



Measures for financial institutions to help stop soya-driven deforestation

Besides its dramatic impact on biodiversity, local populations and water resources, deforestation in the tropics is also responsible for about 8% of the world's annual greenhouse gas emissions. This is more than the entire EU's emissions and is just behind the US. As stated in IPCC's [Special Report on climate change and land](#), drastically reducing annual emissions from deforestation is vital if we are to limit global warming to 1.5°C. Yet destructive deforestation activities continue to be well-funded worldwide.

The soya industry is one of the leading drivers of deforestation in the Brazilian Amazon and Cerrado regions. Less well-known than the Amazon, the Cerrado is the world's most biodiverse savannah and plays a key role in Brazil's water systems. Nevertheless, it has already lost [50%](#) of its original area. Its disappearance would be a disaster for the climate and for biodiversity, as it stores the equivalent of 13.7 billion tons of carbon dioxide (CO₂) and is home to 5% of the world's biodiversity.

The solutions exist for financial institutions to help stop the conversion related to soya production: the solution lies in adopting and implementing "zero deforestation" measures by traders. The four most important traders of soya from Brazil are the so-called ABCD group, which include Archer Daniels Midland (commonly known as 'ADM'), Bunge, Cargill, and Louis Dreyfus. **Despite making voluntary zero deforestation commitments, these [companies fail to effectively prevent deforestation in their supply chain](#)**, mainly due to the lack of a *cut-off date*¹, and the lack of standardised zero-deforestation clauses in contracts and a full traceability system.

In 2017, the ABCD group, in addition to Amaggi and Cofco, constituted [66%](#) of the deforestation risk directly related with soya expansion. [Analysis](#) of the traders shows that Cargill and Bunge are among the worst performing in terms of mitigating deforestation-risk. Cargill is associated with more than 61,000 hectares of land clearance in Brazil in 18 months alone. Bunge is France's largest soya importer and is linked to deforestation the size of Marseille, Lyon and Toulouse together (38,000 ha) in the same period.

¹ The concept of cut-off date is a date after which no direct or indirect conversion for soya is allowed. Indirect conversion means that a parcel first converted for cattle ranching after the cut-off date and then cultivated for soya is considered as converted. In accordance with the [Accountability Framework Initiative](#), the cut-off date should not be later than the 1st of January 2020 and should be based on best practices: in the case of Amazon, the cut-off date is 2008, in accordance with the soya moratorium.

Consequently, financial institutions must demand traders the following measures:

- The revision of contracts between themselves and soya producers to integrate a contractual clause, with the producers specifying that soya produced on land deforested or converted from natural ecosystems after *a cut-off date* no later than the 1st of January 2020 will no longer be accepted in supply chains.
- The establishment of a full traceability system. This system should also be independently reviewed and verified, in addition to covering direct and indirect suppliers.
- The adoption of an independent monitoring system for verifying compliance.
- The assurance of the full respect of human rights, specifically the rights of indigenous peoples, including the rights to their water and territories through free, prior and informed consent (FPIC).

Financial institutions must commit to suspend their financial services to the traders that have not implemented the 4 measures described above; and eventually cease financial services to companies who cannot demonstrate compliance with 100% conversion-free supply chains by the 1st of January 2022.

To implement these demands, financial institutions can use the following resources about the commodity trading and supply chain:

- [Mighty Earth](#) site.
 - [Soy & cattle deforestation tracker](#), connecting meatpackers and soya traders with large cases of deforestation and land clearance in the Brazilian Amazon and Cerrado. It shows clearance cases by trader and the dates on which they occurred, a useful tool to validate cut-off date commitments.
 - [Soy Traders' Performance on Deforestation Ranking](#) comparing the soya traders' performance in four categories: 1) sustainability policy; 2) monitoring, reporting and disclosure; 3) sourcing areas, and; 4) observed impacts and violations.
- [Trase Earth](#) platform for tracking the global supply chain of forest risk commodities.
 - [Trase Finance](#) platform, providing risk analysis and portfolio assessments.
 - [Commodity traders watchlist](#), providing a benchmark of commodity traders using a variety of deforestation risk metrics.
 - [Traders profile](#), showing detailed information on each trader, such as its sourcing regions and deforestation risk.

Contact:

Andrea Hernandez
andrea@reclaimfinance.org

Annex

For more information about the risks and impacts related to soya production:

- Briefing for financial institutions “[Soja et deforestation](#)”, by Reclaim Finance, explaining the key issues around soy growth in Brazil and its trade.
- The “[Cerrado manifesto](#)”, signed by over 60 international NGOs and research groups in 2017 and supported by over [100 actors](#) including retailers, manufacturers, livestock producers and the financial sector.
 - [2020 update](#), explaining that the crisis in the Cerrado has not been addressed.
 - Traders See [Increased Pressure](#) to Agree to 2020 Cut-Off Date in Cerrado
- [What Does it Really Mean When a Company Commits to “Zero Deforestation”?](#), by the WRI, about the differences between zero deforestation and zero-net deforestation.
- [Responsible soy - 10 years on](#), an analysis after 10 years of the round table on Responsible Soy (RTRS) that concludes that the RTRS standard has played a limited role in the transition towards a sustainable soy.
- [Audits reveal no benefits from RTRS certification](#), an article explaining some of the flaws and failings of the RTRS certification.

Other resources related to prevent the imports of products from deforestation in France:

- Report “[Mettre fin aux importations de soja issu de la deforestation](#)”, by Canopée
- The “Stratégie Nationale de lutte contre la Déforestation Importée (SNDI)”
 - [November 2020 meeting](#) to update on the progress of the initiative: traceability, general public platform, public purchasing policy, and a manifesto to prevent soya-driven deforestation, signed by the biggest retail companies, and the [reaction](#) from different organizations.