

SOY MORATORIUM

INDEPENDENT VERIFICATION REPORT



July 2024



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1.

SUMMARY

Annually, soy traders who are members of the Soy Working Group (Grupo de Trabalho da Soja - referred to in this document for short as GTS) undergo third-party audits that verify that their purchases and financing meet the criteria of the Soy Moratorium. All checks took place remotely between November 2022 and March 2023.

Since 2016, a GTS Assessment Committee composed of representatives of companies and civil society has analyzed the reports of these audits to understand and evaluate the performance of companies in relation to the Soy Moratorium Commitment. They identified and reported points of improvement in relation to the verification process.

According to the audit reports, nineteen audited companies complied with all the criteria of the Soy Moratorium and only one had purchases that did not comply with the Soy Moratorium. However, after evaluation, the Committee concluded that four companies had potentially non-compliant purchases with insufficient justification.

In this cycle, the auditors found forty-six opportunities for improvement for eighteen companies. They pointed out eight non-compliances (NC) with the management system for eight companies, and those companies must prepare action plans to clarify these problems in the next audit. In the committee's evaluation, eight more non-compliances with the management system were attributed. There were no situations of disagreement between the auditor and the company.

The assessment committee considered that 85% of the traders' Management Systems and Audit Reports had a **Good** or **Regular** score and 15% had an **Excellent** score.

It is important to note that, in this cycle, GTS defined that the audit reports will be disclosed, but confidential information regarding the LGPD and competitions will be hidden. The report will be published on the GTS website and replicated on the Soy on Track platform. No committee opinion will be published.

1.1 CRITICAL POINTS AND RISK TO THE SOY MORATORIUM

Relevant flaws in the audit procedure and recording of the report were found, as described below, which generates a need for improvement within the scope of the **Soy Moratorium**.

- In eight of the twenty reports, auditors did not issue NC with the management system for companies that do not have strategies and traceability systems to monitor indirect suppliers.
- In four reports, there were records of fourteen **purchases with caveats** with the absence of mandatory information and/or evidence that supports the status of the purchase with caveat. The Committee found evidence of non-compliant purchases during the evaluation.
- In this cycle, a large number of purchases with caveats were noted, although in the auditors' assessment there were only non-compliant purchases in one company. In total, 180 purchases with caveats were registered, an increase of 116% compared to the previous year.

These results will be detailed throughout this report, but it is important to note that the committee's evaluation was conduc-

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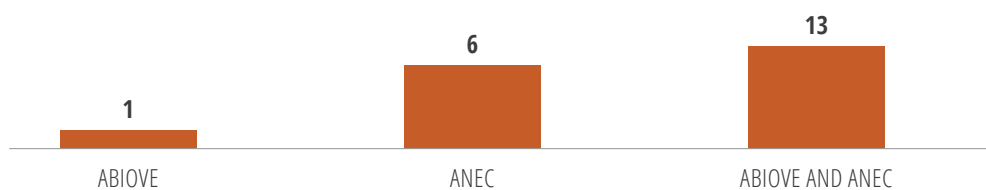
2022 AUDITS

The process of the 2022 audit cycle began with the approval of the Term of Reference (Audit Protocol, Report, and other documents) in the GTS. Subsequently, the auditors were trained. The annual event was held in person on October 14, 2022. Thirty-six professionals were present, including auditors from the certification companies, representatives of traders and representatives of third sector institutions that make up the Soy Moratorium Assessment Committee.

The report that consolidates the main comments of the Workshop is available on the **Soy on Track Platform**.

The verification took place in the twenty signatory companies of the Soy Moratorium, between November 2022 and March 2023 and it referred to purchases from the 2021/22 harvest. The following chart shows the share of companies correlated to the association of which they are a part. The reports were received from: ADM do Brasil, Agrex, Agribrasil, Agrícola Alvorada, Amaggi, Bunge, Cargill, CHS, CJ Internacional, CJ Selecta, COFCO Agri, Cutrale, ECTP, Fiagril, Imcopa, LDC, Nova Agri, Olam Grains, Sodru and Vittera. Control Union conducted the highest number of audits (13) and FoodChain ID Certification carried out the other 7.

Participation of companies and associations



The evaluation of the reports by the GTS Evaluation Committee was conducted by face-to-face meeting, between March 20 and 22, 2024.

2.1 NON-COMPLIANCE WITH THE SOY MORATORIUM

Only one audit report identified non-compliance with the Soy Moratorium, that is, the presence of non-compliant purchases.

After the Committee's evaluation, it was concluded that it is not possible to define compliance with the agreement by four other companies, given that the justifications presented are incomplete and/or all procedures were not carried out **to ensure a full assessment of compliance with the Soy Moratorium**, although the justifications were requested in the term of reference and report model. The main gaps identified were:

- **CAR, distances, and incorrect geographic coordinates:** CAR of the property that justifies the purchase is the same CAR of the blocked property, while the report indicated more than 200 km between the properties;
- **Receipt of purchase soy from contracts already indicated as a caveat in the previous audit:** the evaluation of the soy moratorium includes purchases made and receipts of soy in the audited period, and in two companies purchases recorded “with caveats” were

identified, which refer to receipts of contracts identified “with caveats” in the previous cycle and there is no evidence that any additional action has been taken;

- **Lack of evidence** such as invoices, CAR, contracts, movement statements;
- **Lack of triangulation analysis:** distances shorter than those required in the protocol, without justifications and/or additional actions, including neighboring farms.

Why the Evaluation Committee’s performance is important.

- **Technical support** for verification and auditing processes
- **Consent** on the Soy Moratorium audit process
- **Credibility** for stakeholders: private sector and civil society involvement

Preparation	Audit	Findings
<ol style="list-style-type: none"> 1. Establish the Audit Program 2. Establish the Term of Reference for audits (Audit Protocol, Audit Report Template, and other documents) <ul style="list-style-type: none"> • Ensure a consultative process. • Adopt best practices verification, following internationally recognized protocols 3. Training of auditors and updating of traders 	<ol style="list-style-type: none"> 1. Monitor the process of audits with traders <ul style="list-style-type: none"> • Conduct shadow audits, where applicable • Conduct the pre-assessment of audit reports, where applicable • Clarification of doubts about the process • Ensure the confidentiality of data and information about the data of traders’ suppliers, respecting the LGPD 	<ol style="list-style-type: none"> 1. Evaluate all final audit reports <ul style="list-style-type: none"> • Request clarification from traders • Assess the quality of the audited company’s management system • Assess the quality of audit reports • Prepare the Individual Assessment Reports of traders’ audits <ul style="list-style-type: none"> • Propose to the GTS the application of sanctions, such as the need for a new audit, warnings and possible suspensions depending on the result of the audit 2. Prepare the Annual Audit Cycle Assessment Report <ul style="list-style-type: none"> • Propose improvements for the next cycle • Provide transparency to audit results

At the end, the Individual Assessment Reports were issued to the companies with the information:

- Audit result – inconclusive:
 - In one company, the evidence shown is insufficient to ensure compliance with the Soy Moratorium.

- In 3 companies, although there is no evidence of non-compliant purchase, the evidence could be more detailed and the justifications could be improved.

- Audit result – complies with the Soy Moratorium:
 - In twelve companies, the Committee agreed with the auditor’s opinion that the companies comply with the requirements of the Soy Moratorium.

- Audit result – does not comply with the Soy Moratorium:
 - In one company, the Committee agreed with the auditor's opinion that the company does not comply with the requirements of the Soy Moratorium.
 - In three companies, the Committee understands that there are possible non-compliant purchases that were not identified by the auditors.

2.2 RISK OF SOY TRIANGULATION

The reports of eleven companies recorded **180 purchases with caveats** (an increase of 116% compared to 2021), **involving sixty-seven producers who own or had properties that did not comply with the criteria of the Soy Moratorium** (11.6% higher than the number of producers involved in 2021).

There were more than **170 thousand tons of soy in these purchases with caveat**, with three companies having 55% of the total volume of these purchases and 50% coming from eight suppliers. It should be noted that these companies sold around fifteen million tons in the harvest in question.

Of all the producers identified in the purchases with caveats, seventeen conducted commercial transactions with more than one company. This is a warning indicator, as it is possible that some of these suppliers have sold a total amount of soybeans higher than the average productivity in the Amazon, pointing to a risk of triangulation of non-compliant soybeans (up to 3.8

t/ha is considered an acceptable value, considering that the Brazilian average is 3.5 t/ha).

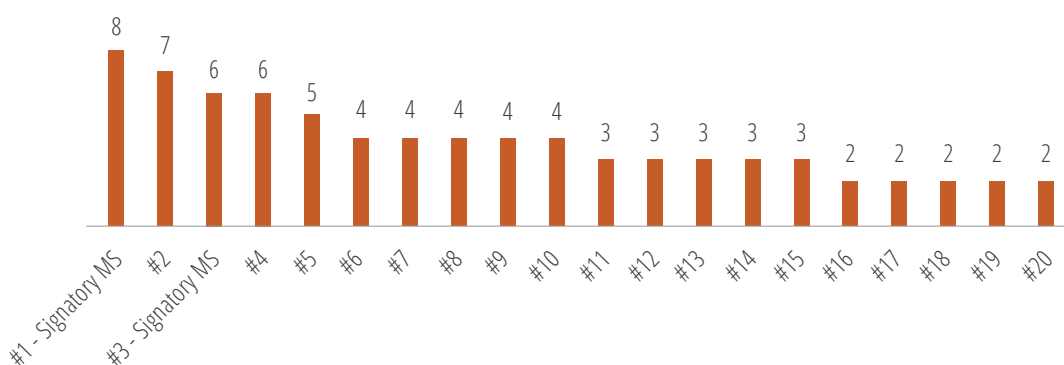
2.3 MONITORING OF INTERMEDIARY SUPPLIERS

Another aspect also related to triangulation falls on **indirect purchases**, that is, conducted with intermediary suppliers (cereals, resellers, cooperatives, trading companies, etc.) **element**. There are four companies with the clause of the contracts outdated in relation to the requirements of the Soy Moratorium, another mandatory requirement, according to the GTS.

Since the last cycle, verifier 9 (control of purchases from intermediary suppliers) has been incorporated into the obligation to record in the audit report the name and CNPJ of the **5 largest intermediary suppliers**, or the list of suppliers that represent approximately 70% of the volume of intermediaries, in case the companies have a volume of 30% or more of intermediary suppliers.

147 names of intermediary suppliers were presented. Of the total number of companies presented as the largest number of suppliers, forty-five traded with more than one trader, two of which were signatories to the Soy Moratorium. The others are the focus for actions of engagement, commitment, and monitoring of the origin of soybeans.

The chart below shows the twenty largest companies mentioned, and it is possible to verify that one company is considered relevant for eight signatories of the MS. This company is one of the signatory traders of the Soy Moratorium.



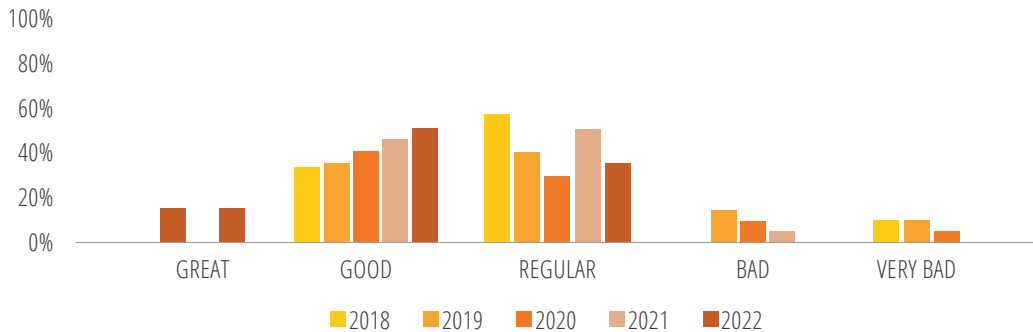
Companies do not have indirect traceability systems or have partial ones, and auditors do not always point out this issue as a non-compliance with the Management System. This ends up not generating Action Plans for monitoring in the next cycle,

which was a critical point of monitoring, and there are traders where indirect traders represent more than 70% of the volume traded in the harvest. This situation represents a fragility in origination.

2.4 MANAGEMENT SYSTEM

The management system created to eliminate or minimize the risks of soy origination from deforestation since 2008 is the central axis for a company participating in the Soy Moratorium

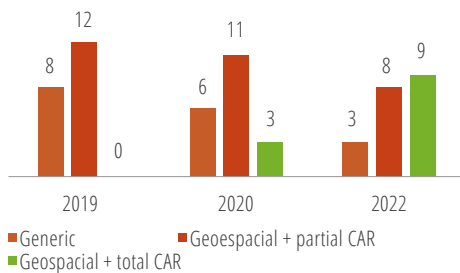
Commitment. In this cycle, it was estimated that 50% of the companies have a Good management system. In general, the auditors failed to point out important non-compliances in the management system, which can be observed in the descriptions of the reports.



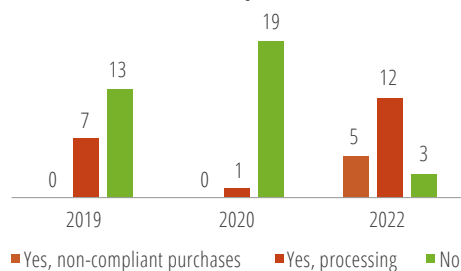
The use of geographic data of properties by companies has improved, as well as in the automation of the blocking system and the management of independence in blocking/unblocking. This has been adopted, to some degree, by all traders and ensures impartiality in the decision and reduces the risk of irregularities in the company. For the year 2022, the

differences in the blocking systems for the Soy Moratorium lists and the environmental embargoes due to deforestation and slave-like labor lists were evaluated. The results indicate that most companies that adopt an automatic blocking system also adopt the same form of management for the three lists.

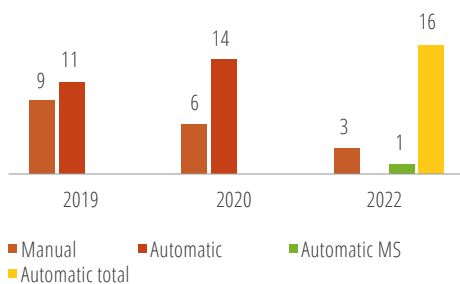
Supplier's registration



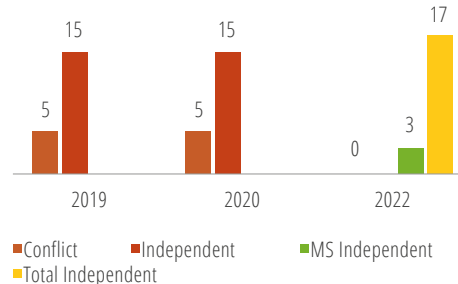
Non-compliances



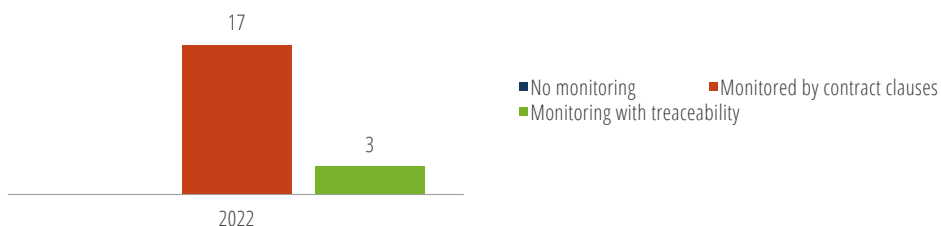
Blocking System



Blocking Decision



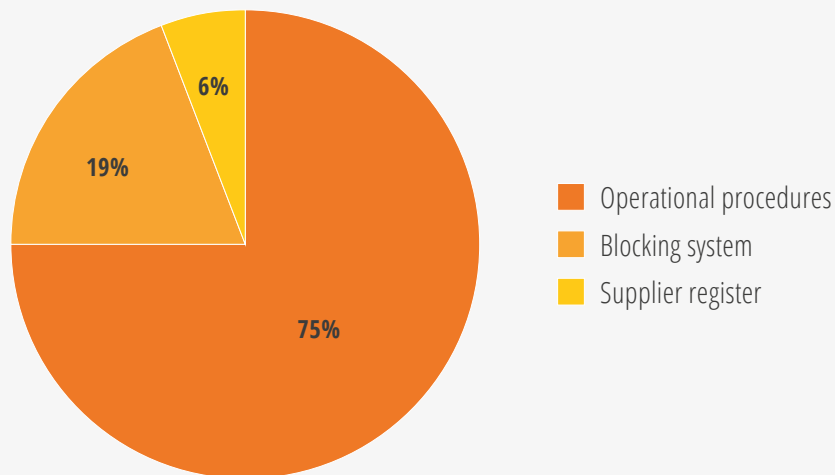
Intermediary Suppliers Management



The number of non-compliances in the Management System has increased, which may reflect a maturation of the audit process, in which auditors and traders understand that these non-compliances are not punitive but serve as a basis for future improvements in their processes.

This year the management of indirect suppliers was also included in the evaluation. Most companies (85%) only manage by contractual clauses.

Management System non-conformities



Management system score - intermediate supplier management criterion:

The criterion for managing intermediary suppliers is a critical point in the management system of companies that are signatories to the Soy Moratorium.

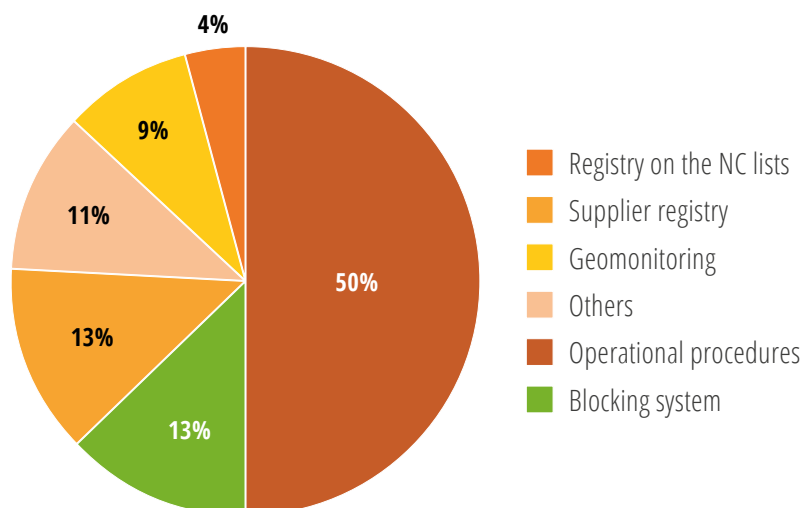
In the previous audit cycle, it was defined that indicator 9 (procedure for controlling purchases from intermediate suppliers) would be maintained. During the audit and review of this audit cycle, it was observed that most companies continue not to adopt traceability procedures with these suppliers and that the auditor often does not record the non-compliance with this topic.

In the most critical cases, such as no procedure adopted and/or high volume of indirect purchases with a low traceability system, the Committee included 6 NCs in this report.

In total, forty-six opportunities for improvement were presented to companies, which can use these considerations to improve their management and reduce the risk of non-compliant purchases. The most scored items refer to the formalization of operational procedures, which have no cost and demonstrate the company's commitment to meet the criteria established by the Soy Moratorium.



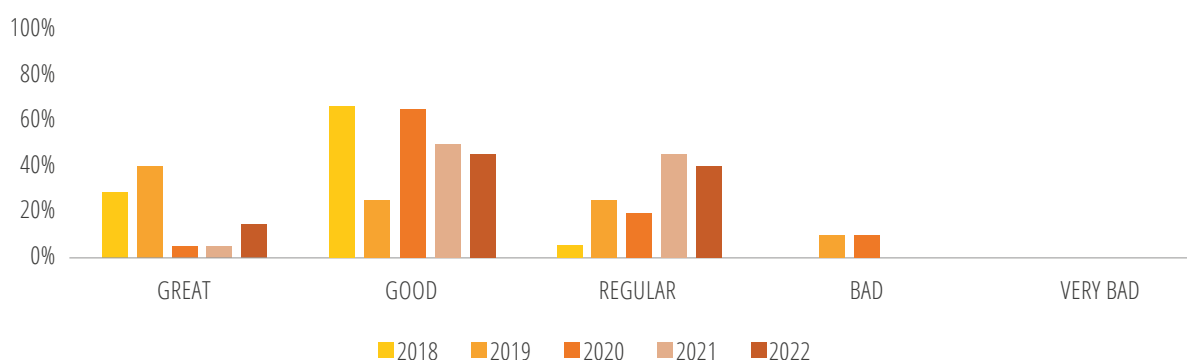
Improvement opportunities



2.5 QUALITY OF AUDIT REPORTS

The audit reports had an increase in quality compared to the previous cycle and the sum of the good and **excellent scores** was obtained by 60% of the companies. In the previous cycle, 55% of them obtained scores at this level. This can be attributed

to the fact that auditors already have some experience in the process and in the training conducted before the start of the audit cycle.



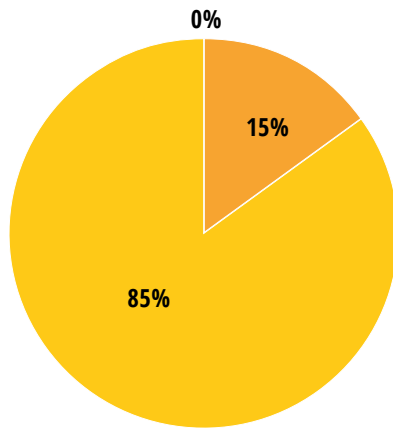
It was found that 50% of the reports have complete information in their description in relation to the guiding questions and only 40% are accurate in the report and leave no doubt about what was verified. Only **30% of the reports present sufficient evidence in an organized way to demonstrate what was verified.**

Among the key issues, we mention:

- Insufficient evidence to ensure that purchases with caveats were not purchases that did not comply with the Soy Moratorium;
- Inconsistencies between the reported information;

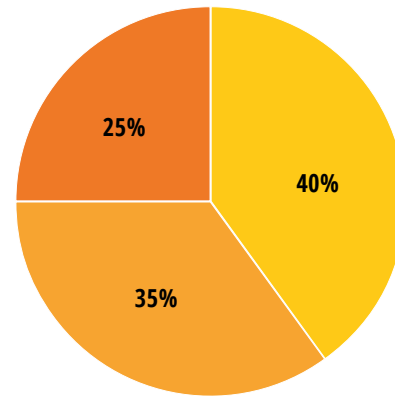
- Failure to use the guiding questions to assess compliance with the indicators;
- Incomplete descriptions of soy triangulation evaluation and lack of justification for shorter distances than those requested in the protocol;
- Lack of inclusion of sufficient evidence in the report to demonstrate the compliance of the indicator, such as: sample of invoices (NFs), transaction statement, results of blocking tests, among others;
- Screenshots of the management system and low-quality documents.

Audit conclusions



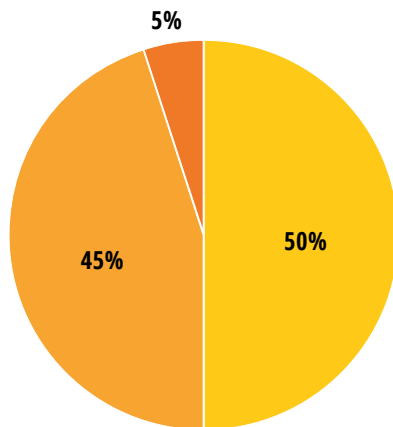
- No
- Yes with inconsistencies
- Yes

Precise descriptions



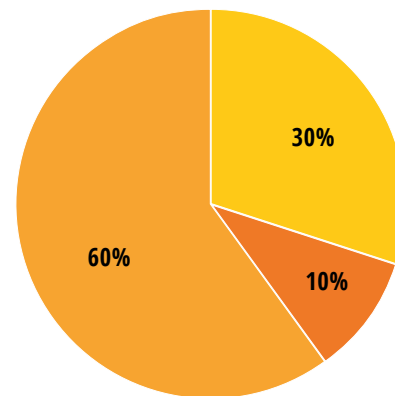
- No
- Partial
- Yes

Complete data



- No
- Partial
- Yes

Enough evidence



- No
- Partial
- Yes



3.

ON THE EVALUATION OF THE 2022 AUDIT REPORTS

Number of companies participating in the audits has remained stable over the years:

- 2017: 17 companies
- 2018: 21 companies
- 2019: 20 companies
- 2020: 20 companies
- 2021: 20 companies
- 2022: 20 companies

Report evaluation:

- 3 days of face-to-face meetings were held;
- 5 pairs were formed, with each pair evaluating 4 reports and each report being evaluated by 2 pairs;
- There was a consensus of all at the end of the reading and evaluation of all the reports.



Assessment Committee of the Soy Moratorium audits

- Bernardo Pires – ABIOVE
- Natália Torres – ABIOVE
- Pedro Henrique Garcia – ABIOVE
- Pedro Bernt Eymael - ANEC
- Thiago Masson – TNC
- Cristiane Mazzetti – Greenpeace
- Ana Clis Ferreira – Greenpeace
- Kamila Craveira – Greenpeace
- Lisandro Inakake de Souza – IMAFLORA
- Karina Sena Passos – IMAFLORA
- Marcella Cavalcanti Seraphim – IMAFLORA



