



# *ADM Commitment to No Deforestation*

## *Policy Implementation*

**H1 2017 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.

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

- Traceability – publication of traceability scores and mill lists
- Transformation – supplier engagement in support of No DPE, and field visits to the ADM Pará Palm Oil Plantation to identify transformation opportunities
- 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 DPE within the industry

## Palm Oil Action Plan 2016/17: Milestones and Status

No.	Milestone	Status
1	95% traceability to POM globally by the end of 2016.	Complete
2	100% volume coming from ADM direct suppliers with action plans for implementing ADM's No DPE Policy.	Complete
3	Greater than 30% of volume from refineries with Aggregator/Refiner Transformation (ART) plans underway.	Complete
4	Develop a public-facing Issues and Resolutions mechanism, and a procedure outlining a clear process for resolutions of issues that may emerge.	Complete
5	Investigate practical and viable solutions to improve sanitation and water conditions for the properties owned by the smallholders related to ADM's Pará smallholder palm oil project.	Ongoing

## Traceability

ADM successfully reached its milestone, achieving 98.1 percent traceability for palm oil and 96.6 percent for palm kernel oil (Q1 2016 – Q4 2016). Detailed traceability scores by region and facility can be found by clicking [here](#).

## Transformation

ADM continued to use the Engagement for Policy Implementation (EPI) tool as basis for supplier engagement and the supply chain transformation process. After receiving completed EPI questionnaires,

ADM met with direct suppliers Sime Darby Unimills, Mewah Group and Golden-Agri Resources in order to better understand their sustainability work, potential gaps, and opportunities for transformation. In addition, ADM is in constant contact with our primary direct suppliers Wilmar and Olenex.

More than 70% of ADM's palm oil supply is sourced from Wilmar ART refineries, and more than 30% of that comes from the region of Sabah in Malaysia. Given its importance as both a key sourcing region for ADM and an important ecosystem, ADM conducted a field visit in H1 2017 to gain a greater understanding of the landscape and its challenges. The field visit concentrated on two estates from PPB Oil Palms Bhd, which are operated by Wilmar and part of the Wilmar Sabah ART plan:

- Sapi Plantation
- Sabahmas I & II Plantation

It was obvious that PPB Oil Palms Bhd is one of the industry leaders in sustainable plantation management. Agricultural and environmental measures of cultivation are up to best management practices, including:

- Stringent oil palm nursery and planting/replanting procedures
- Integrated pest management using biological pest control
- Weed control and well-optimized plant nutrition
- Soil management, including chipping techniques before replanting
- Efficient harvest techniques and logistics, including a transport buffalo herd
- Consistent biodiversity management of buffer zones and riparian areas.

Wilmar is also using drone technology to map and take high-resolution photos of their plantations in order to foster highly efficient and precise agronomical decision making.

In general, respect for human rights, including the basic elements of International Labor Organization and United Nations Global Compact statements, were apparent at all visited plantations. Workers' health, safety, and wellness were managed with due diligence policies, and processes to satisfy stakeholders were in place, showing that that Wilmar is genuinely committed to ethical recruiting practices and a "no-fees" methodology.

On all visited plantations, children of domestic and migrant workers were provided with school education. One of the most promising and successful education initiatives is jointly run in collaboration with the Humana Child Aid Society of Sabah (Humana). Humana is an independent, non-profit organization dedicated to providing basic education to children. The aim is to educate children of immigrant workers who are typically excluded from mainstream education in Malaysia.

However, ADM also learned during the study tour that the high standards at the visited Wilmar plantations are not typical in the Sabah region. The company has identified child protection as a key issue in this landscape, and intends to support transformational initiatives. As a first practical step, ADM intends to jointly support a workshop with TFT and other TFT members in 2H 2017 with the purpose of consulting plantation owners on how to reduce the participation by children in plantation work, and how to strengthen access to education. The types of plantations that are anticipated to be at risk of profiting from child labor are those engaging seasonal workers; those in which families reside; and those employing migrant workers from

Indonesia. It is therefore critical that participants in the consultation represent these groups. The aim is to consult 10-15 managerial level participants in the first workshop.

In order to identify additional opportunities for an ART engagement, ADM also visited two smallholders and their plantations. ADM also met with “Wild Asia” and representatives of TFT's smallholder farmer program “Rurality,” both of which are actively involved in smallholder development and transformation projects.

Wild Asia: The organization is supporting individual producer groups to prepare for RSPO certification by means of their “Wild Asia Group Scheme,” which includes helping install management practices to improve productivity. Additionally, Wild Asia develops social and environmental monitoring protocols on a regional basis and can therefore be seen as an important dialogue partner to identify transformation opportunities.

Rurality: Based on their “Rural Development Diagnostic” mechanism, which involved about 60 smallholders in Sabah, the organization identified following key areas for transformation:

- Human-elephant conflict
- Fresh fruit bunch (FFB) yield improvements
- Smallholder business skills
- Diversifying smallholder income
- Connecting smallholders

As a result of our visit to Malaysia, ADM is investigating ways to support the diversification of smallholder income, which will help stabilize smallholder businesses and therefore future supply to ADM’s business. Rurality supports smallholders in developing business plans to diversify income-generating activities, and provides adapted trainings to increase the number of farmers with livelihood activities other than oil palm. The aim is to increase incomes and consequently reduce dependency and vulnerability from the palm oil industry; build resilience to price volatility; and enhance food security and nutrition at household level.



Papaya (*Carica papaya*) as intercropping resulting into plot diversification.



Make a virtue of necessity: Papaya trees planted in elephant footprints as simple example for diversification.



Pineapple (*Ananas comosus*) as perennial crop for gap filling in the plantation

Transformation planning on our own palm oil plantation in Pará, Brazil, continued during H1 2017 after another TFT field assessment at the end of 2016. Practical and viable solutions to improve sanitation and water conditions for the smallholder properties were discussed during three institutional meetings with the State Department of Urban Development and Public Works, the National Health Foundation, and Tropic In Motion in order to explore the possibility of local and regional strategic alliances or partnerships.

Based on further stakeholder interviews, ADM assigned high priority to the following projects:

- Financing for fertilizers and agrochemicals:
  - Explore options for accessible credit.
  - Evaluate models for bulk pricing, such as ADM purchasing in volume and then selling to smallholders.
- Aligning expectations for weighing and pricing of FFB:
  - Hold dialogue to provide smallholders with the opportunity to share uncertainties regarding the FFB weighing and pricing process.
  - Discuss possible adjustments to the process.
  - Work with smallholders to ensure process is transparent and understandable.

## **Monitoring and Verification**

ADM believes that stakeholders will play an important and constructive role in the implementation of the No DPE 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 recently launched an [Issues and Resolutions 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](mailto:responsibility@adm.com). If ADM receives input under the Issues and Resolution 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**

ADM in Europe recently transferred various RSPO certificates into a new RSPO group certification, which can be found [here](#).

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

## **Conclusion**

In the second half of 2017, we will further investigate practical and viable solutions to improve sanitation and water conditions for the properties owned by the smallholders related to ADM's Pará smallholder palm oil project.

We will also continue our dialog with stakeholders throughout the value chain and around the globe, and

we will invest in projects that contribute to the protection of sensitive ecosystems, focusing efforts directly with our suppliers in order to improve sustainable agriculture practices at field level and raise environmental awareness.

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