
FINANCING THE MEAT CHAIN: REGULATORY INSTRUMENTS AND THE ENVIRONMENT

GuiaDosBancos
Responsáveis

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ABOUT IDEC:

Idec (Brazilian Institute for Consumer Protection) is a Brazilian civil society organization created in 1987 with the aim of defending consumer rights, including the rights of users of public services, the fight for fair and balanced economic relations and the expansion of access to essential goods and services. Idec is a consumer association that operates fully independently of governments, companies and political parties.

ABOUT THE SUSTAINABLE CONSUMPTION PROGRAM:

The Sustainable Consumption Program is based on the premise that the predominant production and consumption systems have been based on the destruction of nature and the intensification of inequalities and social conflicts, compromising planetary health and threatening our own and future generations due to climate change.

Through a systemic vision and approach, connecting sustainable and responsible consumption in an interdisciplinary way and based on its structural issues, the program aims to contribute to the construction of a society where social justice goes hand in hand with the safeguarding of natural resources.

ABOUT THE RESPONSIBLE BANKS GUIDE:

The Responsible Banks Guide (Guia dos Bancos Responsáveis - GBR) is a Fair Finance International project that assesses the policies of the eight main Brazilian banks on different topics, such as consumer protection, climate change, the environment, human rights, among others. GBR is led by a coalition formed by Idec, Instituto Sou da Paz, Conectas Human Rights, Oxfam Brasil and Global Animal Protection.

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INTRODUCTION

In May 2023, the main Brazilian banks announced that they would only offer credit to meat processors that proved they did not buy cattle raised in areas of illegal deforestation in the Legal Amazon and Maranhão, based on a new protocol from the Brazilian Federation of Banks (Febraban), which requires mechanisms to track the origin of the meat purchased. The rule seeks to eliminate the purchase of animals raised in areas of illegal deforestation, although it does not apply to livestock farmers themselves. This initiative, of a voluntary nature, results from a series of pressures from civil society, international markets and governments, that sectors of the meat production chain have suffered in recent years, by the control and regulation of their environmental and climate impacts, in the face of news about irregular practices, such as invasion of public forests and fires.

With a herd of more than 210 million heads of cattle, Brazil has the largest cattle herd in the world and is the product largest exporter. However, agriculture has been considered the main cause of deforestation in the Amazon.¹ A MapBiomas survey shows that pasture areas have tripled in the Amazon in the last 30 years². Today, they occupy 13% of the biome, with almost half of the Brazilian herd (43%) concentrated in the largest tropical forest on the planet.

As a result, beef has been identified as the commodity that causes deforestation the most³. The scenario shows that, due to the way the meat pro-

1 Rivero, S. et al. Pecuária e desmatamento: uma análise das principais causas diretas do desmatamento na Amazônia. Nova Economia [online]. 2009, v. 19, n. 1 [Accessed September 27, 2022], pp. 41-66. Available at: <<https://doi.org/10.1590/S0103-63512009000100003>> Access on 11/23/2023.

2 Mapbiomas. Agricultural area in Brazil has grown by 50% in the last 38 years, 2023. Available at: <https://brasil.mapbiomas.org/2023/10/06/area-de-agropecuaria-no-brasil-cresceu-50-nos-ultimos-38-anos/> Access on 11/24/2023.

3 Trase. Mapping the deforestation risk in Brazilian beef exports. Infobriese 8. 2019. Available at: <https://cdn.sanity.io/files/n2jhvipv/production/9479bc1bd1608ba9112d44254ad7beb905ef4a8d.pdf> Access on 11/23/2023.

duction chain is structured in Brazil, there is a lack of public information to ensure that the product consumed and exported is not associated with deforestation during its production, since the cycle is long and fragmented. In this context, research by Radar Verde (2023) indicated that 95% of the largest retailers in Brazil and 92% of meat processors located in the Legal Amazon have very low control over the livestock chain..

In addition to the Amazon, the Cerrado biome has also been heavily impacted and represents an important link in the dynamics of the chain. The expansion of livestock farming in the Amazon is related to the advance of monoculture, especially soybeans in the Cerrado, moving the livestock industry to forest areas to the north, and increasing land speculation (WWF, 2016).

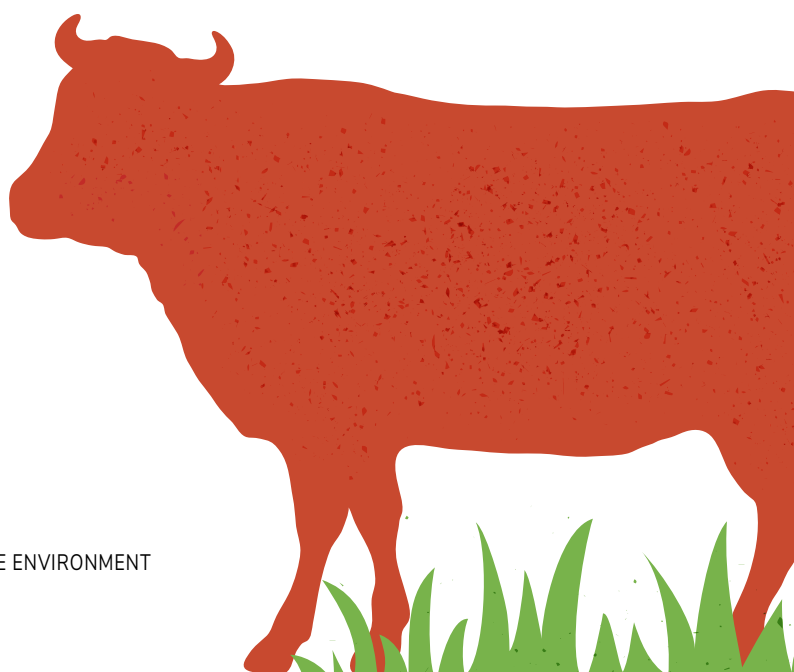
This scenario raises concerns, considering that deforestation and soil degradation account for approximately 45% of Brazil's greenhouse gas (GHG) emissions, making the change in the land use the country's main source of emissions. As Brazil is a signatory to the Framework Convention on Climate Change, eliminating illegal deforestation represents one of the country's main environmental and climate challenges. At the United Nations Climate Change Conference (COP) 26, held in 2021, the country signed the leaders' declaration on forests and land use, committing itself to eliminate deforestation by 2030, a commitment updated in the Belém Declaration⁴, signed after the Summit of the Amazon with the leaders of the Amazon Cooperation Treaty Organization (Organização do Tratado de Cooperação Amazônica - OTCA).

Financial institutions play a fundamental role in this confrontation, since, in this long production chain, they grant credit to different actors in this market, from livestock farmers to meat processors or restaurants. Therefore, this study seeks to map the existing regulatory instruments relating to the credit granting for the meat chain and its interface with the environmental and climate impacts from this production chain.

⁴ Declaração Presidencial por ocasião da Cúpula da Amazônia – IV Reunião de Presidentes dos Estados Partes no Tratado de Cooperação Amazônica, 2023. Available at: https://www.gov.br/mre/pt-br/canais_atendimento/imprensa/notas-a-imprensa/declaracao-presidencial-por-ocasio-da-cupula-da-amazonia-2013-iv-reuniao-de-presidentes-dos-estados-partes-no-tratado-de-cooperacao-amazonica. Access on: 09/29/2023.

It was identified that, in recent years, and especially since 2020, external and civil society pressure has encouraged the adoption of voluntary commitments, such as that from Febraban, and the approval of new regulations within the scope of the Central Bank of Brazil (BCB). These instruments seek to encourage compliance with socio-environmental legislation and the adoption of livestock monitoring and traceability measures, in order to reduce deforestation in the country.

This study has five sections. In the first section, we have a mapping of the actors involved in the different stages of the meat chain. Understanding this complexity is essential to trace beef or beef by-products to the origin where most risks (such as illegal deforestation and land irregularities) occur. Next, we address the regulation for granting financing in the sector, exploring the organization chart of the National Financial System and the regulation for some types of credit and public policies, namely: rural credit, the rural producer certificate, the Plano Safra, and Febraban's self-regulation mechanism for meat processors. The third section identifies the gaps and challenges for controlling irregular practices, focusing on the dynamics of monitoring, traceability and accountability. International experiences are analyzed in the fourth section, seeking good practices for comparison. Finally, recommendations are presented for a meat production chain aligned with socio-environmental legislation.



1

MAPPING OF THE ACTORS INVOLVED IN THE DIFFERENT STAGES OF THE MEAT CHAIN

Given the complexity of the meat chain, its different production cycles, as well as the different links in this chain, a survey was carried out on the main players involved. Different models can be built to exemplify the meat chain. To understand it through the product stages, Tirado et al. (2008), characterizes it in three systems: before the gate, encompassing the processes prior to the production itself; inside the gate, where breeding, rearing and fattening activities take place; and after the gate, where the transformation process for trading takes place. Input industry, producers, processing industries, distributors - which can be wholesalers and retailers - and final consumers, both domestic and international, are among the actors mapped.

In this context, we highlight that there is a complex set of actors involved in the process from breeding to fattening, based on exchanges and trading of animals that will be destined for slaughter, such as intermediaries and middlemen, in close relationship with indirect livestock suppliers - a more complex segment to ensure traceability. Furthermore, although beef and beef by-products share many stages of the supply chain, the traceability of some products, such as offal and leather, may have its own particularities, such as additional actors in the supply chain. Seeking to simplify the analysis, the main links in this chain stand out: producer, meat processor and retailer.

1.1 RURAL PRODUCER OR LIVESTOCK FARMER

A beef cattle production system is understood as the set of technologies and management practices, as well as the type of animal, the purpose of creation, the breed or genetic group and the ecoregion where the activity is carried out (EMBRAPA,2021) . The actors that make up the livestock production chain range from highly capitalized and technologically advanced livestock farmers to small producers who live at subsistence level. Animal transactions occur at all stages of production and comprise intermediaries and social and dependency relationships. Within this chain, there are direct and indirect suppliers. The direct supplier is the one who sells animals ready for slaughter directly to the industry. Indirect suppliers sell the animals to the direct supplier. However, only information from the direct supplier is currently received by the industry when receiving animals through the Animal Transit Guide (Guia de Trânsito Animal - GTA).

.....

The Animal Transit Guide (GTA) is the official document for animal transport in Brazil and contains essential information about traceability (origin, destination, purpose, species, vaccinations, among others). Regulated by Normative Instruction nº 22, of 06/22/2013 from MAPA.

.....

Data from the latest IBGE Agricultural Census (2017) indicate that 29% of the total number of cattle is produced on properties with less than 100 acres, 37% on establishments between 100 and less than 1 thousand acres and 34% on properties above 1 thousand acres. Despite the production dispersion, considering the size of the properties, it is clear that there is a large number of small producers dedicated to cattle farming.

The areas where these animals come from must also be registered in the Rural Environmental Registries (Cadastros Ambientais Rurais - CAR). Therefore, through the provision of accurate and consistent information by livestock farmers and the corresponding requirement by companies, it becomes feasible to carry out a cross-analysis of these two documents. This would allow geographic mapping of supply networks in the meat market in Brazil.

1.2 MEAT PROCESSORS

These are the companies that slaughter animals and process their meat. Small units are known as slaughterhouses, spread across the countryside, while meat processors have greater technical capacity. At a national level, their interests are represented by the Brazilian Association of Meat Processors (Associação Brasileira de Frigoríficos - Abrafrigo)⁵.

To ensure that meat from their suppliers, both direct and indirect, does not originate from farms that contribute to deforestation in the Legal Amazon region, it is their responsibility to develop and implement responsible purchasing policies. A study published by Imazon (2017) showed that 110 companies are responsible for 93% of slaughters in the Legal Amazon. It is worth highlighting that meat processors registered with the State Inspection System (Sistema de Inspeção Estadual - SIE) can only sell in the states in which they operate, whereas those registered with the Federal Inspection System (Sistema de Inspeção Federal - SIF) can sell throughout the country and, and if they meet additional criteria, can export as well.

10

1.3 DISTRIBUTION AND RETAIL SECTOR

These are merchants that sell meat directly to the consumer. The sector is made up of hypermarkets, supermarkets, butchers, steakhouses, restaurants, etc.

⁵ ABRAFRIGO, in addition to directly affiliated industries, also encompasses several State Industry Unions that are part of its membership. Further information available at: <https://www.abrafrigo.com.br/index.php/sobre/>> Access on 11/23/2023.



2

MAPPING LEGISLATION ON GRANTING CREDIT TO THE MEAT CHAIN IN RELATION TO ENVIRONMENTAL AND CLIMATE ISSUES

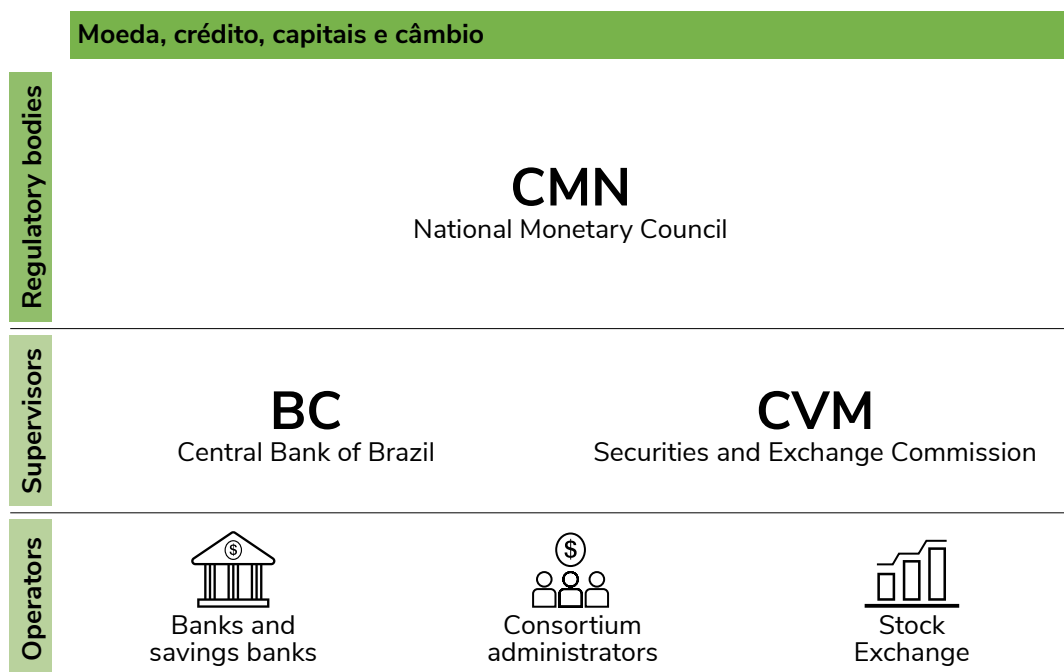
2.1 OVERVIEW

Credit granting for the meat chain involves the different actors involved in each stage of the chain, whether direct or indirect suppliers: livestock farmers, meat processors, retailers and customers of different types of financing. No official information or guide to accessing a systematization of legislation on credit granting for the meat chain has been found when researching public data.

Generally speaking, it is understood that access to credit is regulated by the National Financial System (Sistema Financeiro Nacional - SFN), the set of entities and institutions that promote financial intermediation, that is, the link between creditors and borrowers. More specifically by the National Monetary Council (Conselho Monetário Nacional - CMN), the highest body of the SFN that has the regulatory function and responsibility for formulating currency and credit policy.



Picture 1. Organizational Chart of the National Financial System



Source: Banco Central do Brasil.

The objective is the currency stability and the country's economic and social development. The Technical Commission for Currency and Credit (Comissão Técnica da Moeda e do Crédito - Comoc) operates alongside the CMN, which acts as a technical advisory body in the formulation of Brazil's currency and credit policy. Comoc expresses its opinion in advance on matters within the CMN's jurisdiction.

| | |
|---|---|
| Comoc's members Decree nº 1.304/1994 | President of the Central Bank - coordinator |
| | President of the Securities and Exchange Commission |
| | Executive Secretary of the Ministry of Planning and Budget |
| | Executive Secretary of the Ministry of Finance |
| | Secretary of the National Treasury of the Ministry of Finance |
| | Secretary of Economic Reforms of the Ministry of Finance |
| | Secretary of Economic Policy at the Ministry of Finance |
| Directors of Central Bank of Brazil | |

The CMN establishes the obligation to implement a Socio-Environmental Responsibility Policy (Política de Responsabilidade Socioambiental - PRSAC) by financial institutions and other institutions authorized to operate by the BCB. The resolution nº. 4,945 of 2021⁶ is the result of understanding new risk variables discussed in recent years by the financial sector and its main regulatory body.

§2 For the purposes of establishing the PRSAC, the following items must be considered:

I - the impact of a social, environmental or climatic nature of the institution's activities and processes, as well as the products and services offered by it;

II - the strategic objectives of the institution, as well as business opportunities related to aspects of a social, environmental and climate nature; and

III - competitiveness conditions and the regulatory environment in which the institution operates.

The Resolution establishes the obligation that each institution must appoint a director responsible for complying with the Resolution (art. 5º) and the constitution of a social, environmental and climate responsibility committee, linked to the board of directors, mandatory for large institutions and optional for smaller ones (art. 6º). It also provides for the obligation to ensure that the remuneration structure adopted by the institution does not encourage behavior that is incompatible with PRSAC (art. 7th, VI); and that the following information must be disclosed to the external public, in a single and easily identifiable location on the institution's website (art. 8º):

I - mandatorily, PRSAC;

II - mandatorily, the actions implemented with a view to the PRSAC effectiveness, as well as the criteria for its evaluation;

III - mandatorily, when existing:

a) the list of economic sectors subject to restrictions on business carried out by the institution due to aspects of a social, environmental or climate nature;

⁶ The Resolution revoked previous regulations that already dealt with the topic, CMN Resolution 4,327/14.

b) the list of products and services offered by the institution that contribute positively to aspects of a social, environmental or climate nature;

c) the list of national or international pacts, agreements or commitments of a social, environmental or climate nature in which the institution or, as the case may be, its foreign parent company is a participant, when this participation involves the Brazilian subsidiary; and

d) the mechanisms used to promote the participation of interested parties, if included in the PRSAC establishment and review process; and

IV - optionally, the evaluation of actions regarding their contribution to the PRSAC effectiveness.

Accordingly, the CMN established transparency obligations and the construction of information access channels for financial institutions. In addition to PRSAC, banks adopt socio-environmental criteria for granting credit to rural producers, whether due to regulatory requirements or voluntary initiatives⁷, as well as policies and procedures for risk management individually adopted by financial institutions.

It is worth highlighting the Law No. 9,605/1998, also known as the Environmental Crimes Law (Lei de Crimes Ambientais) which, for accountability purposes, in its art. 3.º, IV, defined the polluter as “the natural or legal person, under public or private law, directly or indirectly responsible for an activity that causes environmental degradation”⁸. The law defined the civil liability regime of an objective nature in the environmental sphere, which established that the existence of any subjective element (negligence or intent) is not necessary for the recognition of the duty to compensate. Furthermore, it also establishes as a sanction the loss or suspension of participation in financing lines in official credit establishments (art. 72, §8, IV).

⁷ SARB Regulation 014/2014, Regulation for the creation and implementation of a socio-environmental responsibility policy. Available at: <https://cmsarquivos.autorregulacao-bancaria.com.br/Arquivos/documentos/PDF/Normativo%20SARB%20014%20-%20alterada%20pela%20Deliberacao%20031%20-%20texto%20vigente%20consolidado.pdf>> Access on 11/23/2023.

⁸ Brasil, Law n.º. 9.605/1998, Available at: https://www.planalto.gov.br/ccivil_03/leis/19605.htm> Access on 11/23/2023.

Likewise, it is noteworthy that the Superior Court of Justice, in Special Appeal no. 650.728/RS, established that for the purpose of determining the chain of causation in environmental damage, those who do, those who don't do when they should do, those who allow to be done, those who don't care if it is done, **those who finance to have done** and those who benefit when others do are equated.

Based on the above, the following subtopics will present the regulation for some types of credit and public policies for the sector, considering the types that appear most in the literature on financing for agriculture: rural credit, the rural producer's certificate, the Plano Safra, in addition to a type of voluntary commitment, exemplified by Febraban's self-regulation mechanism for meat processors.

2.2 RURAL CREDIT AND THE PRODUCER

The most common type of credit for producers is the Rural Credit, institutionalized by Law 4,829, of November 5, 1965. The rules on rural credit are approved by the CMN, with the implementation of the National Rural Credit System (Sistema Nacional de Crédito Rural - SNCR). The Central Bank is part of this body and assists in the decision-making process on rural credit. Rural producers use the resources granted by financial institutions in this line of credit in different ways on their properties, the so-called rural credit purposes.

15

Rural Credit

| | |
|-----------------|--|
| Purposes | Costing credit – intended to cover normal expenses of production cycles, from the purchase of inputs to the harvesting phase; |
| | Investment credit – intended for applications in goods or services whose benefit extends over several periods of production; |
| | Marketing credit – intended to provide rural producers or cooperatives with the necessary resources to sell their products on the market; |

Financial institutions that offer rural credit are authorized by the Central Bank. In relation to the meat chain, the following programs were identified, in a non-exhaustive list:

Programs Identified in the Rural Credit Manual - Livestock

Credits to agricultural production cooperatives

Programs with BNDES resources: Capitalization Program for Agricultural Production Cooperatives (Procap-Agro), Cooperative Development Program for Adding Value to Agricultural Production (Prodecoop), Financing Program for Sustainable Agricultural Production Systems (RenovAgro), Incentive Program for Technological Innovation in Production Agriculture (Inovagro)

Agricultural Activity Guarantee Program (PROAGRO) and Agricultural Activity Guarantee Program for Family Farming (Proagro Mais)

Financing without Linkage to a Specific Program

More significantly from 2020 onwards, a series of new normative instructions began to be adopted in relation to environmental and land safeguards for credit granting.. In June 2023, the CMN approved several adjustments to the rules relating to rural credit operations for funding, investment, industrialization and trading to be contracted as from July 3, 2023. Among these, the adoption of adjustments related to social, environmental and climate impediments for rural credit stands out, a section created in this update and valid for all biomes:

The National Monetary Council (CMN), within the scope of its powers in relation to rural credit, has been guided by encouraging sustainable agricultural production, diversity and regionalization of production, land regularization and compliance with social and economic criteria for granting rural credit. The approved proposals aim to improve the criteria for granting rural credit to borrowers whose businesses are located in properties with regular environmental status, in compliance with the legislation. **Therefore, credit will not be granted for projects located on rural properties:**

i) with Cadastro Ambiental Rural - CAR (Rural Environmental Registry) suspended;

- ii) inserted in UC (Conservation Units), excluding the traditional population and those with an authorized Management Plan from the restriction;
- iii) overlapping with indigenous land and quilombola territory;
- iv) with an embargo from a competent Federal or State environmental agency registered in the Ibama registry;
- v) in non-designated Public Forest, excluding from the restriction properties with property title and properties with up to 4 fiscal modules and request for regularization analyzed and approved by Incra; (CMN, 2023).

These updates were systematized in the publication of the most recent Rural Credit Manual (Manual de Crédito Rural - MCR), on November 1, 2023⁹. The rule also describes, based on BCB Resolution No. 140, that rural credit will not be granted to individuals or legal entities registered in the registry of employers who maintained workers in conditions analogous to slavery established by the Ministry responsible for the aforementioned registry, due to final administrative decision regarding the infraction notice. Accordingly, the update established a verification system for credit granting based on environmental safeguards.

Furthermore, it is also worth highlighting that previous CMN Resolutions, such as 4,883/2020 art 1; Res CMN 5,024/2022 art 2; and Res CMN 5,078/23, in its art 1, had already updated the conditions for granting rural credit in relation to municipalities in the Amazon Biome. According to the MCR, in these cases financial institutions must carry out:

Miscellaneous

11 - [...] verification, by the financial institution, for the rural property where the enterprise subject to rural credit is located, in accordance with MCR 2-9-11: (Res CMN 4.883 art 1º and Res CMN 5.078 art 1º) (*)

⁹ For further information, please refer to: Banco Central, **Manual de Crédito Rural**, 2023. Available at: <https://www3.bcb.gov.br/mcr/completo>> Access on 11/27/2023.

[...]

III - the veracity and validity of the documents referred to in this item, through electronic verification with the issuing body, this verification being waived when it is a document not available electronically; and (Res CMN 4,883 art 1) d) **inclusion, in the credit instruments for new investment operations, of a clause providing that, in the event of an embargo on the economic use of illegally deforested areas on the property, subsequent to the contracting of the operation, the release of installments shall be suspended until the environmental regularization of the property and, if the regularization is not carried out within 12 (twelve) months from the assessment date, the contract shall be considered expired in advance by the financial agent.** (Res CMN 4.883 art 1º).

[...]

Social, Environmental and Climate impediments

[...]

8 - For the purposes of complying with the provisions of MCR 2-1-11-“c”, rural credit will not be granted to enterprises located in the Amazon Biome: (Res BCB 140 art 1º)

a) located in a property where there is a current embargo resulting from the economic use of illegally deforested areas on the property, as disclosed by the Brazilian Institute of the Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis - Ibama);

b) in a financing operation under the National Agrarian Reform Program (Programa Nacional de Reforma Agrária - PNRA), for a rural credit proponent that has a current restriction due to the practice of illegal deforestation, according to records made available by the National Institute of Colonization and Agrarian Reform (Instituto Nacional de Colonização e Reforma Agrária - Incra).

Therefore, the imposition of a more rigorous monitoring system for rural credit granting in the Amazon is identified in item “11, III)”. It is worth mentioning that there are no specific mentions and standards for the Cerrado biome.

Finally, it should be noted that the MCR provides that the contracting financial institution assumes full responsibility for the service provided to borrowers through the contractor and that it is the contracting financial institution's duty to guarantee the integrity, reliability, security, secrecy and compliance with the legislation and regulation of rural credit operations contracted through rural credit agents.

2.3 RURAL PRODUCER CERTIFICATE

The Rural Producer Certificate (Cédula do Produtor Rural - CPR) is a type of advance received by the rural producer based on the projection of its production. This type of credit has some advantages such as exemption from Tax on Future Operations (Imposto sobre Operações Futuras - IOF). Created by Law No. 8,929/1994, the CPR is a security representing a promise of future delivery of agricultural products and can be issued by rural producers or their associations, cooperatives inclusive. Currently, this is the main instrument of the organized over-the-counter market for financing the agribusiness production chain, as it allows issuers to obtain resources for the development of their rural productions or enterprises.

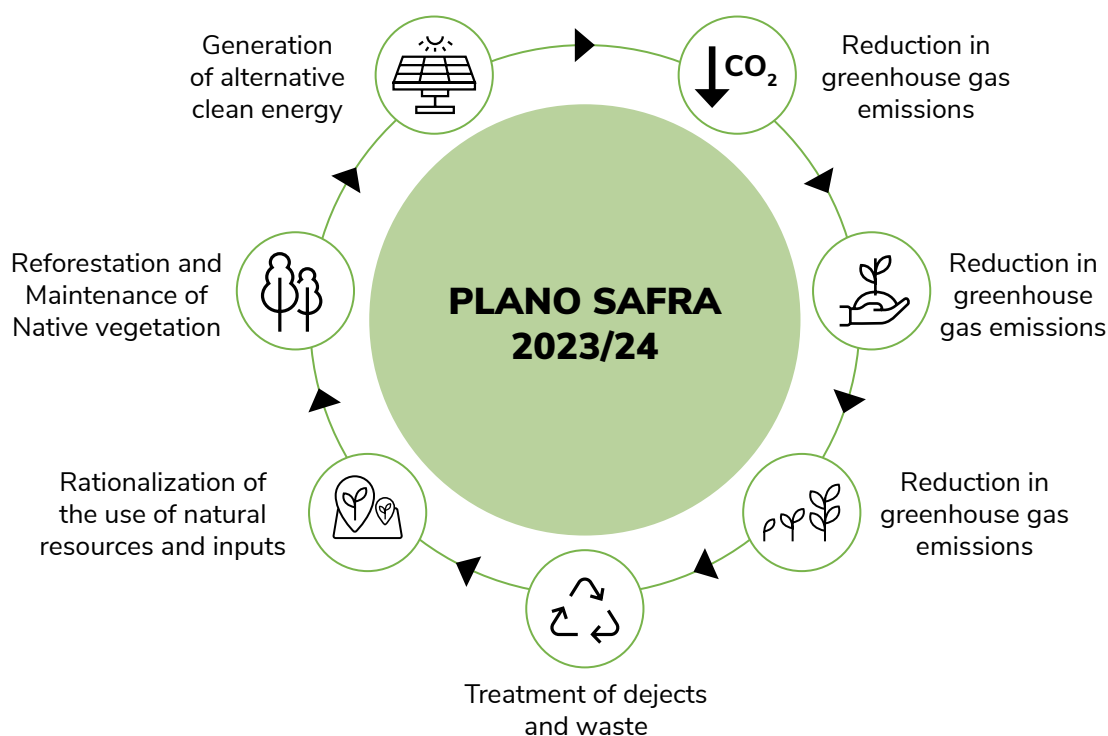
It is a negotiable exchange security that can be issued in two ways: Physical CPR, in which settlement takes place through the delivery of the product by the issuer in the quantity and quality described on the certificate; and the Financial CPR, a modality created by Law No. 10,200/2001 and, unlike the physical CPR, its payment takes place through financial settlement, upon maturity of the value specified on the certificate.

The Central Bank rule that prohibits credit granting to farmers in the Amazon with embargoed areas only applies to the so-called Rural Credit, which does not include the CPR.

2.4 PLANO SAFRA AND THE SUSTAINABLE FINANCE PUBLIC POLICY

Created by the Federal Government in 2003, the Plano Safra aims to provide lines of credit to finance the agricultural activities of small, medium and large rural producers in the country, including cooperatives and family farmers. Valid for one year, it comes into effect on July 1st and runs until June of the following year — the period follows the harvest calendar of the country’s main commodities. In the Plan launched in 2023, sustainable and low-carbon production is a central axis of the main agricultural public policy, focusing on resilience in the face of climate change, the preservation of the environment and goes in partnership with industrial development policies and technology, which compose Brazil’s growth strategy (MDA, 2023).

Picture 2. Safra Plan 2022/2023



Source: Mapa, 2023

The Plano Safra includes Rural Credit, specifically livestock farming and contains two lines of financing: Proagro MAIS (Family Farming Agricultural Activity Guarantee Program) and the Sustainable Agricultural Production Systems Financing Program (RenovAgro), which receives resources

from BNDES. The Ministry of Agriculture and Livestock (Mapa) allocated R\$364.22 billion in financing for the 2023/2024 Plano Safra Empresarial for the activity, a value 27% higher than the previous year. The Ministry of Finance authorized the equalization of interest rates on the program loans of more than R\$130 billion through 21 accredited institutions.

The Plano Safra covers all rural producers and their agricultural cooperatives, from family and medium-sized producers to the largest ones. Regularity in the Rural Environmental Registry (Cadastro Ambiental Rural - CAR) will guarantee a discount of 0.5 percentage points on financing, with environmental criteria as compensation. The plan also provides that the adoption of a tracked cattle herd and sustainability certification guarantees the farmer another discount of 0.5 percentage points on financing, cumulative with that of the CAR. Rural producers can then obtain a loan with a discount of up to 1 percentage point due to sustainable practices.

RenovAgro stands out for foreseeing specific conditions, based on the resolutions CMN 4,889 art 1; CMN 4,912 art 8 and 11; CMN 4,939 art 3; CMN 5,021 art 13 and 14; 5,079 art 5, a) credit objective: I - reduce greenhouse gas emissions from agricultural activities; II - reduce deforestation; III - increase agricultural production on a sustainable basis; IV - adapt rural properties to environmental legislation; V - expand the area of cultivated forests; VI - encourage the recovery of degraded areas. Therefore, this is a public policy that can be translated into an incentive for the adoption of sustainable practices in the chain.

2.5 FEBRABAN'S SELF-REGULATION PROTOCOL FOR MEAT PROCESSORS

As mentioned, the new regulations approved in 2023 by the Febraban's Self-Regulation Council¹⁰ establish that participating banks will request

10 The development of self-regulation regulations relies on its own governance system, which goes through Febraban's technical forums relevant to the matter, in addition to the Self-Regulation Committee and, subsequently, the Self-Regulation Council, the body in which the texts are approved. The Self-Regulation Council is composed of sixteen members, eight of them representing the Signatory Financial Institutions ("Sector Advisors") and eight representing civil society ("Independent Advisors"). In the case of the regulation on risk management of illegal deforestation in

their meat processors customers, in the Legal Amazon and Maranhão, to implement a traceability and monitoring system that allows them to demonstrate, by December 2025, the non-acquisition of livestock associated with illegal deforestation from direct and indirect suppliers. The measure affects properties with more than 100 acres and applies to credit operations with meat processors customers and cattle slaughterhouses.

The traceability system must contain information such as:

- cattle purchase documents;
- if there are Ibama embargoes;
- if the cattle breeding site is within protected areas, such as indigenous lands and conservation units;
- CAR;
- and whether the employer subjected workers to slavery-like conditions.

It is worth highlighting the similarity of the guidelines with those regulating the granting of rural credit to producers in municipalities in the Amazon biome, mentioned previously, although with some differences – here there is no mention of restrictions relating to beneficiaries of agrarian reform, or the inclusion of contractual clauses on future environmental embargoes. The creation of the protocol itself also indicates that the sector felt pressured to present answers and solutions¹¹. However, here, as it is a voluntary regula-

the beef chain, in addition to going through the forums above, there have been talks with organizations involved in the topic to collect their perceptions, such as associations and representatives of the meat sector, NGOs and consultancies, ministries and government bodies, which were considered in the preparation of the text.

11 As an important precedent that would have inspired the construction of the protocol, it is worth highlighting the Amazon Plan, an initiative launched in 2020 by Itaú, Bradesco and Santander to “promote sustainable development” in the region, based on economic incentives that favored the standing Amazon forest, allowing the generation of economic and financial value. Among the so-called “priority objectives”, we cite encouraging zero deforestation in the meat production chain and articulating a commitment to comply with environmental legislation throughout the sector. One of the objectives of the measure was to engage meatpacking companies operating in the Amazon to promote the tracking of their supply chains, so that they are free from illegal deforestation by 2025, as a fundamental requirement for obtaining credit. For further information, please refer to: Itaú, Plano Amazônia: três anos de conquistas, aprendizados e desafios, 2023. Available at: <https://www.itau.com.br/download-file/v2/d/42787847-4cf6-4461->

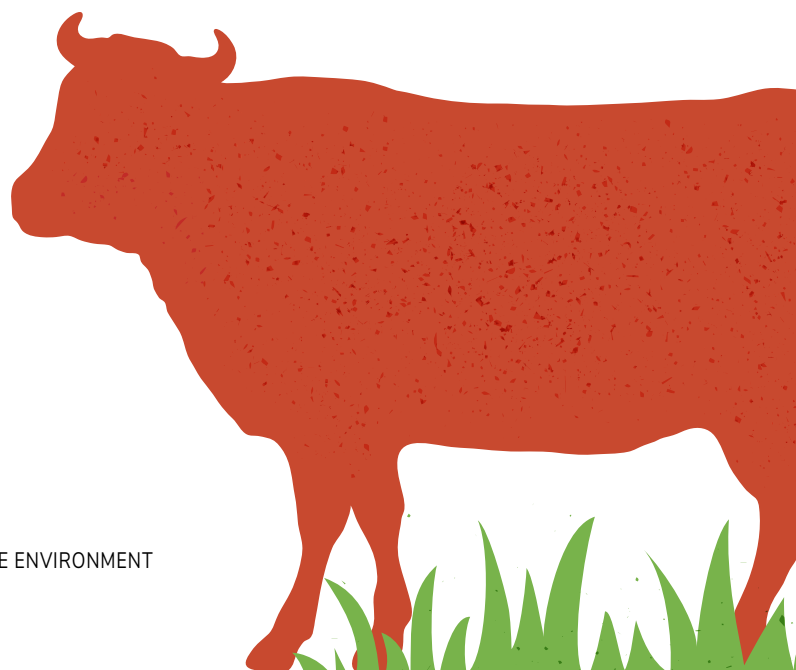
tion, supervision will be carried out by the financial institutions themselves, which will define adaptation plans, incentives and applicable consequences if the regulation is violated. For the meat processors to comply with the regulations, performance indicators were established, which will be published periodically by them.

Banks that adhere to Febraban's self-regulation have committed to being periodically supervised, through compliance reports and evidence submission. In case of non-compliance, the FI responds to administrative procedures, which may include the signing of an action plan/conduct adjustment; payment of a fine; the suspension of participation in the Banking Self-Regulation System, the suspension of the use of the Self-Regulation Seal and the mandate of its Advisor on the Self-Regulation Council; and the exclusion of its participation from the Banking Self-Regulation System.

21 financial institutions adhered to self-regulation, including Banco do Brasil, the largest credit provider to agribusiness, BNDES, Itaú, Bradesco, Santander and Caixa. According to Febraban, the objective is to strengthen the impact of these actions by engaging financial institutions through sectoral self-regulation¹², considering that financing activities associated with deforestation can increase credit, reputational and operational risks.

[94a5-40ed237dca33/4c47a38b-1c9d-120b-82a3-a5e5328a0518?origin=2#:~:text=Diante%20da%20relev%C3%A2ncia%20da%20regi%C3%A3o,o%20desenvolvimento%20sustent%C3%A1vel%20da%20regi%C3%A3o.> Access on 11/21/2023.](https://www.febrabantech.org.br/temas/regulacao/bancos-estabelecem-regra-de-autorregulacao-para-a-cadeia-de-carne-bovina)

¹² Febraban Tech, Banks set up self-regulation rule for the beef chain, 2023. Available at: <https://febrabantech.febraban.org.br/temas/regulacao/bancos-estabelecem-regra-de-autorregulacao-para-a-cadeia-de-carne-bovina>> Access on 11/21/2023.



3

GAPS AND CHALLENGES FOR REGULATION ON FINANCING AND CONTROL OF IRREGULAR PRACTICES

After identifying some of the main regulatory instruments for the access to financing in the meat chain, in this section the focus is on mapping the gaps and challenges for the sector. Among the challenges identified in the literature, one of the most highlighted as major bottlenecks is **tracking and monitoring** the cattle origin, especially in the case of indirect suppliers, since the industry only receives data corresponding to that provided directly (Radar Verde, 2023). There is a series of obstacles for traceability to reach the entire cycle, especially producers in the early stages of the supply chain, but not limited to, according to reports affecting large networks and corporations, such as Casino¹³. These challenges comprise the need to provide updated and accurate databases, and also rely on the ability of small and large livestock farmers to adapt.

Accordingly, several traceability and monitoring strategies have been adopted, however, **in a disintegrated manner and without a single articulation** between the links in the chain. Sparse and non-centralized initiatives are subject to the risk of non-comparability, which can make it difficult to evaluate these initiatives, which occurs due to the lack of coordination, as well as the distancing of public authorities as an entity also responsible for the current situation.

¹³ Center for Climate Crime Analysis. Casino Affair.: The link between the Casino group's meat supply, deforestation and violations of the rights of the people who inhabit the Uru-Eu-Wau-Wau indigenous land in the Brazilian Amazon, 2022. Available at: <https://climatecrimeanalysis.org/wp-content/uploads/2022/08/CCCA-CasinoCase-Portuguese.pdf>> Access on 11/22/2023.

After all, historical weaknesses in the implementation of public policies on environmental safeguards and the performance of command and control in monitoring and investigating environmental crimes also play a role in this context, which has been aggravated in recent years (2019-2022), when there was a weakening process as well as a dismantling of the legislation and the environmental bodies, which suffered unprecedented budget cuts and staff reductions nationwide (Vieira, Falcão, 2023). In 2023, the resumption of the Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAm), indicates that **state action** is recomposing itself, with investments in environmental policy and command and control, which is also essential for coordination efforts to regulate the production chain, especially when it comes to environmental inspection.

The **retailer's role** must also be noted. The retailer's actions focus more on the issue of monitoring the meat chain than on working with the production process, by defining minimum criteria and requirements required for trading with meat processors through a purchasing policy. Considering that meat sold in the Brazilian domestic market accounts of the country's production and generated R\$ 142.9 billion in 2021 alone (EMBRAPA, 2021), retail chains are one of the links in the chain with the greatest economic capacity to put pressure on their suppliers for best practices at the end of the chain, especially in terms of transparency.

Therefore, since 2009, the Federal Public Ministry (Ministério Público Federal - MPF), in this case the Public Prosecutor's Office of the state of Pará, has developed the **"Meat Declaration of Modification of Conduct"** (a.k.a. TAC da Carne), through which companies in the sector undertake not to purchase animals raised on properties that do not comply with environmental and social laws. The signatories of these commitments, mostly meat processors, began to implement control and monitoring systems for the cattle origin, mainly by hiring companies providing geomonitoring services to carry out analyzes that support decision-making related to the acquisition of animals. The results are verified by an independent audit process. After the pioneering action of the Pará MPF with the implementation of a declaration of modifications of conduct (Termo de Ajustamento de Conduta - TAC) for the meat production chain, other states in the Amazon adopted the model, such as Mato Grosso, Acre, Rondônia and Amazonas.

Another similar initiative is the Public Livestock Commitment (Compromisso Público da Pecuária - CPP), a voluntary protocol initiated by Greenpeace for the Amazon biome, which has the participation of the three largest meat processors in Brazil – JBS, Marfrig and Minerva. However, both commitments - TAC and CPP - still present a series of limitations in their effectiveness in combating deforestation in the Amazon (AdT, 2020). By only monitoring the last property the animal passed through (direct supplier), through the GTA, meat processors are still subject to purchasing animals that spent part of their lives on properties with deforestation and other socio-environmental irregularities, associated with practices such as leakage¹⁴, the triangulation of animals¹⁵ and documents, also known as “animal laundering”. Not to mention that the meat sold may also come from public forest areas and traditional communities that have been illegally invaded¹⁶.

Furthermore, TACs only apply to direct purchases of cattle in the Amazon, considering the last fattening farm that supplied the cattle to the slaughterhouse. In other words, they do not cover purchases from farms further up the livestock chain or do they consider other biomes outside the Amazon, except for a portion of the Cerrado in Mato Grosso. As a result, TACs covered only 14% of Brazil’s cattle exports in 2020 (Trase, 2023).

In general, whether or not they are signatories to the commitments, the main issue is that **purchasing companies - and creditor financial institutions - despite having the obligation to monitor their supply chain, in**

14 Leakage refers to the lack of supervision of establishments that do not follow the rules of these agreements and, therefore, continue to consume animals from properties that are not in compliance with regulations and socio-environmental standards. This situation establishes a channel through which animals that should not be acquired “leak” so that irregular owners are compelled to promote the adaptation of their areas and, mainly, so that new forest areas are not deforested (AdT, 2020).

15 Triangulation is a simple process in which farms that do not comply with the meat processors’ purchasing policies (so-called “dirty properties”) sell animals using the GTA of a “clean” rural property and, thus, their animals are accepted by the buyers. (AdT, 2020).

16 It is important to highlight that the impacts associated with livestock farming and deforestation in these areas can result in material and immaterial damages, such as: opportunity costs of land, benefits lost with deforestation, calculated based on the economic return not obtained with alternative land use by traditional peoples and communities (timber and non-timber forest products such as coffee, bananas, cocoa, guarana seed, açai seed, chestnuts); loss of ecosystem services, the welfare offers of the native forest lost with its deforestation, such as carbon capture, bioprospecting, existence value and damage due to erosion with a decline in quality, productive capacity and water flow regime, which implies the economic unviability of the area; and replacement costs, related to the forest recovery (CCCA, 2022).

practice, they do not verify the accuracy of declarations and information from farms throughout the entire supply chain (CCCA, 2022). In conclusion, it appears that even though meat processors are understood by different sectors as a fundamental link in imposing order in the livestock production chain, it is important to create **appropriate responsibilities for each sector**, to avoid outsourcing sanctions. With the diffusion of different purchasing policies and control commitments, the competitive and fair business environment is compromised.

The creation and availability of a unified platform, homogenized processes and criteria, managed independently or by the government, in which the meat processor, producer or any common individual could access property information regarding the socio-environmental situation, could be a solution. This has already been built by initiatives such as “Boi na Linha” ¹⁷, a normative homogenization protocol for the process of monitoring and auditing deforestation in meat processing plants in the Amazon region. The project was created in 2019 on the initiative of Imaflora, in partnership with the Federal Public Ministry (MPF), with the aim of accelerating the implementation of the commitments made by the beef chain in the Amazon and encouraging a chain free of socio-environmental irregularities.

Regarding the **gaps in regulation** highlighted in the previous topic, it is worth remembering that the Central Bank regulation that prohibits credit granting to farmers in the Amazon with embargoed areas only applies to Rural Credit, which does not include the CPR, which is problematic considering the final objective. Even in the absence of specific regulations regarding financing through the capital market/CPR, it is advisable that financial agents adopt minimum environmental due diligence procedures for all risky economic sectors.

Furthermore, with regard to consultation on environmental embargoes, the Central Bank regulation only refers to consultation of Ibama data. What is omitted is the window of opportunity to consult data from the Deforestation Monitoring Project in the Legal Amazon by Satellite (Projeto de Monitoramen-

¹⁷ For further information, please refer to the project official site, at: <https://www.boinalinha.org/quem-somos/>

to do Desmatamento na Amazônia Legal por Satélite - Prodes), from the National Institute for Spatial Researches (Instituto Nacional de Pesquisas Espaciais - INPE), which is always updated, available and free of charge. Through the system, banks can check whether deforestation has occurred, and it is even possible to check the date on which it occurred and, if it is recent, the client can be requested to present authorization to remove vegetation. If the client does not present the document, the deforestation is illegal, that is, it is not necessary to wait for the area to be embargoed to complete this.

Commercial banks must integrate socio-environmental factors into their credit operations and investments, including risk management, **comprising monitoring obligations in a credit agreement clause**. This type of regulation would be an essential tool for monitoring the entire production chain, including indirect suppliers, since the vast majority of actors depend on credit and financing to operate. The compliance and *due diligence* areas of financial institutions must adopt the same socio-environmental criteria.

Another gap identified in the legislation, including in the CMN updates, concerns the protection of the **Cerrado biome**, a tropical savannah that covers around a quarter of the Brazilian territory. It is the second largest biome in South America, a fundamental source of water, containing the headwaters of eight river basins and three large aquifers. Environmental threats to the Cerrado receive less attention than those relating to the Amazon, although its deforestation and conversion rates are higher (IFACC, 2022).

Almost half of the Cerrado native vegetation has been converted in recent decades, as the region has become one of the world's main centers of agricultural production. There was a greater expansion of pastures in the Cerrado: 255,385 ac of deforestation for livestock farming in 2016, and 332,706 ac in 2020 (Trase, 2023). Deforestation and conversion are particularly intense in the four Brazilian states that form the Cerrado agricultural frontier known as Matopiba: Maranhão, Tocantins, Piauí and Bahia.

Regarding regular registration with the **CAR**, a requirement present in the new CVM, Febraban and Plano Safra regulations, the measure has been celebrated for the possibility of helping to promote the environmental regu-

larization of rural areas. However, the press has reported that less than 2% of producers can have access to a discount on interest payments under the Plano Safra. This is due to the slow analysis of records by the Brazilian Forest Service¹⁸, which, as mentioned previously, has also undergone a dismantling process in recent years and requires investments in staffing and infrastructure. Likewise, there are land drawbacks, such as the institutional delay in issuing land ownership certificates. Without documentation, banks will not approve the credit that farmers need to transit to a deforestation-free operation (WWF, 2016).

Still regarding the CAR, monitoring and inspection are fundamental, since registration fraud is an obstacle to traceability. Several investigations into illegal cattle on indigenous land, illegally deforested areas and producers charged with slave labor indicate serious flaws¹⁹. Producers sell animals to meat processors originated – at least on paper – from “clean record” properties neighboring to farms with irregularities and declared separately in the CAR. Another situation identified is the division of farms into different blocks, which goes against CAR regulations, as a strategy to circumvent restrictions on livestock trading.

The availability of **robust economic incentives** is necessary to guide the livestock farmer’s decision-making process on how to produce. For small rural producers, even with investment financing programs for sustainability purposes available, and a greater network of incentives due to institutional evolution and the sustainable business environment, there are still barriers to accessing these instruments, so that the difficulty of paying the opportunity cost is still limiting (Harfuch, 2023). The Payment for **Environmental Services (Pagamento por Serviços Ambientais - PSA) model** can be an alternative to encourage the technological transition towards a more sustainable production. See the definition created by Law No. 14,119/2021, which sets up the National Policy for Payment for Environmental Services:

¹⁸ Globo Rural, Less than 2% of CAR producers can have access to cost discount, Oct 10, 2023. Available at: <https://globorural.globo.com/agricultura/noticia/2023/10/menos-de-01percent-de-produtores-com-car-pode-ter-a-acesso-a-desconto-no-custeio.ghtml>> Access on 11/22/2023.

¹⁹ Harari, Isabel; Alessi, Gil. Carrefour distributes meat from deforested regions in the Amazon across the country, Reporter Brasil, Feb 14, 2023. Available at: <https://reporterbrasil.org.br/2023/02/carrefour-distribui-em-todo-o-pais-carne-de-regioes-desmatadas-na-amazonia/>> Access on 11/22/2023.

.....

Payment for environmental services: transaction of a voluntary nature, through which a payer of environmental services transfers financial resources or another form of remuneration to a provider of these services, under agreed conditions, complying with the relevant legal and regulatory provisions;

.....

Instruments aimed at pricing environmental services and their consequent payment, PSAs emerge as tools capable of rewarding and encouraging those who provide environmental services, improving the profitability of agricultural activities and the protection and sustainable use of natural resources (Harfuch, 2023). PSA allows the remuneration of populations in rural and urban areas, rural producers, especially traditional communities, indigenous peoples and family farmers. To make payment possible, the regulation also creates a national registry of these beneficiaries.

Finally, a gap is identified regarding accountability instruments and mechanisms for the banks that finance the production of commodities linked to deforestation and other socio-environmental irregularities. As mentioned, financial institutions have the legal responsibility to establish their own control system for their clients, including indirect suppliers. Seeking to confront a context of impunity, a project for the **Framework Law on Business and Human Rights** was presented in the Lower House.

PL n° 572/2022 establishes guidelines for promoting public policies on the topic. According to the text, still under analysis, the State and companies have common obligations to comply with and not violate human rights; not practice acts of collaboration, complicity, instigation, induction and economic, financial or service concealment with other entities, institutions or people that violate human rights. The regulation provides that the obligations extend to financial institutions operating within the national territory and/or with transnational activities.

According to the proposal, in the event of violations, companies and state entities must: act to guide the full reparation of violations; guarantee full access to all documents and information that may be useful in defending the

rights of those affected; ensure that the repair process does not generate new violations; act in cooperation in promoting acts of prevention, compensation and repair of damages caused to those affected. It also provides that liability for violation is joint and extends throughout the production chain, comprising economic and financial institutions with activities outside the national territory and national economic and financial entities that participate in investing or benefiting from any stage of the production process, including when there is no formal contractual relationship²⁰.

The adoption of a regulatory instrument of this magnitude is necessary based on the recognition that there are gaps in the Brazilian legal system of standardization and application that compromise public policies for the prevention of human rights violations - including socio-environmental and climate, for the accountability of financial institutions and reparation to those affected.

20 Lower House, PL 572/2022. Available at: https://www.camara.leg.br/proposicoesWeb/prop_mostrarintegra?codteor=2258247> Access on 11/22/2023.



4

INTERNATIONAL EXPERIENCES IN REGULATING FINANCIAL INSTRUMENTS IN PRODUCTION CHAINS



At an international level, the movement for a more robust regulation of financing instruments related to production chains and environmental issues is recent and still requires a result assessment. Although some laws have been created in the last decade, especially due diligence regulations, most international agreements and risk management frameworks for the financial sector with a focus on environmental sustainability are voluntary, or have applicability limited to just certain types of transactions and specific sectors, which leads to limited results.

This scenario changed with the adoption of the European Union's Anti-Deforestation law, adopted in June 2023, which aims to minimize the risk of goods and products associated with deforestation being placed on the EU market or exported²¹. Beef is among the products for which economic operators/importers will have to prove that they were produced on non-deforested land after December 31, 2020.

The regulation provides for a system to classify the risk of deforestation in the countries. In case of Brazil joining the high-risk list, meat producers will have to provide details of the geographic location of their factories, cross-referenced with data and satellite images of deforestation areas. Even

21 Regulation (Eu) 2023/1115 of the European Parliament and of the Council of 31 May 2023. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1115>> Access on 11/23/2023.

though the country already has these technologies available, they are not yet fully integrated. Among the punishments we cite the suspension of imports, seizure or destruction of products and a fine of up to 4% of the operator's annual revenue. It should be noted that the regulation refers to financial institutions, according to our translation:

Article 34

4. The impact assessment should also assess the **role of financial institutions in preventing financial flows** that directly or indirectly contribute to deforestation and forest degradation, and **assess the need to establish specific obligations for financial institutions** in the Country's ruling in this regard, taking into account any existing relevant horizontal and sectoral legislation.

The regulation, which will take effect as from December 30, 2024, has generated controversy due to the way in which it was adopted - without dialogue with exporting countries, and because it does not provide for clauses sensitive to the legislation of each country. In Brazil, for example, the forest code provides conditions for legal deforestation. Faced with potential commercial impacts, Brazil stated that it could appeal to the World Trade Organization (WTO) against the European regulation on deforestation²².

Prior to the European regulation, it is also worth mentioning the experiences of approving national Due Diligence legislation, following the influence of the adoption of the UN Guiding Principles on Business and Human Rights in 2011. In this context, countries and international actors that are major importers of forest commodities, such as Germany, the United States (USA), France, the United Kingdom and the European Union (EU) itself, have advanced a series of legislation in the socio-environmental area to ensure that imported products are free from illicit substances, guaranteeing more sustainable production chains, with the absence of environmental crimes and human rights violations.

²² The Lower House, Faced with trade impacts, Brazil may appeal to the WTO against European regulation on deforestation, 11 Jul. 2023. Available at: <https://www.camara.leg.br/noticias/979331-diante-de-impactos-comerciais-brasil-pode-recorrer-a-omc-contra-lei-europeia-sobre-desmatamento/> Access on 11/ 23/2023.

The UN guiding principles, voluntary adoption standards, follow three pillars: 1) protect, 2) **comply with** and 3) remedy, and due diligence corresponds to the second pillar, whereby companies must refrain from violating Human Rights and deal with the negative consequences in which they have some involvement. Through due diligence analysis and monitoring processes, companies ensure that their activities and relationships do not incur violations.

However, in general, civil society tends to criticize the fact that most legislation **does not incorporate obligations for the financial sector**, responsible for financing a large number of companies that perpetrate environmental crimes. For example, the European Legislation requires traders to verify that items were produced on soil that has not suffered deforestation or forest degradation, and under principles of protecting human rights and indigenous peoples. However, it does not require EU-based banks and investors to stop financing deforestation through their financial services. In other words, the law does not yet incorporate rules to restrict the financing of companies responsible for environmental degradation and human rights violations around the world, even in cases of companies that are repeat offenders (PORTO et al, 2023).

| COUNTRIES OR REGIONAL BLOCKS | LAW/YEAR | REFERENCE TO ENVIRONMENTAL ISSUES AND FINANCIAL INSTRUMENTS |
|------------------------------|---|---|
| European Union | EU Deforestation Regulation, EUDR Effective: June 2023 | The law does not establish specific obligations for the financial sector. |
| Germany | Supply Chain Due Diligence Act (Lieferkettengesetz). Effective: January 2023 | The law does not establish specific obligations for the financial sector. |
| United States | U.S. Lacey Act: Protection of the Environment through Trade Restriction. Effective: 1900; amendment: 2008 ²³ . | The law does not establish specific obligations for the financial sector. |

²³ Although adopted since 1900, it was in 2008 that an amendment transformed the Lacey Act, an environmental conservation law, making illegal the trade (import, export, transportation, sale, receipt, acquisition or purchase) of any plant or product derived from plants (plant products) obtained in violation of U.S. federal and state regulation, or relevant legislation of other countries.

| | | |
|----------------|---|---|
| France | Surveillance Law No. 2017-399 of March 27, 2017 (Devoir de Vigilance) | The law does not establish specific obligations for the financial sector. |
| United Kingdom | 2021 Environment Legislation (UK Environment Act); <i>Modern Slavery Act of 2015</i> | The law does not establish specific obligations for the financial sector. |

Regarding voluntary international standards, initiatives and principles, some documents seek to build new consensus in the sector. The most important ones are the Equator Principles, which require minimum environmental and social due diligence criteria when deciding to finance projects with potential adverse impacts on forests, in addition to the Banking Environmental Initiative (EIB), Declaration of Natural Capital, the Soft Commodities Compact, among others. The UN Global Compact is also relevant, although financial institutions are not its focus.

However, a study by WWF (2016) on the relationship between the financial sector and deforestation in the Amazon identified insufficient participation by the main financial institutions operating in Brazil in international voluntary initiatives relevant to forest and land issues. In fact, the BNDES itself is not a signatory to the Equator Principles. The study also found few references to internationally recognized certification prerequisites for agricultural commodities and proof of the wood legality for financing granting. These factors illustrate the challenge of regulating a sector with only voluntary adherence mechanisms.

RECOMMENDATIONS

Based on the analysis carried out in the previous topics, this section presents recommendations that seek to establish good practices and overcome challenges and gaps for a meat production chain aligned with socio-environmental legislation.

For the National Financial System bodies:

- It is recommended that the Central Bank of Brazil (Banco Central do Brasil - BCB), as the **supervisory body** of the National Financial System (Sistema Financeiro Nacional - SFN): **1) encourage the adoption of periodic monitoring** policies and clauses on credit granting agreements to different actors in the meat production chain sector, **2) considering the Socio-Environmental Responsibility Policy (Política de Responsabilidade Socioambiental - PRSAC), institutionalize information control within the ombudsman's office of complaints** about irregular practices open to civil society, **3) considering the legal responsibility of financial institutions for the resulting environmental and climate impacts, adopting sanctions** in proven cases of violations, such as the authorization cancellation as creditor institutions.
- It is recommended that the National Monetary Council (Conselho Monetário Nacional - CMN) update its policy on social, environmental and climate impediments for rural credit: **1) including references to periodic monitoring clauses not only for the Amazon biome, but also for the Cerrado biome, especially the Matopiba region;** **2) adding reference not only to control over areas embargoed by environmental agencies, but providing for the obligation of financial institutions to cross-check data with the Prodes system**, to verify any recent illegal deforestation in areas where command and control agencies have not yet reached.
- It is recommended that the National Monetary Council (Conselho Monetário Nacional - CMN) update its regulations for the Rural

Producer's Certificate (Cédula do Produtor Rural - CPR), including social, environmental and climate impediments.

For public authorities, especially environmental agencies:

- Regarding traceability and monitoring practices and methodologies, it is recommended that the Public Authorities, especially the Ministry of Environment and Climate, build a public **platform with integrated data**, possibly inspired by the “Boi na Linha” model, to centralize information, transparency and control of the entire supply chain, reaching indirect suppliers. This platform may include integration with data from Prodes, for satellite monitoring of illegal deforestation.
- It is recommended to strengthen and restructure public environmental policy, with investment in public tenders for hiring personnel, purchasing equipment and infrastructure, in addition to the use of monitoring and traceability technologies via satellite, especially considering the speed of concession processes and regularity analysis of documents such as the Rural Environmental Registries (Cadastrros Ambientais Rurais - CAR).
- It is recommended to strengthen **economic incentive policies** to adapt to sustainable practices, expanding access to information on available resources and promoting technical training.
- For livestock farmers, meat processors, retailers and financial institutions:
- It is recommended that they establish standards of good practice and create accurate systems for monitoring and due diligence on declarations and information in their supply chains and clients, with periodic checks.

Overall:

- It is recommended that the **Framework Law on Business and Human Rights** be approved, in order to overcome the gap in a general legislation on public policies for the prevention and reparation of human rights violations linked to the private sector, including mechanisms for holding financial institutions accountable for environmental and climate impacts.

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