



SSAP-RED

(‘Soy Sustainability Assurance Programme – RED’)

Annual Report to the European Commission

Period: 01.01.2022 – 31.12.2022

Report to the European Commission on the implementation of SSAP-RED, according to IR Articles 5(2,4), 17(7), Annex III and Article 30(5) of Directive (EU) 2018/2001.

Under consideration of the specific recommendations on how to improve scheme reporting (chapter 2.3) from the 2019 Ecofys Report '*Review of voluntary scheme annual reports*'.

The report follows the structure as presented in Annex III. The specifics and changes for the reporting period vis a vis the previous reporting year are shown under each chapter marked as **period 2022**.

General Remark: The overall activities for the year 2022 appear to be limited.

(a) rules on the independence, method and frequency of audits as approved by the Commission upon accreditation of the voluntary scheme and any changes to them over time to reflect Commission guidance, the modified regulatory framework, findings from internal monitoring on the auditing process of certification bodies and evolving industry best practice;

Audits are performed on a yearly basis, according to section 5 of the Governance structure document. Audits are based on the self-assessment declaration of the farmers, subsequent on-site visits and documentary review. These self-assessment declarations are collected by the First Gathering Points ('FGPs') and based on the outcome of the data analysis, the Certification Body ('CB')/auditor evaluates whether the FGP should be classified as high-, medium- or low-risk, whereby risk refers to the likeliness of finding Non-Compliances with the SSAP-RED. The risk classification will determine whether on-site audits should be performed, respectively. the number of samples that will be taken at farm level. Given this is the first year of introducing the SSAP-RED into the market, on-site audits are required in any case. The described process of applying farmer self-assessments and subsequent (potential) site visits by an independent third party is fully in line with current market practices of comparable standards and constitutes an efficient way to monitor the sustainability performance of a larger group of supplying farmers.

Therefore, it is essential the risk classification is conducted correctly, and that the auditor is capable of identifying and evaluating the relevant criteria to perform their risk classification assessment. Like other RED schemes, the SSAP-RED has developed its own risk assessment tool that can be utilised by both the FGPs as well as the CB. The risk assessment tool indicates whether the tracts are located in an area that is classified as critical, whereby critical is defined as non-compliant with the sustainability requirements as determined in the SSAP-RED, e.g. areas with high carbon stock, natural parks, non-permitted land use changes etc. In the case none of the tracts are in such an area, the risk is classified as low. In the case tracts are located in such an area, then additional due diligence needs to be done at more detailed level in order to be able to potentially minimize the risk.

In addition, building on already existing best practices in the U.S. soy market, it is noteworthy that a pre-requisite of participating in the SSAP-RED program is the farming meeting the requirements of the national SSAP program. Such participation already indicates high level of compliance with the applicable national laws and regulations. Furthermore, it also inherently includes compliance assessments by the local governmental authorities, i.e. the NRCS/USDA. We

understand the number of yearly compliance assessments is higher compared to the respective number in case a square root methodology was applied. Taking the square root for sampling purposes is the usual methodology applied for certification programs.

The audit frequency is based on a yearly cycle resulting in the validity period of the scope certificate also being 1 year. This helps SSAP-RED to ensure that system users adhere to the SSAP-RED requirements, as opposed to standards where the certificate has a longer validity period (e.g. of 5 years) and therefore have a less rigorous assessment regime.

Period 2022:

Changes to the scheme according to the the Renewable Energy Directive (EU) 2018/2001 (recast) were incorporated. The introduction of the option to calculate the GHG emissions based on actual values was already introduced in 2021. However, due to pending approval status of the scheme it appears that economic operators do not want to incur any potential risk resulting from this recognition status. For the specific stipulations in the Governance document see, independence – chapter 11 and 14; method and frequency of the audits – chapter 5.

As for the internal monitoring of the scheme there were no specific findings, especially since there is only 1 certificate holder which is a well renowned company with a long-standing track record in being certified against different agriculture and biofuel standards.

(b) rules and procedures for identifying and dealing with non-compliance by economic operators and members of the scheme;

The SSAP-RED protocol foresees in the possibility to identify non-compliances ('NCs') of the system users vis a vis the stipulated requirements of the scheme. Therefore, the protocol has set up an assessment process based on the respective checklists and questionnaires.

Period 2022:

No changes occurred, for the specific stipulations in the Governance document see, NCs – chapter 9; we did not encounter any issues with major NCs or serious wrongdoings.

(c) evidence of fulfilling the legal requirements on transparency and publication of information in line with Article 6 IR;

The scheme, i.e the text of the protocol including the pertaining checklists and documents, is publicly available on the SSAP-RED website. Given the scheme has a limited scope, i.e. only applicable for U.S. soy farmers producing in the U.S., there are no foreseen language barriers. The list with certified operators is published on the SSAP-RED website. At present, SSAP-RED does not foresee in the possibility to give public access to the auditor's reports. The reports are only available to the audited economic operator in question. Also, the governance structure and the respective role and bodies are fully displayed on the website.

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| <i>Period 2022:</i> |
| <i>No changes occurred, given the scheme's applicability is only the U.S. market there is no language barrier to consider.</i> |
| (d) stakeholder involvement, in particular on the consultation of indigenous and local communities prior to decision-making during the drafting and review of the scheme as well as during audits and the response to their contribution; |
| The initial drafting of the protocol included a stakeholder consultation of the most relevant stakeholders within the U.S. soybean market revealing the need to achieve compliance also with EU regulations in order to export soybeans into the EU for biofuel purposes. Given the scope of SSAP-RED addresses only the U.S. market and builds on legal compliance with all national laws and regulations under the national SSAP protocol, accompanied by subsequent compliance audits by the NRCS/USDA, we did not encounter a specific need to perform consultations especially addressing indigenous communities. Any issues resulting from violation of respective protection laws would already have been addressed by the national SSAP program, leading to non-applicability for the respective violating parties. However, in case such violation would still occur the SSAP-RED foresees in a grievance mechanism where such an issue could be addressed. |
| <i>Period 2022:</i> |
| <i>No changes occurred.</i> |
| (e) overview of the activities carried out by the voluntary scheme in cooperation with the certification bodies in order to improve the overall certification process and the qualification and independence of auditors and relevant scheme bodies; |
| It should be stated SSAP-RED is a relatively straightforward program with only one single feedstock, one geographical region and a limited scope. Therefore, we do not expect SSAP-RED to become a major player in the market, ultimately resulting in a smaller organizational structure being able to swiftly address market/regulatory needs and respond to proper implementation of the scheme. The protocol is especially designed to address the needs of soybean farmers enabling them to export their product into the EU for biofuel purposes whilst capitalizing on the already existing compliance with all national laws under the SSAP program. As stated earlier, participation in the national SSAP program is a pre-requisite for participating under the SSAP-RED. |
| The SSAP-RED program is operated by SES LLC consisting of the Management Board, an Advisory Committee and the Secretary to run the day-to-day operations. Up until now we encountered only one situation where a Board decision was required, and that was related to the extension of the current scope. We deem the structure of the managing entity, SES LLC, to be sufficiently staffed and equipped to operate the SSAP-RED diligently and responding accurately to market and regulatory changes and requirements. We have implemented internally a clear split/definition of tasks and responsibilities, established a grievance mechanism for internal and external occurrences, and for the proper implementation of the SSAP-RED we have appointed an independent third party, a Certification Body. This is Control Union Certifications as an internationally recognized, independent Certification Body with extensive knowledge regarding voluntary schemes, both internationally as well as in the U.S. Therefore, Control Union Certification also have the capacity and knowledge in terms |

of personnel/auditors to perform the audits. As a consequence of Control Union being accredited against ISO 17065 and ISO 17021 their management system is strictly supervised by regulatory authorities and accreditation bodies. That same management system is also applied for the SSAP-RED program.

Period 2022:

Since all parties involved are highly experienced, the verification process is straight forward within a clearly determined single geography and commodity SES does not see any need for further improvement, at the current stage.

(f) market updates of the scheme, the amount of feedstock, biofuels, bioliquids, biomass fuels, recycled carbon fuels and renewable fuels of non-biological origin all certified, by country of origin and type, and the number of participants;

Period 2022:

Given the single crop character and the U.S. being the only country of origin there is a structural predefined market and limited number of parties for which the scheme is attractive, compared to other global multi feedstock schemes. We have seen little uptake in the market, especially since export opportunities to countries outside the EU without any certification requirements makes it more attractive for U.S. soybean growers to export their produce into those countries. Therefore, there is currently one participant in the scheme. In addition, foreseeing only in the option to calculate GHG emissions based on default values imposed another restriction to market uptake. The revised scheme actually foresees also in the possibility to calculate emissions based on actual values, but since full recognition is still pending economic operators are reluctant in relying on a pending approval status regarding the actual value calculation.

(g) overview of the effectiveness of the implementing system put in place by the governance body of the voluntary scheme in order to track proof of conformity with the sustainability criteria that the scheme gives to its member(s). This shall cover, in particular, how the system effectively prevents fraudulent activities by ensuring timely detection, treatment and follow-up of suspected fraud and other irregularities and where appropriate, the number of cases of fraud or irregularities detected;

Given the limited scope of SSAP-RED, predominantly addressing the needs of the well-established trading houses in the U.S. we deem the potential fraud risk to be anyhow limited, this also in light of all applied U.S. regulations which compliance is assessed yearly by the NRCS/USDA. SSAP-RED does not operate in different jurisdictions, neither with a variety of feedstocks, excluding waste streams and processing products and within a well manageable, short supply chain. Hence the complexity of monitoring the certified volumes is low. All these factors contribute to considering the fraud risk to be low. However, in order to make the system more user-friendly SSAP-RED has developed a traceability platform that allows its users to input all their transactions and running the Mass Balance enabling them to check at any time accurately the volume, traceability and status of their certified product/certificate. Given the system is designed for different users it ensures compliance with the relevant privacy regulations.

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| In addition, SSAP-RED is operating a risk assessment tool, based on GIS data and displaying the critical and non-critical land use areas. The tool facilitates this additional service for both the system user as well as the auditor. This allows the auditor to cross check and verify the presented land use data of the system user easily. |
| Period 2022: |
| <i>No changes occurred, traceability and risk assessment tools still in place. Due to the nature of the scheme and its targeted economic operators we believe that in principle fraud exposure is of minor relevance to the scheme.</i> |
| (h) criteria for the recognition of certification bodies; |
| The criteria for recognition of certification bodies are stipulated in chapter 14 of the Governance. |
| Period 2022: |
| <i>No changes vis a vis the previous year since SES has chosen for Control Union as a Certification Body to remain. They are experienced in certifying against voluntary schemes as well as agricultural schemes, they have trained auditors and lastly are subject to strong supervisory and accreditation regulations, like the ISO 17065 and ISO 17021.</i> |
| (i) rules on how the internal monitoring system is conducted and the results of its periodic review, specifically on oversight of the work of certification bodies and their auditors as well as on the system of handling complaints against economic operators and certification bodies; |
| At this stage, we have little market uptake and therefore we do not see the necessity to set up a specific monitoring process for the CB, beyond the current process. Upon completion of the certification process the certificate is forwarded by the CB to SES and subsequently, after being checked on its correctness, uploaded on the SSAP-RED website. However, in case there was any indication of misconduct or little rigidity for the implementation of the program SES still reserves the right, according to its Terms of Use, to perform its own integrity assessments and review the audit and certification activities of the CB. In addition, SES has implemented a grievance mechanism which would reveal potential shortcomings and subsequently trigger an integrity assessment. |
| Period 2022: |
| <i>SSAP-RED has introduced an internal monitoring process regarding the quality of the audits and the GHG emission calculations. Due to the size and nature of the program, already requiring conformity of the economic operators with the national SSAP program as a pre-requisite to the SSAP-RED program, the internal monitoring will primarily focus on the economic operators with major NCs.</i> |
| <i>Nothing to report.</i> |

(j) possibilities to facilitate or improve the promotion of best practices.

SSAP-RED is based on the farmer adhering to the requirements of the national SSAP program, which has been operating in the market for a couple of years. Therefore, there are already best practices being adopted in the local market and as such also applied under the SSAP-RED program. However, in order to adopt further best practices, more aligned with the specific RED II sustainability (land use) criteria, we have an independent Advisory Board that could provide further advise in this respect. Therefore, the advisory board is comprised inter alia of supply chain actors, like farmers, whose experience can help to improve the scheme and its implementation. Also, leveraging on the experience of a Certification Body heavily involved in sustainable, and particularly, RED schemes will contribute to implementing best practices as they have been deployed in other sectors or schemes.

Period 2022:

No changes occurred.

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5/2/2023

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