

COLLABORATIVE APPROACHES TO ADVANCE SUPPLY CHAIN RESILIENCE



MIRIAM GARCIA

Senior Policy Manager

CDP

Moderator/Presenter



RAONI RAJÃO

Associate Professor
**Federal University of
Minas Gerais (UFMG)**



MAURÍCIO BAUER

Corporate Sustainability Director
JBS



SUSY YOSHIMURA

Sustainability Director
GPA Holding

A collaborative initiative to advance supply chain resilience

CDP Latin America
&
UK Pact NBS Brasil



ABOUT CDP



CDP is a global environmental impact non-profit working to secure a thriving economy that works for people and planet in the long term.



CDP runs the global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.



With the world's most comprehensive collection of self-reported data, the world's economy looks to CDP as the gold standard of environmental reporting.



Our network of capital markets, purchasers and policymakers around the globe use our data and insights to make better-informed decisions.

Agenda



Miriam Garcia – Senior Policy Manager at CDP Latin America

- ▼ About CDP;
- ▼ Context introduction .

Raoni Rajão - Associate Professor at UFMG and Environmental Policy Analyst, at UFMG

- ▼ Importance of governmental due diligence support systems to tackle deforestation in supply chains;
- ▼ Selo Verde: advancement and lessons learned from the implementation in Pará and other states in Brazil;
- ▼ Opportunities and requirements for expansion.

Maurício Bauer – Sustainability Director at JBS

- ▼ Traceability mechanisms and the advancements in Corporate commitments to improve net positive in own operations and supply chain;
- ▼ Challenges for meat exporters and how traceability is addressed in the sector.

Susy Yoshimura – Sustainability Director at GPA Holding

- ▼ Requirements for producers and traceability challenges in markets;
- ▼ Market demands and perspectives from civil society.

Accelerating Climate Action

Unlocking Private Sectors Finance for Sustainable Landscape Management

IMPORTANCE OF GOVERNMENTAL DUE DILIGENCE SUPPORT SYSTEMS TO TACKLE DEFORESTATION IN SUPPLY CHAINS

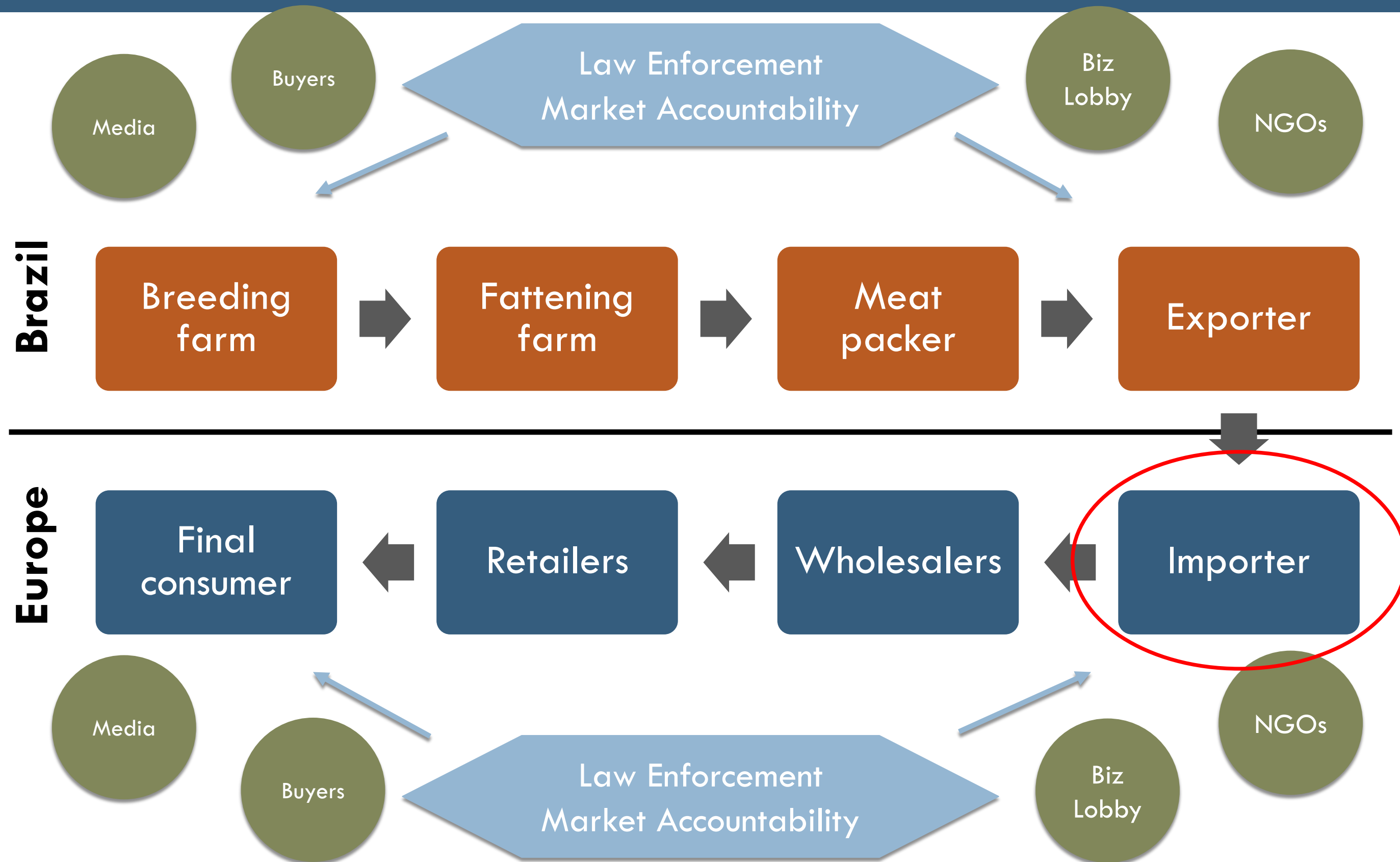
Raoni Rajão

U F *m* G

The logo of the Universidade Federal de Minas Gerais (UFMG) is displayed, featuring the letters 'U', 'F', 'm', and 'G' in a serif font, with a red horizontal bar underneath the 'm'.

Exports' Traceability (eg. Meat)

6



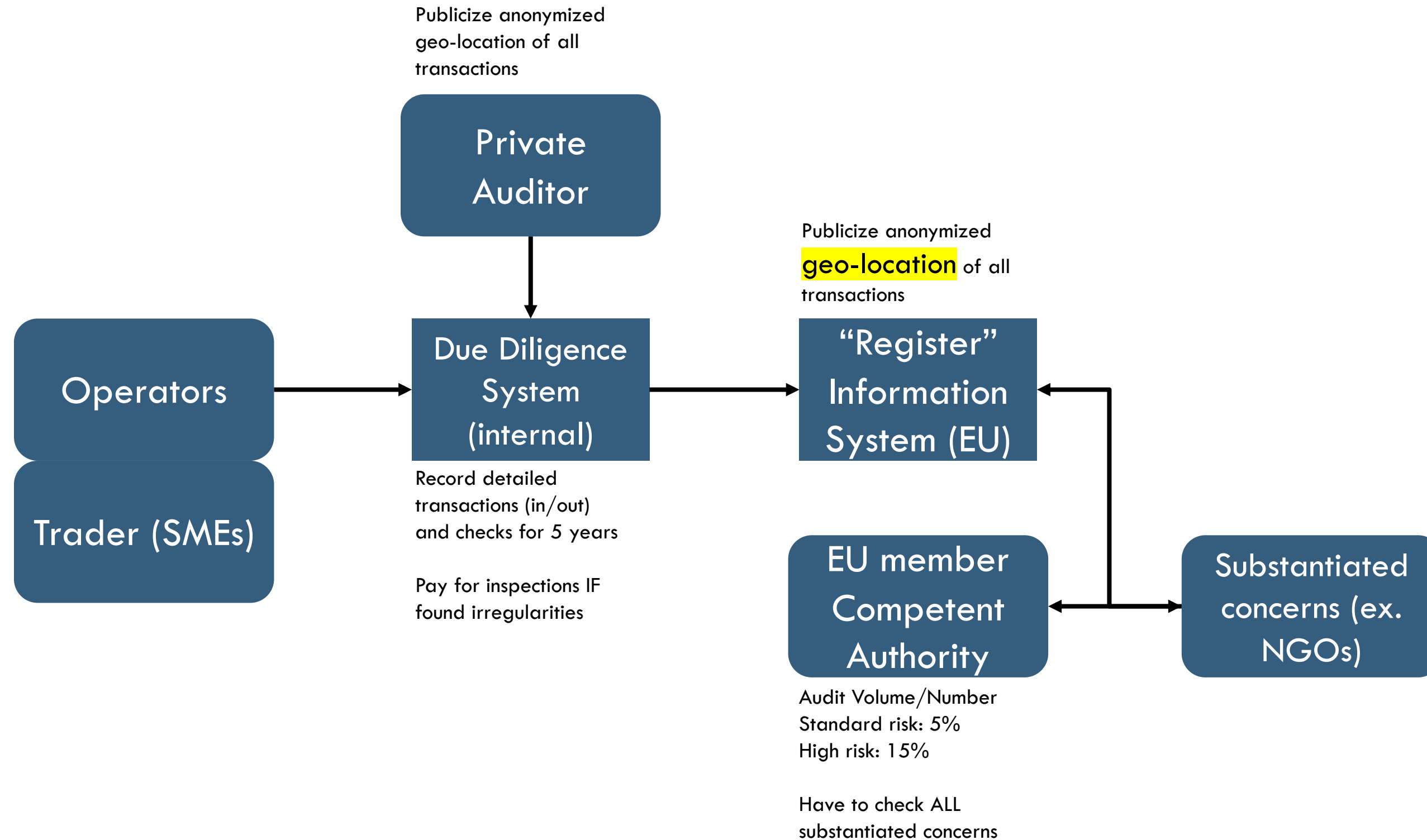
Proposed EU Due Diligence

7

Regulation	EU Due Diligence
Products covered	Timber + soya, chilled and fresh beef, cocoa, palm oil, coffee
Controlled entities	Operators and Traders (SMEs) first placing products in the EU market
Territorial scope	Countries with forests (FAO: 10% tree cover and min 5m height)
Prohibition	<ul style="list-style-type: none">- Zero deforestation: Products produced in plots (i.e. farms) with deforestation after 31st of December 2020- Zero illegalities: Products not compliant with environmental, human rights and land tenure legislation of country of origin
Penalties	<ul style="list-style-type: none">- Suspension of imports, seizure or destruction of products by competent authorities- Fines of up to 4% of operator's annual turnover- Confiscation of revenues gained from commodities linked to deforestation- Exclusion of operator from public procurement processes

Proposed EU Due Diligence

8



Other due diligence legislation

9

	France	UK	USA	China Meat Association	China-EUA joint declaration
Status of proposal	Passed (2017), implemented in 2019	Passed (2021), implementation in Jan 2022	Proposed Bipartisan (2020)	Signed, cutoff date TBD	"intend to engage collaboratively"
Controlled entities	Companies with +50k employees in France or +100k worldwide	Importers	Importers	64 largest meat importers	Importers
Deforestation	Not specified	Illegal	Illegal	Illegal and all deforestation from cutoff date (TBD)	Illegal
Biomes	All biomes	FAO (exc. tree height): tree canopy cover of at least 10%	Forests and wooded lands (FAO definition)	Forests (FAO) plus natural ecosystems	Forests and other terrestrial ecosystems
Commodities and products	All activities of the company	To be defined later soya, palm oil?	palm oil, rubber, cattle, leather, cocoa, wood pulp, and soya	Beef	All

Due diligence challenges

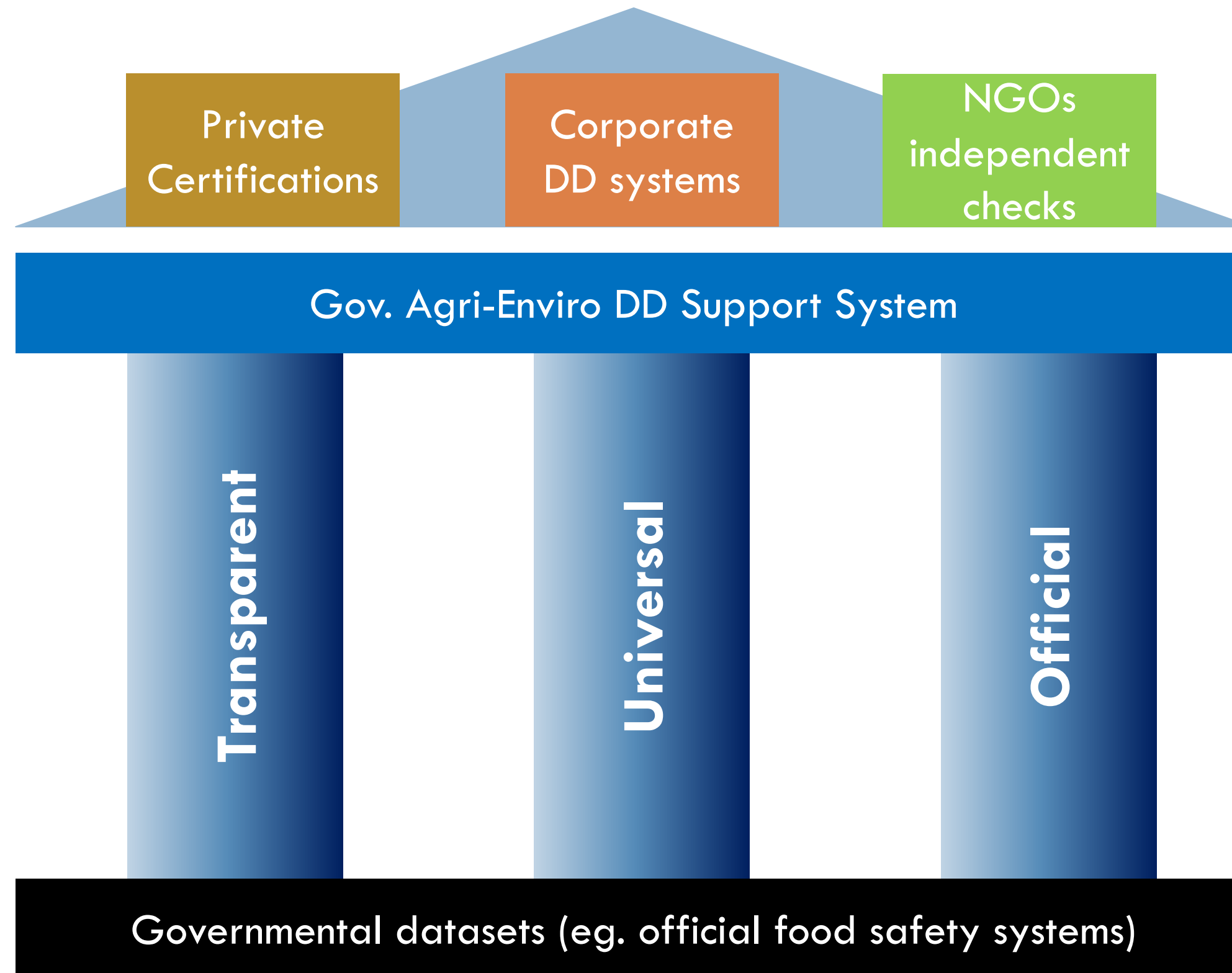
10

- Transparency to enable accountability
- Big Spatial Geospatial Analysis
- Analysis of Indirect Cattle Suppliers
- Avoid risk of adverse selection bias
- Easy to interpret results for buyers
- Legitimacy and knowledge to assess legality

- => **Governmental Due Diligence Support Systems**

Gov. Due Diligence Support Systems

11



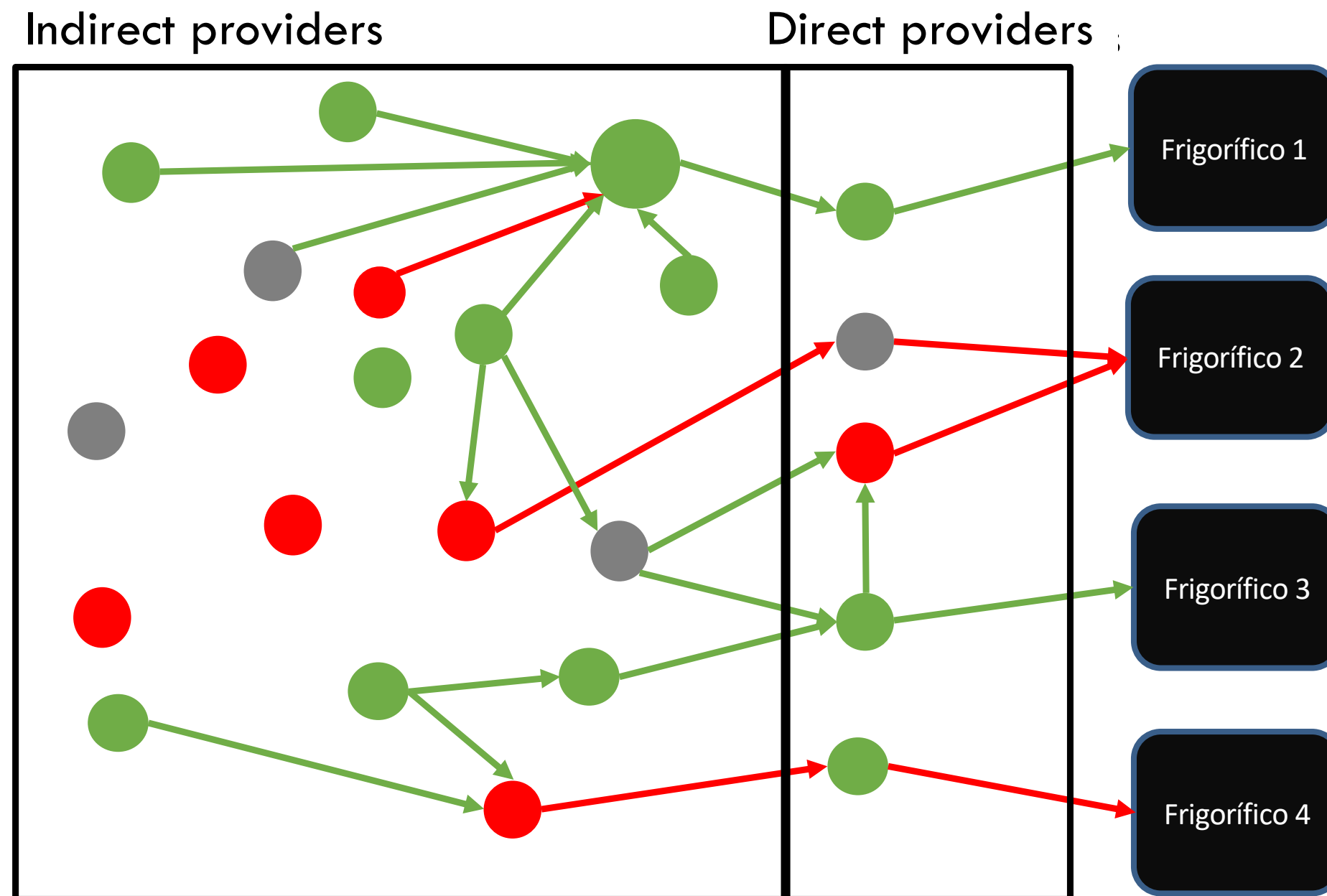
Importance of transparency

12

- ❑ Private certifications and corporate reports often are “black boxes”
- ❑ Need to regain trust of markets and consumers in relation to deforestation-free claims
- ❑ Technical controversies (eg. definition of deforestation) need to be solved rather than avoided
- ❑ Sufficient transparency (enable accountability) vs Total Transparency (may hurt data protection laws)

Importance of Universality

13



Private certifications
enable
farmers/ranchers to
hide bad farms and
only show good farms

Mass balance
approaches create
niche markets vs real
impact

EU buys 5% and 15%
of Brazil's meat and
soy exports,
respectively.

Importance of Officiality

14

- DD legislation requires proof of:
 - ▣ Zero deforestation (some cases)
 - ▣ Zero illegalities (all cases) => complex and role of governments
- Only governments have all data required for proper DD:
 - ▣ Farms/Ranches' geolocation and legal status
 - ▣ Invoices and animal health data showing indirect providers
 - ▣ Producer's names in order to check for cases of slave labor
- Examples:
 - ▣ Côte d'Ivoire's Coffee and Cocoa Council National Traceability System: under development since 2014
 - ▣ Uruguay's Sistema Nacional de Información Agropecuaria (SNIA) & Sistema Nacional de Información Ganadera (SNIG)
 - ▣ Brazil's Selo Verde platform: beta implemented in Pará and under development for Minas Gerais

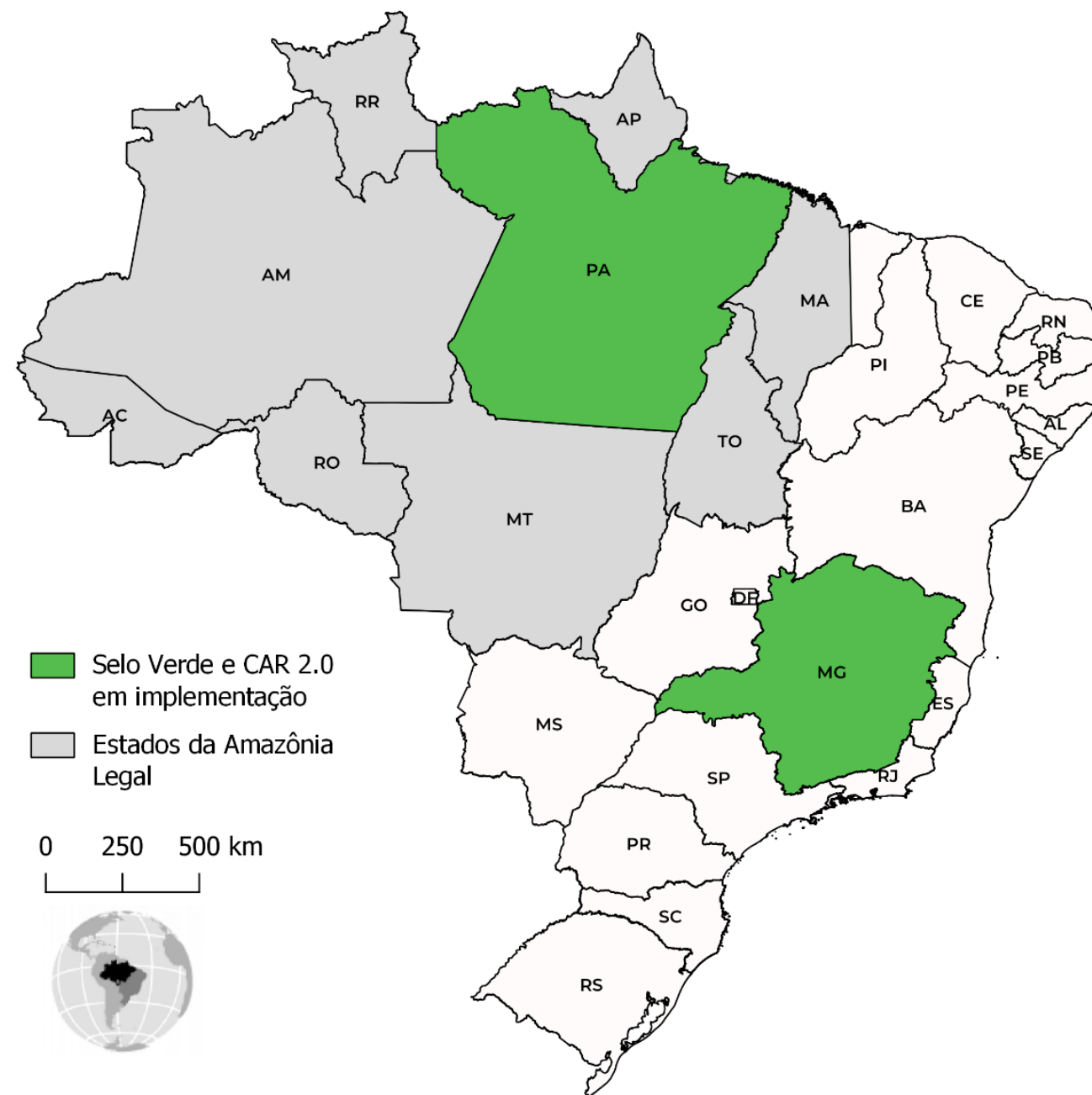
Selo Verde / Green Label

15

- ❑ Integrates 59 datasets from 6 institutions
- ❑ Protects personal/sensitive data under strict access protocols
- ❑ Provides legal compliance information of both direct and indirect providers (cattle)
- ❑ Includes ALL farmers in the official Rural Environmental Registry (CAR)
- ❑ Monitors cattle indirect providers up to level 5



Selo Verde / Green Label



PROJETO DE LEI Nº , DE 2020 (Do Sr. ZÉ SILVA)

Altera a Lei nº 8.171, de 17 de janeiro de 1991, que dispõe sobre a política agrícola, para criar o Selo Agro Verde; e aprimora o controle de origem e regularidade ambiental da produção agropecuária.

O Congresso Nacional decreta:

Art. 1º A Lei nº 8.171, de 17 de janeiro de 1991, passa a vigorar as seguintes alterações:

“Art. 19.....

VIII - dar transparência à origem e à regularidade ambiental da produção agropecuária.

.....” (NR)

Apresentação: 28/09/2020 12:02 - Mesa
PL n.4734/2020

Silva (SOLIDARI/MG), através do ponto SDR_56271,
art. 2º, do Ato

Aprox. 20% of Brazil's cattle heard already signed up to Selo Verde (MG PA)

Conclusion

17

- ❑ Private sector essential but cannot replace alone governmental functions
- ❑ Gov. DD Support Systems are **essential** to clean supply chains
- ❑ Emphasis on private solutions without the support of gov. DD systems could be counter-productive
- ❑ Gov. DD support systems are **not enough**:
 - ▣ Integration with corporate system and private certifications
 - ▣ Necessary transition rules
 - ▣ Support countries/jurisdictions/farmers to adapt and obtain environmental regularization

Thank you for your time
rajao@ufmg.br