

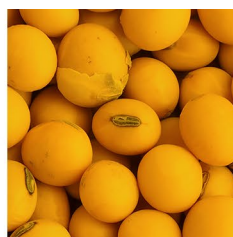
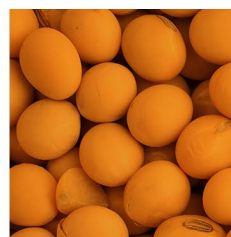
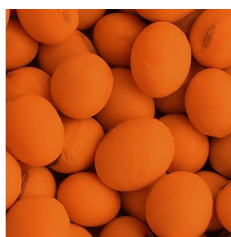
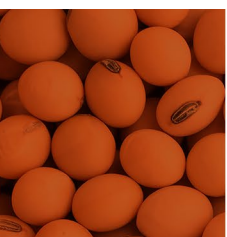


GUIDE FOR ASSESSMENT OF PUBLIC COMMITMENT PROGRESS REPORTS

SOY FREE OF DEFORESTATION
AND HUMAN RIGHTS ABUSE



December 2022



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Keywords

Amazônia, auditoria, verificação, cadeia de valor da soja, desmatamento zero, conversão zero, políticas corporativas, direitos humanos, sustentabilidade, downstream company.

Graphic Design

W5 Publicidade



Supporters:

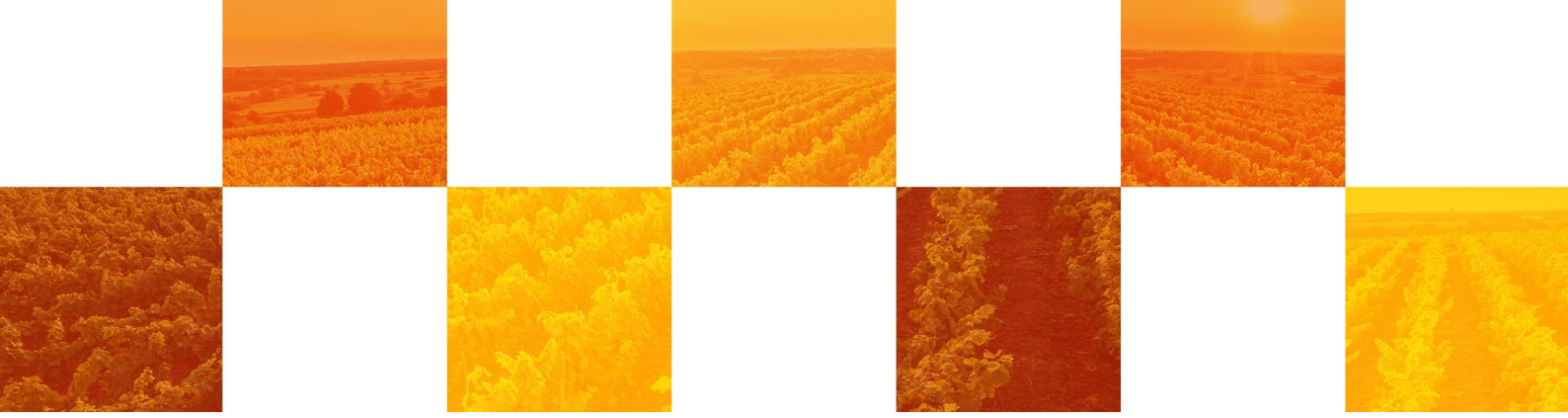


Realization:

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CONTEXT

Consumer awareness regarding the impact of production chains has been growing worldwide since the late 20th century. A few tools have been created to assist communication between companies and consumers and one of the most used is the *Sustainability Report*, which shows the evolution of several criteria and assesses indicators over time.

One of the main economic chains today is the soybean chain, which has been expanding at a steady pace in terms of production and consumption. This expansion occurs primarily on two fronts: in areas with native vegetation located in the Cerrado, the Amazon and the Chaco regions and in areas that have already been converted, such as pastures, including low-yield or degraded sites. This expansion may often involve situations of non-compliance with labour laws; therefore, the entire context, including environmental and social issues, must be monitored and tracked.

Several sector-based commitments have been and are in effect, such as the Soy Moratorium in the Amazon, and, in them, soy traders agree not to trade soybeans sourced from deforested areas that have native vegetation conversion or that make use of subpar labour conditions. This information can be found in the *Sustainability Report* or *Progress Reports*, however, it is not always easy to underline the difficulties faced in furthering the industry's corporate policies, the obstacles or setbacks they have to be overcome and the public disclosure that has to happen. It is also often impossible to ensure the reliability of the information without the bias of a third-party confirmation. In addition, companies in the sector have set public target dates, from 2025 to 2030, for the elimination of deforestation and conversion of native vegetation in their chains, which makes it opportune to analyse the progress made towards the established goals.

In order to establish a baseline for the information that soybean companies should display in their reports, **the Roadmap for progress reports "Deforestation-free soy: a guide to transparency"** was created. Ensuring that the information disclosed is as current and as precise as possible, when showing the progress made and to accurately measure every piece of data and information available, is of fundamental importance and is one of the objectives of this document.

OBJECTIVE AND SCOPE

The objective of this document is to provide a set of best practices for assessing, through third-party audits, the Progress Reports of companies that have adhered to zero deforestation and zero conversion initiatives and commitments in the soy sector in the Cerrado, Amazon and Chaco biomes, in line with the **Roadmap for Progress Reports "Deforestation-free soy: a guide to transparency"**.

USERS

- **Audit organisations** - the direct users of the audit instructions and, indirectly, the traders, who seek guidance for the presentation of data, information and actions already in place for the commitment to non-deforestation and respect for human rights.
- **Companies that buy products** from the traders (importers and downstream companies - soybean processors and traders of end products) can use the Reporting Roadmap and this Guide to require traders to submit reports assessed by a third party.
- **Civil society, consumers, academia, the specialised press, and other stakeholders** are users when there is interest in knowing more details about the results and respective evidence from companies that trade soybeans.

INTRODUCTION

This Guide was created by TNC and IMAFLORA to improve the content included in the *Traders' Progress Reports* of the soybean industry.

The audit organisations have in this document a set of rules to assertively assess the progress reports of the social and environmental commitments of the traders, enabling them to pinpoint possible flaws in the management of the information. **This guide offers information on how and what to assess, where to check and what decision to make when non-compliances are involved.**

Traders will be able to use the information in this document to adapt their in-house information analysis and control procedures, as well as broaden their communication with the various audiences for whom these progress reports are of relative importance.

For soybean producers, the most important message comes from the consumer market, with emphasis on the commitments of deforestation-free purchases and respect for human rights, and the impact of daily activities on their organisation. The governments of the European Union and the United Kingdom, for example, are currently discussing regulations that will require greater control and transparency in the relationship between agricultural production and deforestation. **Audit organisations need guidance on how and what to assess, where to check and what decision to take when non-compliances are involved. Traders will need to know what kind of information will be needed to respond to the script.** In practice, this guide serves as a reference for both auditors and audited companies

The audit of the progress reports, taking into consideration the set of requirements for what should be reported, helps companies to improve and adapt their reports over time and underline their commitments to the socio-environmental demands of consumer markets so that they can enhance their transparency in terms of a wider audience. Figure 1 shows the cycle for continuous improvement in progress reporting.

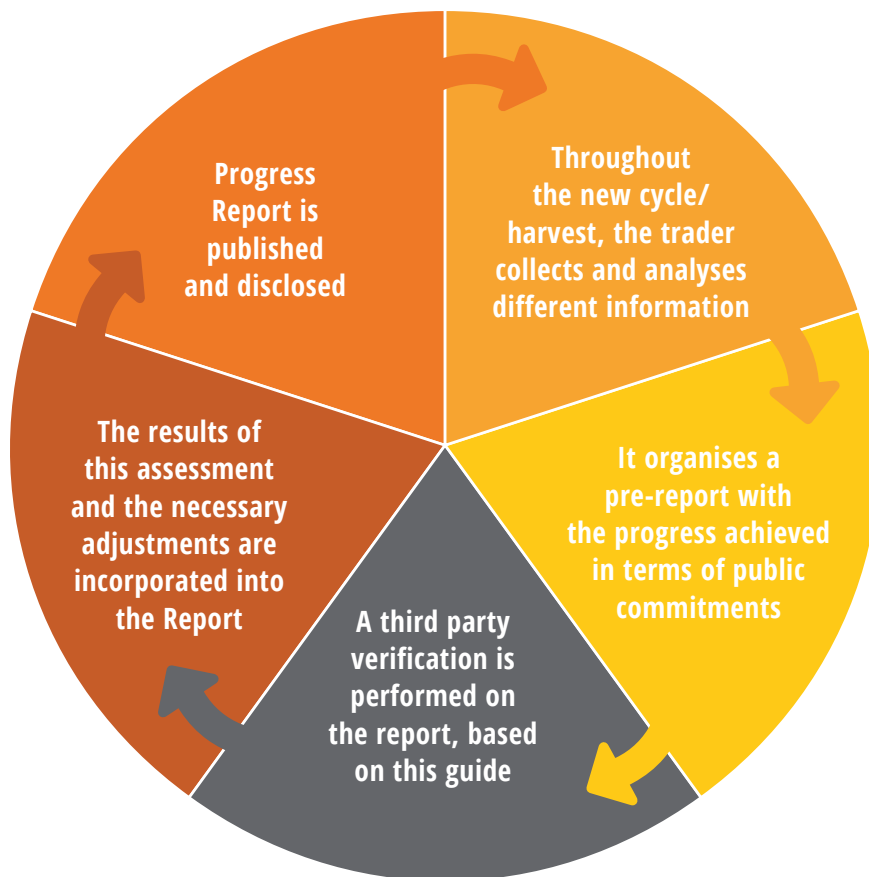


Figure 1 - Suggested cycle for Progress Reports



I. ASSESSMENT GUIDE

This Guide is divided into three stages that should be followed for the audit of Progress Reports, as shown in Figure 2.

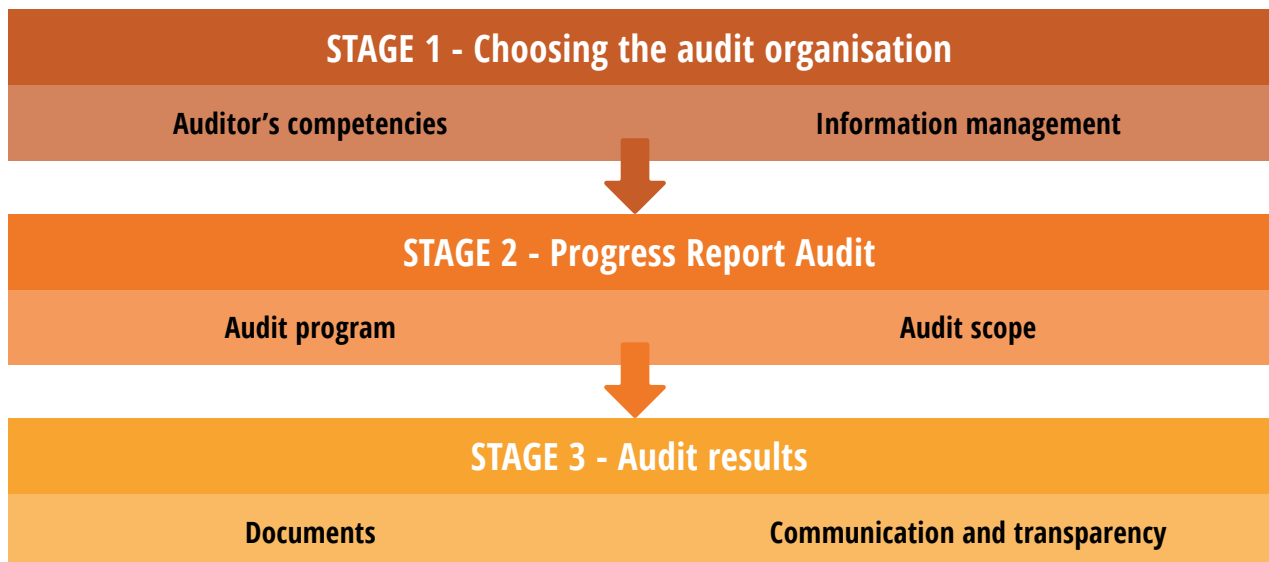


Figure 2 - Steps to be followed for the audit of Progress Reports

This *Progress Report Assessment Guide* should be used as a document linked to existing and recognised assessment standards, such as: International Standard on Assurance Engagements 3000 (ISAE 3000), International Standard on Related Services (ISRS4400) and AccountAbility's Assurance Standard (AA1000 AS, 2008).

ISO 19011:2018 - "Guidelines for auditing management systems" - defines audit as a systematic, independent and documented process for obtaining objective evidence and evaluating it unequivocally to determine the extent to which the audit criteria are met. An audit can be applied to the organisation or specifically to a stage, service, process or product. There are various types of existing audits, such as quality, safety, legal compliance and technical audits, among others. Regardless of the type of audit, this is an essential tool for assessing and improving the organisation's performance.

II. STAGES

A. FIRST STAGE - CHOOSING THE AUDIT ORGANISATION

1st Pillar: The auditor's competencies

The principles that ensure the independence and ethical conduct of the audit organisation and auditors in relation to the audited company must be applied when conducting audits.

To ensure that reports are properly assessed, the audit organisations must maintain an ongoing training program to keep the audit staff up to date.

In addition to training, it is important for the organisation to assess the auditor's competencies. **Table 1** shows the qualifications and competencies expected of the auditors:

Qualification		Skills	Specific knowledge
Mandatory	<ul style="list-style-type: none"> Management and direct and indirect sourcing dynamics of the respective agricultural supply chain that will be audited; Report assessment standard 	<ul style="list-style-type: none"> Prior experience or monitoring of previous audits of companies in the chain that will be audited 	<ul style="list-style-type: none"> Deforestation and conversion Environmental embargo due to deforestation Slave Labour Black List Public and private agreements on deforestation in the sector, examples: soybean moratorium and Pará grains agreement Public commitments on zero deforestation from the audited companies Environmental laws - federal and state regulations
Desirable	<ul style="list-style-type: none"> Lead auditor of the management system Software and database management 	<ul style="list-style-type: none"> Assessment of applicable data, systems and processes Effective communication, both verbal and written Understanding of methodologies to verify the accuracy of the geomonitoring systems 	<ul style="list-style-type: none"> Audit and verification of data and management system Deforestation and conversion database (e.g: Prodes and Deter).

Table 1 - Qualifications and competencies expected of the auditors

2nd Pillar: Compliance management

The audit must be organised in such a way as to ensure that potential conflicts of interest between the auditors and the traders can be identified and eliminated in advance.

It is important for the auditors' qualification certificates to be kept on file, as well as the log of the audits¹. The audit organi-

sations must also keep up-to-date statements of confidentiality and conflicts of interest for auditors.

A rotation of professionals when carrying out periodic audits should be encouraged to prevent the same auditor from checking a company twice in a row.

¹ The **audit logs** provide a timeline of all processes and records involved in the scheduling, performance and completion of the audits..

B. STAGE TWO – PROGRESS REPORT AUDIT

3rd Pillar: Audit Plan

It is recommended for the assessments to take place annually and for them to show results according to the Progress Report period. Its duration should be such as to enable the assessor to carry out the work independently and to be conclusive.

The auditor must prepare an Audit Plan and send it to the company at least 14 days in advance. The audit plan must detail the items set out below, and others as required.

AUDIT PLAN:

- **Audit targets:** Target statements about what the audit aims to achieve (ensure that true, complete and supported information has been reported);
- **Scope:** Which company departments need to be assessed, key personnel need to be interviewed and key sources of information (database, documents, register etc.) need to be made available;
- **Audit criteria:** Which zero deforestation/conversion commitment needs to be assessed by the auditors and how it will be assessed, ensuring that all documentation on the commitment is included (data and information in the roadmap);
- **Breakdown of the audit team:** The number of auditors needed to ensure that the specific knowledge and skill requirements are met;
- **Time:** The number of audit days required, including preparation, desk review, field audit and report production.

The **Audit Plan** must contain an agreement for full access to documents and information that is essential for the assessment of compliance (procedures, lists, records, supplier logs, tax documents, etc.) and must be approved by the head person assigned by the company. When an auditor does not receive the formal agreement and confirmation to fully access the documents and data, he or she must check to see if the audit can proceed or must stop the process until the agreement has been provided.

The audit organisation must draw up formal documents, such as minutes or memos, to record the topics presented at the opening and closing meetings and any applicable deliberations.

4th: Pillar: Audit scope

The scope of the audit must cover the entire content of the **Road Map for progress reports “Deforestation-free soy: a guide to transparency”**, which is the basis for the Progress Report. As well as the valid bases for assessment of the indicators.

It is important, during the audit, to take note of the database used by the company so that similar results can be validated.

The structure shown below, in Tables 2 to 6, can be used by the auditor as a guide for the assessment of the requirements of the Progress Report by setting out the criteria, verifiers, indicators, the questions that need to be reported, the guiding questions, the methods of evidence collection and the step-by-step tests needed to verify every requirement, ensuring the effectiveness of the systems used by the trader.

Criterion 1 - The organisation is transparent and discloses annually its business scope within the soy chain.

Verifier:	Indicator:	The Report Informs:	Guiding questions:	Method of evidence collection:
Check the scope of the trader's operation	1.1 The information in the report is complete and covers the entire operation of the company in the reported period.	<ul style="list-style-type: none"> Name of organisation Activities, brands, products, by-products and services Location of the organisation's headquarters Location of operations, places where they operate in South America, by country, biome, region, state and municipality where they have operations (describe which: office, warehouse, industry, etc.); 	<p>1.1.1 Does the information provided convey reality?</p> <p>1.1.2 Are any activities, brands, products, by-products and services not reported?</p> <p>1.1.3 Are all sites and biomes fully described?</p>	<p>CNPJ corporate taxpayer registry no.</p> <p>Operating Licences</p> <p>Interviews with the heads</p>
		<p>Joint venture to which the organisation belongs and its production, sale and/or processing of soybeans: name, location, direct and indirect sourcing volume, type and size of involvement, partner companies, biomes and geographic regions where the soybeans are sourced from in South America</p>	<p>1.1.4 Are the joint ventures and their respective soybean sourcing operations properly described in the report?</p>	<p>Interviews with the heads</p> <p>Company documentation detailing joint venture</p>
		<ul style="list-style-type: none"> Volume of sourcing and number of direct and indirect suppliers, geographical location by biome, region, state and municipality 	<p>1.1.5 Does the report properly cover the company's direct and indirect supply base?</p> <p>1.1.6. How does the company and any joint venture ensure that purchases from indirect suppliers also comply with the same zero deforestation monitoring criteria?</p>	<p>Control systems</p> <p>Purchasing records for the reported period</p> <p>Geospatial analysis</p>

Table 2 – Organisational information

Criterion 2 - The organisation is transparent and discloses annually the soybean sales models it uses.

Verifier:	Indicator:	The Report Informs:	Guiding questions:	Method of evidence collection:
Check the scope of the trader's operation	<p>2.1 The information in the report is complete, up-to-date according to the time range of the report, and covers all soybean sale models the company used in the reported period.</p>	<ul style="list-style-type: none"> The percentage of all soybeans traded in each trading modalities established for the acquisition of soy (barter, financing or pre-financing, spot market, etc.). 	<p>2.1.1 Does the report properly inform the trading arrangements established by the company?</p> <p>2.1.2 Is there any modality that was not reported? What is the trader's justification?</p>	<p>Control systems</p> <p>Purchasing records for the reported period</p> <p>Types of contracts</p> <p>Interviews with the soybean procurement heads</p>

Table 3 – Organisational information



Criterion 3 - The organisation is transparent in terms of the deforestation and conversion-free soy commitments it uses.

Verifier:	Indicator:	The Report Informs:	Guiding questions:	Method of evidence collection:
Check the trader's deforestation and conversion-free soy commitments	<p>3.1 The deforestation and conversion-free soy commitments defines the biome, cut-off date, implementation time frame and scope.</p>	<p>a) If it has a public commitment with soy chains free of deforestation and conversion for the Amazon, Cerrado and Chaco biomes</p> <p>b) If it has adopted a cut-off date and a deadline for deforestation-free soybean chains for the Amazon, Cerrado and Chaco biomes. Specify dates and deadlines for each of the biomes</p> <p>c) What is the scope of the commitment? (Direct suppliers, indirect suppliers, geographical scope)</p> <p>If commitments have been put in place for the use of measures to offset/recover deforested areas</p> <p>Does the company have a system in place for receiving and resolving grievances about deforestation in its supply chain? Is this information contained in the sustainability report or in another public document?</p>	<p>3.1.1 Are the commitments undertaken by the trader correctly disclosed in the report?</p> <p>3.1.2 Is there a cut-off in the disclosure of data through the reports?</p> <p>3.1.3 Are the measures adopted to offset or restore deforested areas implemented in the company?</p> <p>3.1.4 Is there any discrepancy between the published data and the actual data?</p>	<p>Internal procedures for soybean procurement</p> <p>Reports on commitments undertaken (Soy Moratorium, for example)</p> <p>Purchase control, with cut-off date traceability</p> <p>Geospatial analysis</p> <p>Programs implemented</p> <p>Control of indirect and soybean triangulation risks</p>
	<p>3.2 A risk assessment has been conducted or there is a methodology to define future implementation, with deadlines</p>	<p>Target date or criteria for the definition of the scope of the commitment, including risk analysis, methodology used to define the scope and deadlines for the commitment to reach the entire direct and indirect supply chain in the priority biomes.</p>	<p>3.2.1 Are there supply chain risk reviews in priority biomes?</p> <p>3.2.2 Does the trader have future implementation commitments? Were these described in the report?</p> <p>3.2.3 Is there a description of the methodology used for future implementation?</p>	<p>Interview</p> <p>Work Plan</p> <p>Goals and objectives of the Trader</p>

Table 4 – Organisational information

Criterion 4 - The organisation publicly discloses at least once a year its progress indicators for the implementation of its commitments free of deforestation/conversion.

Verifier:	Indicator:	The Report Informs:	Guiding questions:	Method of evidence collection:
Check the total amount of soy traded in the period	4.1 The trader discloses the total amount of soy traded with direct and indirect suppliers	<ul style="list-style-type: none"> Total amount of soy traded in South America Percentage of the total amount distributed by priority biome (Amazon, Cerrado and Chaco) Percentage of soy sourced at the highest level of geographical detail defined by the company Amount tracked of soy without deforestation and conversion by biome 	<p>4.1.1 Do the amounts and percentages reported match up with the trader's reality?</p> <p>4.1.2 Can the records of these amounts be clearly verified in the reported period?</p> <p>4.1.3 Was the extraction of the company's supplier list for the audit period monitored?</p>	<p>Procurement registration systems</p> <p>Purchases made in the period</p> <p>Traceability of direct and indirect suppliers</p>
Verify the traceability system used by the company	4.3 The trader has shown progress towards a deforestation/Conversion-free commitment through Traceability	<ul style="list-style-type: none"> Percentage of suppliers for which the company has traceability at farm level (polygon or CAR [Rural Environmental Registry]). <p>Qualify the information by:</p> <ul style="list-style-type: none"> a) Ratio of total amount of soybeans traded in South America b) Ratio of direct and indirect suppliers c) Ratio of total amount distributed by priority biome (Amazon, Cerrado and Chaco) d) Ratio of soybeans sourced at the highest level of geographical detail defined by the company 	<p>4.3.1 The report clearly conveys the traceability of direct and indirect suppliers</p> <p>4.3.2 Are different traceability methodologies clearly reported?</p> <p>4.3.3 Does the report clearly compare the percentage of traceability in relation to the total amount traded?</p>	<p>Procurement registration systems</p> <p>Purchases made in the period</p> <p>Traceability of direct and indirect suppliers</p> <p>Geospatial analysis</p> <p>Sampling: The system adopted to control traceable amounts can be verified by sampling, considering the assessment of the square root of the number of supplying farms in the period, with a minimum sample of 15 farms.</p>

Criterion 4 - The organisation publicly discloses at least once a year its progress indicators for the implementation of its commitments free of deforestation/conversion.

Verifier:	Indicator:	The Report Informs:	Guiding questions:	Method of evidence collection:
<p>Check the traceability system used by the company.</p>	<p>4.4 The trader has shown progress towards a deforestation/conversion-free commitment through Monitoring</p>	<p>Ratio of direct and indirect suppliers monitored through:</p> <ul style="list-style-type: none"> • Searches by CPF/CNPJ taxpayers' numbers included on a public list (Ibama) and/or a block list (Soy Moratorium, Pará Green Protocol on Grains). • Cross-referencing of geographical coordinates with public deforestation databases. • Cross-referencing of CAR with public deforestation databases. • Cross-referencing of the polygons of the farms generated by the monitoring system or by certified georeferencing with public deforestation databases. <p>Qualify the information by:</p> <ul style="list-style-type: none"> a) Ratio of total amount of soybeans traded in South America b) Ratio of direct and indirect suppliers c) Ratio of total amount distributed by priority biome (Amazon, Cerrado and Chaco) d) Ratio of soybeans sourced at the highest level of geographical detail defined by the company. e) Specify the criteria monitored based on the CAR (e.g: Prodes, Indigenous Land, Protected Areas, environmental embargoes by Ibama, etc.). 	<p>4.4.1 Does the report include the methodologies used by the company to monitor deforestation?</p> <p>4.4.2 Does the monitoring system shown in the report match that used by the trader?</p>	<p>Monitoring system used</p> <p>Public list update systems</p> <p>Blocking/unblocking systems</p> <p>Geospatial analysis</p> <p>Sampling: The system used to monitor deforestation and block suppliers can be verified by sampling, considering the assessment of the square root of the number of suppliers and the number of properties where the operations were carried out in the period, with a minimum sample of 15 farms.</p>

Criterion 4 - The organisation publicly discloses at least once a year its progress indicators for the implementation of its commitments free of deforestation/conversion.				
Verifier:	Indicator:	The Report Informs:	Guiding questions:	Method of evidence collection:
Check the results of the deforestation and conversion-free soy management for the period.	4.5 The trader has shown progress towards a deforestation/conversion-free commitment	<p>Soy free from deforestation and conversion of native vegetation</p> <p>Total volume of soy sold without deforestation and/or conversion of native vegetation.</p> <p>Qualify the information by:</p> <p>a) Ratio of total amount of soybeans sold by biome in South America</p> <p>b) Ratio of direct and indirect suppliers</p> <p>c) Ratio of total amount distributed by priority biome (Amazon, Cerrado and Chaco)</p> <p>Deforestation in the supply chain</p> <p>Total number of hectares of forest and/or other converted natural ecosystem detected in the supply base contingent on the reference date.</p> <p>Qualify the information by:</p> <p>a) Ratio of total amount of soybeans traded in South America</p> <p>b) Ratio of total amount distributed by priority biome (Amazon, Cerrado and Chaco)</p> <p>c) Ratio of soybean amount sourced at the highest level of geographical detail defined by the company (see Part 1).</p> <p>Note: for companies that have not adopted a reference date, the data to be shown must refer to the last five years.</p>	<p>4.5.1 Does the report include a clear picture of the amount of soy traded from areas free of deforestation and/or conversion of native vegetation?</p> <p>4.5.2 Do the records of blocked/suspended suppliers convey the reality of the trader?</p> <p>4.5.3 Do the reports classify the types of monitoring used?</p> <p>4.5.4 Does the report show monitoring percentages in relation to amount sold?</p> <p>4.5.5 Does the company have a policy in place to reinsert blocked producers? If yes, what are the criteria for carrying out this analysis? Does the company disclose these criteria in its sustainability report or in another public document?</p>	<p>Procurement registration systems</p> <p>Purchases made in the period</p> <p>Traceability of suppliers</p> <p>Monitoring system used</p> <p>Blocking/unblocking systems</p> <p>Geospatial analysis</p>

Table 5 - Progress Indicators

Criterion 5 - The organisation publicly discloses at least once a year its progress indicators related to the implementation of its commitments free of human rights abuse.				
Verifier:	Indicator:	The Report Informs:	Guiding questions:	Method of evidence collection:
Check the results of the management of soy produced with no human rights abuse in the period	5.1 Human rights assessment in the supply chain	Ratio of suppliers assessed with basis on human rights. Qualify the information by: a) Ratio of total amount of soybeans traded in South America b) Ratio of direct and indirect suppliers c) Ratio of total amount distributed by priority biome (Amazon, Cerrado and Chaco) d) Ratio of soybeans sourced at the highest level of geographical detail defined by the company	5.1.1 Does the report clearly and consistently report on the actions taken by the trader to assess human rights? 5.1.2 Are the actions described in the report implemented and monitored? 5.1.3 Is there evidence to support the social impact assessments reported by the trader?	Interviews Social impact assessment Survey of suppliers and workers

Table 6 - Progress Indicators

C. THIRD STAGE - AUDIT RESULTS

5th Pillar: Documents

All verification of Progress Reports should produce material evidence, such as audit reports, summaries of compliances and non-compliances or assurance letters or reports².

To ensure the transparency of the process, a publishable “Verification Statement” must be issued.

6th Pillar: Communication and transparency

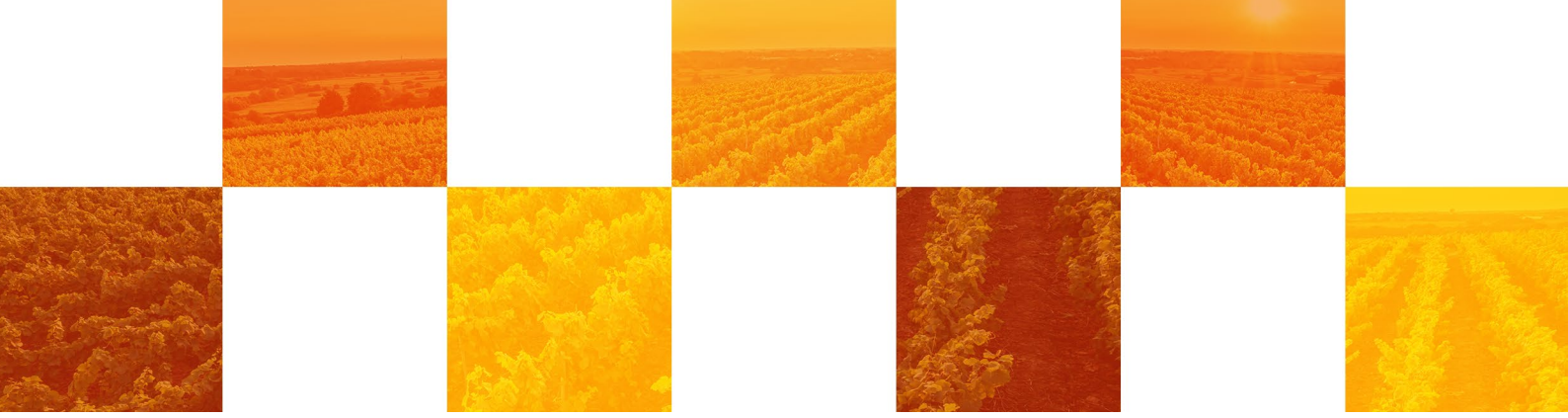
All criteria assessed during the verification that are out of the required compliance must be addressed by the trader and reported in the progress reports, in the form of situations

detected in the audit, situations resolved by the time of publication of the report, situations planned to be resolved in the next cycle and other relevant information. The trader must attach the Verification Statement specifying the findings and the recommendations for their resolution.

It is also important to highlight the limitations found and the exclusions of the scope.

There must be a communication channel for receiving and responding to grievances about the implementation of its commitments that is direct, public and documented for all stakeholders.

² Letter or Assurance Report: document issued by the independent auditor, containing a conclusion expressing the assurance reached based on the information received/audited.



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ANNEX

ANNEX 1: DEFINITIONS

Biome

a group of plant and animal life, constituted by the grouping of plant types that are close to each other and that can be identified at a regional level, with similar geology and climate conditions and which, historically, have undergone the same landscape formation processes, resulting in a diversity of flora and fauna of their own (Source: IBGE [Geography and Statistics Institute])

Conversion

A change from one natural ecosystem to another land use or a profound change in the species breakdown, structure or function of a natural ecosystem.

- Deforestation is a form of conversion (conversion of natural forests).
- Conversion includes severe degradation or the introduction of management practices that result in substantial and

frequent changes in the breakdown, structure or function of older species in the ecosystem.

- The change of natural ecosystems that fits into this definition is considered a conversion, regardless of whether it is legal or not. (Source: Afi)

Deforestation

loss of natural forest as a result of: (i) conversion of native vegetation to agriculture or other non-forest land use; (ii) conversion of native vegetation to a planted forest; or (iii) severe and continuous degradation.

- This definition pertains to deforestation-free supply chain commitments, which usually focus on preventing the conversion of native vegetation in natural forests.

- Severe degradation (scenario iii in the definition) constitutes deforestation even if the land is not subsequently used for non-forest land use.

- The loss of natural forest that fits into this definition is considered deforestation, regardless of whether it is legal or not.

- The Accountability Framework definition for deforestation means “gross deforestation” of natural forest, where “gross” is used in the sense of “total; aggregate; without deduction for reforestation or other compensation”. (Source: AFI).

Direct supplier

a producer or company from whom raw materials, processed materials or finished products are purchased directly. (Source: AFI).

Human rights

human rights are standards that recognise and protect the dignity of all human beings. Human rights govern the way in which individual human beings live in society and among themselves, as well as their relationship with the state and the obligations that the state has towards them (Source: Unicef). The benchmark in Human Rights is the Universal Declaration of Human Rights (UDHR). However, there are other standards, conventions and treaties about the behaviour and benefits that people or groups of people can expect or demand from the Government, which make up the core of the International Human Rights Law.

Impact

refers to the effect that an organisation causes on the economy, the environment and/or society, which in turn may indicate its contribution (positive or negative) to sustainable development. (Source: GRI).

Indirect supplier

a producer or company from whom raw materials, processed materials or finished products are purchased through mediators. (Source: AFI).

Monitoring

An ongoing function that uses systematic data collection on specific metrics to assess and document the extent to which actions, progress, performance, and compliance are being performed or achieved (Source: AFI).

Natural ecosystem

an ecosystem that substantially resembles - in terms of species breakdown, structure and ecological function - what is or

would be found in a given area in the absence of significant human impact. This includes human-managed ecosystems where much of the natural species breakdown, structure and ecological function is present. Natural ecosystems include: a) Largely “untouched” natural ecosystems that have not been subject to significant human impact in recent history. b) Regenerated natural ecosystems that have been subject to major impact in the past (for example, by agriculture, ranching, tree planting or intensive logging), but where the major causes of the impact have ceased or greatly diminished and the ecosystem has attained a breakdown, structure and function similar to previous or other contemporary natural ecosystems. c) Managed natural ecosystems (including many ecosystems that could be termed “semi-natural”) where much of the ecosystem’s ecological breakdown, structure and function are intact; this includes managed natural forests as well as native grasslands or prairies that are, or historically have been, grazed by livestock. d) Natural ecosystems which have been partially degraded through anthropogenic or natural causes (e.g. logging, fire, climate change, invasive species or other) but where the land has not been converted to another use and where much of the ecological breakdown, structure and function of the ecosystem remains intact, or where it is expected to regenerate naturally or through management for ecological restoration. (Source: AFI).

Risk assessment

the systematic process of assessing potential risk in a company’s current or future operations, supply chains and investments. In the context of the Accountability Framework, this term refers to the assessment of the risk of non-compliance with company commitments or applicable law, as well as detrimental impacts on internationally-recognised human rights (Source: AFI).

Supplier

a producer or company that supplies raw materials, processed materials or finished products to a buyer. (Source: AFI).

Traceability

The ability to track a product or its components through the stages of the supply chain (for example, production, processing, manufacturing and distribution).

Traditional people and communities - culturally differentiated groups that recognize themselves as such, have their own forms of social organisation, occupy and use territories and natural resources as a condition for their cultural, social, religious, ancestral and economic reproduction, using knowledge, innovations and practices generated and transmitted by tradition (Source: Decree 6040/2007).

Verification

assessment and validation of compliance, performance and/or actions related to a stated commitment, standard or target. Verification processes typically use monitoring data, but may also include other sources of information and analysis. Related definitions include the following: a) First party verification: verification conducted by the company itself, but carried out by personnel not involved in the design or implementation of the operations being verified; b) Second party verification: verification conducted by a related entity with involvement in the company or operation being assessed, such as the business customer of a production/processing operation or a contractor that also provides other services in addition to verification and; c) Third party verification: verification conducted by an independent entity that does not provide other services to the company (Source: AFi).



ANNEX 2: PROGRESS REPORT AND COMMITMENT AUDIT

The main differences between the Progress Report audit, which is the objective of this Guide, and the audit of the commitment for non-deforestation and respect for human rights, which is not included in this document, are shown below.

Layout of the audit of the trader's Progress Report

Objective: Checking of systems, internal reports, to confirm if:

- What the Progress Reporting Guide states has been disclosed.
- What has been disclosed is true.

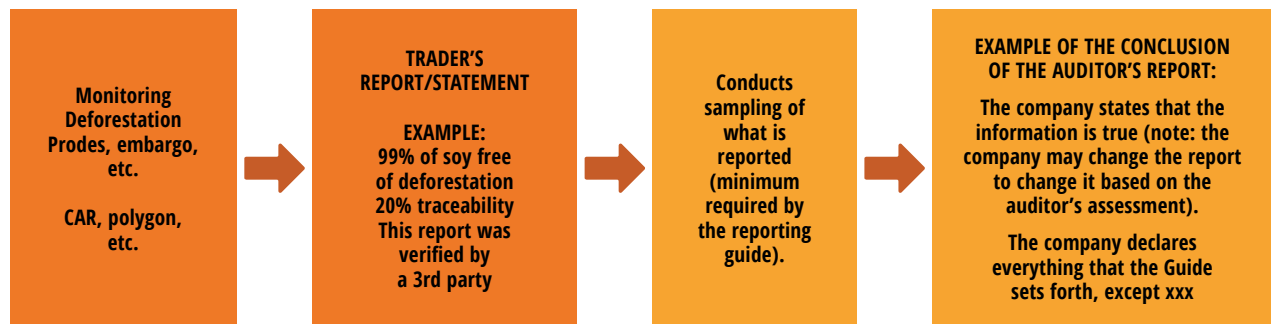


Figure 3 - Layout of the audit of the Progress Report of the trader

Audit of the trader's commitment

Objective: Checking of systems, internal reports, to confirm if:

- The company follows through on the commitment it has made.
- There are non-compliant purchases.

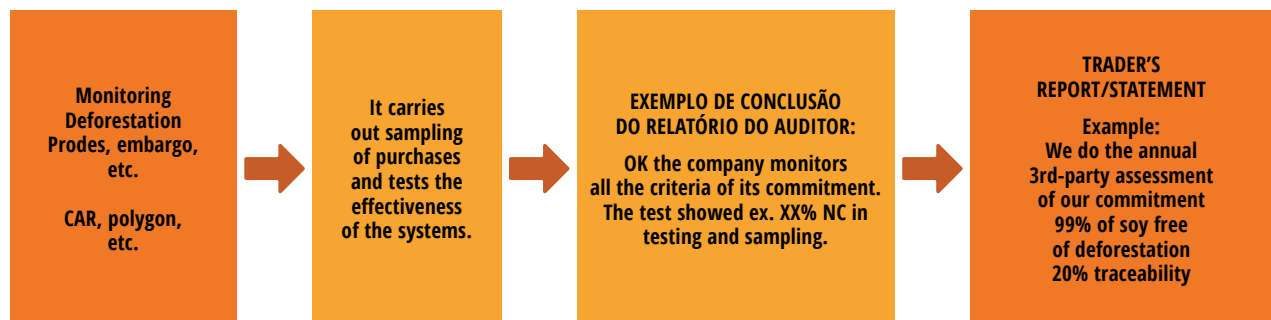


Figure 4 - Layout of the audit of the Commitment of the trader



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