



# Soft Commodities Forum progress report

December 2022

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# Executive summary

**The Soft Commodities Forum (SCF), led by the World Business Council for Sustainable Development (WBCSD), enables collaboration between six leading agribusinesses to identify solutions to eliminate soy-driven deforestation and the conversion of native vegetation in the Brazilian Cerrado. The Cerrado is one of Earth's most biodiverse savannahs and home to 5% of the planet's animals and plants. The SCF's work supports the delivery of our vision 2050 and Agriculture Sector Roadmap to 1.5°C in the context of the soy value chain, contributing to a net-zero and nature-positive future.**

This report outlines the progress on this goal by disclosing improvements in traceability and deforestation- and conversion-free (DCF) performance and detailing landscape intervention strategies and an implementation framework for financial incentives for farmers aiming to influence producer behavior.



As of December 2022, the SCF has accomplished the following:

**Launch of the Farmer First Clusters (FFC) initiative, a landscape intervention strategy to preserve priority Cerrado areas, with farmers at its heart.**

- The FFC structure and implementation plan are for landscape solutions in Western Mato Grosso, Southern Maranhão, Western Bahia and Tocantins. The details of the FFC deployment approach include landscape interventions and theory of change, a governance structure led by our newly launched SCF Landscape Council, an initial budget and co-funders, a monitoring and evaluation framework, and farm-level commitments and eligibility criteria.

**Increased visibility over indirect sourcing**

- SCF members have surpassed their initial indirect supplier engagement goal and are now working collaboratively with 14 priority indirect suppliers, including resellers, cooperatives and third-party warehouses, to establish co-developed action plans aimed at increased indirect supplier monitoring and evaluation capacity.

The action plans will enable members to carry out third-party verification of the traceability of supply sourced from indirect suppliers. Additionally, we aligned on a common protocol for third-party verification of indirect suppliers, which we disclose in this report, with key milestones and targets for progress.

**Strengthening accountability processes**

- This report shows progress on data accountability by announcing that all SCF member direct supplier performance is verified through third-party auditing using a common auditing protocol, as established in the June 2022 report. We have also aligned on a protocol for third-party verification of indirect suppliers, paving the way for the upcoming comparable verification of indirect supplier performance.

**Second disclosure of deforestation- and conversion-free soy footprint**

- SCF members are disclosing updates to their individual performance of verified deforestation- and conversion-free (DCF) soy volumes, building on the first performance disclosure in June 2022. The performance indicators report on soy sourced by individual members in 2021 within the SCF's 61 focus municipalities. We have included another indicator to track the DCF soy performance of all 61 focus municipalities at the landscape level.

# ① About the Soft Commodities Forum



# 1 About the Soft Commodities Forum

In 2018, the [World Business Council for Sustainable Development \(WBCSD\)](#) established the Soft Commodities Forum (SCF) to enable member companies to collaboratively identify effective solutions to common sustainability challenges, bridging global goals with local realities.

Like WBCSD, SCF members realize the complexity of soy supply chains and that no single business can tackle the challenges of deforestation and savannah conversion alone.

Collaboration between member companies helps move the entire sector forward, establishing and applying common performance indicators and engagement processes to end deforestation and native vegetation conversion driven by soy crop expansion.

Transparency is essential to tracing soybeans back to the farms where they grew, which is a significant challenge worldwide – especially in Brazil’s Cerrado region. We publicly report on progress in these terms twice a year – in June and December.

This report marks the second time that our member companies are disclosing their performance monitoring soy volumes verified to be deforestation- and conversion-free in the Cerrado region.

In this December 2022 report, we disclose details of the launch of our strategy to transform the Cerrado landscape – the Farmer First Clusters (FFC) initiative.

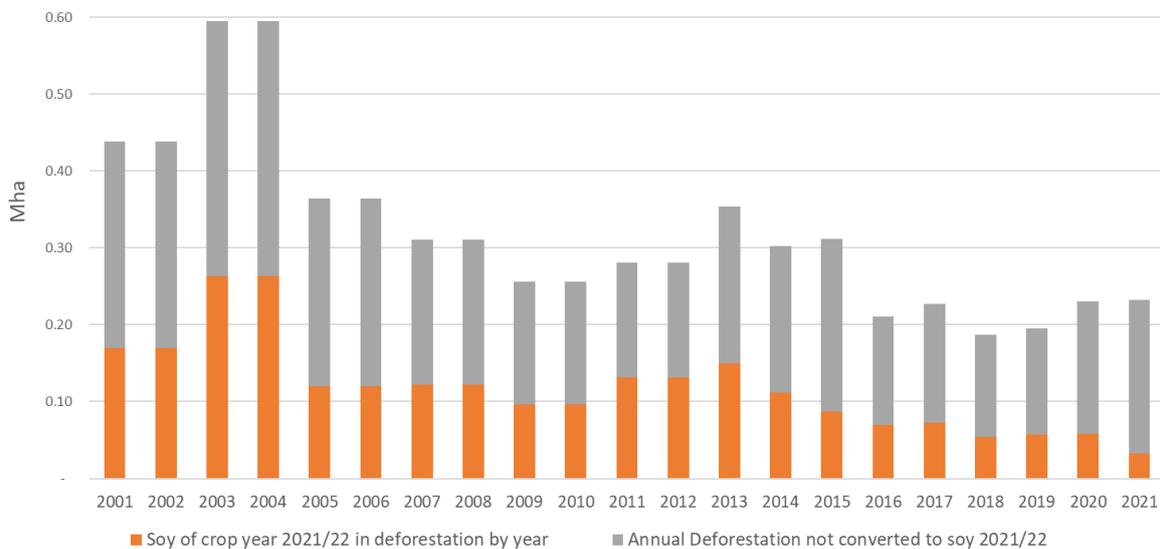
### Consider the following facts:

- While it has never received the same attention as its neighbor – the Amazon – the Brazilian Cerrado, known as the [“Birthplace of the Waters”](#), is one of the world’s most biodiverse savannahs. It is home to 5% of the planet’s animal and plant biodiversity, including more than 1,600 species of mammals, birds and reptiles. There are also more than 10,000 species of plants, nearly half of which are not found anywhere else in the world, [according to the World Wildlife Fund](#).

- Between 2014 and 2021, farmers cleared 880,000 hectares (or 2,174,000 acres) in the Cerrado for soy plantations, representing 13.2% of total Cerrado conversion during that period, according to an [Agrosatélite study](#)<sup>1</sup>. According to the same study, 61.5% of total conversion in the biome happened within the SCF scope – in the 61 focus municipalities – during the same period. It is important to note that soy production in cleared areas during the same period represents 4% of the total soy in the Cerrado. Nevertheless, the overall trend in soy-driven conversion is decreasing within our scope, as seen in Figure 1.

- According to the Intergovernmental Panel on Climate Change (IPCC) [Special Report on Climate Change and Land](#), global agriculture, forestry and other land uses contribute to approximately 23% of greenhouse gas emissions caused by humans.

**Figure 1:** Soy-driven conversion is decreasing within our scope



**Note:** Total conversion by year for any purpose in the 61 SCF focus municipalities in gray; areas converted to soy production in the 61 SCF focus municipalities in orange

**Source:** Agrosatélite<sup>1</sup>.

Companies that buy, sell and process soft commodities such as soybeans play a unique role in connecting soy suppliers with wholesale processors and retail customers around the world. They have an opportunity to help drive progress on the elimination of soy-driven deforestation and conversion.

The SCF's six current members – ADM, Bunge, Cargill, COFCO International, Louis Dreyfus Company (LDC) and Viterro – are among the world's largest soy exporters and are committed to the elimination of deforestation in their supply chains where they operate in the Cerrado. They have pledged to make their soy supply chains free from deforestation and native vegetation conversion (NVC), balancing economic, social and environmental priorities.

Hosted by WBCSD, the SCF contributes to our food and agriculture pathway agenda by focusing on promoting the nature-, climate- and farmer-positive production of soy, contributing to food system transformation and our Vision 2050 strategy.

The SCF management team eases dialogue and the pooling of resources and information. It promotes open dialogue with stakeholders in the soy value chain and the wider community.

Lessons learned from the Cerrado region in Brazil will be essential to scaling efforts to reach other crops and biomes globally.

### **SCF members sign on to the Agriculture Sector Roadmap to 1.5°C**

All six SCF members have signed on to the [Agriculture Sector Roadmap to 1.5°C](#), which outlines the collaborative efforts of 14 of the world's largest agriculture trading and processing companies to accelerate the elimination of commodity-linked deforestation in their supply chains in line with a 1.5°C degree pathway.

The participation of all six SCF members in roadmap development and final commitments underscores SCF members' shared goal of sectoral collaboration and transformation. The SCF is founded on a belief that a collaborative, pre-competitive approach is necessary to reach deforestation- and conversion-free soy supply chains in the SCF scope area – the Brazilian Cerrado.



# About this report

We use a collaborative and inclusive process to implement lasting solutions to halt soy-driven deforestation and native vegetation conversion (NVC) in Brazil's Cerrado savannah. This bi-annual progress report enables a shared understanding, vision and strategy between SCF members and the platform's stakeholders.

Our work focuses on 61 municipalities in this region that accounted for 25.9% of all soy planted regionally in the 2021/2022 crop year and represent 75% of the recent risk of soy-related deforestation and conversion in the Cerrado.

We publicly report our progress twice a year – in June and December.

This is the eighth report. It details the joint progress made since June 2022 and the key priorities for upcoming reporting periods.

Building on previous reports, this report discloses the latest traceability data from our member companies, including updated indicators of success, and shares the progress on our three workstreams below.

With this report, our six SCF member companies recommit to industry-wide collaboration to protect the Cerrado biome while expanding soy production. This commitment holds greater weight due to the scale and authority of the six SCF members, each of which is a leading global agribusiness.

We would like to extend our gratitude to our partners and collaborators at the Brazilian Association of Vegetable Oils (ABIOVE), Agrosatélite, the Amazon Environmental Research Institute (IPAM), the Consumer Goods Forum, the Tropical Forest Alliance (TFA), The Nature Conservancy (TNC), Proforest, Produzindo Certo, Conecta Cerrado, the Produce, Conserve, Include (PCI) Initiative, and REDD+ Early Movers, and other key partners in the value chain and beyond.

We appreciate their engagement, support, advice and critical questions.

## SCF's workstreams



**Monitor  
land use**



**Engage  
stakeholders**



**Transform  
landscapes**

## ② Where we work



## ② Where we work

**The SCF's work focuses on 61 municipalities in the Cerrado biome that accounted for 25.9% of all soy planted there in the 2021/2022 crop year. Since the 2020/21 crop year, the total soy area in our 61 focus municipalities increased by 5.7% across the Cerrado. This compares to a 7.4% increase in soy area in the same time frame the previous year.**

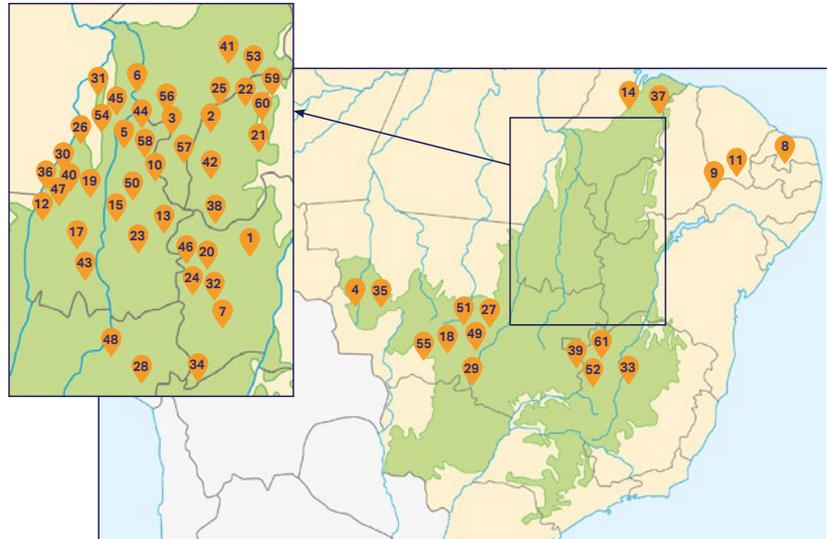
The comparatively low rate of soy expansion among our focus municipalities compared to the Cerrado indicates that they are not the leading contributors to total soy expansion.

Still, the direct conversion of native vegetation to soy intensified in the focus municipalities during crop year 2021/22 – from 18,023 hectares in 2020 to 32,257 hectares in 2021. This direct conversion of native vegetation to soy, as opposed to total lands transitioning from any purpose to soy production, presents the greatest threat to irreplaceable biodiversity and ecosystem service loss.

Our collaborative work seeks to address and prevent these losses through the protection of native vegetation while promoting sustainable soy cultivation.

The map below shows the 61 focus municipalities engaged in our work.

Figure 2: The 61 SCF focus municipalities



- |    |                           |    |                           |
|----|---------------------------|----|---------------------------|
| 1  | Aparecida do Rio - Negro  | 31 | Barra do Ouro             |
| 2  | Baixa Grande do - Ribeiro | 32 | Barreiras                 |
| 3  | Balsas                    | 33 | Buritzeiro                |
| 4  | Campos de Júlio           | 34 | Cabeceiras                |
| 5  | Campos Lindos             | 35 | Campo Novo do Parecis     |
| 6  | Carolina                  | 36 | Caseara                   |
| 7  | Correntina                | 37 | Caxias                    |
| 8  | Currais                   | 38 | Corrente                  |
| 9  | Formosa do Rio Preto      | 39 | Cristalina                |
| 10 | Goiatins                  | 40 | Dois Irmãos do Tocantins  |
| 11 | Jaborandi                 | 41 | Fernando Falcão           |
| 12 | Lagoa da Confusão         | 42 | Gilbués                   |
| 13 | Mateiros                  | 43 | Gurupi                    |
| 14 | Mirador                   | 44 | Itacajá                   |
| 15 | Monte do Carmo            | 45 | Itapiratins               |
| 16 | Peixe                     | 46 | Luís Eduardo Magalhães    |
| 17 | Pium                      | 47 | Marianópolis do Tocantins |
| 18 | Planalto da Serra         | 48 | Niquelândia               |
| 19 | Porto Nacional            | 49 | Nova Nazaré               |
| 20 | Riachão das Neves         | 50 | Novo Acordo               |
| 21 | Ribeiro Gonçalves         | 51 | Novo São Joaquim          |
| 22 | Sambaíba                  | 52 | Paracatu                  |
| 23 | Santa Rosa do Tocantins   | 53 | Pastos Bons               |
| 24 | São Desidério             | 54 | Pedro Afonso              |
| 25 | Uruçuí                    | 55 | Poxoréu                   |
| 26 | Abreulândia               | 56 | Riachão                   |
| 27 | Água Boa                  | 57 | Santa Filomena            |
| 28 | Água Fria de Goiás        | 58 | Santa Maria do Tocantins  |
| 29 | Alto Araguaia             | 59 | Sebastião Leal            |
| 30 | Araguacema                | 60 | Sebastião Leal            |
|    |                           | 61 | Unaí                      |

A detailed description of our updated methodology to select priority municipalities can be found in the References section of this report and on [our digital report webpage](#).

# 3 How we work



# ③ How we work

## Monitor land use

### Why we do it

Tackling deforestation and conversion risks begins with a transparent and credible picture of where farmers grow soy.

By tracing soy all the way to the farm and being able to identify its link to deforestation, conversion or other environmental or social risks at the farm level, our members can focus their efforts where they matter most and measure progress to eliminate soy-driven conversion and deforestation in the Cerrado.

### Where we are

Figure 3: Monitoring Land Use workstream progress timeline



### Deforestation- and conversion-free performance disclosure: soy footprint

For the first time, in June 2022, SCF members disclosed their individual performance on first-party verified deforestation- and conversion-free (DCF) soy volumes sourced in 2021 in the 61 focus municipalities. In addition, separate from company data, the June 2022 report disclosed another indicator to track the DCF soy performance of all 61 focus municipalities.

Following the methodological precedent set in the December 2021 report, this report includes a second round of DCF disclosures, following up on both

individual company performance and landscape-level progress through to DCF performance for the 61 focus municipalities based on external data [sources from Agrosatélite](#).<sup>1</sup>

This report builds on the progress detailed in the June 2022 report by verifying direct supplier performance data through third-party auditing based on a shared SCF verification protocol.

### Individual member soy footprints

Disclosure of key performance indicators on the progress of the six member companies on reaching soy traceability is a key accomplishment and priority of reporting.

This disclosure process enhances transparency in our methodology and approach for the DCF supply chain path.

**Note:** The methodology for reporting soy sourced by joint ventures that we published in December 2021 applies to all indicators for which the classification between direct and indirect soy volumes is relevant. The Methodologies and References section of this report provides more detail.

## ADM: DCF PERFORMANCE DISCLOSURE



"When we talk about sustainability in Bahia, the progress in recent years is very great. ADM supports the rural producer with various technical assistance, and we see that there is a sincere commitment on the part of our suppliers: they understand the change in practice and how measures to improve socio-environmental care help the farm to continue growing. For us at ADM, this gives us a clear view that the transformation has taken place. Understanding sustainability is something that goes beyond! It's good for nature, it's good for those who work on the farm, it's good for our suppliers, it's good for future generations. It is very gratifying to hear producers talk about the impact that the application of an improvement has had and to see how this reflects positively on the results of ADM's work as a company."

**Anderson Francisco da Cruz**  
Gerente Comercial Originação, Bahia

### FIELD DATA FROM 2021

ADM DCF PERFORMANCE SUMMARY	DECEMBER 2022 (%)
Sourced in the Cerrado, out of total soy sourced in Brazil	50.2
Sourced in focus municipalities, out of total soy sourced in Cerrado	33.8
Sourced from <b>direct</b> suppliers, out of total sourced in focus municipalities	78
Sourced from <b>indirect</b> suppliers, out of total sourced in priority municipalities	22
% of the above indirect supply that is traceable to the first point of aggregation	100
<b>Total DCF first-party-verified soy</b> (all direct supply is third-party verified)	78



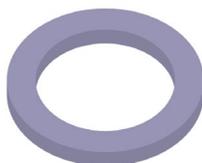
**SOY VOLUME SOURCED IN THE CERRADO**  
49.8% sourced in other biomes  
50.2% sourced in the Cerrado  
Out of total volume sourced from Brazil in 2021



**SOY VOLUMES SOURCED IN THE 61 FOCUS MUNICIPALITIES**  
34% sourced in the 61 focus municipalities  
66% sourced in other municipalities  
Out of total volume sourced from Cerrado in 2021



**SOY VOLUME SOURCED DIRECTLY AND INDIRECTLY**  
22% indirect sources  
78% direct sources  
Out of total volume sourced from the 61 focus municipalities in 2021



**MAPPING OF INDIRECT SUPPLIERS**  
100% traceable to the first point of aggregation  
To the first point of aggregation in the 61 focus municipalities in 2021



**VERIFIED DCF SOY**  
22% non-verified DCF soy  
78% verified DCF soy  
Out of total volume of soy purchased directly and indirectly in the 61 focus municipalities in 2021

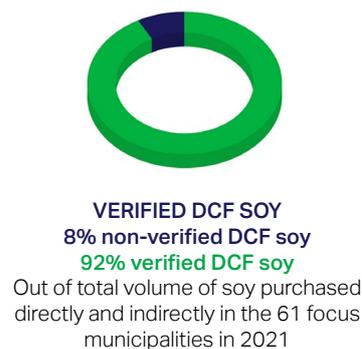
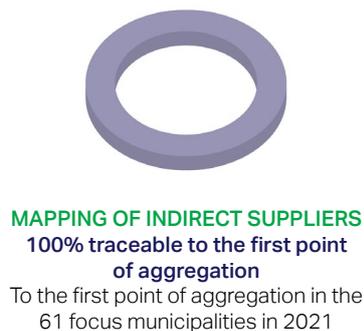
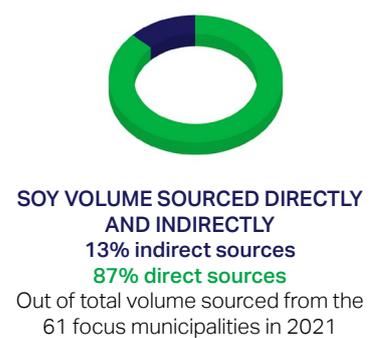
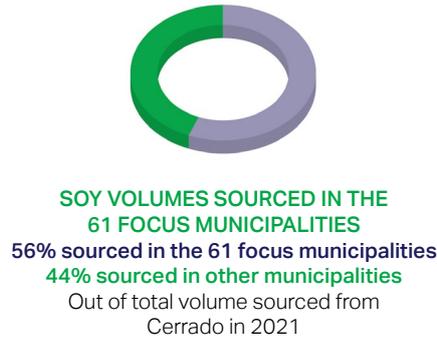
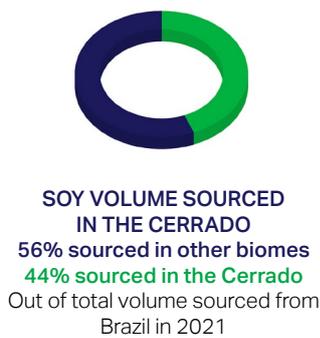
## BUNGE: DCF PERFORMANCE DISCLOSURE



"It has been exciting to be part of Bunge's evolving sustainability journey over time, especially as we see the growing market demand for sustainable business practices. At first it seemed like an impossible task to meet all requirements, but looking at our past performance and future strategy, we're seeing continuous and consistent progress year over year, considering also the engagement of those in our indirect sourcing. They are embracing high standards of management practices. Bunge's commercial teams are highly engaged and dedicated to helping the company deliver on its sustainability commitments, and have become key partners in helping to enhance the traceability and monitoring of our supply chains. With this collaboration and engagement, we are on track to achieve our goal of deforestation-free supply chains in 2025

**Lucas Orlando**  
Origination Sr. Director, Bunge, Brazil

FIELD DATA FROM 2021	
BUNGE DCF PERFORMANCE SUMMARY	DECEMBER 2022 (%)
Sourced in the Cerrado, out of total soy sourced in Brazil	44
Sourced in focus municipalities, out of total soy sourced in Cerrado	56
Sourced from <b>direct</b> suppliers, out of total sourced in focus municipalities	87
Sourced from <b>indirect</b> suppliers, out of total sourced in priority municipalities	13
% of the above indirect supply that is traceable to the first point of aggregation	100
<b>Total DCF first-party-verified soy</b> (all direct supply is third-party verified)	92



## CARGILL: DCF PERFORMANCE DISCLOSURE



"Different from the Amazon, where there is the soy moratorium, the green grains protocol and the forest code has higher demand for legal reserve, the Cerrado has different demands on conservation of their native vegetation, water and its biodiversity. The SCF was organized to tackle these challenges, and after 2 years of work, I see the group with maturity to deliver solutions for the soy farmers. The farmers are the center of our ambitions, and we have prepared a package of alternatives to show them that sustainable supply chains are better not only for the world, but for their productivity, therefore profit, as well."

**Caroline Holtz Rolim**  
Sustainability Coordinator, Cargill, São Paulo, Brazil

FIELD DATA FROM 2021	
CARGILL DCF PERFORMANCE SUMMARY	DECEMBER 2022 (%)
Sourced in the Cerrado, out of total soy sourced in Brazil	50
Sourced in focus municipalities, out of total soy sourced in Cerrado	30
Sourced from <b>direct</b> suppliers, out of total sourced in focus municipalities	91
Sourced from <b>indirect</b> suppliers, out of total sourced in priority municipalities	9
% of the above indirect supply that is traceable to the first point of aggregation	100
<b>Total DCF first-party-verified soy</b> (all direct supply is third-party verified)	90



**SOY VOLUME SOURCED IN THE CERRADO**  
50% sourced in other biomes  
50% sourced in the Cerrado  
Out of total volume sourced from Brazil in 2021



**SOY VOLUMES SOURCED IN THE 61 FOCUS MUNICIPALITIES**  
30% sourced in the 61 focus municipalities  
70% sourced in other municipalities  
Out of total volume sourced from Brazil in 2021



**SOY VOLUME SOURCED DIRECTLY AND INDIRECTLY**  
9% indirect sources  
91% direct sources  
Out of total volume sourced from the 61 focus municipalities in 2021



**MAPPING OF INDIRECT SUPPLIERS**  
100% traceable to the first point of aggregation  
To the first point of aggregation in the 61 focus municipalities in 2021



**VERIFIED DCF SOY**  
10% non-verified DCF soy  
90% verified DCF soy  
Out of total volume of soy purchased directly and indirectly in the 61 focus municipalities in 2021

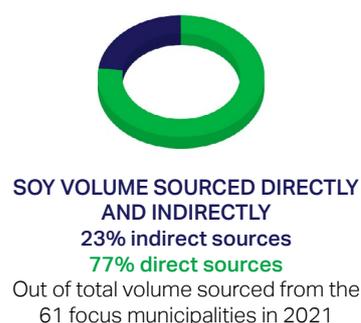
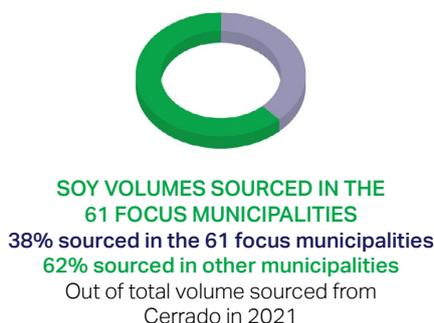
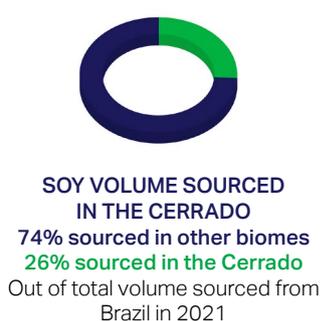
## COFCO INTL: DCF PERFORMANCE DISCLOSURE



The mission of the Soft Commodities Forum is one that can only be executed if farmers and downstream players work in close partnership towards more sustainable production. The AgroPlus technical assistance programme provides much needed technical support to farmers, particularly in SCF's priority municipalities. It offers farmers a way to assess the status of their farms from different environmental, social and financial angles, and advises them on measures to improve sustainable farming practices. AgroPlus operates through several partnerships and COFCO International is one of the programme's partners in the State of Tocantins, which includes SCF priority municipalities. In 2022, the programme provides technical assistance to 20 Tocantins farms, with plans to increase the number to 50 by May 2023. In its decade of existence, the programme has improved production standards of participating farmers following their assessments and training cycles, incentivising better land use management. The programme is also fully aligned with SCF's stakeholder engagement element and is helping COFCO International make sound progress in the implementation of their DCF strategy.

**Andre Nassar**  
Executive President, ABIOVE

FIELD DATA FROM 2021	
COFCO INTERNATIONAL DCF PERFORMANCE SUMMARY	DECEMBER 2022 (%)
Sourced in the Cerrado, out of total soy sourced in Brazil	26
Sourced in focus municipalities, out of total soy sourced in Cerrado	38
Sourced from <b>direct</b> suppliers, out of total sourced in focus municipalities	77
Sourced from <b>indirect</b> suppliers, out of total sourced in priority municipalities	23
% of the above indirect supply that is traceable to the first point of aggregation	100
<b>Total DCF first-party-verified soy</b> (all direct supply is third-party verified)	76



## LDC: DCF PERFORMANCE DISCLOSURE



Our observation is that most Brazilian farmers seek to find a balance between agricultural production and conservation of native vegetation. However, we also observe that they lack practical and efficient solutions to support them on this journey. We look forward to presenting the Farmer First Clusters program to our suppliers in Mato Grosso state, for the opportunity it represents to access training in good agricultural practices, assistance with environmental regularization, support for soybean expansion over degraded pasture and financial compensation for conserving surplus Legal Reserve. All these initiatives support LDC’s sustainability commitments and our day-to-day partnership with producers.

**Gustavo Labres**

Regional Grains & Oilseeds Origination Manager, Mato Grosso, Cuiabá/MT

### FIELD DATA FROM 2021

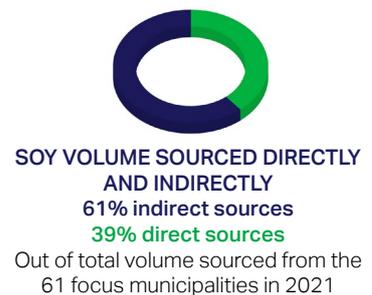
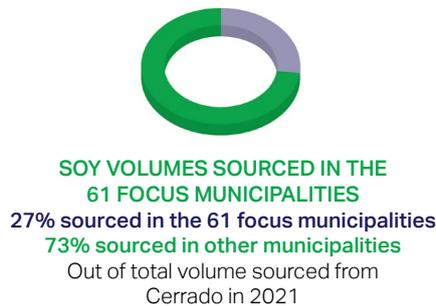
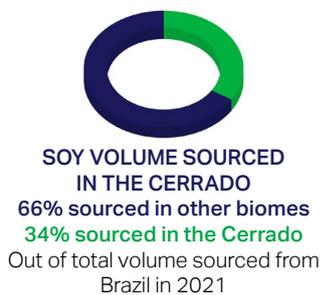
**NOTE:**

The SCF member companies’ overall performance on traceability to farm for direct sources is referenced in the Monitor Land Use section.

LDC’s reporting scope includes the Brazilian joint venture ALZ Grãos (ALZ), in which LDC has a 33% minority shareholding. Based on SCF’s methodology, LDC counts 33% of ALZ’s soy sourced in the 61 focus municipalities (FMs) as part of our indirect sourcing profile. For this portion of LDC’s “indirect sourcing”, we consider “traceable to the first point of aggregation” the volumes directly sourced by ALZ that are actually “traceable to farm” – a step ahead on traceability.

ALZ’s sustainable sourcing commitments are laid out in its Grain Sustainability Policy. With close to 100% of its soy sourced directly from producers, ALZ is working toward full soy supply chain traceability.

LDC DCF PERFORMANCE SUMMARY	DECEMBER 2022 (%)
Sourced in the Cerrado, out of total soy sourced in Brazil	34
Sourced in focus municipalities, out of total soy sourced in Cerrado	27
Sourced from <b>direct</b> suppliers, out of total sourced in focus municipalities	39
Sourced from <b>indirect</b> suppliers, out of total sourced in priority municipalities	61
% of the above indirect supply that is traceable to the first point of aggregation	98
Total DCF first-party-verified soy (all direct supply is third-party verified)	80



## VITERRA: DCF PERFORMANCE DISCLOSURE



Sustainability to us goes beyond economic development and environmental conservation. We also strive to achieve the best production rates, combined with effective environmental preservation. We know that it is challenging, however, it becomes possible and effective when you apply up to date intelligent cultivation techniques, while balancing ecosystems particularities and applicable legislation. In this way, it is possible to optimize food production in a smaller area. I also commend the evolution of Brazilian legislation and the efforts of authorities and public bodies in the application and enforcement of environmental legislation. As well as the private sector, especially the companies that procure the production, which follow strict rules for the reception and commercialization of grains. By using sustainable practices to produce, we receive the benefit of selling our production in both domestic and foreign markets. Additionally, when we produce in consolidated and licensed areas, strictly following Brazilian environmental legislation, we are preserving at the same time as we are contributing to good agricultural practices and integrative environmental conservation. It becomes necessary to rethink environmental conservation, taking into consideration the particularities of each location and the effectiveness of the measures which we need to adopt. Sustainable development goes beyond leaving what we have untouched. It is possible to produce sustainably and to preserve. Producers are allies in the effort to promote conservation of our environment.

### Fabiano Richart

Farmer and producer, Maranhão and Pará states

### FIELD DATA FROM 2021

VITERRA DCF PERFORMANCE SUMMARY	DECEMBER 2022 (%)
Sourced in the Cerrado, out of total soy sourced in Brazil	46.2
Sourced in focus municipalities, out of total soy sourced in Cerrado	43.7
Sourced from <b>direct</b> suppliers, out of total sourced in focus municipalities	92.17
Sourced from <b>indirect</b> suppliers, out of total sourced in priority municipalities	7.83
% of the above indirect supply that is traceable to the first point of aggregation	100
<b>Total DCF first-party-verified soy</b> (all direct supply is third-party verified)	91.6



#### SOY VOLUME SOURCED IN THE CERRADO

Out of total volume sourced from Brazil in 2021

53.8% sourced in other biomes  
46.2% sourced in the Cerrado



#### SOY VOLUMES SOURCED IN THE 61 FOCUS MUNICIPALITIES

Out of total volume sourced from Brazil in 2021

43.7% sourced in the 61 focus municipalities  
56.3% sourced in other municipalities



#### SOY VOLUME SOURCED DIRECTLY AND INDIRECTLY

Out of total volume sourced from the 61 focus municipalities in 2021

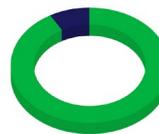
7.83% indirect sources  
92.17% direct sources



#### MAPPING OF INDIRECT SUPPLIERS

To the first point of aggregation in the 61 focus municipalities

100% is traceable to the first point of aggregation



#### VERIFIED DCF SOY

Out of total volume of soy purchased directly and indirectly in the 61 focus municipalities in 2021

8.4% non-verified DCF soy  
91.6% verified DCF soy

## SCF landscape performance disclosure

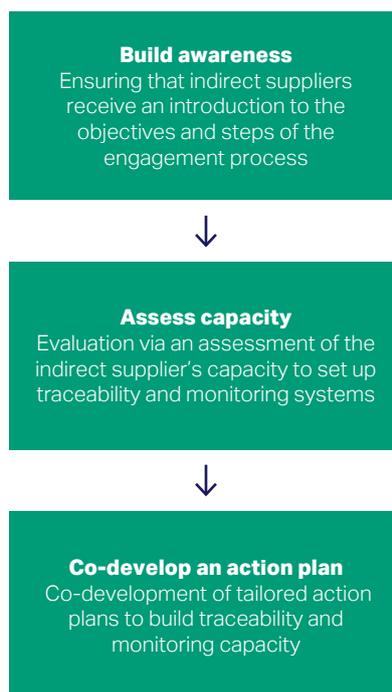
At the landscape level, in the 61 focus municipalities that define our scope, 99.68% of the soy production in crop year 2020/21 is free of native vegetation conversion. We calculated this figure with support from Agrosatélite, applying the methodology described in the Methodologies and References section. The data sources for this calculation include:

- Average municipality yield from the last three crop years (2017/18, 2018/19 and 2019/20) with information from IBGE (Brazilian Institute of Geography and Statistics);
- Conversion data from PRODES Cerrado 2020, adopting a threshold of 25 hectares as minimum converted area; and
- Soy area from Agrosatélite study<sup>1</sup> commissioned by ABIOVE for crop year 2020/21.

## Indirect supplier engagement process

The June 2022 SCF report outlines a three-step process for engaging indirect suppliers, including resellers, cooperatives and third-party warehouses, for collaboration on DCF traceability and monitoring. The three key points of that process, pictured below, include building awareness of DCF objectives, assessing indirect supplier capacity for traceability and monitoring systems, and co-developing action plans to build traceability and monitoring capacity.

## Protocol for indirect supplier engagement



To ensure that the traceability and monitoring standards are met and maintained in the future, we approach indirect supplier engagement as an ongoing process.

By collaborating, our six member companies send a common market signal and reinforce our sectoral position as a standard-setter, working closely with the Brazilian Association of Vegetable Oils (ABIOVE) for data aggregation.

Since June 2022, our members and partners have completed the following steps to engage indirect suppliers:

- Nearly all members trace 100% of soy volumes from indirect suppliers to the first point of aggregation.

- Members compiled a list of 19 priority indirect suppliers for engagement, prioritized by soy volumes sourced in focus municipalities.
- In partnership with ABIOVE, all 19 priority indirect suppliers went through an engagement process; 14 indirect suppliers effectively engaged and are committed to co-developing an action plan for traceability and monitoring capacity development. The five remaining indirect suppliers were unwilling to pursue collaboration when first approached, a challenge that is common to indirect traceability efforts and which we seek to overcome through a second invitation to collaborate, with full participation of member companies.
- With these 14 indirect suppliers, we have established awareness of the objectives for traceability and monitoring of DCF performance.
- All 14 indirect suppliers completed an evaluation of their capacity to set up traceability and monitoring systems in the form of interviews and data collection.
- All 14 indirect suppliers have agreed to collaborate with the SCF and ABIOVE on the co-development of action plans for traceability and monitoring capacity development.

Achieving the stated intention to collaborate from 14 priority indirect suppliers is a key step in reaching indirect supplier traceability and verification of DCF sourcing. The indirect supplier action plans will enable us to progress on third-party verification of indirect supplier DCF performance by setting expectations and preparatory steps for an auditing process.

We will finalize the 14 proposed action plans with contributions from indirect suppliers so that, by June 2023, we can determine whether we can classify these indirect suppliers as Class A, per the indirect supplier protocol disclosed in this report. Those who we choose to be Class A will complete a DCF audit by December 2023.

### Public accountability of traceability and DCF data

In previous SCF reports, we considered soy volumes DCF based on first-party verification. As we continue to build the robustness of traceability disclosures, we have strengthened our data verification approach to cover:

- Third-party verification of direct suppliers;
- A timeline and process for third-party verification of indirect suppliers.

The purpose of our data verification protocol is to verify the DCF soy sourced from the 61 focus municipalities and prove that volumes are indeed traceable to farm.

We will perform the protocol annually, during the calendar year prior to the current year of disclosure (e.g., the key performance indicators (KPIs) to be disclosed in 2022 refer to the 2021 calendar year).

In this December 2022 report and for future reporting, DCF performance for direct suppliers is already third-party verified.

## BOX 1: Protocol for Direct Supplier Data Verification

### Traceability performance for direct suppliers

All six members have verified their direct supplier DCF performance disclosure through a third-party based on the protocol announced in the June 2022 report.

All members have reached at least a 95% threshold in tracing their soy to the farm where it was grown and directly purchased by them.

### Direct supplier verification protocol

In disclosing DCF performance, each member calculated their proportion of DCF soy sourced in the 61 focus municipalities based on the following equation:

**KPI:** Verified DCF soy sourced from the 61 focus municipalities (FMs) (%)

$$\frac{\text{“Total volume of verified DCF soy purchased from farms in 61 FMs”}}{\text{“Total volume of soy purchased from farms in 61 FMs (direct and indirect)”}}$$

Based on this calculation, the auditing company reviews the member’s process for obtaining each input used in its calculation, which may include evidence such as a commercial contract, invoice, farm area (polygon), deforestation and conversion to soy assessment, and registry of indicator calculation. The auditing company conducts this verification through a sampling approach using up to 100 samples.

The protocol also includes a checklist to guide the auditor in the verification process, drawing their attention to the data’s scope, traceability and DCF footprint.

## **BOX 2: Protocol for Indirect Supplier Data Verification**

### **Traceability performance for indirect suppliers**

Obtaining the stated intention to collaborate from the 14 priority indirect suppliers is a key step in reaching indirect supplier traceability and DCF performance.

As described in the indirect supplier engagement process, the verification of indirect supplier DCF performance relies on collaborative engagement and the implementation of key improvements to traceability as outlined in individually co-developed action plans.

Indirect supplier action plans will contain an evaluation of the indirect supplier's supply chain management maturity. Those who are deemed ready for audit are termed Class A indirect suppliers and are subject to the same audit protocol as direct suppliers.

### **Indirect supplier verification protocol**

Building on our work to engage indirect suppliers with support from ABIOVE, we adopt the following protocol for the accounting of indirect suppliers engaged through the indirect supplier engagement process.

Based on their engagement process, indirect suppliers use one of the following traceability approaches:

- If volume purchased indirectly by the SCF member is traceable to farm level: The member shall account for the traceability of these volumes and perform the same audit protocol as that for the directly sourced volumes.
- If the volume purchased indirectly by the SCF Member is not traceable to farm level: The member shall apply the traceability index of each specific indirect supplier to the volumes purchased from them. For example, if SCF member X purchased 6,000 tons from indirect supplier company Y and, after the engagement and audit process, company Y had 50% verified farm-level traceability, company X should account for 3,000 tons as traceable to farm level.

### **What's next**

1. June 2023: Determine Class A status of 14 indirect suppliers based on action plan adherence.
2. June 2023: 20 indirect suppliers have committed to action plan co-development.
3. December 2023: First round Class A indirect supplier DCF performance is third-party verified.
4. Ensure continuous improvement of the DCF methodology through dialogue with external stakeholders.

## ④ Engage stakeholders



## ④ Engage stakeholders

### Why we do it

The Engage Stakeholders workstream is our outreach branch, ensuring transparency, dialogue and collaboration with external stakeholders. The SCF engages external stakeholders for two primary purposes:

#### Leveraging the position of agribusinesses for sectoral transformation:

Our members occupy a unique position in the soy value chain, which allows them to engage stakeholders both upstream and downstream. We connect with producers, production-level associations, technical partners, and downstream feed and retail companies. Beyond the value chain, we operate in a complex system of stakeholders, including civil society, community leaders, investors and governments.

We leverage our unique position in the value chain to identify and pursue common agendas and areas of influence to seek solutions that simultaneously support producer livelihoods and meet growing global consumer demand for more sustainable food and feed products.

#### Responsible partner engagement for locally embedded solutions

As the work of the SCF pursues transformation in the Cerrado biome to more sustainable land use, we engage partners to design and implement solutions collaboratively. Strategy-level partners and co-funders drive landscape interventions for regionally recognized priorities and partnerships while implementing partners serve as the on-the-ground actors facilitating solution execution in SCF focus municipalities. These assets bring locally recognized and trusted voices, outreach and engagement support, investments and funding, and more to SCF work.

### Where we are

#### Advancing the Farmer First Clusters (FFC) initiative through stakeholder engagement

In November of 2022, we announced the launch of our Farmer First Clusters initiative, which incentivizes farmers to move away from deforestation and land conversion practices for improved climate, nature and livelihood outcomes. For a full description of the FFC solutions and implementation process, refer to the Transform landscapes section of this report.

Stakeholder engagement, partnership and investment shape the evolution of FFC solutions, ensuring that they align with sectoral priorities while enabling FFC expansion across our focus municipalities.

#### FFC governance structure and co-funders

We established a Landscape Council to lead the implementation and governance of the FFC. The council is made up of SCF representatives and FFC co-funding and implementing partners. Their participation enables informed decision-making through varied representation from soy value chain actors and embedded FFC landscape intervention implementors. The Landscape Council's responsibilities include three primary tasks: to share information on the technical parameters behind funding decisions, ensure their remit covers all landscapes, and follow the monitoring and evaluation framework with technical partners to accompany processes and measure impact.

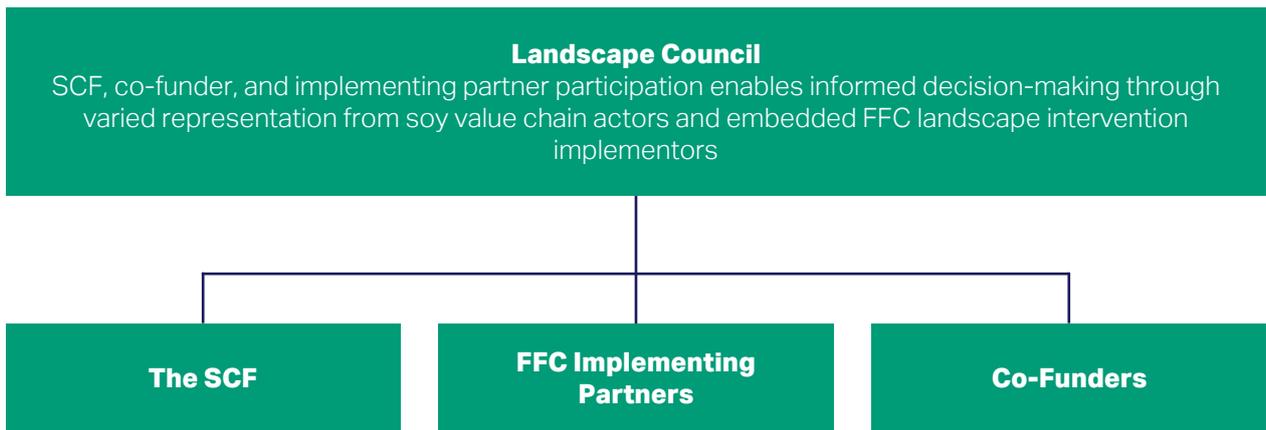
The council is a coalition of willing participants, including SCF members and external partners, co-funders and FFC implementing partners.

The following principles guide the FFC governance approach:

- Governance of the FFC seeks to maximize the social and environmental impact of the SCF's landscape investment.
- Individual members should see a clear correlation between the landscape investment and benefits to their individual supply chains, as well as to their own sustainability strategies.
- The FFC initiative is a collective endeavor. Interventions will always seek to include at least two SCF members, along with additional funding partners. The short-term priority is to stand up the finance model.
- The governance model should be scalable as more funding partners come on board. We will test and adjust the model itself as circumstances change.
- Governance should be consistent with anti-trust regulation.
- Governance should set clear responsibilities among different partners and be agile enough to ensure streamlined delivery.

The following figure provides an overview of the SCF Landscape Council structure and participants:

**Figure 4:** SCF Landscape Council structure



### **Implementing and scaling FFC solutions with stakeholder co-funding**

Lasting protection for the Cerrado ecosystem relies on a shift in financial flows to producers to support improved land management practices. As such, a strategic shift in the financial incentives offered to farmers is necessary to redirect financial flows away from development models that incentivize soy producers to deforest or convert their land.

The FFC draws investment toward improved land management practices, with support from its co-funders.

### **Collaboration with ViSeC to advance alignment with soy sector traceability**

The coalition for the Sectoral Vision for the Gran Chaco (ViSeC in Spanish) is a pre-competitive discussion space coordinated by the Nature Conservancy (TNC), the Tropical Forest Alliance (TFA), Peterson Control Union, and CIARA/CEC.

Since 2019, TNC, Cámara de la Industria Aceitera de la República Argentina and Centro Exportador de Cereales (CIARA/CEC) and Peterson have been instrumental in developing ViSeC's monitoring and verification platform for soy supply chains, with the aim to mitigate environmental impacts and a focus on deforestation and other land-use changes in the Gran Chaco of Argentina.

With TFA joining in 2022, ViSeC is an example of a national platform that brings together all soybean value chain members – farmers, inland grain elevators, exporters, crushing companies, civil society, the banking system, scientific organizations and government agencies – to promote a sustainable Argentine soybean chain.

Using real and up-to-date data, ViSeC is developing a transparent information technology system to efficiently monitor the flow of soybeans at the sub-national level, assuring deforestation- and conversion-free origin and legal compliance, promoting sectoral and industry-wide solutions, and generating periodic reports that serve as a local and international reference point on the Chaco biome.

We support this initiative to ensure that both organizations share knowledge and lessons on common monitoring, reporting and verification challenges for information on land-use change. The SCF integrates ViSeC's governance structure through:

- Participation in the working group's technical discussions
- The establishment of an institutional relationship that ensures the recognition of mutual objectives and the benefits of knowledge sharing.

Main ViSeC activities in 2022:

- 10 traders, 2 associations of collectors and brokers, and 4 producer associations formally joined ViSeC
- Consolidation of the ViSeC Steering Committee with monthly meetings
- Technical Committee and Communications Committee's established bi-monthly general meetings and weekly progress meetings
- Designed architecture of the monitoring, reporting and verification (MRV) system (80% progress)
- Launched website
- Hosted over 20 dissemination meetings with stakeholders (embassies, governments, multilateral organizations, producer associations, among others)

**"The Gran Chaco is a place of marvel where native biodiversity thrives. It needs our attention to implement responsible and viable solutions."**

**Andrés Sylvestre Begnis,**  
Gran Chaco Zero Conversion  
Commodities Lead at the Nature  
Conservancy

## Engaging the soy value chain

Protecting the Cerrado landscape requires thinking beyond production-level interventions. Therefore, we work closely with downstream companies through the Consumer Goods Forum's Forest Positive Coalition of Action (CGF FPCoA) and other stakeholders. Through collaboration with CGF

FPCoA, we grow understanding of the challenges and seek to develop shared deforestation and conversion risk definitions, including factors, deforestation and conversion data sources, and risk thresholds for Cerrado soy sourcing.

We genuinely appreciate the support of our Advisory Group, composed of the Nature Conservancy, the Tropical Forest Alliance and Proforest. These organizations have provided strategic advice on our annual milestones and workplans, ensuring that our work remains focused on the highest sustainability priorities within the sector and our scope and that civil society recognizes our standards and methodologies.



### What's next

1. Engage investors and co-funders to join the FFC funding coalition.
2. Establish channels to ensure co-funding flows from co-funders to farmers.
3. Ensure that our lessons learned contribute to ViSeC's ambition to preserve the Argentinean Gran Chaco.
4. Continue engaging with the broader soy value chain to bring understanding to both parties on risk definitions, monitoring and reporting methodologies.

# ⑤ Transform landscapes



# 5 Transform landscapes

## Why we do it

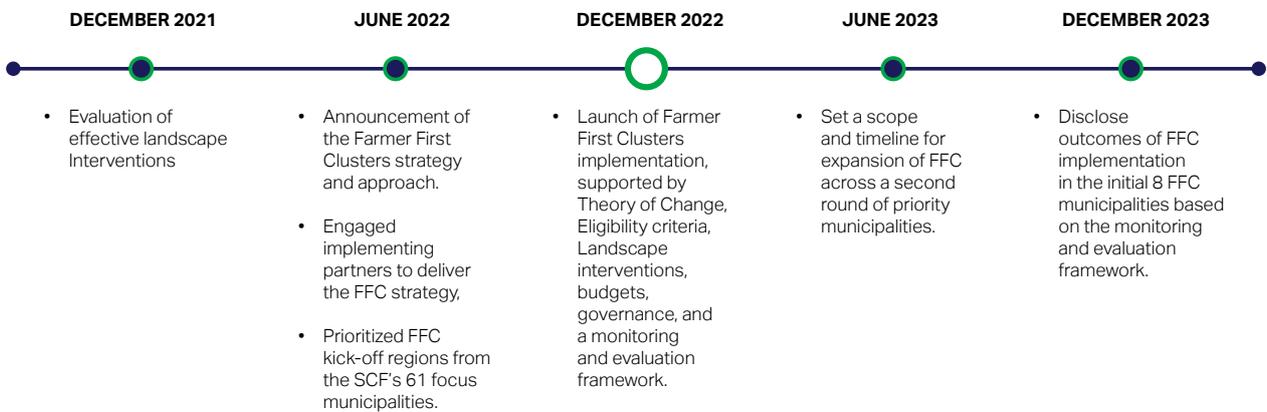
We are at the forefront of mobilizing partnerships that identify, invest in and scale solutions for more sustainable land use in Brazil and beyond. Together, these solutions make up a landscape strategy that places producers and local

communities at the heart of decision-making about their futures and about how to manage, farm and conserve land.

We will work collaboratively with upstream and downstream partners to strengthen

landscape-level solutions that address the drivers of deforestation, provide incentives for restoration, ensure the respect of human rights and reduce greenhouse gas emissions.

Figure 5: Transform Landscapes workstream progress timeline



## Where we are

We have developed the Farmer First Clusters (FFC) initiative landscape strategy, which sets out an approach to transform commodity-producing landscapes in our 61 Cerrado focus municipalities into deforestation-free sourcing areas. In the first phase of its implementation, the FFC will focus on 8 strategically selected municipalities.

The FFC name encapsulates our approach to landscape transformation, placing farmers and local communities at the center of defining and owning solutions to address deforestation. We have built the approach on the foundational belief that as technologies and policies shift, system transformation ultimately relies on local farmer perceptions and capacities to adopt changes to production practices.

Therefore, producers and local governance structures co-develop all solutions and implement them voluntarily. The SCF Farmer Engagement Committee meets fortnightly to ensure that the FFC approach is attractive and well-suited to the challenges farmers face in our priority municipalities.

### The Farmer First Clusters Landscape Intervention Strategy

The FFC strategy aims to transform the Cerrado landscape through the establishment of local governance structures and the ownership of a range of solutions tailored to the needs of a given landscape, through a "clustered" approach.

With the launch of the FFC, we have taken a key step in driving the transformation of deforestation-risky commodity-producing landscapes by approaching soy producers with a set of direct and indirect voluntary financial incentives that will back a finance model aimed at addressing soy-driven deforestation in the Brazilian Cerrado. To get started, we have identified 8 of our 61 focus municipalities to participate in the kick-off phase.

The following budget breakdown per FFC solution area reflects contributions from only the 6 SCF members and will be applied through the first three years of FFC implementation.

**Table 2:** SCF members commit to contribute up to USD\$7.2 million across the 6 FFC solution areas



SOLUTION	SURPLUS LEGAL RESERVE	RESTORATION OF DEGRADED LAND	SUSTAINABLE PRODUCTION + FOREST CODE COMPLIANCE	INTEGRATED FARMING	EXPANSION OVER PASTURELAND	GREEN FINANCE	TOTAL SCF MEMBER CONTRIBUTION
Budget as of December 2022	USD \$3,050,000	USD \$1,400,000	USD \$1,550,000	USD \$800,000	USD \$400,000	FFC Co-funders and partners only	Up to USD \$7.2 million

The FFC Theory of Change: By demonstrating that strategic investments in clusters of solutions can lead to more sustainable land-use practices, we will pave the way for future funding at scale from off-take carbon development projects, leading to deforestation-free sourcing jurisdictions.

The FFC strategy distinguishes itself from other landscape interventions by placing farmers at the center of defining and owning solutions to address deforestation; it is not a one-size-fits-all model and therefore overcomes some of

the shortcomings of previous sectoral approaches that also aimed to preserve the Cerrado through landscape approaches.

The FFC landscape intervention strategy follows the implementation model below:

**Table 3:** Summary of FFC landscape implementation strategy

<b>Mapping &amp; Engagement</b>	Map the target landscape and engage local stakeholders to identify a smart mix of solutions to be leveraged for shifts to more sustainable land use.
<b>Identify &amp; Apply Incentives</b>	Identify best fit strategic solutions for transitions to sustainable land use and apply the finance model in priority municipalities in the Cerrado.
<b>Mobilize Resources &amp; Partnerships</b>	Mobilize resources to support and scale the interventions with support from committed soy value chain partners, financial institutions and investors.
<b>Demonstrate Impact &amp; Scale</b>	Scale investment while measuring progress against metrics that are designed to demonstrate impact and offer a pathway to other organizations wishing to leverage investment to transform land use in commodity production countries.

## The six FFC landscape interventions

As each landscape and community has its own challenges and capabilities, the FFC strategy relies on a bundle of solutions clustered in accordance with the demands of the soy farmers present in the focus municipalities, aiming to advance deforestation-free solutions while delivering farmer interests. The six key solutions with its value proposition, advantages and complementarities are:

1. Compensation for surplus legal reserve;
2. Technical assistance provided to farmers to increase sustainable production, improve yields and ensure Forest Code compliance;

3. Integrated farming of livestock, crops and forests;
4. Incentives to producers to prioritize soy production expansion over existing degraded pastureland;
5. Native vegetation restoration;
6. Access to green finance or favorable finance in exchange for zero-deforestation commitments.

For further descriptions of the six intervention strategies, refer to the Methodologies and References section of this report.

### FFC farmer eligibility criteria and selection process

The FFC is committed to landscape-level prevention of deforestation with a long-term view. For this reason, the eligibility criteria takes an

inclusive approach, aiming to make incentives available to as many interested farmers as possible, rather than focusing on past land-use performance. With this approach, the cut-off deforestation date for eligibility is the moment that the farmer acknowledges the FFC program.

The FFC's inclusive approach promotes program expansion, leading to scaling across additional municipalities and landscapes.

We will manage the selection of participant producers according to the Farm Selection Criteria, which outlines general and solution-specific requirements for producers to participate in the FFC.

For further details on the selection process for farm participation, refer to the Methodology and References section in this report.

**Table 4:** FFC farmer eligibility: principles and solution-specific criteria

PRINCIPLES OF ELIGIBILITY			
<ul style="list-style-type: none"> <li>• Acreage of support is proportional to individual company investment</li> <li>• Farmers are eligible for multiple solutions, subject to additionality of acreage preserved</li> <li>• All farm sizes are permitted</li> </ul>			
<p><b>Smallholders:</b></p> <ul style="list-style-type: none"> <li>• The number of smallholder farms selected in final lists is proportional to the number of smallholders shared in initial company lists</li> <li>• Definition of smallholder will follow official municipality-level definitions</li> <li>• Logic per hectare (#ha), not producer</li> <li>• Farms must respect anti-slavery directives and must not be embargoed or included in any official anti-slavery lists (Lista Suja, Secretaria de Inspeção do Trabalho, Ministério da Economia)</li> </ul>			
SOLUTION SPECIFIC ELIGIBILITY REQUIREMENTS			
Compensation for surplus legal reserve	Sustainable production and Forest Code compliance	Restoration of degraded lands	Integrated farming; expansion over pastureland
<ul style="list-style-type: none"> <li>• Demonstrate excess of legal reserve over all properties (self-declarative and verifiable via rural environmental registry (CAR) balance) if Forest Code compliance is met</li> </ul>	<ul style="list-style-type: none"> <li>• No specific criteria; all producers are eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Legal reserve deficit and/or Degraded Permanent Preservation Area (PPA)</li> </ul>	<ul style="list-style-type: none"> <li>• Plan to recover to soy</li> <li>• Evidence of degraded pastureland</li> </ul>

**Table 5:** The FFC’s producer DCF commitment: general terms and solution-specific commitments

GENERAL TERMS OF THE DCF COMMITMENT			
<ul style="list-style-type: none"> <li>No exclusion of farmers according to DCF performance to privilege impact and inclusiveness</li> <li>Duration of DCF commitment varies according to the solution and according to the level of support provided to farms</li> <li>The DCF commitment includes no deforestation nor conversion (legal and illegal) of the property</li> </ul>			
DCF COMMITMENT PER SOLUTION			
Compensation for surplus legal reserve	Sustainable production and Forest Code compliance	Restoration of degraded lands	Integrated farming; expansion over pastureland
<ul style="list-style-type: none"> <li>3-year DCF commitment for every year of payment</li> <li>Active from the moment of signing the contract (cumulative)</li> </ul>	<ul style="list-style-type: none"> <li>1-year DCF commitment for technical assistance</li> <li>Active from the moment of signing the contract (cumulative)</li> <li>If the farmer enrolls for a second year of technical assistance and a deficit of legal reserve is identified, they must commit to addressing the issue</li> </ul>	<ul style="list-style-type: none"> <li>3-year commitment due to contract duration</li> <li>Possibility for commitment to be renewed</li> </ul>	<p><b>Integrated Farming</b></p> <ul style="list-style-type: none"> <li>To be determined with input from the implementing partner</li> </ul> <p><b>Expansion over Pastureland</b></p> <ul style="list-style-type: none"> <li>3-5 years: to be determined with input from the implementing partner</li> </ul>

**FFC monitoring & evaluation framework**

We developed a monitoring and evaluation framework to ensure that FFC solutions support landscape transitions to achieve the shared priorities. It assesses the outcomes of solution implementation in each landscape based on metrics designed to track progress on three distinct topic areas:

conservation and restoration, farmers and communities, and partnerships. Because not all solutions are implemented in each FFC landscape, each landscape is only evaluated based on the indicators relevant to the solutions applied.

The framework will evaluate outcomes and opportunities for continuous improvement in the implementation of the FFC.

**Getting started: The FFC kick-off phase**

We have identified 8 of our 61 focus municipalities to participate in the kick-off phase of implementation.

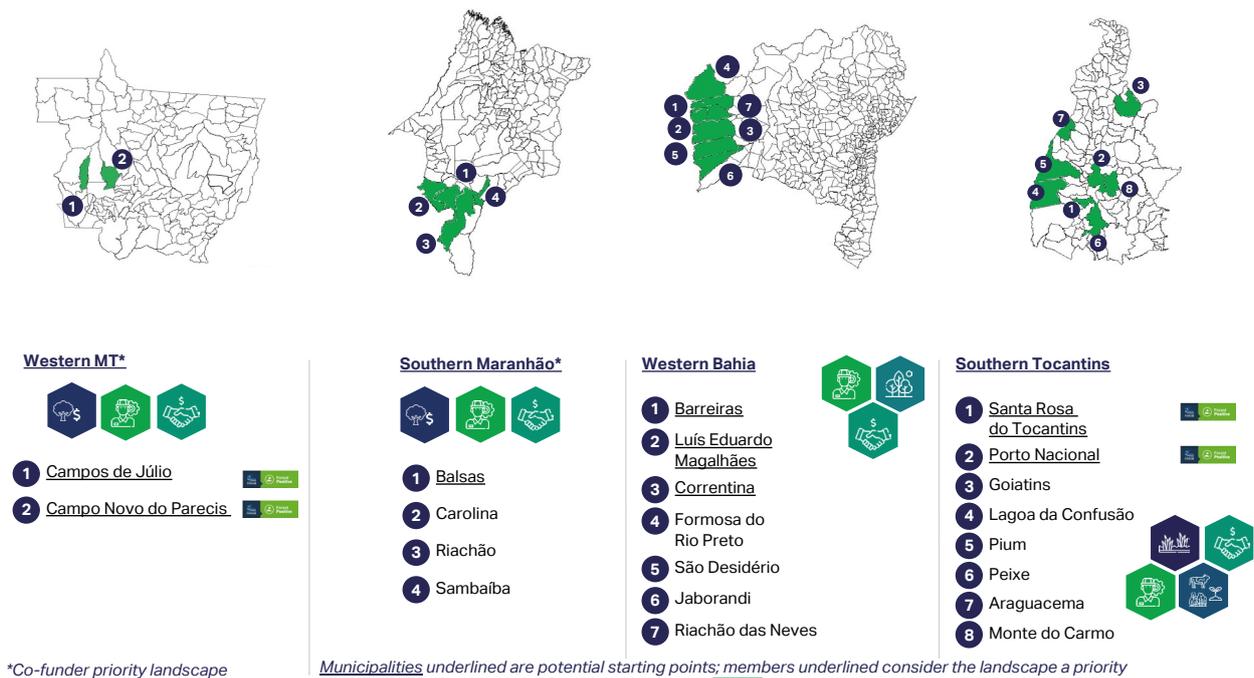
See the names and locations of the 8 kick-off municipalities listed on the next page.

**Table 6:** The FFC monitoring and evaluation framework

The framework will continue to evolve with a set of core metrics.

INDICATOR	UNIT OF MEASURE (BRAZIL/SOY)	MEANS OF VERIFICATION
Producers applying	Number of producers that applied to participate	Project reports from implementation partners
Farms not accepted	Number of farms not accepted in the program / % per applicant	Project reports
Participating producers	Number of beneficiary producers	Project reports from implementation partners
Participating farms	Number of beneficiary farms	Project reports from implementation partners
Legally compliant producers	Number of producers with rural environmental registry (CAR) registration + other issues e.g., Legal Reserve and Permanent Protection Area, per the Brazilian Forest Code	Project reports from implementation partners
Area under the Project	Total area of soy farms in hectares + Total productive soy area	Project reports from implementation partners
Investment	Investment in USD per solution and per hectare	SCF reports on investment levels
Protected native vegetation	Area of protected vegetation in hectares on soy farms covered by the project	Project reports from implementation partners
Surplus Legal Reserve	Area of surplus legal reserve in hectares on soy farms covered by the project	Project reports from implementation partners
Area restored	Total area restored by the project	Project reports from implementing partners
Yield	Average tonnes per hectare of soy produced on participating farms	Producer survey
Carbon	Avoided CO <sub>2</sub> emissions	Verification methodology is in consultation with SCF members and partners
Livelihoods / quality of life	Producer perceptions of changes in quality of life and producer level of satisfaction	Producer survey
Avoided deforestation	Potential avoided deforestation	Verification methodology is in consultation with SCF members and partners

**Figure 6:** 8 Municipalities will participate in the kick-off phase of the FFC



### What's next

1. June 2023: Set a scope and timeline for FFC expansion across a second round of priority municipalities.
2. December 2023: Disclose outcomes of FFC implementation in the initial 8 FFC municipalities based on the monitoring and evaluation framework.
3. Ensure continuous improvement of the FFC strategy.

# ⑥ Methodologies and references



# ⑥ Methodologies and references

## Selection of SCF focus municipalities

We used the following methodological approach to determine the 61 focus municipalities for SCF member reporting and collective action. The original 25 focus municipalities – most of which are still at the top of the list of native vegetation conversion to soy – remain in the scope:

- Out of the 5,570 municipalities in Brazil, focus municipalities must have at least 95% of their territory in the Cerrado.
- The area of planted soy in focus municipalities must be larger than 5,000 hectares (PAM/IBGE 2020).
- Focus municipalities must be within the region's top municipalities as measured by:
  - Area of native vegetation converted to soy ([Agrosatélite 2019/20 Soy Expansion Report](#)<sup>2</sup>, and PRODES 2018/2019); and
  - Availability of remaining native vegetation in legal reserves suitable for soybeans.
- Focus municipalities must have at least two SCF members operating (sourcing or have physical presence) within their boundaries.

We will review and update our scope and focus municipalities every three years, according to the latest data available.

## Monitoring traceable volumes

Members use the following methodological approach to individually produce the volume key performance indicators reported annually:

- **Soy volume sourced in the Cerrado:** The proportion (in tons) of soybean volume sourced by the member company from the Cerrado biome, in municipalities with at least 95% of its territory in the biome, compared with the total volume sourced outside of Brazil by the reporting company. This information is reported as the percentage of soy sourced in Cerrado and the percentage of soy sourced in other biomes.
- **Soy volume sourced in focused municipalities in the Cerrado:** From the total determined in the first step, the percentage of soybean volume produced in the focus municipalities, by considering the origination municipality. This information is reported as the percent of soy sourced in focus municipalities and the percent of soy sourced in other Cerrado municipalities.
- **Direct and indirect sources:** From the total in the second step, the percentage of soybean sourced directly from farmers and the proportion sourced from third parties, by considering the type of activity of the supplier (using the supplier's tax registry number as a source to determine whether they are indirect resale, cooperative, warehouse or trading sources). This information is reported as the percentage of direct sources in focus municipalities and the rate of indirect sources in focus municipalities.

## Reporting methodology for soy sourced by joint ventures

There are six factors to consider when reporting soy sourcing of joint ventures (JV) associated with an SCF member company. They depend on the awareness of JV operated volumes, control of JV operations and purchasing from a JV.

For each of these, there is a yes/no answer. The consolidated scenarios are:

### When a company knows the JV's overall volumes

- If the SCF member controls the JV operations (e.g., it manages soy purchases from the JV), regardless of if it sources from the JV or not: report volume equivalent to its share on the JV as direct.
- If the SCF member does not control the JV but sources from it: report volumes effectively sourced to the SCF member as indirect.
- If the SCF member does not control and does not source from the JV: report volumes equivalent to its share as indirect.

### When a company does not know the JV's overall volumes because it has no control (i.e., it does not manage soy purchases from the JV)

- If it sources from the JV: report as indirect.
- If it does not source from the JV: report volume as indirect based on the financial revenue from the JV through the mathematical rationale described below:

1. As a participant of the JV, the company has revenues from JV expressed in USD \$ 000 (A).
2. Company has its own total revenue for the country expressed in USD \$ 000 (B).
3.  $A/B = X\%$  of JV revenue representativeness over the company revenue. Companies shall consider such X% as a percentage of the company's total origination volume.
4. Companies shall add X% to the % of sourcing from the area and report as indirect.

### Reporting methodology for deforestation- and conversion-free (DCF) soy

Measuring and reporting on DCF soy involves two indicators, each based on different data sources. Soy volumes sourced by joint ventures will integrate DCF calculations according to the established "Reporting methodology for soy sourced by joint ventures" described above.

### Reporting via individual company data sources

- Monitoring farm area (polygon): based on data available from each company supply

- Soy area by polygon: Agrosatélite study<sup>1</sup> for crop year 2020/21 or active farm monitoring by companies individually
- Conversion area: PRODES Cerrado 2020 or similar private monitoring service

For the calculations of DCF percentage and volumes at farm-level, a 25-hectare threshold is applied, below which soy production can still be considered as DCF. This indicator will allow for progress to be shown over time, as increasing monitoring will be implemented throughout the whole sourcing chain. Thus, the indicator shows the extent to which companies have effectively monitored and verified soy volumes as DCF. Such individual results are verifiable.

$$\frac{\text{Total volume of verified DCF soy purchased from farms in 61 FMs}}{\text{DCF Total volume of soy purchased from farms in 61 FMs (direct and indirect)}} = \% \text{ Verified}$$



Reporting via external databases (common indicator of 61 municipalities by the SCF, not a company's individual indicator).

### Data sources

- Average municipality yield of the last three crop years (2018/19, 2019/20, and 2020/2021) with available information from IBGE (Brazilian Institute of Geography and Statistics)
- Conversion data from PRODES Cerrado 2020, adopting a threshold of 25 hectares as minimum converted area
- Soy area from Agrosatélite study<sup>1</sup> commissioned by ABIOVE for the crop year 2021/22
- To calculate the percentage of DCF soy at landscape level in the 61 focus municipalities, use the following indicator:

$$\frac{\text{Total volume of DCF soy of 61 FMs}}{\text{Total volume of soy of 61 FMs}} = \text{\% of DCF soy in the 61 focus municipalities}$$

### Verification protocol of data for traceability and deforestation- and conversion-free performance

The purpose of the protocol is to verify the deforestation- and conversion-free (DCF) soy sourced from the focus municipalities (FM) defined by the SCF, as well as to prove that volumes are indeed traceable to farm. The protocol will be performed annually, on the calendar year prior to the current year of disclosure (e.g., the KPIs to be disclosed in 2022 refer to calendar year of 2021).

The verification will be carried out by assessing a sample of traceable suppliers. The sampling should be based on soy sourcing commercial reports, presenting a list of contracts from the 61 FMs with indication of farm polygon for the ones that are traceable to farm, including direct and indirect purchases.

In terms of the definition ascribed, "verification" considers that the information is validated by persons other than those involved in monitoring the operation or entity being assessed. Furthermore, "first-party verification" considers that the verification is carried out by personnel from the same company who did not participate in the operations under verification; whereas "third-party verification" encompasses an independent entity that does not provide other services to the company being audited.

A set of information should be checked by the party responsible for carrying out the verification process. Those include, but are not limited to:

- Digital copies of purchase contracts
- Digital copies of invoices (minimum one)
- Farm areas (polygons)
- Deforestation and conversion assessments
- Registries of DCF indicator calculation

Farmer First Clusters (FFC) selection process for eligible farmers

The following three-step approach is used to ease collective selection by SCF members of the farms that will participate in FFC solutions:

1. SCF members send a list of farms to the manager of funds. The list needs to contain the following KPIs, which are not criteria for selection:
  - a. Surplus legal reserve or deficit legal reserve
  - b. The willingness of the producer
  - c. Smallholder yes/no
2. The list is reduced according to the farm selection criteria set by SCF members and implementing partners.
3. Implementing partners are responsible for prioritizing farm selection.

## Transforming landscapes through clustered solutions

As each landscape and community has its own challenges and capabilities, the FFC strategy creates a bundle of solutions, referred to as “clusters,” for each local reality. The six key solutions are listed below with their value propositions, advantages and complementarities:

### Compensation for surplus legal reserve

- a. **Overview:** Brazilian soy farmers are required by law to maintain a proportion of their properties as native vegetation coverage, referred to as a legal reserve. If the native vegetation area exceeds that which is required by law, producers can choose to convert the area to agricultural production or to apply for payments for conserving the area of surplus native vegetation. Such incentive programs already exist in the form of Forest Reserve Credits (CRAs, Cotas de Reserva Ambiental in Portuguese).
- b. **Value proposition:** Payments for surplus legal reserve compensate for the producers’ opportunity cost of legally converting native vegetation. It recognizes the value of forests and invites producers themselves to see economic opportunities in non-conversion.

## Technical assistance for sustainable production and Forest Code compliance

- a. **Overview:** Soy farmers are interested in technological and innovative agricultural practices that can lead to more sustainable, productive and cost-effective farms. Additionally, legal compliance with Brazil’s national Forest Code and rural environmental registry (CAR) improves producers’ access to global supply chains. Still, not all farmers manage to fulfill their conservation obligations under the law and to register their compliance with relevant institutions. This solution addresses non-compliance by combining extension services in sustainable production with supports to meet Forest Code standards.
- b. **Value proposition:** Companies seek to source from producers who comply with the Brazilian Forest Code and customer sourcing policies to protect and promote their reputation, generate shared value along the supply chain and attract investors by safeguarding against financial and reputational risks. If properly implemented, the Forest Code can be a major competitive advantage for the Brazilian cattle and agricultural crop industries in both domestic and international markets.

## Native vegetation restoration on degraded land

- a. **Overview:** The term restoration refers to “any intentional activity that initiates or accelerates the recovery of an ecosystem from a degraded state.” It is the focus of the United Nations Decade on Ecosystem Restoration (2021–2030), which seeks to fast-track worldwide restoration of severely degraded landscapes through partnerships with both the public and private sectors. Restoration includes avoiding, reducing and reversing land degradation.
- b. **Value proposition:** Restoring degraded land into forested areas can improve soil and water quality over a much larger area, provide income to local communities under agroforestry systems, and offer an important story-telling opportunity about alternative land-use approaches. Restoration is vital to sustaining the health of existing ecosystems that support the livelihoods of farming communities.

### **Integrated farming of livestock, crops and forests (ICLFS)**

- a. **Overview:** Integrated crop-livestock-forest systems (ICLFS) implement a mixed land-use approach to simultaneously allow for the production of multiple crops, livestock and forests on individual farms. They apply innovative approaches to optimize resource use. Taking an ICLFS approach to farming allows land managers to repurpose waste streams from one component of their farm production as valuable resource inputs in another component, closing the resource use loop at the farm level. The integrated farming approach supports the transformation to localized production systems and can contribute to community-led water conservation efforts.
- b. **Value proposition:** Integrated farming systems aim to optimize land use by reducing input costs, diversifying production, generating jobs and income, as well as increasing productivity within the existing production land area. Additionally, it has significant potential benefits for carbon sequestration.

### **Incentives for soy expansion over pastureland**

- a. **Overview:** The Cerrado hosts millions of hectares of degraded pastureland, of which a significant portion is deemed suitable for agriculture. This solution area incentivizes producers to use this degraded land rather than clearing native lands through a mix of financing and infrastructure provision. These provisions include staff, equipment, seeds and other supplies. Participating farms are also encouraged to adopt sustainable practices, including no-till farming, crop rotations, cover crops and integrated pest management.
- b. **Value proposition:** Degraded pastures are currently considered to be a major opportunity in the sustainable expansion of Brazilian agriculture. Restoration and recovery efforts could turn these areas into a new frontier by expanding agricultural yield while restoring forests. Fostering the use of converted lands, mainly degraded ones, optimizes their potential to boost productivity, support environmental conservation and reduce pressure to clear new lands.

### **Green finance or favorable finance in exchange for zero-deforestation commitments**

- a. **Overview:** Green financing in the soy sector aims to increase the level of financial flows from the public, private and not-for-profit sectors to soy farmers who fulfil requirements set out in the favorable credit terms for sustainable agricultural practices. As an FFC solution, a financial partner would implement green financing by providing favorable credit terms to producers who are willing to commit to zero deforestation and land conversion, among other potential sustainable production terms.
- b. **Value proposition:** According to the Nature Conservancy, studies have shown that relatively small improvements in credit lines can tip the balance in favor of more sustainable practices in soy farming by compensating for the opportunity cost of avoided deforestation. In addition to traditional sources of capital from banks, traders and input companies, concessional capital (usually sourced from public, philanthropic or development finance institutions) can catalyze and leverage investments from the private sector to promote sustainable economic development. Concessional capital offers more favorable financing terms, such as below-market interest rates, longer repayment terms, longer grace periods and customized amortization schedules.



# Endnotes

<sup>1</sup> Agrosatélite, 2022. Technical Report: Cerrado soy dynamics with focus on the 61 priority municipalities updated for crop year 2021/22 vs. PRODES 2014-2021. Available at: [https://wbcspublications.org/scf/wp-content/uploads/2022/11/Soy\\_Dynamic\\_2021-22\\_AGROSATELITE\\_SCF\\_December\\_2022.pdf](https://wbcspublications.org/scf/wp-content/uploads/2022/11/Soy_Dynamic_2021-22_AGROSATELITE_SCF_December_2022.pdf)

<sup>2</sup> ABIOVE and Agrosatélite, 2021. Technical Report: Cerrado soy dynamics with focus on the 61 priority municipalities updated for crop year 2019/20 vs. PRODES 2014-2019. Available at: [https://wbcspublications.org/scf/wp-content/uploads/2021/06/Soy\\_Dynamic\\_2019-20\\_AGROSATELITE\\_SCF\\_V1.pdf](https://wbcspublications.org/scf/wp-content/uploads/2021/06/Soy_Dynamic_2019-20_AGROSATELITE_SCF_V1.pdf)

<sup>3</sup> Rudorff, B.; Risso, J., 2021. Cerrado soy dynamics on the SCF 61 focus municipalities updated for crop year 2020/21 VS. PRODES 2014-2020. Agrosatélite Applied Geotechnology Ltd. Florianópolis-SC, Brazil, 2021 17 p. Available at: [https://wbcspublications.org/scf/wp-content/uploads/2021/12/Soy\\_Dynamic\\_2020-21\\_AGROSATELITE\\_SCF\\_November\\_2021.pdf](https://wbcspublications.org/scf/wp-content/uploads/2021/12/Soy_Dynamic_2020-21_AGROSATELITE_SCF_November_2021.pdf)

## COMPLIANCE

The SCF has processes and procedures in place to ensure that all of its actions are compliant with applicable laws, including antitrust.

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## ABOUT WBCSD

WBCSD is the premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing "how-to" CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

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