



ADM Commitment to No Deforestation

Policy Implementation

H2 2017 Soy Progress Report

In Partnership with The Forest Trust 

Introduction

ADM committed to No Deforestation and No Exploitation (No DE) in our soy and palm oil supply chains in March 2015. In May 2015, we began a partnership with The Forest Trust (TFT) to implement this commitment and build traceable and transparent agricultural supply chains. ADM is working with TFT to identify direct suppliers and determine if they share our No DE values. By identifying and procuring from suppliers with shared values, ADM is participating in the transformation of the soy supply chain. Of course, ADM cannot transform the industry alone, and we encourage others in the soy supply chain to employ No DE values and practices.

Actions taken in the second half of 2017 will be reported under the following categories:

- Traceability – publication of traceability scores
- Supplier Engagement and Transformation – supplier engagement in support of No DE
- Monitoring and Verification – monitoring of issues within the supply chain through satellite imaging and verification through implementation of an Issues and Resolutions mechanism
- Topics of Interest – other relevant activities in support of No DE within the industry

Soy Action Plan 2016/17: Milestones and Status

No.	Milestone	Status
1	Update 2H 2017 soybean sourcing analysis for Paraguay, Brazil, Argentina, Uruguay, and Bolivia.	Complete
2	Conduct a pilot study addressing land use change in soybean growing areas within the Brazilian Cerrado biome—particularly focusing on Matopiba—as well as Paraguay’s Atlantic Forest biome.	Complete
3	Develop a public-facing Issues and Resolutions mechanism, and a procedure outlining a clear process for resolutions of issues that may emerge.	Complete
4	Achieve 95% traceability to municipality/district for soybeans procured directly from farmers.	Complete – currently at 99%
5	Obtain farm maps of our current direct soybean suppliers in the Matopiba region, a high risk area within the Cerrado biome in Brazil.	Ongoing
6	Participate in No Deforestation initiatives, events and discussions around the globe, engaging with stakeholders from across the soybean supply chain.	Ongoing

Traceability

From Municipality to Farm Level Traceability

ADM considers detailed analysis in Brazil and Paraguay to be important, given that certain areas within the Brazilian Cerrado and the Paraguay Atlantic Forest are identified as high-risk biomes. These areas were selected as the initial focus geographies for implementation of our Commitment to No-Deforestation (see Q1 2016 progress report for more information on risk assessment and selection).

ADM's sustainability journey encompasses many goals, including farmer-level traceability in the soybean supply chain. While in 2016 we worked on traceability of our supply chain up to state level, in 2017 we went further down and included data on municipality/district traceability for direct purchases in Brazil and Paraguay for the first time. We also started collecting GIS coordinates at the farm level in certain designated municipalities with high rates of conversion of native vegetation to soy in order to analyze land use change trends. Our idea is to increase this farm traceability database in order to assure our supply chain meets our standards.

Detailed traceability scores and procurement analysis can be found on our [Sustainability Progress Tracker](#).

Engagement and Transformation

ADM's supplier engagement strategy focuses on transformation and improvement of the soy supply chain in South America.

Soft Commodities Forum

ADM is a member of the Soft Commodities Forum (SCF) of the World Business Council for Sustainable Development (WBCSD) which was established in 2017 as a global, pre-competitive platform for leading soft commodities companies. The purpose of the SCF is to advance collective action around common sustainability challenges. The SCF is transparent and members work jointly to develop ideas and solutions focused on sustainable business practices. The Forum seeks to foster dialogue and consensus among a variety of stakeholders including industry, customers, investors, and civil society.

Stakeholder Engagement

ADM participated in several multi-stakeholder initiatives/events during H2 2017, including:

- **August:**
 - o *MATOPIBA Coalition* – ADM participated in the first meeting of a new initiative led by SRB (Brazilian Rural Society) and CI (Conservation International) with financial support from UNDEP. The Coalition will use a landscape approach to assess soy in a few selected municipalities in the MATOPIBA region.
- **September:**
 - o *SCF - World Business Council for Sustainable Development (WBCSD)* – ADM hosted the 3rd quarter meeting held in Sao Paulo, Brazil, with senior sustainability officers from major global trading companies coming together to discuss topics related to deforestation policies.
 - o *Coalition for Decision Making system* – ADM participated in the launch of the *Agroideal* tool developed by Bunge and The Nature Conservancy to help identify areas for soybean development that do not involve deforestation.

- **October:**
 - o *National Platform Community of Practice 2017*, in Bogor, Indonesia – ADM participated in this initiative organized by Green Commodities UNDP, which gathered representatives from the public, private and civil society sectors to discuss and share ideas that address sustainability in the following supply chains: palm oil, cocoa, pineapple, fisheries, soy and beef.
- **November:**
 - o *Interregional Dialogue for Sustainable Trade between China and South America*, Buenos Aires, Argentina – ADM participated in this event organized by *Solidaridad Network* to discuss supply chain topics between key members of the Chinese soy industry and stakeholders from Argentina, Bolivia, Brazil and Paraguay.
- **December:**
 - o *Cerrado Working Group meeting* – ADM hosted the 4th annual meeting at its headquarters office in Sao Paulo, Brazil.
 - o *Finance and Deforestation-Free Commodities workshop*, Sao Paulo, Brazil – ADM participated in this meeting with traders, banks and civil society representatives, who discussed alternative financial incentives that could eventually replace new expansion into forested areas.
 - o *SCF - World Business Council for Sustainable Development (WBCSD)* – ADM participated in the 4th quarter meeting held in Sao Paulo, Brazil, with senior sustainability officers from major global trading companies and leading NGOs of the Accountability Framework Initiative.

Social Issues in Sourcing Regions

In addition to the renewal of its commitment against slave labor in Brazil with [InPacto](#), and the service agreement with [Agrotools](#) to monitor and ensure suppliers in Brazil are not part of the Slave Labor List issued by the Brazilian Ministry of Labor, TFT developed two documents related to the No Exploitation portion of our No DE Policy. One of them raises supplier awareness of the most critical issues related to No Exploitation and Respect for Human Rights; the other is a consultation guide for country elevators sourcing soy in regions where there are social conflicts.

Monitoring and Verification

Monitoring Methodology

During H2 2017, ADM worked with [GRAS](#) to conduct a 2nd pilot to monitor land use change and soy expansion in the Cerrado biome in Matopiba and a few selected areas of the Atlantic Forest biome in Paraguay. This study enabled us to compare technologies and methodologies used to obtain data related to land use change. The results corroborated the data that had been collected in the previous pilot.

Development of an Issues and Resolutions Mechanism

ADM believes that civil society and local stakeholders will play an important and constructive role in the implementation of the No DE Policy, as they offer valuable and independent contributions to the monitoring of supply chains, as well as detection and disclosure of issues.

In order to formalize this process, ADM maintains an [Issues and Resolutions \(I&R\) Protocol](#), which enables any stakeholder to raise a grievance against ADM or any party in ADM's supply chain, and creates a direct forum for stakeholder dialogue. Any concerns can be sent to responsibility@adm.com. If ADM receives input through the I&R Protocol, we will promptly notify the appropriate stakeholders and provide a fair and objective evaluation in a timely manner. Relevant issues and grievances will also be logged in the [Issues and Resolutions Summary Table](#) on the Sustainability Progress Tracker, and regular progress updates will be provided.

Topics of Interest

Sustentagro and A Todo Pulmon

ADM Paraguay, UNDP Green Commodities Program and local NGO *A Todo Pulmon* launched a partnership to sponsor a forest stewardship initiative for Paraguayan suppliers as part of the SUSTENTAGRO program. The project seeks to increase the connectivity of forests in the Atlantic Forest Region by working on farms where producers improve the quality of legal forest reserves and the restoration of forest protection around water channels. The initiative also promotes the integration of biodiversity and sustainable land management by increasing and diversifying financing through incentives within the framework of Environmental Services, and leads a strong awareness and education campaign, aiming at environmental adaptation.

The Nature Conservancy (TNC) Project in Bahia

During the second half of 2017, efforts continued on our joint project with TNC to analyze and improve farming practices in western Bahia. The Municipal Environmental Portal (PAM) was launched at the Bahia Farm Show. ADM and TNC also presented the results of the Phase I farm level assessments in which the team assessed 11 properties spanning 70,000 hectares. The 2017 Annual Project Report was published and contains highlights of achievements made throughout the year, including the completion of Phase I and the beginning of Phase II.

Amazon Soy Moratorium

ADM received the Reports of Independent Verification of Attendance to the [Amazon Soy Moratorium](#). The report was rated as "good", the second best among the possible classifications.

2018 South American Soy Action Plan

In 2018, ADM will continue its participation in the Soft Commodities Forum under the auspices of the World Business Council on Sustainable Development. The focus of the Soft Commodities Forum has been and will continue in 2018 to be on the Cerrado region of Brazil. In addition, ADM will continue to be an active participant in Abiove and the Cerrado Working Group.

In the coming year, ADM will focus No DE Soy implementation and milestones on a group of municipalities identified by TFT analysis. These MATOPIBA municipalities will be the priority for ADM's first phase of farm level traceability. They were selected based on rate of conversion of native vegetation, area of native vegetation cover, area of soy cultivation, and ADM procurement.

ADM's No DE action plan for 2018 will focus on the following topics and corresponding milestones:

Topic	Milestones
Traceability	- 100% traceability to farm level for direct suppliers in first phase priority municipalities in MATOPIBA, as recommended by TFT (see traceability scorecard for details).
Supplier Engagement & Transformation	<ul style="list-style-type: none"> -Require CAR from direct suppliers in Brazil as part of all new pre-financing contracts. -Communicate No Exploitation/Human Rights Policy to all direct suppliers in Brazil. -With SCF and Cerrado Working Group, reach consensus on the definition of deforestation in the Cerrado. -Using TNC's Phase I report, open dialogue with supplier groups and begin implementing transformation plans for 100% of Phase I suppliers that enroll in Phase II. -Continue efforts with A Todo Pulmon to support grower efforts to recover and improve forest areas: <ul style="list-style-type: none"> • 1,000 hectares of surplus forest mapped • 5,000 hectares of environmental liabilities (forest deficit) mapped • Database and thematic maps of producers • 1,000 hectares of certified forest
Monitoring and Verification	<ul style="list-style-type: none"> -Obtain polygon farm maps and implement geospatial technology to monitor on-the-ground impacts. -Proactively track and contribute to resolving grievances using ADM's Issues and Resolutions Mechanism.

Conclusion

In 2017, many of our efforts were focused on understanding which available technologies could most efficiently and cost-effectively monitor land use change in South American soybean producing areas. We also invested time to improve traceability in our supply chain. We will keep investing in geospatial technology until we reach traceability of our suppliers up to farm level in regions considered environmentally sensitive.

Once again, we participated in several initiatives around the globe, working with a variety of stakeholders to discuss the best ways to improve soy production and sustainable practices.

This is our seventh public Progress Report. We welcome feedback and comments from our interested readers at responsibility@adm.com.