



ADM Commitment to No Deforestation

Policy Implementation

H2 2018 Palm Progress Report

**In Partnership with [Earthworm Foundation](#) (formerly
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), now known as The Earthworm Foundation (EF), to implement this commitment and build traceable and transparent agricultural supply chains. ADM is working with EF 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. ADM cannot transform the industry alone, and we encourage others in the palm oil supply chain to employ No DPE values and practices.

The second half of 2018, we made progress on our No DPE palm oil journey. Our achievements are summarized in the following table:

Palm Oil Action Plan 2018/19: Milestones and Status

Topic	Milestone	Progress
Traceability	Maintain traceability scores of at least 98% to palm oil mill globally for PO and PKO.	Complete For July 2017 to June 2018 PO : 98.6% traceable PKO: 99.7% traceable
Traceability	Increase traceability to plantation	In progress For July 2017 to June 2018 PO : 15.5% traceable PKO: 14.5% traceable
Traceability	Establish communication with all direct suppliers to assess their efforts on traceability	Complete
Supplier Engagement & Transformation	Implement Engagement for Policy Implementation (EPI) with 100% of direct suppliers from 2018. EPI survey sent to all direct suppliers, currently awaiting responses.	In progress
Supplier Engagement & Transformation	Source greater than 70% of palm volume from refineries with Aggregator/Refiner Transformation (ART) plans underway.	In progress For July 2017 to June 2018 PO: 49% ART Scores PKO : 72% ART Scores
Supplier Engagement & Transformation	Support on-the-ground transformation activities: <ul style="list-style-type: none"> o Rurality o Respect 	In progress
Monitoring & Verification	Proactively track and contribute to resolving grievances using ADM's Grievance and Resolution Mechanism.	In progress
Monitoring & Verification	Utilize "Kumacaya" as independent social-environmental monitoring and verification tool.	In progress
Monitoring & Verification	Evaluate and identify additional mechanism(s) for monitoring on-the-ground impacts.	In progress

Traceability

From July 2017 to June 2018, our overall traceability to the mill of Palm Oil and Palm Kernel Oil continued to increase. ADM has strong internal processes and systems in place to gather traceability data. With high visibility over the supply chain, ADM is advancing to more focused transformation work.

In addition, efforts to improve data collection and analysis on geographic region of origin were made. ADM is working with suppliers to obtain this information.

Traceability to the plantation is still in the beginning stage, and we trust that our efforts will continue to progress.

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

Transformation

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.

During the second half of 2018, we continued to see the impact of our efforts on the ground. We are proud to share some of the key outcomes.

Children in Plantations in Sabah, Malaysia

EF organized two stakeholder consultations in Sabah on the topic of Children in Plantations. The first workshop targeted business stakeholders in Sandakan, Sabah. The second workshop was a consultation with Government Agencies and Civil Society Organizations, organized in collaboration with the Malaysian Human Rights Commission (SUHAKAM) on 9th July 2018 in Kota Kinabalu, Sabah.

The key challenges arising from these consultations were:

- Lack of understanding by company representatives on legal guidelines concerning the employment of children and young persons (including what is hazardous and non-hazardous work);
- Lack of knowledge on how to implement sustainable solutions in the light of real problems that are faced in the workplace (such as limited access to education for children);
- Lack of knowledge to prevent or remediate child labour issues;
- Lack of awareness among companies on the benefits of working with NGOs and other stakeholders who could provide a variety of services for their workers' children.



Second consultation with Government Agencies and Civil Society Organizations

As a first step to address some of these key challenges, EF prepared a guide about “*Services for vulnerable children in Sabah: What Businesses and Employees Need to Know.*” This publication aims to pave the way for better collaboration among plantations, other companies, civil society organizations, government service providers and other stakeholders in Sabah on the issues concerning vulnerable children in rural areas of the region. It offers a directory of potential services for vulnerable children, including access to alternative education, community engagement, birth registration initiatives and other related services.

Rurality: Diversification of Smallholder Income in Sabah, Malaysia

The Ulu Muanad Women Group (Handicrafts)

Before Rurality came, the women of Ulu Muanad were already involved in handicraft making activities, however, it was done individually and their market was within the village itself. Most of these women were housewives, fully involved in caring for the children and doing household chores. At times, they would help their husbands in the maintenance and management of their farm. They are hardworking and try as much as possible to help their spouses generate income. The motivation of these women and the potential to further develop their activity inspired Rurality to form a business focus group consisting of nine farmers’ wives. Based on the market study done by Rurality, the group has the potential to fulfill the demand of the handicraft shops in Sandakan city which are supplied from Kota Kinabalu (distance from Sandakan to Kota Kinabalu is approximately 321 km) and Ulu Muanad is a mere 84 km from the city. Nonetheless it was a challenge for the women to work as a group as they do not have enough knowledge and capacity to be involved in business activity. The diversity of their products was limited, and they needed a different platform for promotion to increase their income opportunity. At first, the group was not confident, but Rurality helped them to strategically plan their activities focusing more on capacity development and securing markets.

Fast forward to 2018, the group sold almost 128 products ranging from woven bags to necklaces made from beads, key chains and natural-based handicrafts. Products were mostly sold in 3 different markets: 1) Sandakan Four Points Hotel, 2) IJMP office (sold internally amongst the staff) and 3) through the group members' efforts to sell at the local markets. The group was also invited to participate in exhibitions such as: 1) IJM Sport's Day and 2) World Elephant's Day to sell their products. Current total documented annual group income made from the handicraft sales was \$855 total, \$95 for each member. Based on individual interviews, actual sales were higher but were not recorded systematically by the group members.



Top row: Ulu Muanad Women's Group members during one of their gatherings; current members of the group attending a training at Sabah Handicraft Centre

Bottom row: Handicraft products by the group - keychains made from natural-based material, the liningkong; bracelets from beads; and woven bags.

Two trainings were held on how to diversify the group's products. The first training was in November 2017, and the women were trained by the Monungkus Community in Inukiran Village, district of Kudat. During the training, the group learned how to make necklaces and bracelets made from beads. The second training was held at Sabah Handicraft Centre in the district of Keningau in September 2018. The training enhanced their creativity and gave basic knowledge on marketing and business management. The best part during the second training was, they learnt how to produce handicrafts made from natural based material, the local fern twigs locally known as liningkong or ribu-ribu which can be found in their farm. The usage of this natural based material in their handicraft is truly complementing the GAP (good agricultural practices) their husbands currently practice under Rurality facilitation and guidance. The fern, once regarded as a weed that must be removed from their oil palm farm, now has economic value to them. This provides an economic reason for their spouses to implement selective spraying rather than blanket spraying which reduces herbicide usage. To empower the group to be business minded, three members attended the Women

Economic Inspiration Forum (WISE) in October 2018. The platform gave future opportunity to further build their capacity and promote their work through MARA, a government agency in Sabah, which focuses on entrepreneurship and community capacity development.

Group members are constantly communicating and sharing their progress and knowledge through WhatsApp. Sometimes they share new products that they have produced, other days they share new information about handicrafts or just to say hi to ask about other members' wellbeing. Believing that knowledge should be shared, in October 2018, the Ulu Muanad Women's Group visited a group of housewives in Meliau region where their husbands are also IJMP suppliers. Mrs. Joyce Juareh, shared the group's success and experience and enthusiastically offered to mentor the interested women of Meliau in handicraft making activity as one of their diversification of income activities.

Testimonials

The confidence to start

"Before this, we didn't know the potential of the handicraft activities. We did not have any group to connect and share our handicraft making skills and we sold our product internally in the village. The training that we attended has surely benefitted us. For me, the main impact of this activity is that we developed self-esteem, confidence and our handicraft making skills are even better now." Joyce Juareh, Leader, Ulu Muanad Handicraft Women's Group member and farmer



Networking and peer to peer program

"Most of the women in Meliau region are housewives and we do assist our husband in the farm sometime. Usually the women are the ones that have the time to be involved in other livelihood activities. However, it is done only in small scale and we are keen to be involved in other businesses. We heard that the women of Ulu Muanad are currently involved in handicraft activities and Rurality has been assisting them to be a strong business group. When the Ulu Muanad Women Group came and shared their part of stories on how they started and how much they have changed since they

started, we became motivated and wanted to start as well. We are thankful that Meliau is also within Rurality's focus area and thus such assistance and support are provided to us." Lainah Jose, Kg. Ansuang, Meliau Region

Monitoring and Verification

ADM is co-funding a project in Indonesia through Kumacaya, an independent monitoring and verification initiative. The financial 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. Money from ADM and other funders is put into a blind, independent fund to ensure anonymity of both funders and the civil society organizations 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 received proposals and local organizations were selected. Monitoring activities will be implemented at the beginning of 2019.

Topics of Interest

Palm Oil Project Report in Brazil

With the aim of transparency, ADM published its first [Palm Oil Project Report](#) for its smallholder palm project in Pará, Brazil. ADM began the project 2011, and after six years of this operation, we are proud of the achievements. ADM is committed to responsible and sustainable development, and we ensure that the palm oil in this project is cultivated and harvested responsibly.

Conclusion

In the second half of 2018, ADM will continue to maintain high levels of mill traceability, and worked with direct suppliers to build plantation traceability.

We are very enthusiastic with the results of our on the ground transformation projects and how they are positively impacting the quality of life of the people in our supply chain. We are confident that these projects add value to our work.

Monitoring through Kumacaya is still at the beginning, and we have huge expectations that the resulting information will allow us to be proactive in the way we manage potential grievances.

For the next year, we are planning the following activities:

- Implement the EPI survey with all our direct suppliers
- Grievance review and update
- Continued to support Rurality transformation project
- Support Guatemala social license to operate workshops.

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