



# STOPPING SOY-DRIVEN DEFORESTATION

**Guidelines for financial  
institutions**

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## Guidelines for financial institutions

### Authors:

Andrea Hernández, Reclaim Finance  
Klervi Le Guenic, Canopée

### Contributors:

Lucie Pinson, Reclaim Finance  
Ryan Cooper, Reclaim Finance

### Graphic design:

Jordan Jeandon

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### Disclaimer:

The conversion of natural ecosystems, including the Cerrado, must be considered as deforestation. This document most often refers to “deforestation” and “conversion” but may sometimes only use the generic term “deforestation”.

# THE ROLE OF FINANCIAL INSTITUTIONS

The financial sector is finally starting to pay attention to deforestation, with an increasing number of financial actors committing to address deforestation to tackle climate change and biodiversity loss. Indeed, in the context of the COP26, [30 financial institutions committed to](#) work on eliminating agricultural commodity-driven deforestation risks in their investment and lending portfolios by 2025.

This movement is also beginning to permeate shareholders meetings. In 2021 [Bunge's shareholders voted](#) for the company to evaluate and disclose its efforts to eliminate deforestation from its operations. An important step as it shows that asset managers are recognizing that agribusiness-deforestation poses significant risks, not only to our collective future, but also to their portfolios.

**Soy is a crucial sector for action. [Soy has caused more deforestation](#) than any other commodity imported into the EU between 2005 and 2017, even more than palm oil. As we advocate at Reclaim Finance and Canopée, financial institutions can be a driver of change by adapting financial services to the soy traders.**

As an example, AXA and BNP Paribas updated their agricultural and deforestation policies in 2021 to address the soy-driven deforestation issue. While their timescales and enforcement measures fell flat, notably in the case of BNP Paribas, they succeeded in incorporating fundamental concepts such as the acknowledgement of the cut-off date of no later than the 1st of January 2020.1

This briefing aims to provide a basis for concrete measures that financial institutions could put in place in the short term to begin to address deforestation. The soy-focused measures presented in this document are realistic and should be integrated into a strategy to achieve zero deforestation for all commodities by 2025. We will also attempt to answer some of the questions frequently asked by financial institutions about these recommendations.

# SOY AS A MAIN DRIVER OF DEFORESTATION

In addition to 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 the 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.

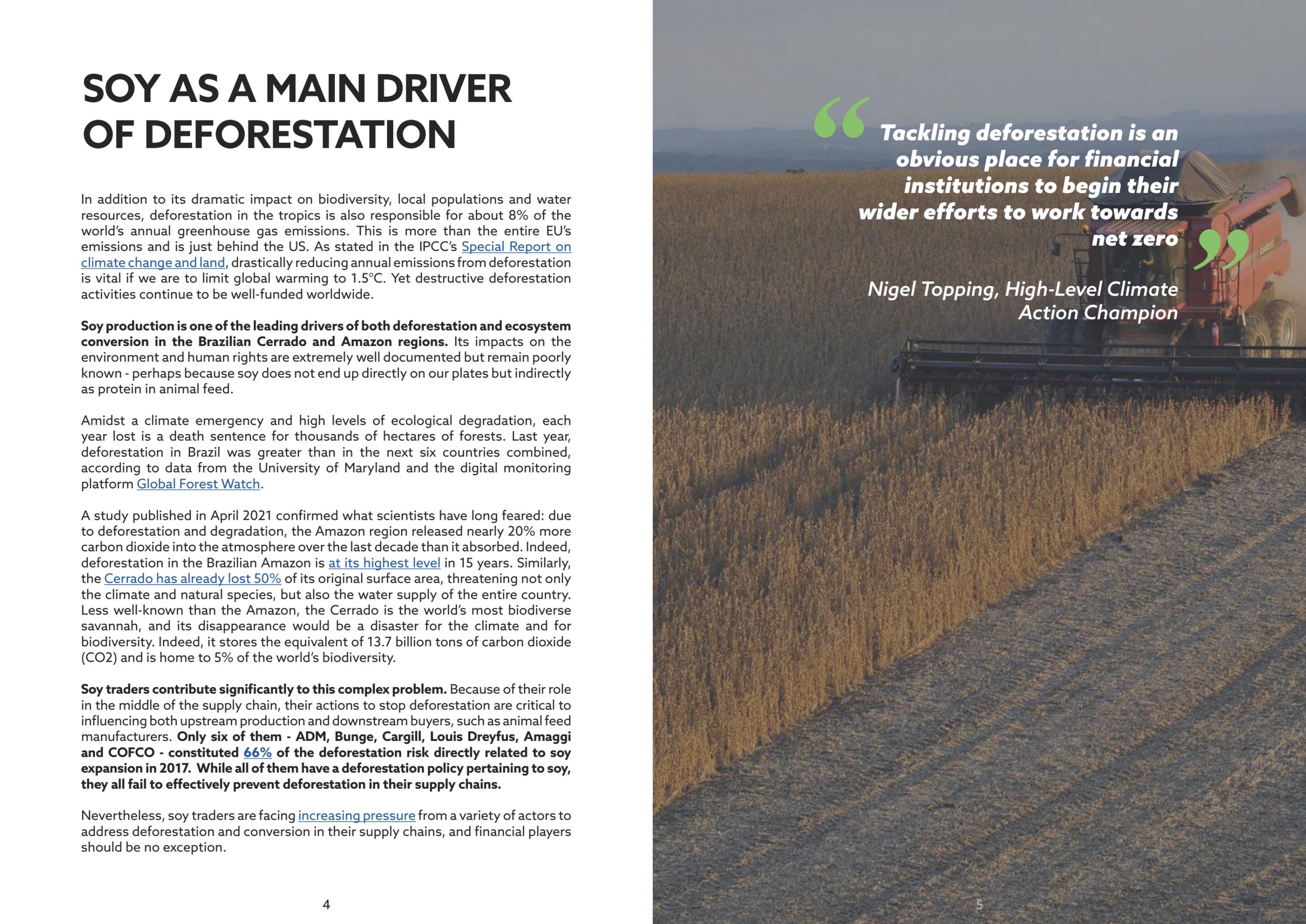
**Soy production is one of the leading drivers of both deforestation and ecosystem conversion in the Brazilian Cerrado and Amazon regions.** Its impacts on the environment and human rights are extremely well documented but remain poorly known - perhaps because soy does not end up directly on our plates but indirectly as protein in animal feed.

Amidst a climate emergency and high levels of ecological degradation, each year lost is a death sentence for thousands of hectares of forests. Last year, deforestation in Brazil was greater than in the next six countries combined, according to data from the University of Maryland and the digital monitoring platform [Global Forest Watch](#).

A study published in April 2021 confirmed what scientists have long feared: due to deforestation and degradation, the Amazon region released nearly 20% more carbon dioxide into the atmosphere over the last decade than it absorbed. Indeed, deforestation in the Brazilian Amazon is [at its highest level](#) in 15 years. Similarly, the [Cerrado has already lost 50%](#) of its original surface area, threatening not only the climate and natural species, but also the water supply of the entire country. Less well-known than the Amazon, the Cerrado is the world's most biodiverse savannah, and its disappearance would be a disaster for the climate and for biodiversity. Indeed, it stores the equivalent of 13.7 billion tons of carbon dioxide (CO<sub>2</sub>) and is home to 5% of the world's biodiversity.

**Soy traders contribute significantly to this complex problem.** Because of their role in the middle of the supply chain, their actions to stop deforestation are critical to influencing both upstream production and downstream buyers, such as animal feed manufacturers. **Only six of them - ADM, Bunge, Cargill, Louis Dreyfus, Amaggi and COFCO - constituted 66% of the deforestation risk directly related to soy expansion in 2017. While all of them have a deforestation policy pertaining to soy, they all fail to effectively prevent deforestation in their supply chains.**

Nevertheless, soy traders are facing [increasing pressure](#) from a variety of actors to address deforestation and conversion in their supply chains, and financial players should be no exception.



“ **Tackling deforestation is an obvious place for financial institutions to begin their wider efforts to work towards net zero** ”

**Nigel Topping, High-Level Climate Action Champion**

# RECOMMENDATIONS

Given that soy traders' approach of no-deforestation policies and progress reporting has not been effective to date, we strongly encourage financial actors to enact robust consideration of soy-linked deforestation and demand of the soy traders among their clients that they implement concrete measures to address the issue. Failure to convincingly illustrate deforestation-free and conversion-free sourcing should be grounds for suspending financial services until the necessary steps are taken, and eventually ceasing them in case of a persistent failure to act.

- All financing to soy traders must be contingent upon the adoption and implementation of the following requirements:<sup>2</sup>
  1. A commitment by the end of 2022 to no longer purchase, from January 2024 onwards, soy produced in any land deforested or converted from natural ecosystems, either legally or illegally, either directly or indirectly, after the earliest agreed sectoral cut-off dates. For the Amazon region, the cut-off date is 2008, and for all areas outside the Amazon, the cut-off date should not be later than the 1st of January 2020, or earlier if policies were published before this date, in accordance with the Accountability Framework initiative (AFi). This commitment must be integrated in a contractual clause with producers.
  2. The implementation of a supplier engagement protocol requiring supplying farms to comply with their no deforestation and conversion commitment across their entire operations or face exclusion from the supply chain.
  3. The establishment of a full traceability system to the source of raw materials. This system should also be independently reviewed and verified, in addition to covering direct and indirect suppliers.
  4. The use of a robust monitoring, reporting, and independent verification system including frequent public reporting regarding conversion on all supplying farms, in compliance with the AFi best practices.
  5. The assurance of the full respect of human rights, specifically the rights of indigenous peoples, including the rights to their water and territories through respect for their right to give or withhold free, prior and informed consent (FPIC) to proposed and existing developments. The right to remedy and reparation should also be considered, in accordance with the UN Guiding Principles on Business and Human Rights.
- From January 2023, publicly suspend new investment to soy traders that have not committed to the earliest agreed sectoral cut-off dates by the end of 2022.
- From January 2024, cease all financial services to soy traders that cannot demonstrate a full adoption and implementation of the 5 measures mentioned above by the end of 2023.

# FREQUENTLY ASKED QUESTIONS FROM FINANCIAL INSTITUTIONS

## 1. Why soy traders' policies are currently insufficient?

All the major soy traders have made commitments of varying degrees to tackle deforestation and conversion. For [Bunge](#), this means a promise that all direct and indirect global supply chains would become deforestation-free by 2025. [Cargill's](#) South American soy policy seeks the same objective; however, with a later deadline of 2030. [Amaggi](#) has also committed to achieve a deforestation-free supply chain by 2025. The same goes for [ADM](#), with a "no deforestation, no exploitation" policy. [COFCO](#), on the other hand, supports the production of sustainable soybeans. Finally, [Louis Dreyfus](#) has stated that they are committed to influencing and collaborating with the actors of its chain to put an end to deforestation.

The [Forest 500](#) initiative assesses and ranks the biggest companies linked to deforestation. The verdict is clear: among the major players, only Amaggi and Cargill have scores above the median. **Trader's commitments to stop deforestation lack some vital elements:**

- No policies commit to a clear "cut-off date"; defining when soy from deforestation or conversion will no longer be accepted.
- No policies foresee the inclusion of contractual clauses with producers to guarantee the supply of soy free of deforestation and conversion.
- Only Bunge has [committed](#) to achieve 100% traceability of both direct and indirect farmers by 2025 in Brazil, including the Cerrado.

- The lack of transparency makes it difficult to get a true picture of the actions implemented.

**Moreover, to assess soy traders, it is not enough to look at their sustainability policies. We also need to consider the implementation and the real impacts on the ground.**

Cargill and Bunge are the worst performing soy traders as they continue to be linked to deforestation cases, despite their own commitments around deforestation, according to new [Mighty Earth and Aidenvironment monitoring data](#) covering the period from March 2019 to March 2021. Cargill is linked to the clearing of over 66,000 hectares, while Bunge can be connected to the clearing of almost 60,000 hectares in the last two years alone.

Even being aware of numerous clearance cases, traders continue to source from farms linked to deforestation. For instance, Cargill and Bunge still source their soy from SLC Agricola regardless of repeated instances of deforestation on their land totaling more than 11,000 hectares.<sup>3</sup> SLC Agricola admitted its plan to clear more land, has actively opposed limits to deforestation in the Cerrado and has been associated with a \$200 million land grabbing corruption scheme.

**In summary, there is still a need to push traders to adhere to the above measures, even if they already have so-called sustainable policies in place.**

## 2. Why a January 2020 cut-off date is fundamental?

As has been mentioned in question number one, soy traders' policies to address deforestation lack the inclusion of a cut-off date defining from what date soy from deforestation or conversion is no longer accepted. A clear cut-off date is essential to indicate a commitment to excluding soy from deforested and converted land from their supply chain. **Cut-off dates in other commodity sectors, such as palm oil and cattle, have proved to be successful in establishing a benchmark upon which companies can be held accountable.**

In 2019, the [Accountability Framework initiative](#) enabled the establishment of a single global benchmark for agricultural and forestry commodity chains that includes a cut-off date of 1st January 2020 at the latest - for the Amazon the cut-off date is 2008, and for all areas outside the Amazon the cut-off date should not be later than the 1st of January 2020, or earlier if policies were published before this date. Although they took part in this initiative, the major soy traders still refuse to adopt a cut-off date. However, more than 160 global companies and groups [support the 2020 cut-off date](#) for the Cerrado through the [Statement of Support for the Cerrado Mechanism](#).

## 3. What are the gaps in monitoring, reporting, and disclosure?

All six soy traders mentioned above have failed to adopt a credible monitoring system to ensure soy in their supply chain is free of deforestation and conversion, according to [Mighty Earth's assessment](#). The evaluation also highlights that, although traders report on their progress annually, this reporting is insufficient because traders do not report on the results of their monitoring efforts, but rather on the incremental steps taken in monitoring, such as the percentage of their supply that is traceable. Without a credible monitoring system, traders have no way of

detecting deforestation and conversion in their supply chain and therefore cannot assure buyers of the sustainability of their soy.

## 4. Are certification systems effective in preventing deforestation?

Third-party certifications of agricultural products are often used as a means of validating and homogenizing efforts towards better practices in terms of environment and social justice. While certifications might have benefits, they do not alone solve the problem of deforestation.

For soy, two main certification systems exist: RTRS and Proterra. The RTRS is [considered](#) to have helped make the practices of some soy producers more responsible. However, RTRS soy remains a very small minority of global production since all certified soy, through different mechanisms, account for only 1.5-3% of total production. Moreover, while the eligibility criteria of these certifications may be considered ambitious, they still have [major weaknesses](#): RTRS and Proterra allow for large-scale monocultures that use huge quantities of pesticides and water resources, while creating limited employment opportunities.

The RTRS have three modalities for certification, of which [only one](#) would guarantee the absence of soy linked to deforestation. These three modalities are: segregation, mass balance and country material balance. Only segregation allows for fully tracing and segregating the flux to ensure that 100% of the soy comes from non-conversion parcels. The other two modalities allow instead for a mixture of certified and non-certified soy, contributing to market segmentation, and failing to fix the problem of conversion / deforestation: they are simply inefficient. However, segregation still represents a very low volume of certified soy, because of being more expensive than the mass balance system.

**Overall, there is no evidence that voluntary certification standards have broader effects**

on deforestation outside the boundaries of certified areas.

## 5. What about just transition?

Soy production in Brazil is at the origin of numerous land conflicts, and indigenous and human right violations. But there does not need to be a contradiction between a thriving local soy industry and an end to soy related deforestation and conversion.

A study by the Nature Conservancy demonstrated that **“it is possible to greatly minimize or even stop further conversion of habitat in the Cerrado by focusing expansion on the areas that have already been cleared, mostly for low-productivity cattle pastures.”**<sup>4</sup> This is possible mainly due to the existence of approximately 18.5 million hectares of pastureland identified as suitable for conversion to soy crops – more than twice the amount of land needed for soy expansion over the next decade – and the untapped potential to increase productivity through the implementation of improved farming practices.

The Steering Group of the Cerrado Manifesto Statement of Support, for instance, backs calls by NGOs for future soy expansion in the Cerrado to only take place on existing agricultural, or previously cleared land.

## 6. Why should we act if all deforestation is not illegal?

In Brazil, the Native Vegetation Protection Law (former Brazilian Forest Code) allows forest landowners to convert 20% of its land for agricultural use in the Amazonia (up to 50% under some exceptions) and between 65 to 80% in the Cerrado. This new measure presents a high risk of legally encouraging conversion. Under this legislation, a study by the IUCN showed that even with zero-illegal deforestation, 88 million hectares in Brazil could be legally deforested. Moreover, due to poor law enforcement a significant portion of conversions happen illegally. As such, a

check on the legality soy production is not a sufficient condition to guarantee the absence of conversion.

For financial institutions, addressing illegal deforestation alone does not remove the systemic, financial, or reputational risks that deforestation and conversion cause. A more effective and simple solution would be to require clients to address deforestation in all its forms. Assessing illegality alone creates an additional burden for companies; requiring them to understand complex, often overlapping, legal frameworks, combined with issues relating to transparency and compliance.

Most of the companies assessed in Global Canopy's Forest 500 and operating in the EU already have deforestation policies for sourcing that go beyond illegality. Addressing illegal deforestation alone would not be consistent with the objectives and strategies that are gradually being put in place at the European and national levels (e.g., the European Commission has published a proposal for a regulation on deforestation/conversion-free products and France has a national strategy to end imported deforestation/conversion).

## 7. What about producers' compensation?

**Compensation to soy producers could provide an incentive to act, but its absence should not serve as an excuse for inaction.**

As the largest soy traders have previously undermined efforts to establish a producer compensation scheme that brings together a variety of actors, their credibility in demanding it as a condition for action is highly questionable. Indeed, in a three year long process the Steering Group of the Cerrado Manifesto Statement of Support worked alongside with the Brazilian soy industry to co-develop the Cerrado Conservation Mechanism (CCM). The CCM recognized Brazilian's farmers right for financial support to go beyond local regulatory requirements and to take part in conservation efforts, while establishing a US\$250 million fund for this.

However, ABIOVE - the Brazilian Association of Vegetable Oil Industries, representing 15 companies including the traders ADM, AMAGGI, Bunge, Cargill, COFCO and LDC - withdrew its support the week before the launch of the CCM, ultimately leading to its failure.

Soy producers linked to deforestation are currently facing regulatory risks that could lead to a loss of income, as the EU is working on a regulation that would exclude deforested products from European markets.

Finally, it is important to consider that among the soy producers contributing the most to the conversion of land, are big companies such as SLC Agricola and the “Fazenda Pontal do Rio A reia II” farm, the former has been linked to 11 000 hectares of conversion between March 2019 and 2021 and the latter to the clearing of more than 14 700 ha in 2020. This means that, unlike some other agricultural commodities, the lack of compensation is less likely to endanger small landowners who are struggling to make ends meet.

## 8. What should be the definition of “deforestation”?

There is no consensus on how to define and measure deforestation. Despite this, some key elements must be considered when developing sectoral policies to effectively combat deforestation. Thus, the definition of deforestation must take into account not only the loss of tree cover as an indicator, but also land use change. This refers notably the conversion of any natural ecosystem to agricultural use. As mentioned before, it is fundamental to implement a cut-off date of 1st January 2020 at the latest - for the Amazon the cut-off date is 2008, and for all areas outside the Amazon the cut-off date should not be later than the 1st of January 2020, or earlier if policies were published before this date. Finally, **activities should be classified as deforestation irrespective of whether it is human-induced or not, or whether it occurred legally or illegally. Further, metrics should account for «gross» deforestation and not «net»**, as the latter allows for clearing

or conversion of areas damaging both the climate and biodiversity.

## 9. Why should we care if deforested soy is shipped to Asia and not to the EU?

The EU caused more deforestation than any other country through its agricultural commodities imports between 2005 and 2013 – with soy being the main contributor – before being overtaken by China in 2014. Although China is now the largest contributor to global deforestation associated with international trade, the EU is second. In 2017, the EU totaled 203,000 hectares and 116 million tons of CO<sub>2</sub> – accounting for 16% of total deforestation from international trade compared to 24% from China.

The Trase database allows us to see in detail the production and destination of the soy produced from deforestation in Brazil. We can see that the EU is frequently the second main importer and, in some regions, the first - the municipality of Rosario Oeste for example.

Finally, the destination of the soy linked to deforestation does not necessarily reduce the systemic, financial or reputational risks that financial institutions supporting the soy traders may face. What is most important is to exclude companies that pose these risks regardless of the destination of the soy.

## 10. Isn't 2025 too early to achieve zero deforestation? Don't traders need time to adapt?

Traders have been making commitments to end soy-related deforestation in Brazil for over a decade. Starting notably with the Amazon Moratorium in 2006 but expanding these commitments beyond the Amazon in subsequent years, notably after 2015. A 2017 study by the Chain Reaction Center shows that that as of that date, 49% of Brazil's soy trade was covered by some type of zero-deforestation commitment, including commitments from

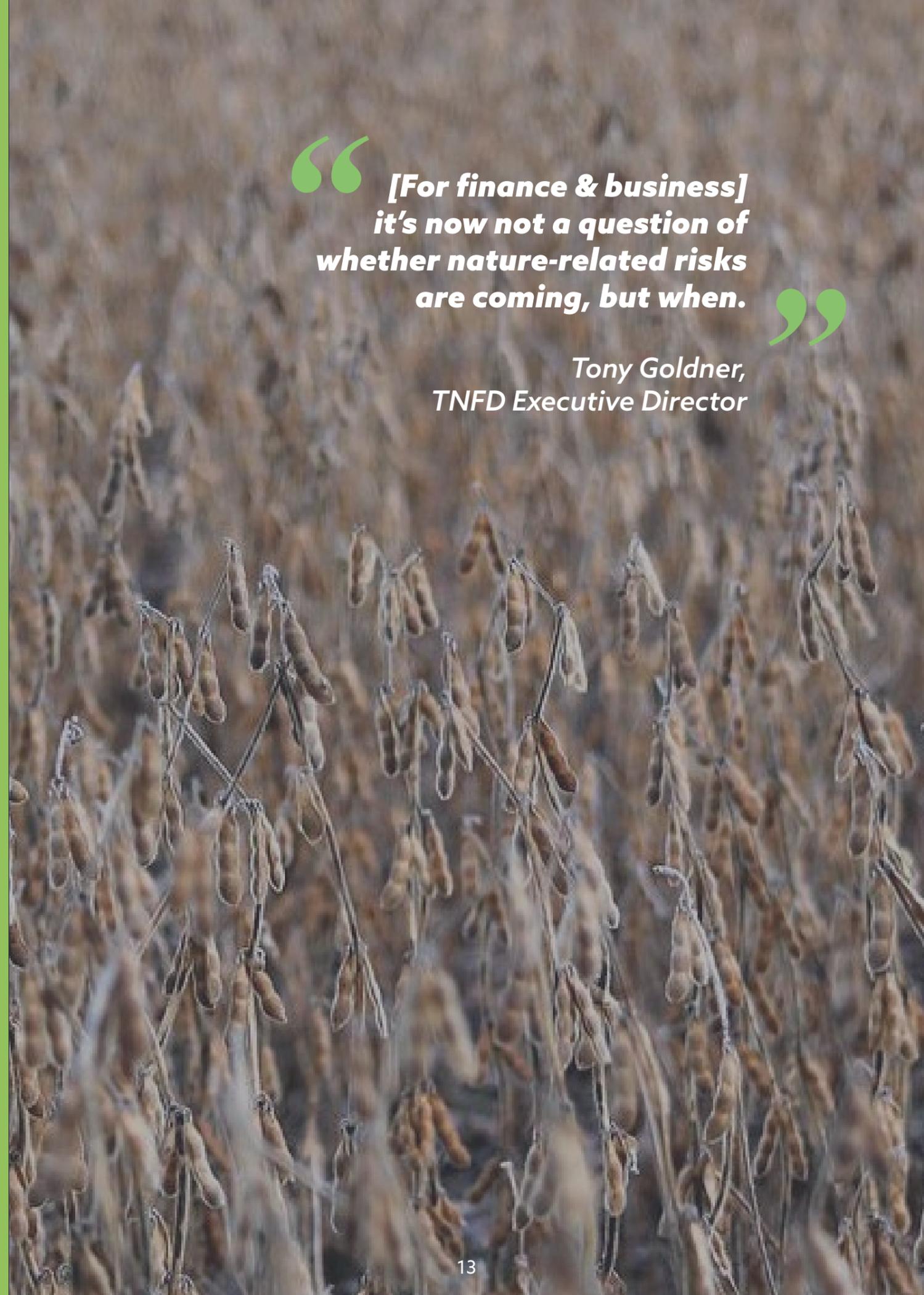
ADM, Cargill, Bunge, COFCO, Amaggi and LDC. The study also highlighted that these pledges were inadequate at preventing the conversion of natural habitats, since they focused on illegal deforestation, were riddled with transparency issues and had limited enforcement mechanisms. **Traders have had time to improve both their policies and their subsequent implementation, with ample resources available.**

Each additional year lost is a death sentence for thousands of hectares of forests, causing irreversible damage to native ecosystems and the services they provide. From a climate emergency perspective, action cannot wait either. Indeed, reducing conversion of forest and other ecosystems represents the third largest share of economic mitigation potential according to the IPCC, surpassed only by the potential of wind and solar energy options. **The soy-focused measures presented in this paper are realistic and should be integrated into a strategy that aims for zero deforestation across all commodities by 2025.**

## 11. Why it is possible to act now?

**Certification schemes, reporting and engagement without an ambitious plan and escalation process, do little to alleviate the magnitude and urgency of the problem.** Moreover, with soy trade concentrated in a few traders, it is possible for them to act now<sup>5</sup> and have wide-ranging impacts. Every year, between June and September, traders sit down with soy producers in Brazil to negotiate purchase contracts for the coming year. This is the time of the year when businesses agree contractual requirements, and when they should demand a clause not to provide soy grown on land deforested after the earliest agreed cut-off dates and no later than the 1st of January 2020, in accordance with the Accountability Framework initiative. It is important to consider that soy linked to direct conversion in the five previous years only represents 1.5% of all Brazilian production. Excluding this soy from their supply chains would therefore not represent a challenge, since all the necessary monitoring tools and land registry data are available to traders.

If you have a question that is not answered here, please feel free to send it to Andrea Hernandez ([andrea@reclaimfinance.org](mailto:andrea@reclaimfinance.org)). We will do our best to answer it.



**“ [For finance & business] it’s now not a question of whether nature-related risks are coming, but when. ”**

**Tony Goldner,  
TNFD Executive Director**

# ANNEX – USEFUL RESOURCES

Useful resources to track soy trading and supply chain:

◇ [Mighty Earth](#) site.

- [Soy & cattle deforestation tracker](#), connecting meatpackers and soy 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 soy 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.

## REFERENCES

1. See AXA's [policy](#) and our [press release](#). See BNP Paribas's [policy](#) and our [press release](#).
2. These demands refer to legal deforestation and conversion. As part of an adequate due diligence process, financial institutions should not be financing any illegal operation.
3. Data covering from March 2019 to March 2021, available at Mighty Earth's [Soy and Cattle Deforestation Tracker](#).
4. Other studies with similar findings: [Chambers and Atarco 2017](#), [Garcia and al. 2017](#), [Macedo and al. 2012](#), [Nepstad and al. 2014](#), [Strassburg and al. 2014](#)
5. Representatives of the Steering Group of the Cerrado Manifesto Statement of Support, alongside other supply chain companies, worked with the Brazilian soy industry over nearly 3 years to co-develop the Cerrado Conservation Mechanism (CCM). At the time of its impending launch on 7th November 2019, there were several supply chain companies who had committed funding to launch the CCM. However, ABIOVE - the Brazilian Association of Vegetable Oil Industries, representing 15 companies including the traders ADM, AMAGGI, Bunge, Cargill, COFCO and LDC - withdrew its support the week before the launch of the CCM, ultimately leading to its failure.

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Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of some financial actors, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to bend existing practices to ecological imperatives.

Canopée is a new organization founded in 2018 that emerges from the critical need to build a citizen counter-power to better protect forests in France and around the world

[contact@reclaimfinance.org](mailto:contact@reclaimfinance.org)

