Delivering deforestation and conversion free soy

Monitoring, reporting, and verifying supply chains

September 2022

A working group for change

We are committed to transparently delivering deforestation- and conversion-free soy at scale.

Chaired by

ProTerra™

Members

Soy Traders

CARAMURU

CJ Selecta

GRUPO PETRÓPOLIS
VOCÊ É NOSSO MAIOR COMPROMISSO

Aquafeed Manufacturers

BioMar

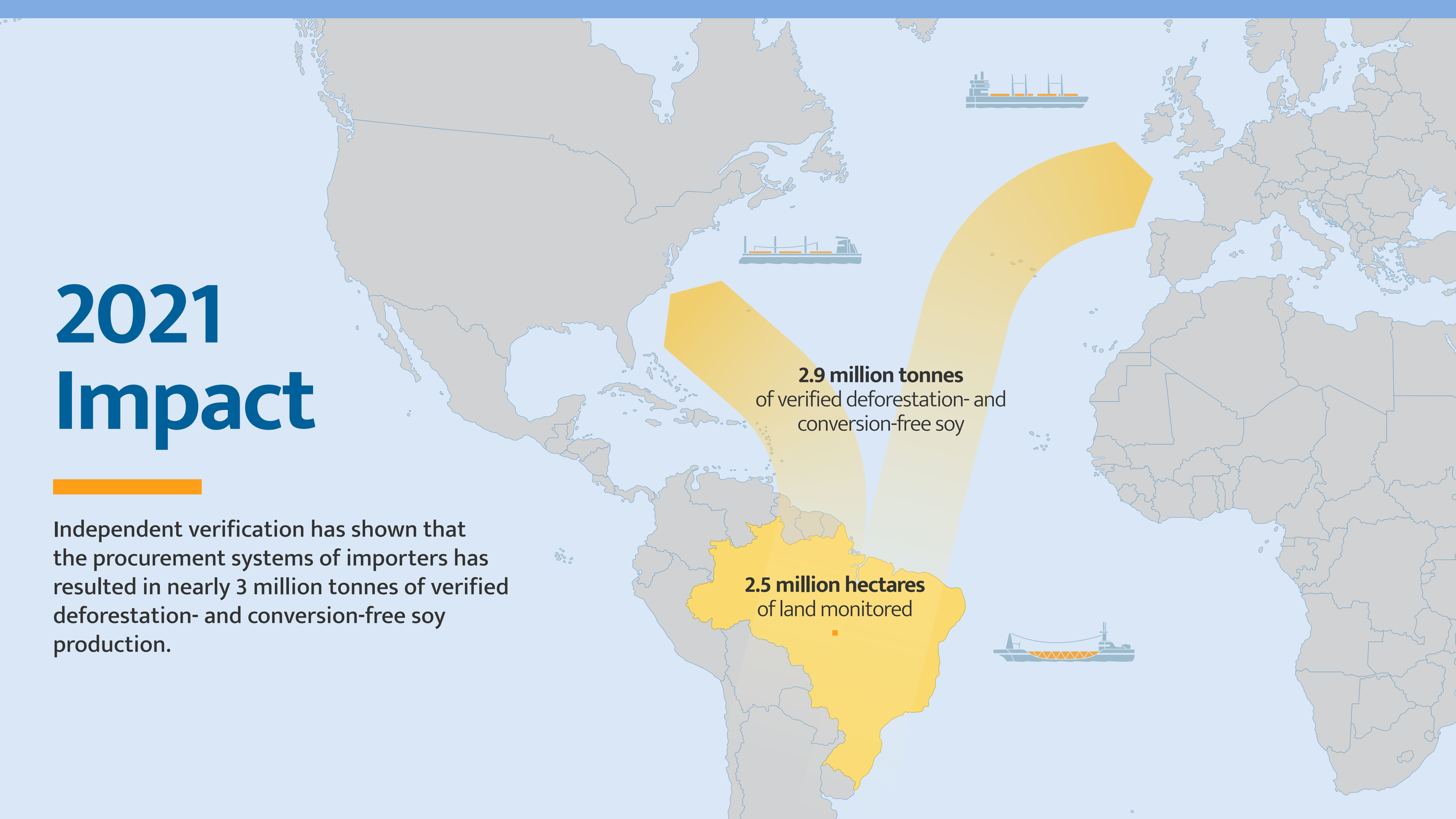
EWOS®

SKRETTING
a Nutreco company

MOWI®

2021 Impact

Independent verification has shown that the procurement systems of importers has resulted in nearly 3 million tonnes of verified deforestation- and conversion-free soy production.

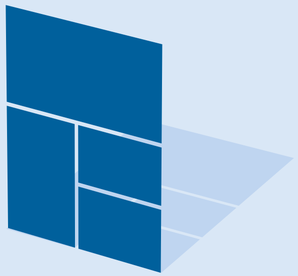


Key statistics

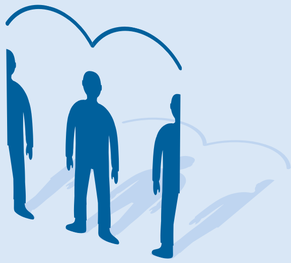
2,991,494
Soy Volume Assessed (metric tonnes)

5,161
Direct suppliers assessed

29
Suppliers blocked through procurement controls



2,530,001
Production Area (hectares)



323
Intermediate suppliers present

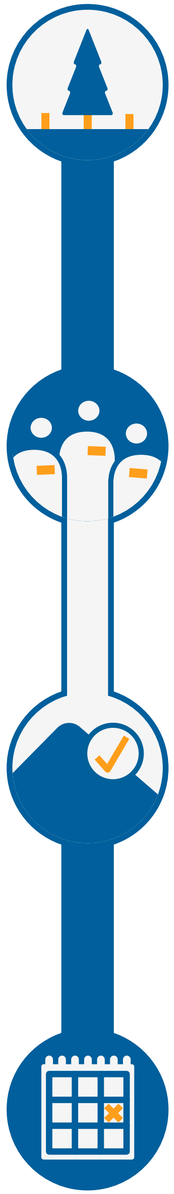
2,344
Contracts reviewed

Contents

1. Committing to change

Developing a new approach to delivering a commodity-wide solution

Brazilian soybeans can be very competitive in economic and environmental terms. However, if soy is planted over recently converted natural areas Brazilian soybeans have a very high carbon footprint and hence a negative climate impact. These carbon losses are accounted for in the life cycle of soybean production as Land Use and Land Use Changes (LULUC).



Over the last decade, there has been an increasing urgency to address the elimination of all forms of deforestation and land conversion associated with soy production. The positive steps taken by companies investing in sustainable supply chains have created an important route for producers to ensure responsible production. However, the adoption of certification still represents a relatively small proportion of overall supply, and its scalability will not deliver the land-use change improvements we wish to see within the timetables needed for action.

Concerns about raw material imports became the catalyst for a meeting facilitated by ProTerra across the full sector – from the major Brazilian producers to their aquafeed customers in Europe. The outcome of this first meeting was the creation of the working group “Aquaculture Dialogue on Sustainable Soy Sourcing from Brazil”.

As a direct result of this forum and dialogue, in 2020 the three major Brazilian soy meal and soy protein concentrate suppliers agreed to commit to 100% of their supplies, regardless of customer or production area, would be transparently verified to be free of deforestation and conversion using a cut-off date of August 2020.

The goal is to introduce positive change in the supply base, this means that the areas of native vegetation (including HCV approach) cannot have been cleared or converted into agricultural areas, or used for industrial or other commercial purposes, after August 2020, including farms that have not been certified and verified before 2020.

The commitment

Across all operations and sourcing, regardless of certification or customer, signatory companies have committed to:

1 Promote a soy supply chain free from illegal and /or legal deforestation and conversion, using a cut-off date of August 2020.

2 Respect the rights of workers, indigenous peoples and local communities.

3 Ensure that sourcing is fully compliant national and local environmental laws and regulations including Forest Code.

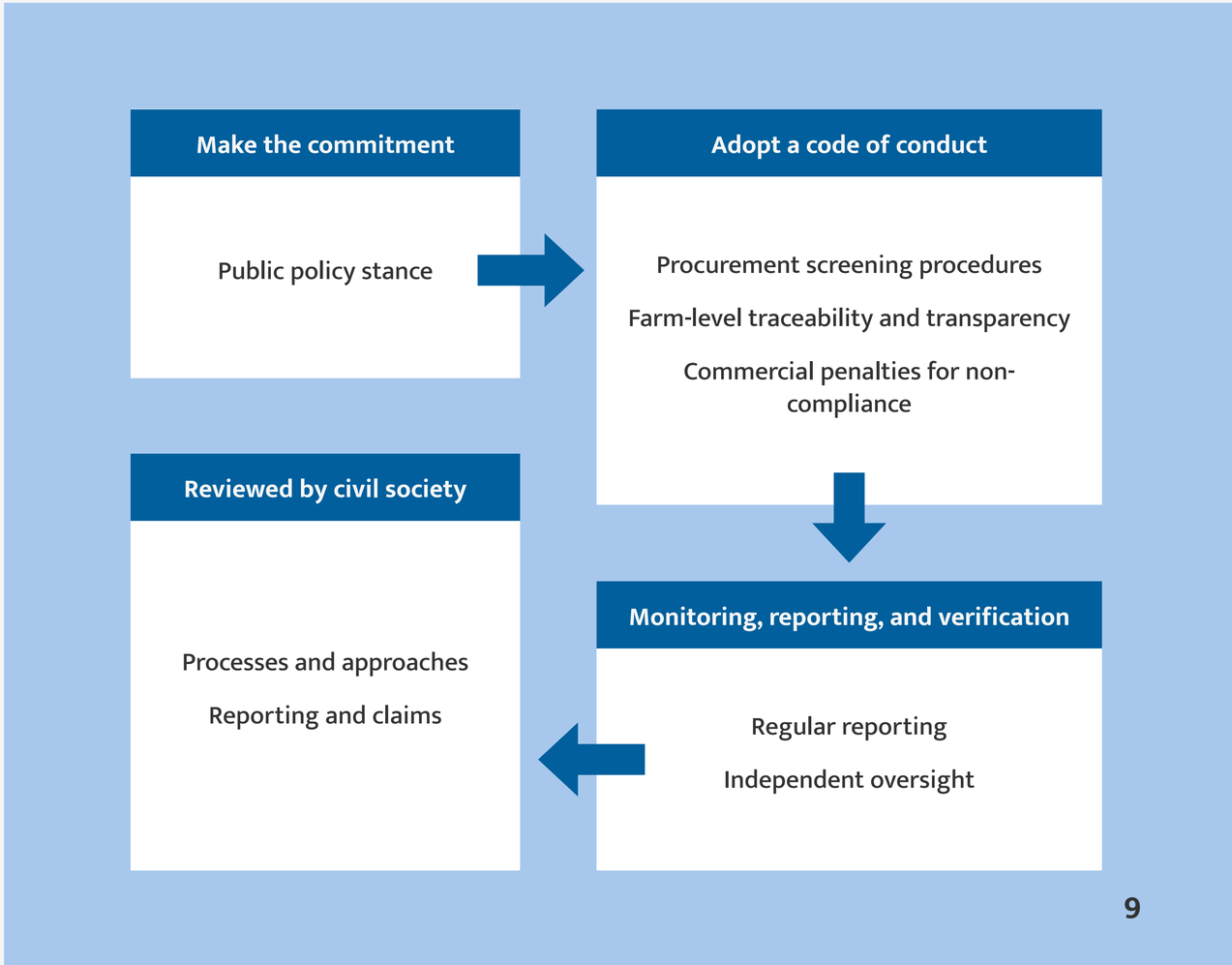
Making the commitment work

In sourcing areas where there is a high risk of deforestation, conversion, or human rights violations, and where supplier control and assurance mechanisms do not provide reliable information on compliance levels, downstream companies will need to work with their suppliers or take measures of their own to supplement supplier-provided information.

Existing frameworks, such as the Accountability Framework initiative (AFi), have acted as a critical reference when developing the guidance and auditing documents for how this commitment is monitored. This, along with key input and oversight from different organisations, have informed a monitoring, reporting, and verification system (MRV) to independently assesses the performance of signatory actors.

Elements of supplier management and control systems that are monitored include:

- Risk assessment and supply chain mapping;
- Procedure for identifying and addressing non-compliance;
- Activities related to responsible land acquisition and development practices, including impact assessments and the use of Free Prior Informed Consent (FPIC) when appropriate;
- Monitoring, verification, and reporting systems—including appropriate tools, methods, and data sources—that are able to assess and communicate impacts and outcomes of their operations and supply chain;
- Additional control measures such as certification or other credible third-party verification.



2. Monitoring, reporting and verification system

Developing the monitoring, reporting, and verification system

An effective process has been developed to ensure that the progress toward – and compliance with – the commitment is achieved through credible actions being undertaken throughout the supply chain.

Assurance

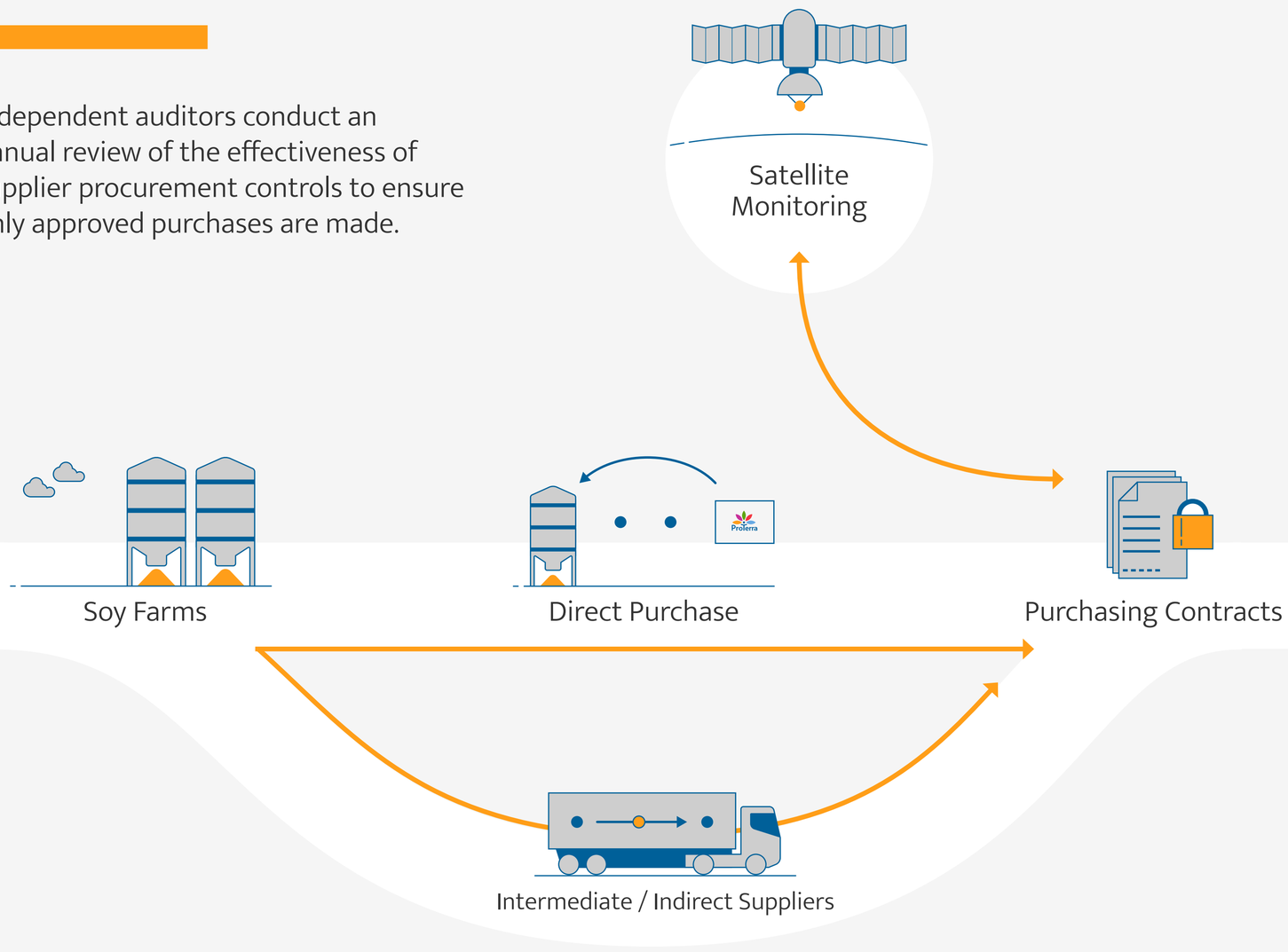
- Third-party reviews of working group purchasing controls
- System audits of supplier control systems
- Transparency of actions and findings from assurance process
- Conclusions and claims on effectiveness of the commitment reviewed by civil society partners

Governance

- Multi-stakeholder working group with oversight of the commitment
- Review and approval of findings

Assurance

Independent auditors conduct an annual review of the effectiveness of supplier procurement controls to ensure only approved purchases are made.



To be incorporated as from 2022

Approved supplier purchasing

Before delivery of soybeans are made companies must assess the supplier against a variety of criteria and systems:

- Slave Labour
- IBAMA Embargoed Area (Ibama), Farm polygons
- State Embargo SEMA – MT; LDI
- ICMBio Embargo List and Polygons
- Soy Moratorium – List and Polygons, Historical Polygons
- Satellite monitoring – Prodes and Prodes Cerrado
- Overlap with Quilombo Land
- Overlap with Indigenous Land
- Overlap with Conservation Units

Governance

Decision Making

- Consensus is sought where possible, unless agreement cannot be found within the Steering Committee.
- Objections to decisions made by the Steering Committee by registered supporters may be made within 30 days of a decision being communicated. Where an objection is received, the Steering Committee will review and respond during its next meeting.
- Where consensus is not possible, a vote by registered supporters of the commitment will be be undertaken with the decision based on a 2/3 majority.

Registered Supporters

Downstream companies and civil society groups can become registered supporters by expressing their interest to the Steering Committee, which will consider and approve their status.

Steering Committee

A steering committee composed of committed traders and wider supply chain and civil society partners is responsible for governing the monitoring, reporting, and verification of the commitment. It meets at least quarterly oversee the operation of the commitment.

Representation from each stakeholder is present on the steering committee composed of at least five members, excluding the secretariat function.

- The committed soy crushers
- One from civil society (renewable)
- One from downstream supply chain (renewable)

Representatives are nominated to a 12-month term (October - September) by committed soy traders Secretariat-approved organisations downstream and in civil society groups.

ProTerra facilitates the delivery of the commitment

ProTerra facilitates the group as the Secretariat, acting as the primary holder of the principles, methods, and process used to ensure the effectiveness of the commitment, including oversight of the independent auditing process.

A core aspect of the monitoring system is an independent 3rd party audit of the effectiveness of signatory purchasing controls.

The Steering Committee meets quarterly, or when requested by the ProTerra Secretariat or a member of the Steering Committee, to review the findings of outcomes of the auditing process and to develop solutions to implementation challenges.

ProTerra facilitates the delivery of the commitment

Independent 3rd Party Audit

ProTerra™

- Secretariat of the commitment
- Accountable for effectiveness of agreement and processes
- Reviews and approves competency of auditor and the results

Raw Material Producers

Monitoring, Reporting and Verification System

Principles

Methodology

Process

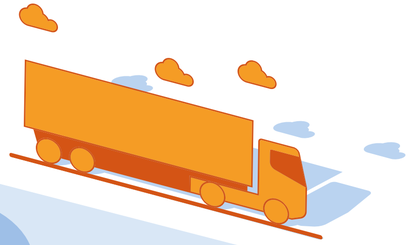
Civil Society groups

Feed manufacturers

Downstream Supply Chain

3. Roadmap for delivery

Roadmap for delivery



2019

Preparation, discussion with industry players in Norway and Brazil

MAIN ACTION
PTF Establishment of Aquaculture Dialogue on Sustainable Soy Sourcing from Brazil

INCLUDED STEPS / RESULTS
Agreement on Code of Conduct, Carbon Emission Footprint Calculation, and improved Traceability (TCCs-traceability documents till municipality level)

2020

Brazilian companies' commitment to the August 2020 cut-off date

MAIN ACTION
Investment in geospatial tools for monitoring suppliers and as described in the report (sent earlier)

INCLUDED STEPS / RESULTS
ProTerra Foundation created guidance and auditing documents based on AFi and considering inputs from NGOs and market players

2021

Implementation

MAIN ACTION
Verification of the direct supplier monitoring system

INCLUDED STEPS / RESULTS
Verification of parameters as listed in the report (indicators, volumes, agricultural areas by region, blocked and unblocked suppliers etc.)

Roadmap for delivery

2022

MAIN ACTION
Verification of the monitoring system of direct suppliers & intermediate suppliers

INCLUDED STEPS / RESULTS
1. Check public information about risk regions on deforestation and human rights, determine intermediate supply risk.
2. Check information of direct supplier farms in the same region as intermediate supplier (cleared and blocked) to correlate to risk.

2023

MAIN ACTION
3rd party audits on a sample of intermediate suppliers

INCLUDED STEPS / RESULTS
1. Verify sourcing monitoring system of intermediate supplier.
2. Verification of declarations from intermediate suppliers to the industrial processor and from farms to intermediate supplier.
3. Geospatial verification of risk regions of intermediate suppliers.

2024

MAIN ACTION
Verification of complete list of all suppliers and embargo lists from IBAMA, Prodes

INCLUDED STEPS / RESULTS
Verification of efficacy and progress of system of industrial processors

2025

MAIN ACTION
Indirect supply chains fully verified

4. 2021 Results

Over 2.5 million hectares of land verified deforestation- and conversion-free

In 2021 the three supplier companies that have undertaken this commitment - Caramuru Alimentos SA, CJ Selecta and Imcopa Importadora Exportadora|Cervejaria Petrópolis – underwent an audit based on the Proterra Foundation Monitoring and Verification guide. The scope of the audit was to analyse each company's operating system with regard to the registration of direct suppliers, acquisition of soybeans from those suppliers, and geospatial monitoring, with a focus on direct sourcing of soy only from areas free from land conversion, as from August 2020, from the Brazilian States of Goiás, Minas Gerais, and Mato Grosso, which span the Amazon, Cerrado, and Atlantic Forest biomes.

Over 2.5 million hectares of land verified deforestation- and conversion-free

To demonstrate the effectiveness of the system, contracts, and names from public lists of social and environmental liabilities were randomly selected and checked against the names in the company soy receiving report.

The audit process, which is described on the pages that follow, demonstrated the following achievements of the assured businesses:

Zero

Non-conformities of the verified volumes

100%

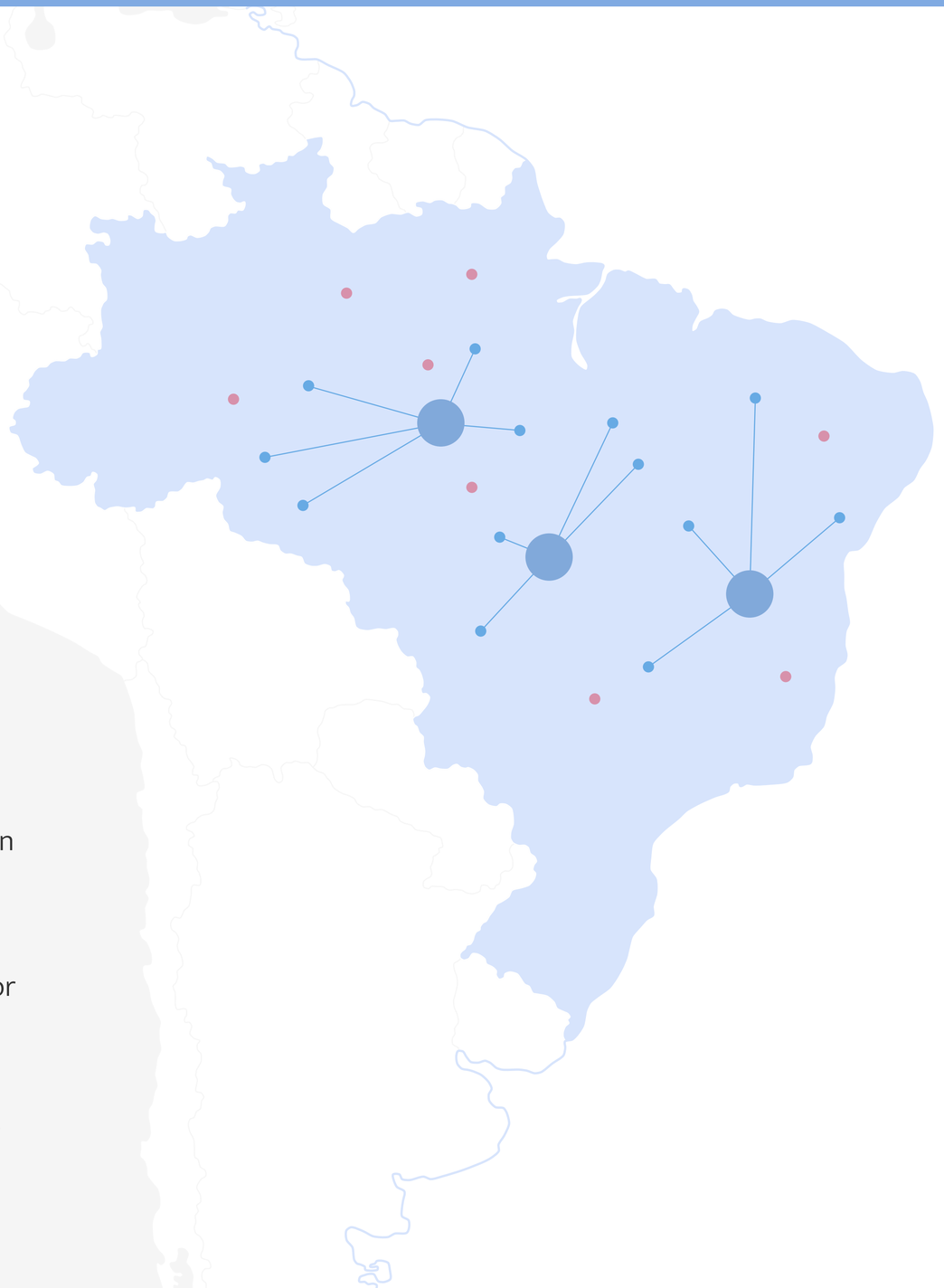
Verification and traceability to farm (in 2021 direct purchases only)

2.99 million tonnes

Deforestation-and a Total volume of deforestation-and conversion-free soy (indirect and direct)

Reviewing procurement systems

All three companies have sourcing/storage units and offices in several locations in Brazil for the sourcing of commodities, located in the Cerrado Biome, the Amazon Biome, Atlantic Forest and in transition zones between these biomes. They acquired soybeans in the 2020/21 harvest, from direct suppliers and intermediaries, with the great majority being from direct suppliers with full traceability. According to the analysis of the soybean purchase contracts, it was possible to verify the direct purchase of soybeans from rural producers located in territories belonging to the Amazon, the Cerrado, and the Atlantic Forest Biomes. The Auditor verified that 29 suppliers flagged as being non-compliant have been blocked from doing business with the companies, and that these reviews are undertaken during annual contract reviews for new growing seasons.



Direct sourcing

Purchases from soy producing companies were reviewed through a random sample of company names. The auditor learned about the supplier control system thoroughly in all aspects. Interviews were conducted with key personnel and several interactions occurred to clarify specific points.

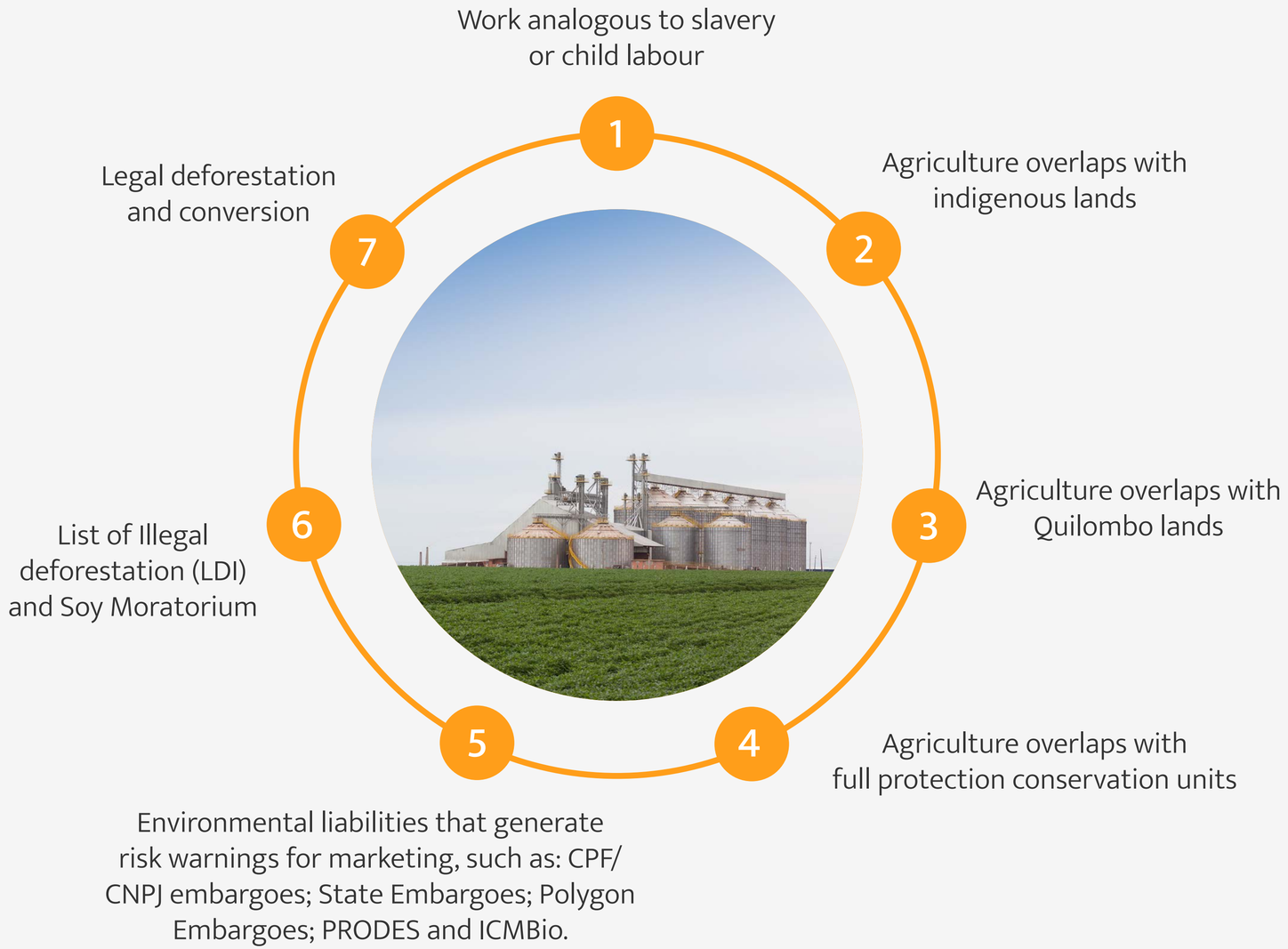
The companies have contracts with organizations that developed platforms, which embody software capable of real-time monitoring of all Brazilian public social and environmental liabilities, and deforestation, using the collection of public information and geospatial analyses.

Today, the main instrument used in relation to the acquisition of raw material from areas free from deforestation is the analysis using the PRODES and PRODES Cerrado tools, two satellite imagery tools made available and adopted by the companies in their analysis of beans acquisition.

Purchasing controls

Besides inspecting a number of purchase contracts, the Auditors used a random sample of from 20 to 50 names (for each company), chosen from public lists of embargoed farms and producers. These names were introduced in the monitoring system of the companies to verify if such farms or growers would be there, with negative results. Intermediate suppliers were not the focus of the first audit.

The auditors verified that supplier blocking is in place using a variety of criteria, not just deforestation and conversion:



Approved suppliers

The registration of suppliers is initiated by the commercial sourcing sectors and controlled at the headquarters for approval. The analyses in the platforms database, include criteria, such as:

1. Slave Labour
2. IBAMA Embargoed Area (Ibama), Farm polygons
3. State Embargo SEMA – MT; LDI – PA
4. ICMBio Embargo List and Polygons
5. Soy Moratorium – List and Polygons, Historical Polygons
6. Satellite monitoring – Prodes and Prodes Cerrado
7. Overlap with Quilombo Land
8. Overlap with Indigenous Land
9. Overlap with Conservation Units

Whenever there is a purchase negotiation, the corporate system approves or block the purchase. Each company has different solutions and features in their system for these functionalities.

Audit findings

1 The auditor did not have to inspect to the companies' complete list of thousands of contracts to compare all possible names and ensure that there were no purchases of soy from suppliers with social and environmental liabilities. However, the effectiveness and robustness of the systems were verified accordingly. There has been great progress on the part of these companies in the implementation of affirmative actions in order to originate soy only from suppliers without deforestation, social or environmental problems.

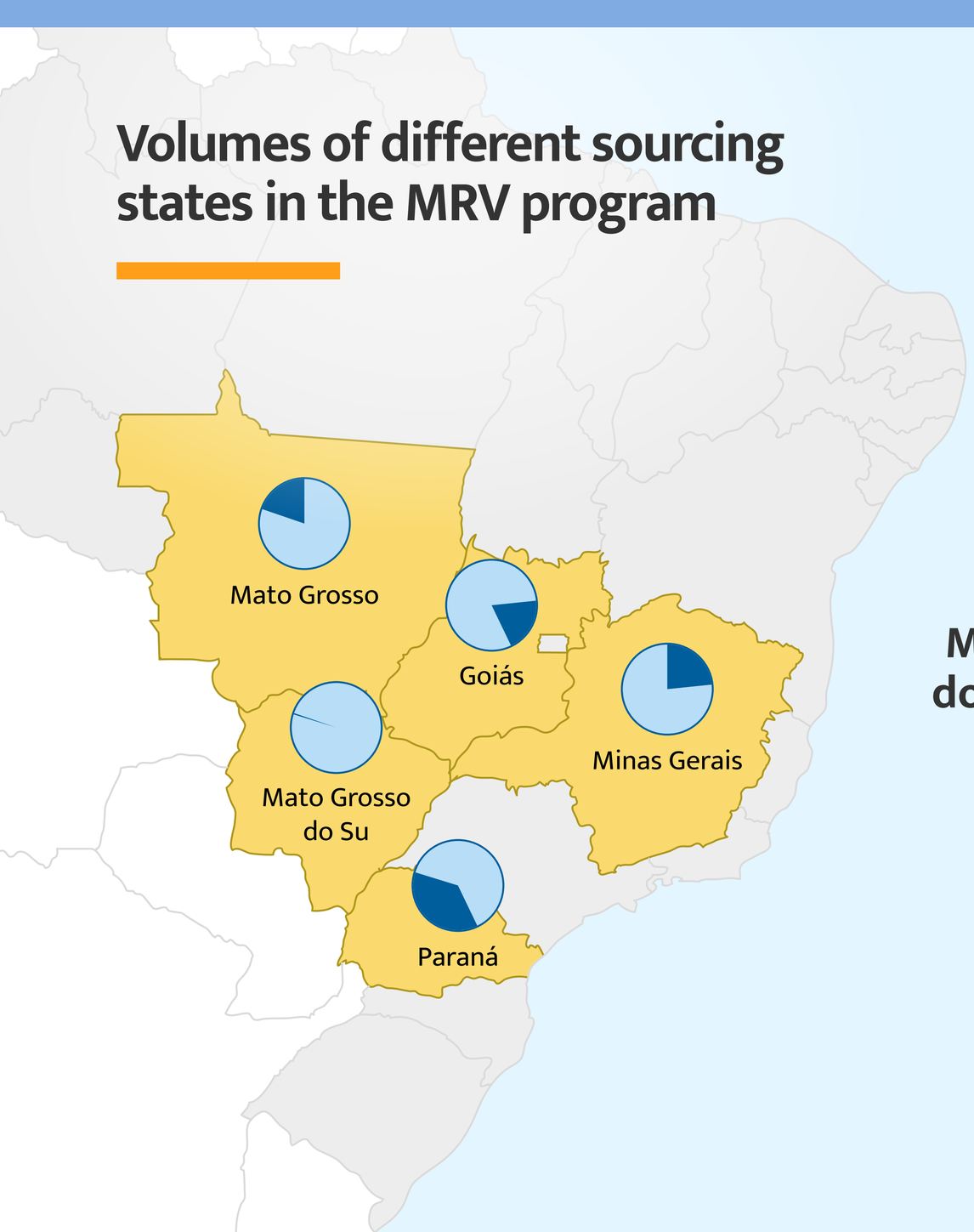
2 The systems effectiveness was checked by consulting a sample of 50 names randomly chosen from the public lists of suppliers that incurred in social and/or environmental liabilities, for each company. This list was compared with the list of soy suppliers in the systems. No relationship or conflict was found between the names of soybean suppliers for the 2019/20 harvest, and those randomly selected to the consulted public lists.

3 All land associated with soy production was assessed to ensure no deforestation or conversion occurred since the 1 August 2020 cut-off date, regardless if it was done legally or illegally.

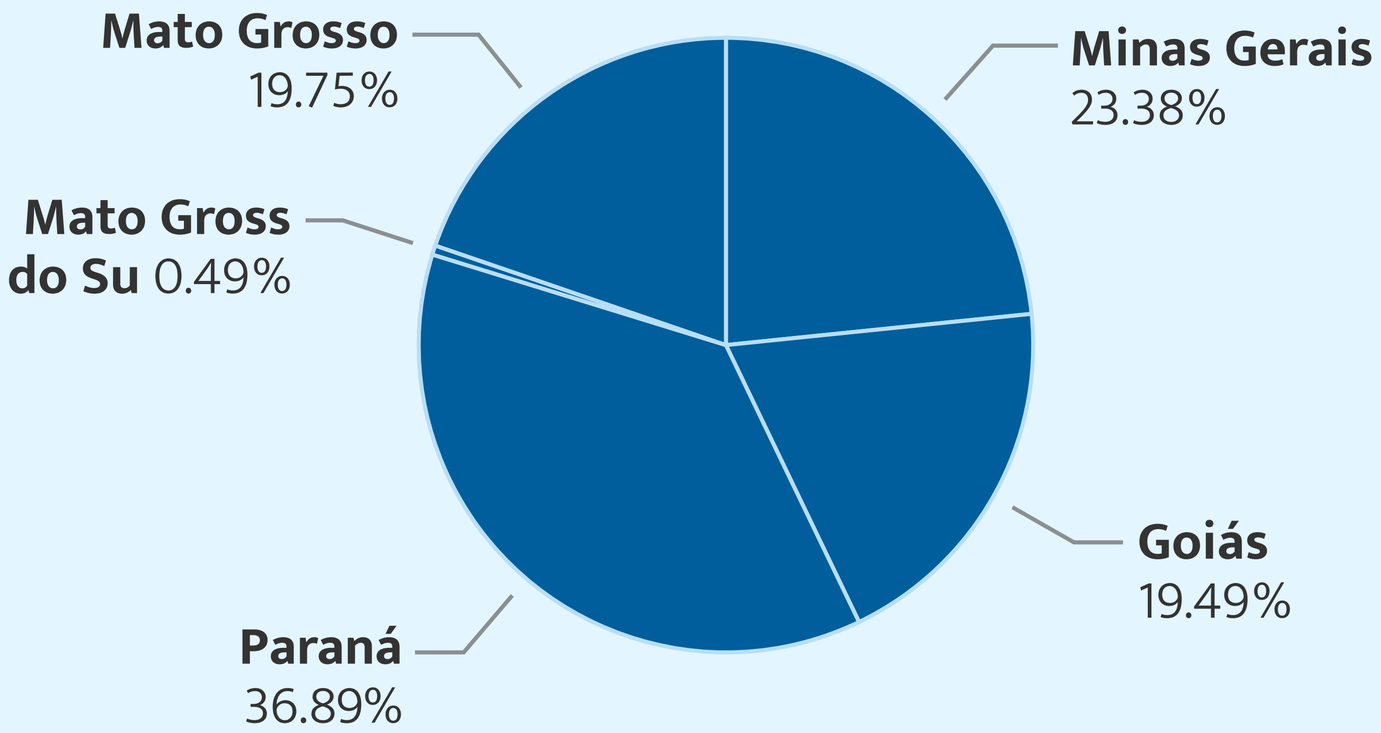
4 Due to the procedures adopted by the companies, that carry out an analysis of any purchase attempt within the platform software system, it is possible to infer that the blocking system is effective, as it prevents the completion of purchase of CPF/ CNPJ and/or CAR (Brazilian Rural Environmental Registry) contained in any lists or databases relevant to the scope of this audit.

5 There was no non-conformity observed by the Auditor, only improvement opportunities verified for each company, which do not impact the system's efficiency and were already being worked on by the audited companies.

Volumes of different sourcing states in the MRV program



% vol. per State vs. MRV total volume

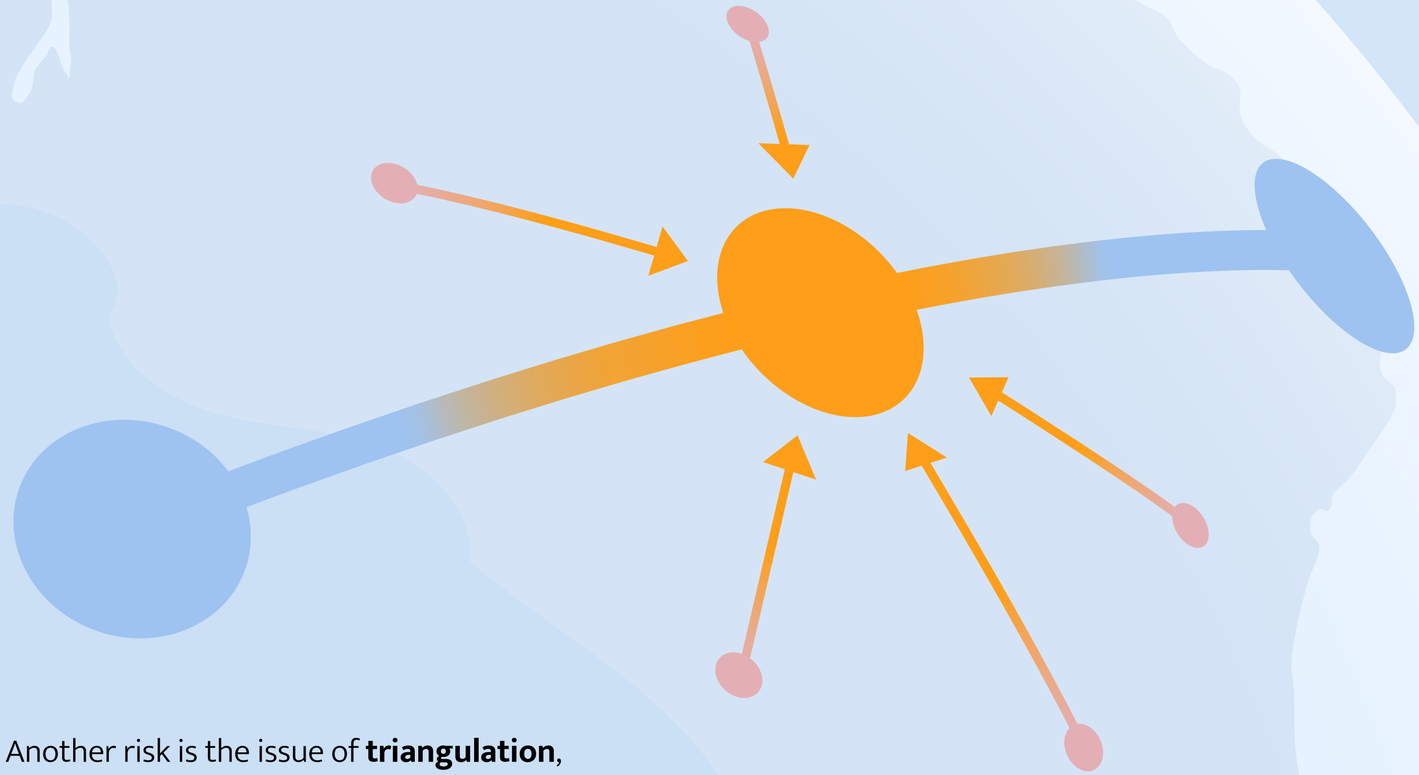


5. 2022 Plans

Extending to indirect suppliers

The initial year of the commitment and audit did not focus on intermediary suppliers. Regarding to soy purchased indirectly, from cooperatives, trader companies and retailers, as well as other cereal producers, contracts were signed with suppliers who belong to the Amazon, Atlantic Forest and Cerrado Biomes.

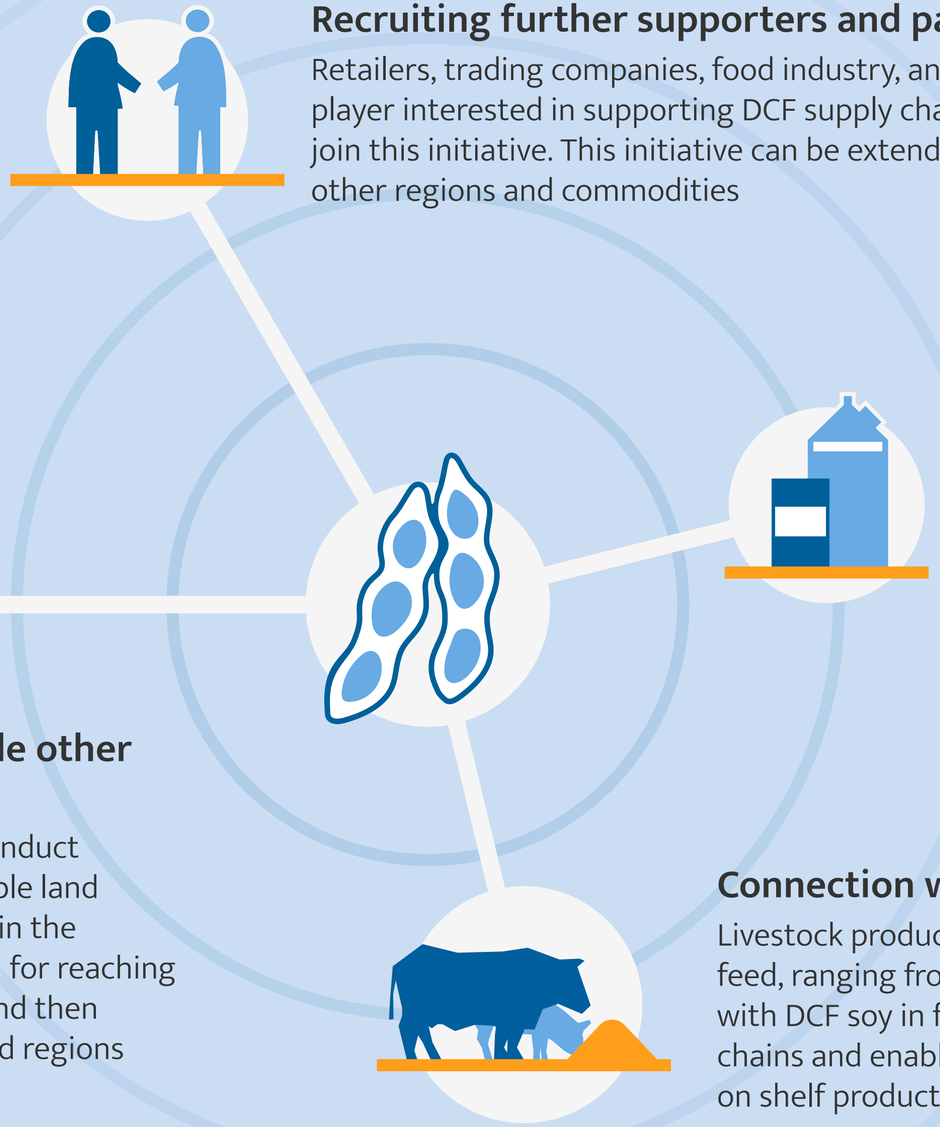
Traceability of intermediate suppliers is in general one of the main risks encountered by companies in the commercialization sector, with particular implications for the MRV requirements. Good results with partners are largely due to the duplicity of suppliers that deliver production to some companies, cereal producers, and cooperatives, in relation to the companies' direct supplier portfolio. Regarding the MRV program, a substantial number of indırect soy suppliers have geospatial data registered in platform software, subject to monitoring for deforestation and conversions, according to the data analysed in the audits.



Another risk is the issue of **triangulation**, which means purchasing soy from a producer or intermediary, which in turn acquired it from another production unit, which may or may not be compliant. The personnel located in the various branches of the companies and close to the production units, can minimize triangulation risks since they can infer whether a given supplier producer poses any risk in terms of triangulation.

This is a key area of focus for 2022 as the monitoring of the commitment extends to address this challenge.

Connecting new stakeholders and value chains



Recruiting further supporters and partners

Retailers, trading companies, food industry, and any player interested in supporting DCF supply chains can join this initiative. This initiative can be extended to other regions and commodities

Extension of claims to soymeal

Any soy byproduct can be assigned a DCF claim for value in the production chain. Soy meal, soy oil, lecithin and various categories of soy proteins for use in food products and petfood are products that should be able to add DCF claims but today challenging

Using the model to include other soy (commodity) traders

The multinational soy traders conduct business across the globe in arable land regions. These companies can join the initiative for a steeped approach for reaching full traceability in one country and then expanding to other countries and regions

Connection with other livestock supply chains

Livestock production uses soy meal in various grades in feed, ranging from poultry, pork, beef to fish. Connection with DCF soy in feed can improve visibility of these supply chains and enable claims to consumers institutionally and on shelf products