



# ***ADM Commitment to No Deforestation***

## ***Policy Implementation***

**H12018 Palm Progress Report**

**In Partnership with The Forest Trust**



## Introduction

ADM committed to No Deforestation, No Peat, and No Exploitation (No DPE) in our 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 DPE values. By identifying and procuring from suppliers with shared values, ADM is participating in the transformation of the palm supply chain. Of course, ADM cannot transform the industry alone, and we encourage others in the palm oil supply chain to employ No DPE values and practices.

The first half of 2018 marked exciting progress in ADM’s No DPE palm oil journey, as transformation activities within our supply chain matured, and we sought a deeper level of visibility in our supply chain. ADM is continuing a focus on transformation engagement in Sabah, Malaysia, and expanding transformation work to include Indonesia supply chains. We began to collect and report on traceability to plantation for the first time, and are exploring our Palm Kernel Expeller (PKE) supply chain.

Actions taken in the first half of 2018 will be reported under the following categories:

- Traceability
- Transformation
- Monitoring and Verification
- Topics of Interest

## Palm Oil Action Plan 2018/19: Milestones and Status

ADM’s No DPE action plan for 2018/19 focuses on the following topics and corresponding milestones:

Topic	Milestones	Progress
Traceability	Maintain traceability scores of at least 98% to palm oil mill globally for PO and PKO.	<b>Complete</b> For Q1-Q4 2017: PKO: 99.0% traceable PO: 98.4% traceable
Traceability	Determine a path forward to increase traceability to palm plantation.	<b>In progress</b>
Traceability	Establish communication with all direct suppliers to assess their efforts on traceability.	<b>In progress</b>
Supplier Engagement & Transformation	Implement Engagement for Policy Implementation (EPI) with suppliers representing at least 70% by volume of ADM’s sourcing of PO and PKO, in order to strengthen priority aspects of supplier action plans for implementing ADM’s No DPE Policy.	<b>In progress</b>
Supplier Engagement & Transformation	Source greater than 70% of palm volume from refineries with Aggregator/Refiner Transformation (ART) plans underway.	<b>In progress</b> For Q1-Q4 2017: PKO: 64% ART PO: 40% ART

Supplier Engagement & Transformation	Support on-the-ground transformation activities within ADM's supply chain focused on social issues, including children in plantations and smallholder income diversification.	<b>Ongoing</b>
Monitoring and Verification	Proactively track and contribute to resolving grievances using ADM's Issues and Resolutions Mechanism.	<b>Ongoing</b>
Monitoring and Verification	Utilize "Kumacaya" as independent social-environmental monitoring and verification tool.	<b>Ongoing</b>
Monitoring and Verification	Evaluate and identify additional mechanism(s) for monitoring on-the-ground impacts.	<b>In progress</b>

## Traceability

During H1 2018, ADM began to gather information on traceability to plantation within our PO and PKO supply chains. We first published percent volume traceable to plantation for each ADM facility in the H2 2017 traceability update. In this first semester of calculating traceability to plantation, ADM achieved a global rate of 13.0 percent traceable to plantation for PO, and 15.8 percent traceable to plantation for PKO. ADM is in dialogue with suppliers about plans to improve traceability to plantation scores.

Plantation traceability data will complement ADM's ongoing traceability to mill reporting. While traceability to mill continues to be critical to defining key geographies and transformation priorities in ADM's supply chain, ADM decided to additionally report traceability to plantation to support collective industry efforts to document estates and smallholders producing palm oil, which will facilitate satellite monitoring of NDPE compliance.

Information about mill and plantation traceability scores for each ADM facility can be found on ADM's Palm Oil Supply Chain Traceability page: <https://www.adm.com/sustainability/sustainability-progress-tracker/palm-oil/supply-chain-map>

## PKE

ADM's NDPE implementation to date has prioritized work on Palm Oil and Palm Kernel Oil supply chains. Palm Kernel Expeller (PKE) has not been an explicit focus of NDPE work to date, since it is a by-product and thereby has less influence on global supply chains. Significant progress has been made on Palm Oil and Palm Kernel supply chains industrywide, and a growing interest in PKE in key sectors and geographies has led ADM to build a deeper understanding of the Palm Kernel Expeller supply chain.

ADM's initial aims in the PKE supply chain are to understand the geographic origins of its PKE supply, analyze the geographic overlap between the PKE and PO/PKO sourcing, identify links between the PKE supply chain and existing transformation projects supported by ADM, and identify complementary transformation projects in the event PKE and Palm Oil origins differ significantly. These efforts are underway, and our PKE Sustainability Statement and traceability data can be found on ADM's [Sustainability Progress Tracker](#).

## Transformation

ADM's transformation engagement in H1 2018 continued our strategic focus on social issues in Sabah, Malaysia, including expanded support for work on Children in Plantations.

ADM selects transformation projects based on two factors: 1) Important ADM sourcing areas, identified through analysis of volumes by refinery at origin in ADM's supply chain, and 2) An assessment of the geographic and thematic areas in which significant social and environmental interventions are needed to support No DPE policy compliance. Selecting transformation initiatives based on these two criteria allows ADM to engage where we have the greatest leverage and supplier collaboration, and where additional support for transformation engagement will promote the most change on the ground. Sabah was previously identified as a strategic area of interest for ADM, particularly with regards to social issues.

### *Children in Plantations in Sabah, Malaysia*

In H2 2017, ADM supported a multi-stakeholder [workshop](#) on Children in Plantations, convened in Sabah, Malaysia by Wilmar, Nestle, ADM, and TFT. This was the first collaboration in Sabah focused on hearing the challenges facing businesses regarding children and young people working in palm oil plantations. The workshop generated an honest and open dialogue among participants, and opened avenues for ongoing engagement and solutions related to children in plantations.

Sabah is a strategic location to address the issue of children and young persons impacted by palm oil operations, given the tens of thousands of foreign workers' children living there. The Humana Child Aid Society, an educational NGO in Sabah, estimates there are 40 children for every 1,000 hectares of plantation. Based on a 2009 figure of over one million hectares of palm plantation in Sabah, we can extrapolate the number of children in palm oil plantations in Sabah is approximately 40,000.

Leveraging the learnings and success of the consultation, TFT developed three follow-up projects to catalyze industry transformation around children in plantations (Table 1). Grant funding from ADM Cares supports Projects #1 and #2, Socialization of the Children in Plantations Report and Mapping of Services for Vulnerable Children in the Plantations of Sabah. These projects will expand dialogue on Children in Plantations beyond the initial consultation, raising awareness and stimulating action across the industry.

*Table 1. Children in Plantations Projects Resulting from the TFT/Wilmar/Nestle/ADM Convened Consultation in H2 2017*

Project	Objective	Progress
#1 - Socialization of Children in Plantations Report <b>Supported by ADM</b>	Socialize the Children in Plantations report to government agencies & NGOs in Sabah.	Full <a href="#">report</a> and <a href="#">info sheet</a> published, distributed at multi-stakeholder events (figure 1).
#2 - Mapping of services for vulnerable children	Establish a database and map services provided by NGOs & other agencies	Week-long engagement with NGOs, governments, and consulate to understand services available to children in plantations.

in the plantations of Sabah <b>Supported by ADM</b>	available for vulnerable children in Sabah.	Compilation of relevant services will be published in Q4.
<b>#3 – Multi Stakeholder consultation on Children in Plantations of Sabah</b> <b>Supported by other TFT members</b>	Further discuss the various issues faced by children in the plantations of Sabah, and generate greater collaboration between stakeholders.	A multi-stakeholder consultation was co-hosted by TFT and SUHAKAM (the Human Rights Commission of Malaysia). Two sessions were held (one with government agencies and another with NGOs) to discuss the issues, current efforts, and possible next steps regarding children in the plantations of Sabah.

*Rurality: Diversification of Smallholder Income in Sabah, Malaysia*

Since January 2018, ADM Cares has supported smallholder transformation activities implemented by TFT's Rurality initiative. This ADM Cares contribution to TFT facilitates the income diversification components of two Rurality projects in Sabah, Malaysia.

Smallholder issues are particularly relevant in Sabah, where 2016 data from the Malaysia Palm Oil Board indicates 34,866 licensed independent smallholders cultivate a collective 221,678 ha of land. Engagement with these smallholders is critical to ensure sustainable growth of the palm oil industry in Sabah.

The smallholder activities supported by ADM Cares are part of two ongoing Rurality projects in partnership with palm oil mills in Sabah Malaysia, supported by funding from TFT members:

- In June 2015, a Rurality project was initiated in partnership with a mill owned by IJM Plantation Berhad, supported by Nestle. The mill receives 40 percent of its FFB from 200 independent smallholders.
- In June 2016, a second Rurality project was initiated in partnership with Bell Mill, and supported by Reckitt Benckiser. Bell Mill sources from approximately 200 independent smallholders.

In both projects, Rurality's Rural Dynamic Diagnostic tool identified dependency on palm oil income as the most significant issue facing smallholders. In some cases, smallholders were engaged in alternative livelihood activities, but were unable to generate much income. To address this challenge, Rurality activities were designed to support farmers in pursuing new economic activities.

With additional funding from ADM Cares, TFT was able to further develop and implement the income diversification component of both Rurality projects. In the activities supported by ADM Cares, smallholders are introduced, encouraged, and empowered to pursue various income diversification opportunities and increase their household income. The initiative is currently focused on three opportunities: handicrafts, short-term crops, and goat rearing.



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Since initiating work with ADM Cares funding in January 2018, 33 individuals have participated in economic diversification activities organized by Rurality. Based on the average household size in Sabah, these activities have impacted approximately 194 people. See Table 2 for additional information on progress.

Rurality engagement will continue in 2018 and focus on identifying farmer leaders, finding additional markets for sale of products, and increasing the number of smallholder participants. Read more about the project at [www.rurality.org](http://www.rurality.org).

*Table 2. H1 2018 progress: Rurality smallholder income diversification work in Sabah, co-funded by ADM*

Objective	Activities	Progress
Smallholders introduced to, and empowered to implement, economic diversification activities	Identifying existing income diversification activities through market studies	<b>3 market studies completed</b> on handicraft activities, short-term crops, and goat rearing
	Identifying interested farmers to participate in income diversification activities	<b>Identification of 33 total participants:</b> - 11 women for handicraft activities - 12 participants for short-term crops - 10 farmers for goat rearing
	Identifying and connecting farmers to suitable markets	<b>3 markets identified</b> and confirmed for the handicraft group
Empowerment and engagement through skills and knowledge development	Establishing collaboration with local stakeholder groups to support smallholders on income diversification	<b>2 local stakeholder groups engaged:</b> - Sabah Handicraft Center - Department of Veterinary Services
	Empowering farmers through trainings	<b>2 trainings carried out:</b> - 1 training on handicrafts - 1 training on goat rearing
	Identifying farmer leaders for diversification of income activities	<b>3 farmer leaders identified</b> , to lead the 3 income diversification activities

Better business management for farmers participating in income diversification activities	Coaching on investment and record keeping	<b>5 members of the Ulu Muanad Women's Group are saving income</b> generated from selling their handicrafts
	Producing promotional and communication materials	<b>Creation of promotional materials:</b> 1 product catalogue, 1 banner, 1 bunting, 2 brochures, t-shirts for the handicraft groups
	Gatherings to discuss diversification of income activities	<b>5 gatherings held:</b> - 4 gatherings of Ulu Muanad Women's Group -1 gathering for short-term crops
	Formalization of diversification of income group	<b>Formalization of the Ulu Muanad Women's Group</b> through the establishment of a committee to manage business.

## Monitoring and Verification

ADM is co-funding a project in Indonesia through Kumacaya, an independent monitoring and verification initiative. ADM's support allows local civil society organizations to carry out on-the-ground monitoring for a key topic and geography relevant to the palm oil supply chain. Finance from ADM and other funders is put into a blind, independent fund to ensure anonymity of both funders and the civil society organizations (CSOs) involved. Funds are used to contract local civil society organizations to conduct independent monitoring and verification of environmental and social practices within the palm oil supply chains.

The Kumacaya project supported by ADM has refined the geographic area for monitoring and solicited CSO proposals. Proposals are currently under evaluation by an independent panel of experts, who will select the most qualified CSO. ADM is supporting Kumacaya in order to gather information about activities and challenges on the ground, and support the development of innovative monitoring mechanisms.

### Topics of Interest

#### *Updated Grievance & Resolution Log*

Our Grievances and Resolutions log is maintained on our Progress Tracker site and is updated regularly. The log, protocol, and instructions for submitting concerns can be found at:

<https://www.adm.com/sustainability/sustainability-progress-tracker/issues-and-resolutions>

#### *Olenex*

Olenex, the European joint venture between ADM and Wilmar, is sponsoring a smallholder empowerment program called "Wilmar Smallholders Support in Honduras" (WISSH). WISSH targets sustainable palm oil production and supports smallholder farmers in Honduras. The WISSH program is now reaching its final stage with a closing event taking place in Honduras in October 2018. Learn more about experiences and conclusions on the project's webpage: <https://spark.adobe.com/page/nVqGv2AmseY2T/>

Based on the positive experience from WISSH program, a second initiative was started to support Colombian palm growers. Initiated by our supplier Wilmar, the WISSCo (Wilmar Smallholders Support Colombia) project kicked-off by engaging independent smallholders, focusing on growers with less than 500 hectares that supply to 10 palm oil mills in Colombia. In total, this program reached out to 235 smallholders, covering a total area of 28,715 hectares. The first of eight planned Training of Small Growers (TOSG) was conducted in late summer 2017.

*TFT Transparency Hub*

A report of ADM's No DPE progress can be found on the [transparency hub](#) of TFT.

## **Conclusion**

In the second half of 2018, ADM will continue to maintain high levels of mill traceability, as well as work with direct suppliers to build plantation traceability. We will also explore opportunities to engage and transform within our PKE supply chain.

Renewed supplier engagement will also focus on understanding grievances within the supply chain, and encouraging suppliers to proactively meet the expectations of ADM's No Deforestation Commitment, including those related to monitoring.

Implementation will continue on transformation projects in Sabah, Malaysia. ADM and TFT will also identify additional transformation projects, focused particularly on environmental issues within the Indonesian palm oil supply chain.

ADM will begin to receive monitoring reports through Kumacaya and will engage with suppliers to identify and evaluate deforestation monitoring mechanisms.

This is our eighth public Progress Report. We welcome feedback and comments from our interested readers at [responsibility@adm.com](mailto:responsibility@adm.com).