



# ADM No-Deforestation and Human Rights Program Assessment Report

## Background

ADM committed to No Deforestation, No Peat, and No Exploitation (No DPE) in our supply chains in March 2015. Along with this commitment, we developed implementation and action plans for our two highest priority focus areas – palm and South American soy.

Since then, we have been working diligently to implement our action plans. In 2016, we launched Sustentagro, an initiative in Paraguay that works with farmers to support sustainable farming practices. We also began an engagement program with our direct palm suppliers to map traceability to the mill in our palm oil supply chain. The following year, we increased the transparency of our activities with the launch of our Sustainability Progress Tracker and grievances and resolutions mechanism. This allowed us to demonstrate our efforts to interested stakeholders through the publication of bi-annual progress reports and a public-facing grievance log. In 2018, we saw the creation of [The Soft Commodities Forum \(SCF\)](#), a World Business Council for Sustainable Development (WBCSD) initiative that convenes soft commodities leading companies working together to eliminate deforestation, and ADM became a signatory. We also began a geospatial traceability effort by mapping and monitoring our soy supply chain in areas of Brazil with a high risk of deforestation. In 2019, we implemented a supplier scorecard with our direct palm suppliers to evaluate their performance in responsible sourcing, and by the following year, we announced that 100% of our direct suppliers were committed to responsible sourcing of palm oil aligned with our policy. In 2020, we saw further expansion of our traceability efforts in both palm and South American soy supply chains.

While we made significant advancements developing and implementing a no-deforestation strategy, 2021 was a pivotal year for our program. We published updates to our No-deforestation and Human Rights policies. We began the process of reviewing and revising our policies in 2020, and have made improvements to reflect current social and environmental standards and stakeholders expectations. In March 2021, we released our [Policy to Protect Forests, Biodiversity and Communities](#) followed by our updated [Human Rights Policy](#) in May. We also published our [Managing Supplier Non-Compliance Procedure](#) which outlines how we will handle suppliers that violate our policies.





## Goals and Targets

Along with our new policies, we have set ambitious goals and targets to continue to drive our performance.

**100%**  
**deforestation-free by**  
**2030** (aim to eliminate  
deforestation from all of  
our supply chains by 2030)

ADM is fully committed to ending deforestation, and to preserving biodiversity and water resources in our supply chains. This includes holding our suppliers accountable for producing commodities in ways that do not further deforestation in order to reduce impact on climate change. We believe that sustainable, ethical and responsible production by the food industry is an important part of curbing global warming, conserving native biodiversity, and upholding the rights of indigenous communities and smallholders. Aligned with the United Nation's New York Declaration, we aim to eliminate deforestation from all of our supply chains by 2030.

To achieve deforestation-free supply chains, we will need to increase our supply chain traceability. In 2021, we announced a goal to achieve full traceability for our direct and indirect soybean supply chains in South America by the end of 2022. This includes mapping 100% of our direct suppliers to the farm using satellite monitoring, and 100% of our indirect suppliers in high-risk areas to the point where the soybean enters our supply chain. This has enabled measurement of our deforestation and conversion free (DCF) sourcing volumes for direct suppliers, currently 97%.

We source palm products from 13 direct suppliers coming from 22 refineries and around 1,650 mills. We maintain high levels of traceability to the mill – over 99% - and have been working to increase traceability back to the plantation of origin, where we completed 43.3%. In July 2021, ADM underwent verification of each individual site profile by an independent third-party.

In 2021, we began using the Integrated Reporting Framework (NDPE IRF) to report and track our progress in implementing our No Deforestation commitments in our palm oil supply chains. Through this tool, we can assess and categorize our indirect suppliers' mill performances from the aggregated data reported from the refineries from where we receive the products. The IRF reports progress toward meeting supply chain commitments by categorizing volumes into several stages of progress: *Unknown, Known, Awareness, Commitments and Starting Actions, Progressing, and Delivering*<sup>1</sup>.

<sup>1</sup> The definitions of the NDPE IRF categories are:

- *Unknown*: Untraceable volume
- *Known*: Traceable but no further action has been taken
- *Awareness*: The mill or mill group has been exposed to the relevant NDPE commitments and expectations
- *Commitments and Starting Action*: The mill or mill group has made commitment to ensure all volumes comply with the relevant NDPE commitments and is planning or initiating action
- *Progressing*: The mill has an action plan and has made progress on directly managed areas where they have them, as well as third party supply. Mills that only have third party supply must have made progress here.
- *Delivering*: The mill can demonstrate that all supply to mill (directly managed and third party) is compliant.



#### Progress of Deforestation-Free by Volumes (based on IRF reporting categories)

- **57 % Delivering:** Volume from mills or mill groups that can demonstrate all supply to mill (under direct and third party management) is in compliance.
- **1% Progressing:** Volume from mills or mill groups that have made a commitment to ensure all volumes comply with the relevant NDPE requirements and are planning or initiating action
- **31% Commitments and starting actions:** Volume from mills or mill groups that have made a commitment to ensure all volumes comply with the relevant NDPE requirements and are planning or initiating action
- **2% Awareness:** Volume from mills or mill groups that have been exposed to the relevant NDPE commitments and expectations.
- **8% Known:** Volume from mills or mill groups that are traceable but no further action has been taken.
- **0.2% Unknown:** Volume from mills or mill groups that is untraceable

In accordance with the NDPE Data Verification Protocol (November 2020 version), our volumes sourced in 2020 were audited. A total of 94.3% of our sourcing volumes are covered under the reporting framework. The NDPE IRF profiles per refinery are available on the [Supply Chain Traceability](#) section of our Sustainability Progress Tracker.

In 2021, we announced a new addition to our Strive 35 goals: a 25% reduction in Scope 3 GHG emissions over 2019 baseline by 2035. A significant portion of our Scope 3 footprint (35%) comes from raw commodity procurement, either from on farm emissions, or from land-use change. Our direct grower relationships enable us to participate in supply chain collaboration projects focused on sustainable and regenerative agriculture, supporting farmers in adopting practices that address water quality and soil health, such as cover crops, reduced tillage, complex crop rotations, and nutrient management. These practices work to reduce soil erosion, nutrient run-off, and GHG emissions. In addition, ensuring that we source deforestation-free volumes reduces potential land-use change emissions in our supply chain. We aim to achieve our Scope 3 reduction goal through sustainable and regenerative agriculture initiatives, continued efforts toward deforestation free sourcing, reduction of our upstream transportation emissions, and collaborative efforts with our downstream customers to reduce their Scope 1 and 2 footprints.





## Initiatives and Progress

### Roll-out Strategy for High-Risk Supply Chains

#### *Palm*

ADM does not own palm oil plantations or mills, nor do we source palm oil fruits or palm oil products directly from mills. Rather, ADM operates refineries (in USA and Europe) that process palm products sourced through third parties. We work closely with our third-party suppliers to make sure they understand the significance of our commitments.

In an ongoing effort to achieve its commitments and implement its policies, ADM has developed an Action Plan based on the four pillars outlined in section 3 of the Policy to Protect Forests, Biodiversity and Communities. Progress on the Action Plan is reported in ADM's Progress Reports that also highlight advancements in ADM's ongoing sustainability journey.

In 2021, ADM conducted the second scorecard tool assessment through its third-party assessor. The assessment included some revisions to be more encompassing and stringent on certain topics including Human Rights. Additionally, five suppliers were new to the assessment. ADM is currently engaging with its direct suppliers on any unfulfilled criteria and expectations. The weighted average performance of direct suppliers based on volumes stands at 90.59%

#### *Soy*

ADM also is not a soy producer, but rather transports, stores, and processes soybeans grown by others. In South America, we track our soy volumes by country and supplier type – direct or indirect and have reached 100% traceability to farm for direct suppliers (growers) and buying or loading point for indirect suppliers (co-ops, traders). The majority of our indirect suppliers are located in regions with consolidated agriculture that have been farming for years and are not considered high-risk areas for deforestation or conversion. Where we buy directly from farms, we are continuing to implement sustainable farming extension programs including Produzindo Certo, Sustentágil, and AGRO PLUS, and incorporate on-farm assessments and continuous improvement through implementation of best management practices.

Since 2018, specialized firms with GIS technology (satellite imaging) have been cross-referencing planted areas within the farm polygons of our direct suppliers in high-risk areas to determine if the soy being sourced complies with local legislation and our No-Deforestation and Human Rights Policies. Farms are also verified to make sure there are no environmental issues (embargoed areas), encroachment into protected areas or Indigenous Territories, or labor issues which violate our policy.

#### *Human Rights*





The new version of our Human Rights Policy aligns with the United Nations Guiding Principles on Business and Human Rights, specifically defining our approach to commit and embed the policy in all aspects of our operations and supply chain, conduct human rights due diligence, and ensure access to remedy.

Our implementation efforts focus on our high-risk supply chains. Working with a third party, we have conducted initial assessments of our sourcing footprint to identify countries and commodities that have an elevated risk for human rights violations. Our assessment tool generates a risk score based on both the commodity sourced as well as the geography it comes from across multiple categories including labor, health and safety, environment, and business ethics.

In 2021, we began development of a human rights due diligence process which will allow us to categorize our suppliers by risk ranking and conduct due diligence screening based on that ranking. We have been working on developing a standard operating procedure that defines our risk scoring methodology as well as screening and mitigation tools. In conjunction, we have begun outreach to our direct, non-commodity suppliers to determine what kinds of responsible sourcing and/or human rights programs they have in place.

### **COP 26 and 1.5 Degree Roadmap Commitment**

At COP 26, ADM, along with several other global agricultural commodities companies, announced a [commitment](#) to build on shared efforts, working with governments, farmers, and other key stakeholders in our supply chains, to accelerate sector-wide action and to identify opportunities for public-private collaboration to catalyze further progress on eliminating commodity driven deforestation.

By COP 27 we will lay out a shared roadmap for enhanced supply chain action consistent with a 1.5 degrees Celsius pathway, that supports achievement of our goals, and increases collaboration and implementation in areas including: enabling policy environments, transparency on Scope 3 emissions and indirect supply chains, and improving livelihoods for farmers.

### **Multi-stakeholder Forums**

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 each situation requires an individualized assessment and understanding of the





facts, listening to the points of view of all stakeholders. ADM participates in several multi-stakeholder initiatives worldwide that are leading the transformation of our supply chains.

ADM has joined the Science-Based Targets Network (SBTN) Corporate Engagement program to collaborate with other stakeholders on the setting of science-based targets for nature. We have announced ambitious goals, and this step will enable further alignment of our targets and actions to demonstrate impact.

ADM continues to participate with the SCF to make changes upstream in our supply chain. The latest accomplishments from this forum include a new standardized reporting architecture for soy sourced by joint ventures; a methodology to report on verified deforestation- and conversion-free soy; an improved approach to support indirect suppliers in the adoption of monitoring systems aligned and in compliance with the same sourcing standards SCF members have; and a shared engagement and investment strategy – among SCF members and with other value chain stakeholders – to eliminate soy-driven deforestation and conversion in priority landscapes while improving the livelihoods of farmers and surrounding communities. The group is working to leverage the power of markets to support and incentivize DCF production, as well as drive climate action. Moving forward, the SCF will focus on 6 initiatives to help reduce deforestation and nudge agricultural production into already cleared areas. The initiatives will be implemented individually or together, depending on specific regional demands.

We are also a signatory of the Amazon Soy Moratorium, which provides that soy will be sourced in compliance with the moratorium from land in the Amazon cleared after 2008. Soybean production is reviewed using satellite imagery and audited annually by accredited third parties and a multi-stakeholder board comprised of respected global environmental NGOs. ADM does not buy from non-compliant farms. Additionally, we are committed to the Pará Green Protocol of Grains, and we are also a member of ViSeC (Vision Sectorial del Gran Chaco), a recently launched multi stakeholder initiative to address soy production and conservation in the Argentinian Chaco.

Downstream, ADM is a member of ABIOVE, FEDIOL and COCERAL, and along with other members, we have worked closely together with the associations to provide guidance to governments on how the forest and forest degradation policy can be implemented. We welcome the initiative from the European Commission to tackle deforestation as we are committed to end deforestation in our supply chain.

In 2020, ADM began to participate in the Palm Oil Collaboration Group (POCG) which promotes collaboration from companies in different parts of the supply chain to accelerate effective implementation of No Deforestation, No Peat Expansion, No Exploitation (NDPE) commitments. The POCG also facilitates discussions to help align thinking on key challenges. The initial result





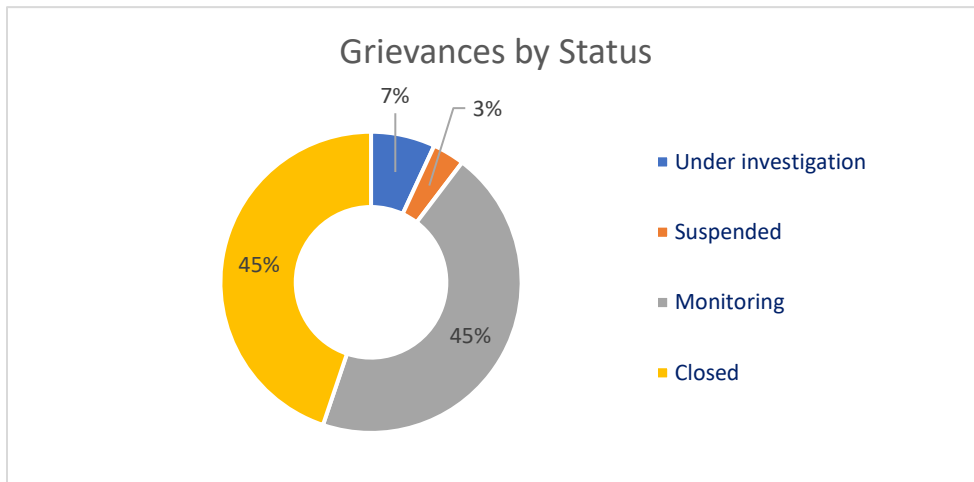
of this collaboration was the creation of the NDPE IRF, a tool that support companies to measure and communicate NDPE progress more effectively to suppliers and stakeholders.

We are also supporting landscape initiatives in Sabah, Malaysia and the Leuser ecosystem, Indonesia to support supply chain transformation on the ground. The landscape to build collaborative solutions that will allow for needed economic development, preservation of habitat and ecosystem services.

### **Enhanced Grievance Mechanism**

As a part of our commitment to transparency and to support the implementation of our policies, ADM has a formal grievance mechanism in place. Any interested stakeholder can submit a concern, and we will investigate in accordance with our [grievance and resolution protocol](#). In 2021, we published our [Managing Supplier Non-Compliance procedure](#) to formally document how we will address non-compliances in our supply chain. The outcomes of our investigations are kept in a log that is updated regularly and available publicly on our [website](#).

In 2021, we investigated 29 allegations of deforestation and exploitation in our supply chain. 100% of grievances were investigated in accordance with our protocol and reported on our public grievance log. Each of these reports is categorized by status, including: those still under investigation; cases we are monitoring; cases that have resulted in the suspension of a supplier; and cases that have been addressed and closed.





## Additional Implementation Efforts to Accelerate our Progress

We will continue to strengthen our efforts to accelerate progress on the four pillars of our No Deforestation and Human Rights journey:

- **Supply Chain Traceability:** continue to increase transparency within our supply base, and maintain high level of traceability.
- **Supplier Engagement:** work closely with suppliers and continue support projects that will have high positive impact on the ground.
- **Monitoring & Verification:** assess additional tools, embed our standard operating procedures into our sourcing decisions, and incorporate third-party audits.
- **Reporting:** continue reporting on progress about the implementation towards our no deforestation commitments.

In our palm supply chain, we will continue to work closely with our direct suppliers to improve their performance of their result of the palm scorecard. We will also assess the feasibility of implementing satellite monitoring in our palm supply chain and verifying the implementation of our responsible sourcing program in our supply base.

To strengthen our implementation efforts in our South American soy supply chain, we are focusing on engaging with our indirect suppliers in areas at high risk for deforestation in Brazil to encourage and support implementation of monitoring programs to improve supply chain transparency.

In 2021, we began working with Parque Vida e Cerrado, a regional hub for restoration of native vegetation, scientific ideation and biodiversity education. Together, we have developed a project aiming to restore degraded areas along streams and springs Western Bahia's Cerrado. The project will promote biodiversity corridors within soy farms and protect community water resources. Going forward, we are funding biodiversity assessments focusing on tracking wildlife living in the soy farm, including jaguars and maned wolves.

As part of our effort to increase the implementation of our Human Rights Policy across our supply chain, we are developing a standard operating procedure that will outline:

- Supplier specific risk ranking methodologies
- Assessment tools
- Mitigation efforts based on risk categories

These additional implementation efforts and new projects along with the strong foundation we have created over the past eight years will allow us to continue driving impact and improvement in our supply chains.

