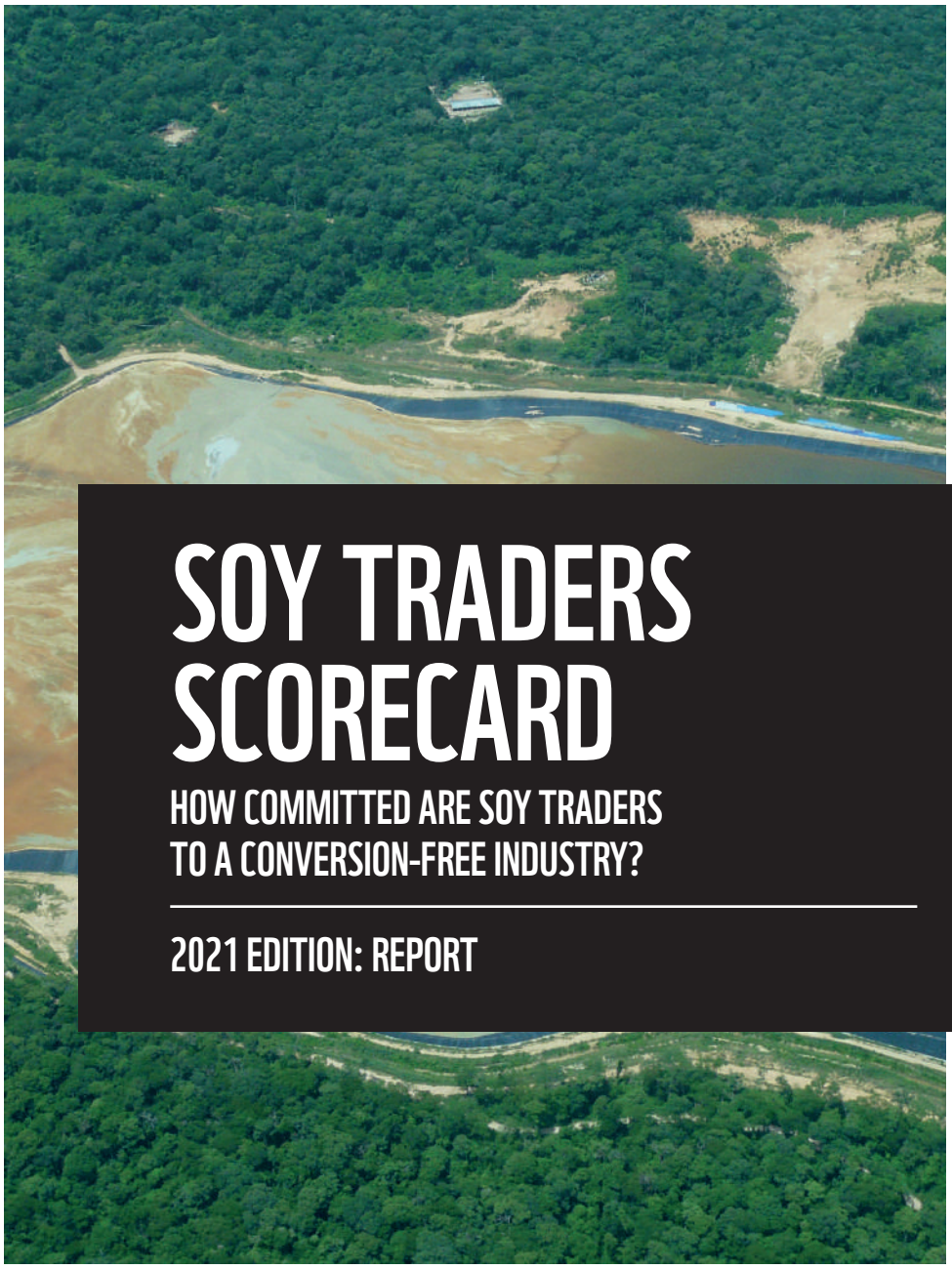


# SOY TRADERS SCORECARD

## HOW COMMITTED ARE SOY TRADERS TO A CONVERSION-FREE INDUSTRY?

2021 EDITION: REPORT

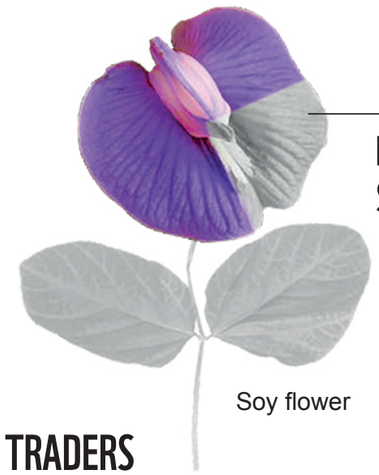
# INDEX



The Soy Traders Scorecard highlights both progress and any gaps in the industry's transition to deforestation- and conversion-free sourcing, by publicly benchmarking the soy traders' performance. It focuses on 22 of the world's largest and most influential soy traders, who collectively represent approximately 69% of global soy exports. It assesses the strength and implementation of their deforestation- and conversion-free commitments for their soy supply chains. Broken down into five key sections, the scoring criteria and key issues covered by the methodology are aligned with the best practice outlined by the Accountability Framework initiative.

This Soy Traders Scorecard was commissioned by WWF and delivered in partnership with Global Canopy, with generous support from the Gordon and Betty Moore Foundation, as part of the Forests and Agriculture Markets Initiative.

**69%** OF ESTIMATED GLOBAL EXPORT MARKET




THE 22 TRADERS ASSESSED REPRESENT 69% OF GLOBAL SOY EXPORTS.


## WRITTEN AND EDITED BY

WWF and Global Canopy

## LEAD AUTHORS

Emma Thomson (Global Canopy), Sabrina Goncalves Krebsbach (WWF)

## CONTRIBUTING AUTHORS

Global Canopy: Huw Birch, Emma Gollub, Sarah Rogerson, Chloe Rollscane

WWF: Margaret Arbuthnot, Virginia Barreiro, Karla Canavan, Romain Deveze, Mollie Gupta, Owen Hauck, Mari Koistinen, Frederico Soares Machado, Ulises Martinez, Seline Meijer, Omar Mouhdi, Sandra Mulder, Sofie Tind Nielsen, Samuel Sangueza Pardo, Maria Eugenia Periago, Luiza Rabelo, Maja-Catrin Riecher, Amanda Stone, Jordi Surkin, Jean-Francois Timmers, Sarah Wakefield, Edith Verhoestraete.

## DESIGN AND INFOGRAPHICS

OneBigRobot (www.onebigrobot.com)

## CITATION

Thomson, E. and Goncalves Krebsbach, S. (2021). Soy Traders Scorecard. WWF and Global Canopy. Available at: soyscorecard.panda.org/traders


## DISCLAIMER

The information captured in this PDF reflects data on the scorecard as of May 2021. Please refer to the online scorecard for the most up-to-date data. To compile the scorecard, we asked all companies to complete a questionnaire. We used information that companies provided directly to us, on their website, in their Forest 500 assessments and trase.earth estimations. We have verified this information where possible, but have relied on the companies to be transparent, truthful and accurate in their reporting. We urge users of the scorecard to check the data and share any errors found with WWF, Global Canopy and the relevant company.



## ABOUT WWF

WWF is one of the world's largest and most respected independent conservation organizations, with over 5 million supporters and a global network active in over 100 countries. WWF's mission is to stop the degradation of the Earth's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

More information: wwf.panda.org

## ABOUT GLOBAL CANOPY

Global Canopy is a data-driven think tank that targets the market forces destroying nature. Global Canopy does this by providing innovative open-access data, clear metrics, and actionable insights to leading companies, financial institutions, governments and campaigning organizations worldwide. More information: globalcanopy.org

# SUMMARY

**SOY IS ONE OF THE LARGEST DRIVERS OF GLOBAL DEFORESTATION AND CONVERSION.**

The first Soy Traders Scorecard, produced by WWF and Global Canopy, finds that none of the world's biggest soy traders are doing enough to stop the devastating impacts of soy production and procurement on our world's forests, grasslands and savannahs. All of the soy traders assessed in this scorecard must act urgently to make soy supply chains that are free from deforestation, conversion, and human rights abuses a reality.

Soy is a commodity which is often hidden from view from consumers and downstream food manufacturers. A staggering 75% of global soy production is used for animal feed due to its high protein content. Soy is therefore often embedded in animal products like chicken, pork, beef and farmed fish as well as eggs, milk, cheese and yogurt, although not listed on the ingredients list. Global demand for soy is growing[1], mirroring the increasing demand for animal products worldwide.

**THESE BIOMES PROVIDE HABITATS TO SPECTACULAR WILDLIFE AND HAVE AN ESSENTIAL ROLE TO PLAY IN CLIMATE CHANGE MITIGATION.**

This growing demand is having a devastating impact. Soy is one of the largest drivers of global deforestation and conversion, and is often grown in critical natural ecosystems including the Cerrado, the Gran Chaco, and the Great Plains. These biomes provide habitats to spectacular wildlife and have an essential role to play in climate change mitigation, yet they are being cleared at an alarming rate[2].

Agricultural expansion on native vegetation also leads to increased pressure on Indigenous peoples and local communities, who may be evicted from the land and lose their livelihoods.

1 Soy production has increased by 37% in the last 10 years (2011-2021), according to USDA FAS (2021).

2 The average population size of vertebrates has declined by 68% in less than 50 years, and changing land use for food and feed production is the biggest driver of this alarming nature loss. For more, see WWF. 2020. Living Planet Report 2020: Bending the curve of biodiversity loss. Almond, R.E.A., Grooten, M. and Petersen, T. (eds). WWF, Gland, Switzerland



The conversion of pristine habitats to produce agricultural commodities including soy is one the biggest threats to the climate, to wildlife and to our health. Halting it requires strong leadership and urgent action by us all - and importantly by commodity traders who are at the intersection between producing landscapes and global markets, each handling huge amounts of soy.

This Soy Traders Scorecard measures the commitments and actions taken by some of the world's biggest[3] soy traders to address deforestation, conversion and human rights abuse in their supply chains. It finds that although some traders do have commitments, none of them are taking sufficient action to tackle these pressing issues effectively.

The 22 traders assessed represent over two-thirds of global soy exports, and the nine traders who responded to the survey represent over half. Given the high volume of soy that moves through a few key players in global soy supply chains, traders have the capacity and responsibility to catalyze rapid change across the entire soy industry.

**ALTHOUGH SOME TRADERS DO HAVE COMMITMENTS, NONE OF THEM ARE TAKING SUFFICIENT ACTION TO TACKLE THESE PRESSING ISSUES EFFECTIVELY.**

3 Seven out of the 22 traders assessed in this scorecard have committed to deforestation-free soy, and 11 of them have a commitment to respecting human rights. The 22 traders assessed in this scorecard have been chosen for inclusion based on their potential exposure to deforestation/conversion risk. This was measured by their estimated volumes of soy exported from key producing countries – Brazil, the US, Argentina, and Paraguay – as well as estimations by trase.earth of deforestation risk linked to soy from these areas (excluding the US).

# KEY FINDINGS: HOW DID TRADERS PERFORM?

None of the traders assessed are showing leadership in tackling deforestation, conversion and human rights abuse in soy supply chains. There is substantial room for progress for all across the priority areas covered in this assessment. This scorecard does not reveal a group of leading soy traders that are able guarantee sustainable soy supply chains. The scorecard found that:

## 7 OF THE 9

traders who responded to the survey declared having a commitment to deforestation-free soy, with four including the conversion of other natural ecosystems (beyond forests, including grasslands and savannahs) in their commitment.

## 7 OF THE 9

respondents commit to protecting human rights and securing the Free, Prior and Informed Consent of Indigenous peoples and local communities in their supply chain. However, none required their suppliers to have equivalent commitments for their own operations.

## NONE

of the traders who responded to the survey reported their total volume of soy traded.

## NONE

of the nine respondents have a cutoff date for any biome except the Amazon. This includes the Cerrado, despite years of negotiations with the Cerrado Working Group (GTC).

## ONLY 6

of the responding traders commit to monitoring their indirect suppliers for compliance with their deforestation commitments. No trader is yet implementing these commitments effectively for any of their indirect suppliers: they often limit implementation to a small set of indirect suppliers or geographic scope, or conduct monitoring sporadically (less than annually while conversion is ongoing throughout the year), and all but one fail to provide third-party verification on monitoring results. Only two traders annually monitor their intermediaries' farms of origin, but neither publicly reports the results of this monitoring.



# KEY RECOMMENDATIONS: WHERE DO WE GO FROM HERE?

This scorecard sets a clear call to action to traders themselves. However, to address the systemic issues of soy- and commodity-driven deforestation, conversion and human rights abuse, it is imperative that all stakeholders take bold action within and beyond their operations and sphere of influence to support swift transformation. In particular, we call on:

## SOY TRADERS

To commit now to zero conversion and to respecting human rights across their soy supply chains, with a 2020 (at the latest) cutoff date, and accelerate delivery against this commitment, including robust monitoring and verification systems.

## SOY BUYERS

To ensure and verifiably demonstrate that their own soy supply chains are free of deforestation, conversion and human rights abuses, to require their suppliers to take action across their entire operations, and to strengthen support for mainstream, biome-wide solutions.

## FINANCIAL INSTITUTIONS

To require all clients to commit to a conversion-free policy (with a 2020 or earlier cutoff date) and to respecting human rights, and set ambitious time-bound action plans to deliver this.

## POLICYMAKERS

To adopt and enforce binding legislation to ensure that all agricultural commodity supply chains are free of deforestation, conversion and human rights abuses.

For further detail on what each of these groups can do, please refer to the Recommendations section.

# SOY: THE SUPER (SECRET) PROTEIN

## INTRODUCTION

Soy is one of the main sources of protein in our global food supply, coming in two main forms – soybean meal and soybean oil. We may not realize how much of it we consume, however, because most of it is fed to livestock first. In fact, 75% of the world's soybean crop is used as animal feed, for poultry, pork, dairy, and aquaculture.

We can also find soy oil in everyday products like margarine, chocolate, ice cream and baked goods, cosmetics and soaps. Only 5% is used for direct human consumption, in foods like tofu, soy burgers and soy milk.

Because of its nutritional profile and efficiency as feed, soy production has more than doubled over the last two decades, but the rise in demand has come at a huge cost.

**75% OF THE WORLD'S SOYBEAN CROP IS USED AS ANIMAL FEED FOR POULTRY, PORK, DAIRY, AND AQUACULTURE.**

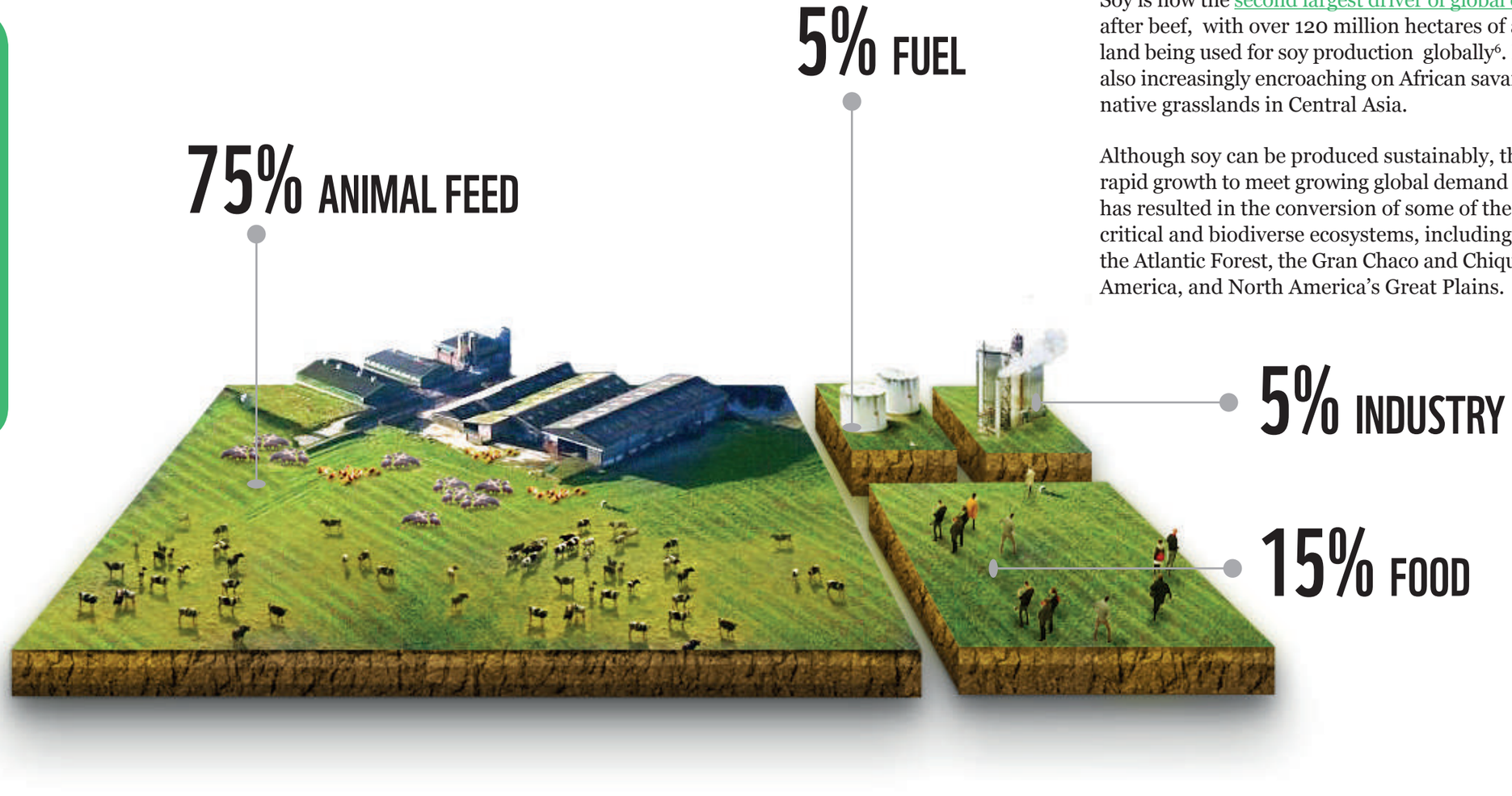
## THE GROWING DEMAND FOR SOY

**OECD-FAO DATA SUGGESTS A NEED FOR AT LEAST 7.8 MILLION HECTARES OF NEW LAND FOR SOY PRODUCTION BY 2028.**

Soy is bought by a variety of different buyers – from feed manufacturers and product manufacturers to food service and retail brands.

Soy production has been growing rapidly alongside the world's increasing demand for animal protein, with production rising 37% in the last 10 years (2011-2021). As the world's population is estimated to reach 10 billion people by 2050, soy production is expected to continue to increase to satisfy food demands, especially from large developing economies. OECD-FAO data suggests a need for at least 7.8 million hectares of new land by 2028, almost twice the size of Switzerland, to grow soy for use in animal feed alone[5].

**THE INDUSTRY'S RAPID GROWTH HAS RESULTED IN THE CONVERSION OF SOME OF THE WORLD'S MOST CRITICAL AND BIODIVERSE ECOSYSTEMS.**




**GLOBAL SOY CONSUMPTION BY USE**

SOURCE: USDA FAS, WWF'S CALCULATIONS. ESTIMATED 2020 SOYBEAN PRODUCTION IS 362 MILLION METRIC TONNES (MMT)[4].

[4] hiddensoy.panda.org



**THE MAJORITY OF GLOBAL SOY SUPPLY COMES FROM SOUTH AMERICA AND NORTH AMERICA.**

## WHERE IS SOY GROWN? SOY AND ECOSYSTEM CONVERSION

Soy is one of the earliest domesticated food crops, first cultivated in China as early as 9,000 years ago. It is now grown all over the world, but the majority of global soy supply comes from South America and North America.

The conversion of forests, savannahs and grasslands for soy production is endangering wildlife, nature, people and our climate.

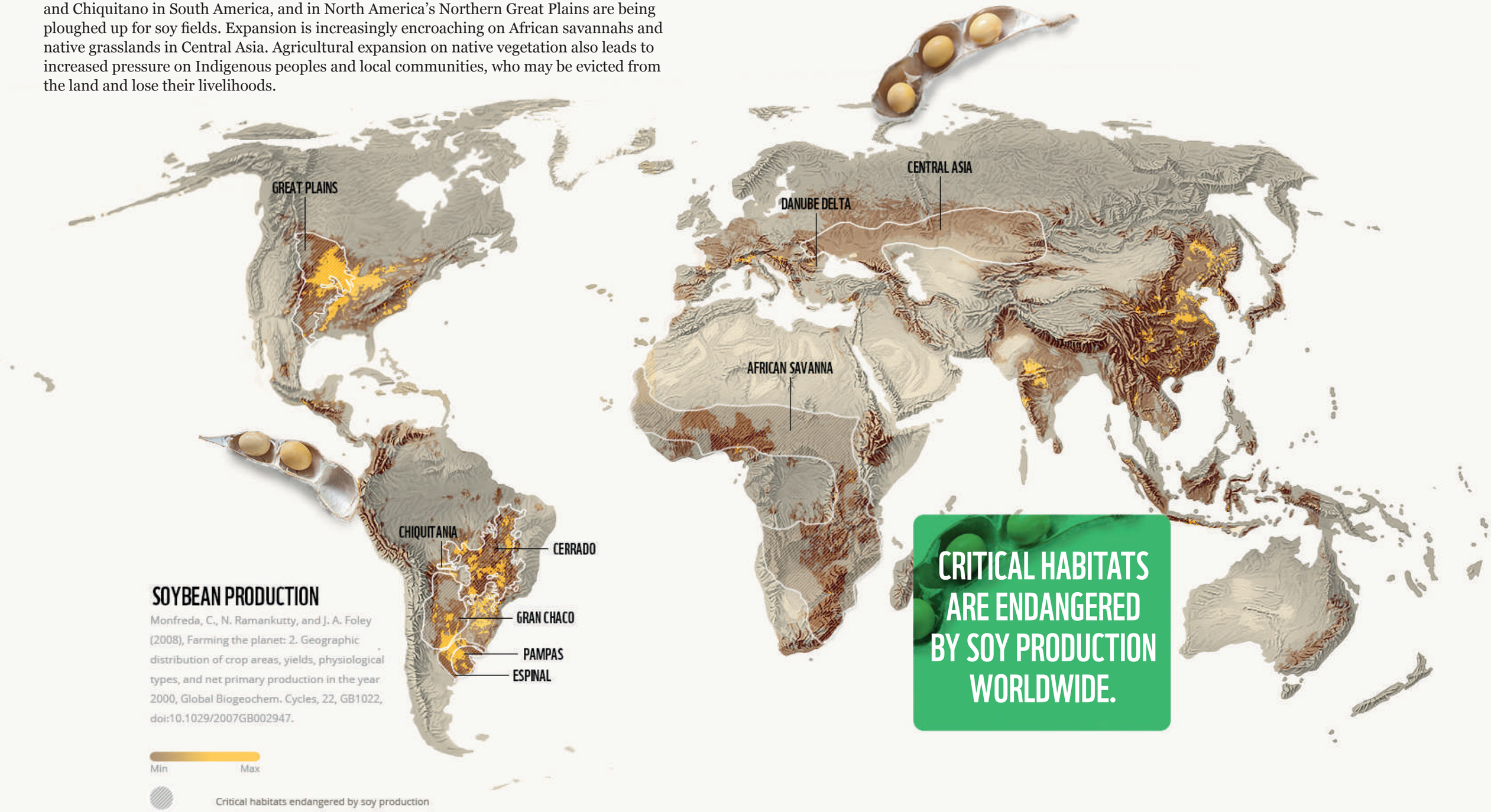
Over 8 million hectares of native vegetation across the globe have been ploughed up for soy fields since 2001. Soy is now the second largest driver of global deforestation after beef, with over 120 million hectares of agricultural land being used for soy production globally[6]. Expansion is also increasingly encroaching on African savannahs and native grasslands in Central Asia.

Although soy can be produced sustainably, the industry's rapid growth to meet growing global demand for soy products has resulted in the conversion of some of the world's most critical and biodiverse ecosystems, including the Cerrado, the Atlantic Forest, the Gran Chaco and Chiquitania in South America, and North America's Great Plains.

[5] OECD-FAO Agricultural Outlook 2019-2028 and WWF's calculation, assuming a baseline of 2020 and factoring in OECD's 8% yield growth for soy by 2028.
[6] FAOSTAT

**Conversion of forests, savannahs, and grasslands for soy production is endangering wildlife, nature, people, and our climate.**

Millions of hectares of critical habitat in the Cerrado, the Atlantic Forest, the Gran Chaco and Chiquitano in South America, and in North America's Northern Great Plains are being ploughed up for soy fields. Expansion is increasingly encroaching on African savannahs and native grasslands in Central Asia. Agricultural expansion on native vegetation also leads to increased pressure on Indigenous peoples and local communities, who may be evicted from the land and lose their livelihoods.



Soy is not always cultivated on land that has been converted to produce soy specifically. More often, land will first be converted and used for cattle ranching, before going on to be repurposed and used for soy cultivation several years later.

Soy is an incredibly profitable crop, and can heighten the financial value of the land – which can incentivize farmers and producers to clear further land to rear cattle, while cultivating soy on former pastureland[7]. This results in even further deforestation and conversion to continue to produce both soy and cattle products at the same rate. In South America, soy production is currently one of the most profitable uses of agricultural land, and soy production is pushing cattle ranching further into tropical forests and ecosystems[8].

These biomes provide habitats to spectacular wildlife and have an essential role to play in climate change mitigation and water cycle regulation, yet they are being cleared at an alarming rate to produce soy, beef and other commodities. The destruction of these ecosystems is detrimental for all lives on Earth.

Since almost a quarter[9] of anthropogenic greenhouse gas emissions derive from agriculture, forestry and other land use, addressing commodity-driven deforestation and conversion is essential to limit global warming to below 1.5°C above pre-industrial levels. As forests and other natural ecosystems are cleared for soy production, huge amounts of greenhouse gases are released into the atmosphere, and the ability of these ecosystems to absorb carbon dioxide from the atmosphere drops.

Soy production can also threaten the rights of Indigenous peoples and local communities, who may be evicted from the land and lose their livelihood, and lead to the loss of precious species of flora and fauna[10]. Outbreaks of zoonotic diseases such as COVID-19 are also more likely to occur where forests or other natural ecosystems have been cleared for monoculture plantations[11].

**COMMODITY-DRIVEN DEFORESTATION AND CONVERSION MUST BE ADDRESSED URGENTLY. SOME STEPS HAVE BEEN TAKEN BY KEY STAKEHOLDERS INCLUDING TRADERS TO REDUCE DEFORESTATION AND CONVERSION IN SOY SUPPLY CHAINS, BUT NONE HAVE RESULTED IN SUBSTANTIAL PROGRESS IN ANY OTHER BIOMES BEYOND THE AMAZON.**

For all these reasons, commodity-driven deforestation and conversion must be addressed urgently. Some steps have been taken by key stakeholders including traders to reduce deforestation and conversion in soy supply chains, like the Amazon Soy Moratorium (see box), but none have resulted in substantial progress in any other biomes beyond the Amazon.

In 2017, over 60 Brazilian and international NGOs, foundations and scientific institutes published the Cerrado Manifesto calling for "immediate action in defense of the Cerrado by companies that purchase soy and meat from within the biome, as well as by investors active in these sectors". As a response, a group of global brands signed a Statement of Support ("SoS") for the manifesto, committing to working with Brazilian stakeholders to prevent further loss of this important ecosystem. The SoS group has continued to grow and now counts 163 signatories, representing farming and food processing, packaged consumer goods, retail and food service, financial institutions and other supporters.



Following the release of the Cerrado Manifesto, a series of negotiations between civil society, soy traders, other industry members, producer organizations, governments and financial institutions (members of the GTC, or Cerrado Working Group – Grupo de Trabalho do Cerrado in Portuguese) resulted in the design of a Cerrado Conservation Mechanism (CCM). This ground-breaking mechanism would entail a biome-wide 2020 cutoff date and financial incentives to support farmers' efforts to expand soy only on existing agricultural land and protect the Cerrado's remaining native vegetation. In late 2019, traders rejected the solution offered by the Cerrado Conservation Mechanism.

The year 2020 saw increased corporate and investor pressure on traders, urging them to comply with two main asks: setting a 2020 cutoff date for sourcing soy in the Cerrado biome, and implementing a robust traceability and monitoring system to demonstrate adherence to the cutoff date. This included multiple market declarations (from Germany, Switzerland, Austria and France), letters sent by the SoS group to ADM, Bunge, COFCO International, Glencore, Louis Dreyfus Company and Cargill, the exclusion of specific traders from green bonds over deforestation claims and NGO campaigns against traders.

Despite these calls to action, traders publicly rejected these two key asks: in December 2020, André Nassar, the head of the Brazilian Association of Vegetable Oil Industries (Abiove), which represents the biggest soy traders in Brazil, said that a 2020 cutoff date in the Cerrado is "not feasible" as it would mean excluding farmers even when they expand areas legally"[12]. Mostly driven by soy expansion, Cerrado conversion continues to grow at an alarming rate: it increased by 12.3% between August 2019 and July 2020, with 7,300km² (or 730,000 hectares) converted in the period[13]. Most of the conversion in the Cerrado is illegal. Between August 2019 and July 2020, of 6,721 conversion alerts, 6,375 (95%) were in areas with no authorization to clear land[14].

Although downstream buyers' recent efforts to halt soy-driven deforestation have focused mainly on the Cerrado biome (and have so far failed to deliver results), other critical biomes including the Gran Chaco and the Great Plains continue to be highly vulnerable to destruction but receive much less attention.


7 Russell, A. and von Reusner, L. 2020. Fanning the Flames: The corporations destroying the Amazon and worsening the COVID-19 pandemic. Mighty Earth.
8 resources.trase.earth/documents/Trase_Yearbook_Executive_Summary_2_July_2020.pdf
9 Shukla, P.R., Skea, J., Slade, R., van Diemen, R., Haughey, E., Malley, J., Pathak, M., Portugal Pereira, J. (eds.) 2019. Technical Summary. In: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems.
10 The average population size of vertebrates has declined by 68% in less than 50 years, and changing land use for food and feed production is the biggest driver of this alarming nature loss.For more, see WWF. 2020. Living Planet Report 2020: Bending the curve of biodiversity loss. Almond, R.E.A., Grooten, M. and Petersen, T. (eds). WWF, Gland, Switzerland.
11 Morand, S. and Lajaunie, C. 2021. Outbreaks of vector-borne and zoonotic diseases are associated with changes in forest cover and oil palm expansion at global scale. Frontiers in Veterinary Science 8:661063.
12 Mano, A. 2020. Goal of no deforestation next year in Brazil savanna unfeasible: soy association. Reuters, December 15. See also André Nassar's letter in the Financial Times.
13 PRODES Cerrado
14 PRODES Cerrado

## WHAT IS THE DIFFERENCE BETWEEN 'DEFORESTATION' AND 'CONVERSION'?

As defined by the Accountability Framework initiative, deforestation is the loss of natural forest as a result of changing the forest to agricultural or non-forest land use, including plantations, or severe or sustained degradation of the forest ecosystem.

Conversion is considered as the change of any natural ecosystem (including forests, but also extending beyond to include ecosystems such as savannahs, grasslands, wetlands, and peatlands) to another land use, or a significant change in the species composition, structure, or function of the ecosystem.

Like forests, other natural ecosystems are critical for carbon storage, biodiversity protection, water supply, mitigation of natural hazards, adaptation to climate change, and sustaining the wellbeing of Indigenous peoples and local communities. Essential non-forest ecosystems are at high risk of conversion for soy production, including the Cerrado, the Gran Chaco, and the Great Plains. Soy traders should adopt a cutoff date for all conversion (and not only deforestation) to protect natural ecosystems of all types.

### WHAT IS THE DIFFERENCE BETWEEN 'DEFORESTATION' AND 'CONVERSION'?

**Deforestation** is the loss of natural forest as a result of changing the forest to agricultural or non-forest land use, including plantations, or severe or sustained degradation of the forest ecosystem

**Conversion** is the change of any natural ecosystem (including forests, but also extending to other ecosystems such as savannahs, grasslands, and wetlands) to another land use, or a significant change in the species composition, structure, or function of the ecosystem.

SOY TRADERS SHOULD ADOPT A CUTOFF DATE FOR ALL CONVERSION TO PROTECT NATURAL ECOSYSTEMS OF ALL TYPES.



## WHAT ARE CUTOFF DATES AND TARGET DATES?

A cutoff date is the reference date after which commodities produced on newly converted areas of land cannot be considered deforestation- or conversion-free under this commitment. A cutoff date should not be set in the future, to avoid any new deforestation or conversion in anticipation of its implementation.

It is important to distinguish a commitment's cutoff date from its target date: the target date is the date by which the company intends to have fully achieved its commitment.

For example, if trader "A" has a 2015 cutoff date and a 2020 target date for its no-conversion commitment, this means that, y 2020, it will not trade in any soy produced on land converted after 2015.

In the absence of a clear cutoff date, the significance of a deforestation- and conversion-free commitment remains unclear to the company's stakeholders, as there is a risk that soy grown on recently converted land may be considered compliant with the commitment. As such, cutoff dates are essential in achieving deforestation- and conversion-free supply chains.

Cutoff dates are also critical to enabling companies to establish precise, actionable and monitorable commitments in deforestation-free and conversion-free supply chains. By adopting a cutoff date, soy traders send producers a strong signal that they will no longer purchase soy from recently or newly deforested and converted land.

BY ADOPTING A CUTOFF DATE, SOY TRADERS SEND PRODUCERS A STRONG SIGNAL THAT THEY WILL NO LONGER PURCHASE SOY FROM RECENTLY OR NEWLY DEFORESTED AND CONVERTED LAND.

In addition, in light of forthcoming mandatory due diligence requirements for goods imported into the EU and UK, a cutoff date is also likely to put companies at an advantage for market access and legal compliance in European markets.

For more information, please refer to the Accountability Framework Operational Guidance on cutoff dates.

### WHAT ARE CUTOFF DATES AND TARGET DATES?

**A cutoff date** is the reference date after which commodities produced on newly converted areas don't comply with a zero deforestation or conversion commitment.

**A target date** is the date by which the company intends to have fully achieved its commitment.

## THE AMAZON SOY MORATORIUM: COULD IT BE REPLICATED FOR THE CERRADO?

The Amazon Soy Moratorium is often seen as the first major global zero deforestation agreement[15]. It has successfully limited soy-driven expansion on native vegetation in the biome. The fact that it is explicitly upheld by most traders who have responded to this scorecard is encouraging. But saving the Amazon is not enough, if conversion leaks over to other landscapes like the Cerrado.

Between 2001 and 2006, the soy planted area expanded by one million hectares in the Brazilian Amazon. The Soy Moratorium was agreed in 2006. In the two years preceding the agreement, 30% of soy expansion occurred through deforestation rather than by replacement of pasture or other previously cleared lands; by 2014, deforestation for soy had decreased to about 1% of expansion in the Amazon biome[16].

An analysis of the likely impacts associated with expanding the Soy Moratorium from the Brazilian Amazon to the Cerrado suggests this could prevent the conversion of 3.6 million hectares of native vegetation by 2050[17]. We call on soy traders assessed to implement a 2020 (or earlier) cutoff date for conversion for all soy they source from the Cerrado: this would be a pivotal step towards the implementation of a successful biome-wide solution, which would also include financial mechanisms to compensate farmers for their conservation efforts. These efforts should also be extended beyond the Cerrado, to the Gran Chaco, the Great Plains and all other biomes at risk of conversion for soy expansion.

**EIGHT YEARS AFTER THE AMAZON SOY MORATORIUM BEGAN, DEFORESTATION FOR SOY HAD DECREASED TO ABOUT 1% OF EXPANSION IN THE AMAZON BIOME.**

15 WWF. 2016. Soy Moratorium: The main global zero deforestation benchmark.
16 Gibbs, H.K. et al. 2015. Brazil's Soy Moratorium. Science 347(6220): 377-378. Cited in WWF. 2021. Deforestation fronts: Drivers and responses in a changing world.
17 Soterroni, A.C. et al. 2019. Expanding the Soy Moratorium to Brazil's Cerrado. Science Advances 5(7): eaav7336. Cited in WWF. 2021. Deforestation fronts: Drivers and responses in a changing world.



## HUMAN RIGHTS RISKS IN SOY SUPPLY CHAINS

The impacts of the soy industry extend beyond the environment, reaching into the lives of people living and working in soy sourcing regions.

Soy expansion over natural ecosystems is often linked to land grabbing – understood here as "large-scale land deals for plantation agriculture"[18] – which is associated with a series of human rights violations.

**DUE TO THEIR PROXIMITY TO AND INTEGRATION IN PRODUCTION LANDSCAPES, SOY TRADERS HAVE A CRITICAL RESPONSIBILITY TO AVOID CAUSING OR CONTRIBUTING TO ADVERSE HUMAN RIGHTS IMPACTS.**

It displaces vulnerable populations, affects their traditional ways of life and damages the environment, which in turn exacerbates poverty and food insecurity[19].

Conversion of natural ecosystems to produce soy not only edges us closer to the erasure of these biomes but also brings the risk that local communities and Indigenous peoples may lose their land and the resources upon which they depend. The rapid and unequal agricultural development in places like the Cerrado - the world's biggest conversion front[20] and home to most of Brazil's soy production – is threatening the lives, rights and livelihoods[21] of local Indigenous, quilombola and traditional communities[22]. The Cerrado is home to 25 million people, including 80 Indigenous peoples and so-called traditional peoples and communities[23]. These communities suffer from poor recognition of their rights to land, water, forest and other natural resources, which are closely linked to their rights to food, nutrition, and human dignity.

Due to their proximity to and integration in production landscapes, soy traders have a critical responsibility to avoid causing or contributing to adverse human rights impacts, as well as to address any impacts that arise from their operations and supplier sourcing, even if they do not own land themselves[24].

18 European Parliament, Directorate-General for External Policies of the Union. 2014. Addressing the human rights impacts of 'land grabbing'.
19 Grant, E. and Das, O. 2015. Land Grabbing, Sustainable Development and Human Rights. Cambridge University Press.
20 WWF. 2021. Deforestation fronts: Drivers and responses in a changing world.
21 ActionAid. 2017. Impacts of agribusiness expansion in the Matopiba region: Communities and the environment.
22 Sax, S. 2021. A new app puts invisible communities in Brazil's Cerrado on the map. Mongabay, 21 March.
23 FIAN International. 2018. The Human and Environmental Cost of Land Business: The case of Matopiba, Brazil.
24 For more information, please refer to the Accountability Framework's operational guidance on respecting the rights of Indigenous peoples and local communities.

## CAN SOY BECOME CONVERSION-FREE?

**THERE IS NO NEED FOR FURTHER DESTRUCTION TO EXPAND SOY PRODUCTION.**

There is more than enough already cleared land which is suitable for soy production to absorb the increasing global demand for the next decades, without any further encroachment on native vegetation.

A 2019 study found that in the Cerrado alone there is enough already degraded land (approximately 38 million hectares beyond currently used land) available to double and potentially even triple soy production in the region. This would be enough to meet the growing global demand, without the need for any further ecosystem conversion[25]. Another study found that already converted and cultivated pasture land in Brazil is only being used at around a third of its productivity, and that increasing this productivity by just 20% would be enough to meet demand[26]. This could be done just by improving farming practices[27].

But despite years of awareness, calls to action, commitments and declarations by market players and governments, there is still too little action from traders on deforestation and conversion in soy supply chains.

[25] Rausch, L. et al. 2019. Soy expansion in Brazil's Cerrado. Conservation Letters 12(6).
[26] Strassburg, B. et al. 2014. When enough should be enough: Improving the use of current agricultural lands could meet production demands and spare natural habitats in Brazil. Global Environmental Change 28: 84-97.
[27] TNC. 2019. Environmental Framework for Lending and Investing in Soy in the Cerrado.



The traders who responded to this survey have already made critical steps forward in ensuring their supply chains are free from deforestation, conversion, and human rights abuse – but they need to increase the ambition of their goals and actions.

It is vital that traders remain engaged in high-risk sourcing regions they currently operate in, like the Cerrado and the Gran Chaco, and focus their efforts on preventing further deforestation and conversion in those regions. If traders move away from sourcing soy in these regions, the conversion will shift elsewhere – for instance to the Chiquitania, to the African savannah or the Danube region in Europe – which will continue to cause devastation of habitats and species, and the release of large volumes of greenhouse gas emissions into the atmosphere.

**IF TRADERS MOVE AWAY FROM SOURCING SOY IN HIGH-RISK REGIONS, THE CONVERSION WILL SHIFT ELSEWHERE, WHICH WILL CONTINUE TO CAUSE DEVASTATION OF HABITATS AND SPECIES.**

Greater action is urgently needed in high-risk regions, or vital ecosystems like the Cerrado, Great Plains, and the Gran Chaco will be lost forever – and the lives of the people who live there will never be the same.

### A SUCCESS STORY: TOWARDS DEFORESTATION- AND CONVERSION-FREE SOY IN THE SALMON INDUSTRY

Although smaller traders than those included in the scorecard, three Brazilian traders have proved that implementing a 2020 cutoff date for biomes beyond the Amazon is possible. In January 2021, the three traders which supply soy to the salmon industry – CJ Selecta (a subsidiary of CJ CheilJedang, which is included in this scorecard), Caramuru and Imcopa/Cervejaria Petrópolis – committed to implementing a 100% deforestation- and conversion-free soybean value chain with 2020 as their cutoff date. They will no longer trade soy grown on land converted after this deadline. This is a bold and historic move which sets a new benchmark for global soy supply chains.

We call on all traders to follow the leadership of these three companies and set a 2020 (or earlier) cutoff date for all biomes they source from.

# METHODOLOGY

## WHY A SCORECARD?

**The Soy Traders Scorecard highlights both progress and any gaps in the industry's transition to deforestation, conversion, and human rights abuse-free sourcing, by publicly benchmarking the soy traders' performance.**

It provides a publicly available, transparent reference tool for policymakers and financial institutions as well as soy buyers to assess exposure to deforestation risk, and demand ambitious action from trading companies within and beyond their supply chains and financial portfolios. The scorecard can also be used as a framework to guide any engagement with soy traders on their actions to end deforestation, conversion and human rights abuse in soy supply chains.

For traders, the scorecard is a useful tool which enables them to benchmark against their peers, and also an opportunity to demonstrate their progress towards commitments over time through becoming more transparent.

THE IMPACTS OF THE SOY INDUSTRY EXTEND BEYOND THE ENVIRONMENT, REACHING INTO THE LIVES OF PEOPLE LIVING AND WORKING IN SOY SOURCING REGIONS.

# WHY TRADERS?

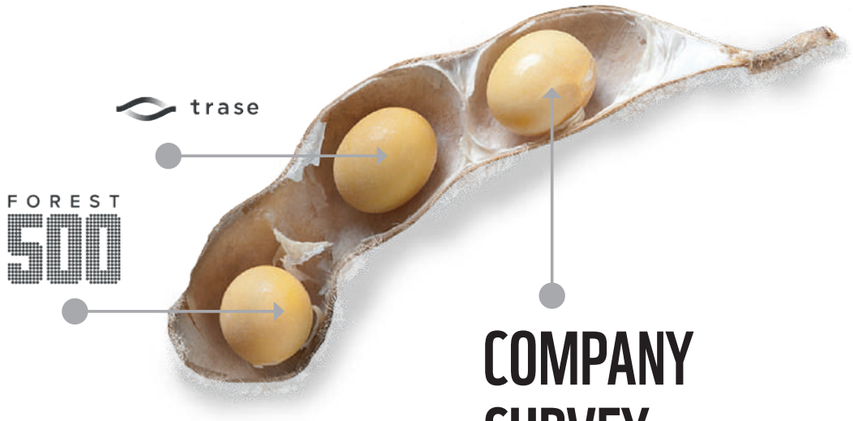
Soy traders represent a key bottleneck in soy supply chains where ambitious action is needed. They are at the intersection between producing landscapes and global markets, which provides them with unparalleled influence over production practices at a large scale.

The 22 traders included in the scorecard represent approximately 69% of global soy exports. Due to the level of concentration at this stage of the supply chain, these trading companies have the capacity to swiftly drive large-scale change across the soy industry by collectively raising the ambition of their commitments and implementation plans, as well as their transparency about progress made over time.

The commitments of traders are key in determining how soy is produced and processed further up the supply chain, and also key for downstream soy buyers such as animal feed manufacturers to achieve their deforestation commitments.

This unique potential to influence an entire sector means soy traders are critical in efforts towards ensuring that soy is free from deforestation, conversion and human rights risks. Bigger traders have disproportionate responsibility in ensuring soy production is decoupled from environmental and social harm; they have more resources to contribute towards this and have been under the spotlight for longer. Cargill, Bunge and ADM each represented over 10% of the global export market share for soy in 2018.

# PRE-POPULATED DATA




[28] Ideally more of the selection would be based on risk, to ensure we are assessing the most important players to tackle soy-driven deforestation and conversion, but this data is not available for all geographies.



# HOW DID WE SELECT THE SOY TRADERS?

We included 22 traders in this scorecard. They are among the biggest and most exposed to deforestation, conversion and human rights risks globally.

They were selected based on their potential exposure to these risks, measured by estimated volumes of soy exported from key producing countries (Brazil, US, Argentina, and Paraguay, which together represented 84% of global soy production in 2020), and estimations of deforestation risk linked to soy from some these areas by trase.earth[28].

Most companies assessed are headquartered in the US (6 of 22), Japan (4 of 22), Brazil (3 of 22) and Argentina (3 of 22), with the remaining companies having headquarters in Europe (France, Liechtenstein and Luxembourg), China and South Korea.

**THE SCORECARD ASSESSES 22 OF THE LARGEST SOY TRADERS ON THEIR ACTIONS TO END SOY-DRIVEN DEFORESTATION, CONVERSION AND HUMAN RIGHTS ABUSES.**

For those who choose not to answer the survey, scores are based on publicly available data.

100 SCORE

| | |
|---|---|
| 81-100 | ADVANCED |
| 61-80 | INTERMEDIATE |
| 41-60 | ELEMENTARY |
| 21-40 | POOR |
| 0-20 | NON-PERFORMER |
| 0-100 | NON-RESPONDENT |

## HOW DID WE ASSESS THE SOY TRADERS?

The soy traders were assessed on the strength and implementation of their deforestation- and conversion-free commitments for their soy supply chains. Broken down into five key sections, the scoring criteria and key issues covered by the methodology are aligned with the best practice outlined by the Accountability Framework initiative.

Developed and delivered in partnership with Global Canopy, surveys were sent to companies for self-reporting, with questions focused on deforestation and conversion of natural ecosystems. The surveys were pre-populated with data that companies publicly reported and has been collected as part of the Forest 500 assessments, and/or volumes and deforestation-risk estimations from trase.earth. Further guidance on company commitments and actions for their implementation can be found in the Accountability Framework.

Companies were invited to review, update, and add to the information pertaining to their scorecard profile before its publication and were provided detailed guidance on how to do so.

Only nine of the traders responded and provided supplementary information. The commitments of those that didn't respond were identified based on publicly available information collected by Forest 500 where possible and additional desk-based research.


[29] The full details of the soy traders scorecard survey methodology can be found here.

# SCORING CRITERIA

## 1. SET AND STRENGTHEN GOALS 30 %

| | |
|---|---|
| This section focuses on the commitments made by the traders on deforestation and conversion, traceability and human rights in their supply chains, and whether these commitments cover all of their operations and procurement. | **Key indicators:**<br>○ Commitments on deforestation- and conversion-free sourcing, including cutoff dates and achievement dates<br>○ Respect for human rights, including labour rights and Free, Prior and Informed Consent<br>○ Traceability of sourcing regions |

## 2. IMPLEMENT ETHICAL SUPPLY CHAINS 33 %

| | |
|---|---|
| Focusing on how the traders implement their commitments throughout their supply chain, this section looks at indicators such as conducting supply chain-wide risk assessments, monitoring suppliers, and verifying compliance and progress. | **Key indicators:**<br>○ Managing compliance in the supply chain<br>○ Supplier requirements<br>○ Monitoring and verification of compliance |

## 3. REPORT PROGRESS 20 %

| | |
|---|---|
| This scoring section looks at whether the traders report on their progress towards their deforestation/conversion or traceability commitments. | **Key indicators:**<br>○ Outcomes on deforestation- and conversion-free commitments<br>○ Outcomes on traceability commitments |

## 4. INCREASE TRANSPARENCY 11 %

| | |
|---|---|
| Increasing transparency of soy supply chains is critical in ensuring that they are free from deforestation/conversion and human rights risks. This scoring section assesses whether traders are transparent on their exposure to deforestation through soy. | **Key indicators:**<br>○ Company information and exposure to deforestation-risk<br>○ Volumes of soy handled and traded<br>○ Policy advocacy for regulatory frameworks |

## 5.COLLABORATE FOR CHANGE 6 %

| | |
|---|---|
| The final scoring section considers whether the soy traders collaborate or partner with other stakeholders on improving the sustainability of soy production and procurement beyond their own supply chains. | **Key indicators:**<br>○ Memberships of collaborative actions in producer countries<br>○ Memberships of collaborative actions in import markets |

# ANALYSIS

## HOW ARE SOY TRADERS PERFORMING AS A WHOLE?

In the first soy traders scorecard the picture is clear: the traders assessed are taking too little action to address deforestation, conversion, and human rights risks in their supply chains.

### 22 TRADERS WERE APPROACHED AS PART OF THIS SCORECARD – ONLY 9 RESPONDED.

The 13 traders that didn't respond to the survey handle 17% of global soy supply. These companies were either unable or unwilling to provide the time or resources to respond to the survey. Regardless of the reasons, this signals a critical lack of transparency from soy traders across all geographies, which is also illustrated by the average scores observed in the 'increase transparency' section (1.3/11).

The scores of the 13 traders that did not respond are based on publicly available information, which mainly pertains to their policies, as opposed to the implementation of their commitments. They would likely have achieved higher scores by simply responding to the survey.

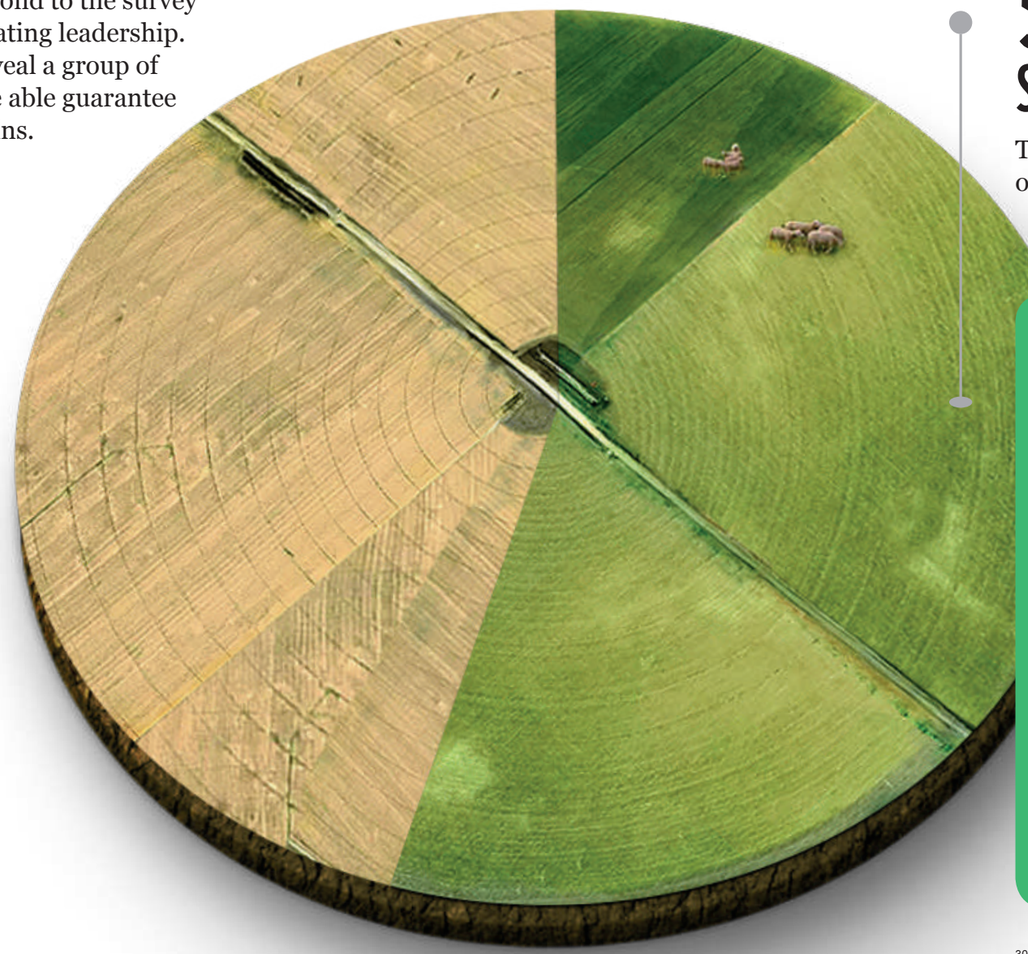
**THE NINE TRADERS THAT DID RESPOND TO THE SURVEY HANDLE 52% OF GLOBAL SOY, PROVIDING A CLEAR PICTURE ON HOW MORE THAN HALF OF GLOBAL SOY IS PROCURED.**

Those that did respond to the survey provided more detailed responses on their approach to addressing deforestation, conversion and human rights risks in their soy supply chains. Although no trader provided information for all of the questions covered in the survey, those that engaged in the process have shown the beginnings of transparency on their soy sourcing activities.

Of those that responded, none are taking sufficient action to tackle soy-driven deforestation, conversion and human rights abuse. The highest score among all traders who responded to the survey is 52.5%. Even the highest scorer has much more work to do to align with best practice for the industry as outlined by the Accountability Framework initiative. There is substantial room for progress for all.

## BUT NONE OF THE TRADERS ASSESSED ARE SHOWING LEADERSHIP IN TACKLING DEFORESTATION, CONVERSION, AND HUMAN RIGHTS ABUSE IN SOY SUPPLY CHAINS.

Even the nine that did respond to the survey are by no means demonstrating leadership. This scorecard does not reveal a group of leading soy traders that are able guarantee sustainable soy supply chains.





# ONLY 9
## CONTACTED RESPONDED TO THE SURVEY

More than half of the 22 traders approached did not respond.

# 52% OF GLOBAL SOY EXPORTS

The 9 respondents represent 52% of global soy exports.

## INACTION FROM TRADERS LIMITS HOW QUICKLY DOWNSTREAM SOY BUYERS CAN ACHIEVE THEIR DEFORESTATION- AND CONVERSION-FREE COMMITMENTS.

52.5

# OUT OF 100 WAS THE HIGHEST SCORE

Even the top scorer has much more work to do to align with best practices outlined by the Accountability Framework initiative.

## TRADERS ASSESSED ALSO LACK AMBITIOUS CLIMATE GOALS

In a critical year for climate action, a few months before COP26, only one of the 22 traders assessed had set a Science Based Target to reduce their emissions in line with the Paris Agreement goals. This target[30] is not in line with limiting global warming to 1.5°C above pre-industrial levels, but 2°C. According to the Intergovernmental Panel on Climate Change, a 2°C temperature increase would exacerbate extreme weather, rising sea levels, diminishing Arctic sea ice, coral bleaching, and loss of ecosystems, among other impacts[31]. It is critical that all traders set ambitious, science-based net-zero targets in line with a 1.5°C future, covering scopes 1, 2 and 3.

In the latest Forest 500 assessments, 49 manufacturers and retailers had a commitment to achieve deforestation- or conversion-free soy supply chains. But many of these commitments are not achievable without effective action from traders.

[30] See Cargill's target on sciencebasedtargets.org/companies-taking-action
[31] IPCC. 2018. Special Report: Global Warming of 1.5°C

# HOW DID INDIVIDUAL TRADERS PERFORM?

For more detailed information on the scores of individual traders, please visit soyscorecard.panda.org/traders

| TRADERS | COUNTRY OF HQ | OUT OF 30 SET AND STRENGTHEN GOALS | OUT OF 33 IMPLEMENT ETHICAL SUPPLY CHAINS | OUT OF 20 REPORT PROGRESS | OUT OF 11 INCREASE TRANSPARENCY | OUT OF 6 COLLABORATE FOR CHANGE | TOTAL SCORE |
|---|---|---|---|---|---|---|---|
| Amaggi | Brazil | 16 | 21 | 7.5 | 5 | 3 | 52.5 |
| Cargill | United States | 19 | 17.5 | 6.5 | 3.5 | 4 | 50.5 |
| Bunge | United States | 18 | 15.5 | 7.5 | 3.5 | 4 | 48.5 |
| COFCO | China | 15.5 | 12.5 | 7.5 | 3 | 6 | 44.5 |
| ADM | United States | 16.5 | 18 | 3 | 1 | 6 | 44.5 |
| Viterra | Switzerland | 15.5 | 13 | 0.5 | 1.5 | 3 | 33.5 |
| Louis Dreyfus Company | Liechtenstein | 11.5 | 9.5 | 3.5 | 4 | 6 | 34.5 |
| CHS | United States | 6.5 | 2 | 4 | 1 | 3 | 16.5 |
| Coamo | Brazil | 6 | 1 | 0 | 1 | 0 | 8 |
| CJ CheilJedang Corporation | South Korea | 0 | 2.5 | 0.5 | 1.5 | 0 | 4.5 |
| Mitsubishi Corporation | Japan | 2 | 0.5 | 0.5 | 0 | 0 | 3 |



0-100 NON-RESPONDENT
0-20 NON-PERFORMER
21-40 POOR
41-60 ELEMENTARY
61-80 INTERMEDIATE
81-100 ADVANCED

| TRADERS | COUNTRY OF HQ | OUT OF 30 SET AND STRENGTHEN GOALS | OUT OF 33 IMPLEMENT ETHICAL SUPPLY CHAINS | OUT OF 20 REPORT PROGRESS | OUT OF 11 INCREASE TRANSPARENCY | OUT OF 6 COLLABORATE FOR CHANGE | TOTAL SCORE |
|---|---|---|---|---|---|---|---|
| Perez Companc | Argentina | 1 | 0.5 | 0 | 1.5 | 0 | 3 |
| Aceitera General Deheza | Argentina | 0 | 0 | 0 | 2 | 0 | 2 |
| Vicentin | Argentina | 1 | 0.5 | 0 | 0 | 0 | 1.5 |
| Bianchini | Brazil | 0 | 0 | 0 | 0 | 0 | 0 |
| Engelhart | Brazil | 0 | 0 | 0 | 0 | 0 | 0 |
| Zen-Noh | Japan | 0 | 0 | 0 | 0 | 0 | 0 |
| Sodrugestvo | Luxembourg | 0 | 0 | 0 | 0 | 0 | 0 |
| Hoche Triomphe Industrie | France | 0 | 0 | 0 | 0 | 0 | 0 |
| Marubeni Corporation | Japan | 0 | 0 | 0 | 0 | 0 | 0 |
| Perdue Farms | United States | 0 | 0 | 0 | 0 | 0 | 0 |
| Toyota Tsusho Corporation | Japan | 0 | 0 | 0 | 0 | 0 | 0 |

# COMMITMENT SETTING AND STRENGTH: HOW DO COMPANIES SCORE ON KEY ASKS?

1

## CONVERSION-FREE COMMITMENTS

**Most of the world's biggest and most exposed soy traders have committed to addressing deforestation, conversion and human rights abuse in their supply chains. However, there is substantial room for progress for all: none of them are taking sufficient action to tackle these pressing issues.**

Seven of the nine traders that responded to the survey had a public commitment to either deforestation-free or conversion-free soy. Four of the traders had committed to ensuring their soy has not contributed to the conversion of any natural ecosystems.

The remaining traders need to strengthen their commitments to cover conversion of all natural ecosystems.

**7 OF THE 9**

traders who responded to the survey declared having a commitment to deforestation-free soy, with four including the conversion of other natural ecosystems (beyond forests, including grasslands and savannahs) in their commitment.

2

## HOW ARE THEIR COMMITMENTS APPLIED TO THEIR SUPPLY CHAINS?

Traders need to go further to implement their commitments throughout their supply chains.

Four of the seven traders with deforestation- and/or conversion-free commitments did not apply their commitments to all of their exposure to soy; two excluded some of their operations, one excluded some sourcing regions, and a final trader excluded some of their operations and their indirect suppliers.

As a result, significant volumes of soy being handled by these companies are not covered by their commitment. This means important habitats are left at high risk of conversion for soy production, including grasslands, and savannahs – despite their deforestation- and conversion-free commitments.

**4 OF THE 7**

traders with deforestation- and/or conversion-free commitments did not apply their commitments to all of their exposure to soy.



3

## CUTOFF DATES

**None of the traders assessed have committed to a cutoff date for the conversion of any biomes beyond the Amazon.**

Although seven traders had committed to a 2008 cutoff date for the Amazon region, in line with the Amazon Soy Moratorium, and one other trader had a cutoff date of 2012 for the Amazon region, none of the traders assessed had a cutoff date for any of the other critical biomes at risk from conversion.

While upholding the Amazon Soy Moratorium is vital, expanding these efforts to other biomes like the Cerrado, the Gran Chaco and the Great Plains will be pivotal in efforts to halt soy-driven conversion. It is not enough to adopt a zero-deforestation or zero-conversion commitment without setting a clear deadline after which the company will not source from suppliers who grow soy on recently cleared land. Committing to such a cutoff date is a vital step in the implementation of traders' commitments.

A cutoff date is essential to enabling companies to establish precise, actionable and monitorable commitments related to deforestation-free and conversion-free supply chains. By adopting a cutoff date, soy traders send producers a critical signal that they will no longer purchase soy from deforested and converted land.

**NO CUTOFF DATES BEYOND THE AMAZON**

None of the respondents had a 2020 (or earlier) cutoff date for conversion of any biome except the Amazon.

4

## ACHIEVEMENT DATES

**Traders are failing to set explicit and ambitious target dates by which they will meet their deforestation- and conversion-free commitments.**

Six of the nine traders who responded have not identified a target date by which they will seek to fully achieve their deforestation- and/or conversion-free commitments.

Of the three that have committed to an achievement date, two have committed to 2025 and one not until 2030, and only one has committed to interim achievement dates.

This lack of achievement dates from traders has knock-on effects on the commitments of downstream soy buyers too. In the latest Forest 500 assessments, 32 of the 49 downstream soy buyers (manufacturers and retailers) with a deforestation/conversion-free commitment had a target date of 2024 or earlier. By not having achievement dates of 2025 or earlier, or not having achievement dates at all, traders may be preventing downstream companies from achieving their commitments.

5

## HUMAN RIGHTS RISKS IN SOY SUPPLY CHAINS BEING NEGLECTED

**Despite the high risk of human rights abuses in soy supply chains, the traders that responded to the survey are taking too little action to address these risks.**

Seven of the nine responding traders had made commitments to ensure that human rights were protected through their supply chains, and also that Free, Prior and Informed Consent (FPIC) was guaranteed for new land acquisitions and developments.

Of those with commitments to protecting human rights, all but one applied them to all of their operations, sourcing regions, and direct and indirect suppliers. Whereas for FPIC, two traders did not apply their commitments to all of their exposure to soy.

This scorecard finds that the majority of the largest and most exposed traders are making commitments to address human rights risk in their soy supply.

**But none of the traders who responded to the survey required their suppliers to have a human rights commitment or require securing the Free, Prior and Informed Consent of Indigenous peoples and local communities for new land acquisitions and developments.**

This means that although the soy being supplied to the traders may not have contributed to human rights abuses, other soy or other commodities produced by their suppliers might have.

### NONE OF THE TRADERS

who responded required their suppliers to have a human rights commitment or to require the Free, Prior, and Informed Consent of Indigenous peoples or local communities for purchases from new land acquisitions and developments.



6

## SOY TRACEABILITY

**Most traders commit to some level of traceability on the soy they source, but these efforts exclude a large proportion of their volumes.**

Eight of the nine traders that responded to the survey had committed to tracing their soy back to the farm – which will enable the traders to better monitor their suppliers and identify whether or not their soy was produced in line with their commitments.

But five of those eight traders exclude some sourcing regions from this commitment, and four exclude their indirect soy suppliers. Their commitments actually exclude a large volume of soy which could be contributing to conversion or human rights risks.

OF THE 8 TRADERS WITH A COMMITMENT TO TRACE THEIR SOY BACK TO THE FARM, 4 DIDN'T EXTEND THIS TO THEIR INDIRECT SUPPLIERS.

ONLY 6 COMMITTED TO MONITOR THEIR INDIRECT SUPPLIERS FOR COMPLIANCE WITH THEIR DEFORESTATION COMMITMENTS.

ONLY 2 TRADERS DECLARED MONITORING THEIR INTERMEDIARIES' FARMS OF ORIGIN ANNUALLY, BUT NEITHER PUBLICLY REPORTED THE RESULTS.

# IMPLEMENTING ETHICAL SUPPLY CHAINS

The next section of the scorecard survey looked at how the soy traders implemented their commitments through their supply chain

7

## CASCADING COMMITMENTS THROUGH THEIR SUPPLIERS

For traders, having their own deforestation- and conversion-free commitments is essential in using their influence to achieve a soy industry free of conversion and human rights abuses. But leading traders can go beyond this, and require their suppliers to make and implement equivalent commitments.

Best practice would require suppliers to make deforestation- and conversion-free commitments for all of their sourcing and operations – not just those which directly supply the trader.

**Although most have commitments themselves, none of the responding traders ask their suppliers to take action across their entire operations to halt deforestation and conversion and respect human rights by implementing equivalent commitments.**

If their suppliers do not apply the same standards across their entire operations, the traders cannot claim that soy is free from deforestation, conversion or human rights abuse.

Traders should therefore ensure such standards apply at a group level across their suppliers' operations to truly achieve soy that is free from deforestation, conversion and human rights abuses. This shouldn't only apply to the properties that the trader sources from but all of those owned by the suppliers, as well as all commodities their suppliers handle. This is particularly important for soy, since soy is not usually planted immediately following deforestation or conversion.

**NO TRADERS SYSTEMATICALLY SUPPORT THE REMEDIATION OF SOCIAL OR ENVIRONMENTAL HARM THEY MAY HAVE CAUSED OR CONTRIBUTED TO IN THEIR SUPPLY CHAINS.**



8

## MONITORING FOR COMPLIANCE

All traders with a deforestation- or conversion-free commitment have made steps to verify that part of the soy supplied by their direct suppliers is produced in line with their commitments. To be effective, however, monitoring should be conducted on a regular basis – at least quarterly – and results should be third-party verified in line with best practice.

**Only four of the nine traders who responded to the survey committed to monitoring their direct suppliers at least annually. The other five only committed to ad hoc monitoring.**

Without at least annual, and ideally quarterly, monitoring of their direct suppliers, traders will struggle to identify whether or not the soy they are sourcing is contributing to deforestation and conversion. This also means that the traders cannot confirm to buyers that their soy is deforestation- or conversion-free.

**Soy traders are not holding their indirect suppliers accountable for progress towards deforestation- and conversion-free soy supply chains.**

Monitoring direct suppliers alone is not enough. For traders to be able to ensure that their soy supply is compliant with their commitments they must also monitor their indirect suppliers – and ideally their indirect suppliers' farms.

Six of the nine traders committed to monitoring their indirect suppliers in some way, but only one committed to doing this annually. And only six traders committed to monitoring their intermediaries' farms of origin – but again only two said that they do so annually.

Even those that are monitoring their indirect suppliers are not doing so effectively; they often limit implementation to a small set of indirect suppliers or geographic scope, or conduct monitoring sporadically (less than annually, while conversion is ongoing throughout the year).

**FOR TRADERS TO BE ABLE TO ENSURE THAT THEIR SOY SUPPLY IS COMPLIANT WITH THEIR COMMITMENTS THEY MUST ALSO MONITOR THEIR INDIRECT SUPPLIERS.**

NONE OF THE TRADERS REQUIRE THEIR SUPPLIERS TO REMEDY ANY ADVERSE HUMAN RIGHTS IMPACTS CAUSED.

## 6 OF 9

traders committed to monitoring their indirect suppliers in some way, but only two committed to doing this annually.

## 6 TRADERS

committed to monitoring their indirect suppliers' farms, but again only two said that they do so annually.

## NONE OF THE TRADERS

are monitoring their indirect suppliers effectively. Implementation is often limited to a small set of indirect suppliers or geographic scope, or monitoring is conducted sporadically.

9

## VERIFYING SUPPLIER COMPLIANCE

Traders can strengthen their monitoring of both direct and indirect suppliers by using third-party verification to provide additional assurance that the soy, or other commodities procured, are deforestation- and conversion-free.

Only one of the traders assessed had secured third-party verification of their compliance reporting for their suppliers.

**Traders should more systematically support the remediation of any social or environmental harm they may have caused or contributed to in their supply chains.**

Once non-compliance has been identified, traders should require their suppliers to remediate any environmental or social harm caused.

Only one of the traders assessed requires their suppliers to restore any land converted after a set cutoff date - and even this was only in the Amazon.

None of the traders require their suppliers to remedy any adverse human rights impacts caused.

# REPORTING ON PROGRESS

10

## COMPLIANCE REPORTING

**Traders are making efforts to report on progress against their deforestation- or conversion-free commitments, but this progress reporting is often unclear.**

Only four  of the traders with a commitment to deforestation- and conversion-free soy  reported on the percentage of their entire exposure to soy that was estimated to be in compliance with their commitments. The percentages reported can be quite high, in one case reaching 99%. However, the lack of clarity and comprehensiveness of the commitments these percentages relate to (and importantly the lack of a cutoff date) reduces the meaningfulness of the results.

Without a clear cutoff date to provide a baseline, if a trader reports on a low annual rate of deforestation/conversion associated with its supply chains, this result may be misleading, as there is no clear, fixed reference point in time from which this percentage is systematically calculated.

In addition, methodologies used to calculate compliance rates are often unsound (using estimations based on the industry average of deforestation- and conversion-free soy combined with the company's market share, for example), and in most cases do not correspond to actual verified deforestation/ conversion-free volumes or suppliers.

### 8 OUT OF 9 REPORTED COMPLIANCE LEVELS

4 for all of their volumes

4 for part of their volumes

### 2 OUT OF 9 HAVE THIRD-PARTY VERIFICATION

1 for all of their compliant volumes

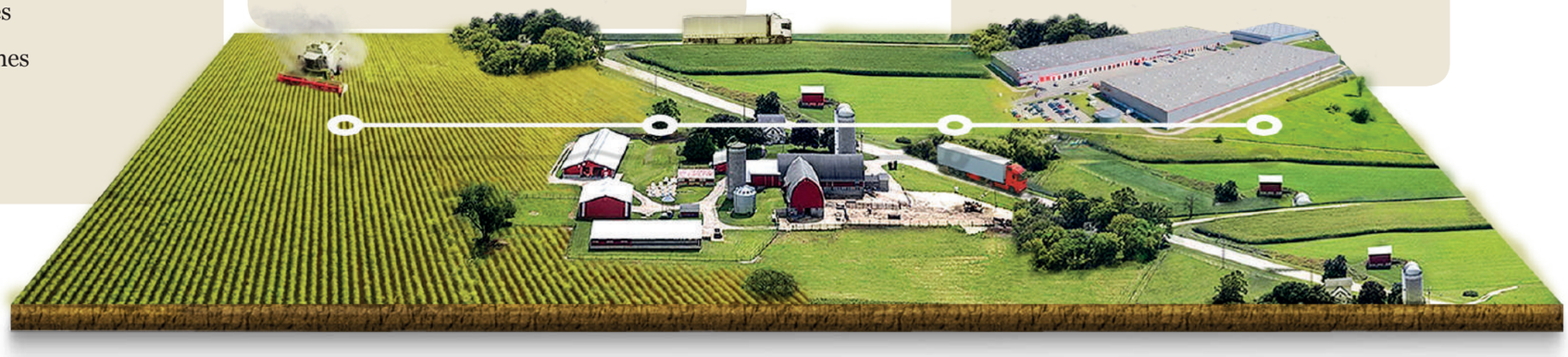
1 for part of their volumes

### 7 OUT OF 9 REPORTED ON TRACEABILITY ANNUALLY

3 with third-party verification

3 with internal verification

1 with no verification





11

## VERIFYING COMPLIANCE REPORTING

**Traders can secure third-party verification of their compliance reporting, but so far few of those who responded have done so.**

Only two traders that responded to the survey had secured third-party verification for their compliance reporting, with just one doing so for all of their compliance reporting

Third-party verification is not just beneficial for external stakeholders, including downstream soy buyers and financial institutions, but also for the traders themselves. It allows more accurate benchmarking of their performance against other traders, and of their own progress towards their commitments.

In alignment with Accountability Framework guidance on Monitoring and Verification, third-party verification of progress is critical to providing credibility and confidence that a given level of progress has been achieved. Third-party verification is known to build trust, reduce risks, and strengthen internal systems and learning by subjecting operations and their practices and outcomes to independent, external assessment.

12

## TRACEABILITY REPORTING

**Seven of the traders who responded to the survey are reporting on their traceability at least annually, but none reported 100% traceability to the farm for all sourcing regions, and all direct and indirect suppliers.**

Traders need to broaden their traceability efforts to the totality of their volumes, to be able to ascertain compliance with deforestation- and conversion-free commitments. While traceability alone does not guarantee sustainability, by knowing both where and how products in their supply chains are produced, companies can better assess impacts and provide support to improve them.

# INCREASING TRANSPARENCY

Transparency in reporting progress toward the implementation of commitments is critical, but the soy traders assessed are failing to be truly transparent on their exposure to and action on deforestation.

**There is a critical lack of transparency in traders' disclosure of information on their exposure to deforestation and conversion risk. More than half (13 out of 22) of the traders that were asked to participate in this survey didn't respond.**

13

## TRANSPARENCY ON SOURCING

Of the nine traders that responded to the survey, less than half (4 of 9) publicly reported the location of their own processing and/or production facilities. None disclosed the farms of origin of their soy supply.

This lack of transparency means that stakeholders further down the supply chain are unable to verify deforestation- or conversion-free claims, nor identify or remediate social or environmental harm that may have occurred. They are thus unable to verify whether their own commitments have been met. operations and their practices and outcomes to independent, external assessment.

14

## TRANSPARENCY ON EXPOSURE

None of the traders who responded to the survey reported their total volume of soy traded. Not one reported their deforestation risk in hectares for any of their operations or sourcing regions.

Without publicly, or privately, reporting this data, it is difficult for the traders' stakeholders to clearly measure the environmental and social risks linked to their operations and to take action to address them. This includes their customers, who likely have deforestation- and conversion-free commitments of their own to meet, and their financiers.

A lack of transparency on their exposure to deforestation risk presents difficulties for downstream soy buyers and even consumers who cannot identify how much deforestation they are potentially being exposed to. Greater transparency would have knock-on impacts on traders' entire supply chains, and the soy industry as a whole.



**NO TRADERS**
report the total volume of soy they source.

**NO TRADERS**
report farms of origin, direct, or indirect suppliers.

**13 OUT OF 22**
traders approached did not respond to the survey.

# COLLABORATING FOR CHANGE

**Collaboration exists but needs to be strengthened and focused to drive concrete impact on the ground, at scale.**

Eight of the nine traders who responded were members of biome-specific working groups to tackle soy-driven deforestation and conversion, while five were members of initiatives in import markets which advocate for deforestation- and conversion-free soy supply chains.

Traders have shown some efforts to work collaboratively to tackle issues pertaining to the sustainability of the industry, but these initiatives have not yet delivered much-needed large-scale transformation. Traders need to continue collaborating with each other, with producers, with soy buyers, with governments and with civil society to strengthen individual and collective efforts towards a soy industry that benefits people and nature.

Critically, they also need to ensure that these collaborations have explicit mandates to end all deforestation and habitat conversion – and related human rights abuses – in soy supply chains and beyond, and that they lead to bold action and measurable impact on the ground.

The rest of the industry cannot progress unless traders are prepared to go further and improve their commitments, implementation, monitoring, reporting and transparency efforts.

# RECOMMENDATIONS

This scorecard sets a clear call to action to traders themselves. However, to address the systemic issues of soy- and commodity-driven deforestation, conversion and human rights abuse, it is imperative that all stakeholders take bold action within and beyond their operations and sphere of influence to support swift transformation. This section outlines detailed recommendations to traders themselves, but also soy buyers, financiers and policymakers to support swift industry transformation.

**IT IS IMPERATIVE THAT ALL STAKEHOLDERS TAKE BOLD ACTION.**

# WHAT SHOULD SOY TRADERS DO?

Due to the high volume of product that moves through a few key players in soy supply chains, traders have an outsized influence over how soy is produced. They have the ability and the responsibility to drive significant transformation across the industry. No other actor along the supply chain can do this, although all downstream buyers are also responsible for any adverse environmental or social impacts associated with the production of soy.

Because they are at the intersection of producing landscapes and global markets, traders are well positioned to collaborate with each other and with other stakeholders to develop and implement harmonized systems of traceability and transparency for soy supply chains.

All soy traders must ensure their own supply chains are free from natural ecosystem conversion and related human rights abuses in all landscapes they source from. They must accelerate delivery on their commitments, and invest time and resources beyond their own supply chains to mainstream soy that is free from deforestation, conversion and human rights abuses.



# WE CALL ON SOY TRADERS TO:

## 1 STRENGTHEN AND INCREASE THE SCOPE OF THEIR DEFORESTATION- AND CONVERSION-FREE COMMITMENTS, in line with Accountability Framework guidance.

### ROBUST CONVERSION-FREE AND HUMAN RIGHTS COMMITMENTS

Company deforestation- and conversion-free commitments should be robust and aligned with the best practice outlined by the Accountability Framework initiative. This includes:

- A clear public commitment to **halting conversion of all natural ecosystems**, beyond deforestation only. This should cover both legal and illegal conversion, and include an **explicit cutoff date** (2020 or earlier) after which deforestation or conversion renders production areas non-compliant with the commitment.
  - This should apply to the Cerrado, the Gran Chaco and all other biomes the company sources from, in alignment with Accountability Framework guidance. Pre-existing cutoff dates that are aligned with the Accountability Framework initiative should be respected, and any emerging sectoral or biome-wide cutoff dates must be upheld. Existing cutoff dates that are in the future or not aligned with Accountability Framework guidance should be adjusted.
- An **ambitious target date** for achievement.
- A **comprehensive scope** covering all of the company's operations, sourcing regions, and direct and indirect suppliers. NB: For traders, this should apply to producers but also to other traders and intermediaries that companies may source from.
- A strong commitment to **respect the human rights** of those who work in or are affected by commodity production supply chains. This should apply to all of the company's production, sourcing and financial investments, and cover at least the rights of Indigenous peoples, local communities and workers. This should also include a commitment to secure Free, Prior and Informed Consent prior to any activity that may affect Indigenous peoples and/or local communities' rights, land, resources, territories, livelihoods, or foo d security.

  For more information on what this human rights commitment should include, please refer to Core Principle 2 of the Accountability Framework.

## 2 ACCELERATE DELIVERY ON THEIR DEFORESTATION AND CONVERSION-FREE COMMITMENTS.

The target date for the achievement of these commitments should reflect the urgency of the issue – we cannot wait until 2030 or 2025 to stop nature destruction. Traders must also provide a publicly available time-bound action plan to deliver on their commitments.

## 3 BROADEN TRACEABILITY EFFORTS TO THE TOTALITY OF THEIR VOLUMES, INCLUDING ALL SOURCING REGIONS, AS WELL AS DIRECT AND INDIRECT SUPPLIERS,

to ascertain compliance with commitments. In high-risk origins, traceability to farm polygons (and not single farm points) is essential to enable real monitoring of deforestation and conversion. While traceability alone does not guarantee sustainability, visibility is critical to examining elements of sustainability and empowers companies to understand their own supply chains and improve operations.

**VISIBILITY IS CRITICAL TO EXAMINING ELEMENTS OF SUSTAINABILITY.**



## 4 STRENGTHEN SUPPLIER ENGAGEMENT TO DRIVE MAINSTREAM TRANSFORMATION TOWARDS A DEFORESTATION- AND CONVERSION-FREE INDUSTRY,

by adopting Accountability Framework operational guidance on supply chain management. Companies should encourage progress through incentives and respond to lack of improvement (or worse performance) with sanctions. This should include clear communication of expectations to suppliers, and support to suppliers to achieve compliance with corporate commitments, as well as commercial and non-commercial mechanisms for addressing non-compliance.

### SUPPLIER PERFORMANCE MANAGEMENT SHOULD INCLUDE:

- **Communication of expectations to suppliers:** The company's ethical supply chain commitments (including cutoff dates) should be included in any supplier management systems and processes (e.g. sourcing specifications, supplier qualifications, codes of conduct, contract clauses or contract renewals).
- **Support to suppliers to achieve compliance**: Good performance and commitment compliance should be supported and incentivized by commercial (e.g. offering larger volumes to better-performing suppliers) or non-commercial (e.g. capacity building, partnerships and external recognition) mechanisms. For more information, please refer to the operational guidance on supply chain management.
- **Management of non-compliance:** When non-compliance is identified, traders should engage and support the supplier to implement a time-bound plan to address the problem. There should, however, be limits and consequences depending on the severity of the non-compliance, the supplier's degree of culpability and the supplier's commitment and capabilities to move towards compliance. Severe or continued non-compliance should be sanctioned by commercial action, which may include decreasing volumes sourced or suspending or terminating a supplier, depending on the factors outlined above.

## 5 REQUIRE ALL SUPPLIERS TO HAVE ALIGNED PUBLIC COMMITMENTS TO HALT DEFORESTATION AND CONVERSION AND TO RESPECT HUMAN RIGHTS, AS WELL AS TIME-BOUND ACTION PLANS, APPLYING ACROSS THEIR ENTIRE OPERATIONS FOR ALL COMMODITIES (NOT JUST SOY).

This should apply to producers but also to other traders and intermediaries that companies may source from.

To help drive best practice up the supply chain and accelerate mainstream transformation, traders should ensure such standards apply at a group level across their suppliers' operations to truly achieve commodities free from deforestation, conversion and human rights abuses.

This shouldn't only apply to the properties that the trader sources from, but all those owned by the suppliers.

These standards should apply across all of the commodities handled by the supplier, and not just soy. This is particularly important for soy, since often soy is not usually planted immediately following deforestation or conversion.

## 6 MONITOR ALL DIRECT AND INDIRECT SUPPLIERS AT LEAST QUARTERLY.

Use third-party verification to provide a high level of assurance for internal and external stakeholders. For more information, please refer to the Operational Guidance on Monitoring and Verification.

In the Cerrado, traders should align with the Monitoring, Verification and Reporting system developed by the NGOs in the Cerrado Working Group. This system is already under implementation by three traders: CJ Selecta, Imcopa and Caramuru.



## 7 REMEDY ANY ADVERSE HUMAN RIGHTS IMPACTS CAUSED, AND RESTORE OR COMPENSATE FOR ENVIRONMENTAL DEGRADATION OR ANY LAND CONVERTED AFTER CUTOFF DATES.

More information:

- Remediation and Access to Remedy
- Environmental Restoration and Compensation.

## 8 HAVE ALL PROGRESS REPORTING INDEPENDENTLY VERIFIED BY A THIRD PARTY, WITH A CLEAR SCOPE AND BASELINE DATE FOR COMPLIANCE.

See Operational Guidance on Reporting, Disclosure and Claims for more.

## 9 PUBLICLY DISCLOSE CRITICAL INFORMATION PERTAINING TO THEIR EXPOSURE TO DEFORESTATION AND CONVERSION RISK.

This includes:

- Sourcing volumes, broken down by:
  - Volumes verified deforestation- and conversion-free, and method of verification
  - Volumes from high-risk origins
  - Volumes traceable to farm in high-risk origins
  - Volumes traceable to farm and under engagement/monitoring
  - Volumes sourced from direct/indirect suppliers
  - Volumes certified by credible conversion-free standards, broken down by certification program and supply chain
  - Volumes for which neither origins nor deforestation/conversion risk is known
- The location of their processing and/or production facilities
- Information on the precise origins of their soy supply
- Grievance mechanisms, alongside the nature and status of any grievances raised
- Monitoring protocols and outcomes of monitoring efforts, with both direct and indirect suppliers.

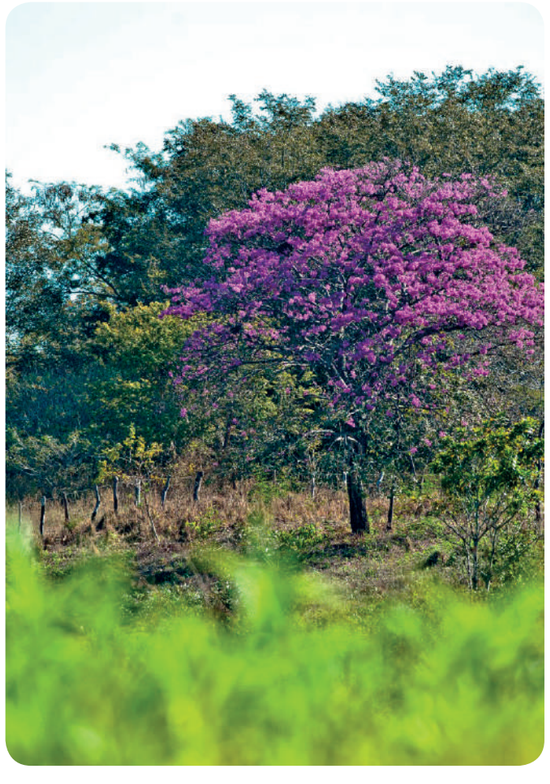
## 10 SUPPORT THE EXPANSION OF SOY PRODUCTION ON ALREADY CLEARED AGRICULTURAL LAND, IMPROVEMENTS IN SOY PRODUCTION (INCLUDING SUSTAINABLE INTENSIFICATION AND BETTER AGRICULTURAL PRACTICES) AND INCENTIVES FOR THE PROTECTION OF NATURAL ECOSYSTEMS

e.g. Long-term contracts or offtake agreements. Traders should collaborate with other stakeholders, including farmers, other companies, investors, civil society, and governments, to encourage these activities and to decouple soy production from the destruction of nature.

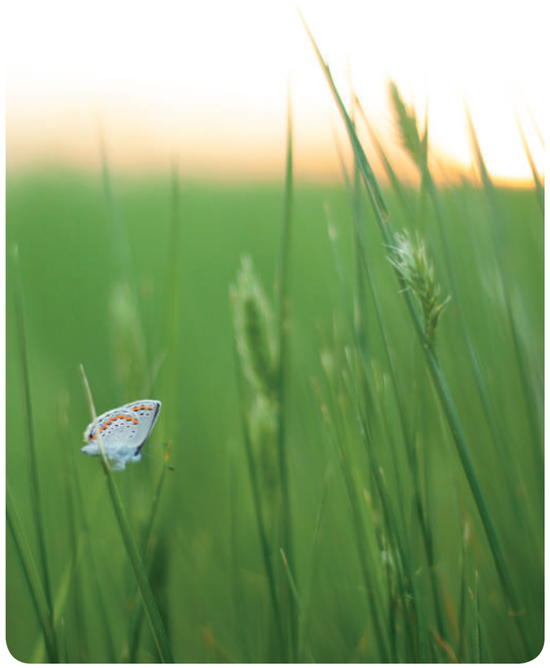


## 11 PARTICIPATE IN COLLABORATIVE INITIATIVES IN BOTH PRODUCER AND CONSUMER COUNTRIES TO TAKE TO SCALE THE DEVELOPMENT OF SOY PRODUCTION THAT IS FREE FROM DEFORESTATION, CONVERSION AND HUMAN RIGHTS ABUSES.

These initiatives should go beyond traders' own supply chains, and include support for political leadership and policy and legislative efforts.



TRADERS SHOULD COLLABORATE WITH OTHER STAKEHOLDERS, INCLUDING FARMERS, OTHER COMPANIES, INVESTORS, CIVIL SOCIETY, AND GOVERNMENTS, TO ENCOURAGE THESE ACTIVITIES AND TO DECOUPLE SOY PRODUCTION FROM THE DESTRUCTION OF NATURE.



# WHAT SHOULD SOY BUYERS DO?

All companies that use soy are responsible for helping to reduce the negative environmental and social impacts of its production. Because soy buyers depend on traders for information about the origin of the soy they use and associated social and environmental risks, it is difficult for them to achieve any commitments to deforestation-, conversion- and human rights abuse-free soy without traders. As a starting point, it is therefore vital that all soy buyers downstream of soy traders clearly and consistently demand soy that is free from deforestation, conversion and human rights abuse.

We recognize that downstream buyers have varying levels of leverage with soy traders, depending on their position in the supply chain. In light of this, we call upon each sector of the soy value chain to maximize their influence individually and/or through platforms to halt deforestation, conversion and human rights abuse.



# WE CALL ON ALL SOY BUYERS TO:

## 1 HAVE ROBUST COMMITMENTS TO ELIMINATE DEFORESTATION/CONVERSION AND HUMAN RIGHTS ABUSE FROM THEIR SUPPLY CHAINS,

covering their entire operations and aligned with Accountability Framework guidance. The deforestation/conversion commitment should include a 2020 (or earlier) cutoff date applying to all biomes the company and its suppliers source soy from, and a clear, ambitious target date that reflects the urgency of the issue. Pre-existing cutoff dates that are aligned with Accountability Framework initiative should be respected. Existing cutoff dates that are in the future or not aligned with the Accountability Framework initiative should be adjusted.

**IT IS VITAL THAT ALL SOY BUYERS DOWNSTREAM OF SOY TRADERS CLEARLY AND CONSISTENTLY DEMAND SOY THAT IS FREE FROM DEFORESTATION, CONVERSION AND HUMAN RIGHTS ABUSE.**

## 2 STRENGTHEN SUPPLIER ENGAGEMENT TO RESPOND TO THEIR PERFORMANCE AND ENSURE COMPLIANCE WITH THE COMMITMENTS,

by adopting Accountability Framework guidance on supply chain management. Companies should encourage progress through incentives and respond to lack of improvement (or worse performance) with sanctions. This could include proactive and reactive engagement, as well as commercial and non-commercial mechanisms.

- Systematically assess suppliers' performance towards addressing deforestation, conversion and human rights abuse across their operations; and ask them to improve their performance. Unless the company is able to conduct or access more detailed assessments, we encourage the use of the results of this scorecard to inform procurement decisions, and we urge companies to ask their suppliers to do so as well.
- Encourage progress through incentives and respond to any lack of improvement (or worse performance) with sanctions. These incentives and sanctions may be commercial or non-commercial. Soy buyers are strongly encouraged to adopt both commercial and non-commercial action to maximize the impact of performance monitoring. Commercial action may include adjustments to product specifications, supplier qualifications, codes of conduct, contract clauses or contract renewals, which can be used at all stages of the buying process. Non-commercial action may include public letters and calls to action or capacity building activities.
- A key example of commercial action that all buyers should consider adopting is inserting clauses in contracts with all direct suppliers to specify compliance with deforestation- and conversion-free commitments (including clear cutoff dates of 2020 or earlier). This has been implemented by eight French retailers in 2021 and we strongly encourage all soy buyers to follow suit.
- Companies need to have both proactive and reactive supplier engagement practices – to prevent but also resolve and remediate any environmental or social harm.
- When non-compliance is identified, buyers should engage and support the supplier to implement a time-bound plan to address the problem. There should, however, be limits and consequences depending on the severity of the non-compliance, the supplier's degree of culpability and the supplier's commitment and capabilities to move towards compliance. For more information, please refer to the operational guidance on supply chain management.



## 3 REQUIRE SUPPLIERS TO HAVE ALIGNED PUBLIC COMMITMENTS TO HALT DEFORESTATION AND CONVERSION AND TO RESPECT HUMAN RIGHTS, AS WELL AS TIME-BOUND ACTION PLANS, APPLYING ACTION ACROSS THEIR ENTIRE OPERATIONS.

## 4 WHEREVER DIRECT ENGAGEMENT WITH SOY TRADERS IS POSSIBLE, INTEGRATE THE RESULTS OF THIS SCORECARD AND ANY OTHER ASSESSMENT EXERCISES (E.G. BY THE SOY TRANSPARENCY COALITION) INTO PROCUREMENT DECISIONS

and use them to set progress expectations from the traders in the supply chain[33]. Consider requesting that traders in their supply chain submit a time-bound improvement plan as a condition of supply/future contracts, and set meetings to review progress[34]. Share the findings of this scorecard and these recommendations with direct suppliers, and encourage them to integrate them into their own sourcing decisions.

## 5 UPHOLD HIGH LEVELS OF TRANSPARENCY ON THEIR SOY FOOTPRINT, DEFORESTATION/ CONVERSION-FREE COMMITMENTS AND PROGRESS TOWARDS THEM.

Publicly report on the below at least annually, using third-party verification:

- Progress towards their own commitments to end deforestation and conversion in supply chains, against their publicly available action plans.
- The size of their soy footprint, and the proportion which is verified deforestation- and conversion-free (e.g. through robust chain of custody certification) or covered by other certification systems.
- The proportion of soy footprint traceable to the level that allows the company to ascertain compliance (for more information, see Core Principle 5 and the Operational Guidance on Supply chain management).
- The soy traders present in the supply chain, including the percentage of total soy volume sourced from each trader, along with the company's efforts to engage with soy traders towards an effective industry-wide solution.

[33] This can be done either bilaterally or through common platforms including the Soy Transparency Coalition or the Consumer Goods Forum's Forest Positive Coalition of Action.
[34] If there are many traders potentially concerned, begin with the top three traders in the supply chain by volume to maximize the impact.

## 6 COLLABORATE TO DRIVE LARGE-SCALE TRANSFORMATION TOWARDS A CONVERSION-FREE SOY INDUSTRY.

Prioritize engagement with, and actively contribute to, collaborative platforms and multi-stakeholder initiatives that explicitly aim to drive progress towards a conversion-free soy industry. This may include:

- Participating in initiatives such as the Cerrado Manifesto Statement of Support Group, the Soy Transparency Coalition, the Consumer Goods Forum's Forest Positive Coalition, the Cerrado Funding Coalition, the European National Soy Initiatives, and the China Sustainable Meat Declaration.
- Advocating for effective and far-reaching legislation to level the playing field and halt deforestation, conversion and human rights abuse in commodity supply chains.

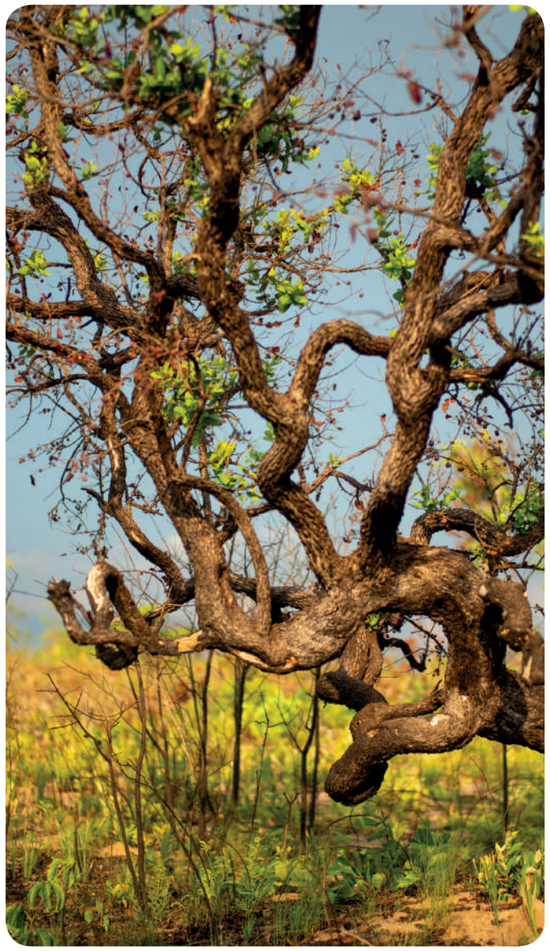
## 7 CONSIDER USING LONG-TERM CONTRACTS OR OFFTAKE AGREEMENTS

to provide an asset that helps producers gain access to long-term finance to invest in more sustainable production systems, including the rehabilitation of degraded land.

## 8 BUNDLING LONG-TERM CONTRACTS WITH OTHER DOWNSTREAM BUYERS

to create volumes that are more significant as incentives for soy traders or other downstream actors to provide products containing deforestation- and conversion-free soy.

**CONTRIBUTE TO COLLABORATIVE PLATFORMS AND MULTI-STAKEHOLDER INITIATIVES THAT EXPLICITLY AIM TO DRIVE PROGRESS TOWARDS A CONVERSION-FREE SOY INDUSTRY.**



# WHAT SHOULD FINANCIAL INSTITUTIONS DO?

Financial institutions have the ability to influence the companies in their financial portfolios, and require them to become deforestation- and conversion-free. It is essential that financial institutions work to eliminate deforestation, ecosystem conversion and human rights abuses from all investments and portfolios.

We encourage financial institutions to use the Soy Traders Scorecard to review any risks of deforestation, conversion and human rights abuse in their portfolios – particularly those who invest in or lend directly to soy traders.



# ALL FINANCIAL INSTITUTIONS INVOLVED IN FINANCING OR PROVIDING FINANCIAL SERVICES TO COMPANIES IN THE SOY SECTOR SHOULD:

**1** USE THE SOY TRADERS SCORECARD TO IDENTIFY AND REVIEW ANY RISK OF

- Deforestation
- Conversion
- Human rights abuse represented by the traders assessed in their portfolio.

And use the methodology to engage other traders not covered in this scorecard.

**2** CONSIDER THE RECOMMENDATIONS TO TRADERS AND BUYERS INCLUDED IN THIS SCORECARD AS A REFERENCE LIST FOR WHAT INVESTEE OR CLIENT COMPANIES WITH A SOY FOOTPRINT SHOULD BE DOING, AND QUESTION THEM ON THEIR APPROACHES.

**3** WITHIN THEIR DEFORESTATION/CONVERSION OR AGRICULTURAL COMMODITIES POLICY, DEVELOP AND DISCLOSE A SOY SECTOR POLICY OR SECTION

that requires all clients/companies to:

- Commit to a conversion-free policy, with a 2020 (or earlier) cutoff date.
- (For producer, processor and trader clients): Make ambitious time-bound commitments and action plans for achieving 100% deforestation- and conversion-free soy supply chains and supply chain traceability to the farm level, for own operations and third-party sources, as soon as possible and by 2025 at the latest.
- Implement a robust monitoring, verification and reporting framework, aligned with the Accountability Framework initiative and built in consultation with civil society organizations, to measure and report on progress towards these goals. For more information, please refer to the Accountability Framework's Operational Guidance on Monitoring and Verification and on Reporting, Disclosure and Claims.
- (For downstream clients): Procure from soy suppliers with due diligence procedures in place to ensure full legality and deforestation/conversion-free status of soy used, and to achieve 100% supply chain traceability to the crusher.

## 4 COMMIT TO SETTING SCIENCE BASED TARGETS FOR NATURE / SCIENCE BASED TARGETS FOR FINANCIAL INSTITUTIONS.

For scope 3 carbon in their own institution, consider buying credible avoided or sequestered carbon insets from soy producers or traders in their financial portfolio, to provide further incentives to producers or traders that help to reduce deforestation and conversion from soy financed directly or indirectly.

## 5 UPHOLD HIGH LEVELS OF TRANSPARENCY, AND DISCLOSE IN THEIR ANNUAL OR ESG REPORTS:

- The percentage of producer and trader clients/investee companies with all of their operations covered by a time-bound action plan to achieve 100% deforestation/conversion-free soy and traceability to the farm level.
- The percentage of downstream clients/investee companies that procure from soy suppliers with due diligence systems in place to ensure full legality and deforestation/conversion-free status.
- Processes for monitoring client/investee company compliance and progress on time-bound action plans, as well as steps taken in case of non-compliance or failure to make satisfactory progress towards achieving these action plans.
- Processes for escalating engagement with portfolio companies that are not making satisfactory progress on achieving these action plans.



## 6 COMMIT TO ENGAGING AND SUPPORTING CLIENTS/INVESTEE COMPANIES, IN PARTICULAR SMALL AND MEDIUM-SIZED ENTERPRISES, TO WORK TOWARDS DEFORESTATION- AND CONVERSION-FREE COMMODITY SUPPLY CHAINS,

through organizing client outreach, education, and capacity-building programs.

**IT IS ESSENTIAL THAT FINANCIAL INSTITUTIONS WORK TO ELIMINATE DEFORESTATION, ECOSYSTEM CONVERSION AND HUMAN RIGHTS ABUSES FROM ALL INVESTMENTS AND PORTFOLIOS.**

## 7 WORK TOGETHER WITH OTHER INVESTORS, ALIGNING MESSAGES WITH OTHER SHAREHOLDERS ON DEFORESTATION- AND CONVERSION-FREE SOY/COMMODITIES.

This may include joining and actively engaging in:

- Multi-stakeholder collaborations for conversion-free-commodities, including the Cerrado Manifesto Statement of Support signatories group.
- Sustainable investment coalitions and initiatives, such as UN Principles for Responsible Investment.
- Information and knowledge-sharing platforms.

Policymakers play a critical role in shaping deforestation- and conversion-free agricultural commodity supply chains globally, through enacting strong legislation in both consumer and producer countries. While it is critical that companies increase the robustness and ambition of their voluntary commitments, policy measures can help level the playing field by holding all stakeholders to the same standards[35].

# WHAT SHOULD POLICYMAKERS DO?

[35] The recommendations below apply to either producer or consumer countries, but many countries like Brazil and the United States are both major producers and consumers of soy and other agricultural commodities. In these cases, both sets of recommendations apply to the governments in question.



# WE CALL ON POLICYMAKERS IN PRODUCER COUNTRIES TO:

1 **ADOPT AND ENFORCE BINDING LEGISLATION, POLICIES, AND INCENTIVES THAT WILL REQUIRE AGRICULTURAL COMMODITIES TO BE PRODUCED MORE SUSTAINABLY,**

including requirements to halt deforestation, ecosystem conversion and human rights abuses and to increase traceability and transparency.

2 **IMPLEMENT CONCRETE FINANCIAL AND TECHNICAL INCENTIVES TO PRODUCERS**

(conditional on cutoff dates for conversion and on compliance with biome-wide solutions) to avoid conversion of new natural ecosystems, incentivize adoption of responsible production practices, encourage sustainable intensification and rehabilitate degraded land on which to expand production.

3 **SUPPORT PUBLIC-PRIVATE PARTNERSHIPS AIMED AT ENDING DEFORESTATION AND ECOSYSTEM CONVERSION AND RELATED HUMAN RIGHTS ABUSES.**

4 **ADVOCATE FOR AND ACCELERATE DELIVERY OF COMMODITIES FREE FROM DEFORESTATION, CONVERSION AND HUMAN RIGHTS ABUSE,**

as one element to implement the Paris Agreement on climate change, the Sustainable Development Goals and the Convention on Biological Diversity.

5 **WORK TOGETHER WITH THE INDUSTRY TO FORGE NATIONAL ALLIANCES AND DRAFT COUNTRY-LEVEL INITIATIVES TOWARDS SUSTAINABLE COMMODITIES**

That prevent deforestation, ecosystem conversion and human rights abuses, and support sustainable land-use planning.

6 **PROMOTE AND IMPLEMENT POLICIES FOR CONVERSION-FREE, NATURE-BASED DEVELOPMENT PATHWAYS IN HIGH-RISK REGIONS (CONSOLIDATED AND EMERGING DEFORESTATION AND CONVERSION FRONTS).**

This can include promoting long-term conservation and restoration through sustainable, fair and participative economic use of forests and other natural ecosystems and strengthening traditional land uses and land rights.

7 **DO NOT PROVIDE AGRICULTURAL CREDIT OR COVID-19 RECOVERY ASSISTANCE**

To any producer or downstream trader, feed company, animal protein producer, brand, buyer, or financial institution that has not publicly committed to these aims.

# WE CALL ON POLICYMAKERS IN CONSUMER COUNTRIES TO:

1

## ADOPT AND ENFORCE BINDING LEGISLATION, POLICIES, AND INCENTIVES TO ENSURE THAT AGRICULTURAL COMMODITIES A ND DERIVED PRODUCTS THAT ARE ASSOCIATED WITH DEFORESTATION, CONVERSION OR HUMAN RIGHTS ABUSE DO NOT ENTER THEIR MARKETS.

These should apply to both companies and financial institutions.

2

## DEVELOP AND IMPLEMENT CLEAR TRACEABILITY AND TRANSPARENCY REQUIREMENTS ALONG THE SUPPLY CHAIN AND A ROBUST MANDATORY DUE DILIGENCE OBLIGATION

applying to companies that trade, use and finance agricultural commodities (including first importers) to assess and minimize the risk of their products and commodities being linked to the conversion or degradation of forests and other ecosystems and/or to human rights violations.

3

## REVIEW POLICIES, SUBSIDIES AND OVERSEAS DEVELOPMENT AID TO PROMOTE NOT ONLY LEGAL BUT SUSTAINABLE COMMODITIES

and remove harmful incentives that may promote irresponsible or even illegal soy.

4

## ENGAGE IN DIALOGUE AND COOPERATE WITH PRODUCER COUNTRIES TO SUPPORT THE DEVELOPMENT AND IMPLEMENTATION OF FINANCIAL AND TECHNICAL SOLUTIONS INCLUDING ALL STAKEHOLDERS TO SUPPORT DEFORESTATION- AND CONVERSION-FREE NATURE-BASED DEVELOPMENT PATHWAYS.

This may include support for land-use planning or for smallholders, but also actions within the country, including addressing healthy and sustainable diets, to facilitate the transition towards more sustainable food and farming systems.



5

## ADVOCATE FOR AND ACCELERATE DELIVERY OF DEFORESTATION-, CONVERSION- AND HUMAN RIGHTS ABUSE-FREE COMMODITIES,

following and building upon EU work on deforestation-free supply chains, the Amsterdam Declarations Partnership, New York Declaration on Forests and national commitments on sustainable supply chains.

6

## ENGAGE IN CONSUMER-CONSUMER COUNTRY COOPERATION TO SUPPORT PRODUCER REGIONS IN TRANSITIONING TO SUSTAINABLE PRODUCTION AND AVOID LEAKAGE OF UNSUSTAINABLE PRODUCTS.

7

## ADOPT POLICIES AND INCENTIVES TO REDUCE HARMFUL CONSUMPTION AND WASTE.

8

## DO NOT PROVIDE SUBSIDIES OR COVID-19 RECOVERY FUNDING

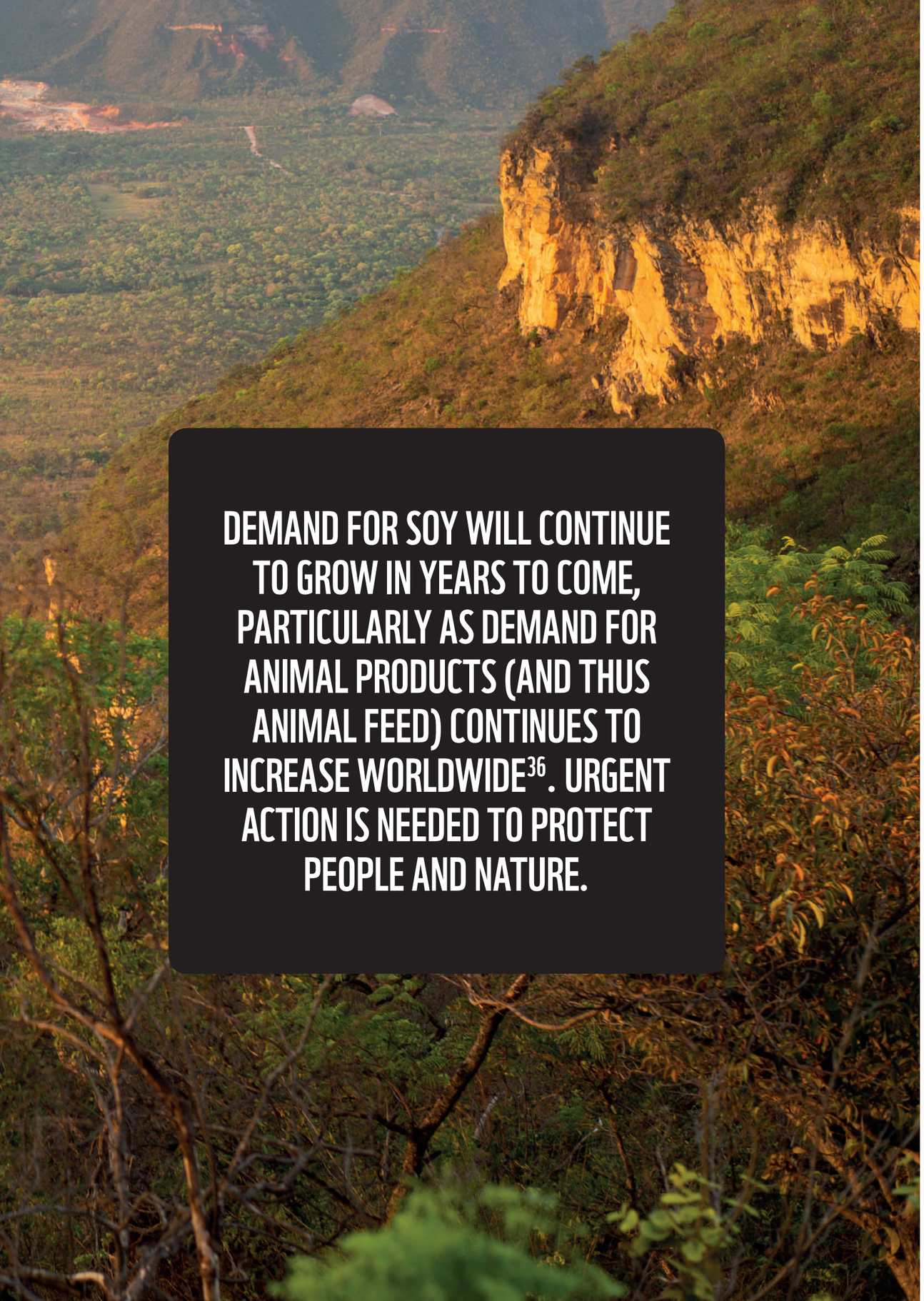
to any trader, input supplier, processor, feed company, animal protein producer, retailer, brand or financial institution that buys from or supports the production, trade or use of soy in any form that is produced from deforestation or conversion.

### FOR MORE SPECIFIC RECOMMENDATIONS TO:

THE EUROPEAN UNION – PLEASE REFER TO WWF'S EIGHT KEY ASKS ON ADDRESSING THE EU'S ROLE IN THE DESTRUCTION AND DEGRADATION OF NATURAL FORESTS AND ECOSYSTEMS.

THE UK GOVERNMENT – PLEASE REFER TO WWF-UK'S ENVIRONMENT BILL REPORT STAGE BRIEFING ON DUE DILIGENCE AND DEFORESTATION AND GLOBAL FOOTPRINT TARGETS.

# WE MUST ACT NOW



DEMAND FOR SOY WILL CONTINUE TO GROW IN YEARS TO COME, PARTICULARLY AS DEMAND FOR ANIMAL PRODUCTS (AND THUS ANIMAL FEED) CONTINUES TO INCREASE WORLDWIDE[36]. URGENT ACTION IS NEEDED TO PROTECT PEOPLE AND NATURE.

TRADERS ARE A KEY BOTTLENECK IN THE SOY INDUSTRY WITH THE VAST MAJORITY OF SOY VOLUME BEING HANDLED BY A SMALL NUMBER OF TRADERS.

Solutions exist, but businesses must take a leading role in transforming the industry. Soy traders in particular have a uniquely powerful role to drive change. Traders connect global markets to critical landscapes, but beyond that, traders are a key bottleneck in the soy industry with the vast majority of soy volume being handled by a small number of traders. As such, they have the ability to address deforestation and conversion across the entire soy industry.

Soy producers, animal feed manufacturers, product manufacturers, and food retailers also have an opportunity and a responsibility, to produce and procure soy more sustainably. Governments and financial institutions can support a swift, large-scale transformation towards a nature-positive soy industry, to level the playing field and set clear and robust requirements of stakeholders across the industry.

Traders are well positioned to develop and implement harmonized systems of traceability and transparency for soy supply chains. **They must work with producers and other traders** to establish such systems, which will be invaluable in helping other stakeholders in global food systems to assess and address the social and environmental risks associated with their own soy supply chains.

This scorecard shows a critical leadership gap among soy traders in the transition towards a soy industry free from deforestation, conversion and exploitation. Bold, urgent action is needed to address the systemic issues of soy- and commodity-driven deforestation, conversion and human rights abuse – from traders, but also from soy buyers, financiers and policymakers.

SOY THAT DOESN'T HARM PEOPLE OR THE PLANET IS POSSIBLE AT THE INDUSTRY LEVEL – BUT GREATER ACTION IS NEEDED FROM THOSE WITH THE GREATEST INFLUENCE.

[36] OECD-FAO Agricultural Outlook 2019-2028 and WWF's calculation, assuming a baseline of 2020 and factoring in OECD's 8% yield growth for soy by 2028.

## IMAGE CREDITS

| | |
|---|---|
| Cover | © Alffoto |
| | © Sérgio Amaral \| WWF Brasil |
| | © Marius Brants \| WWF |
| | © Ana Paula Rabelo \| WWF-UK |
| Pg. 2 | © Adriano Gambarini \| WWF-Brazil |
| Pg. 5 | © Bento Viana \| WWF Brazil |
| Pg. 7 | © Day's Edge \| WWF-US |
| Pg. 10 | © Michel Gunther \| WWF |
| Pg. 18 | © Marizilda Cruppe \| WWF-UK |
| Pg. 22 | © Marius Brants \| WWF |
| Pg. 24 | © David Bebber \| WWF-UK |
| Pg. 28 | © Greg Funnell \| WWF |
| Pg. 30 | © Peter Caton \| WWF-UK |
| Pg. 39 | © Sérgio Amaral \| WWF Brasil |
| Pg. 48 | © Sérgio Amaral \| WWF Brasil |
| Pg. 50 | © Jason Houston \| WWF-US |
| | © Peter Caton \| WWF-UK |
| Pg. 52 | © David Bebber \| WWF-UK |
| Pg. 55 | © Sérgio Amaral \| WWF Brasil |
| Pg. 57 | © Bento Viana \| WWF Brazil |
| Pg. 58 | © Emily Vandenbosch \| WWF-US |
| | © Ana Paula Rabelo \| WWF-UK |
| Pg. 59 | © Day's Edge \| WWF-US |
| Pg. 62 | © Peter Caton \| WWF-UK |
| Pg. 63 | © Sérgio Amaral \| WWF Brasil |
| Pg. 64 | © David Bebber \| WWF-UK |
| | © David Bebber \| WWF-UK |
| Pg. 66 | © David Bebber \| WWF-UK |
| Pg. 67 | © David Bebber \| WWF-UK |
| Pg. 68 | © Peter Caton \| WWF-UK |
| | © Peter Caton \| WWF-UK |
| | © Jason Houston \| WWF-US |
| Pg. 72 | © Gianfranco Mancusi \| WWF-Brazil |
| Pg. 74 | © David Bebber \| WWF-UK |
| Pg. 76 | © Jason Houston \| WWF-US |
| Pg. 78 | © Bento Viana \| WWF Brazil |


WWF, 28 rue Mauverney, 1196 Gland, Switzerland.
Tel. +41 22 364 9111 CH-550.0.128.920-7



For contact details and further information, please visit our international website at www.panda.org


Global Canopy
WWF
Working to sustain the natural world for the benefit of people and wildlife.
together possible™
panda.org