Incorporating responsible sourcing policies in purchase control systems

Soy Toolkit
Briefing Note 04

SOY TOOLKIT

Version 1.2

GOOD GROWTH PARTNERSHIP

WWF

proforest

gef

5-element approach

Monitor, verify
and report

Understand supply
chain risks

Assess and plan
implementation

Establish a purchase
control system

Engaging within and
beyond supply chains

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

Key Points

- Purchase control systems operationalise legal, social and environmental screening of soybean producers.

- Some direct soybean buyers have set automatic purchase control systems in Brazil that flag policy non-compliance in soy production, allowing them to suspend non-compliant purchases and/or take other actions.

- By flagging policy breaches and setting pathways to both prevent purchases and resolve issues, direct soybean buyers can accelerate the implementation of responsible sourcing policies on the ground.

- These systems are to be implemented by those who are in direct contact with producers, and they will ultimately help downstream companies deliver on their commitments.

- This screening can serve as a starting point for a continuous improvement process along with producers.

Purpose of this briefing note

This briefing note is part of the 'Responsible Sourcing: Soy Toolkit'[1]. It relates to element 4 (Purchase Control Systems) of the 5-element approach for sourcing environmentally and socially sustainable soy (see Figure 1). Companies that purchase soy may have responsible sourcing policies in place to reduce risks associated with its production, and purchase control systems can help screen for non-compliance so that buyers can take appropriate actions. The briefing note outlines key steps that upstream companies in the soy sector can take to effectively translate policy requirements into systems that flag non-compliance at production level. This can then trigger actions to not only ensure policy compliance but also foster positive change. The focus is on companies buying directly from producers and builds on tools and approaches that are being used in Brazil for monitoring and assessing soybean producers. The information presented in this document is also useful for downstream companies as it provides a better understanding of the challenges their soy suppliers face, and sheds light on the potential solutions for implementing responsible sourcing policies with the help of purchase control systems. This Briefing Note focuses on the minimum requirements to be met, whilst continuous improvement is further discussed in **Briefing Note 03.A – Engaging suppliers: working with suppliers to implement responsible sourcing commitments for soy**.

Key steps, tools and approaches for implementing purchase control systems

01 Determining the minimum requirements

A responsible sourcing policy outlines a set of social and environmental criteria that need to be met by soy producers. Responsible sourcing policies often cover aspects beyond legal requirements. In general, these may include wording on deforestation, conversion of other types of natural habitats, protection of high conservation values, protection of human rights, health and safety, land tenure and no discrimination (e.g. gender discrimination).

A purchase control system aims at screening producers based on non-negotiable criteria in the policies, triggering specific actions depending on suppliers' performance. The minimum requirements should be defined considering:

- Legal requirements.

- Soy buying companies' commitments (e.g. on halting deforestation and upholding human rights in the supply chain).

- The technical feasibility of incorporating monitoring as part of the standard procedure for purchasing from soybean producers.

- The impacts they will have on producers and supply chains (potentially positive and negative).

- The support necessary to have producers meeting all the criteria.

02 Setting a monitoring system

In Brazil, large direct soybean buyers have been using the following criteria:

Analysis to check suppliers:

• Do not source from farmers linked to slave-like labour;

• Do not source from farmers with illegal deforestation penalties;

• Do not source from areas experiencing deforestation within the Amazon Biome.

In this assessment soybean buyers are cross-checking producers and farms against official 'dirty' lists (i.e. in a tabular manner) and against geographic information (overlaying the farm boundaries with spatial information).

Analysis includes checking suppliers against:

• Governmental list of areas embargoed by the Brazilian Institute of the Environment and Renewable Natural Resources, IBAMA.

• The "Slave-like Labour List" of the Public Ministry of Labour.

• Presence of farm in Amazônia Protege, a governmental system that allows companies to check farmers for civil actions for illegal deforestation registered by the Deforestation Monitoring Project in the Legal Amazon (Prodes Amazon/Inpe);

• The State of Para Green Grain Protocol, which identifies producers who own land where illegal deforestation has been identified or where forced labour has been identified;

• List from the Soy Moratorium, a non-governmental system that allows companies to check farmers who have soybean plantations in the Amazon biome which are linked to deforestation.

Geographic analysis can also include checking farms against:

• Overlays with Indigenous Territories.[2]

• Overlays with Quilombola Territories.[3]

• Overlays with Protected Areas.

Together, these criteria represent analysis of territorial and non-territorial information. If producers are flagged breaching any of the above-mentioned criteria, an automatic system can prevent the purchase from going through.

The lists of environmental embargoes

IBAMA releases a list of farms and farmers that have breached environmental legislation in some way, including illegal deforestation. In Brazil, it is forbidden to source from embargoed areas until they normalise their situation. Soybean buyers can crosscheck their soy suppliers against this list. The embargo information is updated daily, based on site visits by law enforcement agencies.

This is one way, amongst others, to avoid illegal deforestation in the soy supply chain, as it could still be happening in farms not spotted by IBAMA.

Consulta a Embargos e Autos de Infração

Consulta Pública
◉ Embargos   ○ Autuações Ambientais

Filtro para Busca
◉ Ambos   ○ Embargos por desmatamento   ○ Outros embargos

Embargos

Pesquisa por Estado ou município
Estado: --selecione-- ▼   Município: --selecione-- ▼

Pesquisa por Nome ou CPF/CNPJ
Nome ou Razão Social:
Nome do Imóvel:
CPF ou CNPJ:

[Consultar]   [Nova Consulta]

Base Legal
Lei nº 12.527, de 18 de novembro de 2011 Art. 8º, § 2º Lei Nº 10.650, de 16 de abril de 2003 Art. 4º , incisos III e V Decreto Nº 6.514, de 22 de julho de 2008. Art. 18, §1º, art. 149, incisos I e II, parágrafo único.

Emitir Certidão de Nada Consta de Embargos
CPF/CNPJ: [Emitir Certidão]

Mapa Interativo
Clique aqui e consulte o mapa geral de Embargos.

Download Lista Completa
Clique aqui para fazer o download da lista completa de Embargos.

https://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php

The dirty list of slave-like labour

The Brazilian Public Ministry of Labour (MPT) releases a public list of farms (and other enterprises) where their agents have liberated workers from practices characterised as slave labour or slave-like labour conditions. Soybean buyers can crosscheck their soy suppliers against this list, which is usually updated monthly.

This is one way, amongst others, to avoid forced labour in the soy supply chain, as it could still be happening in farms not spotted by the MPT.

Cadastro de Empregadores que tenham submetido trabalhadores a condições análogas à de escravo

(Portaria Interministerial MTPS/MMIRDH nº 4 de 11/05/2016)

INSPEÇÃO DO TRABALHO (SIT)

Atualização periódica de 3/10/2019. Cadastro atualizado em 3/10/2019.
I- PUBLICAÇÃO DA RELAÇÃO DE EMPREGADORES PREVISTA NO ARTIGO 2º, CAPUT, DA PORTARIA INTERMINISTERIAL Nº 4, DE 11 DE MAIO DE 2016

ID	Ano da ação fiscal	UF	Empregador	CNPJ/CPF	Estabelecimento	Trabalhadores envolvidos	CNAE	Decisão administrativa de procedência (irrecorribilidade)	Inclusão no Cadastro de Empregadores
1	2019	MA							
2	2016	RS							
3	2017	MS							
4	2018	BA							
5	2018	MA							
6	2016	GO							

**https://mpt.mp.br/pgt/noticias/cadastro_de_empregadores_2019_10_3.pdf**

Soybean-buying companies have also been going beyond legality, such as in the case of the Amazon Soy Moratorium (see Box 1). Requirements for no deforestation or no conversion can also be included minimum criteria, depending on the company's policy commitments.

Box 1. Going beyond legality in a purchase control system: The Amazon soy moratorium

1

The minimum criteria usually include compliance with legal requirements but can also go beyond that. For example, the Soy Moratorium in Brazil uses a binary approach in which soybean plantations in the Amazon biome are assessed against deforestation and public lists. A Geographic Information System (GIS) approach overlays polygons of deforestation after 2008 with polygons of planted soy in high-risk municipalities and creates a list of non-compliant farms, which triggers a "do not buy" decision. The moratorium has a collective governance body, through the Soy Working Group, comprised of soy traders, NGOs and the Brazilian Government. Its innovative implementation mechanism follows this flowchart:

Going beyond legality in a purchase control system: The Amazon soy moratorium
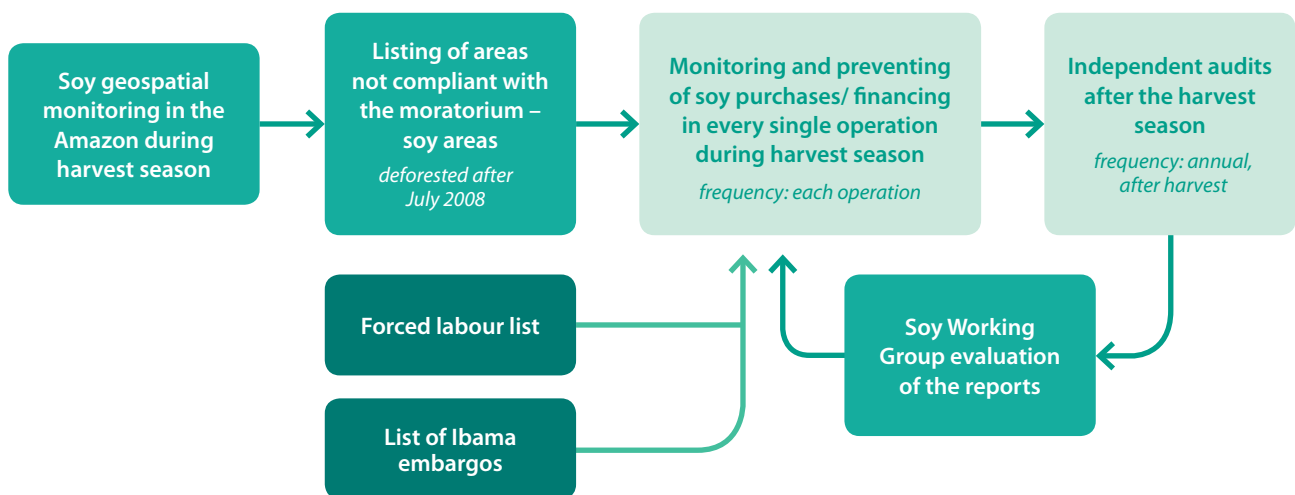
- ▉ Soy Working Group Responsibility
- ▉ Company's Responsibility: external data
- ▉ Source

Image from: https://abiove.org.br/wp-content/uploads/2019/05/05062018-153933-verificacao_independente_da_moratoria_da_soja_gts_publicacao_junho2018.pdf

More information can be found on: www.abiove.org.br

A list of potential references to assess suppliers against is presented below. This list is by no means exhaustive and it should go as far as the company's policies require. The requirements need to be aligned with companies' commitments, which are not the subject of the Soy Toolkit. Nonetheless, soybean buying companies should consider what their commitment focuses on (e.g. forest or native vegetation), what the cut-off date is, what needs to be reported (e.g. the Key Performance Indicators– KPIs – these need to be monitored), what is the priority geography of concern, etc., when deciding which elements to have as mandatory requirements and which databases will be used[4]. Some analysis will be binary (e.g. presence or not in a given dirty list), whereas others will be more complex and require territorial analysis (e.g. deforestation).

Potential Requirements	References
No implication with breaches of legal environmental requirements	IBAMA list of embargoes, available at: **https://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php**
	Information on embargoes from the Chico Mendes Institute for Biodiversity Conservation (Instituto Chico Mendes de Conservação da Biodiversidade, in Portuguese, is the administrative institute of the Brazilian Ministry of the Environment) available at: **https://www.icmbio.gov.br/portal/geoprocessamentos/51-menu-servicos/4004-%20 downloads-mapa-tematico-e-dados-geoestatisticos-das-uc-s**
	State environmental agencies' list of embargoes, available at:
	State of Pará - **https://monitoramento.semas.pa.gov.br/ldi/**
	State of Mato Grosso – **http://monitoramento.sema.mt.gov.br/simlam/**
	State of Tocantins – **http://sinat.naturatins.to.gov.br/siga_externo/siga_externo.html**
	State of Goiás - **https://portal.meioambiente.go.gov.br/cnd/dashboard.secima#**
Not involved with illegal deforestation or land conflicts in the Amazon	Lista Amazonia Protege, gathers law processes of several different sources on illegal deforestation, available at: **http://www.amazoniaprotege.mpf.mp.br/**
No forced labour	Dirty list of forced labour, available at: **https://mpt.mp.br/**, search for the words "cadastro de empregadores pdf"
Compliance with the Brazilian Forest Code	Every single rural property needs to be enrolled in the Environmental Registry (CAR) System. Companies can request an active CAR number[5]. Registries available at: **http://www.car.gov.br/publico/imoveis/index**
No overlays with indigenous territories	Information on indigenous territories available at: **http://www.funai.gov.br/index.php/shape**
No overlays with settlements and quilombola territories	Information on settlements and quilombola territories available at: **http://certificacao.incra.gov.br/csv_shp/export_shp.py**
No deforestation in the Amazon biome	For ensuring that no soy is planted on areas deforested in the Amazon biome after July 2008. The list of farms and producers blocked by the moratorium is only available to signatories. More information on the Soy Moratorium available at: **http://abiove.org.br/en/sustainability/**
	For other cut-off dates, official information on deforestation is available at: **http://terrabrasilis.dpi.inpe.br/app/map/deforestation**. This platform only presents accumulated deforestation information. Data for specific years can be downloaded at: **http://terrabrasilis.dpi.inpe.br/en/home-page/** and requires GIS capability to be analysed.
	Daily deforestation alerts are presented by the Real-Time Deforestation Detection System (Sistema de Detecção do Desmatamento em Tempo Real – DETER, in Portuguese), which is used by law enforcement agencies in Brazil. Deter information is available at: **http://www.obt.inpe.br/OBT/assuntos/programas/amazonia/deter**
No conversion in the Cerrado biome	Official information on natural habitat conversion available at: **http://www.dpi.inpe.br/fipcerrado/**

03 Assessing and validating producer performance: implementing a system to operationalise the sourcing policy

Automating the assessment of soybean suppliers against minimum purchase requirements will allow every single purchase to be classified as compliant or non-compliant. Non-compliant suppliers are to be immediately prevented from selling, to be suspended and provided with the opportunity to meet the minimum purchase requirements. By automating the assessment in the system, the non-negotiable requirements of the sourcing policy are enforced by embedding it in commercial relationships with suppliers. It is important to decide what will happen to a supplier is found non-compliant, before the system starts running – false positives can happen, and there should be a mechanism built in to allow suppliers to complain if they believe the result is wrong.

Amaggi's requirement for producers:

"(…) At AMAGGI, 100% of the supply chain must meet socio-environmental criteria. Suppliers who present any of the restrictions (…) have their registration blocked, being prevented from commercialising with the company until they regularise their situation or prove that there are no irregularities in the area of origin of the grains, meeting in full the criteria established by the company. In these cases, the Sustainability area carries out a risk analysis of the socio-environmental conditions of that rural property and may veto the commercialisation.[6]

Bunge's purchase control system, an example in practice

The company has been analysing soybean producers against a set of criteria across Brazil, including non-compliance with legal requirements and the Soy Moratorium. Over the years, hundreds of suppliers have been flagged in the IBAMA embargo list, MTE (current MPT) 'dirty' list and in the areas blocked by the Soy Moratorium; and then blocked by the system.

More information, including the number of soybean suppliers blocked over the years, can be found at: https://www.bunge.com/sustainability/non-deforestation
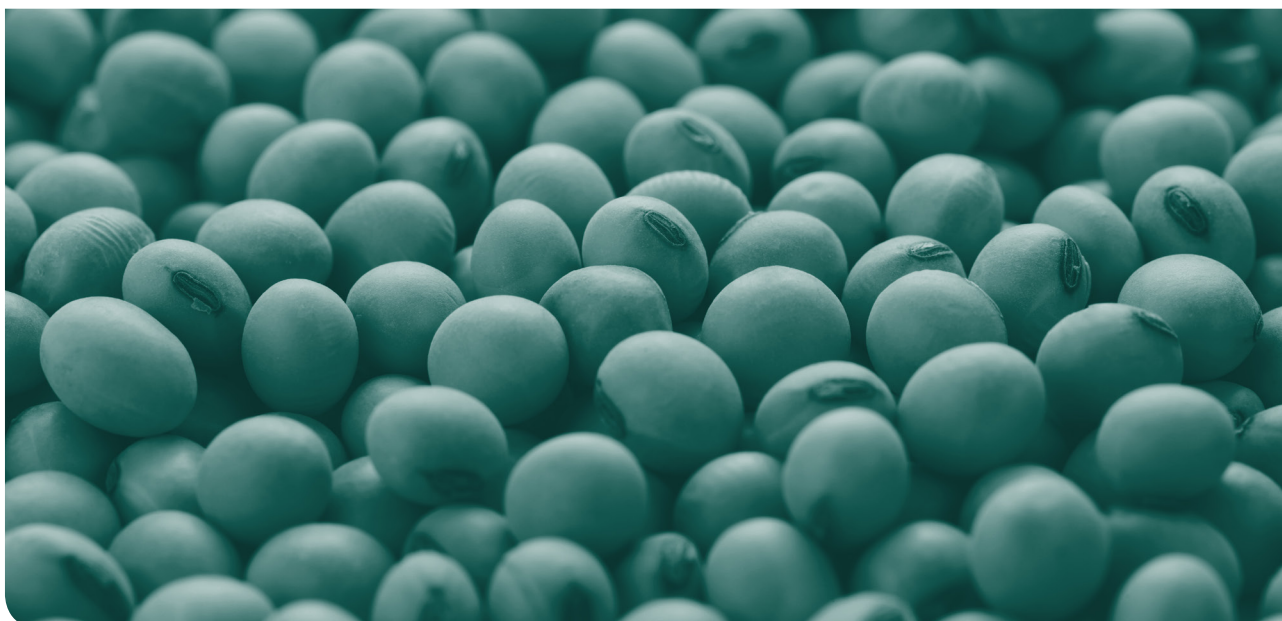
Under the Collaboration for Forests and Agriculture (CFA), Imaflora presents a Monitoring Framework for operationalising such a system.[7] Some of the key steps from the framework are presented below.

1. Validate and update the list of farmers and farms.

2. Have a purchasing process model which allows for different contract types, but incorporates the minimum requirements.

3. Have a decision-making process for suspending and unsuspending farmers and farms based on documental, spatial and complementary analysis.

4. Have a list of farmers and farms suspended due to non-compliance.

5. Record farmers and farms unsuspended in the system, including technical justifications and complementary analysis.

The database against which suppliers and geographies are analysed should be frequently updated, depending on the frequency that the feed-in data is updated – e.g. the IBAMA list of embargoes should be checked online daily, the soy moratorium should be checked once a year.

With the support of Geospatial Information Systems (GIS), farm polygons can be overlaid with deforestation/conversion polygons. This can also be built into the standard purchase process model, for example, through requesting the Rural Environmental Registry number (Cadastro Ambiental Rural, CAR, in Portuguese) from soybean producers when they are approved as suppliers. In the SICAR (CAR System) platform, using the CAR number, a company can download the farm's polygon, which can be overlaid with the deforestation/ conversion data provided by a set of different sources.[8] Upstream companies (traders) tend to have GIS internal capabilities. There are also several external service providers who can run the analysis.

Rural Environmental Registry: the first step to comply with The Brazil Forest Code

To be compliant, the first step for all rural properties in the country is to be enrolled in the Rural Environmental Registry (CAR, in Portuguese). This is an electronic registration of the boundaries of rural properties, which can be used as a tool to control, monitor and combat illegal clearing of forests and other types of native vegetation. **Assessing compliance with the Forest Code: a practical guide** provides more information on the Brazilian Forest Code.

http://www.florestal.gov.br/

04 Defining the pathway for a suspended supplier to be reintegrated into the supply chain

Sourcing policies will be operationalised by procurement teams, who liaise on a daily basis with soybean producers. Having clarity on what happens when non-compliance is flagged is instrumental to help fast decision making when implementing policy commitments – decision-making flowcharts usually help with this process. It is also crucial to ensure that suppliers will be suspended only after false-negatives can be over-ruled.

Non-negotiable criteria, when breached by suppliers, normally lead to automatic suspension of purchases or to an end of the commercial relationship. Simply blocking purchases and de-listing non-compliant suppliers can create additional hurdles for soybean buying companies (who need to buy the soybeans and will then face a reduction in supply), and does not solve the social or environmental issues on the ground, since producers can always find alternative buyers with less stringent purchasing policies. Therefore, when a soybean producer is flagged by the purchase control system, it is good practice to try to ascertain the following:

- What is the issue identified?

- What are the possible root causes?

- Is the non-compliance confirmed by further scrutiny (e.g. through an individual assessment of automatic detections, or even a site assessment to verify gross breaches)? Bear in mind that for issues that can be identified using satellite images, site assessment is usually the second-best option. It is easier to be certain of the extent and relative location of deforestation via GIS, than on the ground.

- Is it an issue that can be solved in the short to medium term (e.g. the first step towards compliance with the Brazilian Forest Code: getting registered into the Rural Environmental Registry)?

Depending on the case, the best approach for achieving a company's sourcing needs and sustainability goals should be to engage with the non-compliant supplier, providing support so they achieve full compliance. An action plan with measurable indicators and a reasonable timeline for bringing the supplier into compliance with the buyer's corporate policy can be agreed between the supplier and the buyer. The buyer should monitor the implementation of the action plan, reassess the supplier's compliance against the policy, and reintegrate the supplier into the buyer's supply chain when the minimum criteria are met.

The usefulness of purchase control systems for downstream companies

These good practices and resources are mainly directed at upstream companies, who are already working to align their systems to their customers' needs. Downstream actors can also build on the rationale and have their own requirements, building on and aligned with those of their suppliers.
They should ensure alignment on the minimum requirements for soybean producers and what goes beyond that and will be subject to commercial negotiations. The minimum disclosure agreed with upstream soy buyers will help downstream companies monitor the implementation of their own commitments around soy sourcing. Responsibilities differ according to the company's position in the supply chain: the purchase control system needs to be implemented by those upstream companies in direct contact with farmers, and this will help downstream companies deliver on their commitments.

Key challenges and potential solutions

Challenges	Potential avenues to be explored
Engaging procurement teams. Sustainability requirements increase the complexity of purchasing decisions, so it is crucial that procurement teams understand the importance and value of this and are completely on board with its implementation.	**Including responsible sourcing activities in the job description of procurement teams, as well as KPIs linked to responsible sourcing programme targets, is a way of empowering procurement staff to implement responsible sourcing procedures. It is also important to make sure that everyone involved in responsible sourcing activities has enough time, capacity and a clear mandate.** **If there is at least management level support from the procurement team, it is also possible to automatise the screening of minimum social and environmental criteria and the decision to allow purchase or not. This can reduce the need for strong buy-in from individual buyers in the short term, even though their support is critical for the continuous improvement and the long-term feasibility of responsible sourcing.**
Getting the right data, with the right quality to implement a purchase control system. The availability and quality of official datasets (usually preferred when it comes to informing decisions about de-listing suppliers) is particularly varied.	**Different biomes, geographies or countries may require different tools, data and information sources. In this case, it is important to be transparent and disclose the limitations of the system and how they might be overcome in the medium/long term. Where the available data poses significant error margins leading to false positives or negatives, it may be necessary to include additional assessments (remote or in-situ), to require supporting documents and to create a grievance mechanism to review the assessment, which are accessible to producers and external stakeholders.** **Online e-commerce platforms where soybean producers input their data can be helpful. Cargill, for example, is launching a platform with that purpose.**
Non-compliant farmers or farms can breach the system by sharing misleading data with the soybean buyers.	**The list of IBAMA embargoes and the MTE Slave-like Labour List are both related to the property owner; however that is not always the same person with whom the commercial transaction is made. Ensure that the information from the property owner is the one being captured by the system.** **The purchase control system must be structured in such a way as to have data from soybean producers being triangulated to avoid system breaches. It should include, for instance, data from the landowners and lessees and the production area, so buyers can check if the amount of soy purchased could be produced in the area informed.**

Uncooperative soybean suppliers who refuse to comply with criteria beyond legal compliance and simply sell to the competition.	**Supplier engagement to raise awareness, promote best practice and earn farmer loyalty; incentives for better practices (financial or other), innovative compensation mechanisms, precompetitive collaboration among buyers.**
	Consider an engagement approach that includes not only social and environmental aspects, but also best management practices that can positively impact producers' incomes. This can be done by providing technical assistance, arranging field days, supporting existing producer-led initiatives, amongst other strategies to earn farmers' loyalty and develop a long-term commercial relationship.
	Showing soybean suppliers the long-term benefits of going beyond legislation. Demonstrate real cases in which it is possible to not only reduce risks, but also receive monetary benefits (e.g. by leasing the surplus of Legal Reserves to other producers that need to compensate for their deficits).
	Overall, supplier engagement can complement the purchase control system approach. For further information on this topic, please refer to the Soy Toolkit Briefing Note 03.A – Engaging suppliers: working with suppliers to implement responsible sourcing commitments for soy.
	Working collaboratively can help achieve greater positive impact while reducing effort and cost. Soybean buyers who share the same supply base could align on minimum requirements and continuous improvement indicators. In a best-case scenario, companies would implement purchase control systems and continuous improvement programmes jointly.

Learn more and help us improve

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

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

Acknowledgments

References

1 For an overview of the Soy Toolkit and other briefing notes, visit: **www.soytoolkit.net**

2 Indigenous territories are, by federal law, protected territories assigned to indigenous peoples, who can produce (soy, included) in them. In these territories no genetically modified organism (non-GMO) can be planted, and the territories cannot be sold nor rented. Additional specific requirements exist for these territories and soy production on them could lead to land disputes and conflicts. Information on Indigenous territories can be found at: **http://www.funai.gov. br/index.php/indios-no-brasil/terras-indigenas**

3 The Quilombola Territories are, by federal law, protected territories assigned to African-Brazilian communities' descendants of escaped slaves who resisted the slavery instituted in colonial Brazil. There are currently more than two thousand Quilombola communities in Brazil. Although they are allowed to produce soy in their territories, they cannot sell nor rent the land. Additional specific requirements exist for these territories and soy production in them could lead to land disputes and conflicts. Information on Quilombola territories can be found at: **http://www.incra.gov. br/pt/quilombolas.html**

4 For more information on prioritising specific landscapes or jurisdictions, please refer to the **Soy Toolkit Briefing Note 2.B – Soy risk analysis: Prioritisation for positive engagement**. For more information on the KPIs, please refer to the **Discussion Paper DP5 "Soy sourcing commitments: monitoring and reporting progress"**.

5 As the implementation of the Forest Code advances, soybean buyers can increase their requests to producers. For more details on the Forest Code and its implementation, please refer to Assessing compliance with the Forest Code: a practical guide, available at: **https://proforest. net/en/publications/assessing-compliance- with-the-forest-code-a-practical-guide**

6 Amaggi Sustainability Report 2019: **https:// www.amaggi.com.br/en/sustainability/ sustainability-report/**

7 More information can be found in Imaflora, 2018. Monitoring Framework – Deforestation/ conversion-free supply chains in the Amazon and Cerrado Biomes. Available at: **https://www.imaflora.org/ biblioteca?page=1&categorias[]=publicacao**

8 For more information on data sources, please refer to the Soy Toolkit Briefing Note 02.B – Soy risk analysis: Prioritisation for positive engagement, available at: **https://www.soytoolkit.net/soy- traceability-and-supply-chain-risks**

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