

INDEPENDENT

AUDIT REPORT OF SOY MORATORIUM



1.

SUMMARY

Every year soybean traders, who are members of the Soy Working Group (SWG), undergo third party audits to verify if their purchases and financing meet the Soy Moratorium criteria. The audits have always taken place in person, however, due to the Covid-19 pandemic, they were all carried out remotely in 2020.

Since 2016, an assessment committee of the Soy Working Group (SWG), made up of representatives of the companies and civil society, has analysed the reports of these audits to understand and evaluate the **performance** of the companies in relation to the Soy Moratorium agreement. Points for improvement in relation to the audit process are identified and reported.

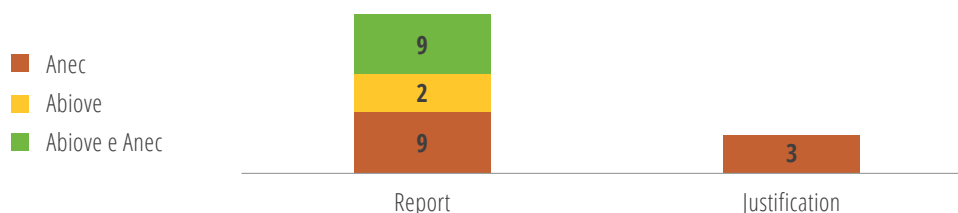
In 2020, the audits took place in 20 of the 23 signatory companies of the Soy Moratorium from September to November and referred to purchases made in the 2019/20 harvest. All 20 reports were sent and three companies associated to the Brazilian Grain Exporters' Association (Anec) explained that they do not purchase soy from the Amazon biome or that they are not operating in Brazil and, therefore, do not need to undergo external audits. The following graph shows the participation status of the companies, linked to the association to which they belong. None of the companies failed to deliver the report or give a justification.

In accordance with the reports, 19 of the 20 companies that were audited met all the criteria of the Soy Moratorium and one did not because it sourced soybeans from areas deforested after July 2008. Two companies handed in the reports after the deadline agreed by SWG and their reports were assessed and included in this analysis.

After the Committee's assessment, it was concluded that two companies did not comply with the commitment to the Soy Moratorium and that it is not possible to define compliance with the agreement by the remaining companies since not all procedures to ensure a full assessment of compliance with the Soy Moratorium, as detailed in Chapter 1.1 of this report, were carried out in the audits, although such was requested in the term of reference and the report template.

In this cycle, the auditors pointed out 44 opportunities for improvement in 19 companies. No non-compliances with the management system were found nor disagreements between auditor and company. In the committee's assessment, some opportunities for improvement should have been pointed out as non-compliances, which became more evident in subsequent clarification meetings with the companies.

Participation of companies and association



It is important to note that 15 of the 20 companies agreed to disclosing the Summary of the Audit Report; however, the Audit Committee considered only 11 companies as able to make this disclosure because it understood that not all the requested clarifications were presented, however, the companies collectively decided not to publish the summaries. This transparency of results is a rule established by SWG and is included in the current audit protocol and is optional after approval by the party involved.

1.1 CRITICAL AND RISK AREAS OF THE SOY MORATORIUM

There is a perception from the SWG Assessment Committee that the quality of the process was affected by losses in this Cycle, compared to the past 3 years, **which increases risk for the Soy Moratorium** in regard to its credibility. Relevant errors in the audit procedure and registration were found, of which the main ones were:

- In 19 of the 20 reports, there was no record of the auditors overseeing the **extraction of the procurement list from the registration system** to verify its integrity. This procedure is now mandatory and, as such, makes it impossible for the Committee to fully review compliance with the Moratorium.
- In three companies the auditors cross-checked the company's procurement base **with IBAMA's environmental embargo list instead of the Soy Moratorium list**, which makes it impossible to ensure the company's compliance with the Soy Moratorium requirements. These companies were allowed to be audited again.
- The records of **purchases with caveats** in 11 reports show the omission of required information, such as: name of the originating branch; name of the farmers; name of the farm of origin, CAR and coordinates of the farms under assessment; production area. This information is vital for the auditor to assess the compliance of purchases with caveats.
 - > The lack of records makes it impossible for the committee to understand how the auditor reached the conclusion of procurement compliance and if it is in agreement with the auditor's conclusion.
 - > In some cases the evidence was submitted as an attachment, not in accordance with the standard defined

in the report template, which made it difficult for the committee to easily cross-check it with the information provided in the report.

- The auditor did not follow the audit procedure when answering all the **Guidelines**. The sampling procedure mentioned in the audit protocol was not carried out in seven reports and no justification was given.
- Eight of the companies had **incomplete or incorrect contract clauses** in relation to the Soy Moratorium requirements, objective evidence of non-compliance of the management system of these companies and evidence not classified as such by the auditor.

1.2 EXPLANATIONS NEEDED IN THIS AUDIT CYCLE

In the assessment of the audit reports, several important points were left open and explanations from the companies and auditors were needed to conclude the assessment. Fourteen meetings were held from March to April for clarifications and presentation of the Individual Report of the Assessment Committee.

- Seven of the companies had no purchases with caveats recorded. It is necessary to clarify with the companies if the company's procurement and financing policy establishes the blocking of all producers included in the Soy Moratorium list, even if they are not farms that are blocked, and what the procedures adopted are in cases of soybean negotiations with producers that took place before the farm was restricted by the Soy Moratorium.
 - > One company confirmed that a purchase with caveats was made, however, the auditor applied the incorrect procedure in the audit, and the company sent the revised report to the committee for assessment of purchases with caveats. In the remaining conversations, the companies stated that there were no purchases with caveats.
- Records of purchases with caveats from suppliers that are on the Soy Moratorium list are included in 11 reports, however, the evidence does not show the name of the farm of origin, geographical location and CAR to confirm that such was not a non-compliant purchase.
 - > After meetings with the companies, only two submitted all the necessary clarifications and evidence needed to confirm the compliance of the purchases.

- In two reports, the evidence was submitted as an attachment, not in accordance with the standard defined in the report template, which made it difficult for the committee to easily cross-check it with the information provided in the report. It is necessary to ask the company to organise the evidence in the body of the audit report so that the purchases can be assessed properly.
- Some of the audit reports mention potential irregularities, however, there is no record that the purchases were checked to see if they were in fact “non-compliant or had caveats”. The following examples include excerpts taken from the reports that show that non-compliant purchases and purchases with caveats were identified and were not issued to the companies:

“During the audit, it was observed that the company has a system based on well-defined policies and procedures that are able to meet the Soy Moratorium requirements. However, since there have been cases of Non-compliance and Purchases with Caveats, it can be stated that there are still opportunities for improvement in relation to the analysis of traceability and triangulation.”

In conclusion, the Individual Assessment Reports for the companies issued by the Audit Committee were reviewed as follows:

- one company with non-favourable clarification, which led to the conclusion that **non-compliant purchases were made**.
- three companies did not provide the requested clarifications and, therefore, the audit result is not conclusive.
- four companies presented clarifications but these were not conclusive.
- three companies presented the requested clarifications and such were considered sufficient, however, the SWG Assessment Committee believes that not all processes were carried out to ensure a full assessment of compliance with the Soy Moratorium.
- nine companies were not asked to provide clarifications, however, the SWG Assessment Committee believes that not all processes were carried out to ensure a full assessment of compliance with the Soy Moratorium, such as monitoring the extracted list from the procurement registration system.

1.3 IMPROVEMENTS FOR 2021

Suggesting improvements for the next cycles of the auditing cycle are part of the assessment process. Chapter 3 of this report includes a detailed description of the new parameters proposed for the verification of the Soy Moratorium, which will be submitted to the SWG for approval, as well as improvements for the audit cycle, for the training of auditors and for the Terms of Reference (Audit Protocol, Audit Report and other documents).

The main points have been summarised below:

1. Mandatory **publication of the public summary of the Audit Report** by all companies.
2. Establishment of criteria to **avoid triangulation** (limit distance between farms in purchases with caveats and productivity index) and inclusion of the determinations of the indirect working group.
3. Mandatory verification by the auditor of the **Ibama embargo and slave labour list** and monitoring by the company of the state embargo lists.
4. **Revised Audit Protocol and Report** to ensure focus on verifying procurement compliance.
5. Clarification of the responsibilities of the parties involved in the audit (company, auditors, assessment committee, SWG) and about the results.
6. **Shadow audit** conducted by Imaflora (or the appointed representative).
7. The Audit Reports will be assessed by the Assessment Committee and will be aimed at procurement compliance, with **clarifications** being required from **companies only in special cases**. Reports that are unclear, do not have all the necessary evidence presented in an organised manner will be considered inconclusive, without the possibility of re-assessment.



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2020 AUDITS

2.1 NON-COMPLIANCE WITH THE SOY MORATORIUM

A record was made in one of the audit reports of a purchase of 3,900 tons of soybean from a producer that was on the Moratorium list in March 2020.

Attached to the report was the Non-compliance action plan with root cause analysis, in line with the procedures described in the Audit Protocol. The key points identified for improvement are: **registration of the procurement list on the system**, automatic blocking, unbiased decision making and implementation of a geo-monitoring system.

Important: the auditor identified the soybean farm of origin in the comments field of the Invoice, which underlines the importance of checking the evidence with quality and attention to detail by the auditor. As such, it is essential for the auditor to have knowledge of the soy procurement process and experience in the investigation to identify potential irregularities.

During the assessments of the audit reports by the Assessment Committee and clarifications with the companies, a note of a purchase with caveats from a company was evaluated, and it was identified that the company received in 2019 42,000 more than the volume contracted in 2018, when the producer was not on the Soy Moratorium list, and it returned the excess volume in November 2020, which is after the 19/20 audit and the delivery occurred more than a year after receipt.

The return can be considered a remedial action for the identified non-compliant purchase.

Therefore, in the 2019/2020 audit cycle, two companies failed to comply with the Soy Moratorium requirement.

2.2 RISK OF SOYBEAN TRIANGULATION

The reports of 13 companies included **168 purchases with caveats** (an 88% increase compared to 2019), **involving 36 producers that had properties that did not comply with the Soy Moratorium criteria** (30% less than the number of producers involved in 2019).

Important: there are at least 89 purchases with caveats registered without farmer identification.

More than 100,000 tons of soybean were sold in these purchases with caveats, of which three companies accounted for 66% of the total volume of purchases with caveats and 64% of these purchases came from only five suppliers.

Of all the producers identified, nine traded with more than one company. Traders must be made aware of situations where the supplying farm sells a total amount of soybean higher than the average productivity in the Amazon, which points to a risk of soybean triangulation (up to 3.5 t/ha is considered an acceptable amount, considering that the Brazilian average is 3.2 t/ha). The highest volume ratios per area (t/ha) reached up to 5.35 t/ha.



Important: Contrary to the Audit Protocol, 60% of the records of purchases with caveats did not include geographic coordinates, CAR and production area to allow the committee to perform the analysis.

2.3 MANAGEMENT SYSTEM

The management system created to eliminate or minimize the risk of soybeans being sourced from deforested areas has been a core element in a company within the Soy Moratorium. It is estimated that 55% of the companies in this cycle have an excellent or good management system in place, which represents the best company assessment performance ever recorded. On the other hand, the evolution in the overall score of the reports should be weighted since most of the auditors failed to score important non-compliances of the management system, which can be seen in the descriptions of the reports.

The use of geographic data of properties by companies has improved, as has the automation of the blocking system. No improvements were made in the management of freedom to block/unblock to ensure unbiased decision-making and reduce the risk of irregularities in the company. The auditors noticed:

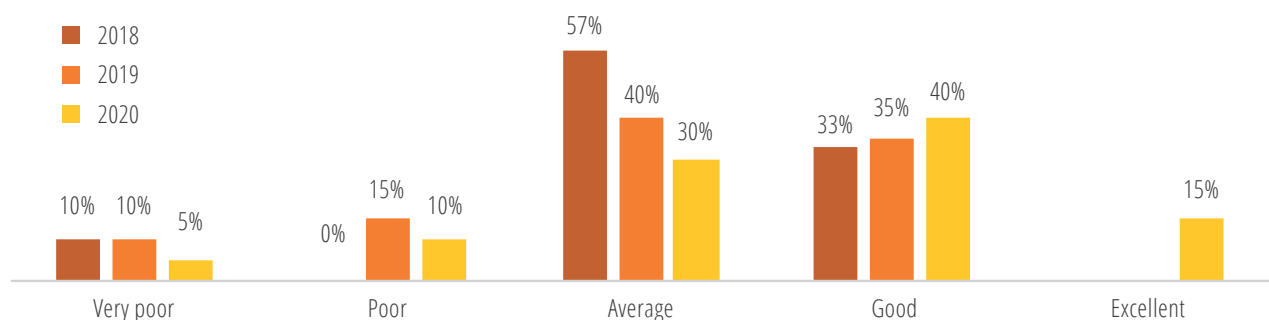
Another aspect also related to triangulation has to do with **indirect purchases**. A total of eight companies have an incomplete or incorrect contract clause referring to the Soy Moratorium requirements, another mandatory requirement according to SWG. It is not clear if all types of contracts with suppliers were checked, especially the over-the-counter contract clauses.

- We suggest the following wording for the Soy Moratorium clause in contracts with suppliers: *“not trade nor finance soybeans produced in areas that were deforested in the Amazon biome after July 22, 2008”*.

A new feature in this audit cycle was the need to record in the audit report the **productivity index** adopted by the companies. In total, 16 companies did not calculate this index, three companies did but they did not inform in the report which rate was used and only one company stated that it uses 3.6 t/hectares.

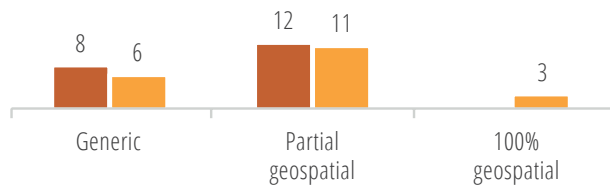
- Weaknesses in the monitoring of suppliers due to the need to manipulate the data in the lists when they are updated in the systems.
- 25% of the companies had conflicts of interest in the authorisation of supplier blocks/unblocks and lack of clarity and formalisation of criteria.
- 30% of the companies do not request the CAR or geographic coordinates from the supplier farm to assess purchases. This becomes a weakness of the company when managing its risk, assessing procurement compliance and the triangulation that may be involved in the operation.
- The blocks are fragile since they are often based on outdated information from monitored lists (Ibama’s environmental embargo list, slave labour list, and soybean moratorium list).

Quality of management system



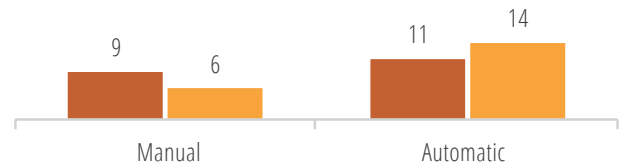
Registry of suppliers

■ 2019 ■ 2020



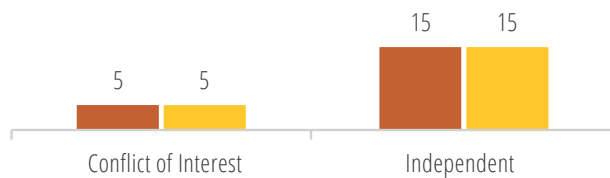
Block

■ 2019 ■ 2020



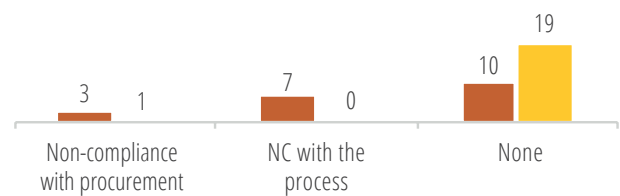
Block

■ 2019 ■ 2020



Non-compliance

■ 2019 ■ 2020

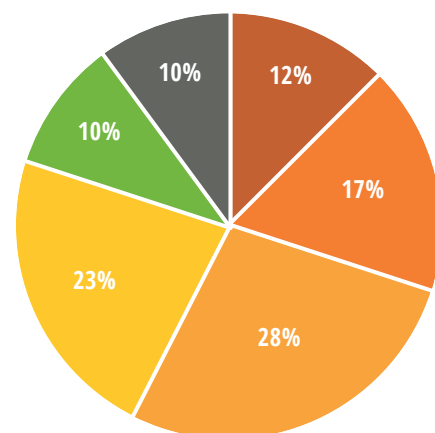


OPPORTUNITIES FOR IMPROVEMENT

In total 44 opportunities for improvement were presented to the companies, who can now use these suggestions to improve their management and reduce the risk of non-compliant purchases. The most mentioned items were related to the formalisation of operational procedures and evidence records, which have no cost and show the company's commitment in meeting the Soy Moratorium criteria.

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OPPORTUNITIES
FOR BUSINESS
IMPROVEMENT

Opportunities for improvement



- Blocking System
- Geomonitoring
- Operational Procedures
- Registry of suppliers
- Registration of NC lists
- Other

2.4 QUALITY OF AUDIT REPORTS

The audit reports underwent a drop in quality as compared with the last cycle, with the top score being awarded to only one company (5%), whereas in the previous cycle 40% of them received the top score. This is at least partly due to the fact that 13 of the 20 audits were carried out by less experienced auditors.

In addition, it was not clear if the reports by the audit company were thoroughly reviewed to ensure that the records followed the quality required by the system and that they were complying with all the requirements set forth in the Audit Protocol.

Important: the audited company is also responsible for the quality of the report delivered to Abiove and Anec to demonstrate that it complies with the Soy Moratorium requirements as well as to qualify the transparency of the information to stakeholders.

One of the audit firms did not fully follow the audit report template, and excluded the check of indicator 10 in seven of the audited companies. Only 10% of the reports have complete information in their description in relation to the guidelines. Only 30% are precise in their report and leave no doubt as to what was verified and only 5% of the reports offer sufficient evidence in an organised manner to support what was verified.

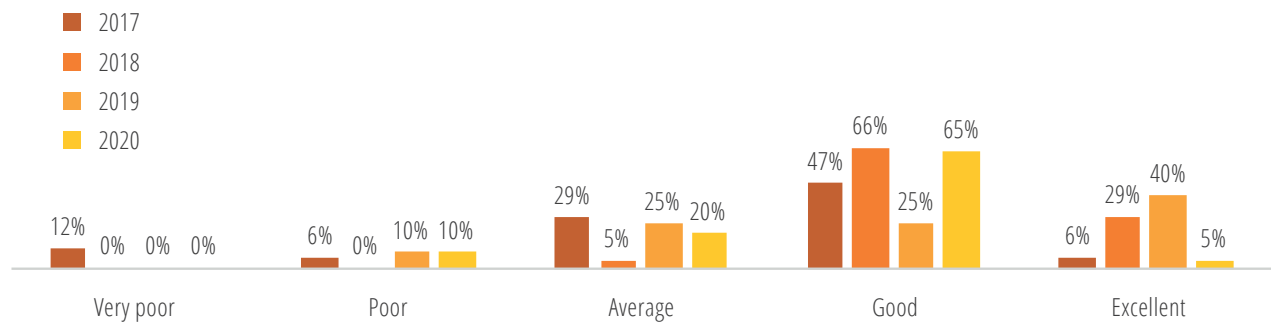
The main issues are:

- **The following was not recorded in the audit procedure reports: monitoring by the auditor of the extraction of the procurement list from the registration system to ensure that the data has not been manipulated; verification of 100% of the company's procurement list; sampling carried out according to the Protocol guidelines or with proper justification; tests to block suppliers that are on the Soy Moratorium lists to show the effectiveness of the implemented system, among other cases.**
- There was not enough evidence included in the reports to support the compliance of the indicator, such as: invoices (NFs), list of NFs of the contracts, clause of the contracts verified, results of blocking tests, and others.

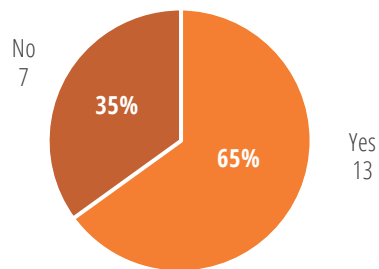
- The risk assessment of the company was not carried out in several situations in order to dimension the audit plan and the sampling of tests and verification of contracts. The recommendation to the auditors is for this process be done more carefully in the next cycle so that the time schedule of the audit is sufficient to assess the company's management system and a detailed analysis of the procurement compliance.
- The record of the reports does not show that all guidelines in the Protocol were followed. For the report to be complete, all issues must be addressed by the auditor and if the company does not comply with any of the requested requirements, the auditor must record it as a non-compliance.
- Indicator 10 for Ongoing Improvement was not verified. The auditor should verify if the company has a system in place for managing Non-Compliances and Improvement Opportunities related to the Soy Moratorium and preparing Action Plans based on root cause analysis and periodic follow-up. **Ten non-compliances in the management system** and 55 opportunities for improvement were issued in 2019, and it was not clear if they were directly verified by the auditors. This control can be used as a gauge to assess the actions taken on the non-compliances and the improvements suggested in the audits of the Soy Moratorium.



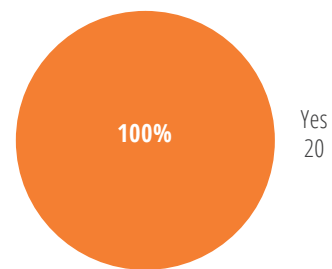
Quality of audit report



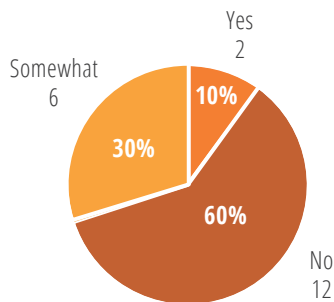
Is it based on the template?



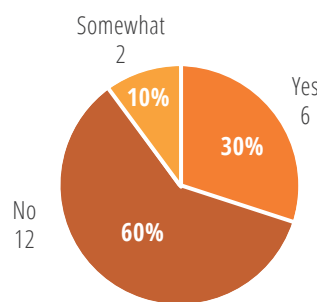
Does the report have an audit conclusion?



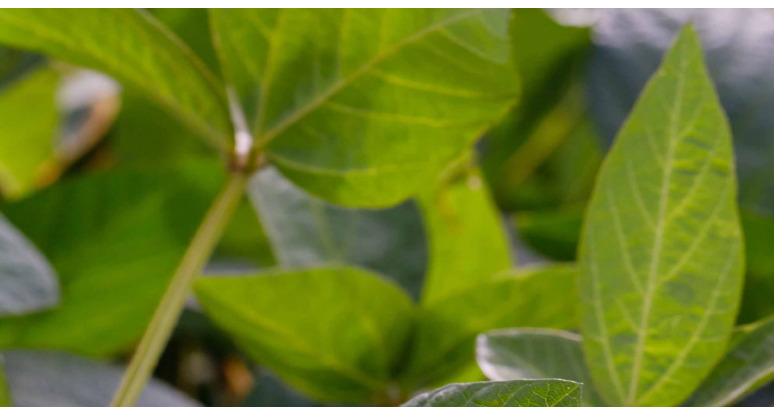
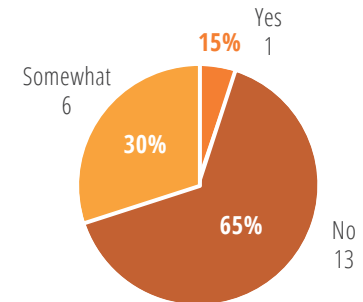
Is the data in the report complete?



Does the report contain accurate descriptions?



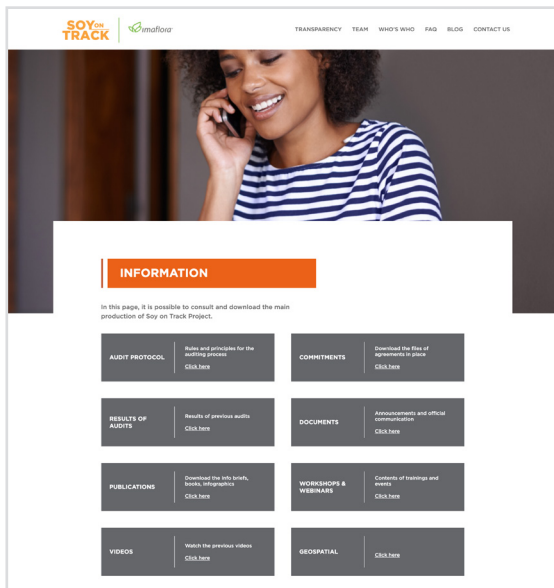
Does the report have sufficient evidence?



TRANSPARENCY

Initially, 12 of the 20 companies gave Above and Anec permission to publish the Audit Report Summary. After consultations with the companies, 15 companies gave their consent but the committee decided that if the requested clarifications were not presented or if these clarifications were not sufficient, the companies' reports would not be published on the Soy on Track Platform.

Soy on Track Platform



On December 17, 2020, the Soy on Track Platform was launched by Imafloira and the reports will be available there as soon as the approvals are made formal.

The Soy on Track platform is a hub that offers access to systems, tools, data and technical information for a deforestation-free soybean chain.

Therefore, producers, soy processors of all sizes, traders and investors, can use this environment to find the material they need to improve and implement their commitments and policies. The general public can also use it as a source of data and resources to track the progress of the agreements signed by the network.

2.5 AUDIT FIRMS

A Control Union foi a empresa com o maior número de auditorias, seguido da Genesis Certificações, SGS Brasil e FoodChain ID Certificação.

- The audit firm that, in general, presented the best audit report did not assess indicator 10 in all its reports.
- One of the audit firms assessed compliance with Ibama's environmental embargo list instead of with the Soy Moratorium list. The audited companies were allowed to redo the audit and submit the new report to the Assessment Committee. Members of the Assessment Committee checked in advance with the auditor performing the new audit to ensure that the critical procedures were being carried out.

Important: remember that these firms have been participating in the Soy Moratorium audit process for years, and the Assessment Committee understands that they are serious, well-known firms with excellent performance capacity. The setbacks this year were serious for the outcome of the audit and if they are contracted again, there must be reassurance that the gaps are not repeated so that there is no credibility risk to the Soy Moratorium.

General recommendations to audit firms:

- inhouse training for auditors to ensure good audit practices in line with ISO 19011:2018;
- share this report with the auditors as a source for identifying opportunities for improvement and seek clarification with the SWG Assessment Committee on queries on the Audit Protocol;
- allocate auditors with knowledge of the soy chain and of the main challenges companies face in purchasing and financing deforestation-free soy, to comply with the Soy Moratorium;
- require prior experience in Soy Moratorium verification or proof of practical qualification;
- allocate sufficient audit time to ensure full verification of the Audit Protocol;
- invest more time of the Quality team of the audit firms in reviewing auditors' reports to ensure the quality of the end product.

General recommendations for audited companies:

- review the qualifications of the audit team before hiring them;
- inform the SWG Assessment Committee of any setbacks encountered in the audit of the next cycle before the delivery of the final report;
- respond as soon as possible to the SWG Assessment Committee on all points of clarification that were left pending in the individual reports to show the company's commitment to the monitoring and verification of the Soy Moratorium;
- review the final audit report before submitting it to SWG to ensure the quality and transparency of the results of the Annual Audit of the Soy Moratorium.

General recommendations for SWG - next cycle:

- find the best format for training auditors in the next cycle;
- increase the requirement for minimum training of auditors, such as lead auditor training (in ISO 9001 based standard) and confirmed prior audit experience and confirm the process of practical qualification (such as being an observer and shadowing the auditing of more trained staff);

2.6 AUDITS HELD 100% REMOTELY

Due to the Covid-19 pandemic, which became part of the routine of Brazilians since March 2020, all activities of this audit cycle had to take place remotely.

The process began in July, when seven interviews were held with representatives from Abiove, Anec, Amaggi, Greenpeace, TNC, Control Union Certifications and SGS, where comments and suggestions concerning the audit process, the protocol and the report template were collected. The proposal of the new Audit Protocol was presented and approved on July 22 to SWG and it included the GUIDELINES FOR REMOTE AUDITS, which contained instructions for auditors and companies to perform a safer audit in terms of health and safety, and also audit procedures to ensure the quality of the results.

The annual training of the auditors was held via webinar on August 18 and lasted four hours. A total of 61 people attended, including associated companies, auditors with previous expe-

rience in the moratorium, new auditors and representatives of third-sector institutions, which make up the Soy Moratorium Assessment Committee. The reaction assessment scored 4.7 (score between 1 and 5), and comments were made about the completeness of the content presented and the event being tiring, as well as compliments for the team.

The audits were scheduled to take place between September and October, however, as mentioned earlier, the audits were conducted remotely between September and November, and no issues were reported that could be directly related to the remote audit format.

The assessment of the reports by the SWG Assessment Committee was also carried out in online meetings, which involved scheduling and organisation challenges for the work group.

The Assessment Committee believes that the remote format may have been partly responsible for the lower final quality of the audit reports.

- Online training halved the training time and requires less interaction between participants and trainers. It is possible that this may have caused the new procedures of the Audit Protocol not to be properly performed by the auditors, such as: the extraction of the procurement list from the registration system, the verification of the 10 [index](#) for ongoing improvement and the deployment of action plans for non-compliances established for the company management systems in the audit cycle of the previous year.
- It may be that the online audits reduced the interaction between auditor and auditee, and the descriptions of the companies' management systems left doubts as to whether the auditors understood the processes and could correctly assess compliance with the Soy Moratorium.
- A guide for remote audits was drawn up with clear parameters for the risk analysis of a remote audit, however, the record of part of the auditors in terms of this analysis was incomplete.

More robust processes need to be put in place by auditors to ensure that verification is complete and compliant with the Audit Protocol, even when carried out remotely.



3.

SUGGESTED IMPROVEMENTS FOR 2021

During the evaluation of the audit reports, several points were noted for improvement in the next cycle, in the revision of the Audit Protocol as well as the Audit Report Template, improvements in the audit cycle and in training. The main suggestions have been summarised below:

3.1 NEW PARAMETERS FOR SWG APPROVAL

- 1. Purchases with caveats:** include a guideline to verify the monitoring carried out by the company and the analysis of the distance between the farm of origin and the farm included on the Moratorium list. Include a field in the report to record the analysis of the distance between farms.
- 2. Indirect suppliers:** include all the determinations of the indirect working group for the assessment of the auditor in monitoring the company.
- 3. Productivity index:** establish distance limit reference and productivity index to avoid triangulation (suggestions: 100 or 200 km and 3,500 kg/ha). Where there is sourcing outside this standard, an analysis must be submitted for the purchase to have been made. In addition, the company must establish a risk mitigation action (protocol to be defined).
- 4. SM List Registration:** include the State Registration number in the Soy Moratorium list. It is important to remember that there are states where the State Registration applies to more than one property.

- 5. Ibama embargo and slave labour list:** it is mandatory for the auditor to cross-check the company's procurement list with the Ibama embargo and slave labour lists, and if the purchase is confirmed, the conclusion of the audit is that the company does not comply with the Soy Moratorium requirements.

- 6. List of state embargoes:** requirement of companies to monitor state embargoes due to deforestation by the environmental departments, such as Sema in Mato Grosso state.

- 7. Publication of the Audit Report Summary:** increase the transparency of the audit process by making the publication of the Audit Report Summary a requirement as of the next cycle.

3.2 AUDIT CYCLE

- 1. Remote audits:** reassess the criteria for remote audits to ensure quality in verification.

- 2. Auditor qualification:** require the auditor to have a minimum of ISO 9001:2018 or ISO 14001 lead qualification (or other equivalent, with Committee approval).

- 3. Shadow audit:** check to see if it is possible for Imaflora to shadow the auditors during some audits to evaluate the application of the Audit Protocol to improve the next cycle.

- 4. Assessment of audit reports:** the audit reports will be assessed by the assessment committee and will be aimed at procurement compliance, with clarifications being required from companies only in special cases. Reports that are unclear, do not have all the necessary evidence presented in an organised manner will be considered inconclusive, without the possibility of re-assessment.

3.3 TRAINING

- 1. Clarifications:** emphasise to the auditors the terms that need to be used (embargo refers to Ibama, and should not be used for SM) for the extraction of the procurement list from the registration system, the use of the list prior to #1, the company's risk analysis, remote auditing risk analysis, sampling methodology and the need for justifications, on the cross-referencing of the SM list with the procurement list.
- 2. Evidence:** ensure that the record of the report is complete, including evidence for purchases with caveats or that are non-compliant and the impact on the whole analysis of the Assessment Committee. If the company does not submit all the information, a non-compliance must be generated for the company, and it must be recorded that the company offered limited conditions to carry out the audit (in item 2.4 of the report), to make it clear that the auditor complied with the Audit Protocol procedure.

3.4 AUDIT PROTOCOL AND REPORT TEMPLATE

GENERAL

1. Organise the Audit Protocol and the Audit Report to place more focus on the audit's main conclusion, which is to verify if there was a NC with the SM and to reassess if part of the management items that took up audit time or add less to the conclusion should be excluded or compressed.
2. Qualify indirect supply:
 - a. when the audited company purchases soybeans from another SM signatory, include information about the volume in the audit report.
 - b. if the producer has a corporate taxpayers' registry number (CNPJ), it is not necessarily an indirect supplier.
 - c. include all the determinations of the Indirect Working

Group for monitoring by companies and verification by auditors.

3. Show clearly how to register direct purchases (direct purchases = future + financing + over-the-counter). Inform the % of over-the-counter purchase.
4. Insert the word "Ibama" after embargoes because some auditors mistakenly understand it as moratorium embargo.
5. Make clear the fields that the auditor must check periodically (to update lists, update the blocking system, socio-environmental analysis, etc.).
6. Mention exactly what needs to be described in the audit report, rather than asking for the "guidelines of the Audit Protocol" to be followed.
7. Include (auditor) in the evidence examples of the procedures:
 - a. assess the procurement list on the registration system and check for soybean triangulation.
 - b. explain that it is not mandatory to make simulated purchases with lists of slave labour and environmental embargoes from Ibama but it is considered good practice for the verification of the management system.
 - c. make it mandatory to include a printscreen as evidence of non-compliant purchases and purchases with caveats (contract clause that includes volume, producer's name, name of contracted farm, period; list of invoices linked to the contract; examples of invoices that show which farm was the source of the soybeans).
 - d. improve the example of evidence of the reporting template to cover all the guidelines.
8. Improve the text about the permission to release the public summary to make it clear that it needs to be filled out.

Verifier 1– Supplier registration

Include instructions for the auditor to check if there is CAR information, geographical coordinates and productive area in the suppliers' records. If information is missing from the CAR, the auditor must mark it as a NC, all other points must be marked as Opportunity for Improvement.

The demand is justified by the need for the company to evolve in the assessment of purchases with caveats versus non-compliant purchases. This information is required in the case of non-compliant purchases and purchases with caveats.

Verifier 3 - Environmental embargo due to deforestation

Include an item for the auditor to check if the company analyses and blocks state environmental embargo lists.

Verifier 6 - Blocking system

Separate the verification of the “blocking system in relation to the moratorium list” from the verification of the “blocking procedure of the Ibama environmental embargo and slave labour list” this is the focal point and must carry a greater weight in the qualification of the company’s management system.

Verifier 7 - Effectiveness of the blocking system

The lack of clarification about the tests is recurrent. Include guidance for the auditor to ensure:

1. a minimum of 20 simulations;
2. testing on the system used in the company for actual purchases (not in the quality/testing system);
3. that names that have been on and off the list in that cycle have been tested;
4. that a description is given as to how the tested names were determined. The auditor must select from the exclusion list blocked names for locations where the company has a branch, in accordance with the sampling guidance presented in the Audit Protocol.

Verifier 8 - Productivity index

In the current protocol, it is unclear what the auditor should analyse in the soybean triangulation. It must be made clear that the company needs to present what productivity index was used and evidence of the analyses done. If not submitted, the auditor must include a management system Improvement Opportunity (IO).

The demand is justified by the need for the company to evolve in the assessment of purchases with caveats versus non-compliant purchases.

Verifier 10 - Ongoing improvement

Make it clearer to the auditor that he/she must monitor the action plans established for NCs and IOs issued by auditors in previous cycles.

Make clear that improvements must be submitted to avoid non-compliant purchases and triangulation of soybeans due to deforestation.

Verifier 11- Purchases with caveats

1. Make it clear that auditors can record purchases with caveats collectively by farm, grouping the contracts of the farm with caveats.
2. Emphasise that the record of purchases with caveats by producer cannot be grouped because there is no way to assess the productivity of the area of every farm.
3. Confirm with the company not making purchases with caveats what the procedure is – if there is a guideline in place not to buy from any property in this situation.
4. Ensure that all purchases are audited (cross-check all the procurement list removed from the system, in front of the auditor, without filters). The auditor must record a confirmation that all purchases have been audited, as per the scope of the Soy Moratorium.
5. Emphasise the importance of recording all information requested in the Report Template, and establish which evidence is mandatory (printscreen of invoices, invoice receipt, contract) and if the information is not submitted by the company, it must be recorded as “not made available by the company” and a NC must be issued.
6. Include a field in the report to record “Justification or decision that led to the purchase with caveats.”
7. Include a field for the auditor to check ‘Complies/Does not Comply’ on the verifier, which must be aligned with the audit conclusion, the non-compliances and the non-compliant purchases.



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ABOUT THE ASSESSMENT OF THE REPORTS OF THE 2020 AUDITS

The number of companies involved in the audits has been similar over the years:

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

Assessment of reports:

- Five days of online meetings;
- Four pairs were formed, each pair assessed 10 reports and each report was evaluated by two pairs;
- All were in agreement at the end of the reading and assessment of all the reports.
- Fourteen clarification meetings were held with the companies.
- All were in agreement at the end of the evaluation of all reports and clarifications.

Soy Moratorium Audit Assessment Committee

- Bernardo Pires – Abiove
- Pedro Garcia - Abiove
- Chantal Gabardo - Anec
- Caroline Rolim – TNC
- Cristiane Mazzetti – Greenpeace
- Lisandro Inakake de Souza – Imaflora
- Cecilia Gonçalves – Imaflora
- Rafael Brevigliero – Imaflora

