

Our Commitment to Sustainable Palm Oil



Sustainability on a global scale

As one of the world's largest agricultural processors, Archer Daniels Midland Company draws upon an unparalleled global network of crop sourcing, transportation and processing assets to deliver a vast range of food and feed ingredients, biofuels and industrial products to thousands of customers worldwide, including many leading food and energy companies.

We are working to provide customers with palm oil sourced from crops that are responsibly grown and harvested.

Our customers benefit not only from timely deliveries and highly competitive pricing enabled by ADM's low cost structure and efficiencies of scale, but also from working with a partner committed to responsible, sustainable business practices. That commitment includes initiatives aimed at:

- minimizing the environmental impact of our operations;
- serving as a good steward of our natural resources; and
- improving the quality and security of crops in the global supply chain, as well as the conditions under which they are grown.



The integrity of ADM's supply chain is vitally important to our 27,000 employees, which is why we work both independently and in partnership with organizations such as the Roundtable on Sustainable Palm Oil (RSPO) and Business for Social Responsibility to provide our customers with palm oil sourced from crops that are responsibly cultivated and harvested.

Most of the world's palm oil is sourced from the equatorial southeast Asian nations of Malaysia and Indonesia, where heavy rainfall and high temperatures allow the oil palm to thrive.



ADM's commitment to sustainable palm oil

Versatility, high yields contribute to increased demand

Palm oil is an extraordinarily versatile product employed in a wide range of applications. Refined varieties are used in manufacturing shortenings, cooking oils, margarines, baked goods and a host of other food ingredients and finished products. Palm oil is also an essential ingredient in soaps, cosmetics, pharmaceuticals and other personal-care items.

Thanks to this exceptional utility and to its relatively high oil yield — 3.7 tonnes per hectare, compared with less than 1 tonne for other major oilseed crops — world palm oil production more than tripled between 1990 and 2005. Palm oil now constitutes approximately one-third of the roughly 130 million total tonnes of the eight major vegetable oils and fats consumed worldwide every year, according to *Oil World*.

This increased demand has made a significant contribution to the economies of Malaysia and Indonesia, which together produce nearly 90 percent of the world's palm oil. Indeed, the Malaysian Palm Oil Council notes that the nation's oil palm industry has been "the backbone of Malaysia's social and economic development," having contributed approximately US\$9 billion in export earnings in 2006 while employing an estimated 860,000 people.



Palm oil, derived from fresh fruit bunches such as those shown above, is now the leading global edible oil, according to the United States Department of Agriculture's Foreign Agricultural Service.

Teaming with fellow stakeholders to effect change

ADM is working to create a sustainable supply chain for palm oil through our participation in the Roundtable on Sustainable Palm Oil, an international body composed of stakeholders from throughout the palm supply chain, including oil palm growers, oil processors, food companies, NGOs, retailers of palm oil products and investors.

One of the RSPO's principal objectives has been to develop objective, transparent, measurable standards for responsible palm production. The organization has identified more than three dozen criteria that producers must meet for their products to be certified as sustainable. These standards seek to ensure that growers:

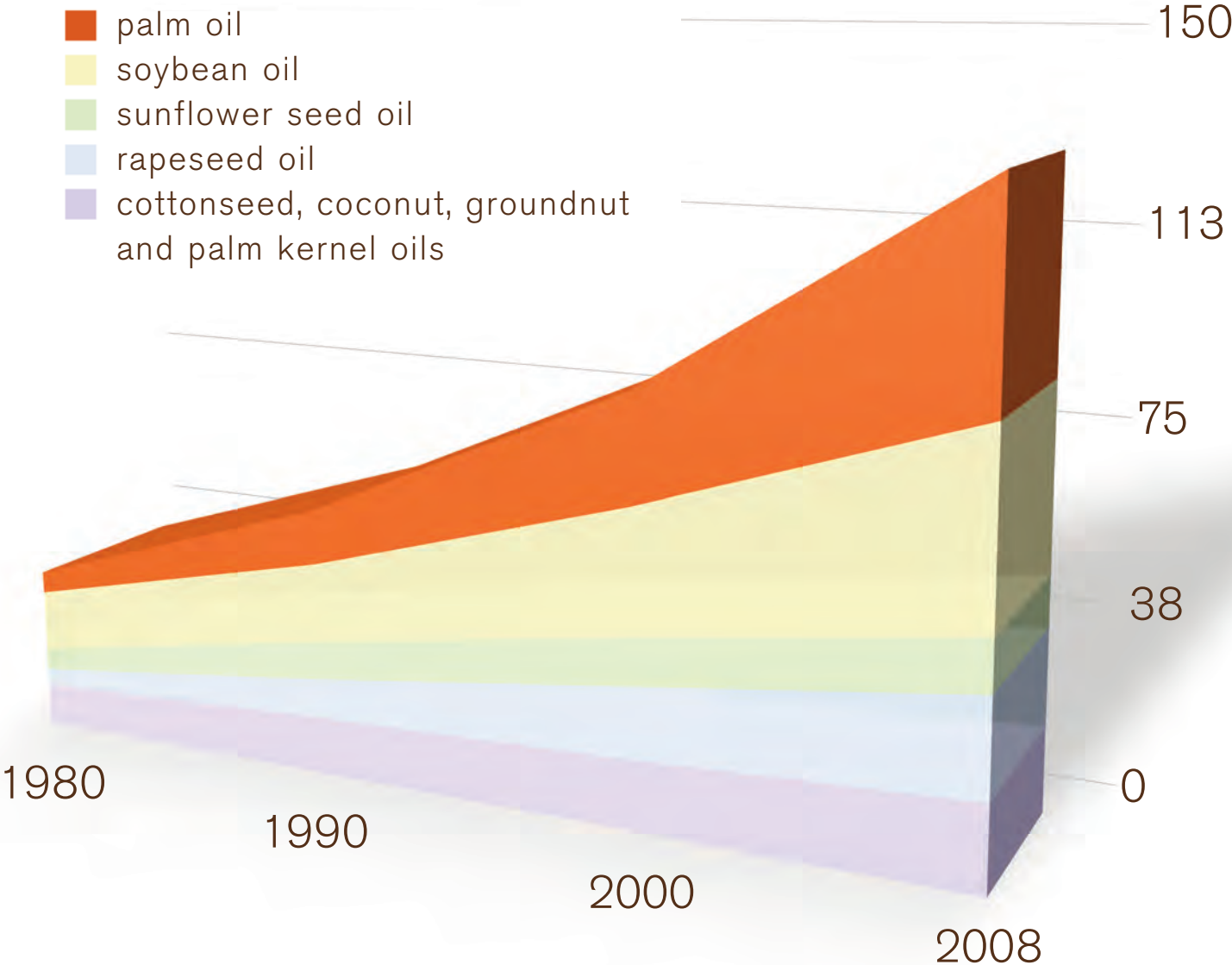
- implement and maintain responsible agronomic practices intended to preserve soil quality, conserve natural resources, and minimize the use of potentially harmful chemicals;
- take steps to mitigate any potentially negative environmental impacts of their operations;
- respect biodiversity by taking species conservation into account in all management plans and operations;
- adhere to strict labor and workplace standards that prohibit exploitation, discrimination and other unfair, unlawful or unethical practices;
- refrain from planting in High Conservation Value Forest land;
- confirm that use of their land for oil palm does not diminish the legal rights, or customary rights, of other users — particularly indigenous peoples — without their free, prior and informed consent;
- practice transparency in reporting in all matters relevant to Roundtable certification; and
- comply with all applicable local, national and international laws governing their operations.

The first shipments of RSPO-certified palm oil were exported from Malaysia to the Netherlands in November 2008. In 2009, RSPO-certified sustainable palm oil production is expected to reach approximately 1.5 million tonnes.



WORLD VEGETABLE OIL CONSUMPTION

(The eight major oils in millions of metric tons)



Source: Oil World

Addressing our customers' desire for sustainable product

In addition to our participation in the RSPO, ADM has teamed with the not-for-profit organization Business for Social Responsibility to undertake an analysis of our own palm supply chain, and to determine how we can meet our customers' desire for sustainably sourced product.

Today, under special arrangements, ADM can work with GreenPalm.org to obtain RSPO-certified sustainable palm oil under the "book and claim" system, in which the small

number of currently certified growers offer sustainable product for sale through this online trading portal.



Palm oil is found in a vast range of consumer products, from edible oils and shortenings to baked goods, soaps and cosmetics.

In the future, ADM plans to offer customers RSPO-certified, identity-preserved palm oil. We are continually seeking to strengthen the links in our supply chain to ensure the palm oil we provide to our customers is sourced from conscientious and responsible growers and cooperatives. We welcome the opportunity to address your questions or comments about palm oil or any other product in our portfolio. Feel free to contact us at the addresses and phone number listed on the back cover of this brochure.



The Roundtable on Sustainable Palm Oil: Stakeholders unite to set and uphold strict standards

In August 2003, the Roundtable on Sustainable Palm Oil held its inaugural meeting in Kuala Lumpur, Malaysia. There, 200 representatives from stakeholders throughout the palm oil supply chain launched an effort to help ensure that the world's palm oil would be produced in a legal, economically viable, environmentally appropriate and socially beneficial manner.

From its inception, one of the RSPO's principal objectives was to establish a system of certification to recognize growers who are producing palm oil in accordance with RSPO criteria (see list of standards on page 3.) The goal is to "verify that any claims of using or supporting RSPO-certified palm oil made by end-product manufacturers or processors are genuine."

To that end, the organization has devised four supply chain models:

- The **Identity Preserved** model assures that RSPO-certified palm oil delivered to the end user can be traced to a particular mill or mills and a particular supply base. This oil is kept physically isolated from other product throughout the supply chain. Adhering to this model allows the end user to state that a product "contains only RSPO-certified sustainable palm oil."
- The **Segregation** model enables end users to make the same claim, but allows for the mixing of RSPO-certified palm oil from a variety of sources.
- The **Mass Balance** system permits mixing of RSPO-certified and conventional palm oil at any stage in the supply chain, provided that quantities of both types of oil are monitored and tracked. This model, the RSPO notes, "allows everyone within the supply chain to demonstrate commitment to sustainable palm oil production and to actively promote the trading of RSPO-certified palm oil ... [which] stimulates trading of certified product and encourage[s] industry to set up segregated supply chains." End users who adopt this approach may claim that their products "support the production of RSPO-certified sustainable palm oil."
- Finally, under the **Book and Claim** model, certified palm oil is represented by tradable certificates. The producers of certified oil sell these certificates to end users who wish to support the production of sustainable palm oil. End products using certificate-traded palm oil also may claim that they "support the production of RSPO-certified sustainable palm oil."

Source: Roundtable on Sustainable Palm Oil, "RSPO Supply Chain Certification Systems," October 2008



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Roundtable on Sustainable Palm Oil
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GreenPalm
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