



ADM Commitment to No Deforestation

Policy Implementation

H2 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.

The second half of 2017 marked exciting progress in ADM's No DPE palm oil journey, as we move to dedicate greater energy to transformation activities within our supply chain. ADM has chosen to take a deep dive into transformation engagement in Sabah, Malaysia, in particular, following on an ADM Study Tour in this region.

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

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

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.	In Progress
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.	Complete

Traceability

ADM surpassed its milestone, achieving more than 95 percent traceability for palm oil and palm kernel oil for Q1 – Q4 2017. Detailed traceability scores and mill list by region and facility can be found on our [Sustainability Progress Tracker](#).

Supplier Engagement and Transformation

ADM's supplier engagement strategy focuses on transformation and improvement of the palm supply chain. In H2 2017 we concentrated on several activities designed to drive change on the ground, with a focus on Sabah, Malaysia. After ADM's Palm Oil Study Tour in Sabah during H1 2017, the ADM team decided to initially target transformation activities and deepen engagement in this important landscape and ADM sourcing region. ADM identified ART as a strategic tool to support socio-environmental transformation projects, including both TFT's Rurality initiative and pioneering work to improve the lives of children in plantations within the Sabah ART supply chain. Additional ADM transformation efforts have included dialogue with suppliers by means of Engagement for Policy Implementation (EPI), and field visits to the ADM smallholder palm oil plantation in Pará, Brazil, which resulted in a more transparent and understandable process of weighing smallholder FFB.

EPI (Engagement for Policy Implementation)

ADM continued the EPI process, which involves periodic dialogue with direct PO/PKO suppliers, and monitoring supplier actions to implement their No DPE policies and close any gaps. For example, ADM implemented the EPI tool with Mewah, Sime Darby Unimills and Golden Agri-Resources, and engaged with Wilmar and Olenex through other means. At this time, not all direct suppliers have concrete and public No DPE policies and action plans in place. ADM will continue engagement with these suppliers to implement appropriate policies. In addition, ADM began to use its leverage as a global trader of PKE to engage with Felda Global Ventures regarding labor and deforestation concerns raised by civil society and other stakeholders.

ART: Children in Plantations Workshop in Sabah, Malaysia

During ADM's Sabah palm oil study tour and TFT engagement in Malaysia, ADM and TFT identified child protection as a key challenge. As a first practical step to address this issue, ADM supported the H2 2017 workshop "Children in the Plantations of Sabah: Stakeholder Consultation," co-convened by TFT, Wilmar, ADM, and Nestlé in September 2017. The workshop offered an opportunity for suppliers to engage in dialogue on the challenges and solutions regarding children in plantations. The workshop was successful with good engagement from both supply chain actors and industry experts. Approximately 50 participants attended, including directors, managers, and executive level staff from small, medium, and large plantations and mill companies in Sabah.

Attendees were informed of the risks related to children in plantation work and possible strategies to eliminate the participation of children, including how to strengthen access to education. Concrete objectives of the workshop were:

- Re-socialise Malaysian sustainability certification requirements (MSPO) and companies' policy commitments concerning child labor;
- Seek inputs from participants as to the actual participation of children in plantation activities, and possible ways to address this; and
- Raise awareness and build capacity among the suppliers (participants) toward efforts to prevent child labor on site.



Insights: Experts from different companies and institutions presented to an audience of small, medium, and large palm oil growers and mill companies in Sabah.

Information from discussions was compiled in a summary report which acknowledges that some issues concerning children in the plantations of Sabah were found to be structural in nature, requiring regulatory and policy changes.

More information about the Children in Plantations work, including the Sabah workshop, can be found on the TFT website:

<http://www.tft-earth.org/stories/blog/children-in-plantations/>

Rurality: Diversification of Smallholder Income

Another outcome of ADM's study tour in Malaysia in 2017 was an interest in supporting smallholder livelihood projects. ADM recognizes that diversification of smallholder income will help stabilize smallholder businesses, and therefore stabilize future palm oil supply to ADM. To make a meaningful impact on this topic, ADM chose to participate in TFT's ongoing [Rurality](#) projects in Sabah. One focus area of Rurality is to increase smallholder incomes, thereby reducing smallholder dependence and vulnerability to the palm oil industry, building resilience to price volatility, and enhancing household food security and nutrition.

At the end of 2017, ADM Cares (ADM's corporate social investment program) donated funds to support Rurality's activities and workshops. The ADM Cares donation, which will be executed in 2018, is focused on enabling and encouraging smallholders to diversify their income by means of handicraft activities or enhancement of existing short-term crops, e.g. fruits, vegetables, or peanuts. In addition, ADM's support

will help Rurality analyze to what extent livestock integration could be a viable opportunity for smallholder income diversification.

Initial results will be posted in the H1 2018 progress report. More information about TFT's Rurality Project in Sabah can be found here: <http://rurality.org/project/sabah/>



Handicrafts: Rurality will support smallholders' efforts to sell their handicraft products through training in marketing, product diversification, and branding. Additionally, Rurality will support institutionalization of women's handicraft groups. Workshops and activities supported by ADM Cares will include engagement with the Sabah Handicraft Center.

Peanuts are one of many opportunities to diversify yield and farmer income. How, where and when to best grow and market peanuts and other alternative crops will be one of the key learnings for smallholders in the Rurality program supported by ADM Cares.

Monitoring and Verification

ADM believes that civil society and local 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 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. In addition to our I&R log, which relies mostly on external inputs, ADM also conducts monitoring and verification of No DPE implementation through supplier self-reporting via the EPI tool, and maintains open dialogue with our primary suppliers. ADM is also evaluating the use of further monitoring and verification measures for future implementation, including remote sensing tools and on-the-ground civil society monitoring mechanisms.

Topics of Interest

RSPO Annual Communication of Progress 2016 (ACOP)

ADM's RSPO ACOP 2016 published on the RSPO website. For more information, please click [here](#).

ADM Cares Donation to Indonesian farmers

An ADM Cares donation at the end of 2017 helped establish integrated farming in Indonesia and partnered with "Yayasan Gizi Yasmin"—a nonprofit organization whose vision is to improve agriculture, food and nutrition for vulnerable groups in Indonesia—to help establish a social investment program for smallholder farmers. The goal of the program is to improve the livelihood of 23 corn farmers in Indonesia by increasing corn yield, integrating cattle farming, and developing food products from their corn operations.

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. More information about WISSH can be found on the Olenex webpage: <http://olenex.com/wissh.html>

2018 Palm Oil Action Plan

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

Topic	Milestones
Traceability	<ul style="list-style-type: none">-Maintain traceability scores of at least 98% traceable to POM globally for PO and PKO.-Set a percentage by volume sourced target for traceability to plantation level-Establish communication with all direct suppliers to assess their efforts on traceability to supply chain.
Supplier Engagement & Transformation	<ul style="list-style-type: none">-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.-Confirm Aggregator/Refiner Transformation (ART) plans underway by suppliers representing 70% by volume of ADM's sourcing of PO and PKO.-Support on-the-ground transformation activities within ADM's supply chain focused on social issues, including children in plantations and smallholder income diversification.
Monitoring & Verification	<ul style="list-style-type: none">-Utilize "Kumacaya" as independent social-environmental monitoring and verification tool.-Proactively track and contribute to resolving grievances using ADM's Issues and Resolutions Mechanism.-Evaluate and identify additional mechanism(s) for monitoring on-the-ground impacts.

TFT Transparency Hub

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

Conclusion

ADM's 2016/17 palm oil action plan showed solid progress, with four out of five milestones successfully reached. We continue to make progress toward our remaining milestone, working with direct suppliers that currently do not have concrete and public No DPE policies and action plans. After establishing regular dialogue with all suppliers and reaching a high level of supply chain transparency and traceability, ADM has now reached the proactive phase of its No DPE policy: implementation focused on transformation activities on the ground. To arrive at this stage, ADM and TFT first identified transformation needs that represent industry and local challenges, then identified potentially valuable transformational activities, and supported relevant initiatives in key sourcing areas.

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