



Delivering deforestation and conversion free soy

Monitoring, reporting, and
verifying supply chains

April 2023

A working group for change

We are committed to transparently delivering deforestation- and conversion-free soy at scale.

Chaired by



Members

Soy Traders

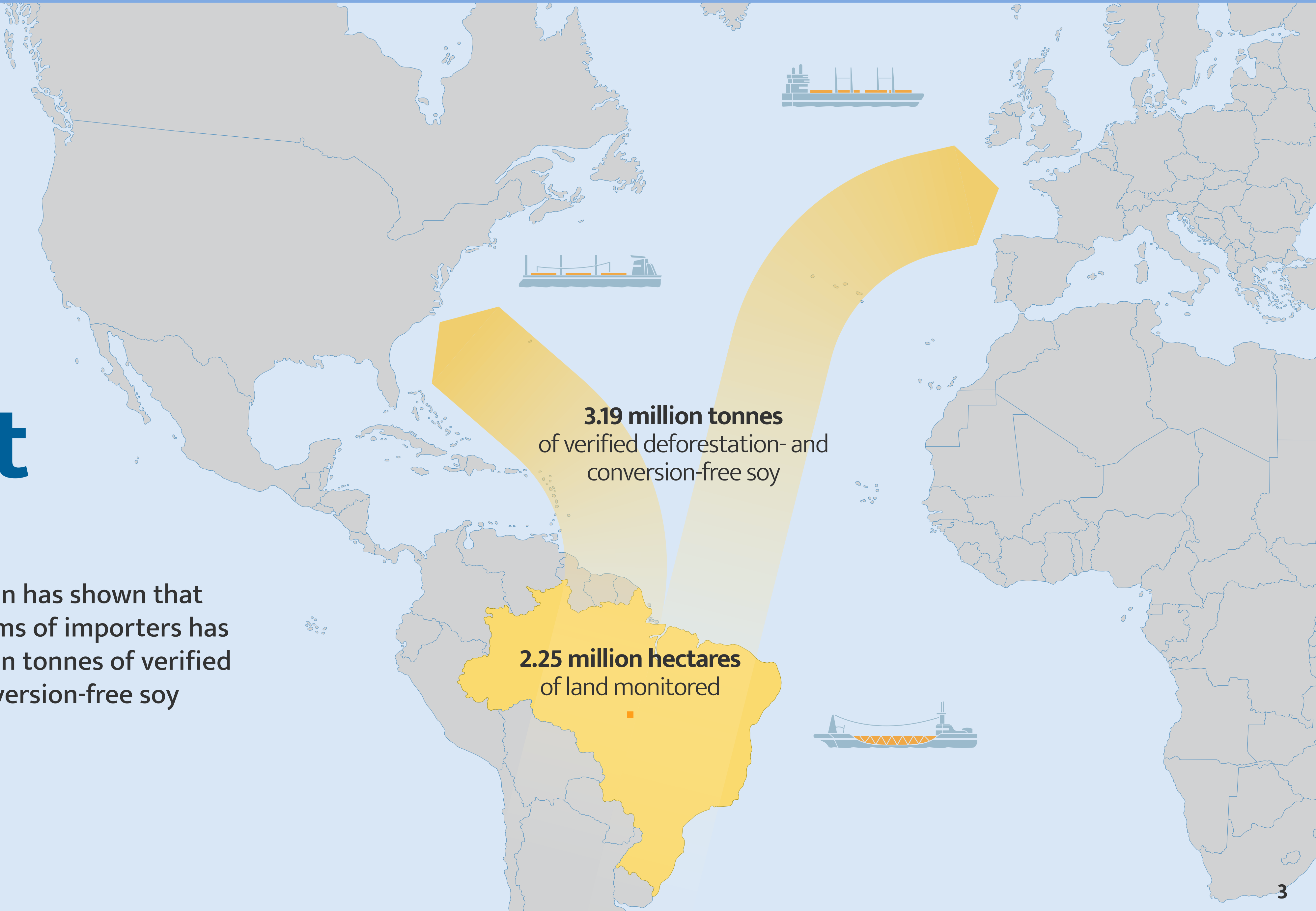


Aquafeed Manufacturers



2022 Impact

Independent verification has shown that the procurement systems of importers has resulted in over 3 million tonnes of verified deforestation- and conversion-free soy production.



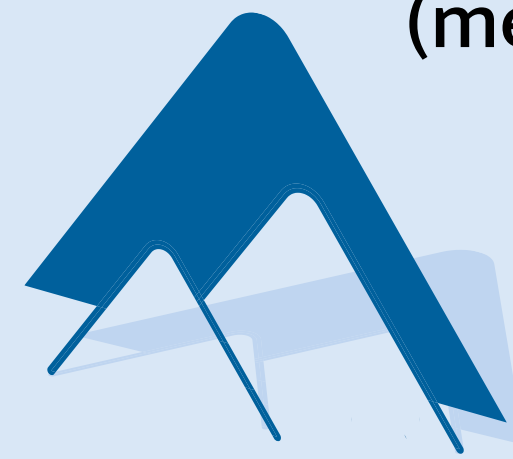
3.19 million tonnes
of verified deforestation- and
conversion-free soy

2.25 million hectares
of land monitored

Key statistics

3,190,703

soy volume assessed
(metric tonnes)



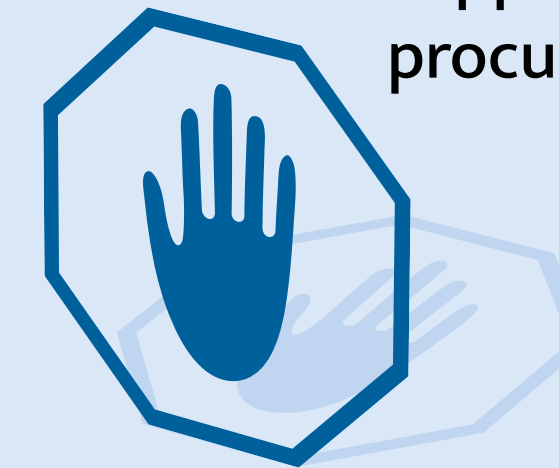
5,729

direct suppliers
assessed



36

suppliers blocked through
procurement controls



2,251,829

monitored area (hectares)



136

intermediate
suppliers present



143

contracts with direct and
intermediate suppliers
reviewed for integrity



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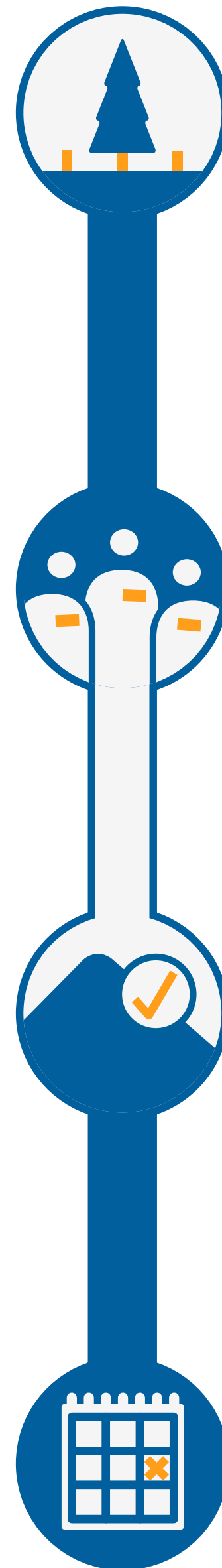


1. Committing to change



Developing a new approach to delivering a commodity-wide solution

Brazilian soybeans can be very competitive in economic and environmental terms. However, if soy is planted over recently converted natural areas Brazilian soybeans have a very high carbon footprint and hence a negative climate impact. These carbon losses are accounted for in the life cycle of soybean production as Land Use and Land Use Changes (LULUC).



Over the last decade, there has been an increasing urgency to address the elimination of all forms of deforestation and land conversion associated with soy production. The positive steps taken by companies investing in sustainable supply chains have created an important route for producers to ensure responsible production. However, the adoption of certification still represents a relatively small proportion of overall supply, and its scalability will not deliver the land-use change improvements we wish to see within the timetables needed for action.

Concerns about raw material imports became the catalyst for a meeting facilitated by ProTerra across the full sector – from the major Brazilian producers to their aquafeed customers in Europe. The outcome of this first meeting was the creation of the working group “Aquaculture Dialogue on Sustainable Soy Sourcing from Brazil”.

As a direct result of this forum and dialogue, in 2020 the three major Brazilian soy meal and soy protein concentrate suppliers agreed to commit to 100% of their supplies, regardless of customer or production area, would be transparently verified to be free of deforestation and conversion using a cut-off date of August 2020.

The goal is to introduce positive change in the supply base, this means that the areas of native vegetation (including HCV approach) cannot have been cleared or converted into agricultural areas, or used for industrial or other commercial purposes, after August 2020, including farms that have not been certified and verified before 2020.

The commitment

Across all operations and sourcing, regardless of certification or customer, signatory companies have committed to:

- 1 Promote a supply base free from illegal and /or legal deforestation and conversion, using a cut-off data of August 2020
- 2 Respect the rights of workers, indigenous peoples and local communities.
- 3 Ensure that sourcing is fully compliant national and local environmental laws and regulations including Forest Code.



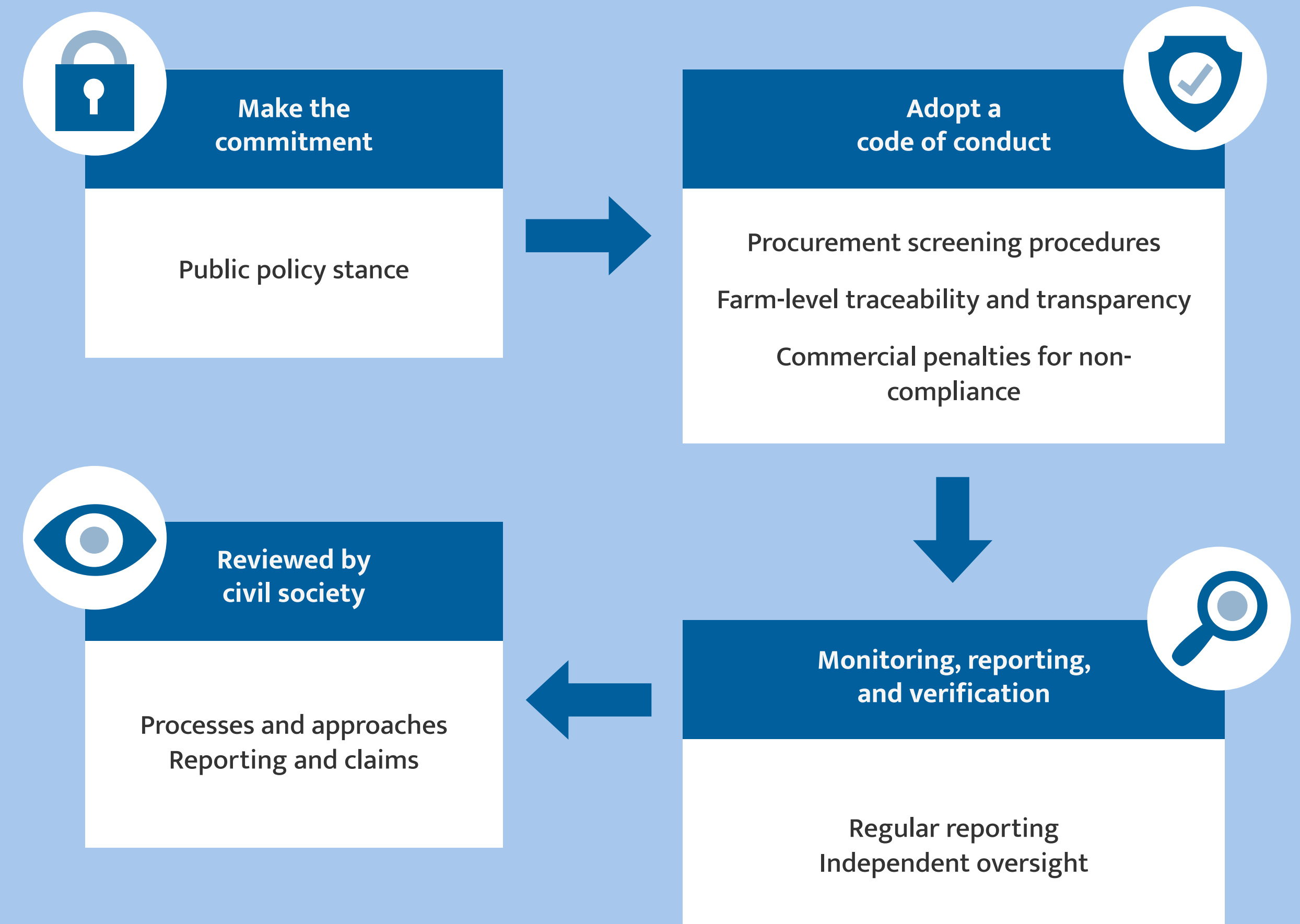
Making the commitment work

Existing frameworks, such as the Accountability Framework initiative (AFi), have acted as a critical reference when developing the guidance and auditing documents for how this commitment is monitored. This, along with key input and oversight from different organisations, have informed a monitoring, reporting, and verification system (MRV) to independently assess the performance of signatory actors.

Elements of supplier management and control systems that are monitored include:

- Risk assessment and supply chain mapping;
Procedure for identifying and addressing non-compliance;
- Activities related to responsible land acquisition and development practices, including impact assessments and the use of Free Prior Informed Consent (FPIC) when appropriate;
- Monitoring, verification, and reporting systems including appropriate tools, methods, and data sources that are able to assess and communicate impacts and outcomes of their operations and supply chain;
- Additional control measures such as certification or other credible third-party verification.

In sourcing areas where there is a high risk of deforestation, conversion, or human rights violations, and where supplier control and assurance mechanisms do not provide reliable information on compliance levels, downstream companies will need to work with their suppliers or take measures of their own to supplement supplier-provided information.



2. Monitoring, reporting and verification system



Developing the monitoring, reporting, and verification system

An effective process has been developed to ensure that the progress toward – and compliance with – the commitment is achieved through credible actions being undertaken throughout the supply chain.



Assurance

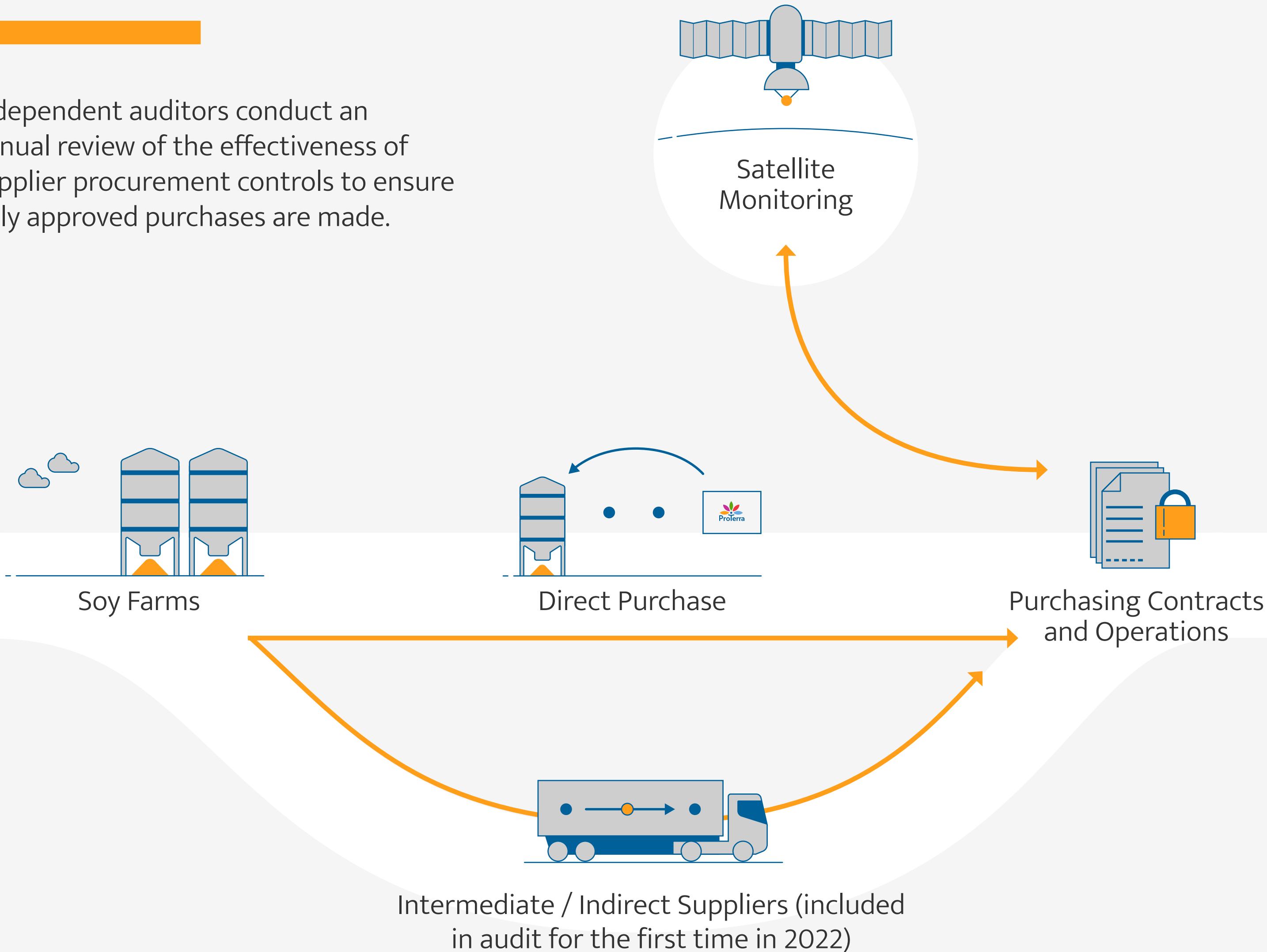
- Third-party reviews of working group purchasing controls
- System audits of supplier control systems
- Transparency of actions and findings from assurance process
- Conclusions and claims on effectiveness of the commitment reviewed by civil society partners

Governance

- Multi-stakeholder working group with oversight of the commitment
- Review and approval of findings

Assurance

Independent auditors conduct an annual review of the effectiveness of supplier procurement controls to ensure only approved purchases are made.



Approved supplier purchasing

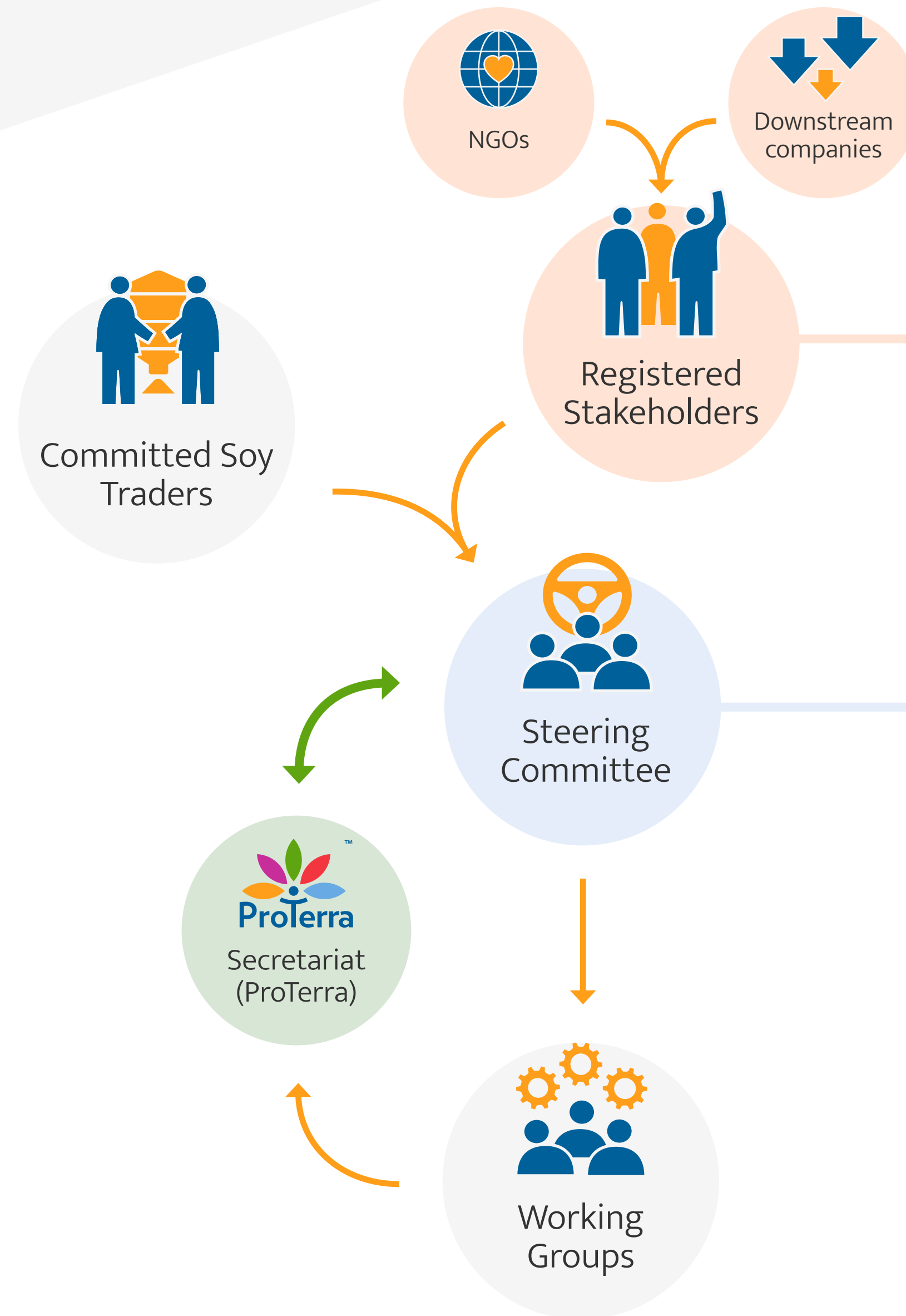
Before delivery of soybeans are made companies must assess the supplier against a variety of criteria and systems:

- Slave Labour “Dirty” List
- IBAMA Embargoed Area (Ibama), Farm polygons
- Cut-off date August 2020
- Soy Moratorium – List and Polygons, Historical Polygons
- Satellite monitoring – Prodes and Prodes Cerrado
- Overlap with Quilombo Land
- Overlap with Indigenous Land
- Overlap with Conservation Units

Governance

Decision Making

- Consensus is sought where possible, unless agreement cannot be found within the Steering Committee.
- Objections to decisions made by the Steering Committee by registered stakeholders may be made within 30 days of a decision being communicated. Where an objection is received, the Steering Committee will review and respond during its next meeting.
- Where consensus is not possible, a vote by registered stakeholders of the commitment will be undertaken with the decision based on a 2/3 majority.



Registered Stakeholders

Downstream companies and civil society groups can become registered stakeholders by expressing their interest to the Steering Committee, which will consider and approve their status.

Steering Committee

A steering committee composed of committed traders and wider supply chain and civil society partners is responsible for governing the monitoring, reporting, and verification of the commitment. It meets at least quarterly oversee the operation of the commitment.

Representation from each stakeholder is present on the steering committee composed of at least five members, excluding the secretariat function.

- The committed soy crushers
- One from civil society (renewable)
- One from downstream supply chain (renewable)

Representatives are nominated to a 12-month term (October - September) by committed soy traders Secretariat-approved organisations downstream and in civil society groups.

ProTerra facilitates the delivery of the commitment



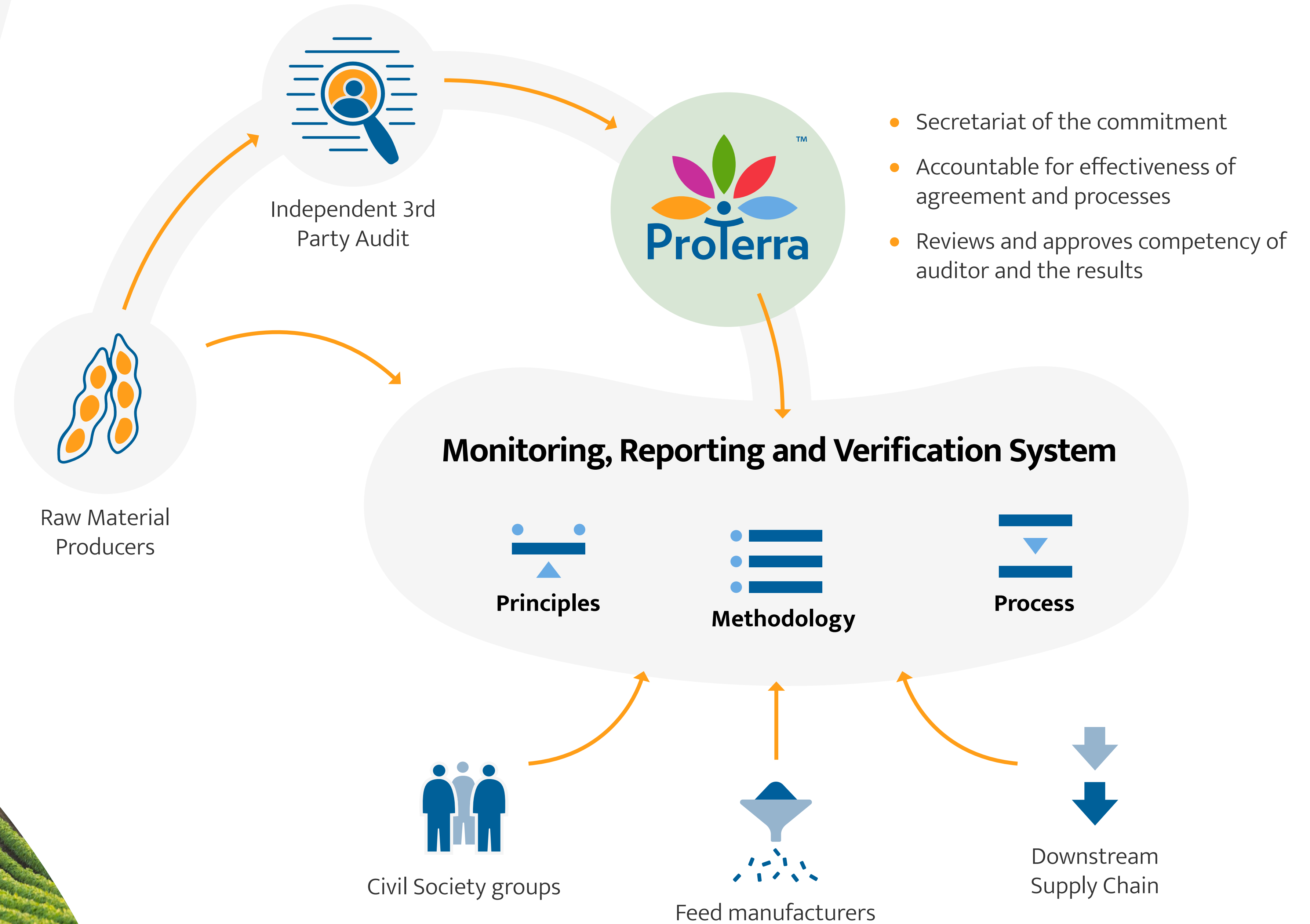
ProTerra facilitates the group as the Secretariat, acting as the primary holder of the principles, methods, and process used to ensure the effectiveness of the commitment, including oversight of the independent auditing process.

A core aspect of the monitoring system is an independent 3rd party audit of the effectiveness of signatory purchasing controls.

The Steering Committee meets quarterly, or when requested by the ProTerra Secretariat or a member of the Steering Committee, to review the findings of outcomes of the auditing process and to develop solutions to implementation challenges.



ProTerra facilitates the delivery of the commitment



3. Roadmap for delivery



Roadmap for delivery



2019

Preparation, discussion with industry players in Norway and Brazil

MAIN ACTION

PTF Establishment of Aquaculture Dialogue on Sustainable Soy Sourcing from Brazil

INCLUDED STEPS / RESULTS

Agreement on Code of Conduct, Carbon Emission Footprint Calculation, and improved Traceability (TCCs-traceability documents till municipality level)

2020

Brazilian companies' commitment to the August 2020 cut-off date

MAIN ACTION

Investment in geospatial tools for monitoring suppliers and as described in the report (sent earlier)

INCLUDED STEPS / RESULTS

ProTerra Foundation created guidance and auditing documents based on AFi and considering inputs from NGOs and market players

2021

Implementation

MAIN ACTION

Verification of the direct supplier monitoring system

INCLUDED STEPS / RESULTS

Verification of parameters as listed in the report (indicators, volumes, agricultural areas by region, blocked and unblocked suppliers etc.)

Roadmap for delivery



2022

MAIN ACTION

Verification of the monitoring system of direct suppliers & intermediate suppliers

INCLUDED STEPS / RESULTS

1. Check public information about risk regions on deforestation and human rights, determine intermediate supply risk.
2. Check information of direct supplier farms in the same region as intermediate supplier (cleared and blocked) to correlate to risk.

2023

MAIN ACTION

3rd party audits on a sample of intermediate suppliers

INCLUDED STEPS / RESULTS

1. Verify sourcing monitoring system of intermediate supplier.
2. Verification of declarations from intermediate suppliers to the industrial processor and from farms to intermediate supplier.
3. Geospatial verification of risk regions of intermediate suppliers.

2024

MAIN ACTION

Verification of complete list of all suppliers and embargo lists from IBAMA, Prodes

INCLUDED STEPS / RESULTS

Verification of efficacy and progress of system of industrial processors

2025

MAIN ACTION

Indirect supply chains fully verified

4. 2022 Results



Over 2.25 million hectares of land verified deforestation- and conversion-free

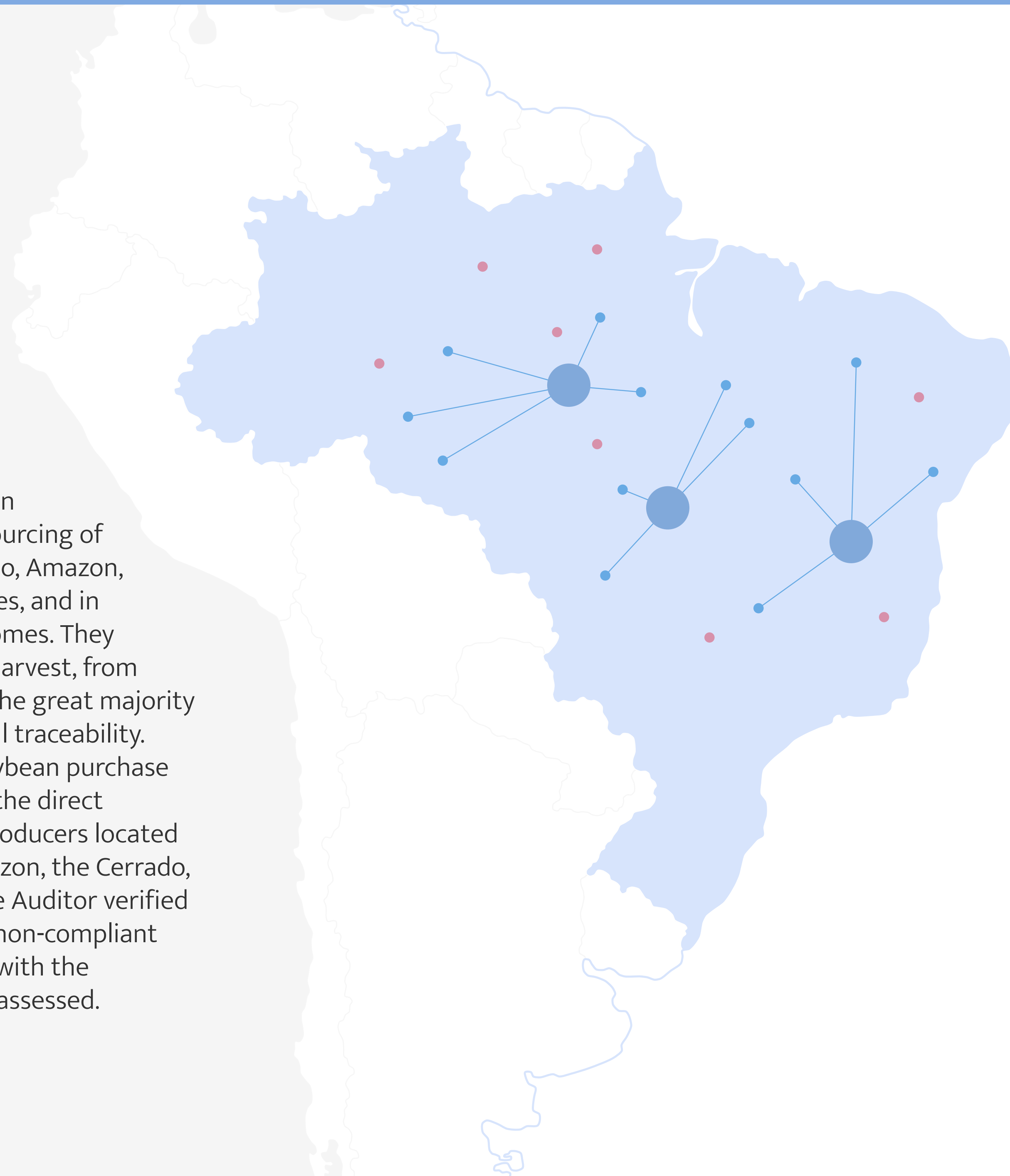


In 2022 the three supplier companies that have undertaken this commitment - Caramuru Alimentos SA, CJ Selecta and Imcopa Importadora Exportadora | Cervejaria Petrópolis – underwent an audit based on the Proterra Foundation Monitoring and Verification guide.

The scope of the audit was to analyse each company's operating system with regard to the registration of direct and indirect suppliers, acquisition of soybeans from those suppliers, and geospatial monitoring. Both direct and indirect soy sourcing was assessed from areas free from land conversion. The trade period audited was January 2021-December 2021 for two of the companies, and August 2021-July 2022 for one company. The soy audited came from the Brazilian States of Goiás, Minas Gerais, and Mato Grosso, which span the Amazon, Cerrado, Atlantic Forest, and Caatinga biomes.

Reviewing procurement systems

All three companies have sourcing/storage units and offices in several locations in Brazil for the sourcing of commodities, located in the Cerrado, Amazon, Atlantic Forest, and Caatinga biomes, and in transition zones between these biomes. They acquired soybeans in the 2021/22 harvest, from direct and indirect suppliers, with the great majority being from direct suppliers with full traceability. According to the analysis of the soybean purchase contracts, it was possible to verify the direct purchase of soybeans from rural producers located in territories belonging to the Amazon, the Cerrado, and the Atlantic Forest Biomes. The Auditor verified that 36 suppliers flagged as being non-compliant were blocked from doing business with the companies during the time period assessed.



Direct sourcing

77% of soy purchased by the three companies audited came from direct suppliers. Purchases from 5,729 direct soy suppliers were reviewed through a random sample of 105 company names. The auditor learned about the supplier control system thoroughly in all aspects. Interviews were conducted with key personnel and several interactions occurred to clarify specific points.

The companies have contracts with organizations that developed platforms, which embody software capable of real-time monitoring of all Brazilian public social and environmental liabilities, and deforestation, using the collection of public information and geospatial analyses.

Today, the main instrument used in relation to the acquisition of raw material from areas free from deforestation is the analysis using the PRODES and PRODES Cerrado tools, two satellite imagery tools made available and adopted by the companies in their analysis of beans acquisition.

Direct Suppliers: Key Findings

To demonstrate the effectiveness of the system, contracts, and names from public lists of social and environmental liabilities were randomly selected and checked against the names in the company soy receiving report.

The audit process, which is described on the pages that follow, demonstrated the following achievements of the assured businesses:

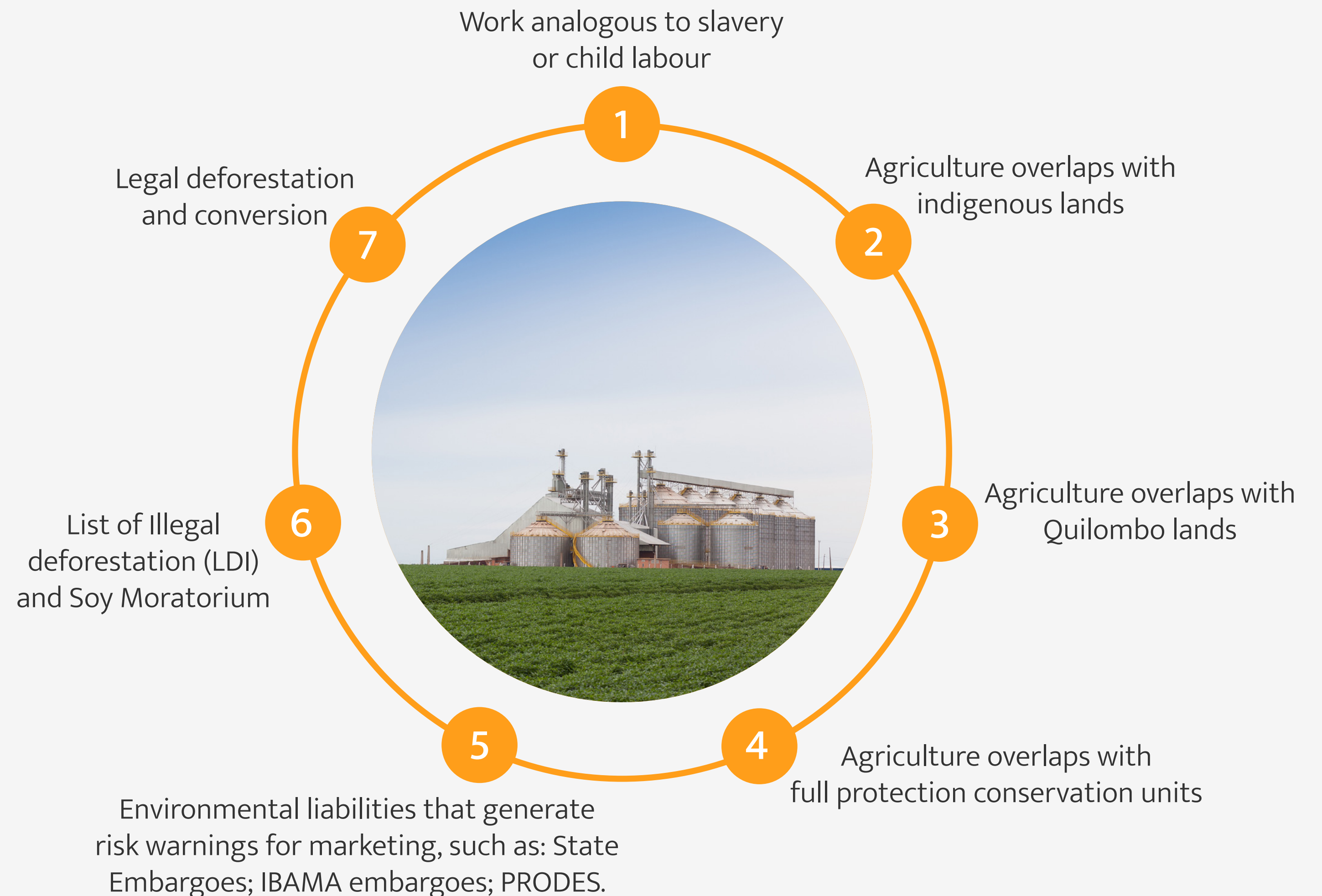


Purchasing controls

Besides inspecting a number of purchase contracts, the Auditors used a random sample of from 180 suppliers, chosen from public lists of embargoed farms and producers. These names were introduced in the monitoring system of the companies to verify if such farms or growers would be there. Zero direct suppliers with embargoes were found in the system.

Non-conformance of intermediate suppliers was also measured, although this was not based on public embargo lists.

The auditors verified that supplier blocking is in place using a variety of criteria, not just deforestation and conversion:



Approved suppliers

The registration of suppliers is initiated by the commercial sourcing sectors and controlled at the headquarters for approval. The analyses in the platforms database, include criteria, such as:

1

Slave Labour

2

IBAMA Embargoed Area (Ibama),
Farm polygons

3

State Embargo SEMA
– MT; LDI – PA

7

Overlap with
Quilombo Land

6

Satellite monitoring
– Prodes and
Prodes Cerrado

5

Soy Moratorium –
List and Polygons,
Historical Polygons

8

Overlap with
Indigenous Land

9

Overlap with
Conservation Units

Whenever there is a purchase negotiation, the corporate system approves or block the purchase. Each company has different solutions and features in their system for these functionalities.



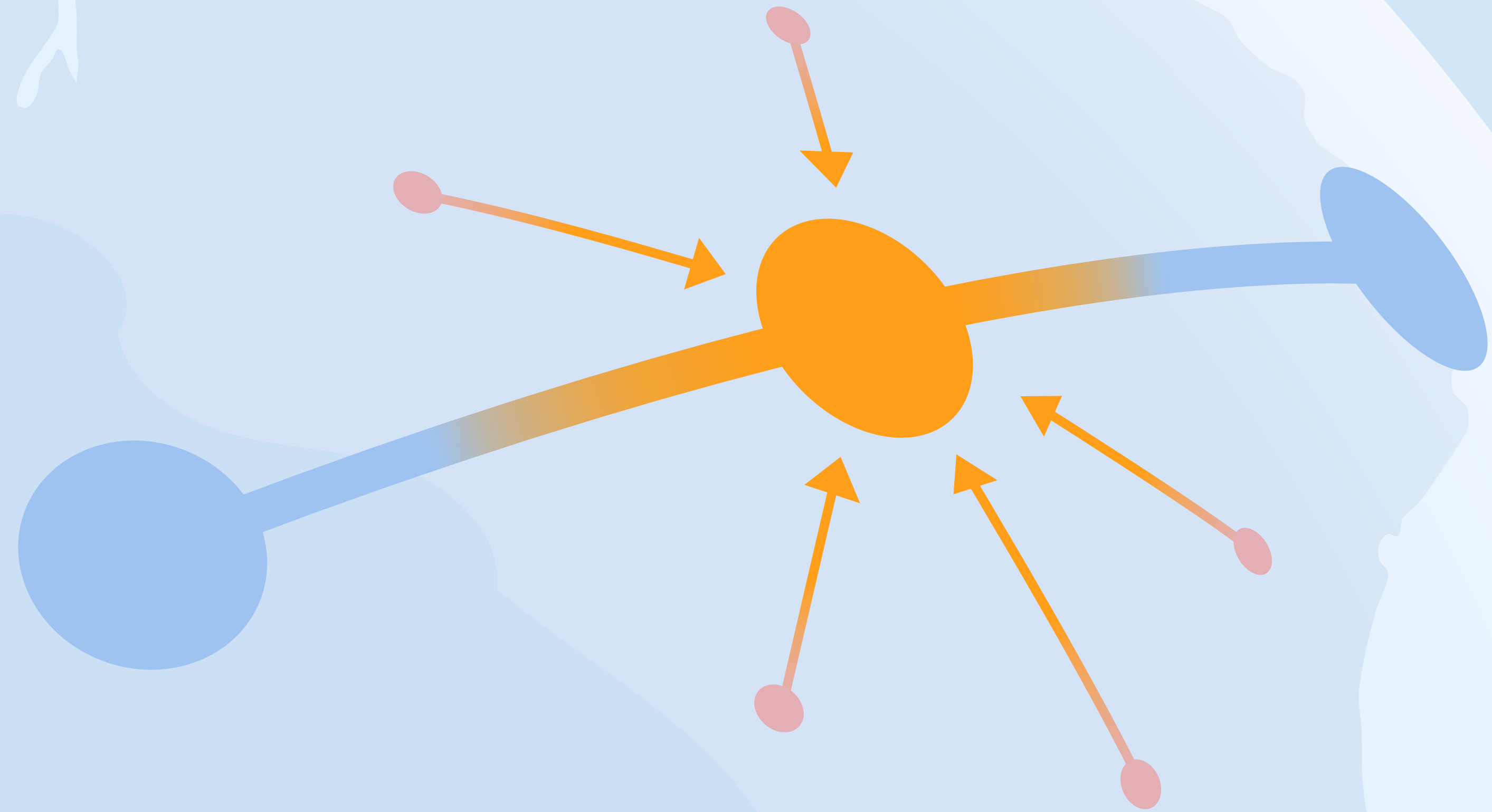
Extending to intermediate suppliers

2022 was the first year during which indirect suppliers were also audited. All three companies were found to be taking actions to increase the knowledge of their supply chains for indirect supply.

Traceability of indirect suppliers is in general one of the main risks encountered by companies in the commercialization sector, with particular implications for the MRV requirements. Companies have less control over the flow of data coming through the supply chain for indirect supply, and sourcing changes regularly depending on soy yields.

Good results with partners are largely due to the overlap between suppliers that deliver production to some companies, cereal producers, and cooperatives, in relation to the companies' direct supplier portfolio.

Regarding the MRV program, a substantial number of indirect soy suppliers have geospatial data registered in platform software, subject to monitoring for deforestation and conversions, according to the data analysed in the audits.



Indirect Suppliers: Key Findings

At the time of the audit, the terms of intermediate suppliers' contracts relating to MRV were the same as those outlined for direct suppliers. Intermediate suppliers identified as high- or medium-risk were blocked using the same process used for direct suppliers.

136 intermediate suppliers existed in the system. A random sample of 38 company names was selected for the audit.

9.33% of the companies' supply from intermediate suppliers was determined to be high-risk, for the most part because traceability was not possible during 2022. The Auditor found that this was a key development point for the three companies in the next year.



Zero

Non-compliant contracts were identified among indirect suppliers



100%

traceability for intermediate supply achieved by **one of the three companies** audited



90.7%

indirect supply from low or very low risk origin

Addressing triangulation

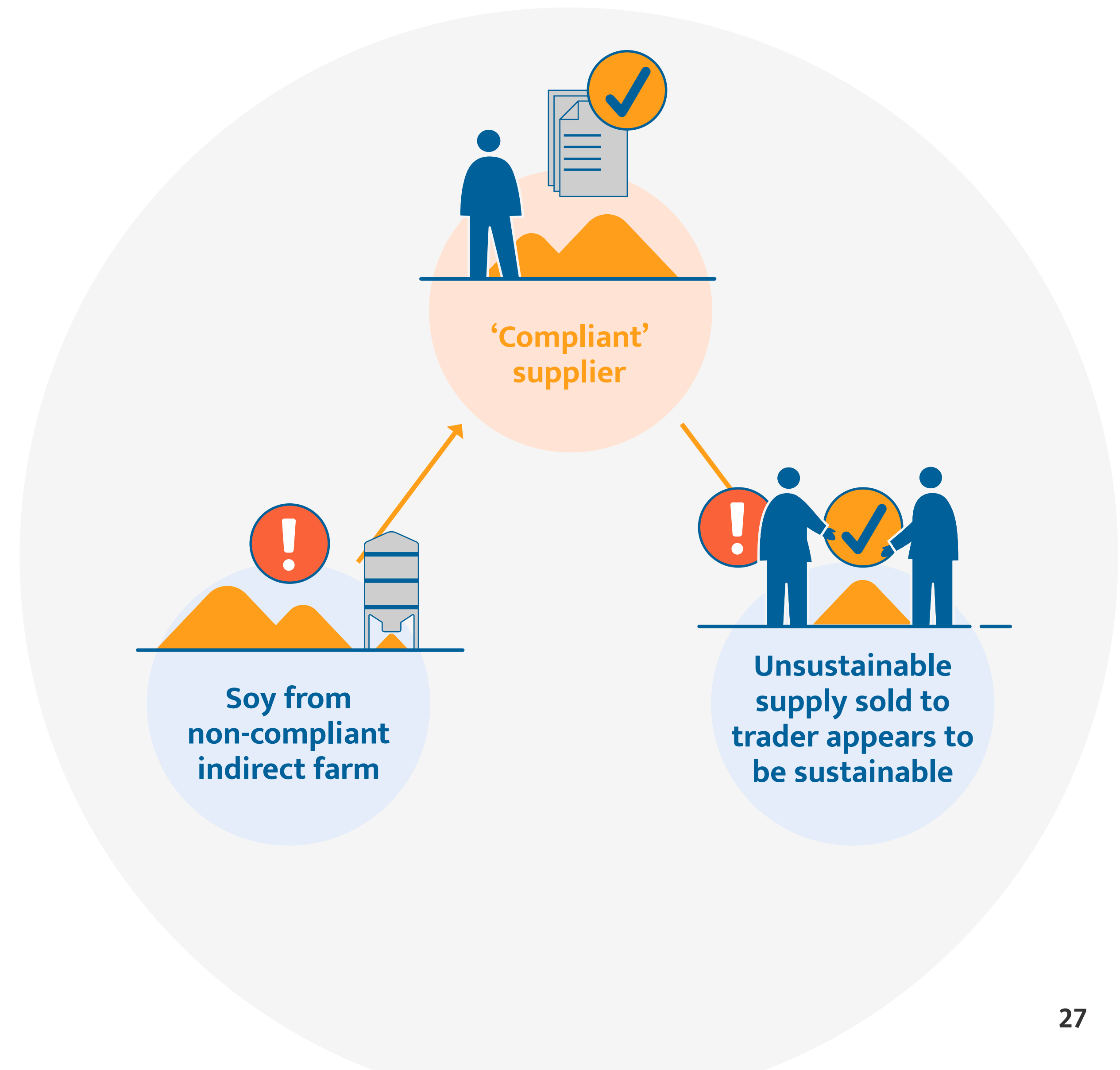
Progress towards fully traceable, deforestation and conversion free soy can be limited by triangulation, where soy from unknown (and potentially high-risk) sources is sold to traders under the name of a compliant supplier.

It is possible for traders to identify triangulation when the volumes of soy sold to them is greater than the production capacity per ha of a given region. The Auditor found evidence that the following actions are undertaken by the three companies assessed to minimise risk of triangulation:

The distance between non-compliant suppliers' farms is considered in the blocking process. If a supplier has multiple farms and one is blocked, the other(s) must be more than 200 km away to avoid also being blocked. Suppliers' CAR reports are the main source of information used in this analysis.

If volumes supplied are significantly higher than the estimated productivity ceiling of an area, this triggers a blocking procedure.

The actions above are applied by the three companies to both direct and indirect suppliers.



Audit findings

1 Based on the random sample and the cross-checking of embargoed areas, the auditor found that all three companies assessed “have well-described processes, and the verified samples did not show inconsistencies with the observed criteria.”

2 The effectiveness of the system was verified by testing their MRV systems on 180 randomly selected suppliers who had already been embargoed and cross-checking this supplier list with the lists already in the companies’ systems.

No relationship or conflict was found between the companies’ supplier lists and the public embargo lists. In addition, 0 companies were found to be non-compliant with the targets set by the companies.

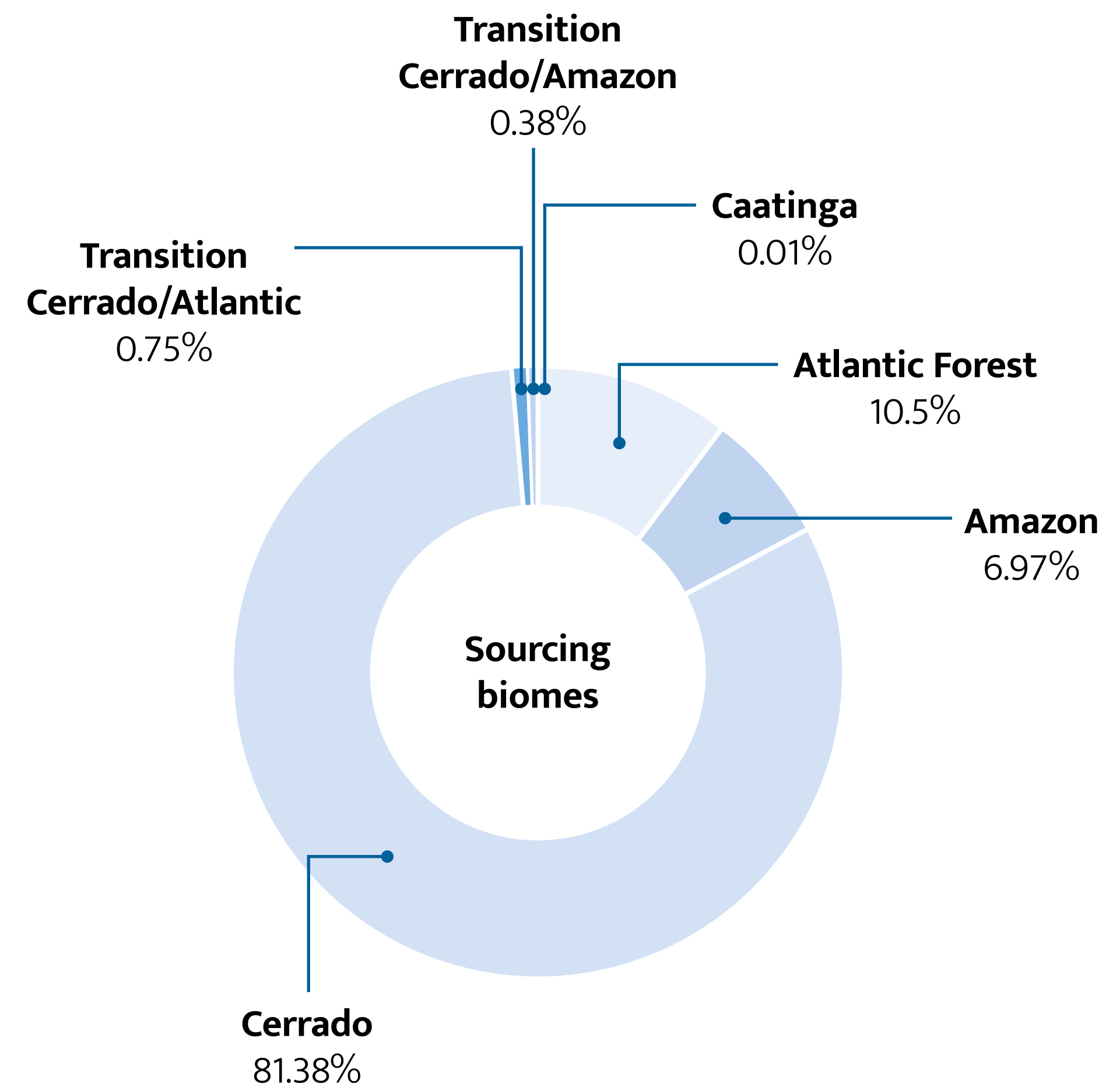
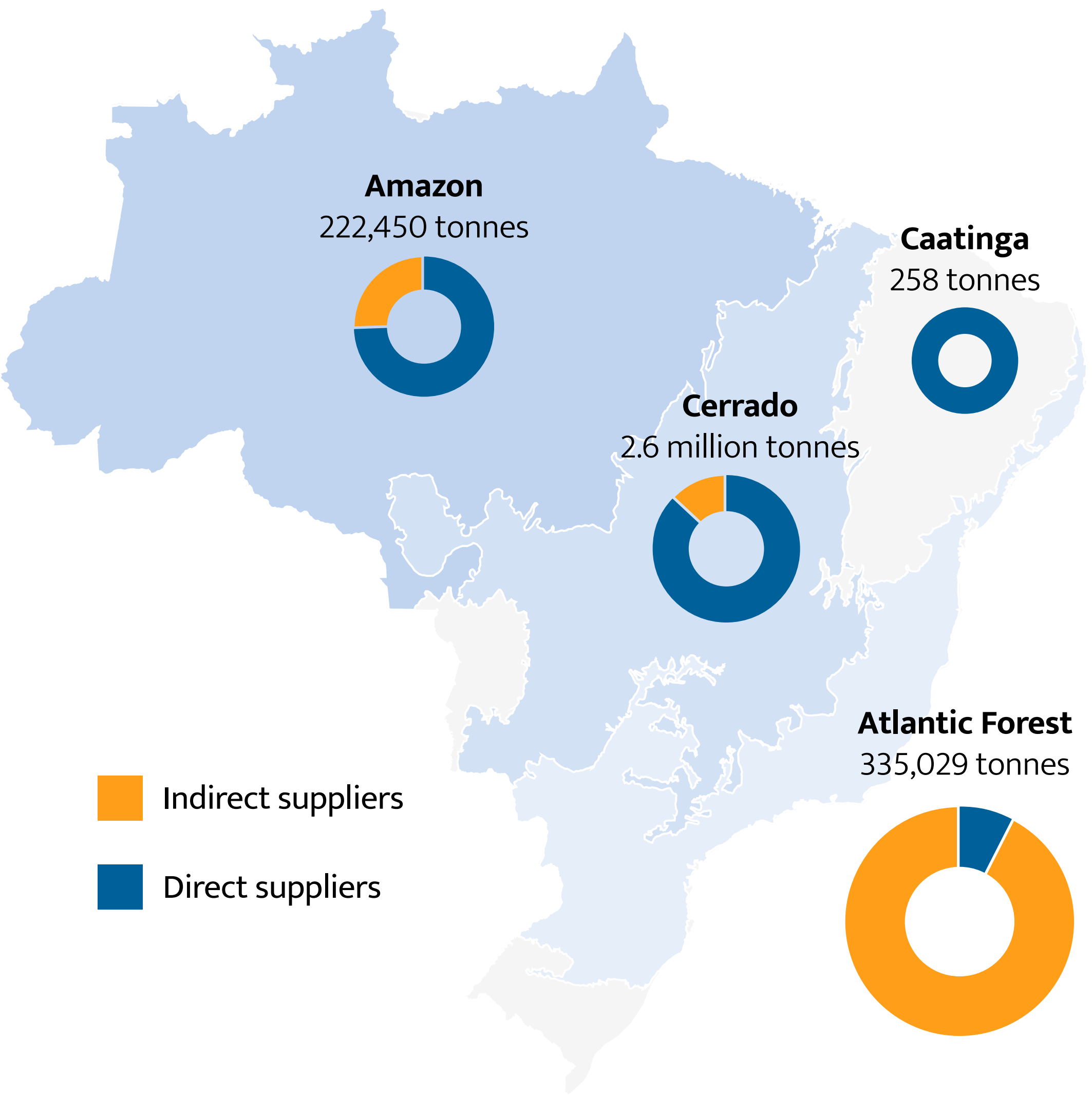
3 All land associated with soy production was assessed to ensure no deforestation or conversion occurred since the 1 August 2020 cut-off date, regardless if it was done legally or illegally.

5 36 direct suppliers were blocked for failure to comply with the environmental and social criteria outlined by the companies. Although indirect suppliers were subject to the same criteria and automatic blocking process as direct suppliers, no indirect suppliers were blocked during the audit period.

4 Due to the procedures adopted by the companies that carry out an analysis of any purchase attempt within the platform software system, it is possible to infer that the blocking system is effective, as it automatically prevents the completion of purchase of soy from direct and indirect suppliers contained in any lists or databases relevant to the scope of this audit.



Volumes of different sourcing biomes in the MRV program



5. 2023 Plans



Plans for 2023



An important addition is that in April 2023 the public revision will start as we will transform the MRV program into a standard to:

- **Create a more balanced and inclusive dialogue**
- **Increase the transparency and credibility of the MRV**
- **Create a broad market sustainability solution for both non-GMO and GMO, providing evidence of deforestation and conversion-free commitments, claims, and supply.**
- **Undergo independent benchmarks**
- **Update the MRV system to align with the EUDR**
- **Broaden the scope to include any region and crop, going beyond the salmon aquaculture sector.**

Connecting new stakeholders and value chains

