



Independent audit of the Soy Moratorium

Purchase control, risk management, technology and transparency: the ongoing quest to improve the Soy Moratorium in the Amazon

Every year, the exporters (traders of the Soy Working Group - GTS) undergo audits to verify if their purchases meet the criteria of the Amazon Soy Moratorium. An assessment committee composed of representatives of companies and civil society has since 2016 analysed the reports of these audits and systematised the items that can be systemically improved throughout the system proposed in the Moratorium.

A total of 21 companies were audited from June to October in 2019 and the audit referred to the purchases of the 2018/19 crop. All 21 reports were sent to the Brazilian Vegetable Oil Industry Association (ABIOVE) or the Brazilian Grain Exporters' Association (ANEC) and another five companies offered justifications as to why they did not acquire soy from the Amazon biome or were not operating in Brazil; therefore, were not required to undergo the external check.

Of the 21 that were audited, **18 met all the criteria of the Soy Moratorium, and three did not because they sourced their soybeans from areas deforested after July 2008**. One such company missed the deadline agreed with GTS for the report delivery.

It is important to point out that only one of the 21 companies handed in a summary of the audit report. This transparency of results is a rule suggested by GTS, and is set forth in the verification protocol in force.

Risk of soybean triangulation

The reports of 10 companies that were audited included **89 purchases with caveats** (an 11% increase compared to 2018), **involving 51 producers that had properties that did not comply with the Soy Moratorium criteria** (27% more than the number of producers involved in 2018). Of all such producers, 18 conducted business transactions with more than one company. There are also high-alert situations for traders, in which the supplier farm sells a total soybean amount that is higher than the average yield of the Amazon, implying a risk of soybean triangulation.

Another aspect, also related to triangulation, refers to **indirect purchases**. Two companies did not record in their formal documents the requirement for their suppliers to meet the criteria of zero deforestation, another mandatory requirement of GTS.

Risk management system and blocking of soybean with deforestation



The management system created to eliminate or minimize the risk of soybeans being sourced from deforested areas since 2008 is the foremost line of action of any company that is a member of the Soy Moratorium.

Fifteen of the 20 companies assessed **have risk management systems** associated with the Soy Moratorium criteria, which confirms the possibility of scaling soybean purchases in accordance with the necessary controls. On the other hand, seven of the 20 companies registered non-compliances in the established Management System, which shows that there is room for improvement in the processes and controls.

Another relevant improvement in the routine of supplier analysis is the use of the **geographic data of the properties**. Twelve companies currently have a geospatial record of their suppliers, which is more than double the number of companies that used some kind of geospatial tool in the previous assessment, representing the biggest progress made in the 2018/19 harvest. The use of this tool shows how some of the companies are technologically more advanced than others, enabling better risk management of soy purchases in compliance with the Moratorium. Some of them have in fact extended the geomonitoring of the farms located in the Cerrado, which underpins the fact that the boundaries for expansion of the agreements are not technological.

Another step forward was observed with regard to the **automation of the soybean purchase block**, whereby 11 companies implemented mechanisms and purchasing blocks for non-compliant suppliers. It is also worth noting that 15 out of 20 companies have procedures that make **the decision to block (or unblock) suppliers independent**, i.e., avoiding the possibility of any conflict of interest for example, a relevant factor especially when there is no automated blocking.

2019, another cycle of auditor training

The GTS Audit Committee conducted in 2019 another round of training for all auditors of companies that verify soybean purchases by traders. The reports have now become more technically consistent and the audits are being conducted more homogeneously and in line with standardized procedures.

Another relevant point of the training is for the auditors to keep a watchful eye on the possibility of continuous improvement for the purchasing control system of the traders. In 2019, **55 opportunities to improve** the purchasing control process were raised and recorded in the audit reports. Of this total, 12 indications are linked to the purchasing block system (automation and criteria for purchase decision) and 17 improvement indications signal the opportunity to improve operational and monitoring procedures.

The progress achieved in these 14 years of implementation of the Soy Moratorium in the Amazon is evident: the use of technology, the improvement of systems and professionals and the commitment of the companies and NGOs involved.

The Moratorium bolsters the image of the sector and has become a benchmark for other sectors that strive for responsible production combined with reduced deforestation and slave-like labour.