

# ***ADM Commitment to No Deforestation, No Peat and No Exploitation***

**Palm Oil Progress Report**



**In Membership with The Forest Trust**

**December 2015**

## **Introduction**

On May 7, 2015 ADM announced our new Commitment to No Deforestation and to build traceable and transparent agricultural supply chains that protect forests worldwide. The commitment included provisions related to no deforestation, no expansion on peat and no exploitation with a focus on our palm and soy supply chains. The no exploitation provisions were in line with ADM's Commitment to Respect Human Rights, published in 2014, aimed at ensuring that our colleagues, our suppliers and their contractors respect workers' rights and comply with all applicable local, national and international laws governing working conditions. Both commitments include strict prohibitions against the use of child labor, forced labor and bonded labor, and include several other guidelines to protect workers and communities from exploitation.

Immediately following the launch of our Commitment to No Deforestation we became members of The Forest Trust (TFT), a non-profit organization that works with companies to implement responsible sourcing commitments. Since that time, ADM and TFT have been working intensively on implementing the commitment globally, with an initial focus on Palm Oil and Soy.

This Progress Report provides updates on our implementation progress on Palm Oil specifically, a separate report explaining our progress on Soy has also been produced.

## **Commitment to No Deforestation**

The process of implementing our Commitment to No Deforestation (including no expansion on peat and no exploitation) roughly follows the steps below:

1. Determine the methodology for identifying areas that must be protected to be in compliance with our Commitment to No Deforestation
2. Establish our global footprint and baseline traceability scores for Palm Oil
  - a. Identify all regions and business units globally that are sourcing palm oil (including all palm oil and palm kernel oil derivatives)
  - b. Establish a time frame on which to calculate our baseline footprint and traceability scores
3. Review all direct suppliers according to the volumes they provide, the risks present in their region(s) of sourcing, and their own policies and action plans for ensuring No Deforestation and No Exploitation in their supply chain. Based on this, create an action plan for engagement with suppliers to achieve our commitment.
4. Monitor Progress on traceability and policy implementation, and produce public Progress Reports along the way to allow for transparency of progress for our concerned stakeholders.

### **1. Determine the methodology for identifying areas that must be protected to be in compliance with our Commitment to No Deforestation**

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In the case of Palm Oil, methodologies for assessing forest and natural areas that need to be protected have already been field tested by reputable stakeholder groups and plantation managers across SE Asia and West Africa. As a result, ADM adopted the specific methodologies of High Carbon Stock Forest Assessment as defined by the High Carbon Stock (HCS) Steering Committee<sup>1</sup> and High Conservation Value (HCV) Assessment as defined by the HCV Resource Network<sup>2</sup>. We are also committed to no expansion on peat of any depth and to no exploitation.

We are working with TFT to develop our methodology for assessing no exploitation risks in our palm oil supply chain and, where available, intend to use existing information, tools and maps to help us prioritize engagement with suppliers in respect for human rights issues. As stated in our Commitment to No Deforestation, we require our suppliers to respect land-tenure rights, and the rights of indigenous and local communities to give or withhold their free, prior and informed consent (FPIC) to operations on lands to which they hold legal or customary rights. As such, suppliers will be expected to use FPIC processes for all new plantings and expansion activities where local communities or indigenous people are present on the land.

## 2. Establish our global footprint and baseline traceability scores for Palm Oil

ADM has carried out a global assessment of all countries in which we source, process or store palm oil products. The map of the world below shows all countries in which ADM has facilities that source, refine, process or produce palm oil products.



**Figure 1:** The darkened areas represent countries where ADM has facilities that source, refine, process or produce palm oil products<sup>3</sup>.

<sup>1</sup> <http://highcarbonstock.org/>

<sup>2</sup> <https://www.hcvnetwork.org/>

<sup>3</sup> Joint ventures in which ADM holds a minority share and Wild Flavors facilities that only use very small amounts of palm oil related derivatives are not included in the map

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ADM also has trading desks that merchandize (i.e. buy and sell) palm oil products in Singapore, Switzerland, Germany, Poland, France, Czech Republic, United Kingdom, United States and Colombia.

## **ADM Palm Oil Operations Global**

ADM has calculated its palm oil footprint (volumes) and mill traceability scores for all ADM facilities or regions sourcing palm oil, whether this be for food, biofuels, or animal feed applications. Mill traceability scores were based on supplier declarations and required suppliers to declare mill name, parent company name, and mill location coordinates, as well as Roundtable for Sustainable Palm Oil (RSPO) certification status. TFT is currently reviewing the mill information provided for accuracy.

Global mill traceability scores for Quarter 2 of 2015 as they relate to Palm Oil (PO) and Palm Kernel Oil (PKO) and their derivatives are as follows:

### **ADM Global Q2 2015 Mill Traceability**

Location	PKO Traceability Score	PO Traceability Score	Total Traceability Score
Europe	88%	82%	83%
North America	94%	89%	90%
<b>Global Weighted Average</b>	<b>91%</b>	<b>84%</b>	<b>85%</b>

## **ADM Palm Oil Operations in Europe**

Below is a list of all ADM facilities in Europe that source palm oil products, along with their Q2 2015 mill traceability scores for palm oil and palm kernel oil.

### **ADM Europe 2015Q2 Mill Traceability**

ADM Facility	PKO Traceability Score	PO Traceability Score	Total Traceability Score
Czernin	N/A <sup>4</sup>	80%	80%
Mainz	N/A	84%	84%
Noble	95%	90%	91%
Hamburg	N/A	70%	70%
Purfleet	78%	100%	95%
SIO	95%	81%	81%
<b>Weighted Average</b>	<b>88%</b>	<b>82%</b>	<b>83%</b>

<sup>4</sup> Throughout the document N/A stands for 'Not Applicable', indicating that no volumes of the product were purchased during the stated time period.

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## **ADM Palm Oil Operations in N. America**

Below is a list of all ADM facilities in N. America that source palm oil products, along with their Q2 2015 mill traceability scores for palm oil and palm kernel oil.

### **ADM North America 2015Q2 Mill Traceability**

<b>ADM Facility</b>	<b>PKO Traceability Score</b>	<b>PO Traceability Score</b>	<b>Total Traceability Score</b>
Lincoln	N/A	99%	99%
Quincy Animal Health	N/A	93%	93%
Quincy	94%	84%	87%
Valdosta	N/A	99%	99%
<b>Weighted Average</b>	<b>94%</b>	<b>89%</b>	<b>90%</b>

## **ADM Palm Oil Operations in Latin America**

Facilities using palm oil ingredients in Latin America include ADM's Wild Flavors business which only use very small volumes of palm oil and a cooking facility in Peru that only uses palm oil occasionally, and did not use any palm oil in the last 12 months.

ADM also has a palm plantation business in the Brazilian state of Para which started planting oil palm in 2012. The first harvesting tests are happening in September 2015. ADM Brazil has no mill and, in the beginning, intends to use third party mills to process ADM's Fresh Fruit Bunches (FFBs). Currently, there are approximately 7,500 ha planted, including approximately 2,000 ha managed by 270 smallholder families under a smallholder scheme. ADM Brazil is building their plantation project according to RSPO standards. In 2012 ADM Brazil's plantations were assessed by RSPO accredited parties. ADM also intends to ensure that the business operates according to ADM's Commitments to No Deforestation and to Respect Human Rights/No Exploitation. The business was visited by TFT in late October 2015.

Buying and selling of PO and PKO also takes place in Latin America through ADM's Colombia office, with approximately 10,000 tons traded thus far in 2015, however the footprint calculations and traceability work for this is still ongoing and none of the volumes bought in 2015 were traceable.

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## **ADM Palm Oil Operations in Asia**

ADM is a minority shareholder of Wilmar International Limited, which is based in Singapore and has extensive palm oil operations globally. ADM also is a minority shareholder in four Joint Venture palm oil plantations with Wilmar in Indonesia:

- PT Karya Putra Krehsi Nusantara (KPKN) in West Kalimantan, Indonesia
- PT Indoresins Putra Mandi in West Kalimantan, Indonesia
- Kouk - Sheringham Int'l Ltd (BPK) in N. Sumatera, Indonesia
- Daya Landak Plantation in West Kalimantan, Indonesia

Since these operations are majority owned and managed by Wilmar, and Wilmar has its own No Deforestation / No Exploitation policy that is being implemented across all of its operations, ADM will monitor progress made by Wilmar on implementation of its policy going forward.

## **Palm Kernel Expeller (PKE)**

Palm Kernel Expeller (also known Cake and Meal) is a by-product produced as a result of the oil pressing process. The word expeller refers to the press process, from which the oils are extracted from the raw product. Since PKE is a by-product and thereby has less influence on global supply chains, ADM is prioritizing its work on PO / PKO product supply chains with the goal of addressing PKE supply chains once more substantial progress has been made on our PO / PKO sourcing.

### **3. Review all direct suppliers according to the volumes they provide, the risks present in their region(s) of sourcing, and their own policies and action plans for ensuring No Deforestation in their supply chain.**

#### **Based on this, create an action plan for engagement with suppliers to achieve our commitment**

We are currently in the process of reviewing all direct suppliers of palm oil to ADM according to their volumes, now that the first palm oil transactional data has been received. Wilmar International Limited is our largest supplier of palm oil and palm kernel oil products globally, providing 93% of our supply in N. America and 18% in Europe over the last 12 months (July 2014-June 2015). Wilmar has their own strong No Deforestation and No Exploitation policy and action plan. This can be accessed through the Wilmar Dashboard<sup>5</sup>. ADM and TFT are in discussion with them about their implementation progress and are tracking this closely.

In the coming months we will review all our direct suppliers to identify which ones already have No Deforestation and No Exploitation policies and action plans to cover their supply chains, and which ones do not yet have these. For those who have action plans in place, we will review these as well. We will also be looking to engage with selected suppliers in the field through the completion of on-site visits to assess practices against the standards presented in our policy. These assessments will form part of a larger goal

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<sup>5</sup> <http://www.wilmar-international.com/sustainability/dashboard/>

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which is to transform the practices of supply origins which represent large volumes for our business. These activities with our suppliers will form part of our Action Plan for transformation of our supply chain.

Since direct suppliers change over time, we will continue to review the traceability capacity and policy commitments of our suppliers on an on-going basis with the goal of ensuring that we are working with suppliers committed to meeting the ADM commitments.

Based on this review, we will be able to set KPIs and targets to monitor our progress in implementing these commitments.

#### **4. Monitor Progress on traceability and policy implementation, and Produce Public Progress Reports along the way to allow for transparency of progress for our concerned stakeholders.**

This is our first Public Progress Report, to which we welcome feedback and comment from our interested readers. Please send questions and feedback to [responsibility@adm.com](mailto:responsibility@adm.com).

Our future progress reports will outline progress made on traceability and implementation of our commitment at the refineries, mills and plantations levels.

## **Conclusion**

ADM's commitment to no deforestation, no expansion on peat, and no exploitation, is important work that has rarely been attempted at such a scale globally. Not only do these commitments require implementation in our own operations and facilities, but also in those of our global supply chains, thus requiring cooperation from our suppliers. As an international corporation, ADM has operations in 140 countries and a global value chain that includes more than 460 crop procurement locations, 300 ingredient manufacturing facilities, 40 innovation centers and the world's premier crop transportation network. This means that many ADM regions and offices are involved in assessing our global palm oil footprint.

ADM is committed to developing solutions that can be widely adopted and quickly implemented, but are also adaptable to the specific issues and regions from which we source. As our policies state, our goal is to be a leader as we implement and verify the actions needed to improve human rights and protect the forests within our global reach.

Over the next quarter, we will continue our work on improving our traceability scores and ensuring that our suppliers have action plans in place for compliance with ADM's commitments. We recognize that traceability to mill is only the first step toward full compliance with the commitments, and that extensive engagement with our direct suppliers, and support for their work with palm oil refineries, mills, and plantations will be necessary to reach compliance across our global supply chains. We are committed to continuing to provide regular updates on our work, and look forward to feedback from concerned stakeholders.

This is our first Public Progress Report, to which we welcome feedback and comment from our interested readers. Please send questions and feedback to [responsibility@adm.com](mailto:responsibility@adm.com).