btg pactual

Sector Policy: Agribusiness

December 2023

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1. Policy's Purpose

BTG Pactual drafted this Policy with several policies to identify the social, environmental and climate risks of its many operating sectors, complying with the principles and grounds outlined in its Social, Environmental and Climate Responsibilities Policy.

To prepare each Sector Policy, a detailed analysis was carried out of the social and environmental issues involving BTG Pactual's many operating segments during all stages of its production processes, i.e., from opening new areas and obtaining raw materials, throughout the production, distribution and closing of all business activities. To this end, reports, and documents were consulted from the sector's main players, such as IFC guidelines, international references for social and environmental risk analysis and technical knowledge of BTG Pactual's internal team.

The Agribusiness Policy identifies the thirteen most relevant aspects to assess the agribusiness sector's social, environmental, and climate risks. This policy will be reviewed periodically within a period no longer than 3 (three) years.

2. Application Scope

This Policy must be applied by the ESG team, considering the relevance and proportionality principles in all segments of BTG Pactual worldwide that have entered or intend to enter a relationship with legal and/or physical entities in agribusiness.

This Policy covers the following commodities: livestock, soy, corn, cotton, rice, wheat, palm oil, coffee, among other seeds, grains, animals, fruits and/or plants and their derivatives (e.g.: soybean meal and oil).

This Policy does not cover the activities of meatpacking, logistics, wood, and their byproducts, which are object of specific sectoral policies, nor does it cover the sole activity of warehousing and/or wholesale in commodities and their byproducts.

3. Notes on the Sector

According to data from the Confederation of Agriculture and Livestock of Brazil, the sum of goods and services generated in agribusiness in 2020 represented 27% of the Brazilian Gross Domestic Product. Out of this percentage, the largest portion is made up by agriculture (70% of this value), while livestock corresponds to 30%[1].

4. Social and Environmental Aspects

Below, we list the 13 most relevant topics in this sector that BTG Pactual will analyze.

4.1. Supply Chain

[1] Information from: < https://cnabrasil.org.br/cna/panorama-do-agro >.

The agribusiness sector is under great pressure as to engagement in its supply chain, especially as it is directly or indirectly related to sensitive issues concerning human and environmental rights. The areas of concern include activities in a slavery-like condition and deforestation of tropical forests, specifically the Amazon Forest, which in itself already attracts significant Brazilian and international repercussions.

This sector also suffers from mistaken associations of its practices with illegal activities often carried out by land grabbers, who use the cattle raising after the deforestation of private or public areas to keep the area clean and inhabited until eventual regularization and/or sale of the illegal lots.

Therefore, large animal protein producers signed commitments not to obtain cattle from areas embargoed in the Amazon biome or on the Labor Office's Slave Work List. There is the larger challenge of monitoring indirect suppliers for this sector, given the difficulty in tracking properties transferring cattle or other products to their direct suppliers.

During the social and environmental risk analysis of activities in this sector, the ESG team will verify whether the counterparty has procedures for contracting suppliers which take into account not only the candidate company's compliance with the applicable social and environmental legislation but its procedures for monitoring the candidate's social and environmental aspects and its chain of direct and indirect suppliers as well.

More sensitive points to be verified are (i) areas included in the IBAMA's embargoes list or by another competent environmental agency; (ii) individuals or legal entities included in the Labor Office's Slave Labor List.

4.2. Environmental Regularization

The Rural Environmental Registry ("CAR") must be analyzed during the social, environmental, and climate risk analysis. The Rural Environmental Registry is a mandatory registry for all rural properties and contains information on legal reserves, permanent preservation areas, and restricted use areas. If the property does not have the percentage required by law for legal reserve, the owner or squatter of that area may join the Environmental Regularization Program, which will also be indicated in the CAR.[2][3][4]

In cases of analysis of guarantees involving rural properties, the lack of a CAR may impede following up on the operation, given that some registries require these documents for the constitution of the real estate guarantee. In addition, any legal reserve liability may lead to negative impacts if the execution of guarantee is required, such as (i) decrease in the property's value; (ii) sale difficulty due to the successor's obligation to assume the liabilities; and/or (iii) eventual payment of indemnity for environmental damages caused by the successed entity.

[2] For information on the percentage of legal reserve required by the Biome, consult the Forest Code: < http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2012/lei/l12651.htm >.
[3]For properties with a legal reserve established with the property's registration, it is important to verify whether the area of the legal reserve indicated in the registration is the same as that indicated in the CAR. If areas are different, check if the environmental agency has agreed with this change. We know by experience of environmental agencies should fine the owner for suppression of a legal reserve in cases where the change in the legal reserve was not authorized.
[4]Some state rural environmental registries have information on adherence to the PRA (e.g.: Mato Grosso). If this information is not available, ask the client.

Furthermore, the lack of a CAR may present a legal risk for financial institutions, considering that the Forest Code[5] and the Rural Credit Manual require the registration of properties benefiting from rural credit in the CAR[6].

The CAR federal system (http://www.car.gov.br/#/) can provide information on possible intersections in federally protected areas, indigenous lands and/or *quilombola* territories. The federal system also provides information on the CAR status (active/pending/canceled). A canceled CAR means the information presented is irregular.[7] Some BNDES transfer lines, such as rural credit funds, do not accept that the CAR is cancelled for areas benefited by the funds.

The existence of (i) embargoes by federal agencies (IBAMA and ICMBio), as well as by state agencies;(ii) tax violation notices filed by federal, state and municipal environmental agencies; and (iii) environmental licenses and/or authorizations shall be checked, if applicable, considering that some state legislations exempt or do not include agricultural activities in the list of activities subject to licensing.[8] The lack of these documents creates a legal risk and a credit risk as well.

4.3. Legal and illegal conversion (deforestation) of native vegetation

Areas of native vegetation can be converted into areas intended for agricultural cultivation and/or pasture as long as it is authorized by the responsible government agency. Although it is permitted, this process can result in (i) altering the chemical and physical characteristics of the soil; (ii) loss of biological diversity; (iii) erosion and impoverishment of soil nutrients. These and other environmental problems can lead to a disruption of the ecosystem stability and change in the microclimate of the region, which negatively impacts the natural resources of that region and the rural activity carried out there as well.

Therefore, to assess these risks, the ESG team will analyze: (i) studies eventually required by the environmental agency; (ii) statements by the competent environmental agency authorizing the removal of vegetation; (iii) programs required or developed (good practice) to mitigate the impacts caused; (iv) compensation programs required by the environmental agency for land use conversion; and (v) existence of administrative and/or judicial claims filed on irregular deforestation, subject to any requirements of applicable legislation for the biome in which the area is located.

The lack of these documents could lead to legal risks (fines, lawsuits demanding redress/indemnification for environmental damages) and reputational risks, given the increased media attention to deforestation caused by the agribusiness sector.

The removal of vegetation can generate volumes of wood to be stored and transported for commercial use when duly authorized by the environmental agency. If this occurs, in addition to the vegetation

[5]Article 78-A. After December 31, 2017, financial institutions will only grant agricultural credit, in any of its modalities, to rural property owners who are registered in the CAR. Sole Paragraph. The term referred to in this article will be extended in compliance with the new terms referred to in paragraph 3 of Article 29.
[6]See Resolution 08/2019 of the Brazilian Forest Service, which provides for the compliance with article 78-A of the Forest Code. This resolution is available at: < http://www.florestal.gov.br/resolucoes-sfb/4223-resolucao-sfb-n-08-2019-de-1-de-agosto-de-2019/file >.
[7]As an example, the Regulatory Instruction 05/2017 of the State Office for the Environment, Water Resources, Infrastructure, Cities and Metropolitan Affairs of Goiáslists the cases in which CAR will be cancelled. Example: false information. Available at:< http://www.sgc.goias.gov.br/upload/arquivos/2017-05/instrucao-normativa---prioridade-e-cancelamento-de-car.pdf >.
[8]See the document from research sources to access the websites where embargoes filed by federal or state agencies (e.g.: Pará) could be consulted.

mentioned above, removal authorization, application is required for registration with the Federal Technical Registry with IBAMA and the registration of the volume of wood generated through the IBAMA Forest Origin Document.[9]

Finally, as a member of ABIOVE (Brazilian Association of Vegetable Oil Industries) and ANEC (National Association of Grain Exporters), BTG Pactual has committed not to engage in commercial relationships with rural properties cultivating soybeans in areas deforested after July 22, 2008, in the Amazon Biome, even if such deforestation has been authorized by the competent environmental agency. This commitment, known as the Soy Moratorium, was established in 2006 by the private sector, civil society, financial institutions, and the government to combat deforestation associated with soy cultivation.

4.4. Use of Water Resources

According to recent data from the Brazilian Water Agency and the United Nations Fund for Agriculture and Food, 70% of the water supply in Brazil is directed to agriculture and livestock.[10]

During the social and environmental risk analysis, a permit for the use of water issued by the competent body must be verified and compliant with the obligations imposed by the authorities.[11]

Examples of good practices: (i) water consumption measurement; (ii) development of procedures to reduce water consumption (iii) assessment of water availability in the hydrographic basins in the regions where it operates and in regions with water stress; and (iv) water quality monitoring.

4.5. Use of Agrochemicals

The social and environmental diligence must verify procedures and training adopted by the company for handling, storing, and determining the final destination of agrochemicals. For example, the legislation requires measures such as (i) cemented flooring and resistant roofing so that the deposit remains dry, (ii) electrical systems must be in good condition to avoid short circuits and fires; and (iii) flammable products must be kept in a ventilated place protected from sources of combustion.

Good practice is recommended to prepare an agrochemicals management plan including procedures for the selection, acquisition, storage, and final disposal of agrochemicals, with a description of each agrochemical to be used and their respective purposes, also ensuring that all agrochemicals are labeled and are applied according to the supplier's manual. Besides legal risk of not meeting the requirements mentioned above, if the agrochemicals are not stored properly, it may cause a fire (operational risk).

4.6. Use of Genetically Modified Organisms

[9]It is possible that state agencies also have systems for registering generated wood.
[10] Information from:< http://arquivos.ana.gov.br/institucional/sag/CobrancaUso/Noticias/BrasilPost-MaiorConsumidorDeAguaSetorAgricolaSeDefendeEPregaAPrecificacao,EducacaoEInvestimentos.pdf>.
[11]Examples of water uses eligible for granting: implementation of a project requiring the use of water resources, derivation of water from its course or deposit, surface or underground for final consumption, underground water extraction works (deep wells).

In the cultivation of cotton, soy and sugar cane, clones can be used for planting to increase productivity. These clones can be considered genetically modified organisms, and their use may be preceded by the Brazilian Technical Biosafety Commission's authorization, linked to the Ministry of Science and Technology.[12]

The lack of these documents (Biosafety Quality Certificate), if required, may represent a legal risk for financial institutions as they may share the responsibility of any effects from failing to comply with the rules of genetically modified organisms.[13]

In this type of project's social and environmental risk analysis requests evidence of the Biosafety Quality Certificate and regularity regarding the use of clones.

4.7. Agricultural Practices

Poorly managed crop and livestock production can result in a series of adverse impacts, such as soil degradation, erosion, water pollution, greenhouse gas emissions, loss of biodiversity, among others.

During the socio-environmental due diligence, the implementation of good agricultural practices may be verified, such as the adoption of integrated systems (for example: crop-livestock-forest integration, silvopastoril system, agroforestry, etc.), no-till planting, crop rotation, water and waste reuse, application of bio-inputs, adoption of precision agriculture techniques, rotational grazing, among others. The adoption of these practices helps to reduce adverse impacts and contributes to increased productivity as well, resulting in economic and environmental benefits. Considering that agricultural management is directly related to the productivity of the area, the absence of good practices may represent a credit risk, for example, due to crop loss given as collateral.

Additionally, the company's adherence to widely recognized agricultural certifications, such as The Roundtable on Sustainable Palm Oil (RSPO), The Round Table on Responsible Soy (RTRS), Bonsucro, The Better Cotton Initiative, among others, is considered a good practice and a competitive advantage in the market. The ESG team will be responsible for verifying the existence and authenticity of these certifications.

4.8. Animal Welfare

In 2022, the Brazilian livestock reached the milestone of 234.4 million animals. Poultry, cattle, and swine stand out as the three main groups, with populations of approximately 1.6 billion, 234.4 million, and 44.4 million heads, respectively[14]. The World Organization for Animal Health[15] defines animal welfare as the physical and mental state of an animal in relation to conditions in which it lives and dies, being directly related to susceptibility to diseases and injuries, economic losses, and low-quality food. Therefore, animal welfare management is intrinsically linked to public health, food security and economic development.

[12]Federal Law 11105/2005 defines a genetically modified organism as an organism whose genetic material has been modified by any genetic engineering technique. For more information, access: <http://www.planalto.gov.br/ccivil_03/_ato2004-2006/2005/Lei/L11105.htm>.
[13] For more information, see Federal Law 11105 available at: <http://www.planalto.gov.br/ccivil_03/_Ato2004-2006/2005/Lei/L11105.htm#:~:text=1%C2%BA%20Esta%20Lei%20estabelece%20normas,o%20descarte%20de%20organismos%20geneticamente>.
[14] Available at: < https://www.ibge.gov.br/explica/producao-agropecuaria/ >
[15] For more information, access: < https://www.woah.org/en/home/ >

Normative Instruction 56/2008 and Ordinance No. 365/2021, by the Ministry of Agriculture, Livestock and Supply (MAPA), establish procedures and methods to be adopted to ensure good management and animal welfare, in order to avoid unnecessary pain and suffering. Thus, inadequate management of these animals can entail legal risks, as well as reputational risks arising from media coverage of mistreatment or the marketing of unfit food.

The socio-environmental due diligence may assess the following aspects:

- Practices of responsible management at all stages of an animal's life, as applicable (birth, breeding, transportation, slaughter).
- Existence of appropriate facilities to guarantee protection and allow rest.
- Provision of a satisfactory, appropriate, and safe diet.
- Adoption of management and transportation practices so as to reduce stress and prevent injuries.
- Maintenance of a breeding environment under hygienic conditions.
- Implementation of measures for disease prevention and ensuring adequate veterinary care.

4.9. Effluents and Solid Waste Management

During the social and environmental diligence, the preparation and monitoring of the solid waste/liquid effluent management plan must be verified (e.g., vehicle washing wastewater, oils, and fuels for the supply of machines/trucks, used agrochemicals containers, animal waste treatment), as well as any environmental requirements (often described in the licensing conditions) by regional environmental agencies.[16]

Failure to properly dispose of waste can cause soil and/or groundwater contamination, resulting in legal and reputational risks.

As a good practice in the sector, vinasse (a type of generated effluent) can replace some industrial fertilizers.

4.10. Biodiversity

In 2023, the World Economic Forum ranked biodiversity loss as the fourth largest global risk of the next 10 years[17]. Given that approximately 50% of global GDP has a moderate or high dependence on nature[18], the potential impacts extend globally and systemically. In this context, the loss of biodiversity is important for most companies for the impacts on operations, supply chains and markets.

In the socio-environmental risk analysis, impacts on nature and biodiversity may be evaluated, considering the key factors contributing to their deterioration, which include: (i) changes in land and sea use, (ii) exploitation of natural resources, (iii) climate change, (iv) pollution, and (v) invasive species.

[16] For more information, access the National Solid Waste Policy: < http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2010/lei/l12305.htm>.
[17] The Global Risks Report 2023, World Economic Forum. Available: < https://www.weforum.org/publications/global-risks-report-2023/>
[18] Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy, World Economic Forum. Available at: <https://www.weforum.org/publications/nature-risk-rising-why-the-crisis-engulfing-nature-matters-for-business-and-the-economy/>

Given the cross-cutting nature of the topic, several issues related to nature and biodiversity have been addressed in other sections:

- 4.3 Legal and illegal conversion (deforestation) of native vegetation
- 4.4 Use of Water Resources
- 4.5 Use of Agrochemicals
- 4.7 Agricultural Practices
- 4.9 Effluents and Solid Waste Management
- 4.11 Greenhouse Gas Emissions and Climate Change

In addition to the aforementioned, the following are considered good practices:

- Applying the mitigation hierarchy (in order: prevention, minimization, restoration, and compensation)[19].
- Prioritizing agricultural expansion into already converted areas.
- In the case of conversion, assessing and mitigating impacts on sensitive areas such as protected areas[20], key biodiversity areas[21] and habitats of threatened species[22].
- Avoiding the use of invasive exotic species[23] and otherwise, following existing regulatory frameworks for their introduction, monitoring, and controlling their impacts.
- Proper management of agricultural inputs (agrochemicals, fertilizers) and animal waste to prevent contamination or eutrophication of water resources.
- Managing natural resources to avoid overexploitation (for example: excessive consumption of water resources).

Nature conservation plays a crucial role in maintaining ecosystem services, such as pollination, nutrient cycling, water supply and erosion control. These, in turn, are essential to sustain the activities of the agricultural sector. Therefore, inaction in the face of impacts on nature can result in the loss of these ecosystem services, which, in turn, would compromise the financial stability of companies in the sector. In this context, a credit risk arises, as such companies could lose the ability to honor their loans. Furthermore, the lack of initiatives in this area can lead to other risks, such as reputational risks (increased negative exposure in the media about impacts on nature), legal risks (possible fines and legal actions demanding redress or compensation for environmental damage) and regulatory risks (imposition of more rigorous environmental licensing or the creation/expansion of new protected areas).

4.11. Greenhouse Gas Emissions and Climate Change

According to data from the System for Estimating Greenhouse Gas Emission[24] of the Climate Observatory, 49% of greenhouse gas emissions in Brazil in 2018 came from changes in land use,

[19] For more information, access IFC Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources). Available at: < https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-6 >
[20] A Protected Area is a clearly defined geographic space, recognized, and managed by legal or other effective means, aiming to achieve the long-term conservation of nature. Protected areas can be defined nationally (e.g. conservation unit) or internationally (e.g. UNESCO, Ramsar).
[21] Key Biodiversity Areas represent places of global importance for the health of the planet and the preservation of biodiversity. To know more, access: < https://www.keybiodiversityareas.org/about-kbas >
[22] Threatened species are those at risk of extinction. There are national (https://salve.icmbio.gov.br/#/) and international (https://www.iucnredlist.org/) lists.
[23] Invasive Exotic Species are organisms that, introduced outside their natural distribution area, threaten biological diversity and ecosystem services. To find out more, go here: < https://www.gov.br/ibama/pt-br/assuntos/biodiversidade/especies-exoticas-invasoras/sobre-as-especies-exoticas-invasive >
[24] System for Estimating Greenhouse Gas Emission (SEEG). Available at: < https://plataforma.seeg.eco.br/total_emission >.

primarily deforestation in the Amazon and Cerrado[25]. The agricultural sector ranked second, accounting for 25% (601 MT CO_2) of emissions. The emissions in this sector are mainly from cattle herds (methane emission from rumen fermentation), inadequate management of agricultural soils (application of fertilizers) and animal waste, irrigated rice cultivation and burning of residues (e.g., sugarcane straw).

Physical climate risks are of great relevance to this sector, posing the potential to compromise the client's productivity in the short term, such as in the prolonged droughts, and in the long term, with alterations in climate patterns. Climate transition risks, mainly stemming from restrictive policies on land use and agricultural practices, are also greatly relevant to the sector and can affect the company's ability to generate revenue[26]. In this context, it is necessary to check whether the company has integrated sustainability goals (including climate-related issues) in its governance structure during the socio-environmental analysis. It is also necessary to verify whether the company has developed a greenhouse gas emissions inventory and has reduction targets in place.

Considered best practices include the use of renewable energy sources, low-carbon agriculture practices, studies on physical risks associated with climate change (such as water scarcity, storms, floods, and droughts), greenhouse gas inventories following the GHG Protocol methodology, and reporting aligned with TCFD and CDP guidelines.
The absence of initiatives on this topic can represent reputational risk and, depending on the operation, credit risk, considering that climate change can impact the success of agricultural production and, consequently, the financial capacity of the producer (e.g., loss of crop used as collateral for credit).

4.12. Occupational Health and Safety

During the social and environmental analysis, compliance with occupational health and safety standards must be verified, especially those dealing with (i) living areas, (ii) accommodation, (iii) changing rooms, (iv) restrooms, (v) cafeterias (iv) availability of drinking water (v) use of personal protective equipment (vi) ergonomics (vii) compliance with Regulatory Standard 24 and 31 of the Labor Department; (viii) preparation and periodic review of risks and mitigating measure through Environmental Risk Prevention Programs and Occupational Health Medical Control Programs. The hiring modalities, termination of contracts, and working and transportation conditions for migrant workers from other regions of Brazil will also be analyzed.

In a possible inspection by the of Labor Prosecution Office and the Office of Labor, failure to comply with the above requirements, when linked to the existence of excessive working hours and restrictions on movement (debt incurred or threat), may be classified as to slave-like labor, which represents a legal and reputational risk (a matter of concern for financial institutions), in addition to the risk of expropriation of rural/urban properties where slave labor has been identified, as determined by the Brazilian Constitution.

[25]The replacement of a superficial area of natural forest cover for agricultural activity triggers a change in the ecosystem function of the area, reducing its original role as a carbon sink (especially through photosynthetic activity) and replacing it with an activity that emits greenhouse gases. More information available at: < https://unfccc.int/topics/land-use/workstreams/land-use--land-use-change-and-forestry-lulucf >

[26] According to the Task Force on Climate-Related Financial Disclosures (TCFD), physical climate risks can be acute (related to extreme events such as flooding) or chronic (related to long-term changes in weather patterns (such as sea level rise). Also, according to the TCFD, climate risks of transition to a low-carbon economy lead to financial and reputational risks, and can be political/legal, technological, marketing or reputational. More information available at: < https://www.tcfdhub.org/Downloads/pdfs/E06%20-%20Climate%20related%20risks%20and%20opportunities.pdf >

In a publication supported by the Labor Prosecution Office[27], based on data collected from the Pastoral Land Commission, in the Reports of the Special Mobile Inspection Group of the Ministry of Labor and Employment, the activities were found where more workers rescued in slavery-like conditions during the period 2003-2011 were (i) sugarcane (ii) livestock (iii) coffee (iv) cotton and (iv) soybean. According to the Information and Statistics Panel of the Labor Inspection in Brazil[28], more than 61 thousand workers have been rescued from situations of slave-like labor from 1995 up to June 2023. Since 2020, the number of rural workers rescued has grown considerably, rising from 943 in 2020 to 2,587 in 2022. The activities of sugarcane, coffee, and livestock production have had the highest number of rescues, followed by activities such as charcoal production, extraction, soybean cultivation, and timber extraction.

According to BTG Pactual's Social, Environmental and Climate Responsibilities Policy, we do not carry out operations with individuals or legal entities exploiting slavery-like labor, understood as those included in the Register of Employers. They have submitted workers to slavery-like conditions, published by the Ministry of Economy when contracting the operation.

Adequate communication with workers and other stakeholders can inhibit illicit activities and ensure the integrity of companies. Therefore, the company is recommended to maintain open, transparent, and reliable communication channels with both its own workers and third parties, as well as with the community. The communication channels will be evaluated, according to the analyzed risk, based on their methods of disclosure, accessibility, confidentiality, non-retaliation against complainants, and transparency of treatment and response procedures.

4.13. Human Rights

Human rights are classified by international conventions and in some Brazilian laws.[29] In line with the statements in the previous section, human rights include, but are not limited to, the right to housing, land and property, health, education, the right to work, freedom of choice of employment, fair and favorable working conditions, as well as the elimination of all forms of forced labor and the effective abolition of child labor., A good practice is considered to continuously engage with suppliers on issues of work safety and non-use of slave and child labor, in addition to complying with occupational health and safety standards, as well as making payments of salaries and benefits according to labor legislation, guaranteeing the fundamental rights of the worker.

Acquisition or expansion of rural areas may affect indigenous lands, quilombola territories (if boundaries were set or in the process of setting) – whose rights are guaranteed by the Brazilian Constitution – or other traditional communities. During the diligence, any potential interferences and/or proximities in these territories must be verified, and in case of positive findings of direct or indirect interference in areas or territories of traditional communities, the company and its suppliers are liable

[27] Edna Maria Galvão Ricardo Rezende, Adonia Antunes (Author). Discussões Contemporâneas Sobre O Trabalho Escravo: Teoria e Pesquisa. Editora: Mauad; Edição: 1a (13 de abril de 2016).
[28] Labor Prosecution Office. Accessed on: November 2023
[29]Human rights are those mentioned in (i) UN Universal Declaration of Human Rights – United Nations; (ii) Declaration on Fundamental Principles and Rights at Work of the International Labour Organization; (iii) UN International Covenant on Economic, Social and Cultural Rights (iv) UN International Covenant on Civil and Political Rights.
Brazilian Decree 9571 of November 21, 2018, establishes the Brazilian Guidelines on Companies and Human Rights.

for conducting the necessary impact studies on the communities according to state and federal licensing agencies; as necessary due to state omission or high operational risk, Free, Prior, and Informed Consultation (FPIC) must be conducted in accordance with International Labor Organization Convention 169, respecting the communities' right to free choice. The negotiations must be approved by the competent authorities, the Brazilian Indian Foundation (Funai), and the Fundação Cultural Palmares. Lack of engagement with communities, whether traditional or not, can pose reputation risks.

Finally, it is essential for the client to maintain appropriate management of its suppliers, ensuring that raw materials, services, and equipment are not acquired from suppliers carrying out degrading working conditions or slavery-like conditions.

Because of these themes, as a good practice assessment is recommended on the negative impacts on human rights that the project may cause in the surrounding areas and/or its supply chain. Brazilian Decree 9,571/2018 divides impact assessment into the following actions:[30]

- Periodically revalidate regarding human rights to identify, prevent, and mitigate the risk of human rights violations.
- Develop and constantly improve risk control and monitoring procedures.
- Maintain clear and transparent accountability on the operational risks regarding human rights and measures taken to prevent them.

[30]Brazilian Decree 9571 of November 21, 2018, establishes the Brazilian Guidelines on Companies and Human Rights.

Annex: Sector Categorization Matrix - Social, Environmental and Climate Risk Document

Risks	Description	Category
Social Risk	Consolidated assessment	High
	Slave labor	High
	Child labor	Medium
	Occupational health and safety	Low
	Damage to populations or communities	Low
	Other factors	High
Environmental Risk	Consolidated assessment	High
	Energy: use and conservation	Low
	Water: use and conservation	Medium
	Water: pollution	Medium
	Waste: management and disposal	Medium
	Air: pollution	Low
	Biodiversity and natural resources: use and conservation	High
	Hazardous materials: disasters	Irrelevant
	Soil: contamination	Medium
	Other factors	High
Physical Climate Risk	Consolidated assessment	High
	Adverse weather conditions	High
	Long-term changes	Medium
	Other factors	Irrelevant
Climate Transition Risk	Consolidated assessment	Medium
	Public policies/Legislation	Medium
	Technology	Irrelevant
	Markets/Consumers	Low
	Other factors	Low