SOY TRANSPARENCY COALITION

WORKING TOGETHER TO MAKE DEFORESTATION AND CONVERSION FREE SUSTAINABLE SOY THE NORM

2020 STC Scorecard

Summary Findings

Agenda

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1. Coalition update
2. Methodology recap
3. Key findings
4. Report Recommendations
5. Feedback on 2020 process

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01

Update on Coalition

WHAT IS THE STC?

We are a pre-competitive coalition that aims to help supply chain companies and investors overcome transparency challenges in the soy sector to deliver a sustainable production system.

We do this by providing an annual benchmark of the performance of major soy traders, through an efficient and robust research and engagement process.

A more efficient way of driving change

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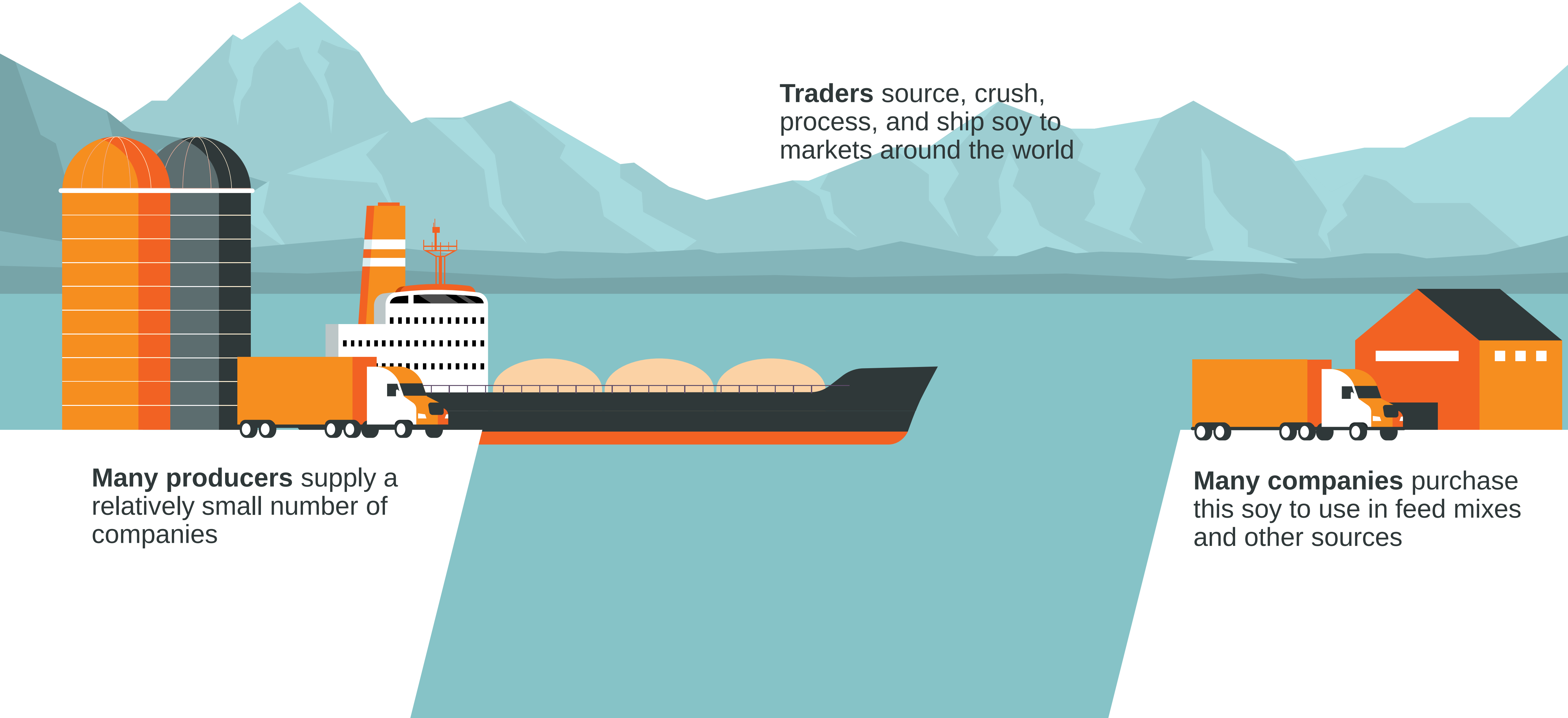

Traders source, crush, process, and ship soy to markets around the world

Many producers supply a relatively small number of companies

Many companies purchase this soy to use in feed mixes and other sources

CURRENT MEMBERS

FULL MEMBERS

- ALDI SOUTH GROUP
- CRANSWICK PLC
- EIGHTY FIFTY FOOD GROUP
- GRIEG SEAFOOD
- HILTON FOOD GROUP PLC
- MARKS & SPENCER
- METRO AG
- MOY PARK
- PILGRIM'S PRIDE UK
- SAINSBURY'S
- SAMWORTH BROTHERS
- TESCO
- THE BIG PRAWN COMPANY
- WAITROSE & PARTNERS

SUBSCRIBERS

- CASINO GROUP
- CERMAQ
- JOSEPH ROBERTSON
- LEROY SEAFOOD GROUP
- ROBECO
- SEAFRESH GROUP
- WINTERBOTHAM DARBY

COLLECTIVES USING STC DATA

- CGF COALITION OF ACTION
- RETAIL SOY GROUP

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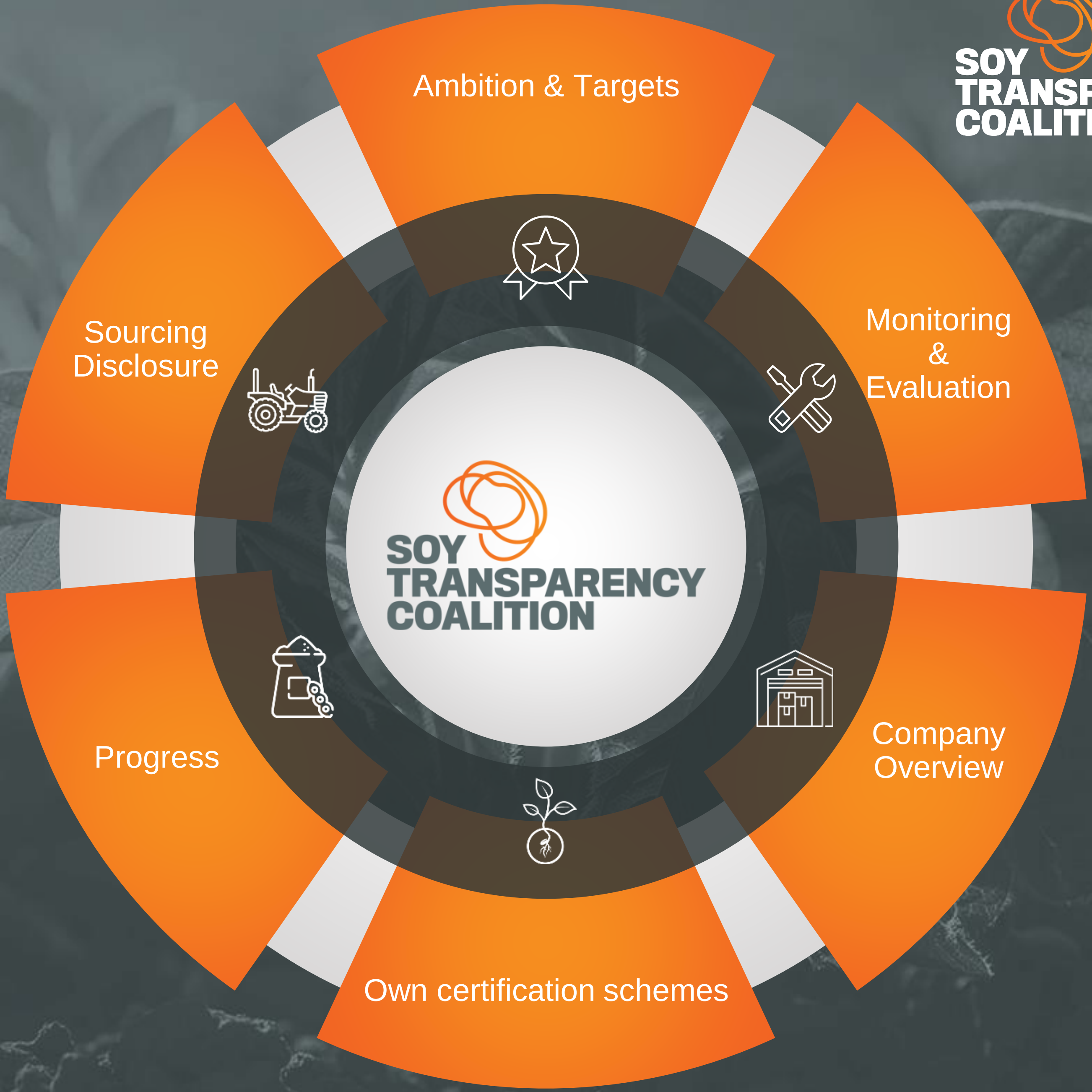
Methodology

Questionnaire design

- Not just a desk-based review, but also **engaging the traders in the assessment process**.
- Designed questionnaire with input from STC members and WWF.
- Not only focusing on policies, but also on **actions** taken, **verification** and **transparency**.



TRADER REVIEW & PROCESS

Trader identification and prioritisation with STC Members

Desk-based importer research and one-to-one performance reviews with traders.

Member-specific performance assessment and benchmarking.

Bespoke assessment

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Weighted Results

PERFORMANCE CATEGORY	ASSESSMENT AREA	IMPORTANCE WEIGHTING
Corporate	Governance	Medium
	Transparency	Medium
Envrionment	Zero Deforestation	Medium
Social	Labour	Medium
	Communities	Medium

TOTAL WEIGHTED SCORE

SUPPLIER STATUS: Below expectations

OWN CERTIFICATION: Below expectations

The below incorporates the score for the generic questions with the score for questions specific to certain levels of soy trading:

Own farms/Direct sourcing *- where the trader either owns their own farms, or have direct purchasing relationships with the farms;*
3rd party crushers *- where the trader purchases the volumes from a crushing plant owned by another company;*
3rd party traded *- where the trader does not physically handle the soy volumes, solely financial trading.*

8%	Own farms/Direct sourcing
4%	3rd party crushers
4%	3rd party traded

Score for only the traders own certification (if applicable):

42%	Own certification

PERFORMANCE BREAKDOWN

	Weighting	Governance	Transparency	Zero Deforestation	Labour	Communities
COMMITMENTS	20%					
TARGET DATES	20%	NA			NA	NA
PLAN	20%					
PROGRESS	20%					
VERIFICATION	20%					
OVERALL	**100%**					

TOTAL AREA SCORES

82%	COMMITMENTS
13%	TARGET DATES
46%	PLAN
34%	PROGRESS
39%	VERIFICATION

KEY

Compliant
Meets or exceeds minimum expectations
Below expectations
Falls short of the minumum requirements
Issue to address
Critical issue to address
N/A
Not applicable e.g. trader does not have own certification

CRITICAL ISSUES FLAGGED: 0

Question Number	Question	Expected response	Trader Response	Notes/Comments

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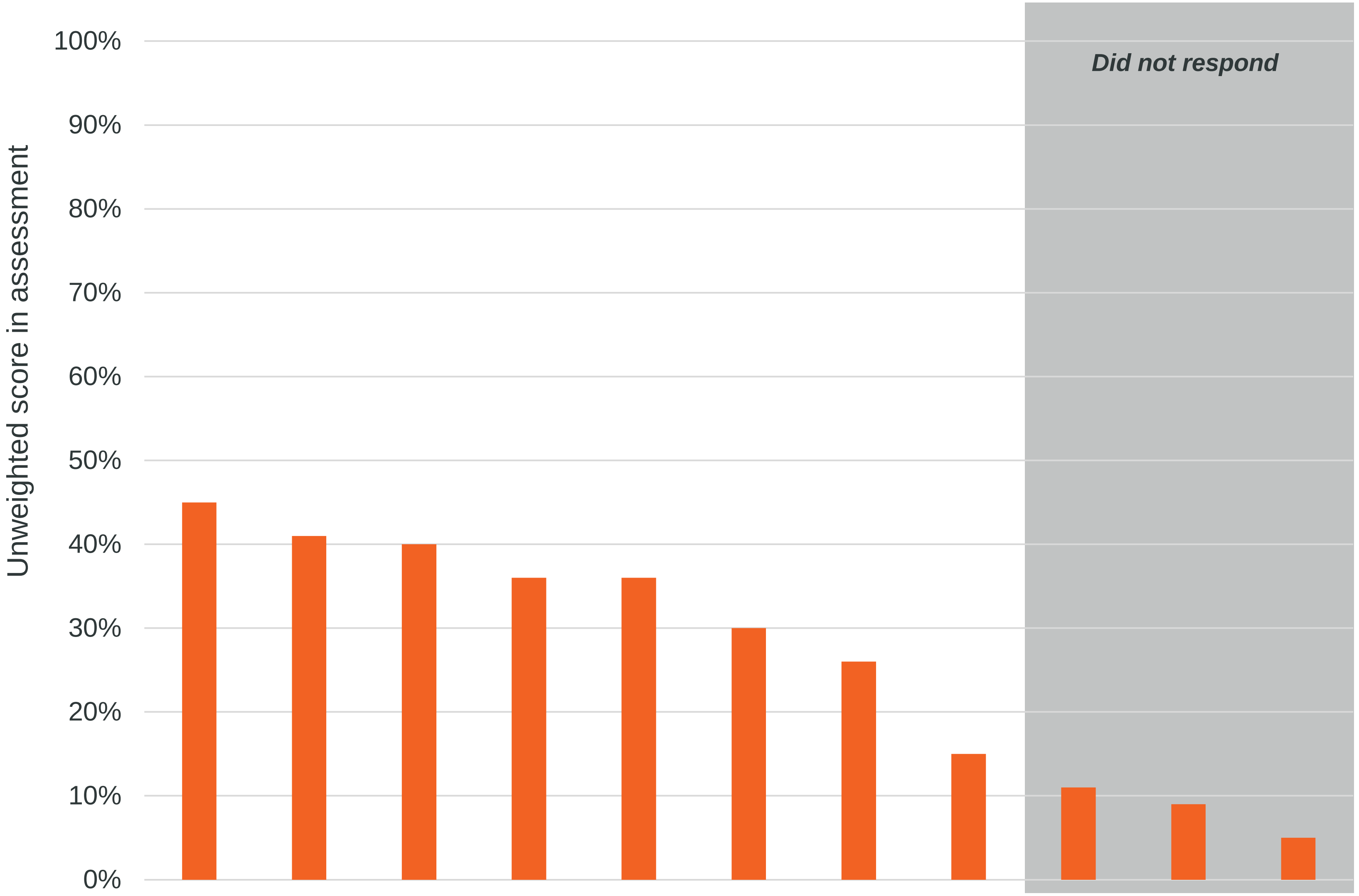
Key findings

UNWEIGHTED SCORES



RESPONSE RATE:

- 8 of the 11 traders responded to the pre-filled questionnaire
  - Lowest scores are with non-respondents
  - Indicates lack of publicly available information
- Engagement in the process often saw traders increasing their scores

Significant variation in the level of transparency provided

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	Number of traders disclosing information
Total volume of soy certified by RTRS	11
Total volume of soy sold to own certification standard	4
Number of producers certified by own certification standard	2
Number of hectares certified by own certification standard	3
Total volume of soy sourced	7
% of soy considered compliant with NDPE policy	0
% of all soy traceable to farm level	3
Number of suppliers delisted due to non-compliance	4
Number of supplier engagement activities	3
Sourcing disclosure – country level	1
Sourcing country – region level	0

Lack of zero deforestation commitments

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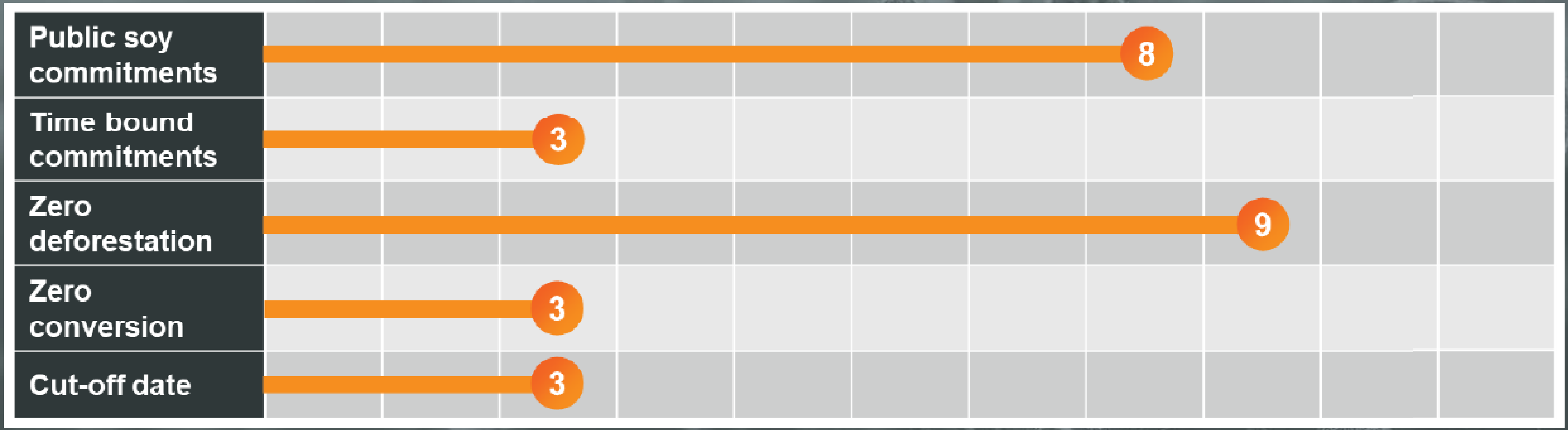

- Illegal deforestation is seen as the priority
- Many traders are less willing to incorporate legal deforestation into their targets
- Not all trader policies include a commitment to zero conversion

Perceived lack of demand for deforestation and conversion free soy

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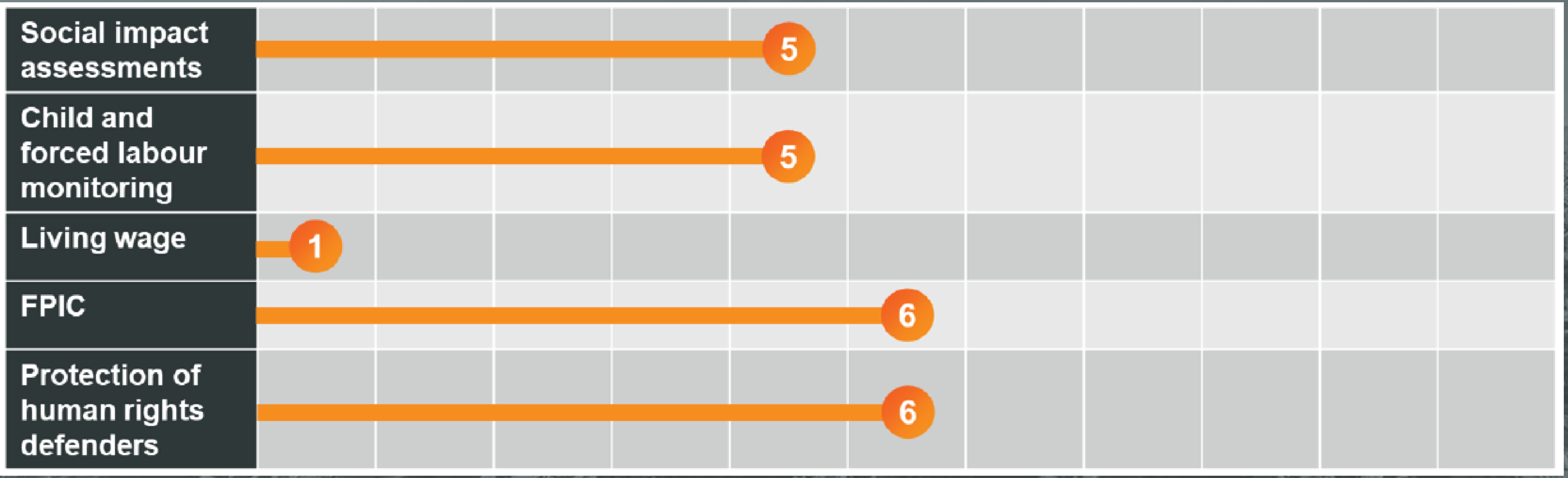
- Certified soy is purchased according to demand. No trader has an ambition for 100% RTRS or ProTerra certified soy
- Cited barriers to increasing RTRS certified volumes include:
  - Lack of market demand
  - High prices
  - Low uptake by small and medium sized producers
- Demand signal is not always reaching traders - customers bypassing traders by purchasing credits/certificates directly from soy farmers
- 6 of the traders have developed their own certification scheme, and two more are in development – in several cases this was in response to the perceived lack of demand for RTRS

Soy supply chain perceived as low risk for exploitation



- Traders emphasised that the human rights risk of soy is comparatively low compared to commodities with smallholder-based production systems, such as palm oil or cotton
- Monitoring for human rights compliance in soy supply chains has not been made a priority

Specific regional focus for supplier engagement

- Focus for increasing traceability of soy is specifically on supply from Brazil.
- Concentrated around ‘priority municipalities’ – Soft Commodities Forum (SCF) target of 100% traceable to farm in 25 Brazilian priority municipalities.
- Soy sourced from high risk areas in Paraguay and Argentina are not necessarily covered by commitments.

Verification gap for 3rd party sourced volumes

- No trader has set a target date for claiming their 3rd party supply as having achieved their zero-deforestation soy commitment.
- Third party verification is only available where soy is certified or the customer has paid for verification.
- In many cases, even when traders have met their traceability targets, there will still be potentially high-risk, untraceable soy within their supply chains.

Very little information provided on actions being taken within the supply chain

- No trader has indicated they have established **action plans** or engaged in **face-to-face engagement** with their suppliers on these matters
- Fewer than half have disclosed any action from their business regarding **identifying non-conformities** with their policies (if said policies exist).
  - Of those that did identify non-conformities, actions taken were largely related to de-listing.

Summary Findings

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1. **Transparency** remains a blocker, but not with insurmountable barriers.

2. Deforestation **commitments are inconsistent** and often ambiguous, with a clear definition of deforestation not usually given, and many traders are resistant to go beyond illegal deforestation to include legal deforestation and land conversion.

3. Many traders continue to cite a lack of market demand for deforestation and conversion free soy as a barrier to increasing the volumes of **certified** soy in their supply chain… and certification is the route to deforestation free in their view.

4. A **verification gap** exists for third party sourced soy volumes. Many traders are making progress with their own direct supply/production, however traceability targets and progress does not typically encompass soy sourced from third parties.

5. Customer demand dictates trader action, with traders appearing to be most responsive to **demands from their direct customers**.

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Recommendations

Recommendations for STC members

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1. **Use scorecards as a framework for future trader discussions**
   Provide a consistent, evidence-based framework to compare performance, and help to frame conversations with traders.

2. **Ensure policies and conversations are creating positive market signals**
   Address the consistent feedback from traders that the demand for certified soy hasn't reached them. Also looking for ways to communicate any requirements directly with other parts of the supply chain (e.g. feed manufacturers) to help increase understanding.

3. **Continue to push for increased transparency**
   STC can help to indicate to traders where there is demand for increased transparency and flow of information/evidence, such as sourcing regions and other data which traders were reluctant to disclose.

Considerations for future assessments

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1. **Rationalise & adapt survey based on knowledge gained**
   Distil down human rights section; update ‘3rd party’ terminology; amend multiple choice to better reflect stages in policy compliance.

2. **Identify & invite relevant NGOs to join as advisors**
   STC members to identify which NGOs they would like to contribute towards the coalition.

3. **Ensure continued engagement with traders**
   This is both during and between assessment periods. New avenue for traders & STC members to discuss the soy system, and progress beyond info in the public domain.

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Thoughts or feedback on 2020 assessment?

NEXT STEPS

- Trader feedback webinar (next week)
- Public version of the report will be published on the STC website
- NGO advisory partners to be approached

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Delivered by 3Keel LLP