

## **Managing Supplier Non-Compliance**

### **Introduction**

This document sets out a process to manage possible non-compliance with ADM's policies and to act upon any non-compliance issues. ADM will communicate to all suppliers that it will only accept material produced and controlled in accordance with its commitments.

ADM's non-compliance protocol supports its commitment to identify non-compliances and to resolve any issues diligently. ADM expects the same commitments from its suppliers. Such protocols should be extended to their entire supply chain, including their own operations and supplies purchased from other parties.

ADM aims to resolve non-compliance issues expeditiously without enabling or promoting further non-compliance. All verifiable non-compliance allegations will be investigated. The results of the investigation will define the actions to be taken, considering the severity of the non-compliance and the degree of influence that ADM has on the supplier.

ADM's goal is to leverage its influence positively to help address challenges and drive transformation on the ground. ADM believes that supplier engagement will be the first step in its work toward fulfilling its commitments and driving continuous improvement.

### **Governance and Leadership**

ADM has established an internal grievance committee, responsible for discussion and decision-making on grievance cases. The committee includes expertise in sustainability and commercial representatives and will engage legal compliance expertise when appropriate. When necessary, the leadership of ADM may be engaged in specific decisions. ADM's progress in implementing its policies is regularly reported to the Board of Directors.

### **Supplier Engagement**

ADM communicates its expectations to direct suppliers and requests their collaboration to fulfill its commitments along the entire supply chain.

ADM expects its suppliers to fully comply with applicable laws and to adhere to internationally recognized environmental and social standards, in addition to its [Code of Conduct](#) and policies. ADM will partner with suppliers to further develop their sustainability performance when needed. Where the company maintains long-term or recurring buying relationships with producers or primary processors, ADM will support these suppliers in achieving compliance.

ADM expects direct suppliers to continuously self-assess compliance with ADM policies. Direct suppliers are expected to raise concerns or seek clarification on any element of ADM policies with their ADM contact during creation of the procurement agreement. ADM expects direct suppliers to act in accordance with ADM policies and commitments and to require the same from their suppliers. ADM will engage with direct suppliers to support compliance of indirect suppliers through effective incentives, support mechanisms, and purchase control systems. In the event of actual or suspected non-compliance with ADM policies, ADM expects its direct suppliers to engage their direct suppliers (ADM's indirect supplier) to develop, implement, and monitor a time-bound implementation plan to achieve compliance, and to avoid or expeditiously address non-compliance.

ADM acknowledges that many social and environmental issues are systemic, meaning that significant resources and strong leverage are needed to address them. ADM believes that collaborative initiatives will provide a path to accelerate effective implementation of its commitments and supports transformation projects in priority sourcing landscapes.

**Training and Communications:**

ADM will communicate its [Policies](#), [Expectations](#) and [Code of Conduct](#) with suppliers through contract clauses, site visits, information campaigns, trainings, collaboration platforms, projects, and/or other mechanisms. ADM believes that frequent communication and continuous improvement are an important part of working with suppliers to improve supply chain compliance.

**Case management and Investigations**

Questions or concerns about a supplier’s compliance with ADM’s policy can arise through various channels:

- A supplier may self-report a possible non-compliance issue OR;
- An ADM colleague may identify issues through observing the supplier’s behaviour OR;
- A third-party, such as a complainant, whistle-blower, media, competitor or a subcontractor from the suppliers’ supply chain may identify and report potential issues OR;
- The monitoring process to verify supplier performance may identify non-compliance.

ADM will follow its grievance mechanism to promptly investigate any allegations or potential non-compliance issues received, according to its [grievance and resolution protocol](#).

**Criteria to Define the Severity of the Non-Compliance**

ADM recognizes that not all impacts are equal - some may be more serious or specific in terms of their consequences. To be able to guide the decision, ADM utilizes the following criteria to evaluate the severity of the adverse impact.

	Definition	Major	Minor
Scale	Scale refers to the gravity of the adverse impact. How serious could the impact be?	The issue causes a significant failure to achieve the objectives of the policies. Example: Child labor found in a farm or a mill, illegal land clearance.	This issue may include a single event or a low-risk situation. Example: delay to provide traceability information.
Scope	Scope concerns the reach of the impact. How widespread could the impact be?	The issue can affect a large number of persons or an extended area. Example: A whole community is affected by land grabbing and needs to be relocated.	The issue can affect a reduced area or a few persons. Example: Three or four individuals working in a farm are not receiving equal access to training and benefits.
Irremediability	Irremediability refers to any limits on the ability to restore	The issue will have a high degree of difficulty	The issue can be solved through a

	the individuals or environment affected by a situation to their equivalent situation before the adverse impact. How hard would it be to repair the resulting harm?	to be rehabilitated. Restoration is not practicable or impossible. Example: encroachment on historic or valuable landmarks.	remediation process that may include some type of compensation. Example: Restoration of riparian areas
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**Process to Manage Supplier Non-Compliance** The actions to be taken to manage non-compliances will depend on the results of an investigation into the alleged non-compliance. Investigation results will determine the severity of the non-compliance.

Actions with respect to a non-compliant supplier may include, but are not limited to, any of the following:

- Engage: ADM will maintain the commercial relationship with the non-compliant supplier and engage with them to resolve the issue.
- Suspend: ADM may temporarily pause or indefinitely cease purchasing from the non-compliant supplier.

When a verified Major Non Compliance is identified, ADM will suspend the supplier and then there may be engagement to establish the corrective action plan. The corrective action must be implemented prior to the next contract.

When a verified Minor Non-compliance is identified, ADM will suspend any commercial activity until the supplier presents an action plan to solve the issue. The corrective action must be implemented prior to the next contract.

If ADM management decides to remain engaged commercially with the supplier that is the subject of an alleged non-compliance, then ADM will define in a written, time-bound action plan the actions expected to be taken by the supplier to achieve compliance. ADM will support, monitor and supervise the performance of the corrective actions or work through direct suppliers to support, monitor and supervise corrective actions for indirect suppliers until the issue is resolved.

ADM will consider whether its actions with regard to a non-compliant supplier will extend to entities and operations associated with the non-compliant supplier based upon circumstances such as the severity of the non-compliance related to the effects on people and the environment, the likelihood that other entities and operations were in a position to cause or control the occurrence of the non-compliance, the likelihood of persistence of the non-compliance, and whether the non-compliant supplier is progressing on the timebound plan to correct non-compliance.

The implementation of any of these actions will occur after discussion with stakeholders involved (internal and/or external where necessary) and with appropriate management review. For smallholders, ADM will provide support to enable their commercial participation in its supply chains and to achieve compliance with ADM's commitments.