

No-Deforestation Policy

Creating sustainable supply chains to meet global demand

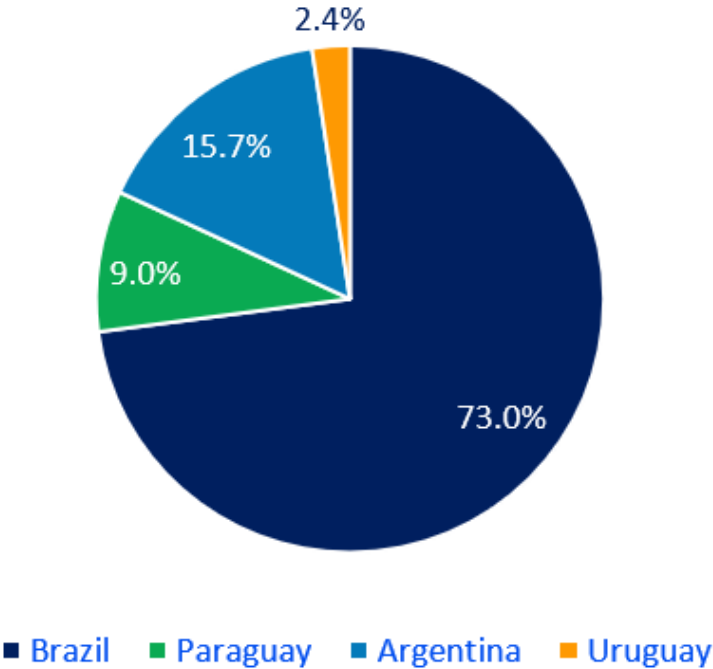
2019 Soy Progress Report

Introduction

Aware of the fact that sustainable production and fair labor conditions are essential to meet the global demand for agricultural commodities of future generations, ADM committed in 2015 to work towards a soy supply chain with **No Deforestation** and **No Exploitation**.

We reached out to experts from several areas in order to understand the best way to implement these commitments. After mapping the sourcing regions from around the globe and the technology available to build traceable and reliable ways of monitoring agricultural supply chains, we focused our efforts on locations where deforestation and labor issues were still raising public concern. In South America, where we have an important footprint, we selected specific regions from Brazil and Paraguay where we source soybeans.

Soy Sourced in South America



Traceability

Our traceability project started in H1 2018 (phase 1) in MATOPIBA, a region in the Brazilian Cerrado with a historically higher risk of native forest conversion for soy expansion. Municipalities were selected based on the deforestation rates they have had in the past years, the amount of remnant native forests that are still left standing, and the presence of active ADM suppliers. To actively trace the origin of our soy supply, ADM began efforts to obtain digital satellite farm maps (polygons) of our soybean suppliers in the region.

By H2 2018 (phase 2), ADM decided to increase its database by obtaining more polygons in MATOPIBA, Paraguay and also in Mato Grosso (MT), Brazil.

In 2019, we continued to add more polygons to our digital database. Today we have approximately 70% of our suppliers in Paraguay mapped. We also kept adding new suppliers that have joined our supply chain and obtained polygons for 100% of our suppliers in the 25 priority municipalities of MATOPIBA and 95% of our suppliers in Mato Grosso.

More importantly in 2019, a lot of effort was put to the SCF's (Soft Commodities Forum) initiative which focused on reporting traceability of its members in the 25 priority municipalities. These municipalities, were selected in partnership with Proforest, for having had the highest conversion rates of native vegetation to soy in the Brazilian Cerrado in 2018.

We disclosed the amount of soy the company was sourcing from the Cerrado (39%), the amount being sourced in the 25 priority municipalities (18%), and whether purchases were coming from direct (94%) or indirect (6%) suppliers. The higher the percentage of direct suppliers, the higher the confidence we have that the volumes sourced are in compliance with our No Deforestation policy. We also reported the amount of direct suppliers that were being monitored by satellite (>90%) in these municipalities. Our goal is to have a minimum of 95% of all direct suppliers within the 25 priority municipalities digitally mapped. We are getting there!

Details from the SCF initiative: <https://assets.adm.com/Sustainability/ADM-Soy-Sustainability-Journey.pdf>

Detailed traceability scores and procurement analysis can be seen on the [Sustainability Progress Tracker](#).

Monitoring and Verification

Since 2018, specialized firms with GIS technology (satellite imaging) started cross-referencing planted areas within the polygons with historic land coverage to understand if the soy being sourced was compliant with our **No-Deforestation Policy**. Farms are also verified to make sure there are no environmental issues (IBAMA embargos), encroachment into protected areas or Indigenous Territories, or labor issues which violated our **No Exploitation Policy**.

In our grievance log, we have investigated and responded to reports that were sent to ADM inquiring if soy from newly cleared areas in Brazil were in our supply chain. We are proud to say that none of those cases reported had links to the soy within our supply chain.

Engagement and Transformation

Our transformation strategy focuses on engaging with the most relevant stakeholders at each level of our soy supply chain in order to promote continuous improvement at every stage. We believe that every situation requires assessment and understanding of the facts and listening to the points of view of everyone involved.

ADM participates in several multi stakeholder initiatives worldwide that are leading the transformation of the soy supply chain, such as:

Soft Commodities Forum (SCF)

At the global level, we participate in the SCF (Soft Commodities Forum) along with other industry/trading companies members of the World Business Council for Sustainable Development (WBCSD) who share the same goals regarding **No Deforestation** and **No Exploitation** in their supply chains. Our objectives focus on defining common standards that will bring more transparency to the sector as a whole, and searching for financial incentives that will protect forested areas and/or promote the use of areas previously cleared land.

In 2019, the SCF members worked together with Proforest to select a priority region in which to focus efforts (25 municipalities were selected), and also to standardize traceability reporting to those interested in learning more about where and how much soy is being sourced.

For the complete December 2019 SCF report:

https://docs.wbcsd.org/2019/12/WBCSD_Soft_Commodities_Forum_progress_report.pdf

Grupo de Trabalho da Soja (GTS)

The GTS (Soy Working Group) started in Brazil in 2006 when a group of NGOs and soy trading and industry companies came together with a private agreement to halt the expansion of soy into Tropical Forests called the **Amazon Soy Moratorium**. ADM was a founding member and has been a signatory since the beginning. Twelve years later, our commitment to not source soybeans from recently deforested areas continues. We are audited annually by accredited 3rd parties, and results are revised by a selected group of members who include Greenpeace, Imaflora, The Nature Conservancy, and others.

The spike in the number of fires in the Amazon during the second half of 2019 raised global concerns and manifestations calling for action. Even though most of the fires took place in municipalities which do not have soy as its main activity, the Amazon Soy Moratorium will be vital to sort out and exclude soy that has been planted in recently cleared areas.

Grupo de Trabalho do Cerrado (GTC)

The GTC, or Cerrado Working Group, is a spinoff of the GTS. Created in 2017 by many of the same trading/industry and NGOs actors who felt that it was time to address deforestation in the Cerrado Biome, the group soon brought together consumers, financial institutions and the local government for discussions.

One of the main deliveries of the GTC was the updated digital soy map that shows the acreage planted in the Cerrado. This information is extremely important to create a database that enables researchers and others to understand the new trends and take the proper actions. Although the acreage of soy planted in the Cerrado has increased, it is clear there has been a reduction of soy planted in recently converted areas of native vegetation, and an expansion into other areas that were already cleared and being used for other farming activities. Focus needs to be given to explore more attractive financial tools and public policies to promote the expansion of agriculture into already cleared areas.

We strongly believe that the most effective way to transform the supply chain starts by engaging farmers who supply soy. It is vital to understand the role they play and their needs in order to try to obtain common understanding on the best ways to end conversion of native vegetation.

Soy Progress Report Action Plan: Milestones and Status

Nº	Topic	Milestones	Status
1	Traceability	Collect digital farm boundaries (polygons) of direct suppliers in: <ul style="list-style-type: none"> a) Priority municipalities in MATOPIBA b) Paraguay c) Mato Grosso, Brazil 	<ul style="list-style-type: none"> a) 100% complete in H1 2018 b) 70% complete in H2 2019 c) 95% complete in H2 2019
2	Monitoring and Verification	Geospatial land conversion/soy planting monitoring <ul style="list-style-type: none"> a) Proactively track and understand the origin of soy. b) Verify any grievances or complaints within our soy supply chain. Publicly post the outcomes in the Grievances and Resolutions log. 	<ul style="list-style-type: none"> a) 100% complete for H1 2018 polygons. b) Ongoing - Please check here.
3	Supplier Engagement & Transformation	<ul style="list-style-type: none"> a) Engage with suppliers/farmers within the municipalities being monitored. b) Require CAR from direct suppliers in Brazil as part of all new pre-financing contracts.* c) Communicate No Exploitation/Human Rights Policy to all direct soy suppliers in Brazil. d) Communicate/explain the No Deforestation Policy to suppliers in critical areas where deforestation is still an issue. e) Continue participating in multi-stakeholder initiatives such as the SCF, CWG, PNUD's Matopiba Coalition. f) Using TNC's Phase I report, open dialogue with supplier groups in Bahia (Brazil) and begin implementing transformation plans for them. g) Continue efforts with Green Commodities Program (PNUD) in Paraguay to support grower efforts to improve sustainable production. 	<ul style="list-style-type: none"> a) Ongoing communication b) Complete c) Ongoing communication d) Ongoing communication. Direct engagement when grievances or non compliance occurs. e) Ongoing f) 3rd party has assessed all suppliers and new ones have now been included. g) Complete – ADM is part of the National Platform of Sustainable Commodities, an open dialogue space where all supply chain actors can participate.

Topics of Interest

In 2019, ADM participated in several events, meetings, and initiatives with various stakeholders who helped to strengthen and further our implementation efforts. Examples include:

- The SCF was very active in 2019. Definitions, traceability reporting and joint actions were established and delivered.
- GTC meetings which brought forward two big wins, a) an updated soy map for the Cerrado that shows the trends in land use between 2014-2017; and b) talks with the SoS (Statement of Support - *for the Cerrado Manifesto*) to try to implement a financial mechanism that could help avoid new conversion of forested areas.
- AGROIDEAL meetings in Buenos Aires, Argentina to discuss the Chaco biome;
- Our ADM Responsible Soy Standard was revised and approved by FEFAC (define acronym) to meet customers' expectations.
- Certified farmers in Bahia who had enrolled in the Social and Environmental Assessments with the Responsible Soy award.
- Engaged and assessed farmers in Mato Grosso do Sul under the Doing it Right Program with Aliança da Terra.

Conclusion

During 2019, we increased our GIS database of suppliers in MATOPIBA and added new regions of Paraguay and Mato Grosso.

We also started communicating our No deforestation policy to our suppliers. .

Always working and discussing with different stakeholders on the best ways to improve sustainable soy production, we continue to engage in local initiatives and many others around the globe.

When necessary, ADM will continue adding polygons to have full traceability of its direct soy supply chain.

This is our 10th public Progress Report. We welcome feedback and comments from our interested readers at responsibility@adm.com.