
Engaging suppliers: working with suppliers to implement responsible sourcing commitments for soy

Soy Toolkit Briefing
Note 03.A



Version 1.2



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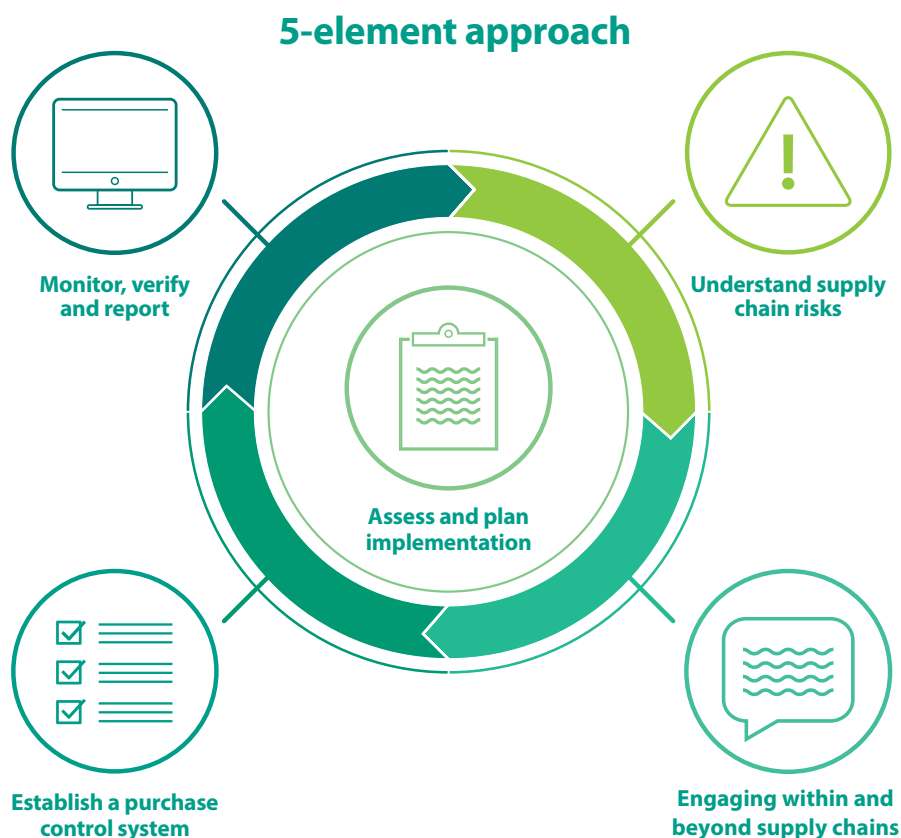


Figure 1: The 5-element approach for sourcing soy responsibly

Key Points

- The ways in which companies can engage with their suppliers will depend on a variety of factors, including: the company’s position in the supply chain, the suppliers’ social and environmental performance, the amount of leverage the buying company has over its suppliers, and what existing initiatives are present in the production area.
- To achieve real change on the ground, soy buying companies should ensure that there is adequate practical support for producers and that there are clear benefits in meeting the buyer’s responsible sourcing commitments (e.g. longer-term contracts, access to finance, support for achieving certification).
- Supplier engagement on its own is hardly ever sufficient for changing soy production practices and promoting environmental and social sustainability – it should be combined with other activities such as supporting and collaborating in various sectoral and/or landscape initiatives, and working towards certification.

Purpose of this briefing note

This briefing note is part of the ‘Responsible Sourcing: A Soy Toolkit’¹. It relates to element 3 (Engage suppliers) of the 5-element approach for sourcing environmentally and socially sustainable soy (see **Figure 1**). With increasing concerns and news about negative environmental and social impacts related to soy production and expansion, companies with responsible sourcing commitments want to be able to demonstrate that the soy or soy-based products they buy are produced responsibly. This requires companies buying soy, soy products or animal products using soy as feed to reach out to their suppliers and invest resources in improving production practices.

Key steps, tools and approaches for engaging with soy suppliers

There is no pre-defined system for supplier engagement, but rather a framework of good practices, some of which are referenced in this briefing note.

Good practices	Examples
Awareness raising and training	Awareness raising workshops, materials and/or webinars to explain to suppliers the importance of responsible sourcing and expectations, combined with training on how to improve practices.
Establishing purchase control systems	Setting up procedures or systems to cross-check every single soybean purchase against a set of legal, environmental and social criteria – see Briefing Note 4: establishing purchase control systems which will trigger specific actions from the buyer to support suppliers to improve.
Encouraging farmers to join continuous improvement programmes	Introducing soybean producers to such programmes enables a process of gradual, continuous improvement of environmental, social and economic conditions on their land (e.g. Soja Plus).
Working towards legal compliance	Supporting soybean producers' compliance with the Brazilian Forest Code. Since January 1st, 2019, every single property in Brazil needs to be enrolled in the Rural Environmental Registry (CAR) , otherwise they are illegal. Soybean buyers should request the CAR information validated by the environmental agency, and those properties with liabilities should also be asked to commit to the Environmental Regularisation Programme (PRA).
Supporting certification	Supporting soybean producers in achieving credible certification standards: Round Table on Responsible Soy, Proterra, International Sustainability and Carbon Certification, Sustainable Agriculture Network .
Landscape or jurisdictional approaches in Brazil	Supporting or joining the CGF's Forest Positive Coalition in which soy buyers are collectively working to drive transformational change in these key commodity landscapes. This not only allows companies to share costs, but also helps build shared understanding of the issues that must be addressed.

This set of activities can contribute to effective change towards responsible soy production. By starting with an initial gap and risk assessment of suppliers, buyers will be able to determine where to prioritise supplier engagement, how to build a positive agenda, as well as deciding on (temporary) supplier suspension if necessary, combined with a clear path for supplier reintegration².

To increase scale and impact, sectoral approaches focused on wider supplier engagement in a specific sector (e.g. pig or chicken feed) can be an efficient way of moving suppliers towards responsible production. This can include delivering farmer outreach programmes, capacity building, and continuous improvement more widely through sectoral initiatives. Another approach to achieve scale is to tackle issues or risks at landscape or jurisdictional level by focusing on common issues in a specific geographic area (e.g. the Matopiba region in the Brazilian Cerrado).

In practice, these methods for delivering on responsible sourcing commitments are interlinked and complementary, and companies need to determine how to combine them in order to achieve the highest positive impact.

UPSTREAM

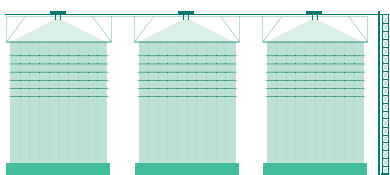
Producers



Intermediaries



Trader / crusher



Manufacturer / brands



Retailer / Restaurants:



DOWNSTREAM

01 Determine at what level to engage: Direct vs indirect

The best way for a company to influence practices in its production base depends on its position in the supply chain.

Upstream companies, including soy traders and crushers, usually buy directly from soy producers or intermediaries (e.g. silo owners, elevators, cooperatives), and therefore will have more leverage and are likely to have on the ground capacity to engage directly at the level of soy production. Companies further downstream including the manufacturers, international retailers, and feed and food industries, are usually further removed from production, and it may be more appropriate for them to indirectly influence production practices by pushing requirements up their supply chain and supporting their suppliers' direct engagement programmes³.

02 Prioritise interventions

Having understood at what level to engage, the company needs to decide which suppliers and producing areas will be prioritised. It is crucial to identify which suppliers to prioritise for engagement (see **Figure 2**). An initial due diligence process of all direct suppliers is recommended. Specific elements for this process can be found in the **Briefing Note 2.B Soy risk analysis: Prioritisation for positive engagement**.

For **upstream companies** buying directly from soy producers or intermediaries in the supplying region this requires a more direct approach. In this case, the company should determine the extent and form of engagement required with each supplier based on the level of risk of the producer or the intermediary's supply base, the amount of leverage it has over producers and the presence of already existing initiatives in the area or sector.

For **downstream companies**, which usually buy soy from traders and crushers or buy soy products from manufacturers, there is no direct relationship and thus no leverage with producers. Therefore, downstream companies can best translate and transfer their responsible sourcing requirements to their tier 1 suppliers, where they have leverage. Their engagement programmes and collaboration would then focus on explaining what they expect from suppliers, and providing them with support to implement producer engagement programmes or, if their first-tier suppliers do not yet have an engagement programme, helping them set one up.

For **retailers**, an initial strategy can also be to focus on soy-based products with shorter supply chains (e.g. products which require less processing and therefore have fewer steps between soy production and the final product) allowing for more direct links to the production level. Retailers also tend to focus on their own-branded products which may give them more leverage and control in implementing change in the supply chain.

UPSTREAM COMPANY
WORKING WITH:

Possible actions

Soy producer

- Carry out a comprehensive risk assessment using the information gathered from the initial risk analysis to rank suppliers by risk level.
- Analyse the amount of leverage there is over suppliers and focus on where the company is likely to have the most influence on their behaviour. This usually depends on the volumes purchased and strength of commercial relationships.
- Review existing initiatives which can be combined with engagement to achieve greater impact with suppliers. NB: It is still important to engage in high risk areas where initiatives are not yet in place.

Intermediary/Aggregator

- Evaluate the aggregator's performance and capacity on delivering positive social and environmental impact at the production level as well as the amount of leverage you have over the aggregator.
- Assess the social and environmental risk in the aggregator's supply base (producers) and the amount of leverage the aggregator has over its suppliers.

DOWNSTREAM COMPANY
WORKING WITH:

Possible actions

Upstream company with
own supplier engagement
programme

- Provide support and advice as needed in accordance with steps outlined for an upstream company.

Upstream company with
no supplier engagement
programme

- Evaluate supplier's supply base risk and reach the production level.
- Analyse the amount of leverage you and the supplier have to effectively change practices.
- Identify appropriate interventions to be implemented in collaboration with the upstream company or directly with producers.

Downstream company
further up the supply
chain (e.g. retailer buying
from manufacturer)

- Evaluate supplier's supply base risk and distance from production level.
- Analyse the amount of leverage you and the supplier have to push change up the supply chain.
- Support supplier's own engagement programme in pushing requirements up the supply chain.

Figure 2. Main supplier engagement options for sourcing companies⁴

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Companies can also review ongoing initiatives in their sourcing regions and combine these with their supplier engagement projects. There are public and private initiatives working on monitoring and regulating deforestation in certain regions in Brazil (see **Figure 3**). Companies can overlay their supply base information on the type of map below to identify linkages that could help them engage with suppliers as well as assess the level of risk in a given area⁵.

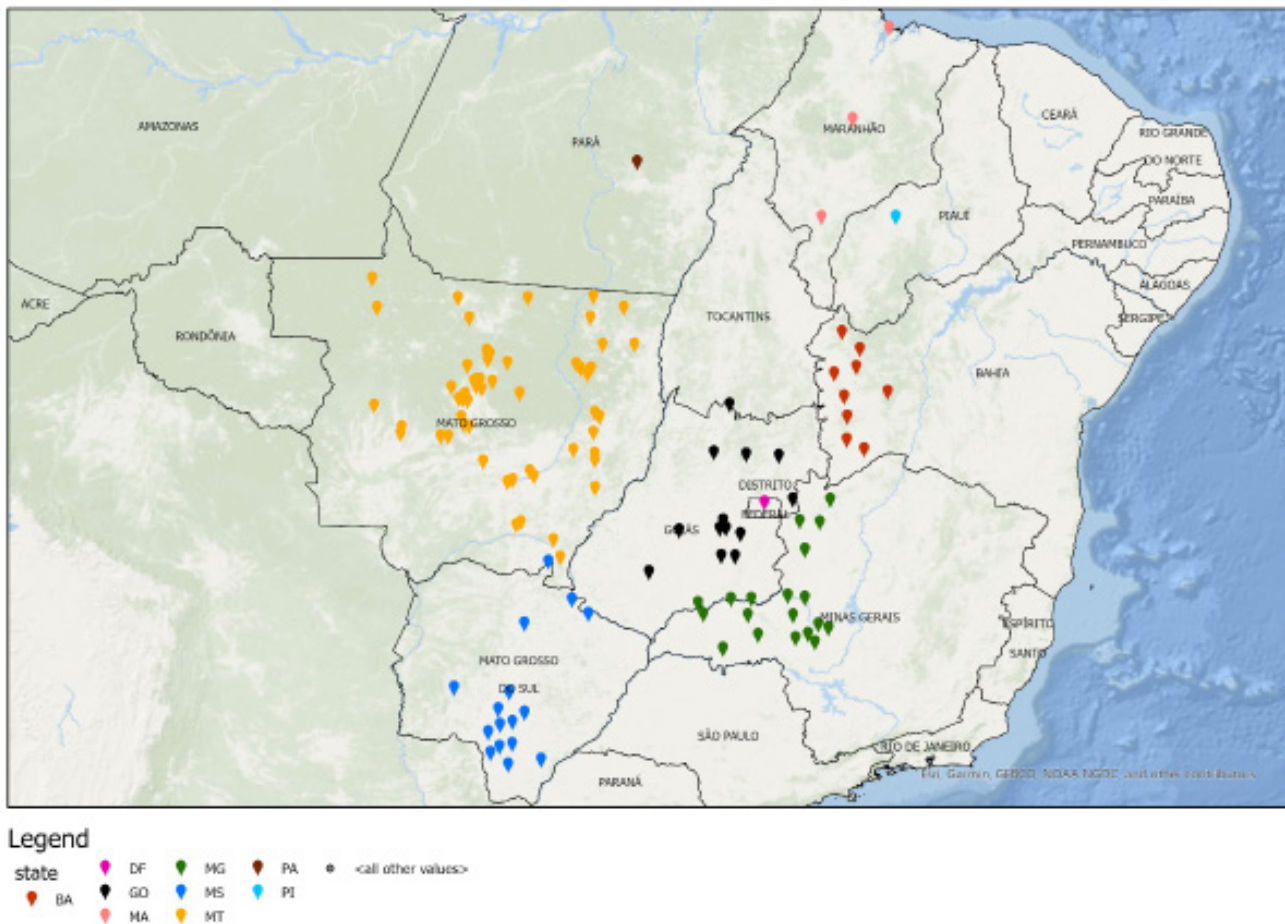


Figure 3: Map of soy initiatives in Brazil

Soy initiatives in Brazil



State of Bahia (BA)

- 01 Soja Plus - Bahia (Baianópolis)
- 02 "" (Barreiras)
- 03 "" (Cocos)
- 04 "" (Correntina)
- 05 "" (Formosa do Rio Preto)
- 06 "" (Jaborandi)
- 07 "" (Luís Eduardo Magalhães)
- 08 "" (Riachão das Neves)
- 09 "" (São Desidério)



Distrito Federal (DF)

- 01 Soja Plus - Goiás (Brasília)



State of Goiás (GO)

- 01 Soja Plus - Goiás (Anápolis)
- 02 "" (Bonfinópolis)
- 03 "" (Cabeceiras)
- 04 "" (Leopoldo de Bulhões)
- 05 "" (Montividiu do Norte)
- 06 "" (Niquelândia)
- 07 "" (Piracanjuba)
- 08 "" (Santa Cruz)
- 09 "" (São João D'aliança)
- 10 "" (Uruaçu)
- 11 "" (Vianópolis)
- 12 Produzindo Certo Platform (Rio Verde)
- 13 Reverte Project (Goiás state)



State of Maranhão (MA)

- 01 Research Support Foundation of the Northern Exports Corridor (FAPCEN) (Balsas)
- 02 RTRS Maranhão (São Luís)
- 03 Reverte Project (Maranhão state)



State of Minas Gerais (MG)

- 01 Soja Plus - Minas Gerais (Araguari)
- 02 "" (Araxá)
- 03 "" (Arinos)
- 04 "" (Bonfinópolis de Minas)
- 05 "" (Capinópolis)
- 06 "" (Coromandel)
- 07 "" (Frutal)
- 08 "" (Ibiá)
- 09 "" (Ituiutaba)
- 10 "" (Paracatu)
- 11 "" (Patos de Minas)
- 12 "" (Patrocínio)
- 13 "" (Pratinha)
- 14 "" (Rio Paranaíba)
- 15 "" (São Gotardo)
- 16 "" (Tupaciguara)
- 17 "" (Uberaba)
- 18 "" (Uberlândia)
- 19 "" (Unai)



State of Mato Grosso do Sul (MS)

- 01 Soja Plus - Mato Grosso do Sul (Amambai)
- 02 "" (Aral Moreira)
- 03 "" (Bonito)
- 04 "" (Caarapó)
- 05 "" (Chapadão do Sul)
- 06 "" (Costa Rica)
- 07 "" (Dourados)
- 08 "" (Itaporã)
- 09 "" (Laguna Carapã)
- 10 "" (Maracaju)
- 11 "" (Navirai)
- 12 "" (Ponta Porã)
- 13 "" (Rio Brillhante)
- 14 "" (São Gabriel do Oeste)
- 15 "" (Sidrolândia)
- 16 "" (Sonora)



State of Mato Grosso (MT)

- 01 Soja Plus - Mato Grosso (Confresa)
- 02 "" (Querência)
- 03 "" (Canarana)
- 04 "" (Nova Xavantina)
- 05 "" (Rondonópolis)
- 06 "" (Campo Verde)
- 07 "" (Nova Mutum)
- 08 "" (Lucas do Rio Verde)
- 09 "" (Sorriso)
- 10 "" (Sinop)
- 11 "" (Matupá)
- 12 "" (Campo Novo do Parecis)
- 13 "" (Sapezal)
- 14 Verified Sourcing Areas (Juruena)
- 15 Verified Sourcing Areas (Cotriguaçu)
- 16 IDH and CAT landscape program (Sorriso)
- 17 Querência + (PCI) (Querência)
- 18 Projeto Guardião das Águas (Tapurah)
- 19 "" (Diamantino)
- 20 "" (Nova Mutum)
- 21 "" (Primavera do Leste)
- 22 "" (Sorriso)
- 23 "" (Ipiranga do Norte)
- 24 "" (Sinop)
- 25 "" (Vera)
- 26 "" (Lucas do Rio Verde)
- 27 Rede ILPF (Alta Floresta)
- 28 "" (Nova Canaã do Norte)
- 29 "" (Querência)
- 30 "" (Santa Carmem)
- 31 "" (Barra do Garças)
- 32 Xingu Seeds network (PCI) (Canarana)
- 33 "" (Água Boa)
- 34 "" (Nova Xavantina)
- 35 "" (Querência)
- 36 "" (São Felix do Araguaia)

- 37 "" (Santa Cruz do Xingú)
- 38 "" (São José do Xingú)
- 39 "" (Campinópolis)
- 40 Produzindo Certo Platform (PCI) (Primavera do leste)
- 41 "" (Campo Verde)
- 42 "" (Rondonópolis)
- 43 "" (Sorriso)
- 44 "" (Lucas do Rio Verde)
- 45 "" (Nova Mutum)
- 46 "" (Diamantino)
- 47 "" (São Felix do Araguaia)
- 48 "" (Alto Araguaia)
- 49 "" (Alto Garças)
- 50 "" (Campo Novo do Parecis)
- 51 "" (Sinop)
- 52 Roundtable on Responsible Soy in Mato Grosso (PCI) (Sorriso)
- 53 "" (Sinop)
- 54 "" (Lucas do Rio Verde)
- 55 Produce, Conserve and Include (PCI) strategy (Mato Grosso state)
- 56 Reverte Project (Mato Grosso state)
- 57 Produce, Conserve and Include (PCI) strategy
- 58 Reverte Project (Mato Grosso state)



State of Pará (PA)

- 01 Programa Municípios Verdes



State of Piauí (PI)

- 01 RTRS Piauí (Sebastião Leal)

Cerrado biome

- 01 Cerrado Working Group (GTC)
- 02 Cerrado funding coalition

MATOPIBA region

- 01 Fazenda Inteligente Program
- 02 Good Growth Partnership Project
- 03 Taking Deforestation Out of the Soy Supply Chain

03 Understanding current practices and gaps

Visits to individual or multiple producers are important to understand current practices and gaps. They are usually carried out by **upstream companies** which have close contacts with producers and some knowledge of their situation. However, site visits are not the only way of gathering the required information and may be supplemented or substituted by other methods where appropriate, for example: questionnaires, desk-based research, new technologies such as mobile apps, talking to buyers and other stakeholders (e.g. cooperatives), and engaging with other initiatives working in the area.

Upstream companies sourcing from intermediaries such as soy silo/elevator owners or cooperatives can work with them to gain a broader view of how soy is cultivated in a specific area. These aggregators may have closer relationships with farmers and could therefore help facilitate sharing of information as well as the implementation of improved practices outlined in step 4.

Downstream companies may first start by looking at the practices of the direct suppliers it has chosen to engage with to identify gaps and assess ways it can support the supplier in carrying out the actions listed above. This can be complemented by the downstream company itself carrying out research on or site visits to producers to get a better understanding of what kind of interventions are needed.

Downstream companies can consider the following indicators when analysing their direct suppliers' programmes.

Indicators for evaluating suppliers' engagement programmes

Topic	Indicator
1. Policy commitments	The supplier's responsible sourcing commitments are consistent with the company's requirements, and apply to their full supply base.
2. Supply chain traceability	The supplier's commitments and progress on traceability are consistent with the company's requirements and they are willing to share adequate information on the production base (eg. crusher location or sourcing origins).
3. Action plan for implementation	The supplier has a robust action plan for implementing its policy commitments, over an acceptable timeline, including an appropriate combination of certification, legality and supplier engagement mechanisms.
4. Grievance process	To complement other activities the supplier also implements a grievance process for its entire supply base which includes public disclosure of grievances logged and actions taken.
5. Progress reporting	The supplier reports regularly and publicly on progress towards implementation of its policy commitments.

The outcome for supply chain companies should be a common understanding of current practices and of the gaps between these practices and the requirements of responsible sourcing policies.

04 Taking action

There is no standard method to prescribe ways to support change as they depend on the nature and extent of any issues identified; type and size of supplier, and the resources available to them; what leverage the supply chain actor can exert; the presence or absence of potential support and incentives; as well as local circumstances.

Upstream companies can use the following steps to take concrete actions with prioritised suppliers to improve production practices and implement responsible sourcing commitments:

- **Action planning:** Develop a time-bound action plan for addressing the risks and gaps identified in the supplier's current practices. This can be led either by the supplier themselves, the company implementing the responsible sourcing commitments, or a third party hired by the company or as part of a wider existing initiative.
- The Producing Right Programme⁶ and Soja Plus⁷ provide producers with farm-level analysis that can help them plan to achieve sustainability goals. Linking suppliers with these programmes can be more straightforward for upstream companies, but downstream companies can explore collaborations with traders to promote on-the-ground activities.



Led by ABIOVE (Brazilian Association of Vegetable Oil Industry), Aprosoja (Brazilian Association of Soy Producers) and local organisations, Soja Plus focuses on continuous improvement of producers' practices towards legal compliance. It operates at a subnational level (Mato Grosso, Mato Grosso do Sul, Minas Gerais, Goiás and Bahia states) and is open for participation by other companies. This has the advantage of sharing costs while reducing the risk of non-compliance with the law in key sourcing regions.

- **Support the implementation of the action plan:** Build up the supplier's understanding of what is needed to achieve compliance with sustainability requirements through activities such as training events and workshops. This can be done one by one for each producer or for many producers at the same time in collaboration with other companies, producer associations and/or local NGOs.
- **Providing support and incentives:** Possibly the most crucial step for achieving real change with suppliers, especially producers, is to ensure adequate practical support is provided and that there are clear benefits for the producer. This is especially important in the soy sector where there is a lack of monetary incentives for producers to implement sustainability criteria. However, these incentives for compliance do not necessarily have to be monetary (e.g. paying premiums), and can include providing support for achieving certification, longer-term contracts, access to loan finance, lowering financial costs, agricultural inputs and capacity building workshops and training. Companies should also ensure that the benefits and results from improving practices are communicated to their suppliers and across their supply chains.

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Downstream companies will have to determine to what extent they engage in these activities depending on the evaluation of their suppliers' programmes outlined in step 2. If the supplier has an adequate programme the company may wish to simply monitor effectiveness of actions taken and support where needed, whereas for lower performing suppliers it may have to assist in organising and carrying out these activities (see **Box 1** for an example of a downstream company engaging with suppliers). Retailers may have to start by supporting their direct suppliers to develop or enhance their supplier engagement plans to ensure these activities get implemented at the production level.

- **Engaging in other initiatives:** The most appropriate role for a supply chain company varies, depending on the type of activities needed. For some activities, particularly those related directly to production, companies are well-placed to play a leading role, either alone or with partners, using their existing infrastructure and expertise to accelerate progress. Other activities, especially those related to the wider social or environmental landscape, are best delivered through partnerships with communities, governments or civil society organisations. There are also some activities related to rights and laws that are essential for creating an enabling environment. However, these need to be led by government, local communities or other actors, and companies participate only when invited.



Box 1. How landscape/jurisdictional approaches can support supplier engagement

Deforestation and the respect for human rights in supply chains are complex issues that cannot be resolved by a single actor. This is why there is a growing focus on the development of landscape and jurisdictional approaches which bring together a wide range of stakeholders. Although there is no formal definition for this approach and many terms have been used to describe it, **landscape/jurisdictional approaches broadly involve developing a collaborative initiative between companies, national and local government, civil society and local people to tackle issues in a specific geographic or administrative area.**

Some benefits of landscape/jurisdictional initiatives:

- They help raise the overall standard of production and **reduce the gap between high and low performing suppliers (e.g. certified and uncertified operations), i.e. making it less costly to improve the practices of low performing producers.**
- They can **strengthen the legal framework and improve governance** making it easier for both the government and companies to enforce sustainability standards.
- They can provide a platform for **pooling resources and combining company supply chain and government incentives** (e.g. access to finance and technical advice) to better support producers and scale up impact.
- They can more effectively **include small producers** by combining support programmes and monitoring.
- Soy buyers can be more effective by collaborating on engagement visits or sharing pre-competitive information on sustainability performance levels in a given landscape/ jurisdiction.
- Soy buying companies can share costs, and also build shared understanding of the issues that must be addressed in a given landscape/ jurisdiction.
- Where these types of initiatives exist in supplying regions, companies in the soy sector should identify them and evaluate whether they are aligned with, and likely to help deliver, the company's commitments.

For more information, see the Soy Toolkit discussion paper 03.B "Working at-scale to implement soy sourcing policies": <https://www.soytoolkit.net/soy-supply-chain-sector-issues>

In all cases, supplier engagement should be complemented by the implementation of monitoring and reporting mechanisms to ensure long-term progression.

Key challenges and potential solutions

Uncooperative suppliers

Even with an effective engagement programme, some suppliers may still be unwilling to comply with responsible sourcing commitments.

This may be especially challenging in the soy sector considering the high level of competitiveness in the market which allows farmers to choose between buyers, and reduces the influence that upstream and downstream companies have on them. Nevertheless, companies in the soy sector must address these suppliers or producers if they want to prevent reputational damage and potential higher operational costs in cases where violations lead to strikes, regulatory fines or having to make sudden changes in supplier in reaction to consumer and public pressure⁸.

Possible solutions:

- Providing adequate incentives for producers and convincing them of the business case for complying with sustainability policies. This could include: ensured demand, longer-term yields and reduced risk of fines or prosecution.
- Having a clear process for ceasing relations as a last resort if the supplier continues to refuse commitments or shows no sign of improvement.
- Collaborating with other companies both upstream and downstream through multi-stakeholder programmes. This not only increases the likelihood of commitments being passed on to soy suppliers but also provides greater leverage over suppliers as they will have fewer opportunities to switch buyer.



Learn more and help us improve

More information is provided in the references below and at www.soytoolkit.net

Please also share with us information that will improve this Briefing Note (via soytoolkit@proforest.net).

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Lisandro (**Imaflora**)

References

- 1 For an overview of the Soy Toolkit and other briefing notes, visit: www.soytoolkit.net
- 2 It is important to note that companies should continue to engage with suspended suppliers to improve their practices with the goal of re-entering the supply chain. See **Briefing Note 4: Purchase control systems in soy**.
- 3 See Proforest Briefing Note 1: Delivering responsible sourcing in practice: an integrated approach, available at: <https://www.soytoolkit.net/planning-and-implementing-responsible-soy-supply-chains>
- 4 See Briefing Note 2.B on “Soy risk analysis: Prioritisation for Positive Engagement” and Proforest Briefing Note 8: Responsible sourcing in practice: supplier engagement, available respectively at:
<https://www.soytoolkit.net/soy-traceability-and-supply-chain-risks>
<https://proforest.net/en/publications/responsible-sourcing-and-production-briefings/responsible-sourcing-in-practice-supplier-engagement>
- 5 Please refer to the Proforest Publication “Legal compliance and the elimination of deforestation from commodity production in Brazil: <https://proforest.net/en/publications/forest-code-reports-pdfs/legal-compliance-and-zero-deforestation-initiatives-brazil> for more maps of relevant initiatives.
- 6 <https://www.produzindocerto.com.br/>
- 7 www.sojaplus.com.br/
- 8 For further guidance on how to manage supplier non-compliance, see the Accountability Framework: <https://accountability-framework.org/contents-of-the-framework/supply-chain-management/4-managing-supplier-non-compliance>

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