



Environmental and Social Action Plan Monitoring Report – Roncador Farm

2023 – Querencia MT - Brazil

PRESENTATION

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We've conducted inspections for the last 100 years and have an excellent track record as a trusted, independent third-party specialist in quality inspections. We act representing companies and their needs, ensuring quality as a priority. Our scope includes more than 100 years of certifications, logistics, consulting, sustainability, and risk management.



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SCOPE

The objective of this work was to evaluate the progress of fulfilment of commitments made by Agropecuaria Roncador Ltda. (referred to as Roncador Group for the management system, or Roncador Farm for the farm) through the strategic items of the Environmental and Social Action Plan (ESAP) of the Impact Targets and the Exclusion List with the Stichting Andgreen.Fund (&Green).

- *ESAP strategic items 1.1, 2.1, 3.1, 4.1, 4.2 and 4.3.*
- *ESAP compliance with the International Finance Corporation (IFC) Performance Standards.*
- *Impact targets in relation to the ESAP, Landscape Protection Plan (LPP), and MRV Protocol.*
- *Exclusion &Green List.*

This work was conducted through a remote analysis of documents of the Environmental and Social Management System, the Roncador Group Policies, the Code of Conduct, operational procedures related to the management system, analysis of the conservation of forest areas and operational and productive areas through satellite images, legal compliance with environmental legislation in relation to Permanent Preservation Areas and Legal Reserve, and when applicable, their restoration, the maintenance of the certification of the Jaguar Institute certification and the verification of the Exclusion List.

The evaluation period was from January 1, 2022, to December 31, 2022.

DELIVERABLES

- Monitoring report, according to ESAP.
- Summary of findings and recommendations in an action plan.

EVALUATION SCHEDULE AND METHODOLOGY

The methodology for assessing the above aspects was carried out through interviews with the Roncador Group's management and managers of Fazenda Roncador, its direct workers, third parties, service providers and stakeholders. Documentary analysis of operating procedures, internal records, certificates, declarations and other documents, including legal requirements, were conducted, where applicable, in accordance with ISO 9001:2015 for Quality Management Systems and ISO 19011:2018 for Quality Management System Audits as a technical reference method for conducting the audits.

The evaluation of the Roncador Farm area was carried out using satellite images from shapefiles made available by the Roncador Group and the treatment and analysis were carried out using the ArqGIS system.

An on-site inspection was carried out at the farm on May 9, 2023, to conduct interviews and inspect the physical facilities in order to assess compliance with the requirements of environmental legislation, labor legislation, and good international practices through the World Bank's International Finance Corporation Performance Standard (IFC PS, 2012). The report of this audit maintained the scope of the Term of Reference.

The following timeline shows the planning for the audit project.

PHASES	PERIOD
<i>kick-off</i>	04/17- 04/20
Document analysis	04/24- 05/08
Environmental Recovery KPI Analysis	04/24- 04/28
on-site inspection	09/05- 10/05
Elaboration of the Report	05/12- 05/31

EXECUTIVE SUMMARY

The Roncador Group is a private organization that owns the Roncador Farm among its undertakings. The farm, located in Querência in the state of Mato Grosso, is recognized as one of the most important in Brazilian agribusiness. Its territory of more than 140,000 hectares is comparable to that of the metropolitan region of São Paulo. The farm stands out for its cattle production, grain production, including soybeans as the main product, and especially for the vast area of preserved and protected forest. Founded by businessman Peterson Soares Penido, Roncador Group started its activities in 1978 and is currently one of the largest productive rural properties in the country.

The highlight of the farm is the preserved forest with approximately 65,000 hectares, which includes Legal Reserve Areas – LR and Permanent Preservation Areas – PPA, of which a large part is preserved with native vegetation of the Amazon biome or transition vegetation with the Cerrado biome. Preservation areas include veredas and other intermittent wetlands, that is, areas that are flooded or soaked part of the year. These areas are preserved within the farm, without interference from agricultural operations.



Figure 1. Delimitation of the areas of Fazenda Roncador, Querência MT, presented through Google Earth.

Agricultural production stands out with about 30,000 hectares of Crop-Livestock Integration, where there is soybean cultivation with average production of 111,445 tons in the season 2021/2022, in addition to more than 20,000 hectares of pastureland. Yet, there are approximately 67,000 head of cattle, small part of them produced in confinement system.

In April 2020, the investment fund &Green financed with US\$ 10 million the “Agropecuária Roncador Group” with the objective of promoting forest conservation, restoration of forest areas and the intensification of agricultural and livestock production. A baseline assessment was developed on which indicators of agricultural production area and forest preservation area were established. These indicators consist of the preservation of forests and the recovery of degraded PPA or Legal Reserve (LR) areas, as necessary and based on the applicable environmental legislation. These indicators resulted in agricultural production and forest preservation targets and were linked to the investment contract with the Fund, as reported by the Roncador Group in an interview.

Also, according to the Group, for granting of financing, an assessment audit was carried out. Based on the result of this audit, an Environmental and Social Action Plan (ESAP) and a Landscape Protection Plan was prepared, with specific impact goals. This action plan had deadlines settled down according to the type of indicator. The actions agreed in this ESAP were an integral part of this audit, and the indicators assessed were in line with &Green's guidance.

The ESAP contains five actions to be developed until the end of 2022, or to be maintained throughout the contract period. They are mainly related to sustainability governance at the Farm and, as informed by the Roncador Group, are linked to the maintenance of the investment contract. The summary of the findings is presented below.

1.1 Formalize in an environmental and social policy statement Roncador's environmental and social commitments that capture everything Roncador is already doing, and what Roncador will commit to based on the ESAP and the Landscape Protection Plan, by June 2022. The Roncador Group has developed a Social and Environmental Policy, an Environmental and Social Action Management System – ESMS (Environmental and Social Management System), a Code of Conduct, and an NDPE Policy (No Deforestation, Peat and Exploitation) addressing all necessary environmental and social aspects in accordance with the LPP, having fully complied with the Action Plan.

2.1 Document in writing existing procedures used to screen primary livestock suppliers for child or forced labor practices and no-deforestation practices, in line with NDPE commitments by June 2022. The NDPE policy presented is aimed at suppliers, especially of livestock, and addresses the commitment and prohibition of deforestation activities, conservation of peatlands and non-exploitation of people. Linked to the NDPE policy is the Environmental and Social Management System which includes indicators of compliance with the policy. The document complies with the ESAP. As a recommendation, continuous improvement can be a verification of compliance of the NDPE by suppliers through the implementation of monitoring mechanisms of socio-environmental aspects with more specific controls, such as the monitoring of alerts of deforestation or degradation of forest areas issued by SEMA, the presentation of documentary evidence to prove compliance with labor legislation and Health and Safety, the verification of compliance with contractual clauses of mandatory compliance with environmental and labor legislation by means of presentation of evidence. Additionally, the adoption of sustainability certifications for cattle farms through voluntary certification schemes.

3.1 Formalize the process of evaluating the performance of private security companies, through a documented procedure with the main indicators to be evaluated, the interested parties to be included, etc., until June 2022. The Standard Operating Procedure - SOP - was developed, Private Security Procedure, defining selection and maintenance criteria for private security companies and conduct of employees on the farm, being in compliance with national legislation and complying with this requirement. Suggestions for improving the document were included, in line with the Performance Standard – PS (Performance Standard) of the World Bank published through the IFC (International Finance Corporation) Community Health and Safety – Personal Safety section. These recommendations are additional and not mandatory, may be adopted at the discretion of Roncador Group and &Green. In addition, stakeholders were interviewed, and no grievance was reported.

4.1 Continue to apply the PPA recovery requirements established by the Conduct Adjustment Term- TAC, whose deadline is aligned with the LPP PPA restoration schedule. It was evidenced that the areas are in the process of restoration according to the schedule. The farm is complying with the TAC and filed a request for analysis of compliance with the Department of the Environment of Mato Grosso – SEMA, considering that the change in environmental legislation, more specifically Federal Law 12651 of 2012 (the Brazilian Forestry Code), changed the limits of interpretation and mandatory PPA in riparian

vegetation. This change technically impacted the mandatory restoration of approximately 300 ha of native vegetation in the middle of the farm. The farm continues to move forward with forest recovery activities, but the process is still ongoing. For the purposes of verifying compliance with this indicator, the actions are in agreement, and the monitoring action must be maintained until the formal pronouncement by SEMA. A report was presented on the process of producing seedlings and planting 25 hectares to restore degraded forests.

4.2 Commit to conserve the Legal Reserve as determined by SEMA and national legislation. The reporting of this action depends on the approval by SEMA for the CAR (from Portuguese, Rural Environmental Registry) of Roncador Farm, which is currently under analysis by the environmental agency. The Roncador Group mapped the farm through a company specialized in georeferencing and published the Rural Environmental Registry- CAR, a necessary part of the regularization process. The action must be monitored until SEMA's final analysis.

4.3 Maintain IOP certification annually. The certification of Instituto da Onça Pintada – IOP (from Portuguese, Jaguar Institute) was in force, and valid until July 20th, 2023. The process of certifying and monitor the jaguar population is carried out by the institute.

&Green Exclusion List. In parallel with the action plan, &Green has an Exclusion List which lists eight activities not financed by the organization and which are excluding its involvement with the activities of investment clients. This list was evaluated through desk review, inspections at Roncador Farm, through interviews with farm workers, with the management of the group, with stakeholders and outsourced companies present on the farm. It was found that Fazenda Roncador does not perform any of the activities listed. The eight themes exclude were: 1. Forced labor or child labor; 2. Activities considered illegal under international law or conventions and agreements, or subject to international prohibition; 3. Transboundary trade in waste not in line with Basel Convention or legislation; 4. Destruction of areas of High Conservation Value; 5. Radioactive material and exposed asbestos fibers; 6. Pornography and prostitution; 7. Racist and anti-democratic medias; 8. Products and activities prohibited in case they are part of the primary trade financed by the fund.

The verification was carried out through document analysis, such as the Code of Conduct, policies and documents of the Roncador Group and the farm, and interviews with managers, operators and with guards from the farm's private security company. The compliance was verified by cross-checking information from documents and workers' reports. Also, when applicable, physical facilities have been checked to confirm the information as described below.

Impact targets. The main impact indicators to reflect the commitments made by Roncador Group are mentioned below:

IMPACT INDICATOR	BASE AMOUNT	FINAL GOAL	GOAL FOR THE REPORTED PERIOD	STATUS BEFORE THE REPORTED PERIOD	STATUS OF THE CURRENT REPORTING PERIOD	COMMENTARY
Agricultural land directly controlled by the company, and land that is currently not producing food or fiber but is expected to do so in the future.	60,000 ha	60,000 ha	60,000 ha	57,393 ha	57,971 ha	The declared agricultural land was 60,000 hectares; however, after the analysis carried out in the previous audit period, it was found that the

						real value was approximately 57,393 hectares, showing a variation of about 5%.
Agricultural areas directly controlled by the company which livestock performance is monitored. This does not include agricultural land that has no income in the reporting period.		30,085 ha	-	27,108 ha	26,741 ha	
Agricultural areas directly controlled by the company which soybean yield is monitored. This does not include agricultural land that has no income in the reporting period.	30,115 ha	-	-	30,295 ha	31,743 ha	
Agricultural land directly controlled by the company that was classified as unproductive or degraded at baseline.	0 ha	0 ha	0 ha	510 ha	0 ha	
Agricultural land directly controlled by company that exceeded the industry average yield (to be provided by &Green) in the reporting period	-	-	-	-	-	
Average agricultural yield of cattle in the area directly controlled by the company during the reporting period	-	-	-	0.33 t/ha	0.35 t/ha	Due to 366t more than the latest reported year 9343 vs 8977. this represents the tones of liveweight sold divided the livestock area.
Average soybean agricultural yield in the area directly controlled by the company during the period covered by the report	-	-	-	3.22 t/ha	3.51 t/ha	Due to 13,902t of soybean produced greater than the latest reported year. This represents the tons of soybeans divided the cultivated area.
Forest area directly controlled by the company, which is under management for protection	71,184.61 ha	7,184.61 ha	71,184.61 ha	65,907.00 ha	64,285.9 ha	The variations on the forest area don't correspond to land use changes, this was

						due to the measurements made by a specialized company to register the farm under Rural Environmental Registry – CAR.
Forest area directly controlled by the company, which is under management for recovery, excluding the area that does not meet the definition of forest at the end of the reporting period (if applicable)	6,133.00 ha	6,333.00 ha	6,133.00 ha	6,133.00 ha	6,133.00 ha	
Forest area directly controlled by the company, which is under management for recovery, including the area that does not meet the definition of forest at the end of the reporting period	-	-	-	0 ha	25 ha	A report presented to SEMA stated that the company planted 25 ha in 5 different areas of degraded environmental preservation areas, in the year 2022.
Direct jobs supported, full-time(men)	-				351	Total of 425 active employees, 63 women (59 full time and 4 part-time); and 362 men.
Direct jobs supported, full-time(women)	-				59	
Supported direct jobs, part-time(men)	-				11	
Supported direct jobs, part-time(women)	-				4	
Supported direct jobs, temp(men)	-				0	
Supported direct jobs, temp(women)	-				0	
Direct jobs supported, contracted(men)	-				0	
Direct jobs supported, contracted(women)	-				0	

The Impact Targets were collected through reports and internal controls at Roncador Farm. The measurement of forest areas and areas of agricultural and livestock production were confirmed through satellite images analysis. There are variations in the base value reported by Roncador Group in relation to the status of the previous period and the current period. These variations occurred, as informed by the management of the farm, because they were estimated values and not measured at the time of the agreement with &Green. Specific comments about these variations are detailed in the table above.

The productive area itself is divided between agricultural area, pasture area, Livestock Crop Integration area, and cattle confinement area. Agricultural areas may also vary according to the farm's strategy for the period, either reducing or expanding based on demand, market expectations, and agronomic, technical, and operational conditions.

There was some involuntary cover lost during the reported period, due to a fire in the neighbour farm that invaded Roncador farm. The fire was reported to SEMA, the environmental department. According to the official report, issued by SEMA, the cover lost area 365.6 ha, however Peterson reviewed the images and estimated the cover lost area in 796.67 ha.

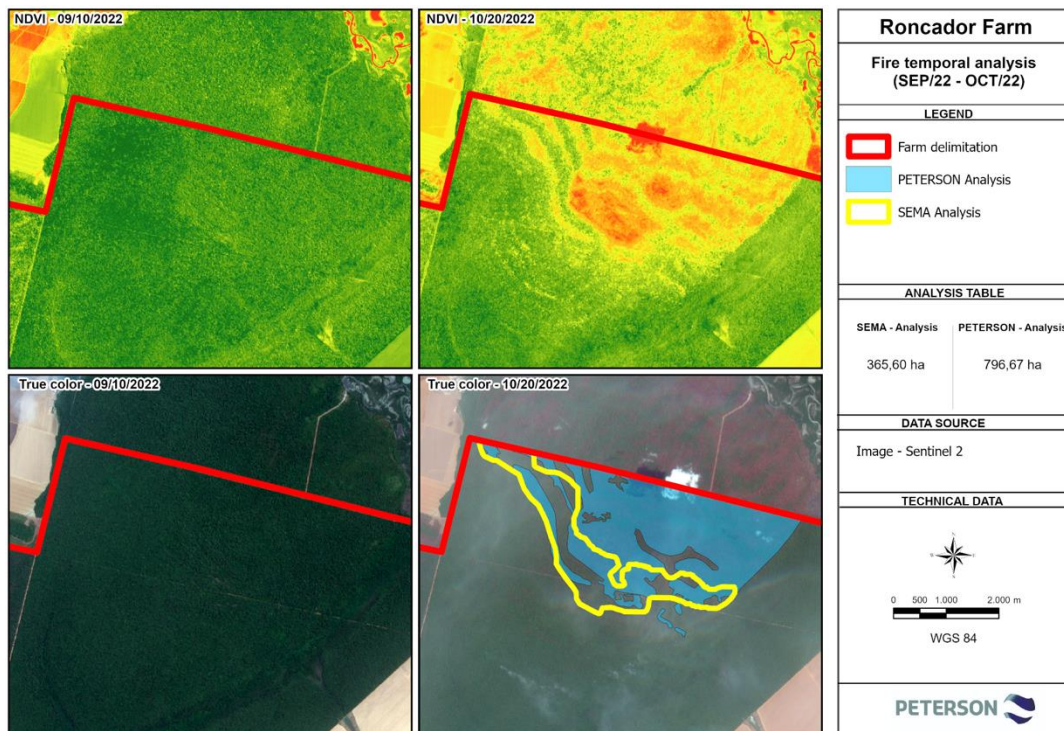


Figure 2. Roncador Farm involuntary fire analysis.

Further analysis of this incident and damages are in the Annex.

INFORMATION AND NOTIFICATIONS REGARDING THE ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM- ESMS

To prepare the information report for the reference period, the structure determined for the work was followed, including:

- Structure and team of the Environmental and Social Management System and decision making.
- Identification of incidents related to environmental and social aspects and control and recording of occurrences, as well as related relevant information.
- Mechanism for registering environmental and social complaints.

To analyse these issues, interviews were conducted with the legal coordination of Roncador Group, responsible for managing the contract between Fundo &Green and Roncador Group.