

ADM Commitment to No Deforestation, No Peat and No Exploitation

Soy 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 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 Soy specifically, a separate report explaining our progress on Palm Oil 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 regions of high risk to deforestation, as well as areas at the farm level that will need to be set aside or conserved to be in compliance with our Commitment to No Deforestation.
2. Establish our global footprint and baseline traceability scores for Soy
 - a. Identify all regions and business units globally that are sourcing soy products (including all 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 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.

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1. Determine the methodology for identifying regions of high risk to deforestation, as well as areas at the farm level that will need to be set aside or conserved to be in compliance with our Commitment to No Deforestation

For Soy, the primary region where Deforestation caused by Soy is a significant risk is Latin America. Although High Conservation Value (HCV) methodology has been field trialed in Latin America, High Carbon Stock (HCS) forest assessment methodology has not yet been field tested in this region. Additionally, there have been a multitude of other approaches to identifying areas at the farm level that will need to be set aside or conserved that have been developed in the region, the most notable of which is the Soy Moratorium in the Amazon Region of Brazil.

ADM is committed to identifying a tool which is credible in terms of conserving important forest and natural areas at the farm level, can be scalable to allow for rapid identification of high risk regions and mapping at the farm level, and does not require that our farmers unnecessarily set aside areas that are not important for conservation. As such, ADM is working closely with TFT to begin mapping our soybean supply chain and identify sourcing regions which may be at risk for degradation of HCS forests, HCV areas and peatlands. When identifying risks regionally, risks related to human rights are also considered. Based on this information, ADM and TFT are assessing the tools available for minimizing these risks and expeditiously developing appropriate action plans to create a more sustainable, traceable soybean supply chain that protects these important conservation areas. We expect to be able to release an action plan with identified tools for use in different regions in early 2016.

Thus far, the regional initiatives which have been field visited and are under assessment for how well they protect HCS, HCV, and peat areas include:

1. **Soy Moratorium:** In July 2006, the Brazilian Association of Vegetable Oils (ABIOVE) and the National Association of Cereal Exporters (ANEC) agreed to not commercialize and not finance soybean produced in areas that were converted in the Amazon Biome after July, 22, 2008. The agreement is adhered to by ADM and implemented in parts of the Brazilian states of Para, Acre, Amapá, Amazonas, Pará, Rondônia, Roraima, Tocantins, Mato Grosso and Maranhão. The TFT field visit to Para to assess this initiative took place August 10-12, 2015

2. **ADM Responsible Soybean Standard¹:** In March 2015, ADM launched its Responsible Soy Standard in the Brazilian states of Mato Grosso, Mato Grosso do Sul and Bahia. Approximately 100 growers are involved in the initial pilot. ADM is partnering with Control Union to conduct annual inspections that will assess growers based on their adherence to a broad set of social, environmental, legal and agronomic standards, including their labor practices, water and soil usage, solid waste management, observance of land rights, legal

¹ http://www.adm.com/en-US/responsibility/2014CRRReport/Documents/ADM_Certificacoes_28.04_APROV.pdf

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compliance, and the responsible use of fertilizers. TFT is assessing this pilot on the same field visits as the 'Doing It Right' program since the growers involved overlap.

3. Produzindo Certo Program (translation: 'Doing It Right'): The Doing it Right Program is an initiative by ADM in Brazil for the development of a sustainable supply chain for soy production. The program aims at encouraging Brazilian soy producers to adopt sustainable cultivation practices, thereby reducing environmental impact and ensuring good working conditions to farm employees. The Program is carried out by Alianca da Terra in the Brazilian states of Mato Grosso, Mato Grosso do Sul, Minas Gerais, Para and Bahia, with plans to expand to outside of Brazil. TFT field visits to Mato Grosso and Bahia to assess this initiative took place September 2-4, 2015 and September 14-16, 2015.

4. Soja Plus Program: The Soja Plus Program builds the capacity of the rural producer, free of charge, to meet the market demand for sustainable products. In order to achieve that, the program distributes brochures and promotes courses on health and safety at work, adequacy of rural buildings, the new Forest Code, field visits to benchmark farms, and visits by technicians to monitor performance indicators. It is implemented by the Brazilian Association of Vegetable Oils (ABIOVE) in Brazilian states of Mato Grosso, Mato Grosso do Sul, Minas Gerais and Bahia. TFT field visits to Mato Grosso and Bahia to assess this initiative took place September 2-4, 2015 and September 14-16, 2015.

5. The Nature Conservancy (TNC) Partnership: The partnership between ADM and the TNC was created with the purpose of promoting environmental regularization of the rural properties and is being implemented in the Brazilian state of Bahia. TFT field visit to Bahia to assess this initiative took place September 14-16, 2015.

6. Sustentagro: In Paraguay, ADM in association with the Dutch Sustainable Trade Initiative (IDH) and Solidaridad Network started the Sustentagro project in 2015. It is a program of support for producers to adopt sustainable production practices, reduce the impact on the environment and focus on safer working conditions for workers and our communities.

With this project, we seek to achieve three main objectives:

Objective 1: To support the improvement of the organization of agricultural property through the implementation of best management practices.

Objective 2: To reduce the environmental impact of agriculture and promote the conservation / restoration of protected areas within the property, and improve community infrastructure.

Objective 3: To improve the living conditions of farm workers, their families and communities in the surrounding areas.



Figure 1: Map of TFT Visits to a sample of ADM sourcing regions in Brazil as of October 2015

Additional initiatives and methodologies that are being assessed in each region to identify the assurance they bring with regard to HCS, HCV and peat protection, and no exploitation include:

- Brazilian Forest Code, and various sector agreements in the Brazilian states from which ADM sources. This includes Rural Environmental Cadastre (CAR) requirements and the Grain Protocol in Para state, for example.
- International Sustainability and Carbon Certification (ISCC) certification scheme
- Biomass, Biofuel Sustainability Voluntary Scheme (2BSvs) certification scheme
- Global Risk Assessment Services (GRAS) risk assessment tool
- World Resource Institute (WRI) Global Forest Watch Risk assessment tools
- The Nature Conservancy (TNC) Go Zone Maps
- HCS and HCV methodologies as they could be adapted for the Latin America Context (specifically Brazil, Argentina, Paraguay, Uruguay and Bolivia)

As TFT visits a sample of important sourcing regions for ADM across Latin America, risks related to respect for human rights are also being investigated. How effectively each initiative addresses the no exploitation aspects of our commitment will be assessed and our global action plan will include plans for how to ensure respect for human rights across our global soy supply chains.

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We are working with TFT to develop our methodology for assessing no exploitation risks in our soy supply chain and, where available, intend to use existing information, tools and maps to help us prioritize engagement with suppliers on 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 Soy

ADM has carried out a global assessment of all facilities where soy is sourced, stored, processed or traded. The map of the world below shows all countries in which ADM has facilities that source, refine, or process soy products.



Figure 2: The darkened areas represent countries where ADM has facilities that source, refine, or process soy products².

ADM also has trading desks that merchandize (i.e. buy and sell) soy products in Switzerland, Germany, Poland, Netherlands, Ireland, United Kingdom, Czech Republic, Bulgaria, Hungary, Ukraine, Romania, Brazil, Colombia, Uruguay, Panama, and Chile.

² 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

For Brazil, we have also confirmed all states from which ADM sources soy as shown in the below map:



Figure 3: Map of Brazil States from which ADM is sourcing soy

We have chosen the time period of January - December 2016 to do our first footprint analysis of soy volumes globally. Thus far, we have volume information for N. America (USA & Canada) and Argentina, but are actively gathering them for the other regions, with the highest priority put on Brazil, Paraguay, Argentina, Uruguay and Bolivia.

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As volume and transaction data is gathered, we will work to identify what volume is coming from known farmers using a Mass Balance approach. We will also work to agree on a useable definition for 'traceable' in the soy context.

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 sharing with TFT all transactional data for soy, and also lists of farmers that ADM contracts with directly. Due to the very large numbers of individual farmers from whom we source soy, we will be carrying out regional risk assessments rather than individual supplier risk assessments. This will help us to identify where HCS and HCV risks may be present across the regions from which we source soy. We expect these risk assessments to be completed by January 2016.

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.

Our future progress reports will outline progress made on traceability and implementation of our commitment at the refineries, crushers, storage units and farm 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. 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 soy 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 foot printing and mapping our supply chain back to source, and will be prioritizing key sourcing regions for assessments of operations against our policy. We will also be testing out methodologies for implementation of our commitment in Soy, with the goal of issuing more detailed global work plans in early 2016. 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