



# SOY MORATORIUM IN THE AMAZON: HOW TO IMPROVE ITS TRANSPARENCY?

Louise Nakagawa<sup>1</sup>, Lisandro de Souza Inakake<sup>2</sup>

<sup>1</sup>PhD in Energy, Researcher for the Accountable Agriculture Supply Chain Area at Imaflora

<sup>2</sup>Agronomist Engineer, Senior Project Coordinator for the Accountable Agriculture Supply Chain Area at Imaflora

## KEY MESSAGES

- Although the audited companies have complied with the Soy Moratorium criteria, the GTS Assessment Committee concluded from the audit reports that it was not possible to prove full compliance with the agreement given the inconsistencies pointed out in the documents regarding the audit procedures and the recording of compliance evidence.
- In order to strengthen and improve the Soy Moratorium, it is necessary to increase the transparency of the audit process, as well as the public disclosure of audit results, through public summaries. Displaying data and information will underscore the importance of the agreement, particularly in the international market.

The Soy Moratorium in the Amazon, one of the largest commitments for zero deforestation in tropical forests, was implemented in 2006 after a Greenpeace campaign shone a spotlight on the role of soybean expansion in the increase of deforestation in the Amazon. This is a voluntary sectoral agreement under which soy trading companies agree to avoid buying soy from areas deforested after 2008. The agreement was then renewed up to 2016, when its implementation was changed to an indefinite term.

Every year soybean traders, who are members of the Soy Working Group (SWG), undergo third party audits to assess if their purchases and financing meet the Soy Moratorium criteria. These audits took place in person until 2019. Then, with the COVID-19 pandemic, they were held remotely in 2020 and 2021. The monitoring, reporting and verification cycle consists of: i) spatial monitoring, ii) supplier list generation, iii) company operationalisation, iv) independent audits, and v) civil society assessment.

According to data from the Brazilian Vegetable Oil Industry Association (Abiove) (2022), deforestation in the Amazon reached 7.84 million hectares between July 22, 2008 (the Moratorium milestone; PRODES/2009) and the PRODES/2020 assessment. Of this total, 3.17 million hectares are located in the 109 municipalities studied by the organisation, in which 147,100 hectares of soybean were flagged as not in compliance with the moratorium, around 2.5% of the total sown in the 2020/21 harvest.

An assessment committee of the Soy Working Group (SWG), made up of company and civil society representatives, has analysed the audit reports since 2016 to assess the performance of the companies in relation to the Soy Moratorium with an eye on compliance and the proposal of improvements. Its main role has been to offer technical support for the audit process by consenting to the process and offering credibility to the stakeholders to ensure the participation of the private sector and civil society.



## WHAT DOES THE LATEST CONSOLIDATED AUDIT REPORT SHOW?

According to the audit report published in August 2022 (Imaflora, 2022), the 20 companies audited complied with the moratorium criteria. The assessment committee, however, stated that it is unable to define full compliance with the moratorium by 13 companies given the lack of definition of compliance with requirements considered as critical points in the agreement. In any case, the committee stated that these same points could become opportunities for improvement in the future. This lapse became apparent after requests for clarification came in from the companies, despite there being no disagreement between the auditors and the companies.

Eleven non-compliances (NCs) in regard to the management system were identified in six companies, which have agreed to draw up an action plan by the next audit. The assessment committee verified that 95% of the traders' management systems and audit reports were good or fair. Only one trader had its management system rated as poor and only one audit report was rated as excellent.

Important inconsistencies that led to uncertainties about the validity of the results were found in the assessment process of the audits carried out in 20 companies. For example, five reports had no record of whether the auditors followed up on the removal of the procurement list from the system for the checking of its integrity. In addition, five reports did not define if the list of verified purchases included soybean receipts related to contracts from previous harvests. These two events made a full analysis by the committee, as well as the compliance with the procedure, impossible.

The records of 36 purchases with caveats in nine reports include no mandatory evidence, such as: contract and transport statements, invoice samples, social-environmental review, distance between the farm blocked by the Moratorium and the farm sourcing the soybeans, the Rural Environmental Registry (Cadastro Ambiental Rural - CAR), state registration, and others. The committee believes this information is essential in assessing procurement compliance; therefore,

they were considered non-compliant since they did not provide evidence of compliance with the agreement. The absence of such records made it impossible for the committee to understand how the auditor verified the compliance of purchases or if the information was sufficient to justify the auditor's conclusion. Furthermore, 12 companies submitted incomplete or incorrect contract clauses regarding the requirements of the moratorium. This is clear evidence of a non-compliant management system in these companies, which were not classified as such by the auditors.

## FINDING IMPROVEMENTS TO ENHANCE THE SOY MORATORIUM AND INCREASE TRANSPARENCY

The assessments made by the committee show that despite the inconsistencies found, it is crucial for traders to be ready to put in place actions that address the non-compliances pointed out by the audit and view this as an opportunity to improve their process and not consider it a punishment. In addition, they suggested that the companies value the veracity, quality, completeness and transparency of the results of the annual audit of the Soy Moratorium.

As such, it is worth noting that, unlike the previous approvals reached in the GTS, the traders in this audit cycle decided not to disclose their public summaries due to the conclusion of the assessment committee, which stated that the reports of 13 companies did not contain enough to confirm compliance with the agreement. This underscores the need to improve not only the audit processes but to require greater commitment and seriousness from the signatory traders of the Soy Moratorium in order to strengthen the agreement since it is seen as one of the most important voluntary instruments of zero deforestation still in force.

It is also important to define which verification parameters are mandatory or recommended. This factor helps qualify the information that the companies need to provide as evidence of their compliance with the moratorium. Moreover, it prevents the signatory traders from generating ambiguous or inconsistent information, which hinders the audit processes.



Lastly, providing transparency to audit results is crucial. First, because the greatest value of the Soy Moratorium lies on the agreement's capacity to demonstrate that the soybean traded is not being sourced from deforested areas in the Amazon. Secondly, because it is essential that the results be made public and accessible so that the moratorium can continue to be considered a successful mechanism in the fight against deforestation, especially in view of the increased demand regarding the traceability of the soybean chain by international buyers, above all European buyers, via the Green Deal of the EU and the Due Diligence of the UK.

### Referências

Abiove (2022). Soy Moratorium: Monitoring soybeans by satellite images in the Amazon biome - Harvest 2020/21. Available at: <https://abiove.org.br/relatorios/moratoria-da-soja-relatorio-14o-ano/>

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## SOY ON TRACK

### THE TRANSPARENCY PLATFORM IN THE SOY VALUE CHAIN.

The Soy on Track Program is a set of actions aimed at underpinning social and environmental commitments and corporate policies in the soy value chain in the Amazon and the Cerrado region.

Its main goals are to support the implementation of the Soy Moratorium in the Amazon, the Green Grain Protocol of Pará state and the sector and corporate chain of deforestation-free soybeans in the Cerrado region.

The Soy on Track platform is a hub that offers access to systems, tools, data and technical information for a deforestation-free soybean chain.

A team of experts, supported by local and international strategic partners, works to find solutions for a deforestation-free and transparent chain.

So producers, soy processors of all sizes, traders and also investors, can use this environment to find the material they need to improve and implement their commitments and policies.

The general public can also use it as a source of data and resources to track the progress of the agreements signed by the network.

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Imaflora is a Brazilian non-governmental organization created in 1995 to promote the conservation and sustainable use of natural resources by generating social benefits in the forestry and agricultural sector.

