customers
65 Countries
70 End Markets
20 Products
17,000 Employees
2,000,000 farmers
100 factories
Our African Footprint: diversified origins, products and value chain presence over 20 years

• In 1989, Olam was established to export non-oil products from Nigeria.
• Leading position in 10 out of 20 products
• Over the years we have expanded into 20 other African origins and products.

Cotton*  Cashew*  Cocoa*  Packaged Foods  Fertilizer  Wood products*
Palm  Rubber  Rice*  Sesame*  Coffee*  Sugar

Africa is a significant part of Olam’s operations

Asset base: processing facilities/logistics (~US$500 M) and planned investments of US$1.8 billion.

Creating value is our business
CR&S at Olam: 110 Initiatives. 1.5 Million Farmers. 30 countries.

- In the formative years, our sustainability policy was based on ‘ethic of compliance’ and an ‘ethic of contribution’.
- Today, our approach is an ‘ethic of mutuality’ as sustainability is embedded in our business model.
- Anticipating the growth of our asset footprint, we have engaged experts to study the potential impact on carbon, water, energy and waste.

We will contribute to the UN Millennium Development Goals through our Livelihood Charter.

- Pre-financing
- Improved Yield
- Labor Practices
- Market Access
- Traceability
- Quality
- Social Investment
- Improving Rural Livelihoods
- Environmental Impact

The Livelihood Charter:
linking smallholders to markets to improve livelihoods.

- 23 Memberships
- 16 Partnerships
- 3 Certifications

- ✓ Crop & Loan US$21.1 M; Quality Premium US$3.5 M
- ✓ US$2.4 M already invested in training 65,000 farmers
- ✓ 441,000 tree crop seedlings provided
- ✓ Primary & Vocational education for 40,000 people in emerging markets
- ✓ 70,000 provided with HIV/AIDS awareness and support
Huge potential for agricultural development to support domestic and global demand growth

Value of Agriculture Production in Africa was US$280 Billion in 2010

Growth of agricultural production could mean an increase to **USD880 billion revenues by 2030** for Africa.

Population growth in Sub-Saharan and North Africa **2.1% and 1.4%** respectively

~570 million people added to the population in Africa by 2030.

Proportion of people with discretionary income will increase from 43% in 2010 to 52% in 2020.

Although 60% of potentially arable land in the world **is in Africa**, the sector remains underdeveloped today due to:

- **Inadequate** agricultural systems
- **Insufficient investment** by governments
- Dearth in access to **high quality planting material and training**

The CAADP has appealed to African governments to allocate 10% of their national budget to agriculture in order to achieve 6% annual agriculture growth.
Small scale farming

- Palm drives small-scale agricultural development and diversification
- With better access to inputs, R&D, and financing, smallholders can develop **cash & food crops**, increasing self-reliance.

Building Local Capacity

- Investment in spin-off activities
- Sourcing products and services locally, when possible, drives economic growth, self-reliance, and stimulates local entrepreneurial capacity.

Commercial Development

- The palm oil sector provides major employment and training.
- Contributes to the improvement of rural livelihoods.
- Development of downstream industry
Palm cultivation will reduce import dependence on edible oils and provide sustainable source for exports

- Production growth is virtually
- Palm Oil
- Africa imports ~3 million tons of palm oil annually
- Total Planting Target, including other African countries, is 570 k ha– while Total Landbank is 1.75 M hectares
- Forthcoming plantations are 3x the area of existing plantations.
- 4 Companies are endeavoring to certify their African plantations
Leveraging learning:
Getting Africa off to the Right Start
Different Geography, Similar Concerns

UNEP, Mongabay

Biodiversity Loss

GHG Emissions

Social Conflict & Displacement of Indigenous People

Land-Use
Addressing Key Environmental & Social Dimensions in Africa

**LAND-USE PLANNING**
- Work with Governments and stakeholders to develop responsible land-use plans
- Verify the acceptance of the project by villages that exist within concession boundaries

**BIODIVERSITY LOSS**
- Establish wildlife corridors and schemes to mitigate wildlife human conflict
- Support programs educating locals on hunting laws and restricted areas
- Regular income through employment and ancillary services
- Consult stakeholders & ministries to ensure that concessions aren’t within or bordering sensitive areas

**GHG EMISSIONS**
- Identify acceptable carbon thresholds for African countries
- Establish methane capture

**SOCIAL CONFLICT & DISPLACEMENT OF INDIGENOUS PEOPLE**
- Give job preference to local communities
- Develop schools & medical clinics
- Complete Social Participatory Mapping as a part of FPIC to determine any important sites to communities
- Avoid areas with village settlements
- Support out grower subsistence farming
- Determine rights of refugees with the government

**LABOR ISSUES**
- Promote safe and fair labor environment
- Build local capacity through training programs
- Prohibit child labor
- Empowering women in the workplace
An Opportunity to leverage wealth of knowledge and frameworks

- There is more sustainability consciousness in the palm industry with the increase in environmental and social frameworks which include entities like the RSPO.

- Over the past decade in Africa there has been emphasis on good governance regarding environmental and social dimensions.
Developing palm responsibly in Africa: Olam Case
Developing a Sustainable Palm Industry in Gabon

### Environmental Dimensions

- **National requirements** for developing a plantation include:
  - ✔ Social and Environmental Impact Assessment (SEIA) including carbon estimation by an independent agency
  - ✔ Forest and Agriculture inventories
  - ✔ A public notification
  - ✔ Validation of the SEIA by 15 ministries

- Olam has set aside 30% of its development area for the protection of water sources and High Conservation Value areas.

### Social Dimensions

- Local research institutions & government ministries played a key role in the social participatory mapping process which covered 13 villages, with a total of about 7900 people
- Palm will provide critical infrastructure as currently there are only:
  - → 37 healthcare professionals spread over 5 operational healthcare centres in the project area.
  - → 10 primary schools with 49 teachers for 2000 students
- For 50,000 hectares, we will hire 6,500 people
- Our project supports development of local capacity

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<thead>
<tr>
<th>Advantages</th>
<th>Challenges</th>
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<tbody>
<tr>
<td>Robust EIA process and controlled release of land for development</td>
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<td>Clear land tenure</td>
<td>Lack of land use plan</td>
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<td>Low population density</td>
<td>Bush meat trading</td>
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<td>Subsistence farming occurs along national roads</td>
<td>Migrant population</td>
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<td>No villages inside concessions</td>
<td>Managing disruption of village activities</td>
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Taking Sustainability one step further.....

Olam Sustainability Policy

Environmental Values
Social Values
Full RSPO Compliance

Enabling the implementation of RSPO in the countries we operate

- Effective implementation of the RSPO standard in our own operations
- Playing a leadership role in the National Interpretation of RSPO in key origins
- Supporting the development of a responsible land use plan and sustainability framework.
- Building local and national capacity to implement RSPO
- Making a positive contribution to biodiversity conservation on- and off-site

Minimizing the Carbon footprint of oil palm operations

- No development in high conservation value forests and ecosystems
- No development in high carbon stock forests, determined though a multi-stakeholder process in key origins
- No development on peat-lands
- Implementing zero waste, and maximising greenhouse gas capture and renewable energy use

Improving the livelihoods of rural communities

- Capacity building to help local communities be self reliant, and supporting local enterprises
- Contributing to community development, healthcare and education
- Supporting smallholders to build capacity, improve yields, apply good practice and avoid deforestation
- Engaging transparently to ensure free, prior and informed consent of local communities
Conclusions

• Palm is being developed in Africa under different circumstances than when the industry took off in Asia—today existing frameworks will guide sustainable development.

• On an environmental level, focus should be on Land use planning to protect biodiversity and establishing relevant carbon thresholds for Africa, through engagement with governments and other stakeholders.

• As for community engagement, there is significant scope to build local capacity, empowering women and improving rural livelihoods.

• Challenges facing palm oil companies will include the state of customary rights in post-conflict countries, cultural norms (i.e., women’s rights in the workplace, bushmeat trade), managing expectations of communities & smallholders, availability of data on environmental aspects and institutional clarity on international conventions.

• Plantation development can positively affect the expansion of the agriculture sector in Africa and support self-reliance.
THANK YOU