

Beef Risk Assessment Brazil

Version 1.2 | November 2017



COUNTRY RISK
ASSESSMENTS



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A. Introduction

The world demand for cattle is rapidly growing and is driving deforestation and other negative Corporate Social Responsibility (CSR) related impacts e.g., biodiversity loss, greenhouse gas emissions, corrupt and illegal behaviour, and violation of civil rights including workers' rights, traditional and indigenous peoples' rights.

Each of the CSR categories are considered minimum legal, environmental and social responsible criteria that should met for cattle ranch/plantation establishment and management. The criteria are in line with key CSR International Guidelines Content Areas as identified, analysed and published by the Danish Business Authority: A comparison of 4 international guidelines for CSR OECD Guidelines for Multinational Enterprises, ISO 26000 Guidance on Social Responsibility, UN Global Compact and UN Guiding Principles on Business and Human Rights, January 2015. This risk assessment used the methodology detailed in the Corporate Social Responsibility (CSR) Cattle Risk Assessment Framework Guidelines (November 2015).



Figure 1. Countries for which NEPCon have developed a risk assessment for beef

B. Overview of sourcing risks for beef from Brazil

Beef Risk Score: 23 / 100 in 2017

This report contains an evaluation of the CSR risks in Brazil for seven categories and 24 sub-categories of law. We found:

- Specified risk in 21 sub-categories.
- Low risk for 3 sub-categories.

Beef source types and risks

There are four beef source types found in Brazil. Knowing the “source type” that beef originates from is useful because different source types can be subject to different applicable legislation and have attributes that affect the risks.

Complete cycle ranches	These farms are only pastoral. Generally, they are large in size and medium intensity. Commercially focused, there is a better possibility to identify animals individually and provide a traceability system.
Feedlots	Large in size and high intensity. The large number of animals, and significant flows makes regulation more difficult. Many animals are sourced from other farm types.
Fattening ranches	Both pastoral and feedlot farming. Typically, they are large in size and low intensity. A significant proportion of beef from Brazil comes from this source.
Calving ranches	Both pastoral and feedlot farming. Usually small size and low intensity. Farms are both subsistence & commercial.

We have analysed the risks for all source types and found the risks are consistent across all source types, except one sub-category – *animal wellbeing* which is low risk for complete cycle farms, but specified risk for all other source types.

The key CSR risks identified in this report concern business issues, social issues, environmental issues and animal welfare.

Regarding **business issues**, there is a risk of:

- Illegal/undocumented land tenure (sub-category 1.1.). Many properties are under illegal possession, either because the land/property has not being properly registered as required by the law or is based on forged documents. The Rural Environmental Registry (CAR) registration which can be used as one proxy for legal land tenure is aiming to register all farms by 2017.
- Evasion of the payment of value added taxes (1.4). Reportedly, tax evasion is commonly practiced via: the sale of products without the emission of a fiscal bill of sale; the issuance of the fiscal bill of sale with a volume below the actual volume delivered;

and/or the issuance of a fiscal bill of sale with the value of the product below the actual value.

Regarding **social issues**, there is a risk that:

- Producers are engaging illegal labour practices (2.1). Reportedly, the labour laws are not well respected in the agriculture sector and the rural worker in Brazil in general is unaware of his/her labour law rights.
- Labour employment is in non-compliance of the ILO fundamental conventions particularly relates to discrimination, women rights and minimum age issues (2.3).
- Workers are exposed to health and safety risks beyond legal limits (2.2). Reportedly, a large part of the cattle farm work force is not professionally trained or given H&S guidance.
- Land tenure rights are not respected where beef producers are claiming land tenure over areas that are claimed to be traditionally owned by the indigenous and/or traditional peoples (2.4., 3.3.5 and 3.3.6). The risk that cattle farms are operating in areas where there are outstanding land claims is significant, as there are several explicit cases of disrespecting the legal rights of indigenous and traditional people in Brazil.

Regarding **environmental issues**, there is a risk that:

- the Brazilian Forest Code (Act 12.651/12), the main environmental protection requirement, is not complied with (3.1). There is also a risk that the code and several complementary significant state laws under the Environmental Adjustments Program (PRA) have not been subsequently established and/or implemented leading by the relevant authorities, leading to inadequate and/or variable permitting regulations.
- Natural forests are converted (cleared) to make way for beef farms (4.1). After July 2008, the Forest Code allows for the legal conversion of natural forests/vegetation for farming practices up to a maximum of 20% of the farm boundaries in the Brazilian Amazon. Data yields evidence that cattle farming is driving conversion, both legal and illegal (non-compliance with the Forest Code), natural forest or ecosystems post November 2008 has/is occurring on a widespread and/or systematic basis. This can have a significant negative impact on protected sites and species and HCVs (3.2) and HCVs (3.3.1 – 3.3.4). In addition, the overall the level of official protection of HCV values in the cattle farm regions is insufficient.

Regarding animal welfare (6.1 and 6.2), there is a risk of poor animal welfare conditions for Feedlot, Fattening ranches and Calving Ranches due to a lack of common vertical integration, low technological and professional production standards and a lack of uniform mechanism to measure and monitor animal welfare conditions.

Regarding **traceability** (7.1), there is a lack of traceability systems that monitor the complete life cycle of the animals in the cattle sector. This fosters a pathway for illegal Brazilian cattle production through two main loopholes: leakage (occurs when a licensed farm offers to sell cattle from an unlicensed ranch, causing processors to believe the cattle is licensed) and laundering (when an illegal cattle farm sells their animals with a forged Animals Transit Guide (GTA) document with a legal farm's details; farmers are complicit in this crime).

This matrix summarises the findings of the CSR risk assessment set out in this report.

Legal Category	Sub-category	Risk conclusion				
		Complete cycle farm	Feedlot	Fattening ranches	Calving Ranches	
Business Issues	1.1. Land tenure	Specified	Specified	Specified	Specified	
	1.2. Farm registration & management rights	Specified	Specified	Specified	Specified	
	1.3. Payment of royalties & required fees	Low	Low	Low	Low	
	1.4. Value Added taxes & other sales taxes	Specified	Specified	Specified	Specified	
	1.5. Income and profit taxes	Low	Low	Low	Low	
	1.6. Disclosure of Information	Low	Low	Low	Low	
Social issues	2.1. Legal employment	Specified	Specified	Specified	Specified	
	2.2. ILO Fundamental Conventions are upheld.	Specified	Specified	Specified	Specified	
	2.3. Health and safety	Specified	Specified	Specified	Specified	
	2.4. IP and TP rights are upheld.	Specified	Specified	Specified	Specified	
Environmental issues	3.1. Environment	Specified	Specified	Specified	Specified	
	3.2. Protected sites and species	Specified	Specified	Specified	Specified	
	3.3. HCV	3.3.1. Species diversity.	Specified	Specified	Specified	Specified
		3.3.2. Landscape-level ecosystems & mosaics.	Specified	Specified	Specified	Specified
		3.3.3. Ecosystems and habitats	Specified	Specified	Specified	Specified
		3.3.4. Critical ecosystem services.	Specified	Specified	Specified	Specified
		3.3.5. Community needs	Specified	Specified	Specified	Specified
3.3.6. Cultural values.	Specified	Specified	Specified	Specified		
Conversion	4.1. New farms since November 2008 have not replaced natural forest or ecosystems.	Specified	Specified	Specified	Specified	
GMOs	5.1. No GMO feed/animals	Low	Low	Low	Low	
Animal Welfare	6.1. Animal Health	Specified	Specified	Specified	Specified	
	6.2. Animal Well-being	Low	Specified	Specified	Specified	
Traceability	7.1. Tracking System	Specified	Specified	Specified	Specified	

C. Overview of the cattle sector in Brazil

The Brazilian cattle industry is historically considered the biggest driver of deforestation in the Brazilian Amazon (1). Livestock rearing has often been used as a widespread land grabbing mechanism in the agriculture frontiers zones in Brazil (2). These zones are distributed between two regions - MATOPIBA located in the Cerrado biome and the region called the 'arc of deforestation' in the Amazon biome covering a great portion of land in the southern Brazilian Amazon (3). Fuelled by domestic and international demand for beef and leather, cattle ranching has rapidly spread north-westwards across Brazil into the Amazon biome, which now supports nearly 60 million cattle, about one-third of the entire Brazilian herd. Given the greatest deforestation and CSR risks linked to cattle ranching are found in the Amazon this risk assessment focused on this region for the risk assessment.

The Brazilian beef sector has 210 million animals distributed over 170 million hectares (ha). Livestock ranching covers 70% of available area dedicated for agriculture in the country. Approximately 40 million animals were slaughtered in the 2014 (10% sourced from feedlots) and this produced 10 million Ton Carcass Equivalent (TEC) of meat; and 20% of this meat was exported (4).

The Brazilian Amazon (the Brazilian Legal Amazon is an administrative region covering the states of Acre, Amapá, Amazonas, Pará, Rondônia, Roraima, Tocantins and most of Mato Grosso and Maranhão) includes 70 million hectares of pasture which limitedly expanded in the past ten years likely due to the slaughterhouse zero deforestation commitment launched in 2009 (5) and use of land monitoring systems established by the Brazilian National Institute for Space Research (INPE - DETER and PRODES systems). Despite, these actions, the cattle sector remains as a main driver of Amazon deforestation in Brazil.

The Amazonian cattle herd consists of 82 million of heads of cattle. Between 1987 and 2013 the herd in the Amazon states increased 280% while elsewhere the Brazilian herd increased by 60%. The state of Mato Grosso has the largest herd in the country amounting to approximately 30 million head of cattle.

The Brazilian Amazon contains a variety of types and sizes of cattle farm producers including: ranches that supply cattle directly to slaughterhouses, calving ranches and intermediary ranches (indirect suppliers) – which may go through various 3rd parties before reaching the slaughterhouse such as auctioneers, traders, via other cattle ranches. Calving ranches are often small properties, while fattening farms (which buy cattle from smaller producers and raise them until they reach a weight suitable for slaughter) are often thousands of hectares in size and sell thousands of cattle per year to slaughterhouses.

In the Amazon, most cattle are raised on pasture and are grass fed representing approximately 450,000 square kilometres of deforested Amazon in Brazil are now in cattle pasture (5). There are some feedlots where cattle are reared on grains rather than grass but this is usually for a limited period during the year or just during the dry season. To date, feedlots are not common practice but it is a growing trend (6). The majority of the cattle herd sourced from the Amazon is also slaughtered and processed in plants inside the Amazon biome.(7)

Information Sources:

- (1) Amazon Cattle footprint Mato Grosso: State of Destruction. Greenpeace Brazil. 29 January, 2009.; Barreto, P.; et al. Pecuária e Desafios para a Conservação Ambiental na Amazônia. O Estado da Amazônia, n.5, p. 1-4,2005; and confirmed also by <http://www.zerodeforestationcattle.org/#home> as last seen on 18-07-2017

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- (2) <http://www.iea.sp.gov.br/ftpiea/AIA/AIA-01-2015.pdf>
 - (3) <http://www.zerodeforestationcattle.org/index.html>
 - (4) <http://www.abiec.com.br/texto.asp?id=8>
 - (5) Cattle Ranching in the Amazon Region. Global Forest Atlas website published by Yale school of Forestry and Environmental Studies as last seen on 18-07-2017:
<http://globalforestatlas.yale.edu/amazon/land-use/cattle-ranching>
 - (6) Serviço Florestal Brasileiro (2007) Gestão das Florestas Públicas, Relatório 2006. Brasília, MMA
 - (7) <https://www.rabobank.com/en/press/search/2014/20141017-Rabobank-Rapid-intensification-of-Brazilian-beef-production-to-continue.html>
 - (8) <https://news.mongabay.com/2013/08/85-of-brazilian-leather-goes-to-markets-sensitive-to-environmental-concerns/>

D. CSR Risk Assessment

Business Issues

1.1. Land Tenure

Legislation covering land tenure rights that includes the use of legal methods to obtain tenure rights. Risk may be encountered where land rights have not been issued according to prevailing regulations and where corruption has been involved in the process of issuing land tenure rights. The intent of this indicator is to ensure that any land tenure rights have been issued according to the legislation.

1.1.1. Applicable laws and regulations

- Law No. 5868/72 - National Rural Registration System - full (I) [link](#)
- Decree 72.106/73 Regulates law 5868, of 12/12/1972, which instituted the national rural registration system and provides for other matters - full (I) [link](#)
- Law No. 4504/64 - Land statute - Chapter I (land access); Chapter IV (Use or temporary tenure land) (I) [link](#)
- Decree No. 59.566/66 - Regulates as sections I, II and III of the chapter IV of the title III of law nº 4.504, of November 30th 1964, the Land Statute, the chapter III of law nº 4.947, April 6th 1966 , and other matters - Chapters I, II e III. (I) [link](#)
- Decree No. 7.830 - It provides for the Rural Environmental Registry System, the Rural Environmental Registry, establishes general standards for Environmental Adjustment Programs, mentioned in Law No. 12,651, of May 25, 2012, and other matters [link](#)
- Normative Instruction No. 2/14 - Provides for the procedures for integration, performance and compatibility of the Rural Environmental Registry System - SICAR and defines the general procedures of the Rural Environmental Registry – CAR [link](#)
- Law No.9393/96 Provides for the Rural Territorial Property Tax (ITR) [link](#)
- Decree No. 4,382/02 Provides for the Rural Territorial Property Tax (ITR) [link](#)

1.1.2. Legal authority

- INCRA - National Institute for Colonization and Agrarian Reform - Instituto Nacional de Colonização e Reforma Agrária / Ministry of Agrarian Development - Ministério do Desenvolvimento Agrário
- Real Estate Registration Notary - Cartório de Registro de Imóveis
- Secretariat of the Federal Revenue of Brazil - Secretaria da Receita Federal
- National System of Rural Environmental Registry - Sistema Nacional de Cadastro Ambiental Rural - SICAR
- Brazilian Institute of Environment and Renewable Natural Resources - Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis - IBAMA / Environmental Ministry - Ministério do Meio Ambiente - MMA
- State or Local Environmental Agency - Órgão Estadual de Meio Ambiente

1.1.3. Legally required documents or records

- CCIR (Certificate of Registration of Rural Real Estate - Certificado de Cadastro do Imóvel Rural) - <http://www.incra.gov.br/estrutura-fundiaria/regularizacao-fundiaria/cadastro-rural>

- Proof of Registration of the Territorial Institute - Comprovante de Cadastro do Instituto Territorial - ITR
- Certificate of Deed of Entire Content of the Rural Real Estate - Certidão de Matrícula de Inteiro Teor do Imóvel Rural - <http://www.registradores.org.br/>
- CNDIR (Negative Certificate for Debts of the Rural Real Estate - Certidão Negativa de Débitos do Imóvel Rural) - <http://www.receita.fazenda.gov.br/aplicacoes/atspo/certidao/certinter/niitr.asp>
- CNPJ Card - http://www.receita.fazenda.gov.br/pessoajuridica/cnpj/cnpjreva/cnpjreva_solicitacao.asp
- Registered or Notarized Lease, Partnership or Lending Agreement - Contrato de Arrendamento, Parceria ou Comodato Rural Registrado ou com firma reconhecida em cartório
- Rural Environment Registry receipt / record - Protocolo / recibo do Cadastro Ambiental Rural - CAR - <http://www.car.gov.br/#/>

1.1.4. Sources of information

- http://www.iss.nl/fileadmin/ASSETS/iss/Documents/Conference_papers/LDPI/88_Gustavo_Oliveira.pdf (1)
- <http://www.florestal.gov.br/cadastro-ambiental-rural/numeros-do-cadastro-ambiental-rural> (2)
- Legislation Portal of the Federal Government <https://legislacao.planalto.gov.br/legisla/legislacao.nsf/fraWeb?OpenFrameSet&Frame=frmWeb2&Src=/legisla/legislacao.nsf%2FFrmConsultaWeb1%3FOpenForm%26AutoFramed>
- Secretariat of the Federal Revenue of Brazil website - <http://www.receita.fazenda.gov.br/aplicacoes/atbhe/tus/default.aspx?/a/2>
- INCRA - <http://saladacidadania.incra.gov.br/>
- Perception Index of Legal Compliance - IPCL Brazil
- FGV - Fundação Getúlio Vargas - <http://bibliotecadigital.fgv.br/dspace/handle/10438/14133>
- The CPI (corruption perception index) transparency.org
- Rural Environment Registry - Cadastro Ambiental Rural - CAR - <http://car.gov.br/#/>
- http://www.iss.nl/fileadmin/ASSETS/iss/Documents/Conference_papers/LDPI/88_Gustavo_Oliveira.pdf
- Based on observation and corroborated by reviewed done by in-country experts.

1.1.5. Risk determination

Overview of legal requirements

Brazil has an old and complex legislation that regulates land tenure. Furthermore, the land tenure situation in rural areas across the country is quite disorganized as the law is poorly enforced and non-official documents are commonly used and accepted for multiple purposes. (1)

Land ownership in Brazil can be classified into two categories: private and public. Every private land owner needs to demonstrate they are holding a valid land title issued by the relevant governmental agency; either the Brazilian National Institute of Colonisation and Agrarian Reform (INCRA) at the federal level, or state land agencies at the state level. Local notary offices at the municipal level also issue non-official land titles that should only serve as an

interim document until the official land title can be finalized; however, this 'interim' documentation is the one most commonly held by farmers throughout Brazil.

Public lands are:

- i. Land legally defined for a public use and can include different land use/possession types: i.e., protected areas, indigenous territories and rural settlements; or
- ii. Unclaimed land which is land that has not been legally defined or designated for a public use and neither given nor sold to any private owner. Unclaimed land is generally source of conflict and land grabbing, particularly in the new agriculture expansion frontiers.

In 2012, a new Forest Code, legislation that regulates environmental protection measures for farms was approved in Brazil. As a part of the Forest Code approval the Brazilian government made it mandatory that all rural properties, including cattle farms, be mapped and registered in a database, known as the CAR (Rural Environmental Registry - *Cadastro Ambiental Rural*). The CAR database holds geospatial data on property boundaries as well as environmental information on rural agricultural production. This registration does not demonstrate full compliance with the Forest Code, but rather is a good step and proxy for indicating private land in Brazil is officially registered.

Description of risk

There is a risk of cattle farms having illegal/undocumented land tenure. Many properties are under illegal possession, either because the land/property has not been properly registered as required by the law or is based on forged documents. The Rural Environmental Registry (CAR) registration which can be used as one proxy for legal land tenure is aiming to register all farms by 2017.

Historically land rights have been held and/or obtained irregularly through corrupt means such as through forged documents, resulting in a large number of properties under illegal possession; this issue is mainly found in the North (Amazon region) and Midwest (Cerrado) of the country where the agribusiness has been expanding over the last two decades. (1)

The existing land tenure legislation is dysfunctional and as a result has created confusing and bureaucratic procedures that often leads to regulation of land ownership by extra-judicial ways. (2) It is common that the land property is not properly registered or forged documents ("land grabbing ") are used. This can result in more than one document of ownership covering the same land area. This overlap of ownership usually comes to light when there is a conflict related to land tenure where more than one land owner calls for legitimate possession, or when the entire dominion is analysed, which is a requirement of only some state environmental agencies. (3)

Brazil can be considered a country with high corruption perception: The IPCL (Perception Index of Legal Compliance) was 7.0 in the first semester of 2015 (on a 0-10 scale where 10 the laws are completely enforced in the country). In addition, CPI (corruption perception index) in Brazil in 2015 was 38 (on a scale from 0 to 100 where 100 is lowest level of corruption). This means there is high perception that Brazil is a corrupt country.

Nevertheless, despite the above governance issues associated with land tenure, good progress on CAR registration has been made. By May 2017 and at the time of the drafting of this report 81.7% of farms had completed CAR registration. (2)

Risk conclusion

Given the relevant land tenure laws are not upheld and consistently enforced by all relevant authorities, and furthermore the evidence linked to not all farms being registered under the CAR system indicates there is an elevated risk of farms having officially legally recognized land tenure rights in the Amazon Biome.

1.1.6. Risk designation and specification

Elevated risk

1.1.7. Control measures and verifiers

- Verify the cattle farm has the following valid land tenure documents:
 - A [CAR](#) - A Rural Environment Registry receipt / record (Protocolo / recibo do Cadastro Ambiental Rural)
 - A [CCIR](#) - Certificate of Registration of Rural Real Estate (Certificado de Cadastro do Imóvel Rural)
 - An [ITR](#) - Proof of Registration of the Territorial Institute (Comprovante de Cadastro do Instituto Territorial)
 - A [Certificate of Deed of Entire Content of the Rural Real Estate](#) (Certidão de Matrícula de Inteiro Teor do Imóvel Rural)
 - A [CNDIR](#) - Negative Certificate for Debts of the Rural Real Estate (Certidão Negativa de Débitos do Imóvel Rural)
 - A [CNPJ](#) Card Registration and Cadastral Situation of Legal Entity (Comprovante de Inscrição e de Situação Cadastral de Pessoa Jurídica)
 - Registered or Notarized Lease, Partnership or Lending Agreement - Contrato de Arrendamento, Parceria ou Comodato Rural Registrado ou com firma reconhecida em cartório
 - Recursos Hídricos)
 - Records Free Prior Informed Consent and copies of negotiated agreements
- Verify the farm has a valid CAR status by checking its CAR registration number in the Public Module of the Rural Environmental Registry System (SiCAR, Simistema Nacional de Cadastro Ambiental Rural): [www.http://car.gov.br/publico/imoveis/index](http://car.gov.br/publico/imoveis/index)
- Review information on land tenure disputes and developments on indigenous and traditional peoples' land claims:
 - Identify potential conflicts – especially for medium to large enterprises. Ask the supplier for a map identifying the traditional communities close to its farms and/or cross reference the farm location with the location of indigenous lands and Quilombolas communities which can be found on the following websites:
 - Indigenous lands in Brazil [website](#)
 - Quilombolas communities' [official website](#)
 - Research documented conflicts by [Brazilian states](#)
 - Information on traditional communities can be found on the Ministry of Environment's [website](#)
 - Review a [recent report](#) (2015) of well-known conflicts by Brazilian states
 - Consult with neighbours, local communities, landowners and other stakeholders to find out if A) land tenure rights are clear and – where applicable – lease of the land has been agreed by all the landowners; and B) if there are any court orders or other legal decisions that mean that the company is not allowed to operate due to conflicts of land tenure.

1.2. Farm registration and management rights

Legislation covering land management rights including customary rights and any legal requirements for management planning. It also covers legal business registration and tax registration, including relevant legal required licenses. Risk may be encountered where land rights have not been issued according to prevailing regulations and where corruption has been involved in the process of issuing land tenure and management rights. The intent of this indicator is to ensure that any land management rights have been issued according to the legislation. Low quality of the management plan resulting in illegal activities may be a risk factor for this indicator as well.

1.2.1. Applicable laws and regulations

- Lei No. 12651/12 - Forest Code - full - Art. 27 to 29 ([link](#))
- Normative Instruction No. 09/15 - Discipline the technical and administrative procedures for the operation of Provisional Authorisation Rural Activity in the State of Mato Grosso ([link](#))

1.2.2. Legal authority

- Brazilian Institute of Environment and Renewable Natural Resources - Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis - IBAMA / Environmental Ministry - Ministério do Meio Ambiente - MMA
- National Water Agency - ANA
- State or Local Environmental Agency - Órgão Estadual de Meio Ambiente

1.2.3. Legally required documents or records

- Rural Environment Registry - Cadastro Ambiental Rural - CAR
- Restoration of degraded areas projects - PRAD (if available)
- Grant of Right to Use Water Resources - Outorga de Direito de Uso de Recursos Hídricos
- Authorization for the Operation of Rural Activity - Autorização Provisória de Funcionamento de Atividade Rural - APF
- <https://monitoramento.sema.mt.gov.br/apfrural/Index.aspx>
- Term of Environmental Commitment - Termo de Compromisso Ambiental (TCA)
- Environmental Permits

1.2.4. Sources of information

- Legislation Portal of the Federal Government - <https://legislacao.planalto.gov.br/legisla/legislacao.nsf/fraWeb?OpenFrameSet&Frame=frmWeb2&Src=/legisla/legislacao.nsf%2FFrmConsultaWeb1%3FOpenForm%26AutoFramed>
- Rural Environment Registry - Cadastro Ambiental Rural - CAR - <http://car.gov.br/#/>
- Grant of right to use Water Consultation - <http://srv-anacad.ana.gov.br/proton/protocolo.asp>
- http://www.mma.gov.br/estruturas/202/arquivos/livro_apps_e_ucs_x_areas_de_risco_202.pdf; <http://www.canalrural.com.br/noticias/agricultura/falta-informacao-para-produtores-sequirem-novo-codigo-florestal-8342>
- http://www.mma.gov.br/estruturas/202/arquivos/livro_apps_e_ucs_x_areas_de_risco_202.pdf
- <http://www.canalrural.com.br/noticias/agricultura/falta-informacao-para-produtores-sequirem-novo-codigo-florestal-8342>

- <http://ipam.org.br/prazo-para-cadastro-ambiental-rural-deve-ser-mantido/>
- Assessing compliance with the Forest Code: A practical guide. Pedro Amaral (Proforest) Tiago Reis (IPAM) Roberta del Giudice (Instituto BVRio). 2017
http://www.proforest.net/proforest/en/files/guia-codigo-florestal_english_final_web.pdf

1.2.5. Risk determination

Overview of legal requirements

The only legal requirements linked to farm management in Brazil is the Forest Code which regulates environmental protection measures and establishes criteria for land use and conservation of native vegetation in rural properties. These measures are not related to the production activities but rather to farm zoning and environmental protection areas, e.g., buffer zones along water courses and the legal reserve - which is the minimum area per farm that needs to be maintained (and in for some rural properties the legal reserve needs to be restored) in its natural ecosystem state (percentage is set according to biome and for the Amazon Biome 80% of the farm area must be contained in a legal reserve).

The Forest Code Act 12.651/12 defines if and how farm management interventions may occur in forest areas and/or native vegetation areas of the farm property, i.e., if management and operational activities are permissible and/or where forest and/or natural ecosystems can be converted into farm land. It also defines areas that are in inconsistent with the established rules and required mechanisms and instruments for ensuring the property meets the rules: either through restoration, and either through compensation (e.g., Forest Reserve Credits (CRAs, Cotas de Reserva Ambiental) through legal reserve offsetting between rural properties, donation to the state or federal government of a privately-owned area within a protected area) or by other manners prescribed by law.

The main obligations established by the Forest Code are cattle farms need to 1st obtain CAR (Rural Environmental Registry - Cadastro Ambiental Rural) then ensure its Permanent Preservation Areas (APPs, Áreas de Preservação Permanente) are established (these are areas, covered or not by native vegetation, e.g., APPs are riparian zones, springs, hilltops, steep slopes) and its Legal Reserve (LRs) are established (the size of a Legal Reserve varies according to the biome in which the property is located, as well as its Ecological Economic Zoning (ZEE), if the property is located within the Amazon).

Deadlines for meeting APP and LRs commitments are defined by each Brazilian state and defined by the compliance mechanism called Term of Commitment. Cattle farms with compliance issues must develop a plan to restore degraded/altered areas and sign the Term of Environmental Commitment. Nevertheless, the ultimate deadline established by the national government for full compliance with the Forest Code is set for May 2032 (the maximum deadline of 20 years for the regularization of the rural property is defined in Item II of Article 66 of Law 12651/2012).

Feedlots with an animal capacity higher than 500 animals must obtain permits for its production system, all other farm types do not require permits. The permits are issued by the state Environmental Agency(s).

If a farm wants to collect water, there is a procedure and a permit that is formally required. These types of permits fall under Law No. 9.433/97 and can be issued by the federal or state government.

In the state of Mato Grosso, an environmental license is required for farmers.

Risk description

There is a risk of non-compliance with the Forest Code by cattle farms in the Amazon demonstrated by evidence produced in many recent published reports (both scientific and Non-governmental (NGO) reports). Even though a large majority of rural properties including cattle

farms have CAR registration as described under '1.1 Risk Evaluation' not all are registered. Also, CAR registration only represents part of the obligations of farmers in its Forest Code implementation. Farmers not in full compliance with its Forest Code obligations still need to ensure its establishes its APPs and LRs and fulfil its obligations of the Term of Commitment (which outlines the time line for compliance for APPs and LRs).

In addition, in Brazil each state has the autonomy to establish its own procedures for agriculture licenses, causing large differences in legal requirements across districts. There is a high frequency of changes in the dynamics of the regulatory state laws on the subject. All definitions and processes should be aligned with requirements of the National Environmental System - SISNAMA (Complementary law No. 140/11).

A number of cattle farms not fully compliant with the Forest Code can also be attributed to the lack of effective deployment of the Environmental Adjustments Program (PRA). The PRA is to ensure Forest Code implementation is aligned by the state laws and regulations; however, a number of significant state laws and regulations have not been subsequently established and/or implemented.

Risk conclusion

This indicator has been evaluated as Elevated risk as many farms are not compliant with the Forest Code.

1.2.6. Risk designation and specification

Elevated risk

1.2.7. Control measures and verifiers

- Verify the cattle farm has the following valid Forest Code documents:
 - A [CAR](#) - A Rural Environment Registry receipt / record (Protocolo / recibo do Cadastro Ambiental Rural)
 - A TCA – Term of Environmental Commitment Term (Termo de Compromisso Ambiental);
 - A PRAD (Restoration of degraded areas projects if required by the Brazilian Forest Code)
- Verify the farm has a valid CAR status by checking its CAR registration number in the Public Module of the Rural Environmental Registry System (SiCAR, Simistema Nacional de Cadastro Ambiental Rural): [www.http://car.gov.br/publico/imoveis/index](http://www.car.gov.br/publico/imoveis/index)
- Verify if PRAD (restored degraded areas), if required, is implemented according the Forest Code and TCA requirements. Obtain the shape file of the cattle farm property's boundaries and compare/overlay with mapping data from the following initiative that are using satellite time series images to detect the land change cover:
 - www.globalforestwatch.org
 - <http://www.obt.inpe.br/prodes/index.php> - PRODES/INPE (high resolution)
 - <http://www.obt.inpe.br/deter/index.html> - DETER/INPE (high resolution)
- Check that the Forest Code requirements and environmental controls are implemented in the field
- Verify the cattle farm has the following relevant other farm management documents:
- Transitory authorization of rural activity operation for Mato Grosso state – (Autorização Provisória de Funcionamento de Atividade Rural) - APF
<https://monitoramento.sema.mt.gov.br/apfrural/Index.aspx>

- Grant of Right to Use Water Resources (Outorga de Direito de Uso de (Outorga de água/ Law No. 9.433/97) - if required.

1.3. Payment of royalties and required fees

Legislation covering payment of all legally required commodity fees such as royalties and other volume based fees. It also includes payments of the fees based on correct classification of quantities, qualities and species. Incorrect classification of products is a well-known issue often combined with bribery of officials in charge of controlling the classification.

1.3.1. Applicable laws and regulations

- Law 8.137/1990 (common law) defines crimes against the tax, and economic orders, and against the consumption relations, and provides for other matters. (xvii/ iv/ v) – Clause 1 - [link](#)

1.3.2. Legal authority

- National Treasury
- Secretariat of the Federal Revenue of Brazil
- State Department of Treasury

1.3.3. Legally required documents or records

- Proof of payment of the rates regarding the analysis of the management plan by the responsible environmental body
- Certificate of Debt Relating to Federal Tax Credits and Active Union Debt – <http://www.receita.fazenda.gov.br>

1.3.4. Sources of information

Government sources

- Legislation Portal of the Federal Government - <https://legislacao.planalto.gov.br/legisla/legislacao.nsf/fraWeb?OpenFrameSet&Frame=frmWeb2&Src=/legisla/legislacao.nsf%2FFrmConsultaWeb1%3FOpenForm%26AutoFramed>
- Secretariat of the Federal Revenue of Brazil - <http://www.receita.fazenda.gov.br/aplicacoes/atbhe/tus/Service.aspx?id=180&idArea=3&idAssunto=43>

1.3.5. Risk determination

Overview of legal requirements

The rates that an interested party must pay, when carrying out any economic activity in Brazil, are referred for analysis and approval by the administrative bodies. An example might be the analysis and approval of the management plan and the rates related to the issuance of operation permits.

Description of risk

In general, companies willing to legally carry out the activity are also usually willing to pay the rates. The non-payment of the rates results in the license being withheld and may cause the company to become indebted to the Government. It may also cause the confiscation of the company's property for the settlement of the pending fees.

Risk conclusion

Considering that only legally established companies with licensed operations must pay rates for forest management – and that the rates do not represent a significant financial burden for the companies – the risk for this criterion is considered as low.

1.3.6. Risk designation and specification

Low risk

1.3.7. Control measures and verifiers

N/A

1.4. Value added taxes and other sales taxes.

Legislation covering different types of sales taxes which apply to the material being sold. Risk relates to situations where products are sold without legal sales documents or far below market price resulting in illegal avoidance of taxes.

1.4.1. Applicable laws and regulations

- Complementary Law No. 87/96 Circulation Tax on Goods and Services (ICMS). (LEI KANDIR) - Artigo 2º - [link](#)
- Law No. 8.846/94 - Provides about the issuance of fiscal documents and the arbitrage of the minimum revenue for taxation, and provides for other matters - [link](#)

1.4.2. Legal authority

Secretariat of the Federal Revenue of Brazil / Ministry of the Treasury - Secretaria da Receita Federal / Ministério da Fazenda

1.4.3. Legally required documents or records

- Corporate Taxpayers' Registration Numbers (CPF (Cadastro de Pessoas Físicas) /CNPJ (Cadastro Nacional da Pessoa Jurídica))
- Certificate of Debt Relating to Federal Tax Credits and Active Union Debt
- Certidão Conjunta de Débitos Relativos a Tributos Federais e à Dívida Ativa da União - <http://idg.receita.fazenda.gov.br/interface/cidadao>
- Fiscal bill of sale - Nota fiscal de venda do Produto

1.4.4. Sources of information

- Legislation Portal of the Federal Government - <https://legislacao.planalto.gov.br/legisla/legislacao.nsf/fraWeb?OpenFrameSet&Frame=frmWeb2&Src=/legisla/legislacao.nsf%2FFrmConsultaWeb1%3FOpenForm%26AutoFramed>
- Secretariat of the Federal Revenue of Brazil - <http://www.receita.fazenda.gov.br/aplicacoes/atbhe/tus/Servico.aspx?id=180&idArea=3&idAssunto=43>
- Taxes on Livestock in Brazil. The Brazil Business website article written by Igor Utsumi. 8 July 2014 <http://thebrazilbusiness.com/article/taxes-on-livestock-in-brazil>
- Estimative study on the level of tax evasion in Brazil (SINPROFAZ):
<http://www.quantocustaobrasil.com.br/artigos-pdf/sonegacao-no-brasil-uma-estimativa-do-desvio-da-arrecadacao-do-exercicio-de-2013.pdf>
- Tax Evasion:

- <http://www.quantocustaobrasil.com.br/artigos-pdf/sonegacao-no-brasil-uma-estimativa-do-desvio-da-arrecadacao-do-exercicio-de-2013.pdf>
- [http://exame.abril.com.br/english/brazil-now/tax-evasion-may-reach-r\\$-415-billion-in-2013.shtml](http://exame.abril.com.br/english/brazil-now/tax-evasion-may-reach-r$-415-billion-in-2013.shtml)
- [http://exame.abril.com.br/english/brazil-now/tax-evasion-may-reach-r\\$-415-billion-in-2013.shtml](http://exame.abril.com.br/english/brazil-now/tax-evasion-may-reach-r$-415-billion-in-2013.shtml)

1.4.5. Risk determination

Overview of legal requirements

The ICMS (Sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual de Intermunicipal e de Comunicações) is the main trade of goods or services tax and is applicable for the cattle trade. Every sale of cattle in Brazil is required to be processed through a formal document called 'nota fiscal', which is used to issue and collect the ICMS.

Each state has its own ICMS regulation, which also defines tax exemptions. As a common rule, there is a 12% ICMS rate for the circulation of cattle in Brazil. However, this rate can be lowered to 7% if the products leave the southern or south-eastern regions to supply the northern, north-eastern, and midwest regions, as well as the state of Espírito Santo. The calculation basis for these rates vary a lot depending on the location. They are usually calculated on the transaction value involving cattle, but minimum values are set in each state.

These minimum values take different characteristics of the animals in consideration, like breed, age, and weight, as well as the activity which the sold cattle is being destined — slaughter or fattening. All of these factors are listed in tables published by each state, known as *pautas*.

Description of risk

There is a risk of tax evasion. Tax evasion is commonly practiced in Brazil, driven in large part by the high tax rates. Tax evasion techniques used normally include: the sale of products without the emission of a fiscal bill of sale; the issuance of the fiscal bill of sale with a volume below the actual volume delivered; and/or the issuance of a fiscal bill of sale with the value of the product below the actual value.

A SINPROFAZ (National Treasury Attorney's Union) study estimated that tax evasions totalling up to 415 billion reais took place in 2013 tax evasion could have— nearly 10% of the Brazilian GDP.

Risk conclusion

The practice of tax evasion is considered elevated risk for the cattle sector at the farm level due to the widespread and high probability of tax evasion occurrence on the sale of products in Brazil.

1.4.6. Risk designation and specification

Elevated risk

1.4.7. Control measures and verifiers

- Confirm the farmer that the following related valid tax documents:
 - Confirm [Individual or Corporate Taxpayers' Registration Numbers](#) (CPF (Cadastro de Pessoas Físicas) /CNPJ (Cadastro Nacional da Pessoa Jurídica))
 - [Certificate of Debt Relating to Federal Tax Credits and to Active Union Debt](#)
- Cross check samples of sales receipts that the appropriate VAT has been paid:
 - Fiscal bills of sale (Nota fiscal de venda do Produto) must include applicable VAT taxes.

- Receipts for payment value-added taxes shall exist.
- Sales prices shall be in line with market prices.
- Confirm with authorities from the Federal Revenue ([website](#)) that operation is up to date in payment of applicable value-added taxes

1.5. Income and profit taxes

Legislation covering different types of sales taxes which apply to the material being sold. Risk relates to situations where products are sold without legal sales documents or far below market price resulting in illegal avoidance of taxes.

Context and considerations

The ICMS is the main trade of goods or services tax and is applicable for the cattle trade. Also, every sale of cattle in Brazil is required to be processed through a formal document called 'nota fiscal', which is used to issue and collect the ICMS.

1.5.1. Applicable laws and regulations

- Law 8.137/1990 (common law) defines crimes against the tax, and economic orders, and against the consumption relations, and provides for other matters. (IV), Clause 1 - [link](#)
- Law No. 8.846/94 - Provides about the issuance of fiscal documents and the arbitrage of the minimum revenue for taxation, and provides for other matters. (IV) - Full text - [link](#)
- DECREE No. 3,000, OF MARCH 26, 1999. - Regulates the taxation, inspection, collection, and administration of the Income Tax and Proceeds of Any Nature (IV), As of Chapter IV - [link](#)
- Export Tax (IE) Law No. 1.578, of October 11, 1977 (IV), Full text

1.5.2. Legal authority

Secretariat of the Federal Revenue of Brazil

1.5.3. Legally required documents or records

- Certificate of Debt Relating to Federal Tax Credits and Active Union Debt
- <http://www.receita.fazenda.gov.br>

1.5.4. Sources of information

- Tax Portal - <http://www.portaltributario.com.br/tributos/irpj.html>
- Secretariat of the Federal Revenue of Brazil - <http://www.receita.fazenda.gov.br>
- Federal Government Legislation Portal

1.5.5. Risk determination

Overview of legal requirements

The ICMS (Sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual de Intermunicipal e de Comunicações) is the main trade of goods or services tax and is applicable for the cattle trade. Every sale of cattle in Brazil is required to be processed through a formal document called 'nota fiscal', which is used to issue and collect the ICMS.

In Brazil, the responsible body for the collection and inspection of the income tax is the Secretariat of the Federal Revenue of Brazil (RFB).

Description of risk

The RFB has a computerized system to collect the income taxes of all statutory Individuals and entities, cross-checking data between different payers and income recipients. The government acts upon those who try to evade income taxes. Anyone can check if a company has any disputes with the Secretariat of the Federal Revenue of Brazil through the RFB website.

Risk conclusion

Considering that the governance related to income tax and tax evasion is not commonly tied to the non-payment of profit taxes, this criterion is of low risk.

1.5.6. Risk designation and specification

Low risk

1.5.7. Control measures and verifiers

N/A

1.6. Disclosure of information

Legislation covering requirements for regular business reporting to ensure information disclosure and transparency. Risk relates to lack of business transparency and/or incorrect disclosure of legally required business information.

1.6.1. Applicable laws and regulations

There are no regulatory requirements in Brazil for business information disclosure.

1.6.2. Legal authority

N/A

1.6.3. Legally required documents or records

N/A

1.6.4. Sources of information

N/A

1.6.5. Risk determination

There are no regulatory requirements in Brazil for business information disclosure thus the risk for this criterion is low risk for all of Brazil.

1.6.6. Risk designation and specification

N/A – caution there is not legal requirement for business information disclosure applicable to the cattle sector in Brazil. One still may require key business information from their suppliers despite this being a low legal risk.

1.6.7. Control measures and verifiers

- Evidence of annual business reports with key business information relating to revenue, sales, taxes and CSR commitments are published and available.
- Contact relevant authority to verify that all required income and profit taxes have been paid.

SOCIAL ISSUES

2.1. Civil rights - legal employment

Legal requirements for employment of personnel involved in farm activities including requirement for contracts and working permits, requirements for obligatory insurances, requirements for competence certificates and other training requirements, and payment of social and income taxes withhold by employer. Risk relates to situations/areas where systematic or large scale noncompliance with labour and/or employment laws. The objective is to identify where serious violations of the legal rights of workers take place, such as forced, underage or illegal labour.

2.1.1. Applicable laws and regulations

- Decree - Law No. 5.452 / 1943 Approves the Consolidation of Labour Laws – CLT - [link](#)
- Lei nº 5.889/73 - Trabalho Rural – Íntegra - [link](#)

2.1.2. Legal authority

- Secretariat of the Federal Revenue of Brazil / Ministry of the Treasury - Secretaria da Receita Federal / Ministério da Fazenda
- MTE - Ministry of Labour and Employment - Ministérios do Trabalho e Emprego
- TST - Higher Labour Court - Tribunal Superior do Trabalho
- TRT - Regional Court of Labour - Tribunal Regional do Trabalho
- DRT - Regional Labour Agency - Delegacia Regional do Trabalho
- MPT - Public Labour Attorney - Ministério Público do Trabalho
- CEF - Federal Savings Bank 0 Caixa Econômica Federal
- INSS - National Social Security Institute - Instituto Nacional da Seguridade Social

2.1.3. Legally required documents or records

- CAGED Statement - General Register of Employees and Unemployed
- Collective Agreement recorded in MTE
- CNDT - Certificate of Negative Labour Debts
- Certificate of Negative Labour Lawsuits
- CRF - FGTS Regularity Certificate (Time of Service Guarantee Fund)
- CNDT - Certificate of Negative Labour Debts with the Federal Revenue Service National Social Security Institute (INSS - Instituto Nacional do Seguro Social)
- Salary Receipt or Proof of Deposit in Checking Account
- CTPS - Work and Social Security Booklet

2.1.4. Sources of information

Government sources

- MTE - Ministry of Labour and Employment - <https://granulito.mte.gov.br/portalcaged/paginas/home/home.xhtml>
- TST - Higher Labour Court - www.tst.jus.br/certidao

- Federal Savings Bank - <https://www.sifge.caixa.gov.br/Cidadao/Governo/Asp/crf.asp>
- Federal Revenue of Brazil - DTAPREV - <http://www.dataprev.gov.br>
- Federal Government Legislation Portal - <http://www4.planalto.gov.br/legislacao>

Non-Government sources

- Reporter Brazil Lista da Transparência sobre Trabalho Escravo - List Transparency on Slave Labour - <http://reporterbrasil.org.br/2015/09/lista-de-transparencia-sobre-trabalho-escravo-traz-nomes-flagrados-por-esse-crime/>
- World Bank <http://info.worldbank.org/governance/wgi/index.aspx#countryReports>
- <http://www.canalrural.com.br/noticias/agricultura/dificuldade-aplicacao-das-leis-trabalhistas-traz-inseguranca-para-produtores-trabalhadores-campo-8310>
- <http://www.cut.org.br/system/uploads/ck/files/listadetransparenciafevereiro2016.pdf>
- www.govindicators.org

2.1.5. Risk determination

Overview of legal requirements

The main legislation on legal employment is the Consolidation of Labour Laws (CLT), which covers all the different areas concerning legal employment. Although CLT is very comprehensive and even considered difficult to fully comply with, the main evidence of legal employment compliance is generally through the formal registry of the employee. This is because once the formal employee registration is completed it then requires an employer to demonstrate payment of taxes and other duties.

Brazil has a broad legal framework on the legality of employment. The decree-Law 5452/1943 (Consolidation of the Labour Laws - CLT) is the main legislation on this matter. Clause 41 defines that all employees must be registered by the employer. It also covers other legal requirements related to the length of the workday, paid rest, child and women's labour issues, compensation, unionization, and other matters.

The registration of the employee also assures rights such as the Guarantee Fund for Time of Service (a cumulative amount that can be withdrawn when the employee is terminated, the contract expires or when he/she retires) and the support of the INSS (National Social Security Institute - for a pension after retirement or in cases such as sick leave, incapacity, or death, among other benefits). To make this structure feasible, the employer pays the government on a monthly basis a contribution proportional to the salary of the registered employee.

The Law 7998/1990 regulates the unemployment insurance, which is a compensation given by the government to workers that are unemployed without fair cause after having fulfilled at least 6 months of registered work. This benefit lasts for 4 months.

For rural employment, there is a complementary law, Lei 5889/73 Trabalho Rural, that needs also to be observed.

Description of risk

There is a risk that producers are engaging illegal labour practices. Reportedly, the labour laws are not well respected in the agriculture sector and the rural worker in Brazil in general is unaware of his/her labour law rights.

The rural worker in Brazil in general, has low schooling and frequently is unaware of his/her labour law rights.

Historically, the livestock industry has been one of the main sectors regularly cited on the slave labour list from MTE. Approximately 40% of transgressors on this list were from cattle farms in 2014 and were mainly in the Northern part of the country. In fact, the state of Mato Grosso

was responsible for all 9% slave labour accounts, but this country statistic cannot solely be attributed to incidents linked to cattle farms.

In general, the labour laws are not well respected in the agriculture sector. This is supported by the Brazilian position in the "Rule of Law" index of the World Bank: 55.3 reach in 2014 (in a scale from 0 to 100 where 100 is good and in-country expert review).

Risk conclusion

This indicator has been evaluated as Elevated risk as identified laws are often ignored by farm entities and/or in some cases by the relevant authority in terms of achieving general compliance in the whole cattle farm sector related to legal employment in the Amazon.

2.1.6. Risk designation and specification

Elevated risk

2.1.7. Control measures and verifiers

Generic

- All workers are employed according to the regulation and required contracts are in place.
- Persons involved in farm management activities shall be covered by obligatory insurances.
- Persons involved in farm management activities shall hold required certificates of competence for the function they carry out.
- At least the legally established minimum salaries shall be paid for personnel involved in farm management activities.
- Salaries shall be paid officially and declared by the employer according to requirements for personnel involved in farm management activities.
- Minimum age shall be observed for all personnel involved in farm management activities.
- Minimum age shall be observed for all personnel involved in hazardous work.
- Stakeholders shall confirm that forced or compulsory labour is not involved in farm management activities.

Country specific

- Confirm the farm has the following valid relevant employment documents in place:
 - CAGED Statement - General Register of Employees and Unemployed (Cadastro Geral de Empregados e Desempregados)
 - Collective Agreement recorded by Ministry of Labour and Employment (MTE - Ministério do Trabalho e Emprego)
 - CNDT- Certificate of Negative Labour Debts (Certidão Negativa de Débitos Trabalhistas)
 - Certificate of Negative Labour Lawsuits
 - CRF- FGTS Regularity Certificate (Certificado de Regularidade do FGTS - Fundo de Garantia por Tempo de Serviço)
 - CNDT - Certificate of Negative Labour Debts with the Federal Revenue Service);
 - CTPS - Work and Social Security Booklet (Trabalho e Previdência Social)
 - Employment contracts

- Evidence of insurance (National Social Security Institute (INSS - Instituto Nacional do Seguro Social))
- Salary payment receipts
- A cross check of workers receiving government benefits for the unemployed and the company list of employees. Cross check documents on the Social Security Employee website of Brazil: <http://sipa.inss.gov.br>
- Ensure a supplier is not listed in the black list of slave labour which is monitored and published by the NGO called [Reporter Brazil](#) and/or the Transparency List on Slave Labour on the [InPACTO website](#)
- Consult the Social Security Employee [website](#) of Brazil to ensure all employees are registered and all relevant insurances are in place.
- On-site verification shall confirm:
 - All workers are employed according to the regulations and required contracts
 - Employees:
 - Are covered by mandatory insurance policies
 - Hold certificates of competence required for the function that they perform
 - Are paid a salary which is officially stated by the employer according to legal requirements
 - Are above the minimum age for both cattle farm activities and hazardous work
 - Are paid at least the legally established minimum wage
 - The company does not employ unregistered workers, either on probation, or who receive government benefits for the unemployed
 - Confirm cattle ranches takes place within the authorized boundaries in accordance with the relevant licenses

2.2. Health and Safety

National and sub national laws and regulations incorporation of the ILO Fundamental Conventions. This is to ensure minimum employment requirements cover an observance of minimum working age, legislation against forced and compulsory labour, and discrimination and freedom of association etc. Risk relates to if there are gaps in the national and/or sub national laws and regulations with the ILO Fundamental Conventions. The objective is to identify the gaps and/or where there may be serious violations of the legal rights of workers take place against the eight core ILO Fundamental Conventions.

2.2.1. Applicable laws and regulations

- Ordinance No. 3.214/78 - Approves the Regulatory Standard - NR - of Chapter V, Title II, of the Consolidation of the Labour Laws, relative to the Labour Safety and Medicine - [link](#)
- Ordinance No. 3.158/71 MTE - Creates the Inspection Book - [link](#)
- Regulatory Standard No. 01 - General Provisions - [link](#)
- Regulatory Standard No. 06 - Personal Protective Equipment – PPE - [link](#)
- Regulatory Standard No. 07 - Occupational Health Medical Control Programs - [link](#)
- Regulatory Standard No. 09 - Environmental Risks Control Programs - [link](#)

- Regulatory Standard Nº 31 - Regulatory Standard for Safety and Health in Working Safely in Agriculture, Livestock, Forestry, Forest Exploration, and Aquaculture. - [link](#)

2.2.2. Legal authority

- Ministry of Labour and Employment - Ministério do Trabalho e Emprego - MTE
- Regional Labour Agency - Delegacia Regional do Trabalho / DRT
- Labour Public Attorney - Ministério Público do Trabalho / MPT

2.2.3. Legally required documents or records

- Health Management, Security and Environment Rural Worker Plan (PGSSMATR)
- PPRA - Program for the Prevention of Environmental Risks
- PCMSO - Program for the Medical Control of Occupational Health
- Minutes of the CIPA/CIPATR
- Labour Ministry Inspection Book
- PPE (Personal Protection Equipment) Delivery Voucher
- ASO - Occupational Health Certificate
- SSO Training Proof (for operators of chainsaws, machine operators and application of herbicides, etc.)

2.2.4. Sources of information

Government sources

- MTE - Ministry of Labour and Employment - <http://portal.mte.gov.br>
- Labour Public Attorney - <http://portal.mpt.gov.br/>
- Federal Government Legislation Portal - <http://www4.planalto.gov.br/legislacao>
- <http://www.canalrural.com.br/noticias/agricultura/dificuldade-aplicacao-das-leis-trabalhistas-traz-inseguranca-para-produtores-trabalhadores-campo-8310>
- <http://www.cut.org.br/system/uploads/ck/files/listadetransparenciafevereiro2016.pdf>

2.2.5. Risk determination

Overview of legal requirements

There is detailed set of legislative regulations that relate to health and safety requirements in Brazil. The Ministry of Labour and Employment (MTE) is the authority responsible for the inspection and compliance with H&S regulations. There is a vast range of Regulating Norms (NR) that deal with the matter, being the most applicable to the agriculture sector is the NR 31 (Security and Health in the Work in the Agriculture, Livestock farming, Forestry, Forest Exploitation and Aquaculture), which has the objective of aligning the planning and development of rural activities with the health and security of the workers.

Farmers generally argue the legislative requirements are not adapted to the reality in rural farming zones based on general observations and corroborated by in-country expert review. Although H&S regulations are very poorly enforced, they are an important protection measures for workers as demonstrated by farms that fully comply with health and safety regulations.

The set of H&S regulations are nationally applicable, although in most of the country there is a systematic lack of compliance with the regulations.

Description of risk

There is a risk that workers are exposed to health and safety risks beyond legal limits.

Historically, the livestock industry has been one of the main sectors regularly cited on the slave labour list from MTE. Approximately 40% of transgressors on this list were from cattle farms in 2014 and were mainly in the Northern part of the country. In fact, the state of Mato Grosso was responsible for all 9% slave labour accounts, but this country statistic cannot solely be attributed to incidents linked to cattle farms.

Overall the cattle farm sector has a very low degree of professionalism, and a large part of the workers learn how to work practically, with no professional training or guidance. And the given the cattle farm sector that treats health and occupational safety (H&S) as superfluous, this results in a large number of workers exposed to H&S risks beyond legal limits.

Risk conclusion

This indicator has been evaluated as Elevated risk as the relevant H&S identified laws are often ignored by farm entities and overall the relevant authority has not achieved consistent high level of compliance with H&S regulations within the cattle farming sector in the Amazon.

2.2.6. Risk designation and specification

Elevated risk

2.2.7. Control measures and verifiers

Control Measures

- Confirm the farmer has the following required valid Health and Safety (H&S) documents in place:
 - H&S Manager employee contract
 - SSO – Occupation Health and Safety Training Procedures (Segurança e Saúde Ocupacional)
 - PGSSMATR - Rural Work Safety, Health and Environment Management Program (Programa de Gestão de Segurança, Saúde e Meio Ambiente de Trabalho Rural (NR – 31))
 - PPRA - Program for the Prevention of Environmental Risks (Programa de Prevenção de Riscos Ambientais (NR – 9))
 - PCMSO - Program for the Medical Control of Occupational Health (Programa de Controle Médico e Saúde Ocupacional (NR – 7))
 - Minutes of the CIPA/CIPATR - Internal Commission for the Prevention of Accidents of Rural Work (Comissão Interna de Prevenção de Acidentes do Trabalho Rural)
 - ASO - Occupational Health Certificate (Atestado de Saúde Ocupacional)
 - Labour Ministry Inspection Book (Livro de Inspeção do Trabalho)
- Ensure a supplier is not listed in the black list of slave labour which is monitored and published by the NGO called [Reporter Brazil](#) and/or the Transparency List on Slave Labour on the [InPACTO website](#)
- Consult the Social Security Employee [website](#) of Brazil to ensure all employees are registered and all relevant insurances are in place.
- On-site verification shall confirm:

- Verify that the company has an occupational safety and health (OSH) management system and program, a H&S officer position (required for large-scale plantations), training, procedures and equipment are in place

2.3. ILO Fundamental Conventions are upheld

Legally required personnel protection equipment for persons involved in farming activities and safety requirements to machinery used. Legally required safety requirements in relation to chemical usage. The health and safety requirements that shall be considered relate to operations on the farm. Risk relates to situations/areas where health and safety regulations are consistently violated to such a degree that puts the health and safety of farm workers at significant risk throughout farm establishment and management operations.

2.3.1. Applicable laws and regulations

- CLT (Consolidation of Labour Laws)
- Clause 41 of the CLT defines that all workers should be registered by the employer with the Ministry of Labour and Employment (MTE).
- Law No 5.889/73 - Rural Labour – full: https://www.planalto.gov.br/ccivil_03/leis/15889.htm

2.3.2. Legal authority

Ministry of Labour and Employment (MTE).

2.3.3. Legally required documents or records

- http://reporterbrasil.org.br/documentos/BRASILLIVREDETRABALHOINFANTIL_WEB.pdf see page 28, 4th paragraph
- <http://reporterbrasil.org.br/dados/trabalhoescravo/> interactive maps and graphics.

2.3.4. Sources of information

Non-Government sources

- http://reporterbrasil.org.br/documentos/BRASILLIVREDETRABALHOINFANTIL_WEB.pdf see page 28, 4th paragraph
- <http://reporterbrasil.org.br/dados/trabalhoescravo/> interactive maps and graphics
- Chains (Correntes), documentary about the slave labour that show a little bit of the non-compliance to the labour laws <http://reporterbrasil.org.br/documentarios-da-reporter-brasil/>
- <http://www.canalrural.com.br/noticias/agricultura/dificuldade-aplicacao-das-leis-trabalhistas- traz-inseguranca-para-produtores-trabalhadores-campo-8310>

2.3.5. Risk determination

Overview of legal requirements

Brazil has ratified the International Labour Organisation (ILO) Core Conventions and they are covered by the relevant national labour legislation. The main legal employment legislation is the CLT (Consolidation of Labour Laws), which covers all the different areas concerning legal employment. Although this legislation is considered comprehensive it is generally considered difficult to fully comply with. Also, see 2.1.5 for more information.

The main evidence of compliance is generally through the formal registry of the employee which is demonstrated when an employer is required to process and demonstrate payment of

taxes and other related employment duties. For rural work in Brazil, there is a complementary law that needs to be observed.

Brazil has a broad legal framework that addresses legal employment. Clause 41 of the CLT defines that all workers should be registered by the employer with the Ministry of Labour and Employment (MTE). The legislation also covers rules for the workday, paid down time/rest, restrictions on child labour, female labour rights, workers compensation, unionization, etc. The registration of the worker assures rights such as the Guarantee Fund for Time of Service (a cumulative amount that can be withdrawn when the employee is terminated, the contract expires or when he/she retires) and the support of the INSS (National Social Security Institute - for a pension after retirement or in cases such as sick leave, incapacity, or death, among other employment benefits). To make this structure feasible, the employer pays the government a monthly contribution proportional to the salary of the registered employee.

Description of Risk

There is a risk that the ILO Fundamental Conventions are not upheld.

There is no formal source of information indicating the status of ILO Fundamental Conventions in the agriculture sector in Brazil, neither some particular source of information for cattle. It is therefore important to consider a local evaluation of compliance with the ILO Fundamental Conventions.

As presented under section 2.1 of this report, the labour law in Brazil is poorly enforced and there is a lot of evidence of non-compliance of the ILO fundamental conventions, particularly those related to discrimination, women rights and minimum age. These situations are commonly associated with agriculture production in general in Brazil, including cattle producers.

Overall, rural workers in Brazil have a low level of education and are frequently unaware of his/her labour law rights.

In general, the labour laws are not well respected in the agriculture sector. This is corroborated by the index of "Rule of Law" of which Brazil placed 55.3 in 2014 (on a scale from 0 to 100 where 100 is good), instituted by the World Bank (www.govindicators.org).

Risk Conclusion

This indicator has been evaluated as Elevated risk. Identified laws are often ignored by cattle farm entities and the relevant inspections or control cannot achieve the entire sector.

2.3.6. Risk designation and specification

Elevated risk

2.3.7. Control measures and verifiers

Generic

- All workers are employed according to the regulation and required contracts are in place
- Persons involved in farm management activities shall be covered by obligatory insurances.
- Persons involved in farm management activities shall hold required certificates of competence for the function they carry out.
- At least the legally established minimum salaries shall be paid for personnel involved in farm management activities.
- Salaries shall be paid officially and declared by the employer according to requirements for personnel involved in farm management activities.
- Minimum age shall be observed for all personnel involved in farm management activities.

- Minimum age shall be observed for all personnel involved in hazardous work.
- Stakeholders shall confirm that forced or compulsory labour is not involved in farm management activities.

Country specific

- Implement 2.1.7 control measures and;
- Confirm the farmer has Policies and procedures confirming ILO Fundamental Conventions are upheld, for example, a policy against workplace discrimination

2.4. The rights of indigenous and traditional peoples are upheld

Legislation requirements addressing: i) customary rights relevant to farm activities including requirements covering sharing of benefits and indigenous rights ii) "free prior and informed consent" in connection with transfer of farm management rights and customary rights to the organisation in charge of the farm operation iii) Legislation that regulates the rights of indigenous/traditional people as far as it's related to farm activities. Possible aspects to consider are land tenure, right to use certain farm related resources or practice traditional activities, which may involve farm lands.) When there is no or inadequate legislation addressing the rights of traditional and indigenous peoples, their rights are still upheld by the relevant farm operation(s). Risk relates to the violation of indigenous and traditional peoples' rights including land tenure rights, resource access and use rights, a due process has been follow in cases of transference of rights, a recognised dispute conflict resolution process exists etc.

2.4.1. Applicable laws and regulations

- Constitution of the Federative Republic of Brazil - 1988 - Chapter I - Art. 5 (XXII - Land tenure); Chapter VIII (Indigenous peoples) - [link](#)
- Law No. 6.001/73 - Indigenous peoples Statute - [link](#)
- Decree No. 5.051/04 - Enacts Convention no. 169 of the International Labour Organization - ILO about indigenous and tribal people - [link](#)
- Decree No. 4.887/03 - Regulates the procedure for the identification, acknowledgment, delimitation, marking, deed preparation and register for the land occupied by the people remaining from the quilombola communities, pursuant Clause 68 of the Act of the Transitory Constitutional Provisions. - [link](#)
- Law No. 13.123 that regulates the access to genetic patrimony and the protection and access to traditional knowledge and benefit sharing for the conservation and sustainable use of biodiversity. - [link](#)
- Decree No. 5.051/04 - Enacts Convention no. 169 of the International Labour Organization - ILO about indigenous and tribal people - [link](#)
- Law No. 6.001/73 - Indigenous Peoples Statute - [link](#)

2.4.2. Legal authority

- FUNAI - National Indigenous People Foundation (Fundação Nacional do Índio)
- FCP - Palmares Cultural Foundation (Fundação Cultural Palmares)
- IPHAN - Institute of National Historic and Artistic Heritage (Instituto do Patrimônio Histórico e Artístico Nacional)
- INCRA - National Institute for Colonization and Farming Reform (Instituto Nacional de Colonização e Reforma Agrária) / Ministry of Agrarian Development – (Ministério do Desenvolvimento Agrário)

- Environmental Ministry (<http://www.mma.gov.br/>)
- CGEN - Managing Council for the Genetic Patrimony (<http://www.mma.gov.br/patrimonio-genetico/conselho-de-gestao-do-patrimonio-genetico>)

2.4.3. Legally required documents or records

- In cases of cattle ranches near Indian Reserves, Environmental License issued by IBAMA and endorsed by the legally competent agencies (FUNAI, FCP, IPHAN)

2.4.4. Sources of information

Government sources

- Fundação Palmares - http://www.palmares.gov.br/?page_id=95
- FUNAI - <http://www.funai.gov.br/index.php/indios-no-brasil/terras-indigenas>
- CGEN - Managing Council for the Genetic Patrimony (<http://www.mma.gov.br/patrimonio-genetico/conselho-de-gestao-do-patrimonio-genetico>)
- IBGE - Indigenous people - <http://indigenas.ibge.gov.br/mapas-indigenas-2>
- MMA - Ministry of the Environment - <http://www.mma.gov.br/desenvolvimento-rural/terras-ind%C3%ADgenas,-povos-e-comunidades-tradicionais>
- INCRA - Quilombolas - <http://www.incra.gov.br/estrutura-fundiaria/quilombolas>
- Palmares Cultural Foundation - http://www.palmares.gov.br/?page_id=88&estado=SP
- Portal of the Federal Government Legislation - <http://www4.planalto.gov.br/legislacao>
- Official website (Brazilian Forest Service) with the map of protected areas and the subdivision of indigenous lands and other areas that are used by local communities - <http://www.florestal.gov.br/snif/recursos-florestais/sistema-nacional-de-unidades-de-conservacao?print=1&tmpl=component>
- Quilombolas communities' official website - <http://mds.gov.br/assuntos/seguranca-alimentar/direito-a-alimentacao/povos-e-comunidades-tradicionais/comunidades-quilombolas>

Note that there are local communities with basic needs that are not located inside protected areas, but rather spread across the country. There is no map locating all of these communities and identification may be needed to be done through a local assessment.

Non-Government sources

- Socioambiental.org - <http://www.socioambiental.org>
- Pró-Índio Commission in São Paulo - <http://www.cpisp.org.br/>

The location of indigenous lands, protected areas and quilombolas communities can be found on the following websites:

- Indigenous lands in Brazil website (<http://ti.socioambiental.org/pt-br/#!/pt-br/terras-indigenas>)
- Official website (Brazilian Forest Service) with the map of protected areas and the subdivision of indigenous lands and other areas that are used by local communities (<http://www.florestal.gov.br/snif/recursos-florestais/sistema-nacional-de-unidades-de-conservacao?print=1&tmpl=component>).

- Quilombolas communities official website (<http://mds.gov.br/assuntos/seguranca-alimentar/direito-a-alimentacao/povos-e-comunidades-tradicionais/comunidades-quilombolas>)

2.3.5. Risk determination

Overview of legal requirements

Decree 6.040/07 defines Traditional People and Communities as: culturally differentiated groups that acknowledge themselves as such and maintain their own social organization, and which occupy and use territories and natural resources as a condition for their cultural, social, religious, ancestral economic reproduction, using knowledge, innovation and practices generated and transmitted by tradition.

The same decree also defines as Traditional Territories: the spaces necessary for the cultural, social and economic reproduction of the Traditional People and Communities, whether they are used in permanent or temporary form.

According to the Ministry of Environment, Brazilian traditional people and communities includes the following groups;

Indigenous people;

- Quilombolas (descendants of rebelled Afro-Brazilian slave communities);
- Seringueiros (latex collectors);
- Castanheiros (Brazilian nut collectors);
- Quebradeiras de coco-de-babaçu (Babaçu coconut breakers);
- Comunidades de Fundo de Pasto (Back pasture communities);

Prairie dwellers;

Artisan fishermen;

- Marisqueiras (shellfish collectors);
- Ribeirinhos (river side dwellers);
- Varjeiros (mangrove side dwellers);
- Caiçaras and Praieiros (sea shore dwellers);
- Sertanejos (farm dwellers);
- Jangadeiros (raft fishermen);

Gypsies;

- Açorianos (descendants of settlers from the Azores);
- Other backwoods and river community workers.

Note that indigenous people (commonly referred to as Indians in Brazil) are also included in the definition of traditional peoples.

The New Social Cartography Institute has already identified and mapped several traditional communities in Brazil, indicating that there are traditional communities spread over the entire national territory. The Palmares Foundation is a public institution under the Ministry of Culture that aims to promote and preserve the African-Brazilian culture. It has already identified and formally recognized more than 2,000 Quilombola communities in 23 Brazilian states.

FUNAI, the National Indian Foundation, is the Brazilian government body that establishes and carries out policies relating to indigenous peoples. It has mapped and demarcated 544

traditionally occupied indigenous territories around the country, and there are another 135 either under investigation to provide isolation and protection of the communities. Additionally, there are 51 indigenous reserves that have been established or in the process of being established. In total, there are more than 110-million hectares of indigenous land in Brazil which is approximately 13% of the total land area of Brazil.

In Brazil, indigenous people are defined as traditional peoples, but includes also Quilombolas, who receive the same legal rights as other local communities with customary rights.

Clause 231 of the *Federal Constitution* states that the land traditionally occupied by Indians is inalienable and is destined to their permanent possession, therefore they are exclusively entitled to use the resources found in the soil, rivers and lakes eventually existing in them.

Clause 68 of the Act of the Transitory Constitutional Provisions (ADCT) establishes in its text that "The people remaining from the Quilombo communities, which occupy their land will have the definitive ownership of such land acknowledged, and the State shall issue them the respective deeds."

Through such mechanisms, the right to the ownership of the land by the indigenous communities is acknowledged.

The Inter-ministerial administrative decree issued by the Environment Ministry under no. 419/11 states that, applying for an environmental license for activities in the vicinity of indigenous or Quilombola land, the applicant must inform IBAMA of this fact, thus IBAMA can carry out a formal consultation with the entities involved. This consultation also might be necessary component in the preparation of an EIA/RIMA (Environmental Impact Study and Report) which requires public consultation.

Also, there is a recently adopted piece of federal legislation that regulates the access to biodiversity and genetic resources and benefit sharing, which includes a clause on free prior and informed consent

Description of Risk

There is a risk that indigenous and traditional peoples' rights are not being upheld.

There are communities and indigenous peoples with customary or traditional rights across the majority of Brazil.

Despite legislation safeguarding indigenous and traditional peoples' rights existing and requiring commercial entities to consult indigenous and traditional communities prior to any development taking place this legislation is often not complied with by companies.

The disorganized process of 'Land Occupation' (not planned occupation or occupation without land tenure) that took place in Brazil, has added to the bureaucracy process of approving indigenous and Quilombola land. This has resulted in many traditional communities being "isolated" among large private areas and has often to lead to conflicts where these communities are fighting to have their traditional rights and territories respected based on general observations and corroborated by in-country expert review.

Furthermore, there are several explicit cases of disrespected of indigenous and traditional peoples' rights in Brazil, which is not isolated to one region. The UNDRIP provisions are frequently disrespected and there is not a good track record of dispute resolutions processes for these types of conflicts.

There are some cases concerning cattle producers in conflict with indigenous and other traditional peoples. The conflict mainly is centred on land tenure rights where cattle producers are claiming land tenure over areas that are claimed to be traditionally owned by the indigenous and/or traditional peoples. Furthermore, as these conflicts occur on a local setting, a local risk assessment would often be needed to demonstrate low risk of conflict with indigenous peoples and local communities with traditional rights.

Risk conclusion

Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

2.3.6. Risk designation and specification

Elevated risk

2.3.7. Control measures and verifiers

- Ensure 1.1.7 Land tenure control measures are implemented
- Review information on land tenure disputes and developments on indigenous and traditional peoples' land claims:
 - Identify potential conflicts – especially for medium to large enterprises. Ask the supplier for a map identifying the traditional communities close to its farms and/or cross reference the farm location with the location of indigenous lands and Quilombolas communities which can be found on the following websites:
 - Indigenous lands in Brazil [website](#)
 - Quilombolas communities' [official website](#)
 - Research documented conflicts by [Brazilian states](#)
 - Information on traditional communities can be found on the Ministry of Environment's [website](#)
 - Review a [recent report](#) (2015) of well-known conflicts by Brazilian states

Consult with neighbours, local communities, landowners and other stakeholders to find out if A) land tenure rights are clear and – where applicable – lease of the land has been agreed by all the landowners; and B) if there are any court orders or other legal decisions that mean that the company is not allowed to operate due to conflicts of land tenure.

THE ENVIRONMENT

3.1. Environment

National and sub national laws and regulations related to the identification and/or protection of environmental values including but not limited to those relating to water use, air and green-house gas emissions, chemical, fertilizer and pesticide use. Risk relates to systematic and/or large scale non-compliance with legally required environmental protection measures that are evident to an extent that threatens natural resources or other environmental values.

3.1.1. Applicable laws and regulations

Note: For this criterion, only compliance with Brazil's Forest Code was conducted. Future updated risk assessments will include other environmental factors relating to water use, air and green-house gas emissions, chemical, fertilizer and pesticide use.

- Complementary law No. 140/11 - Sets standards in terms of sections III, VI and VII of the caput and sole paragraph of art. 23 of the Federal Constitution, for cooperation between the Union, the states, the Federal District and the municipalities in administrative proceedings arising from the exercise of common responsibility for the protection of outstanding natural landscapes, to environmental protection, the fight against pollution in any of its forms and the preservation of forests, fauna and flora; and changes to Law 6.938 of August 31, 1981. - Chapter 3 regulates the cooperative actions and determine the responsibility for issue environmental licences. - [link](#)
- Law No. 6.938/81 - National Environmental Policy - [link](#)
- Lei No. 12651/12 - Forest Code - full - Art. 27 to 29 - [link](#)
- Decree No. 8.235/14 - Establishes additional general rules to Environmental Adjustment Programs of the states and the Federal District, dealt with in Decree 7830 of October 17th, 2012 establishing a Programme More Environment Brazil, and other matters - [link](#)
- Normative Instruction ICMBIO No. 06/09 - It provides for the process and procedures for investigating violations by administrative conduct and activities harmful to the environment. - Art. 39 and 76 - [link](#)

3.1.2. Legal authority

- Brazilian Institute of Environment and Renewable Natural Resources – (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis) - IBAMA / Environmental Ministry - Ministério do Meio Ambiente - MMA
- State or Local Environmental Agency – (Órgão Estadual de Meio Ambiente)

3.1.3. Legally required documents or records

- Rural Environment Registry - Cadastro Ambiental Rural - CAR
- Restoration of degraded areas projects - PRAD (if available)

3.1.4. Sources of Information

Government sources

- Legislation Portal of the Federal Government - <https://legislacao.planalto.gov.br/legisla/legislacao.nsf/fraWeb?OpenFrameSet&Frame=frmWeb2&Src=/legisla/legislacao.nsf%2FFrmConsultaWeb1%3FOpenForm%26AutoFramed>
- Rural Environment Registry - Cadastro Ambiental Rural - CAR - <http://car.gov.br/#/>

Non-Government sources

- Article published in Science on the level of compliance of the Forest Code in Brazil (http://lerf.eco.br/img/publicacoes/Soares_Filho_etal_2014_artigo_Science.pdf)
- Report of the Forest Code Observatory demonstrates the challenges for compliance of the Forest Code (http://www.observatorioflorestal.org.br/sites/default/files/relatorio_codigoflorestal_pt_web.pdf)

3.1.5. Risk determination

Overview of legal requirements

The only legal requirements linked to farm management in Brazil is the Forest Code which regulates environmental protection measures and establishes criteria for land use and conservation of native vegetation in rural properties. These measures are not related to the production activities but rather to farm zoning and environmental protection areas, e.g., buffer zones along water courses and the legal reserve - which is the minimum area per farm that needs to be maintained (and in for some rural properties the legal reserve needs to be restored) in its natural ecosystem state (percentage is set according to biome and for the Amazon Biome 80% of the farm area must be contained in a legal reserve).

The Forest Code Act 12.651/12 defines if and how farm management interventions may occur in forest areas and/or native vegetation areas of the farm property, i.e., if management and operational activities are permissible and/or where forest and/or natural ecosystems can be converted into farm land. It also defines areas that are in inconsistent with the established rules and required mechanisms and instruments for ensuring the property meets the rules: either through restoration, and either through compensation (e.g., Forest Reserve Credits (CRAs, Cotas de Reserva Ambiental) through legal reserve offsetting between rural properties, donation to the state or federal government of a privately-owned area within a protected area) or by other manners prescribed by law.

The main obligations established by the Forest Code are cattle farms need to 1st obtain CAR (Rural Environmental Registry - Cadastro Ambiental Rural) then ensure its Permanent Preservation Areas (APPs, Áreas de Preservação Permanente) are established (these are areas, covered or not by native vegetation, e.g., APPs are riparian zones, springs, hilltops, steep slopes) and its Legal Reserve (LRs) are established (the size of a Legal Reserve varies according to the biome in which the property is located, as well as its Ecological Economic Zoning (ZEE), if the property is located within the Amazon).

Deadlines for meeting APP and LRs commitments are defined by each Brazilian state and defined by the compliance mechanism called Term of Commitment. Cattle farms with compliance issues must develop a plan to restore degraded/altered areas and sign the Term of Environmental Commitment. Nevertheless, the ultimate deadline established by the national government for full compliance with the Forest Code is set for May 2032 (the maximum deadline of 20 years for the regularization of the rural property is defined in Item II of Article 66 of Law 12651/2012).

Risk description

There is a risk of non-compliance with the Forest Code by cattle farms in the Amazon demonstrated by evidence produced in many recent published reports (both scientific and Non-governmental (NGO) reports). Even though a large majority of rural properties including cattle farms have CAR registration as described under '1.1 Risk Evaluation' not all are registered. Also, CAR registration only represents part of the obligations of farmers in its Forest Code implementation. Farmers not in full compliance with its Forest Code obligations still need to ensure its establishes its APPs and LRs and fulfil its obligations of the Term of Commitment (which outlines the time line for compliance for APPs and LRs).

In addition, in Brazil each state has the autonomy to establish its own procedures for agriculture licenses, causing large differences in legal requirements across districts. There is a high frequency of changes in the dynamics of the regulatory state laws on the subject. All definitions and processes should be aligned with requirements of the National Environmental System - SISNAMA (Complementary law No. 140/11).

A number of cattle farms not fully compliant with the Forest Code can also be attributed to the lack of effective deployment of the Environmental Adjustments Program (PRA). The PRA is to ensure Forest Code implementation is aligned by the state laws and regulations; however, a number of significant state laws and regulations have not been subsequently established and/or implemented.

Risk conclusion

This indicator has been evaluated as Elevated risk as many farms are not compliant with the Forest Code.

3.1.6. Risk designation and specification

Elevated risk

3.1.7. Control measures and verifiers

- Verify the cattle farm has the following valid Forest Code documents:
 - A [CAR](#) - A Rural Environment Registry receipt / record (Protocolo / recibo do Cadastro Ambiental Rural)
 - A TCA – Term of Environmental Commitment Term (Termo de Compromisso Ambiental);
 - A PRAD (Restoration of degraded areas projects if required by the Brazilian Forest Code)
- Verify the farm has a valid CAR status by checking its CAR registration number in the Public Module of the Rural Environmental Registry System (SiCAR, Simistema Nacional de Cadastro Ambiental Rural): [www.http://car.gov.br/publico/imoveis/index](http://www.car.gov.br/publico/imoveis/index)
- Verify if PRAD (restored degraded areas), if required, is implemented according the Forest Code and TCA requirements. Obtain the shape file of the cattle farm property's boundaries and compare/overlay with mapping data from the following initiative that are using satellite time series images to detect the land change cover:
 - www.globalforestwatch.org
 - <http://www.obt.inpe.br/prodes/index.php> - PRODES/INPE (high resolution)
 - <http://www.obt.inpe.br/deter/index.html> - DETER/INPE (high resolution)
- Check that the Forest Code requirements and environmental controls are implemented in the field

3.2. Protected sites and species

International, national, and sub national treaties, laws, and regulations related to protected areas allowable forest uses and activities, and/or, rare, threatened, or endangered species, including their habitats and potential habitats. Risk relates to illegal farm establishment and/or management within protected sites. Note that protected areas may include protected cultural sites, including sites with historical monuments.

Context

Brazil is the most biologically diverse country in the world. It is second only to Indonesia in terms of species endemism. It contains two biodiversity hotspots (the Atlantic Forest and the Cerrado), six terrestrial biomes and three large marine ecosystems. It is estimated that Brazil hosts between 15-20% of the world's biological diversity, with the greatest number of endemic species on a global scale. Brazil's biodiversity is ever-expanding, with an average of 700 new animal species discovered each year.

Overall, there is little risk of farming activities threatening the status of protected sites and species if there has been no conversion of natural ecosystems to farmland. If conversion is common practiced by farms in the region, then the protection status of species and areas may be at risk. The risk for this criterion needs to be analysed in combination with CSR subcategory 3.3 High Conservation Values and Category 4 – Conversion.

3.2.1. Applicable laws and regulations

- Law No. 5,197/67- Provides for the protection of fauna and other matters. - [link](#)
- Ordinance No. 443/14 - MMA - National Official Species of Flora in Endangered - [link](#)
- Ordinance No. 444/14 - MMA -National Official Species of Endangered fauna - [link](#)
- Ordinance No. 445/14 - MMA -National Official Species of Endangered fauna - Fish and Aquatic Invertebrates - [link](#)
- Decree No. 3.607/00 - Provides for the implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora - CITES, among other matters. - [link](#)
- Law nº 9.985/00 – Founds the SNUC (III) - [link](#)

3.2.2. Legal authority

Brazilian Institute of Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis) - IBAMA / Environmental Ministry - Ministério do Meio Ambiente - MMA

State or Local Environmental Agency (Órgão Estadual de Meio Ambiente)

3.2.3. Legally required documents or records

- Rural Environment Registry - Cadastro Ambiental Rural - CAR
- Restoration of degraded areas projects - PRAD (if available)

3.2.4. Sources of Information

Government sources

- Official data of deforestation in the Amazon (INPE/Federal Government): <http://www.obt.inpe.br/prodesdigital/cadastro.php>
- ICMBIO - Threatened Species of the Fauna - <http://www.icmbio.gov.br/portal/biodiversidade/fauna-brasileira/lista-de-especies.html>
- Brazilian Forest Service - SNIF - National System of Forest Information - <http://www.florestal.gov.br/snif/recursos-florestais/especies-florestais>
- IBAMA - Threatened Species - <http://www.ibama.gov.br/documentos/o-que-e-especie-ameacada>

Non-Government sources

- Greenpeace - news - <http://www.greenpeace.org/brasil/pt/Noticias/Desmatamento-da-Amazonia-dispara-novamente/>

- IMAZON Amazon deforestation Bulletin - <http://amazon.org.br/boletim-do-desmatamento-da-amazonia-legal-novembro-de-2015-sad/>
- WWF-Brazil - <http://www.wwf.org.br/?46622>
- Centralized National Risk Assessment for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. Proforest February 2015

3.2.5. Risk determination

Overview of legal requirements

There are different types of federal and state conservation units in Brazil, protected under the SNUC (Sistema Nacional de Unidades de Conservação) Law (Law 9985/2000) – Article 22 and Decree 4340/2002 - Article 2. The following normative guidance also applies to conservation units (IN ICMBio No. 05, dated May 15, 2008 and IN ICMBio No. 03, of September 18, 2007). These conservation units are further subdivided into integral protection units ((where the level of protection level falls under the range of IUCN protected are categories I – III: Ecological Station (Estação Ecológica), Biological Reserve (Reserva Biológica), National Park (Parque Nacional), Natural Monument (Monumento Natural), Wildlife refuge (Refúgio de vida Silvestre)) and sustainable use units (where the level of protection range falls under IUCN categories- II to VI).

By mid-2010, 27.10% of the Brazilian Amazon biome was officially protected, as were 7.33% of the Caatinga; 8.43% of the Cerrado; 8.99% of the Atlantic Forest; 4.79% of the Pantanal; 3.50% of the Pampas. Given the state of governance of Brazil the level of effective official protection is variable across Brazil's biomes (Proforest, February 2015).

Brazil requires through the Forest Code (Law 12.651 / 12 Clauses 4, 5, and 6) a large number of areas to be protected as 'areas of permanent preservation' (APPs also see more on information in section 1.2.5 in this report). Due to the large volume and broad distribution of 'areas of permanent preservation', these protected areas are also the most vulnerable areas during the agriculture activities.

Clauses 12 to 25 of the Forest Code has requirements linked to "Legal Reserve Area" of any legal land holding in Brazil which may represent 20 to 80% of the land (20% in South region, 50% in the Cerrado region and 80% in the Amazon region) that should maintained the land's native vegetation.

Besides these protected areas under the Forest Code, Brazil has over 300 protected areas that can be classified as fully protected or for sustainable use (Law 9985/00, Clause 7). Sustainable forest management is permissible in these areas but agricultural including cattle production is not.

Description of risk

There is a risk that natural forests/ecosystems are converted (cleared) to make way for cattle farms (also see report section's 1.2, 3.1 and 4.1 for more details on natural forest conversion for cattle farm establishment). This can have a significant negative impact on protected sites and species.

Additionally, externalities from the cattle production system can impact the protection areas inside the farms by driftage of agrochemicals, water contamination, impairment of animal connectivity, soil erosion etc. However, the main risk of fauna and flora endangered and threatened species is in the conversion of the natural vegetation mainly within the farm boundaries but in some cases outside as well.

Risk conclusion

Because there is a high level of non-conformance and ineffective governmental mechanisms to monitor compliance against the protection measures required under the Forest Code for this

CSR sub-category it is concluded as Elevated risk. Also, given the state of governance of Brazil the level of effective official protection is variable across Brazil's biomes (Proforest, February 2015) and thus there is an Elevated risk of cattle farms threatened the protection of species and/or these areas.

3.2.6. Risk designation and specification

Elevated risk

3.2.7. Control measures and verifiers

- Verify the cattle farm has the following valid Forest Code documents:
 - A [CAR](#) - A Rural Environment Registry receipt / record (Protocolo / recibo do Cadastro Ambiental Rural)
 - A TCA – Term of Environmental Commitment Term (Termo de Compromisso Ambiental);
 - A PRAD (Restoration of degraded areas projects if required by the Brazilian Forest Code)
- Verify the farm has a valid CAR status by checking its CAR registration number in the Public Module of the Rural Environmental Registry System (SiCAR, Simistema Nacional de Cadastro Ambiental Rural): [www.http://car.gov.br/publico/imoveis/index](http://car.gov.br/publico/imoveis/index)
- Confirm location of the cattle farm is not located in [a protected area](#)
- Check if a farm has been [apprehended \(black listed\)](#) by the federal government for illegally converted natural forests and ecosystems
- Assess the risk of deforestation and PRAD (restored degraded areas) compliance using satellite time series images to detect the land change cover within the cattle farm boundaries, some sources include:
 - [Global Forest Watch maps](#)
 - [PRODES/INPE \(high resolution\)](#)
 - [DETER/INPE \(high resolution\)](#)
- Conduct on-site verification to:
 - Check that the Forest Code requirements and environmental controls are implemented in the field
 - Confirm management plans for protected sites, species and High Conservations Values are implemented and monitored.
 - Maps/remote sensing images for deforestation assessed reflect reality
 - Verify the supplier has documentation or a copy of a management plan that ensures required legally protected areas and species are safeguarded in accordance with the law.
 - ICMBIO - [Fauna Species](#)
 - Brazilian Forest Service - [SNIF](#) - National System of Forest Information on threatened specie
 - List of Endangered Species: [Flora](#) and [Terrestrial Fauna](#)

3.3. High Conservation Values (HCV)

International, national, and sub national treaties, laws, and regulations related to protected areas allowable forest uses and activities, and/or, rare, threatened, or endangered species, including their habitats and potential habitats. Risk relates to illegal farm establishment and/or management within protected sites. Note that protected areas may include protected cultural sites, including sites with historical monuments.

Context

Brazil is the most biologically diverse country in the world. It is second only to Indonesia in terms of species endemism. It contains two biodiversity hotspots (the Atlantic Forest and the Cerrado), six terrestrial biomes and three large marine ecosystems. It is estimated that Brazil hosts between 15-20% of the world's biological diversity, with the greatest number of endemic species on a global scale. Brazil's biodiversity is ever-expanding, with an average of 700 new animal species discovered each year.

Represented by more than 200 indigenous peoples and 170 languages, Brazil is megadiverse from a cultural perspective as well. This large number of local communities and villages possesses considerable knowledge on flora and fauna species, including on the traditional management systems for these natural resources. The contribution of these communities is therefore fundamental for the conservation and sustainable use of the country's genetic and biological resources.

In 1992 Brazil signed the Convention on Biological Diversity (CBD). To comply with the requirements of the CBD, Brazil has developed a National Policy on Biological Diversity and actions proposed by this national policy are being implemented by the National Programme on Biological Diversity (PRONABIO). PROBIO (part of the Ministério do Meio Ambiente (MMA)) identified Brazil's six biomes as conservation priority areas: Amazonia, Caatinga, Cerrado, Pantanal, Mata Atlantica and Pampas.

There are different types of federal and state conservation units in Brazil, protected under the SNUC (Sistema Nacional de Unidades de Conservação) Law (Law 9985/2000) – Article 22 and Decree 4340/2002 - Article 2. The following normative guidance also applies to conservation units (IN ICMBio No. 05, dated May 15, 2008 and IN ICMBio No. 03, of September 18, 2007). These conservation units are further subdivided into integral protection units ((where the level of protection level falls under the range of IUCN protected area categories I – III: Ecological Station (Estação Ecológica), Biological Reserve (Reserva Biológica), National Park (Parque Nacional), Natural Monument (Monumento Natural), Wildlife refuge (Refúgio de vida Silvestre)) and sustainable use units (where the level of protection range falls under IUCN categories- II to VI).

By mid-2010, 27.10% of the Brazilian Amazon biome was officially protected, as were 7.33% of the Caatinga; 8.43% of the Cerrado; 8.99% of the Atlantic Forest; 4.79% of the Pantanal; 3.50% of the Pampas. Given the state of governance of Brazil the level of effective official protection is variable across Brazil's biomes (Proforest, February 2015).

Information Sources:

- <https://www.cbd.int/countries/profile/default.shtml?country=br>
- Centralized National Risk Assessment for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. February 2015

3.3.1. Species Diversity – HCV 1

Concentrations of biological diversity including endemic species, and rare, threatened or endangered species that are significant at global, regional or national levels. HCV 1 sub-categories also consider:

- a) *Areas that contain species that are listed as rare, threatened or endangered by IUCN and or Official National and/or regional lists;*

- b) Centres of endemism where concentrations of endemic species occur;
- c) Areas that contain species that are listed as depleted or poorly reserved at national or regional scale;
- d) Areas with mapped significant seasonal concentrations of species (e.g. migratory staging areas);
- e) Areas of high species/communities diversity
- f) Areas that are identified in the literature as refugia.

3.3.1.1. HCV Occurrence

HCV 1 occurs in most parts of the country, and it includes the biological concentration of endemic, rare, threatened and endangered species that are significant at regional and national levels. Proxy HCV1 areas for sourcing timber products in Brazil was also used see Figure 6 (Proforest, February 2015) to detect possible HCV 1 occurrence where cattle farms may be in located or in close proximity.

The assessment of HCV 1 occurrence at the local level can be conducted through the official lists of endangered species and the official map of priorities areas for conservation, both of which are available by the Brazilian Federal government.

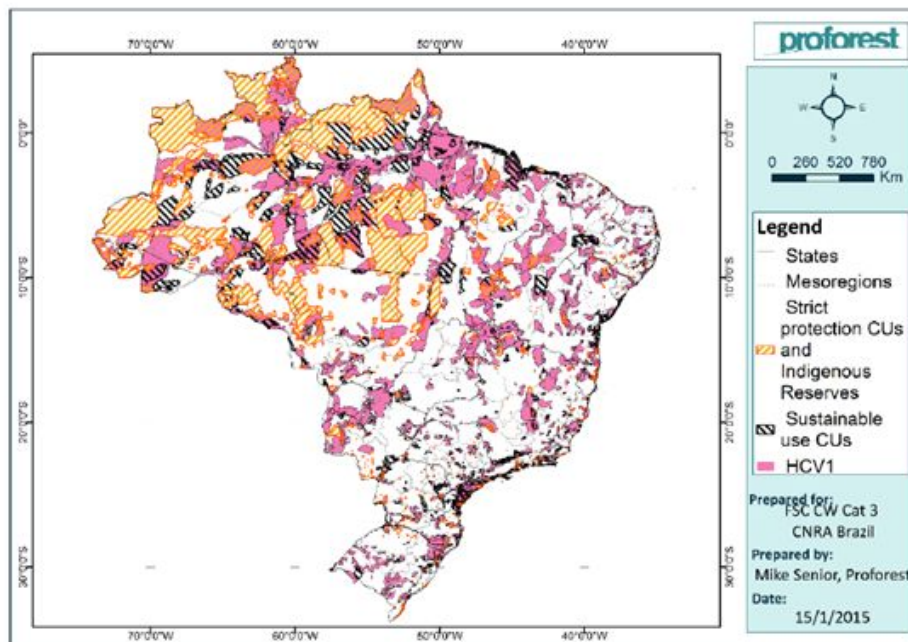


Figure 6: Location of potential HCV1 areas overlaid with existing protected areas in the mesoregions of Brazil.

3.3.1.2. Sources of information

Government sources

- Official Map of "Priority Areas for Conservation, Sustainable Use and Benefit Sharing of Brazilian Biodiversity. (<http://www.mma.gov.br/biodiversidade/biodiversidade-brasileira/%C3%A1reas-priorit%C3%A1rias/item/489>)
- Official List of Endangered Species: Flora (<http://pesquisa.in.gov.br/imprensa/jsp/visualiza/index.jsp?data=18/12/2014&jornal=1&pagina=110&totalArquivos=144>)

- Terrestrial Fauna: (http://www.icmbio.gov.br/portal/images/stories/biodiversidade/fauna-brasileira/avaliacao-do-risco/PORTARIA_N%C2%BA_444_DE_17_DE_DEZEMBRO_DE_2014.pdf)
- Aquatic fauna: (http://www.icmbio.gov.br/portal/images/stories/biodiversidade/fauna-brasileira/avaliacao-do-risco/PORTARIA_N%C2%BA_444_DE_17_DE_DEZEMBRO_DE_2014.pdf)

Non-Government sources

- Centralized National Risk Assessment for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. February 2015

3.3.1.3. Risk determination

Description of risk

There is a risk of cattle farms threatening HCV 1 values. The protection of HCV1 attributes is mainly managed in Brazil through a mosaic of public land protected areas established by federal and state governments; however, it is not uncommon to observe cattle ranching present, illegally, within indigenous lands and protected areas. Moreover, natural ecosystems are also present in privately owned farms, and the conversion of HCV1 values does occur within cattle farms.

In general, any conversion of natural ecosystem for agricultural commodity production presents threats to HCV1 values. Despite, Brazil being a signatory to the Convention of Biological Diversity (CBD), a certain level of conversion is legally allowed (see Category 4) and is commonly used by farmers in Brazil as a way to expand their farm production areas and overall the level of official protection of HCV 1 values in the Amazon cattle farm regions is insufficient.

Risk conclusion

Elevated risk as HCV 1 is identified in the area under assessment and it is threatened by cattle farm establishment and management activities and due to the lack of overall insufficient legal protection.

3.3.1.4. Risk designation and specification

Elevated risk

3.3.1.5. Control measures and verifiers

- Confirm the farm has the following in place:
 - Biodiversity surveys and High Conservation Value (HCV) assessments
 - Conversation/High Conservation Value (HCV) management plans
 - Historical remote sensing imagery evidence to confirm no conversion of primary forest, peatlands and HCVs post 2008.
- Check if a farm has been [apprehended \(black listed\)](#) by the federal government for illegally converted natural forests and ecosystems
- Assess the risk of deforestation and PRAD (restored degraded areas) compliance using satellite time series images to detect the land change cover within the cattle farm boundaries, some sources include:
 - [Global Forest Watch maps](#)
 - [PRODES/INPE \(high resolution\)](#)
 - [DETER/INPE \(high resolution\)](#)

- Confirm location of the farm is not located in [a protected area](#) or threatening High Conservation Values.
- If buying from JBS, Marfrig and Minerva verify the companies' compliance against their zero Amazon deforestation October 2009 commitment. Review the companies' progress reports here and corroborate results with a Brazilian stakeholders like [WWF](#), [Greenpeace Brazil](#), [National Wildlife Federation \(NWF\)](#)
- Conduct on-site verification to:
 - Check that the Forest Code requirements and environmental controls are implemented in the field
 - Confirm management plans for protected sites, species and High Conservations Values are implemented and monitored.
 - Maps/remote sensing images for deforestation assessed reflect reality
 - Verify the supplier has documentation or a copy of a management plan that ensures required legally protected areas and species are safeguarded in accordance with the law.
 - ICMBIO - [Fauna Species](#)
 - Brazilian Forest Service - [SNIF](#) - National System of Forest Information on threatened species
 - List of Endangered Species: [Flora](#) and [Terrestrial Fauna](#)

3.3.2. Landscape-level ecosystems and mosaics – HCV 2

Large landscape-level ecosystems and ecosystem mosaics that are significant at global, regional or national levels, and that contain viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance. Sub-categories:

- a) *Intact Forest Landscapes (IFL map uses the most recent coverage)*
- b) *Landscape-scale natural forests that have experienced lesser levels of past human disturbance (e.g., minimal timber harvesting) or other management (e.g. fire suppression), or areas within such forests.*
- c) *Forests recognised as being regionally significant at the bioregion or larger scale by conservation organisations (in formally recognised reports or peer reviewed journals) due to the unusual landscape-scale biodiversity values provided by size and condition of the forest relative to regional forest land cover and land use trends.*
- d) *Forests that provide regionally significant habitat connectivity between larger forest areas or between refugia and mosaics.*
- e) *Significant Roadless areas.*
- f) *Significant Forests that haven't been affected by forest management activities.*

3.3.2.1. HCV Occurrence

HCV 2 occurs in the Amazon region, including in the agriculture expansion frontier. There are HCV2 in regions where cattle are currently being produced and where there are plans for it to be produced in the future.

Proxy HCV2 areas for sourcing timber products in Brazil was also used see Figure 8 (Proforest, February 2015) to detect possible HCV 2 occurrence where cattle farms may be located or in close proximity.

HCV 2 occurs in the Amazon region, including in the agriculture expansion frontier. There are HCV2 in regions where cattle are currently being produced and where there are plans for it to be produced in the future. Also, see extracted Figure 8 (Proforest, February 2015) under the Map tab.

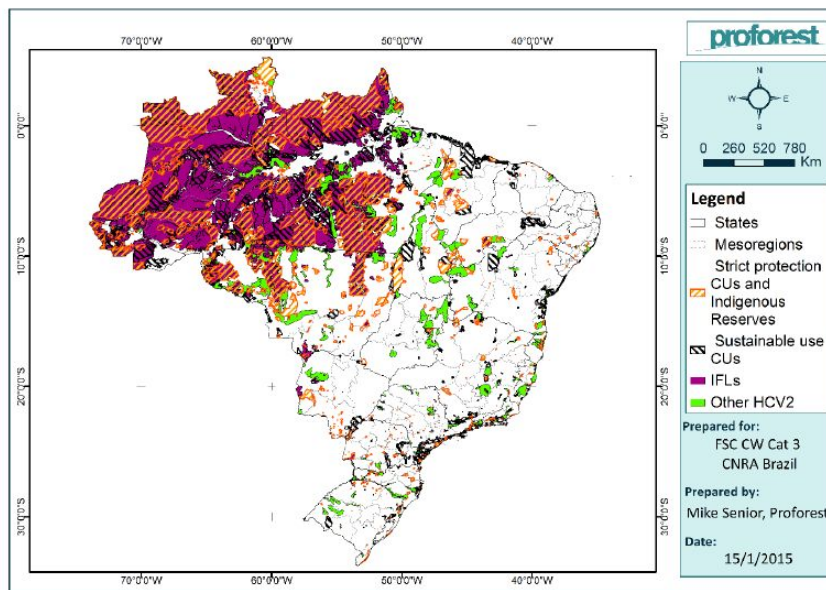


Figure 8: Location of potential HCV2 areas overlaid with existing protected areas in the mesoregions of Brazil.

3.3.2.2. Sources of information

Non-Government sources

- <http://www.intactforests.org/world.map.html>, www.globalforestwatch.org
- Centralized National Risk Assessment for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. February 2015

3.3.2.3. Risk determination

There is a risk of cattle farms threatening HCV 2 values. The conversion of natural forests represents a threat to HCV2, particularly where HCV2 are not or insufficiently protected particularly those cattle farms and expansion occurring outside the bounds of the Cattle Moratorium. As IFLs and other HCV 2 values in the Amazon are located outside protected areas and therefore are threatened by the expansion of cattle production.

3.3.2.4. Risk designation and specification

Elevated risk

3.3.2.5. Control measures and verifiers

- Confirm the farm has the following in place:
 - High Conservation Value (HCV) assessment
 - High Conservation Value (HCV) management plans
 - Historical remote sensing imagery evidence to confirm no conversion of primary forest, peatlands and HCVs post 2008.
- Check if a farm has been [apprehended \(black listed\)](#) by the federal government for illegally converted natural forests and ecosystems

- Assess the risk of deforestation and PRAD (restored degraded areas) compliance using satellite time series images to detect the land change cover within the cattle farm boundaries, some sources include:
 - [Global Forest Watch maps](#)
 - [PRODES/INPE \(high resolution\)](#)
 - [DETER/INPE \(high resolution\)](#)
- Confirm location of the farm is not located in area where it is High Conservation Values.
- If buying from JBS, Marfrig and Minerva verify the companies' compliance against their zero Amazon deforestation October 2009 commitment. Review the companies' progress reports here and corroborate results with a Brazilian stakeholders like [WWF](#), [Greenpeace Brazil](#), [National Wildlife Federation \(NWF\)](#)
- Conduct on-site verification to:
 - Check that the Forest Code requirements and environmental controls are implemented in the field
 - Confirm management plans for High Conservations Values are implemented and monitored.
 - Maps/remote sensing images for deforestation assessed reflect reality

3.3.3. Ecosystems and habitats – HCV 3

Rare, threatened, or endangered ecosystems, habitats or refugia. Sub categories:

- a) Existing forests in forest landscapes where these ecotypes are rare;
- b) Areas of important genes or genetically distinct populations;
- c) Ecosystems that are depleted or poorly reserved at the regional or national scale;
- d) Old growth forests, outside of forest biomes where the concept is redundant;
- e) Remnant natural forest vegetation in heavily cleared landscapes.

3.3.3.1. HCV Occurrence

HCV3 occurs in most parts of the country, and it includes rare, threatened and endangered ecosystems and habitats. Proxy HCV3 areas for sourcing timber products in Brazil was also used see Figure 10 (Proforest, February 2015) to detect possible HCV 3 occurrence where cattle farms may be in located or in close proximity.

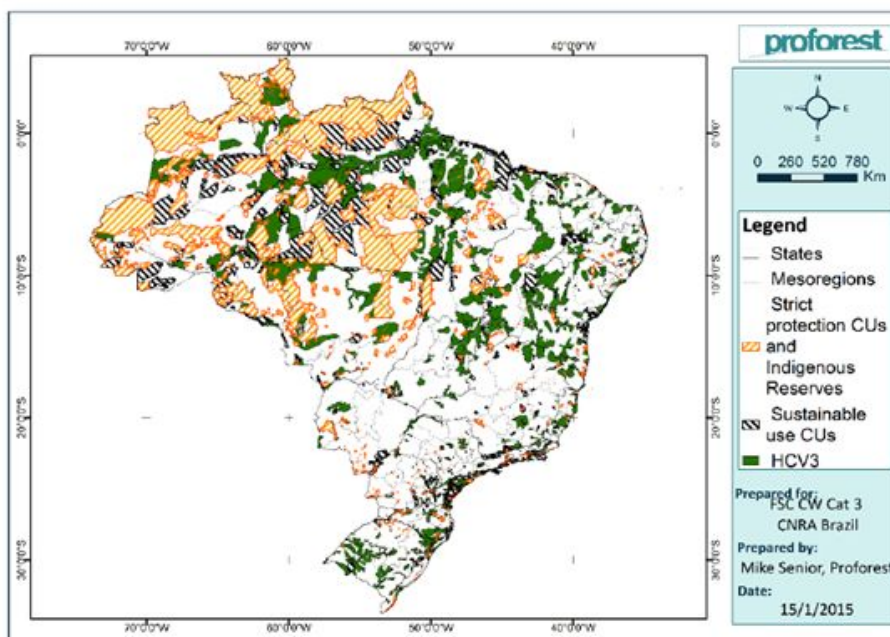


Figure 10: Location of potential HCV3 areas overlaid with existing protected areas in the mesoregions of Brazil.

3.3.3.2. Sources of information

Government sources

- Official Map of "Priority Areas for Conservation, Sustainable Use and Benefit Sharing of Brazilian Biodiversity. (<http://www.mma.gov.br/biodiversidade/biodiversidade-brasileira/%C3%A1reas-priorit%C3%A1rias/item/489>)

Non-Government sources

- <https://www.cbd.int/countries/profile/default.shtml?country=br>
- Centralized National Risk Assessment for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. February 2015

3.3.3.3. Risk determination

There is a risk of cattle farms threatening HCV 3 values. The protection of HCV3 attributes is mainly managed in Brazil through a mosaic of public land protected areas established by federal and state governments; however, it is not uncommon to observe cattle ranching present, illegally, within indigenous lands and protected areas. Moreover, natural ecosystems are also present in privately owned farms, and the conversion of HCV3 values does occur within cattle farms.

In general, any conversion of natural ecosystem for agricultural commodity production presents threats to HCV3 values. Despite, Brazil being a signatory to the Convention of Biological Diversity (CBD), a certain level of conversion (see Category 4) is legally allowed and is commonly used by farmers in Brazil as a way to expand their farm production areas.

Moreover, the FSC Centralized Risk Assessment HCV analysis for Brazil conducted by Proforest (February 2015) Figure 10 (see above map) identified that there is a threat of converting HCV3 values within cattle farms that may affect the overall status HCV3 values in this biome.

3.3.3.4. Risk designation and specification

Elevated risk

3.3.3.5. Control measures and verifiers

- Confirm the farm has the following in place:
 - Biodiversity surveys and High Conservation Value (HCV) assessments
 - Conversation/High Conservation Value (HCV) management plans
 - Historical remote sensing imagery evidence to confirm no conversion of primary forest, peatlands and HCVs post 2008.
- Check if a farm has been [apprehended \(black listed\)](#) by the federal government for illegally converted natural forests and ecosystems
- Assess the risk of deforestation and PRAD (restored degraded areas) compliance using satellite time series images to detect the land change cover within the cattle farm boundaries, some sources include:
 - [Global Forest Watch maps](#)
 - [PRODES/INPE \(high resolution\)](#)
 - [DETER/INPE \(high resolution\)](#)
- Confirm location of the farm is not located in [a protected area](#) or threatening High Conservation Values.
- If buying from JBS, Marfrig and Minerva verify the companies' compliance against their zero Amazon deforestation October 2009 commitment. Review the companies' progress reports here and corroborate results with a Brazilian stakeholders like [WWF](#), [Greenpeace Brazil](#), [National Wildlife Federation \(NWF\)](#)
- Conduct on-site verification to:
 - Check that the Forest Code requirements and environmental controls are implemented in the field
 - Confirm management plans for protected sites, species and High Conservations Values are implemented and monitored.
 - Maps/remote sensing images for deforestation assessed reflect reality

3.3.4. Critical ecosystem services – HCV 4

Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes. Sub-categories:

- a) *protection from flooding;*
- b) *protection from erosion;*
- c) *barriers from destructive fire;*
- d) *clean water catchments*

3.3.4.1. HCV Occurrence

HCV4 is widely represent across the country. The protection of water catchments and control of vulnerable slopes erosion is regulated under the major national environmental law, the Forest Code (2012); which defines buffer zones around watershed and water catchments areas and identifies where native forest cover must be maintained e.g., also in areas with steep slopes.

Proxy HCV4 areas for sourcing timber products in Brazil was also used see Figure 13 - Areas at risk from soil erosion (Proforest, February 2015); Figure 18 - Proxy areas for protection of water quality and flood protection (Proforest, February 2015) to detect possible HCV 4 occurrence where cattle farms may be in located or in close proximity.

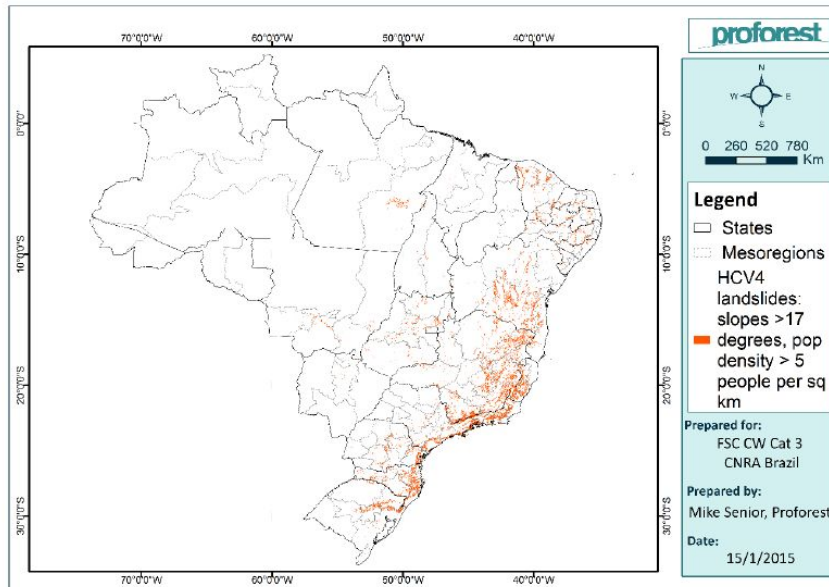


Figure 13: Areas at potential risk from soil erosion in Brazil.

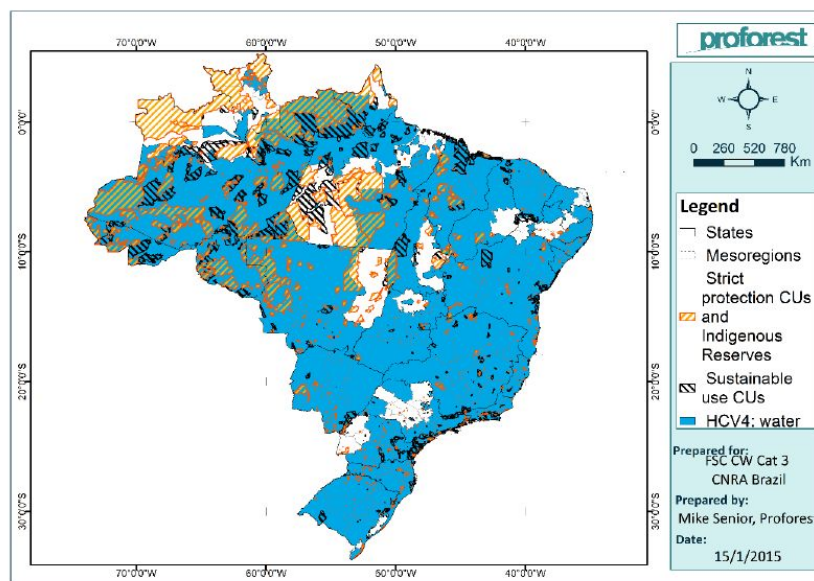


Figure 18. HCV 4 proxy areas for protection of water quality and flood prevention, overlaid with strict protection and sustainable use Conservation Units.

3.3.4.2. Sources of information

Government sources

- Brazilian Forest Code (https://www.planalto.gov.br/ccivil_03/ato2011-2014/2012/lei/L12651compilado.htm)

Non-Government sources

- http://lerf.eco.br/img/publicacoes/Soares_Filho_etal_2014_artigo_Science.pdf
- Centralized National Risk Assessment for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. February 2015

3.3.4.3. Risk determination

There is a risk of cattle farms threatening HCV 4 values. Forest Code legislation is poorly implemented and enforced on-the-ground across the country; this is particularly salient within in commodities production farms like cattle (also see assessment for 1.1, 1.2 and 3.1).

The risk HCV 4 values threatened by cattle production activities is elevated for the Amazon biome. A recent a Science publication indicated how much of the Forest Code is complied with in Brazil; it showed that most of the native vegetation that should exist within buffer zones around water catchments and other watershed streams is non-existent. These areas often overlap with commodity agricultural production such as cattle farming and thus it can be concluded there is an elevated risk of cattle farm establishment and production as potential threats to HCV 4 values.

3.3.4.4. Risk designation and specification

Elevated risk

3.3.4.5. Control measures and verifiers

- Implement control measures from indicator 3.1
- Confirm the farm has the following in place:
 - High Conservation Value (HCV) assessment
 - High Conservation Value (HCV) management plans
 - Historical remote sensing imagery evidence to confirm no conversion of primary forest, peatlands and HCVs post 2008.
- Check if a farm has been [apprehended \(black listed\)](#) by the federal government for illegally converted natural forests and ecosystems
- Assess the risk of deforestation and PRAD (restored degraded areas) compliance using satellite time series images to detect the land change cover within the cattle farm boundaries, some sources include:
 - [Global Forest Watch maps](#)
 - [PRODES/INPE \(high resolution\)](#)
 - [DETER/INPE \(high resolution\)](#)
- Conduct on-site verification to:
 - Check that the Forest Code requirements and environmental controls are implemented in the field
 - Confirm management plans for protected sites, species and High Conservations Values are implemented and monitored.
 - Maps/remote sensing images for deforestation assessed reflect reality

3.3.5. Community needs – HCV 5

Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (e. g.: for livelihoods, health, nutrition, water, etc.), identified through engagement with these communities or indigenous peoples. Sub-categories:

- a) Unique/main sources of water for drinking and other daily uses;
- b) Unique/main sources of water for the irrigation of food crops;
- c) Food, medicines or fuel etc. for local consumption.

3.3.5.1. HCV Occurrence

There are communities and indigenous peoples with customary or traditional rights across the majority of Brazil, and natural forest/ecosystems are of fundamental importance in satisfying their basic livelihood needs. Therefore, a potential occurrence of HCV5 values exist across all Brazil's regions. Proxy HCV5 areas for sourcing timber products in Brazil was also used see Figure 21 (Proforest, February 2015) to detect possible HCV 5 occurrence where cattle farms may be in located or in close proximity.

Indigenous peoples, local communities nationally defined as traditional people and Quilombolas communities are included in the HCV5 definition. There are approximately 0.5 million indigenous people in Brazil living in 593 recognized territories. These territories are legally protected and titled to the communities as Terra Indigena (CF / 88, Law 6001/73 - Indian Statute, Decree n. 1775 / 96). Also, see Category 2.4 analysis for more details on traditional peoples.

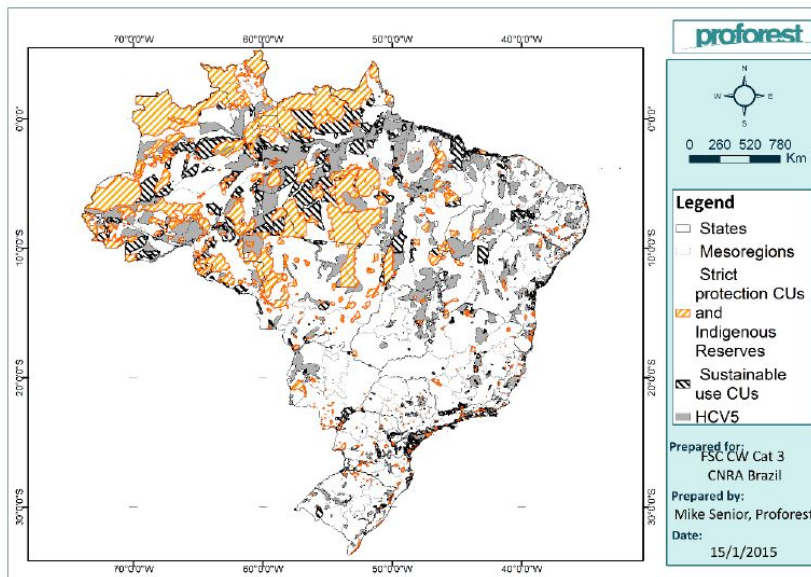


Figure 21. Location of potential HCV5 areas (inc Quilombola communities from 2011) overlaid with existing protected areas in the mesoregions of Brazil.

3.3.5.2. Sources of information

Government sources

- Official website (Brazilian Forest Service) with the map of protected areas and the subdivision of indigenous lands and other areas that are used by local communities (<http://www.florestal.gov.br/snif/recursos-florestais/sistema-nacional-de-unidades-de-conservacao?print=1&tmpl=component>).

- Quilombolas communities official website (<http://mds.gov.br/assuntos/seguranca-alimentar/direito-a-alimentacao/povos-e-comunidades-tradicionais/comunidades-quilombolas>)
- CPT website (<http://www.cptnacional.org.br/index.php>)

Non-Government sources

- Indigenous lands in Brazil website (<http://ti.socioambiental.org/pt-br/#!/pt-br/terras-indigenas>)
- Centralized National Risk Assessment for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. February 2015
- Conflicts by Brazilian states. <http://www.cptnacional.org.br/index.php/component/jdownloads/send/41-conflitos-no-campo-brasil-publicacao/14019-conflitos-no-campo-brasil-2015>

3.3.5.3. Risk determination

There is a risk of cattle farms threatening HCV 5 values. There are multiple cases of conflicts between cattle producers and local communities and indigenous peoples in the country. HCV5 in Brazil need to be identified through a local assessment process that includes consultation with local stakeholders.

Farm properties that can demonstrate land tenure documents that are legally recognized, along with the CAR (rural environmental registry), as established in the Forest Code, are less likely to have any conflict with local communities, but a final decision is still dependent on a local assessment process.

Also, see Category 2.4 for more information on traditional and indigenous rights and potential conflicts with cattle farms.

3.3.5.4. Risk designation and specification

Elevated risk

3.3.5.5. Control measures and verifiers

Control Measures:

- Implement control measures from indicators 1.1 and 2.4
- Confirm the farm has the following in place:
 - High Conservation Value (HCV) assessment
 - High Conservation Value (HCV) management plans

Conduct on-site verification to confirm management plans for High Conservations Values are implemented and monitored.

3.3.5. Cultural values – HCV 6

Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples. Sub-categories:

- Aesthetic values;*
- Historic values;*
- Scientific values;*
- Social (including economic) values;*

3.3.6.1. HCV Occurrence

HCV6 values occur across the majority of the Brazilian territory and its identification requires a local assessment process that includes consultation with local stakeholders. Proxy HCV6 areas for sourcing timber products in Brazil was also used see Figure 23 (Proforest, February 2015) to detect possible HCV 6 occurrence where cattle farms may be in located or in close proximity.

HCV 6 values that are critical cultural value to local, indigenous and traditional communities occur across most of Brazil. It assumed that many HCV 6 values that are critical cultural indigenous communities are generally well protected within Indigenous lands (Terras Indígenas).

In Brazil, indigenous people are defined as traditional peoples, but includes also Quilombolas, who receive the same legal rights as other local communities with customary rights. (Also see Category 2.4 for more details)

Clause 231 of the Federal Constitution states that the land traditionally occupied by Indians is inalienable and is destined to their permanent possession, therefore they are exclusively entitled to use the resources found in the soil, rivers and lakes eventually existing in them.

Clause 68 of the Act of the Transitory Constitutional Provisions (ADCT) establishes in its text that "The people remaining from the Quilombo communities, which occupy their land will have the definitive ownership of such land acknowledged, and the State shall issue them the respective deeds."

Through such mechanisms, the right to the ownership of the land by the indigenous communities is acknowledged.

Cultural or archaeological sites of national or global significance may also be protected as Natural Monuments (Monumento Natural) or in Private Natural Heritage Reserves (Reserva Particular do Patrimônio Natural).

Furthermore, historical and cultural values of national or global significance in Brazil is overseen by the Brazilian Institute of National and Artistic Heritage (IPHAN). IPHAN is responsible for the protection of sites and artefacts of cultural and historic value. They have identified approximately 19,000 archaeological sites that are officially protected for scientific or environmental reasons. These sites are defined and protected by Law No. 3.924 / 61, are considered assets of the Union. IPHAN is also the national body responsible for maintaining Brazil's seven world heritage sites:

- The Atlantic Forest South-East Reserves,
- The Brazilian Atlantic Islands,
- The Central Amazon Conservation Complex,
- The Cerrado Protected Areas (Chapada dos Veadeiros and Emas National Park),
- The Discovery Coast Atlantic Forest Reserves,
- Iguaçu National Park, and
- The Pantanal Conservation Area.

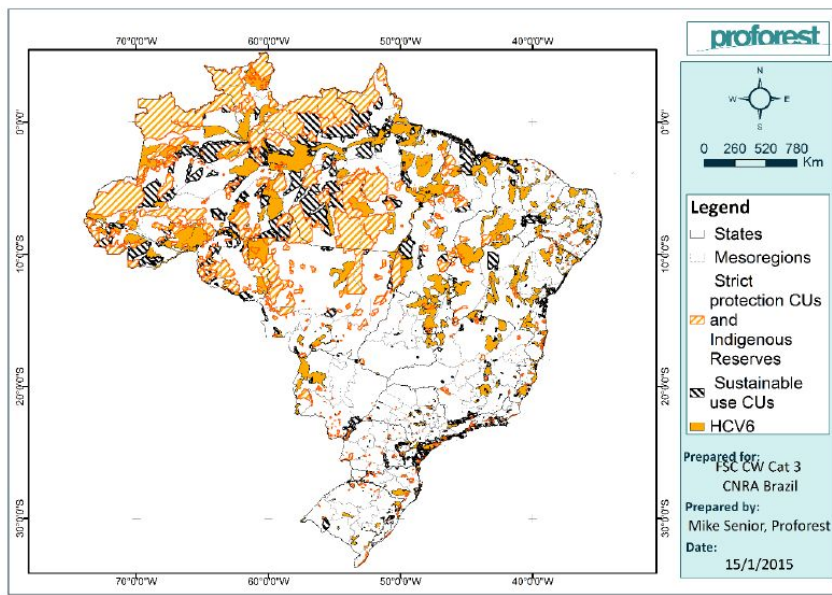


Figure 23. Location of potential HCV6 areas (inc Quilombola communities from 2011) overlaid with existing protected areas in the mesoregions of Brazil.

3.3.6.2. Sources of information

Government sources

- Official website (Brazilian Forest Service) with the map of protected areas and the subdivision of indigenous lands and other areas that are used by local communities (<http://www.florestal.gov.br/snif/recursos-florestais/sistema-nacional-de-unidades-de-conservacao?print=1&tmpl=component>).
- Quilombolas communities official website (<http://mds.gov.br/assuntos/seguranca-alimentar/direito-a-alimentacao/povos-e-comunidades-tradicionais/comunidades-quilombolas>)
- IPHAM (<http://portal.iphan.gov.br/>).
- CPT website (<http://www.cptnacional.org.br/index.php>)

Non-Government sources

- Indigenous lands in Brazil website (<http://ti.socioambiental.org/pt-br/#!/pt-br/terras-indigenas>)
- Centralized National Risk Assessment for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. February 2015
- Conflicts by Brazilian states. <http://www.cptnacional.org.br/index.php/component/jdownloads/send/41-conflitos-no-campo-brasil-publicacao/14019-conflitos-no-campo-brasil-2015>

3.3.6.3. Risk determination

There is a risk of cattle farms threatening HCV 6 values. All of Brazil's World Heritage sites are conserved to some extent within existing Brazilian Conservation Units, and thus were not included as a proxy for HCV6 within the Centralized National Risk Assessment (CNRA) for Category 3 of FSC Controlled Wood Risk to High Conservation Values in Brazil Finalised Report. (February 2015) Thus based on the same rational as they are sufficiently conserved within

Brazilian Conservation Units they are considered low risk of threat from cattle farm establishment and management.

The CNRA report similarly did not include the IPHAN archaeological sites as direct HCV6 proxies because they were considered to be well protected under Law 3.924/61 and under negligible threat from forestry activities. For similar reasons IPHAN archaeological sites are considered low risk of threat from cattle farm establishment and management.

There are multiple cases of conflicts between cattle ranchers and local communities and indigenous peoples in the country regarding land tenure and rights issues. There is no map or any other mean of identification of these conflicts. Furthermore, not all traditional communities such as the Quilombo have been mapped and registered. HCV6 values in Brazil need to be identified through a local assessment process that includes consultation with local stakeholders.

3.3.6.4. Risk designation and specification

Elevated risk

3.3.6.5. Control measures and verifiers

Control Measures:

- Implement control measures from indicators 1.1 and 2.4
- Confirm the farm has the following in place:
 - High Conservation Value (HCV) assessment
 - High Conservation Value (HCV) management plans
- Conduct on-site verification to confirm management plans for High Conservations Values are implemented and monitored.

CONVERSION

4.1. New farms have not replaced natural forest or natural ecosystems since July 2008

July 2008 has been set as the baseline of natural forest and/or ecosystem conversion. Risk relates to farm establishment on converted natural forest and/or ecosystem areas post July 2008. Note: The baseline of natural forests and ecosystem conversion has been set at July 2008 to be in aligned with when the Brazilian Forest Code changes related to land conversion came into effect.

Context

The Forest Code has granted amnesty to illegal natural forest and ecosystem conversion that took place before July 2008, classifying them and establishing such areas as consolidated areas (areas with agriculture activities are in place). Therefore, any forest or natural ecosystem conversion that took place after July 2008 without legal authorization or due to the conversion taking place in an area that is not in alignment with what was authorized or with an authorization based on falsified information (e.g., providing inaccurate information on forest species and protected areas), can be considered illegal conversion.

4.1.1. Applicable laws and regulations

- Environmental Regularization Program - PRA
- Forest Code (Chapter II Permanent Preservation Areas, Chapter IV art. 12 Legal Reserve of the Forest Code Act 12.651/12) - [link](#)
- Environmental Regularization Program - PRA through the CAR (rural environmental registry)

4.1.2. Legal authority

IBAMA / Environmental Ministry -Ministério do Meio Ambiente – MMA

4.1.3. Legally required documents or records

- Rural Environment Registry - Cadastro Ambiental Rural - CAR
- Restoration of degraded areas projects - PRAD (if available)

4.1.4. Sources of information

Government sources

- Official data of deforestation in the Amazon (INPE/Federal Government): <http://www.obt.inpe.br/prodesdigital/cadastro.php> (requires a personal registry); and: www.globalforestwatch.org
- Official data of deforestation in the Amazon (INPE/Federal Government): <http://www.obt.inpe.br/prodesdigital/cadastro.php> (requires a personal registry) ; and: www.globalforestwatch.org

Non-Government sources

- On the effectiveness of the Cattle Moratoria, see an article published at the Remote Sensing journal (<http://www.mdpi.com/2072-4292/3/1/185/>) and Science <http://www.sciencemag.org/content/347/6220/377.summary#aff-6>
- The latest report from the Cattle Moratoria initiative is for the 2014 period and includes the list of companies that are committed to it.

http://www.abiove.org.br/site/FILES/Portugues/12122014-105447-19.11.2014_relatorio_da_moratoria_da_soja_-_7%C2%BA_ano.pdf

- http://www.obt.inpe.br/prodes/prodes_1988_2014.htm
- https://www.researchgate.net/publication/278966150_Como_melhorar_a_eficacia_dos_acordos_contra_o_desmatamento_associado_a_pecuaria_na_Amazonia
- The high deforestation rates in the Amazon due to the expansion of the agriculture frontier, particularly for new pasture areas for the cattle ranching activity.
(<http://www.teses.usp.br/teses/disponiveis/11/11140/tde-28032013-110939/pt-br.php>)

4.1.5. Risk determination

Overview of legal requirements

The legality risk connected to conversion relates to the licenses connecting the date of the conversion. All farms which converted area after July 2008 should have a 'License for the suppression of natural vegetation' and respect the relevant conditions of Forest Code (Chapter II Permanent Preservation Areas, Chapter IV art. 12 Legal Reserve of the Forest Code Act 12.651/12).

Farms that converted natural vegetation before July 2008 shall follow the Environmental Regularization Program - PRA through the CAR (rural environmental registry) to comply with the specific land use Forest Code requirements to obtain legal conversion status.

The Forest Code Act 12.651/12 defines whether and how interventions may occur in forest areas and native vegetation of the property, such as management, operation and removal; also, see Category 1.1 for more details on the Forest Code.

Chapter V (Clauses 26 to 28) of the Forest Code created by Act in the. 12.651/12 allows the suppression of vegetation for an alternative soil usage, depending on authorization by the appropriate State Agency.

After July 2008, the Forest Code allows for the conversion of natural forests/vegetation for farming practices up to a maximum of 20% of the farm boundaries in the Brazilian Amazon. There is a licensing procedure (see overall context) to ensure that the conversion is legal, but this procedure is poorly enforced and results in most conversion in the Amazon being done illegally.

Also, see indicator 1.2 and 3.1 for more details on legal requirements linked to Brazil's Forest Code and legal requirements on land conversion.

Description of risk

There is a risk of natural forest or ecosystem conversion (clearing) for the establishment of cattle farms. The expansion of cattle ranching in the Amazon biome is a major threat for natural ecosystems in this region. The threat is connected to either legal or illegal, conversion which reduces the area of natural ecosystems in this biome and the level of conversion is occurring at very high rates. This is backed up by evidence produced in numerous reports and remote sensing data on high deforestation rates in the Amazon its links to the expansion of the agriculture frontier, particularly for new pasture areas for the cattle ranching activity.

However, there is a lower risk associated with purchasing cattle products from the three major slaughterhouses in Brazil: JBS, Marfrig and Minerva which are signatories to the cattle zero Amazon deforestation agreement signed in October 2009. Overall, these companies are making good progress against their Amazon deforestation commitments but the risk associated with indirect suppliers (leakage and laundering is not fully closed).

Risk conclusion

Cattle production is driving direct impact of converting natural forest or ecosystems post 2008 (this cut-off date is aligned with when the Brazilian Forest Code changes came into force). Data yield evidence that conversion is occurring on a widespread and/or systematic basis.

4.1.6. Risk designation and specification

Elevated risk

4.1.7. Control measures and verifiers

- Confirm the farm has the following in place:
 - Historical remote sensing imagery evidence to confirm no conversion of primary forest, peatlands and HCVs post 2008.
- Check if a farm has been [apprehended \(black listed\)](#) by the federal government for illegally converted natural forests and ecosystems
- Assess the risk of deforestation and PRAD (restored degraded areas) compliance using satellite time series images to detect the land change cover within the cattle farm boundaries, some sources include:
 - [Global Forest Watch maps](#)
 - [PRODES/INPE \(high resolution\)](#)
 - [DETER/INPE \(high resolution\)](#)
- If buying from JBS, Marfrig and Minerva verify the companies' compliance against their zero Amazon deforestation October 2009 commitment. Review the companies' progress reports [here](#) and corroborate results with a Brazilian stakeholders like [WWF](#), [Greenpeace Brazil](#), [National Wildlife Federation \(NWF\)](#)

Conduct on-site verification to confirm all the Forest Code requirements and environmental controls are implemented in the field

GENETICALLY MODIFIED ORGANISMS (GMOs)

5.1. There is no commercial use of genetically modified cattle.

Farms have not been planted with genetically modified commodities and/or GMO feed is not being used. Risk relates to the use of GMO plants and/or feed as a potential factor influencing upstream buyers purchasing decisions based on consumer preferences.

5.1.1. Applicable laws and regulations

Biosafety Law No. 11,105 (approved by the Brazilian Congress on March 24, 2005)

5.1.2. Legal authority

National Biosafety Council (Conselho Nacional de Biossegurança - CNBS)

National technical commission (CTNBio)

5.1.3. Legally required documents or records

N/A

5.1.4. Sources of information

Government sources

- The Biosafety Law, from 2005, is the legal reference of this subject:
http://www.planalto.gov.br/ccivil_03/ato2004-2006/2005/lei/l11105.htm
- The allowance for GMO soy production can be found at:
- <http://www.agricultura.gov.br/portal/page/portal/Internet-MAPA/pagina-inicial/vegetal/organismos-geneticamente-modificados/plantas-autorizadas>

5.1.5. Risk determination

This risk assessment investigates the risk of GMO soy being used for cattle feed. The commercial production and trade of GMO soy in Brazil has been legally allowed since 2005..

Although GMO use is legal according to applicable legislation of the area under assessment and the commercial production of GM soya covers more than 90% of the total production in the country, the amount of soy ration that is provided to animals in the calving ranches is very limited and no evidence has been found that it causes genetic contamination in the animal or in its final products.

In the final stage of a cattle's life it is possible in Brazil that cattle could be fed with ration of feed produced with GMOs. However, supplemental feed is rarely given to cattle in Brazil as their main food source is from pastures thus this indicator is considered Low risk.

5.1.6. Risk designation and specification

Low risk

ANIMAL WELFARE

6.1. Health (nutrition, safety, medicines, health program etc.)

Animal Welfare including health issues such nutrition, safety, health and medical care is maintained. Risk relates to animal welfare not being threatened by farm establishment or management activities.

Context

Animal welfare is still not a subject widely acknowledged or discussed in Brazil. In most cases animal farms including cattle farms do not apply 'Good Agricultural Practices' (GAP) that promote animal welfare related cattle activities. Some level of uptake related to animal welfare practices is taking place through a few initiatives driven by sustainability projects, e.g., via some exclusive meat brands or group of farms seeking prominence and way to differentiation themselves in the marketplace.

The animal health is the main concern for the Brazilian livestock sector. Commercial issues are guiding governmental policies to keep Brazil as 'free zone' from serious diseases (as FMD - Foot and Mouth Disease) to not inhibit its access to key export markets like the EU. This also is reflected in the fact that overall there are more research and practical guidance tools connected to animal health verses tools, guidance and regulations linked to animal welfare in Brazil.

6.1.1. Applicable laws and regulations

- Legislation Manual - National Animal Health Programs:
http://www.agricultura.gov.br/arg_editor/file/Aniamal/Manual%20de%20Legisla%C3%A7%C3%A3o%20-%20Sa%C3%BAde%20Animal%20-%20low.pdf
- Ministry of Agriculture, Livestock and Supply - MAPA / Health Requirements:
<http://www.agricultura.gov.br/animal/exportacao/requisitos-sanitarios>
- Ministry of Agriculture, Livestock and Supply - MAPA / Federal Inspection System – SIF:
<http://www.agricultura.gov.br/sif>

6.1.2. Legal authority

- MAPA - Ministry of Agriculture, Livestock and Supply (Ministério da Agricultura, Pecuária e Abastecimento) /
- Agriculture Defence Department (Secretaria de Defesa Agropecuária) / Department of Animal Health (Departamento de Saúde Animal)
- State Sanitary Defence Agencies (Órgão Estadual de Defesa Sanitária)
- Agricultural Defence Institute of Mato Grosso - INDEA (Instituto De Defesa Agropecuária do Mato Grosso)

6.1.3. Legally required documents or records

Carcass performance report from the Federal Inspection Service - SIF.

6.1.4. Sources of information

Government sources

- Ministry of Agriculture, Livestock and Supply - MAPA / Agricultural Management platform – PGA: <http://indicadores.agricultura.gov.br/pga/index.htm>

- Consulting authenticity GTA:
<http://pga.agricultura.gov.br/sispga/webclient/consultaPublica.jsp>
- Ministry of Agriculture, Livestock and Supply - MAPA / Brazilian System of Identification and Certification of Cattle and Buffaloes – SISBOV:
<http://www.agricultura.gov.br/animal/rastreabilidade/sisbov>
 - http://extranet.agricultura.gov.br/primeira_pagina/extranet/SISBOV.html
- Legislation Manual - National Animal Health Programs:
http://www.agricultura.gov.br/arg_editor/file/Aniamal/Manual%20de%20Legisla%C3%A7%C3%A3o%20-%20Sa%C3%BAde%20Animal%20-%20low.pdf

Non-Government sources

- Etco Group - Group studies and research in ethology and animal:
<http://www.grupoetco.org.br/index.html>
- Earth of Friends Brazil - Radiography beef: http://www.amazonia.org.br/wp-content/uploads/2013/04/cartilha_radiografia.pdf
- Map of Sustainable Beef Initiatives - Roundtable Sustainable Beef – GTPS:
<http://www.pecuariasustentavel.org.br/mapa/>

6.1.5. Risk determination

There is a risk of poor animal welfare conditions for Feedlot, Fattening ranches and Calving Ranches farm types because of a lack of common vertical integration, low technological and professional production standards and a lack of uniform mechanism to measure and monitor animal welfare conditions.

Cattle ranches usually follow a health calendar to immunize their herd. The calendar is established by the Ministry of Agriculture, Livestock and Supply - MAPA which is working together with Animal Health state agencies to surveil the sanitary defence management of animal farms. Among other things the sanitary document called Animal Transit Guide (GTA) issuing is compulsory for each animal movement. Its priority is to control information about the movement of Brazilian cattle herds but it does also include information about an animal's health issues. However, there are some serious loopholes in the GTA system that cannot guarantee reliable consistent traceability (see Category 7 for more details) of cattle movements.

Generally Brazilian livestock is raised by pasture, and if necessary, supplemental feed is made part of the nutrition program. The rate of using feed supplements connected to manage specific demands/markets (Angus e.g.) have been increasing in recent years in Brazil.

Any export of live animals or animal products are must comply with the regulatory requirements outlined by MAPA. Companies need to obtain SIF documentation linked to the registration of the plant by the Federal Inspection Service (SIF) (which is a part of MAPA) to be able to slaughter and process animals. SIF is a permit that attests the sanitary conditions of the slaughterhouse are compliant with MAPA regulations. The SIF can also be used to determine if a slaughterhouse is legal or part of clandestine industry.

The vertically integrated production, i.e., Complete Cycle farm type (calving to fattening) allows for the most control of animal health throughout the life of the herd. This factor combined with the fact that Complete Cycle farm types manage its cattle production with a high technological standard lead to a greater management of animal welfare with respect to professional assistance, productive infrastructure, feed supplementation, transportation procedures, carcass slaughter performance, husbandry information, traceability etc.

6.1.6. Risk designation and specification

Complete Cycle farm – Low Risk

Feedlot, Fattening ranches and Calving Ranches - Elevated Risk

6.1.7. Control measures and verifiers

Control Measures

- Obtain a copy of the cattle farm's Carcass performance report from the Federal Inspection Service (SIF - *Serviço de Inspeção Federal*).
- Check the Brazilian Association of Meat Exporters [website](#) indicates which slaughterhouses have a valid SIF certificate and are permitted to export

6.2. Well being

Animal Welfare including health issues such nutrition, safety, health and medical care is maintained. Risk relates to animal welfare not being threatened by farm establishment or management activities.

Context

Animal welfare is still not a subject widely acknowledged or discussed in Brazil. In most cases animal farms including cattle farms do not apply 'good agricultural practices' (GAP) that promote animal welfare related cattle activities. Some level of uptake related to animal welfare practices is taking place through a few initiatives driven by sustainability projects by for example some exclusive meat brands or group of farms seeking prominence and way to differentiation themselves in the marketplace (<http://www.pecuariasustentavel.org.br/en/>).

Currently research and studies with animal welfare has been conducted, scientific and practical reference materials have been developed and animal health activities are implemented, however, the last aspect is that we can identify greater care by the sector in general.

Well-being standards, guides and manuals were established by governmental, animal breeding companies and certification systems, but their application are limited and unheard by most part of the cattle ranchers.

6.2.1. Applicable laws and regulations

N/A

6.2.2. Legal authority

- MAPA - Ministry of Agriculture, Livestock and Supply (Ministério da Agricultura, Pecuária e Abastecimento) /
- Agriculture Defence Department (Secretaria de Defesa Agropecuária) / Department of Animal Health (Departamento de Saúde Animal)
- State Sanitary Defence Agencies (Órgão Estadual de Defesa Sanitária)
- Agricultural Defence Institute of Mato Grosso - INDEA (Instituto De Defesa Agropecuária do Mato Grosso)

6.2.3. Legally required documents or records

N/A

6.2.4. Sources of information

Government sources

- Legislation Manual - National Animal Health Programs:
http://www.agricultura.gov.br/arg_editor/file/Aniamal/Manual%20de%20Legisla%C3%A7%C3%A3o%20-%20Sa%C3%BAde%20Animal%20-%20low.pdf
- Ministry of Agriculture, Livestock and Supply - MAPA / Agricultural Management platform – PGA: <http://indicadores.agricultura.gov.br/pga/index.htm>
- Consulting authenticity GTA:
<http://pga.agricultura.gov.br/sispga/webclient/consultaPublica.jsp>
- Ministry of Agriculture, Livestock and Supply - MAPA / Health Requirements:
<http://www.agricultura.gov.br/animal/exportacao/requisitos-sanitarios>
- Ministry of Agriculture, Livestock and Supply - MAPA / Federal Inspection System – SIF:
<http://www.agricultura.gov.br/sif>
- Ministry of Agriculture, Livestock and Supply - MAPA / Animal welfare:
<http://www.agricultura.gov.br/animal/bem-estar-animal>

Non-Government sources

- Etco Group - Group studies and research in ethology and animal
<http://www.grupoetco.org.br/index.html>
- Map of Sustainable Beef Initiatives - Roundtable Sustainable Beef – GTPS:
<http://www.pecuariasustentavel.org.br/mapa/>
- Good Agricultural Practices - BPA / EMBRAPA:
http://cloud.cnpgc.embrapa.br/bpa/files/2013/02/MANUAL_de-BPA_NACIONAL.pdf

6.2.5. Risk determination

There is a risk of poor animal welfare conditions for Feedlot, Fattening ranches and Calving Ranches farm types because of a lack of common vertical integration, low technological and professional production standards and a lack of uniform mechanism to measure and monitor animal welfare conditions.

The different management of cattle farm type production systems attributes to the varying competences and CSR risk to cattle raising. Historically in Brazil, cattle raising associated with a culture of mistreatment of animals where brute strength was a key attribute needed to control of the animal herds. This 'macho' culture is still salient in the cattle ranch sector in Brazil's agriculture frontier areas. However, there have been a few groups and/or individual cattle ranch(s) that have been working to remove this attitude and incidents of animal mistreatment. This is based on general observation corroborated by in-country expert review.

The vertically integrated production, i.e., Complete Cycle farm type (calving to fattening) allows for the most control of animal health throughout the life of the herd. This factor combined with the fact that Complete Cycle farm types manage its cattle production with a high technological standard lead to a greater management of animal welfare with respect to professional assistance, productive infrastructure, feed supplementation, transportation procedures, carcass slaughter performance, husbandry information, traceability etc.

Feedlot and fattening farm types (supplying cattle directly) have higher level of professional management than the calving ranches (supply cattle indirect) so these farm types have a lower risk profile associated with animal welfare than calving ranches.

Good animal welfare practices can even be further differentiated when a farm type manages a higher standard of technological production and has a greater financial record (e.g., are more eligible for agricultural loans).

However, in the Brazil there is not a uniform mechanism to measure and monitor animal welfare conditions on cattle ranches. Some research groups are developing support material to offer animal welfare information and techniques to the sector, however, to date the impact of these initiatives is limited; and relatively isolated to influencing the larger cattle ranches or cattle ranches that technologically advanced.

6.2.6. Risk designation and specification

Complete Cycle farm - Low Risk

Feedlot, Fattening ranches and Calving Ranches - Elevated Risk

6.2.7. Control measures and verifiers

- Obtain a copy of the cattle farm's policy and procedures that demonstrates animal welfare is considered (for feedlot, fattening and calving ranches)
- Confirm with on-site verification that animal welfare policy and procedures are being implemented

CATTLE MOVEMENT AND TRACEABILITY

7.1. Tracking system

Animal movement amongst farms is tracked and transparent. Risk relates to animals being moved from illegal established or managed farms and/or farms with poor CSR performance to legally established and managed farms with good CSR performance.

Context

Animal movement in Brazil is controlled by legal documents link to the national animal health system, which transfers information along each chain in the link about the animals that the buyer is receiving.

There are laws that specifically deal with animal health (linked to human health risks) and animal transportation. Both issues are inextricably linked to animal movement control and this is a major factor in the management of the national system of animal health protection. This system's main aim is to provide assurance that Brazilian beef products comply with all relevant national and international legal requirements.

Animal feed and welfare regulations were established in the last decade. However, these themes are not of a high priority due to the Brazilian reality in which the majority of animals in Brazil are feeding on pasture without any feed supplements. Animal welfare is a recognized issue but as it also is not currently a high priority it will need more time to evolve based on general observation corroborated by in country expert review.

An aside note: the animal movement control system is strategically well designed to lay down the ground work for a system in the future that can trace the animal along the supply chain and locate the farm location where the animal originates and thus also providing an opportunity to conduct CSR risks/performance analysis.

6.1.1. Applicable laws and regulations

- Decree No. 6.296/07 - Approves the Regulation of Law No. 6.198, of December 26, 1974, which provides for the inspection and mandatory inspection of products intended for animal feed, gives new wording to arts. 25 and 56 of the Annex to Decree No. 5053 of April 22, 2004, and other measures. - [link](#)
- Decree No. 24.548 / 34 - Approves the Regulation of Animal Health Service. - [link](#)
- Normative Instruction No. 50/13 - MAP - Diseases list could be applied to animal health protection measures, provided for in art. 61 of the Regulation of the Animal Health Service, published by Decree No. 24.548, of July 3, 1934. - [link](#)
- Decree No. 5.741 / 06 - Regulates the arts. 27a, 28a and 29a of Law No. 8,171, of January 17, 1991, organizes the Unified System for the Agricultural Health, and other measures. - [link](#)
- Normative Instruction No. 19/11 - MAPA - Electronic Animal Transit Guide - [link](#)
- Normative Instruction No. 56/08 - MAP - General procedures recommended Good Welfare Practices for Farm Animals - [link](#)

6.1.2. Legal authority

- MAPA - Ministry of Agriculture, Livestock and Supply (Ministério da Agricultura, Pecuária e Abastecimento) /
- Agriculture Defence Department (Secretaria de Defesa Agropecuária) / Department of Animal Health (Departamento de Saúde Animal)

- State Sanitary Defence Agencies (Órgão Estadual de Defesa Sanitária)
- Agricultural Defence Institute of Mato Grosso - INDEA (Instituto De Defesa Agropecuária do Mato Grosso)

6.1.3. Legally required documents or records

- Animal Traffic Document - GTA
- Electronic Animal Traffic Document - e-GTA

6.1.4. Sources of information

Government sources

- Ministry of Agriculture, Livestock and Supply - MAPA / Agricultural Management platform – PGA: <http://indicadores.agricultura.gov.br/pgaindex.htm>
- Consulting authenticity GTA: <http://pga.agricultura.gov.br/sispga/webclient/consultaPublica.jsp>
- Ministry of Agriculture, Livestock and Supply - MAPA / Brazilian System of Identification and Certification of Cattle and Buffaloes – SISBOV: <http://www.agricultura.gov.br/animal/rastreabilidade/sisbov>
http://extranet.agricultura.gov.br/primeira_pagina/extranet/SISBOV.html
- Legislation Manual - National Animal Health Programs: http://www.agricultura.gov.br/arg_editor/file/Aniamal/Manual%20de%20Legisla%C3%A7%C3%A3o%20-%20Sa%C3%BAde%20Animal%20-%20low.pdf

Non-Government sources

- Etco Group - Group studies and research in ethology and animal: <http://www.grupoetco.org.br/index.html>
- Earth of Friends Brazil - Radiography beef: http://www.amazonia.org.br/wp-content/uploads/2013/04/cartilha_radiografia.pdf
- Map of Sustainable Beef Initiatives - Roundtable Sustainable Beef – GTPS: <http://www.pecuariasustentavel.org.br/mapa/>

6.1.5. Risk determination

Overview of legal requirements

Decree No. 24.548, July 3rd, 1934, established Article 34, paragraph 1 and Article 36, which requires during animal movement (defined as all transportation of live animals between farms, farms – auction, farms – slaughterhouse), those responsible for transport must possess a health document to attest the good health of the animals; in order to protect the national herd (Brazil, 1934).

Subsequently, Decree No. 5.741 March 30th, 2006, established the Animals Transit Guide (GTA) as the main sanitary document to be used accompany animal movement. Also, to establish proper sanitary control it regulates the need to create and update registration of producers and of farms both at the state and federal levels; the latter with Ministry of Agriculture, Livestock and Supply (MAPA).

Description of risk

There is a risk of a low traceability due to a lack of proper traceability systems that monitor the complete life cycle of the animals in the cattle sector. This raises a risk of illegal Brazilian cattle production through two main loopholes: leakage and laundering.

Currently, the issuance of a GTA is adapting and moving to an electronic system. This transfer to a new system is requiring a lot of resources by MAPA and the states sanitary defence agencies and has yet to be completed. Moreover, the electronic GTA system only captures some of the animal movements, e.g., when animals are moving from state to state (in the process of being sold to another ranching farm) or moving to be slaughtered. Moreover, animal movements between farms or farms to auctioneers within a state is not covered by the GTA electronic system.

This limited traceability situation fosters a pathway for illegal Brazilian cattle production through two main loopholes - leakage and laundering. (http://www.amazonia.org.br/wp-content/uploads/2013/04/cartilha_radiografia.pdf) Leakage occurs when a licensed farm offers to sell cattle from an unlicensed ranch, causing processors to believe the cattle is licensed. It is common that the farmer of the legal farm operation is not aware and/or does not think they are engaging in an illegal activity. Many farmers do not associate 'illegal' deforestation land practices being attached to trading of cattle. Moreover, socio-environmental issues/illegality is often not prioritized in many commercial relationships. Laundering is characterized when an illegal cattle farm sells their animals with a GTA document from legal farm. In this case the farmers are complicit in the crime. An integrated traceability system is absolutely necessary to reduce the risk of this indicator(<http://www.zerodeforestationcattle.org/index.html>).

Complete Cycle farm types have a lower risk of traceability issues than other farms types in the Amazon Biome and in the whole of Brazil but is still not yet a common industry standard for any farm type.

There is a lack of traceability systems that monitor the complete life cycle of the animals in the cattle sector. It is therefore very difficult to know the true origin of an animal or a beef product from Brazil and whether the farm of origin has been involved with Amazon deforestation and other potential legal, social and environmental infringements (<http://www.zerodeforestationcattle.org/index.html>).

An integrated traceability system is necessary to provide assurance of where the cattle have been raised and managed to reduce the risk of this indicator.

Risk conclusion

This indicator has been evaluated as Elevated risk due to the lack of nationwide robust traceability system for cattle movement from farm origin to slaughterhouse and weak law enforcement of linked to the relevant laws as stated above.

6.1.6. Risk designation and specification

Elevated risk

6.1.7. Control measures and verifiers

- Ensure the cattle farm has the following valid animal transportation documents in place:
 - Extract list of GTAs (Animals Transit Document (GTA) or Electronic Animal Transit Document - e-GTA) issued or received by the farm
 - Traceability System report(s) demonstrating animal(s) farm of origin
 - Fiscal Bill of sale

Verify on-site that animal farm of origin is documentation is valid

Annex I: Cattle farm types

The table **Cattle Farms Types in Brazil** identifies the different types of farms in Brazil which supply cattle to the market.

'Cattle farm type' is a term used to describe the different types of cattle farms in a country, to allow a more detailed specification of risk. The Cattle Farm Type is used to clarify:

- which farm types cattle can be sourced from legally;
- what the legal requirements are for each farm type, and
- if there are risks related to certain farm types and not others.

There exists a relevant difference among farm types across the four cattle producing systems in Brazil: calving ranches; fattening ranches; feedlots and complete cycle. Amongst these four farm types there is a gradient from poor to fair professional management and technical performance. Good Agricultural Practices (GAP) can be generally characterized by breeding management, sanitary control, production intensification, food supplementation etc. and overall the trend in performance is usually correlated with farm size, type and the adoption of technology. Furthermore, GAP practices are often strongly correlated with sustainable agricultural practices in the cattle sector. Risks linked to the natural ecosystem conservation and social issues are relatively equivalent across farm types.

CATTLE SOURCE TYPES IN BRAZIL				
Farm type	Region	Description of source type	Source type risk factors	Ownership and Management
Complete cycle ranches	Amazon Biome	These farms are only pastoral. Generally, they are large in size and medium intensity. Commercially focused, there is a better possibility to identify animals individually and provide a traceability system.	These ranches generally have a better control system for raising cattle and consequently often have reduced risks connected to issues such as legal land tenure, animal health and welfare and traceability. There is a greater possibility of identifying animals individually and use of a traceability system	<p>Mostly private owned farms, although quite often with uncertain land tenure documents.</p> <p>Private, renting/leasing (different models) contract farming</p>
Feedlots	Amazon Biome	Large in size and high intensity. The large number of animals, and significant flows of cattle moving in from other farm types which makes traceability more difficult.	Both source types have an intermediate level control system (with respect to the factors mentioned above). These farm types are commonly large size farms, managing a large number of cattle and as a result their activities can often cause greater negative environmental and social impacts.	
Fattening ranches	Amazon Biome	Both pastoral and feedlot farming. Typically, they are large in size and low intensity. A significant proportion of beef from Brazil comes from this source.		
Calving ranches		Both pastoral and feedlot farming. Usually small size and low intensity. Farms are both subsistence & commercial.	Have the lowest control system of all farm types. These farm types are often indirect suppliers of cattle and operate on the margin of the cattle industry. Overall these farm types have less resources and assistance to develop controls over their cattle production system.	

About

Responsible Sourcing of Soy, Cattle and Palm Oil

Responsible Sourcing of Soy, Cattle and Palm Oil is a project aimed at creating awareness and capacity among Danish companies to minimise risks of social and environmental problems connected to sourcing palm oil, soy and cattle from developing countries. The project is run by NEPCon and SEGES and funded by DANIDA, Ministry of Foreign Affairs of Denmark.



NEPCon (Nature Economy and People Connected) is an international, non-profit organisation that builds commitment and capacity for mainstreaming sustainability. Together with our partners, we foster solutions for safeguarding our natural resources and protecting our climate.

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