SOY TRANSPARENCY COALITION

3keel

Soy Transparency Coalition
2020 Trader Assessment

Public Report

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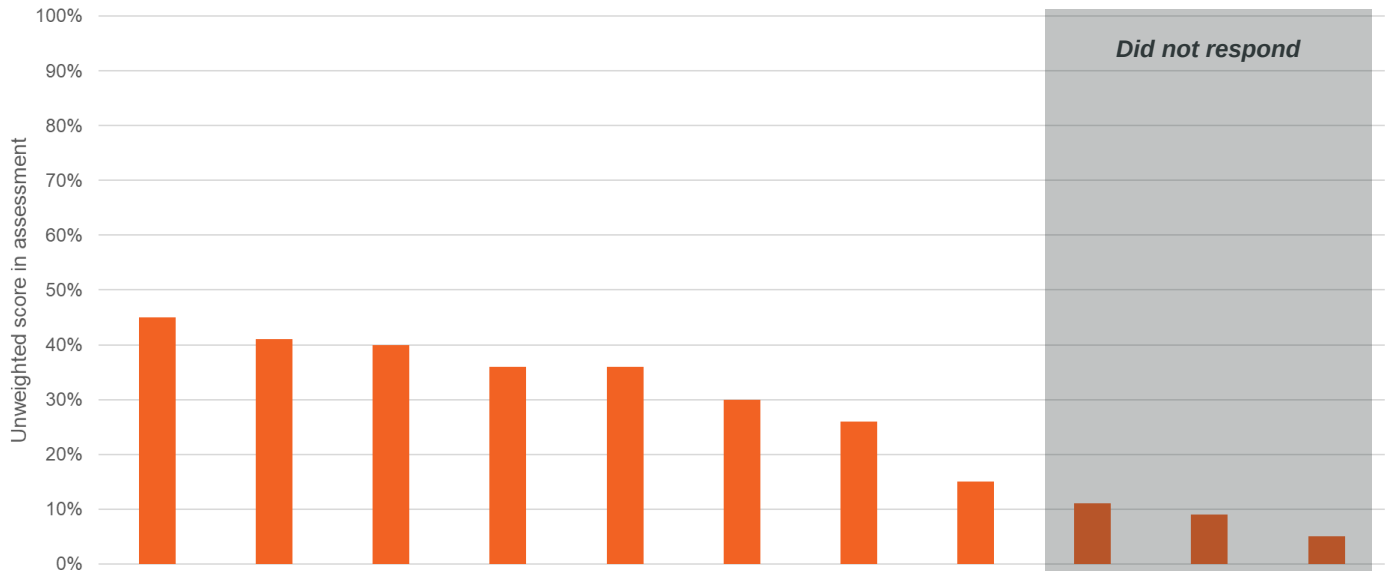
EXECUTIVE SUMMARY

The complexity and lack of transparency inherent within soy supply chains poses a significant barrier to the development of a more sustainable system for soy, a commodity frequently under fire for its links to deforestation and land conversion. For downstream actors within soy value chains, many of whom have targets on achieving zero deforestation within their feed supply chains, going beyond clean supply chains to look at the industry as a whole is an important part of reducing future risk, both environmental and reputational.

In response to this, a group of like-minded, multi-national actors within the soy value chain have joined together to form a pre-competitive coalition called the Soy Transparency Coalition (STC). The STC aims to support companies and investors to overcome the transparency challenges they face within the soy sector.

This is the first annual assessment of key traders present within the global soy supply chain in order to get a more representative view on the soy sector as a whole, and to understand where progress is being made. This assessment is a combination of desk-based research, and direct engagement with the chosen soy traders.

Below are the anonymised unweighted scores of the traders from the STC assessment. It is important to note that as these scores do not contain any judgement, instead all companies are simply marked against the highest possible score they could achieve based on their answers. These results also do not include any geospatial analysis of trader exposure to deforestation risk.



Following this first STC assessment for the 2019 calendar year, the following key findings have been identified:

- Transparency remains a blocker, but not with insurmountable barriers. There was a significant variation in the level of transparency provided, with different traders taking different approaches to what they viewed as ‘commercially sensitive’ information.
- Deforestation commitments are inconsistent and often ambiguous, with a clear definition of deforestation not usually given, and many traders unwilling to go beyond illegal deforestation to include legal deforestation and land conversion.

- The soy supply chain is perceived as low risk for exploitation when compared to other commodities a trader may be dealing with, such as beef and palm.
- Specific regional focus for supplier engagement is targeted at high priority municipalities in Brazil, whereas high-risk regions in Argentina and Paraguay receive more limited attention.
- Many traders continue to cite a lack of market demand for deforestation and conversion free soy as a barrier to increasing the volumes of certified soy in their supply chain.
- A verification gap exists for third party sourced soy volumes. Many traders are making progress with their own direct supply/production, however traceability targets and progress does not typically encompass soy sourced from third parties.
- Customer demand dictates trader action, with traders appearing to be most responsive to demands from their direct customers.
- Trader engagement with the assessment process is important to aid understanding, with those traders who did not engage consistently scoring lower than those who responded to requests to clarify their position and explain more about their approach.

Based on these findings, and feedback provided by the traders who engaged in the process, three main recommendations have been made for the members of the STC:

1. Use the STC scorecard as the basis for future trader discussions to ensure that there is a consistent, evidence-based framework being used to assess the relative performance of the traders against expectations.

2. Ensure that your policies and the conversations you have with traders are creating positive market signals, and that demand for deforestation and conversion free soy is clear. This will help to remove one of the most commonly cited barriers to progress in this area (lack of demand) and build a clear commercial case for a more transparent and responsible soy supply chain.

3. Continue to push traders to provide increased transparency within the soy value chain, particularly where some traders have demonstrated this is possible by already disclosing this information. This could either be on a one-to-one basis, or through collective groups/initiatives.

CONTENTS

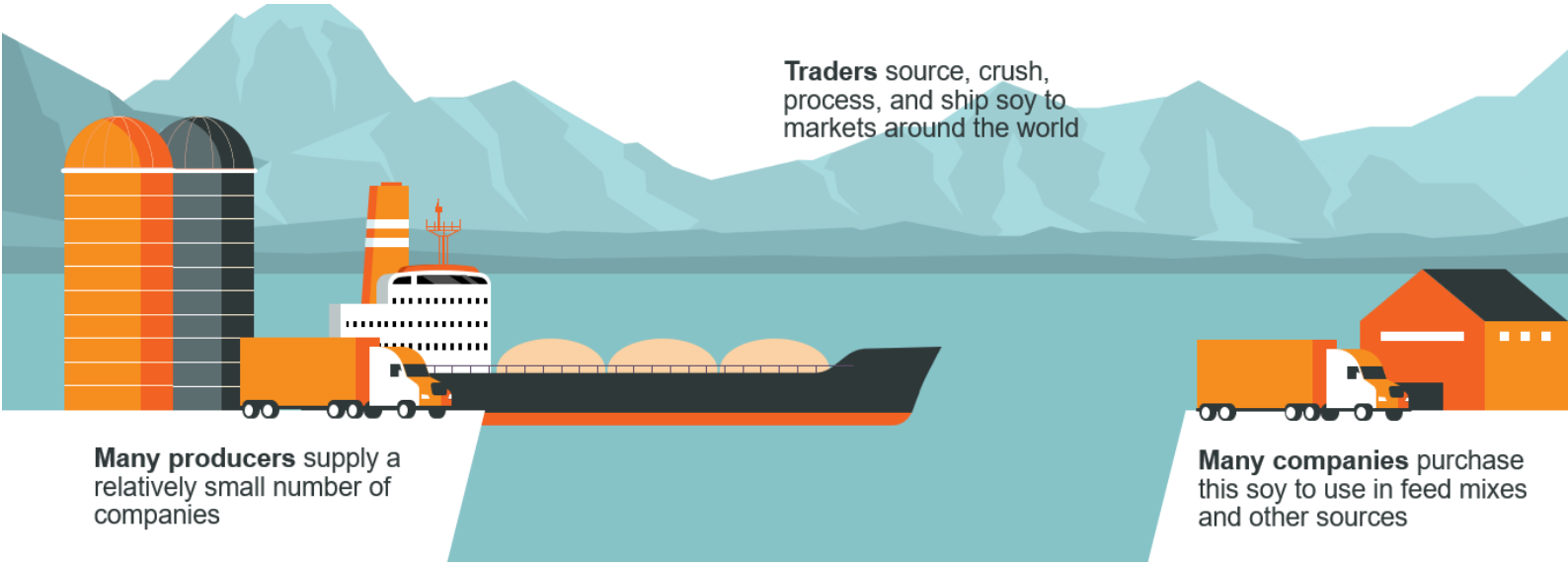
1. INTRODUCTION

The Soy Transparency Coalition (STC) was founded in 2020 by a group of likeminded actors within the soy value chain. The aim of this multi-national, pre-competitive coalition is to support companies and investors to overcome the transparency challenges they face within the soy sector. This increase in transparency is ultimately a key driver for a more sustainable soy production system in the future.

Members and subscribers for the STC include livestock producers, food and drink manufacturers, retailers and investment companies.

The nature of the soy sector, which has a very complex value chain, makes the current flow of traceability information from farm to livestock producer very disjointed.

There are many producers and crushers of soy, and many downstream users of the soy derivatives (e.g. feed manufacturers, livestock producers). In contrast, just a handful of traders control the flow of these materials from their country of origin, through to their final country of import. In Brazil for example, 8 traders exported 70% of all soy exported from Brazil in 2018 (Trase, 2020[1]).



With increasing scrutiny from NGOs and other shareholders on the transparency of these systems, it is increasingly important for downstream companies to be able to demonstrate their progress towards their own zero deforestation commitments. Companies need to be able to understand the current levels of transparency within the system, and what the current blockers are to achieving the visibility and accountability needed for the transition to a more sustainable soy system.

By assessing the companies operating at this narrowest point in the supply chain, the STC aims to get a truly reflective view of the soy industry as a whole, and identify areas where leadership positions are being taken, as well as where practices are falling behind the rest of the industry.

The STC set out to make the process of collecting this information more efficient, both for the members of the STC, and for the traders involved. Rather than receiving multiple, slightly different requests for information throughout the year, the STC aimed to consolidate this process, harmonising what was being asked for.

[1] https://trase.earth/data

2. KEY THEMES AND FINDINGS

The survey identified some key themes that were consistent across several of the traders surveyed. These can help identify key areas for progress to be made and strategies for future engagement. These findings are based on a collective review of the questionnaire responses and individual company actions may contradict some of the conclusions stated here.

Significant variation in the level of transparency provided

Traders who responded to the questionnaire showed varying levels of willingness to disclose information on their ambitions and progress. Questions which attracted particular reluctance to respond related to the number of suppliers engaged by the trader on sustainability matters and the trader's own certification scheme. Usually, this was not disclosed because it was deemed as 'commercially sensitive', but different traders took different approaches to what they viewed as sensitive information. Only one of the traders provided sourcing transparency, and this data was only to country level, rather than to sub-national region.

Weak deforestation commitments

Whilst most traders surveyed had policy including some form of deforestation commitment covering their supply chain, these did not define deforestation in a consistent way (particularly around approach to legal conversion, and the inclusion of zero land conversion). Only three traders had set a cut-off date for deforestation, which the Accountability Framework Initiative (AFI)[2] states is essential to an effective commitment on deforestation. A clear definition of deforestation is not usually given within trader policies, and many traders are unwilling to go beyond illegal deforestation to include legal deforestation and land conversion in their commitments. This stated reluctance is often related back to the current political climate within the region. Many traders see the already established mechanisms, such as the Amazon Soy Moratorium (ASM), as being at increased risk of collapse, and see any other pushes beyond legality as putting these at further risk.

Soy supply chain perceived as low risk for exploitation

The supply chain is generally perceived as being low risk for labour and human rights issues when compared to other commodities a trader may be dealing with, such as cotton and palm. A number of traders have overarching human rights policies which apply to soy, but monitoring of exploitation is usually limited to usage of government lists such as Brazil's database of registered indigenous lands and the 'dirty list' of employers using slave labour.

Specific regional focus for supplier engagement

Many of the larger soy traders are tailoring their actions in the soy supply chain to different sourcing countries. For members of the Soft Commodities Forum (SCF)[3], Brazil is a particular area of attention and traceability efforts have been focused on 25 priority municipalities in the Cerrado region. However, high-risk areas in Paraguay and Argentina have received less attention.

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

Despite almost all traders stating that engaging the producers within their supply chains was preferred over de-listing in cases of non-compliance with their policies, none of the traders disclosed information on the number of action plans developed or the number of face-to-face engagements with suppliers. As a result, we are unable to see what actual actions are taking place to engage suppliers to ensure future compliance.

[2] https://accountability-framework.org/contents-of-the-framework/cutoff-dates/
[3] https://www.wbcsd.org/Programs/Food-and-Nature/Food-Land-Use/Soft-Commodities-Forum

Perceived lack of demand for deforestation and conversion free soy

Whilst six traders surveyed have their own certification scheme, many traders cited lack of demand as a barrier for increasing the volumes of certified soy in their supply chain. Most were unwilling to disclose volumes sold under their own certification standard. No traders had committed to source 100% Round Table on Responsible Soy (RTRS)[4] certified soy in the future, with 'lack of demand' the most common explanation cited.

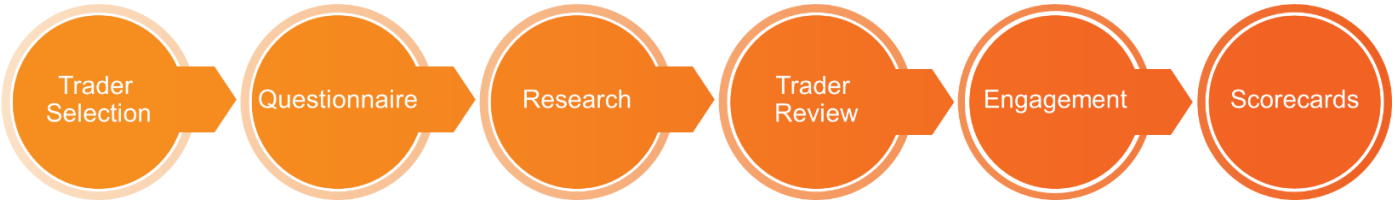
[4] https://responsiblesoy.org/

3. APPROACH

Overview of process

The STC assessment approach was designed to make it as simple and time efficient as possible for traders to engage and respond to the questionnaire, at the same time as allowing collaborative discussion on the challenges and opportunities of transforming to more sustainable soy supply chains.

The process is summarized in the six steps below:



Trader selection

Traders were identified based on their significance within global supply chains and proposed for inclusion in the questionnaire process. STC members were asked if they would like any further traders to be included, and additional Soy Protein Concentrate (SPC) traders were proposed for inclusion based on progress made to date on work towards deforestation-free supply chains.

Questionnaire

The assessment focused on determining which traders:

1. Have commitments to supply soy responsibly
2. Have credible plans in place to achieve their goals
3. Are outperforming their peers in sustainable practices

The questions covered many aspects of sustainability - from deforestation, to human rights, to labour practices, to use of pesticides. There was also a heavy emphasis on disclosure and transparency, with questions specifically on 3rd party verification, and public disclosure of policies and progress.

The initial question set proposed was based on a similar approach to that used for other commodities (e.g. the Palm Oil Transparency Coalition). The questions incorporated 3Keel's knowledge of the key issues within the soy value chain, the key reporting requirements of STC members, and recent requests for information received by members from leading NGOs. Key areas of focus are highlighted in the following chart.

Where relevant, questions were split out to allow traders to provide separate answers for three different areas of their supply chain:

1. **Own farms/direct supply** - where the trader either owns their own farms, or have direct purchasing relationships with the farms

2. **3rd party crushers** - where the soy supplied is by crushers that are not owned by the trader, but the soy is physically handled, or shipped, by the trader

3. **3rd party traded** - the soy is not physically handled by the trader. Solely "paper trading" of soy volumes.

For the sourcing disclosure part of the questionnaire, traders were asked to report on the State (Brazil), Department (Paraguay) or Province (Argentina) that soy had been sourced from. Rather than being asked to report the volume of soy sourced from every region, traders were asked to report on volumes of soy sourced from each high risk region and to give a combined figure for all low risk regions within a country. The designation of countries as 'high risk' or 'low risk' is based on where deforestation is occurring, according to Trase data[5].

Once compiled, STC members were invited to feedback on the draft questionnaire to ensure that this met their requirements.

Research

Questionnaires were initially pre-filled with publicly available information by 3Keel before being sent to the relevant trader for review. Five primary sources were used:

[5] https://trase.earth/data

1. Corporate sustainability reports
2. Company websites
3. NGO and industry reports (including RTRS, Carbon Disclosure Project and Soft Commodities Forum reports)
4. Google keyword searches
5. Trase data

The first four sources were used to pre-fill answers in sections of the questionnaire on background, ambition, targets, progress, verification and certification. All relevant information was used, with additional information written down in the notes section and links to the source provided. If the answer to a specific question within the questionnaire could not be found, the answer was stated as 'no' or left blank as appropriate.

For the 'Sourcing data' sections, data from Trase was used to pre-fill information on the volume of soy sourced from each region by the trader. 2018 data was used for Argentina and Paraguay and 2017 data was used for Brazil, as this was the most up-to-date information available. If no data was available for a trader, the section would be left blank.

Media reports relevant to each trader were also analysed, but findings from this analysis were not included in the pre-filled questionnaire.

Trader review

After this process, questionnaires were sent to the trader to review and revise based on their own knowledge of company ambition and actions. Traders were given time to review the questionnaire and were encouraged to discuss any questions on the questionnaire or process with 3Keel throughout.

Eight traders reviewed and returned the questionnaire, three traders did not provide any updates.

Engagement

Once the questionnaire had been returned, traders were invited to a one hour call with 3Keel and any interested STC members to discuss the questionnaire results. This time was used to introduce and answer the trader's questions on the STC, discuss questions where ambiguous answers were given and obtain further information on points of particular interest. These calls were guided by 3Keel, with opportunities for STC members and the trader to ask their own questions.

After the call, the questionnaire response was modified with updated answers for any questions for which the answer given did not match the evidence and explanation.

Scorecard

To make the assessments easily comparable, scorecards were produced which were specially built to allow STC members and subscribers to score traders against their own unique set of requirements.

Every question had the same possible number of points associated with it. Questions were marked on several different scales, including:

- Disclosure – where the fact that something was disclosed is what is being assessed, rather than the response.

- Qualitative – where the score is determined by the extent/quality of commitment/action/progress made.

The following are some examples of these scoring types:

Type	Example question	Example scoring
Disclosure	Hectares of land certified to your own standard	Not disclosed = 0 points Disclosed = 4 points
Qualitative	Do you have a requirement to pay a Living Wage to all workers employed, contracted, sub-contracted or otherwise directly or indirectly paid for soy production?	No = 0 points Legal minimum wage = 2 points Living wage = 4 points

Each question is associated with a particular topic/ performance area, based on the type of information being requested (see diagram below).

		Topic		
		CORPORATE	ENVIRONMENT	SOCIAL
Performance area	COMMITMENTS			
	TARGET DATES			
	PLAN			
	PROGRESS			
	VERIFICATION			

Scores for each topic area are then normalised, to ensure that each topic contributes equally to the potential overall score as a baseline. This ensures that the scorecards have no judgement applied to them, instead showing how each trader has scored against the maximum possible score they are able to achieve.

STC companies are then able to apply their own judgement to these default scorecards through mechanisms built into the structure of the scorecards.

The scores used for the analysis in this report are completely unweighted, and with no minimum requirements set. As such, all traders are being assessed against the same potential score, which is the maximum possible to be achieved, with all sections scored equally.

4. SURVEY RESULTS: AMBITION

This section provides a review of how each company indicated its general ambition towards supporting zero deforestation and exploitation within the soy production industry. Three areas are assessed:

1. Certified Supply – Commitments to source RTRS or own-standard certified soy.
2. Environment – Commitments align with recognised expectations for achieving zero deforestation and minimal negative impact.
3. Exploitation – Commitments to ensure farms and supply chains operate fairly with workers and communities in accordance with international labour standards.

Certified supply

Whilst most of the traders assessed are members of RTRS, not all members had sourced RTRS certified soy. RTRS soy was purchased according to customer demand, and no trader has set a target date for achieving 100% RTRS certified soy. Stated barriers to increasing the volumes of RTRS certified soy include lack of market demand, high prices and low uptake of the scheme by small to medium sized producers. It was also noted that some customers purchase RTRS credits directly from farmers, meaning the market demand signal does not always reach the trader– for example, a chicken producer purchasing RTRS credits directly from farmers through the RTRS platform, therefore bypassing the trader.

Whilst no trader disclosed the origin of their RTRS certified soy sourcing (see 8. Survey Results: Sourcing), one of the traders observed that certified soy is more predominant in high-pro producing countries such as Brazil than other countries such as Argentina, as certification has been driven by the poultry and fish feed industries which typically use Brazilian high-pro soy.

In several instances, traders stated that the creation of their own certification schemes was in response to the perceived low demand for RTRS certified soy. The cost of RTRS certification is also given as a barrier, particularly for smaller farmers. Some own trader certifications have been developed to deal with this, by supporting farmers as they transition to more sustainable practices, and eventually towards RTRS certification. More information on trader certification schemes is available in section 9. Survey Results: Own Certification.

For the traders specializing in the supply of SPC to the market, all non-GMO soy sold is certified to a deforestation-free standard by Proterra and is Identity Preserved (IP). However, none of these traders have a public commitment to increase the share of ProTerra certified soy to 100% across their whole supply chain.

Environment

Communication of sustainable soy policies by traders is not always clear, with a tendency for soy to be one element within a broader policy/strategy document, or for deforestation/land conversion to be addressed as a topic more generally. This is markedly different from other commodities, such as palm, where dedicated policies are commonplace.

All trader policies assessed included reference to deforestation, but commitments on this were variable. During the 2019 calendar year, none of the traders had a cut-off date in place, though some stated that this was in development. In some cases, traders cited concerns over the practicalities of setting a cut-off date which would be applicable across all sourcing regions and that could realistically be observed.

Whilst most policies include mention of zero-deforestation, this is defined and phrased differently by each trader. For some, this was limited to what was being defined by the national law in the growing country

(including adherence with the Soy Moratorium). Others mention ending conversion of native vegetation as a goal, but none have set a time-bound target for achieving zero-conversion.

Several traders discussed the difficulties associated with asking farmers not to expand through deforestation when it is their legal right. This was cited as a reason for focusing on addressing illegal deforestation, along with the challenges of maintaining the current legal framework and recent threat to long-standing agreements such as the Amazon Soy Moratorium.

As no public commitment in the 2019 calendar year combined a cut-off date with a commitment to a conversion-free supply chain, no trader commitment on deforestation and land conversion was judged to be consistent with the Accountability Framework's Core Principle on 'Protection of forests and other natural ecosystems'[6].

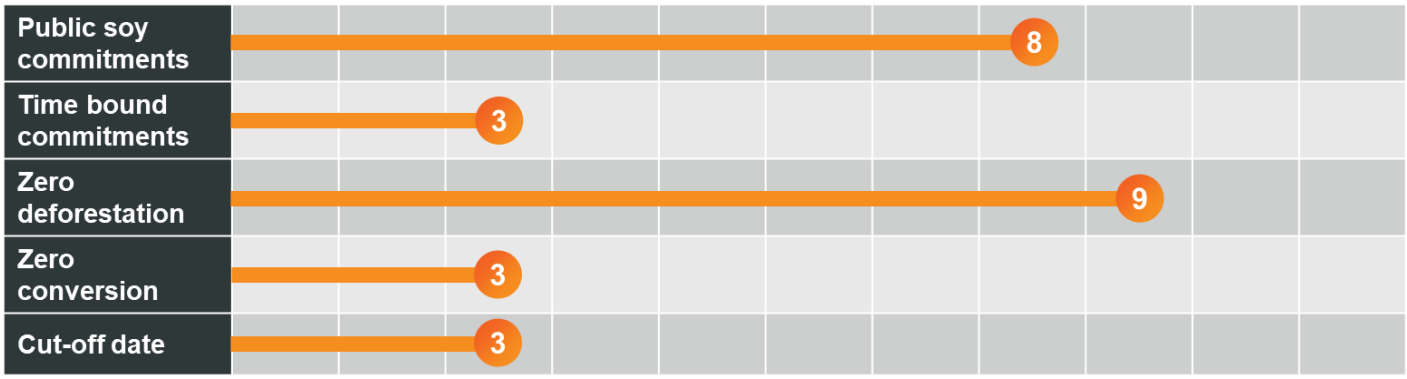


Table 1 - Number of traders assessed whose soy commitments met the listed criteria – including additional commitments on cut-off dates announced in 2020

None of the traders reported commitments on the usage of pesticides across the whole supply chain, and supplier engagement on responsible usage of pesticides was limited to the following three actions:

1. Restrictions on pesticide usage for certified supply. For example, RTRS and ProTerra ban aerial application of WHO class Ia, Ib or II pesticides within 500m of populated areas and water bodies.
2. Pesticides included as a topic in supplier training programs.
3. Monitoring of pesticide levels in soybeans to ensure that EU regulations are met.

Exploitation

Whilst most companies had some published policies addressing exploitation and human rights, these range significantly in coverage with the most comprehensive policies being those that apply to palm oil as well as soy. Policies typically cover workers' rights (with ILO guidance frequently referenced) as well as the right of local communities and indigenous peoples to Free, Prior and Informed Consent (FPIC).

Traders dealing in multiple commodities emphasised that the human rights risk of soy is comparatively low compared to other commodities with smallholder-based production systems, such as palm oil or cotton. Therefore, monitoring for human rights compliance in soy supply chains has not been made a priority, and no trader reported engaging their suppliers on human rights issues through training. However, a number of traders use the Brazilian Ministry of Labour's Forced Labour List in order to block suppliers who have been linked to forced labour.

[6] https://accountability-framework.org/core-principles/1-protection-of-forests-and-other-natural-ecosystems/

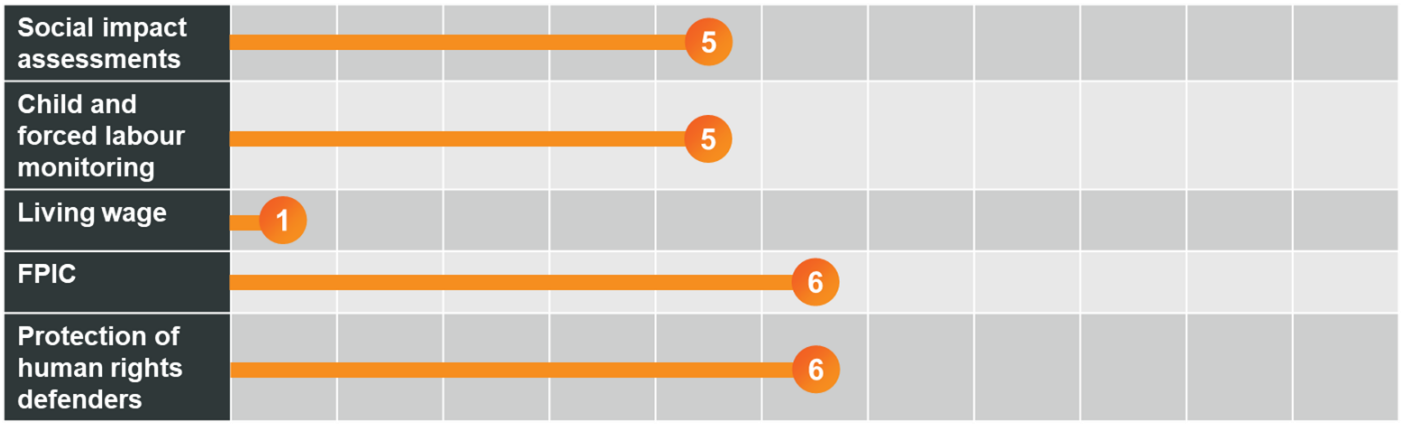


Table 2 - Number of traders assessed whose exploitation commitments for soy met the listed criteria

The Brazilian government's mapping of indigenous lands is also used by some traders to ensure that soy is not being sourced from farms in these areas. Less evidence of monitoring is seen for suppliers outside of Brazil.

5. SURVEY RESULTS: TARGET DATES & PLAN

This section provides a review of the targets that each trader set for their own commitments, and their roadmap for achieving them. Three areas are assessed:

1. **Zero Deforestation and Traceability** – Timelines for achieving a transparent supply chain that meets the requirements of the company policies on achieving zero deforestation.

2. **Exploitation** – Structures and in place to enable progress to be made on any labour and community issues associated with production.

3. **Accountability** – Internal and external accountability structures for ensuring that commitments are realised.

Zero Deforestation and Traceability

No trader assessed has set a target date for achieving a 3rd party claim on meeting their zero-deforestation policy. Third party verification is only available where soy is certified, or the customer has paid for verification.

All traceability targets are based on traceability to the farm. Whilst only three traders have targets to achieve full traceability to farm, a further three traders have targets relating to direct sourcing. In addition, any traders who are part of the Soft Commodities Forum (SCF) have a target of 100% traceability to farm for all direct sourcing in the 25 priority municipalities. The % of high-risk soy not covered by these commitments varies by trader. Even for traders with 100% direct sourcing in priority municipalities, soy sourced from high-risk areas in Paraguay and Argentina is not necessarily covered by the SCF or own trader commitments.

A number of barriers were mentioned to achieving traceability targets, including:

- A specific administrative barrier which exists to achieving a higher traceability percentage, involving the need for manual linking of the CAR number which identifies the farm and the tax ID which identifies the farmer (who may own more than one farm).
- Unwillingness of direct suppliers to disclose details of where soy has been sourced from. This is particularly the case with farming co-operatives or third party traders who may be concerned about being circumvented.

Exploitation

No trader has set a target for a third party verified claim that their human rights policy has been met across the whole supply chain.

Accountability

Most traders with a public zero-deforestation commitment have had this signed off at the board level and reported on through a public report.

Partnerships with NGOs are also used to support specific projects. The Nature Conservancy was most frequently mentioned as a partner by traders and has been a partner on programmes to support growers with sustainable production in Paraguay, provide loans to farmers seeking expansion without deforestation, and to map risk in supply chains. Only one of the traders assessed had partnered with an NGO for a full review of sustainability policies and procedures.

Traders named a number of collaborative initiatives that they are part of, including:

- **The Soft Commodities Forum (SCF):** Trader forum focused on building transparent and traceable supply chains in the Cerrado. Members report on progress made through bi-annual reports with a focus on 25 'priority municipalities' and also collaborate on landscape projects.
- **The Cerrado Working Group (GTC):** A multi-stakeholder group including traders, NGOs, producer groups, consumer goods companies and government. The group is designed to reach an agreement between these actors on how to end deforestation in the Cerrado. This is separate to the group of companies who have signed the Statement of Support for the Cerrado Manifesto.
- **The Soy Working Group (GTS)**: Another multi-stakeholder group dedicated to ending deforestation in the Amazon. All members of this group have signed the Amazon Soy Moratorium, ensuring that no trader purchases soy grown in land in the Amazon deforested after 2008.
- **Aquaculture dialogue on Sustainable Soy Sourcing from Brazil:** A group of actors in aquaculture supply chains, including producers, traders and NGOs.

6. SURVEY RESULTS: PROGRESS

This section provides a review of how companies are measuring and disclosing progress towards their commitments. Three areas are assessed:

1. Traceability – Proportion of supply that is currently traceable to crusher and farm.
2. Management Practices – Use of grievance processes and risk management tools to monitor and respond to potential breaches of company policies.
3. Public Standing – External reports of environmental and social issues within named company supply chains.

Traceability

Progress on traceability is reported on through both trader progress reports and SCF specific progress reports. All but three traders disclosed some information to the STC on their traceability progress. However, no trader was able to split this by region of supply, with only overall traceability figures or traceability figures by country of soy origin available. In general, traceability levels for Brazil were higher than other countries of soy origin. Traceability is especially high in the 25 SCF priority municipalities, demonstrating that it is possible to reach 100% traceability to farm when an area is prioritised.

Unlike palm, for which traders are seeking to improve traceability to mill and traceability to plantation, soy traders do not typically monitor traceability of soy to crusher or monitor for deforestation within a specific radius of crushers. This is due to a fundamental difference in these supply chains, where soy traders commonly crush their own direct soy and so focus on traceability to farm in these direct supply chains.

Management practices

A range of GIS monitoring tools are used by traders to assess supplier compliance, areas at particular risk of deforestation and potential areas where expansion could be sustainable. These tools show LUC over time, and in some cases also designated indigenous areas in Brazil. Agrosatélite and AgroIdeal are the most commonly used tools. These tools are not usually used to monitor all farms supplying the trader directly or indirectly but only direct suppliers, suppliers in high risk areas or those who are receiving credit from the trader. No evidence was found to show GIS monitoring being used for third party traded volumes.

Most traders have a grievance process available to receive complaints from stakeholders in the supply chain via telephone, email or online form. Although these are made available in multiple languages, it is not clear how these are made accessible to local communities living near or working in soy farms. Public transparency of grievances reported within trader supply chains is limited.

Three of the traders disclosed the number of suppliers who were identified within their supply chain as non-compliant. This was despite other traders stating that they were not able to share this as it is classed as confidential information.

No information was given of action plans being developed or face-to-face engagement with the company taking place after non-compliances had been identified. However, almost all traders stated that engagement, rather than delisting non-compliant suppliers, was the minimum action taken in response to non-compliance.

Whilst the delisting of non-compliant suppliers creates an incentive to farmers to comply with trader policies and enables traders to achieve their policies, there are some concerns that a ‘leakage market’ can be developed whereby the delisted supplier continues to engage in unsustainable practices whilst supplying soy to other traders. It is not clear what actions are taking place in the wider soy industry to prevent this from

occurring, though some traders mentioned specific routes for supplier reintegration following engagement from the trader around their flagged non-compliances.

Public standing

8 of the 11 traders surveyed had been included in negative media or NGO reports during 2019.

Since Mighty Earth launched its first Rapid Response report for Soy and Cattle in June 2019[7], the supply chain links of the major soy traders to deforestation have been publicly exposed on a regular basis.

However, these reports are not always able to provide a full insight into trader progress. Many of the supply chain links are unconfirmed and a trader can be implicated due to having a crusher within the vicinity of deforested land whilst not sourcing from that crusher.

[7] https://www.mightyearth.org/rapidresponse/

7. SURVEY RESULTS: VERIFICATION

This section provides a review of traders' approaches to monitoring and verification (both internal and external) of compliance with their policies. This covers:

1. External verification of compliance
2. Guarantees of zero-deforestation and traceability

External verification of compliance

Traders with public reports did not typically use third party audits to verify information shared or progress made towards commitments. Compliance with the Amazon Soy Moratorium and Green Grain Protocol are more commonly monitored by third parties, but verification did not usually go beyond this.

- **Amazon Soy Moratorium (ASM):** Collaboration between local government, NGOs and global industry to protect the Amazon biome by guaranteeing market access for zero deforestation soy from the region. The agreement also extends to excluding slave labour and protecting indigenous lands. The ASM, which has been in place since 2006, has been viewed as hugely successful by NGOs.
- **Protocolo Verde de Grãos (Green Grain Protocol):** An agreement between the Pará state government, Federal Public Ministry and the private sector, which many traders are signatories to either independently or through the Brazilian Association of Exporters of Cereals (ABIOVE). The protocol lays out procedures for responsible purchasing of soybeans within the Pará region.

One trader was the exception to this rule and had obtained third party verification on the % of soy sourced directly from Brazil which is traceable to farm.

It was noted that third party verification is more common for other commodities such as palm.

Guarantees of zero-deforestation and traceability

Traders generally do not provide evidence or guarantees to customers on traceability or zero-deforestation claims for standard soy volumes, with the exception of physically certified soy or, in some cases, soy certified through a trader owned certification scheme.

However, a number of traders stated that it would be possible to supply these guarantees if demand for this existed from their customer and the customer was willing to pay for these additional guarantees. This was specifically only for direct customers (e.g. livestock producers with integrated feed systems), and was not available for indirect customers (e.g. retailers).

For more information on transparency information related to general production and/or sourcing by the traders, please see the next section 8. Survey Results: Sourcing.

8. SURVEY RESULTS: SOURCING

This section provides a review of the responses from traders to the sourcing sections of the questionnaire.

Disclosure

Transparency of sourcing regions – both at a national and sub-national level – remains one of the biggest blockers for downstream actors to be able to make informed decisions about where to focus their efforts for reducing risk within their own supply chain, and investing in biome or municipality level landscape solutions.

Requests for disclosure around sourcing regions received a significant level of push back from traders, with the majority citing commercial barriers. This mainly fell into three different categories:

1. Traders who felt that this information should not be shared outside of their company as this would infringe on commercial confidentiality.

2. Those who were willing and able to provide this information, but would only do so for direct customers, and potentially at a cost.

3. One trader who provided country-level sourcing information (not to sub-national region) under an NDA only to STC members.

The disclosure by one of the trader suggests that commercial confidentiality is a barrier that can be overcome, and the ability of others to disclose information to customers on demand shows that traders do have access to sourcing information. There is a clear need to continue the discussion with traders to encourage this level of transparency, and to build trust with them on how this information is being used.

At this point, there is no possibility of any detailed sourcing information being disclosed publicly outside of the STC.

9. SURVEY RESULTS: OWN CERTIFICATION

This section provides a review of the certification schemes which traders have developed themselves. This covers:

1. Disclosure
2. Impact of certification scheme

Disclosure

A number of traders were unwilling to disclose specific information such as the area of land or volume of soy covered by their own certification scheme and the value of premiums paid to producers in the past year for taking part in the scheme. This was deemed by some to be 'commercially sensitive' information, however interpretations of what was and was not commercially sensitive were inconsistent across the traders.

Impact of certification scheme

Most certification schemes are focused on sustainably sourced Brazilian soy, with some schemes extending out to Paraguay and Argentina. Most trader certification schemes certify soy against a given set of criteria. This typically involves zero-deforestation and land conversion, incorporating both legal and illegal land conversion, as well as some further criteria.

Only two traders shared information on the value of producer premiums. A number of traders reported that limited demand for their certification made it difficult to pay a high premium, or any premium, to farmers producing certified soy.

Measurement of the impact certification schemes are having on deforestation, GHG emissions and worker livelihoods is limited in many of the schemes.

All traders with certification schemes monitored certified farms for deforestation, but no trader had gone further to assess the wider impact that the certification scheme has had on deforestation within South America as a whole. Impact measurement for schemes was limited to original farms and monitoring for non-compliance, rather than focusing on the wider impact that the certification scheme was having on deforestation within the region. For example, whether the scheme is encouraging farmers who would otherwise have been deforesting to refrain from doing so, or simply rewarding farmers who have already deforested in advance of the cut-off, and have no further scope for this method of expansion.

10. FEEDBACK FROM TRADERS

Below is a summary of some of the key points of feedback that traders provided during the 2020 STC assessment process:

Classification of supply chain systems

The use of 'Own farms/direct supply', '3rd party supply (crushers)' and '3rd party supply (traders)' as terms to describe the different parts of a trader supply chain caused some confusion. A number of traders source products indirectly from the farmer through cooperatives and were uncertain as to what category these purchases would fall under. In addition, traders used different terminology when talking about '3rd party supply (traders)', including 'paper trading' and 'futures trading'. This can be improved upon in future STC assessments by using a diagram to demonstrate which category each possible supply chain system might fall under.

Traceability questions could be refined

A number of traders were confused by a question on 'traceability to crusher', as most of the traders predominantly crush soy themselves and so track levels of 'traceability to farm' rather than 'traceability to crusher'. Furthermore, questions on traceability targets asked only when 100% traceability will be achieved across the supply chain, whilst a number of traders had set targets for only specific parts of the supply chain, such as 100% traceability for soy purchased directly from farm, or 100% traceability for soy from high-risk areas of Brazil. These targets could be reflected in the comments section of scorecards, but do not currently feed into the score itself.

Confidentiality of sourcing information

A number of traders stated that they were not able to disclose any information on their sourcing practices due to confidentiality, with one even claiming that such disclosure would be against competition law. The presence of financial institutions within the STC membership was of particular concern to some.

However, the disclosure of sourcing locations by one of the traders, as well as detailed disclosure of palm oil origination through similar initiatives such as the Palm Oil Transparency Coalition (POTC), even down to mill lists, suggests that this is not an insurmountable barrier.

Timing of the STC reporting process

It has proven difficult to develop a timeline for the STC reporting process which works well for both STC members and traders. Whilst STC members prefer to have results for the previous year in January, the traders have often not collated the relevant information until Q3 of the following year. Even within the initial 2020 timeline which involved the traders reporting in August, a number of traders released their sustainability reports just after this period with more information, creating the need for additional updates with 2019 specific data and information.

11. CONCLUSIONS AND RECOMMENDATIONS

The following observations and considerations for future work for the STC have been drawn from assessing the company responses and directly engaging with traders:

Conclusions

Transparency remains a blocker, but not with insurmountable barriers

Traders were unwilling to disclose many key pieces of information on their supply chain, including sourcing volumes and locations, even at a country level. However, the level of openness within discussions with traders varied, and there were very few questions or sections of the questionnaire that were left unanswered by all traders involved in the process. This indicated that it is possible for traders to disclose this information, and traders who disclosed more information this year may lead the way for others.

Deforestation policies are inconsistent and often ambiguous

Despite widely accepted definitions of deforestation and land conversion (e.g. the AFI definition), many trader policies do not align behind these. This means that there are inconsistencies between the different trader policies and it was often unclear what definition of deforestation was used by the traders until the direct engagement calls. This appears to be specific to soy, as in contrast many of the same traders with palm oil supply chains consistently reference 'High Conservation Value (HCV), High Carbon Stock (HCS) and peatlands' within their palm policy, using widely accepted frameworks.

Verification gap exists for third party sourced soy volumes

Whilst a number of traders have made good progress in tracing soy which is directly sourced from high-risk areas of Brazil in particular, traceability targets and progress does not typically encompass all volumes of soy including that which is sourced from third parties. Therefore, even when own-supply traceability targets are achieved in the short term, there will still be high-risk untraceable soy within the overall trader supply chains.

Customer demand dictates trader action

Traders appear to be most responsive to demands from their direct customers. Many traders were happy to provide certified or traceable soy to customers when asked and/or paid a premium. The traders who have made the most progress on setting cut-off dates have done so following pressure from coalitions of companies from downstream in their supply chain. Similarly, the perceived lack of market demand is often cited by traders as a reason for limited soy certification levels within the soy system.

Trader engagement with the assessment process is important to aid understanding

Although it is anecdotally known that some producers have made a significant degree of progress towards achieving deforestation free supply chains, this is not necessarily reflected in their scores if they did not engage with the assessment process. In some cases, they did not engage with the questionnaire process, and often did not share information on policies and progress on their websites. In contrast, being more transparent during discussions did not always lead to a higher score, as this was also dependent on their ability to demonstrate progress against their targets and plans.

Recommendations for the STC process

1. Rationalise and adapt survey based on feedback and knowledge gained

Having now completed the first round of trader assessments, there are a number of areas of the questionnaire which can be amended to ensure questions are targeted as effectively as possible. Changes which will take place for the 2021 reporting process include:

a. Distilling down the questions on human rights, removing questions which were not seen as relevant by the majority of the traders.

b. Questions and multiple choice answers will be modified to reflect the stage at which soy traders are at with their policy. For example, rather than asking when 100% traceability to farm will be achieved across the supply chain, questions will ask whether traceability commitment exist within different parts of the supply chain, and the scope of exactly what these cover.

c. The terminology used for the different routes of soy sourcing and supply that were used for this year (e.g. 3rd party traded) will be updated to align with the terminology and definitions commonly used by traders.

2. Identify and invite relevant NGOs to join the coalition as advisors

A number of STC members have expressed an interest in inviting specific NGOs to join the STC as advisory partners. This would increase the breadth of knowledge within the coalition, as well as increasing credibility and providing the viewpoint of civil society. The next step will be for STC members to identify which NGOs would be able to contribute most effectively.

3. Ensure continued engagement with traders both during and between reporting periods

The process has created a new avenue for traders and the STC to engage in discussions into the nuances of trader policies and progress beyond what is in the public domain. In order to help develop the productive relationships which have formed as part of the first process, it will be important to continue engaging with traders throughout and between reporting processes. As a first step, a feedback document will be provided to the traders highlighting performance highlights and key areas to improve upon prioritised by the STC membership.

12. GLOSSARY OF TERMS

ABIOVE	Brazilian Association of Exporters of Cereals
AFI	Accountability Framework Initiative
ASM	Amazon Soy Moratorium
CDP	Carbon Disclosure Project
FPIC	Free Prior and Informed Consent
GHG	Green House Gas
GIS	Geographic Information Systems
GMO	Genetically Modified Organism
GTC	The Cerrado Working Group
GTS	The Soy Working Group
HCS	High Carbon Stock
HCV	High Conservation Value
ILO	International Labour Organisation
IP	Identity Preserved
MB	Mass Balance
NGO	Non-Governmental Organisation
POTC	Palm Oil Transparency Coalition
RTRS	Round Table on Responsible Soy
SCF	Soft Commodities Forum
SG	Segregated
SPC	Soy Protein Concentrate
STC	Soy Transparency Coalition
WHO	World Health Organisation

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