

Responsible Commodities Facility

Providing finance for the production and trading of responsible soy from Brazil



Background

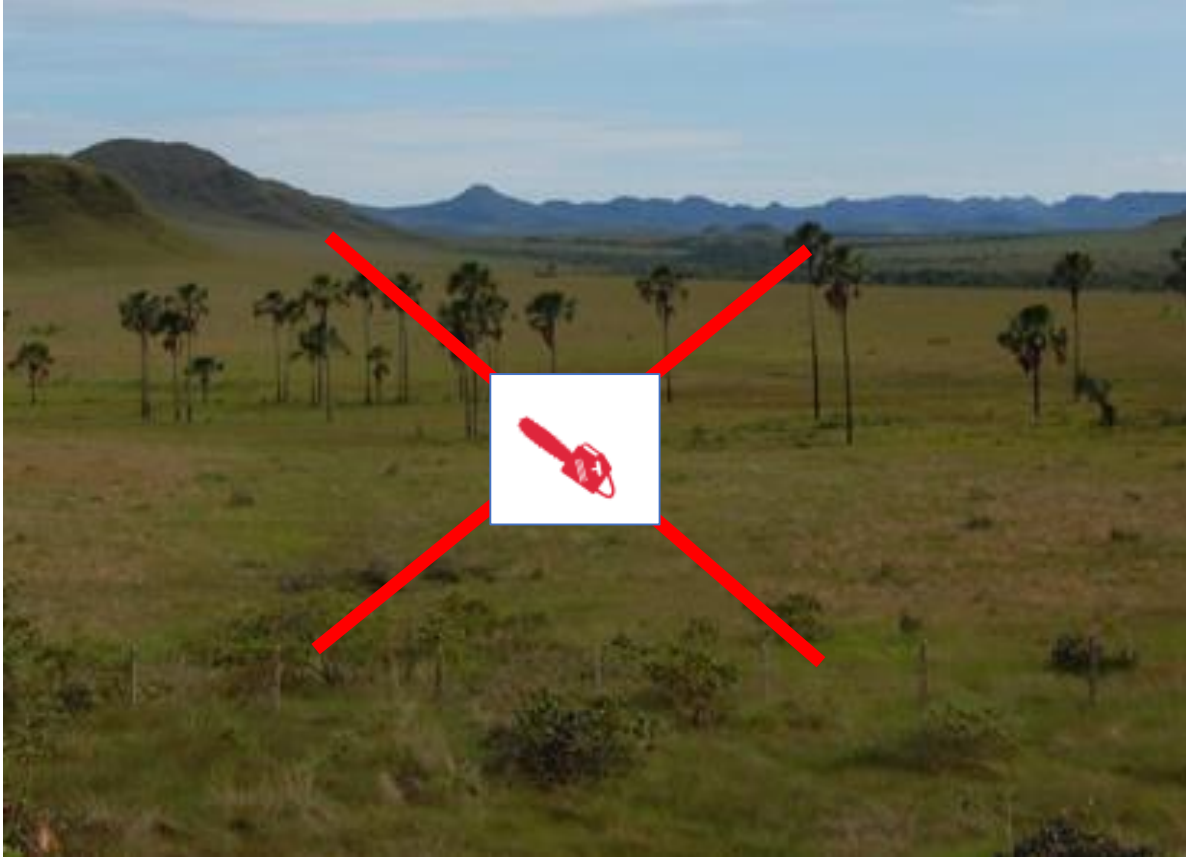
Soy expansion is resulting in deforestation of Cerrado...

5 million ha needed until 2027

**However, 3 times more land is available,
already cleared**

2017 – Cerrado Manifesto

A plea to halt expansion of soy into native Cerrado vegetation



Signed by more than 200 corporations and NGOs, including:



Responsible Commodities Facility

Supporting the production of zero deforestation soy in the Cerrado

A delivery mechanism for the Cerrado Manifesto, supporting the efforts of the CFA, TFA, CGF, SOS Cerrado and the Brazilian NDC

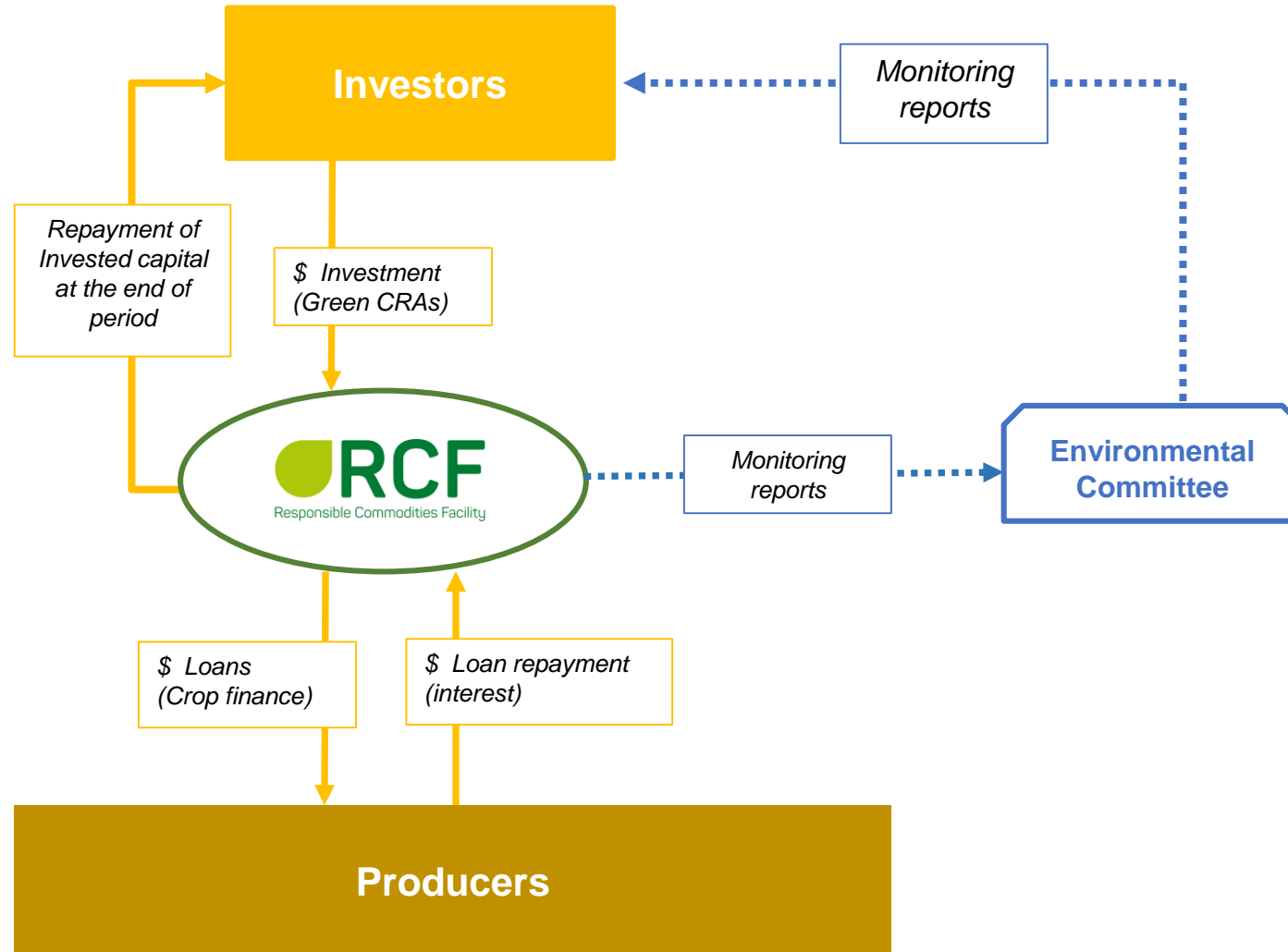


Approach: Cerrado Programme 1

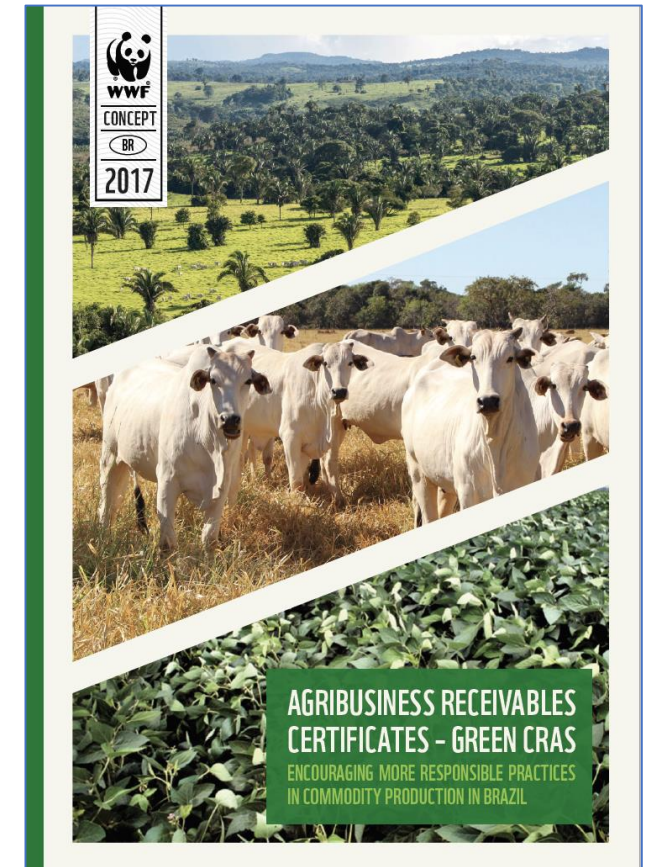
- Provide finance (low interest credit lines for crop finance) to farmers that meet its **Eligibility Criteria**
- Overseen by an **Environmental Committee** with the participation of different groups of stakeholders



Funding of Cerrado Programme1: Green Bonds (CRAs Verdes)



programme based on WWF's concept paper of 2017



Facility's Eligibility Criteria

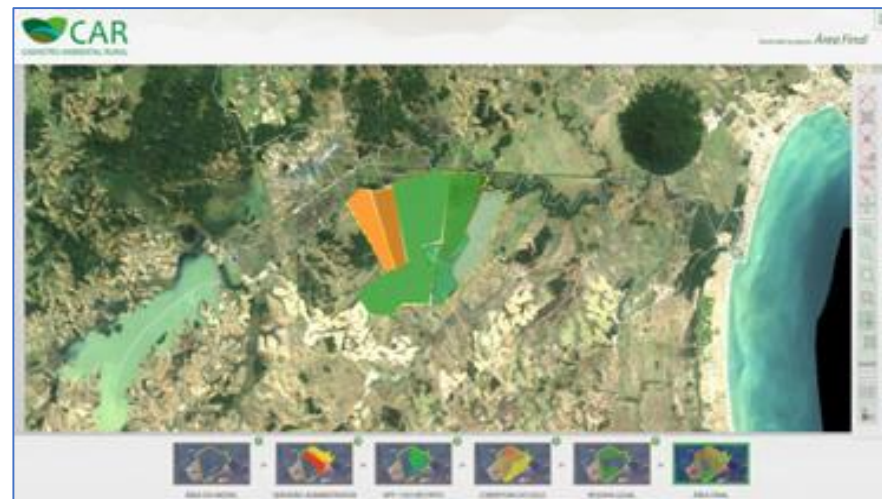
1. No Deforestation (legal and illegal)



2. Conservation of Excess Legal Reserves (>5%)

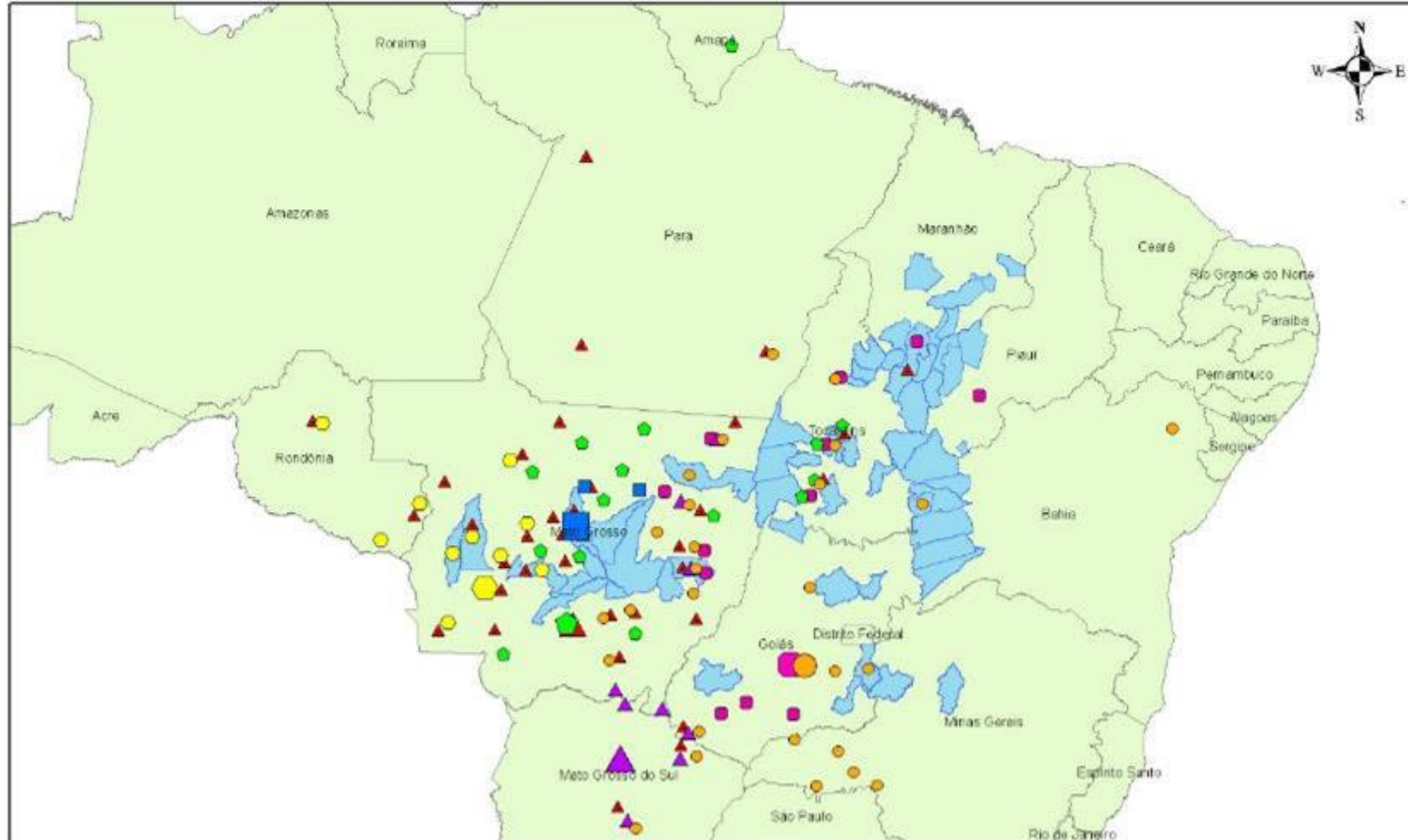


3. Compliance with Forest Code

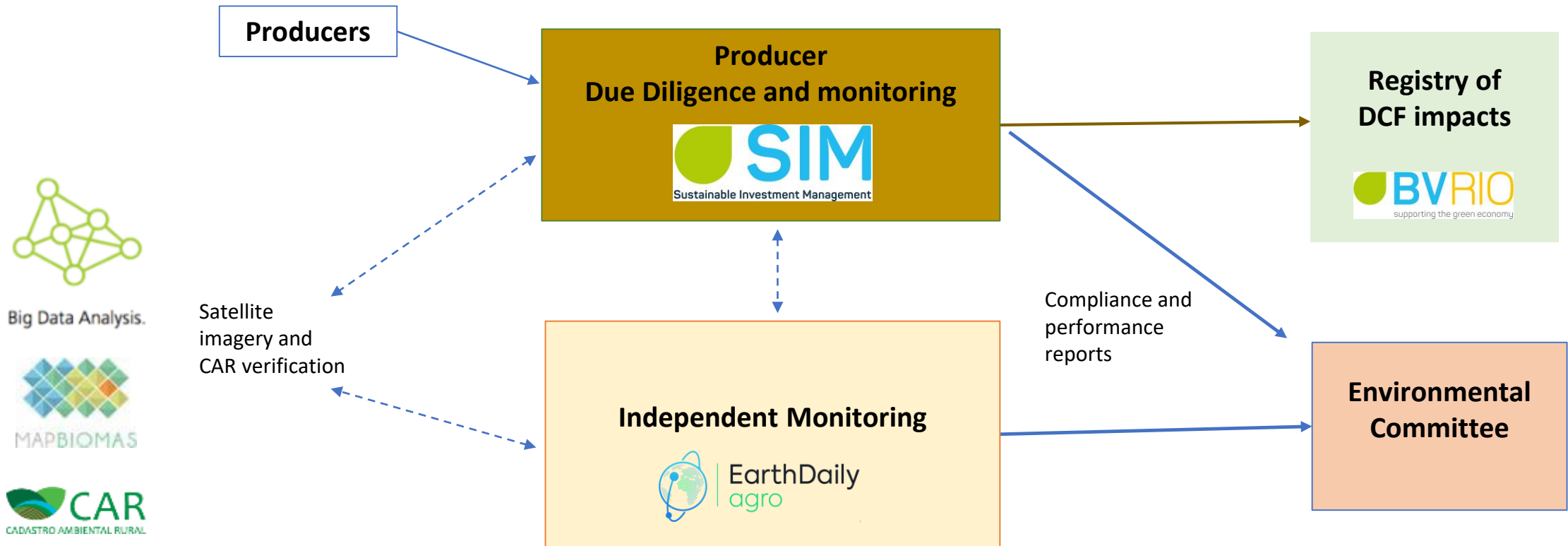


Geographic focus: Cerrado

The Facility is currently operating in most Cerrado states preferentially in priority municipalities selected by TNC



RCF's platforms, technology and MRV routine



Environmental Committee

To provide transparency and credibility, operations are overseen by an environmental committee



BVRio acts as the secretary of the environmental committee.

Institutional support and partnerships



MOU to develop the E&S Framework of the Responsible Commodities Facility



Partnership to promote the adoption of sustainable agriculture



Endorsement by 60+ leading public and private investors who make up the Lab network



IFACC – Innovative Finance for the Amazon, Cerrado and Chaco



TROPICAL FOREST ALLIANCE



The Nature Conservancy
Protecting nature. Preserving life.®



UN environment programme | **FINANCING SUSTAINABLE LAND USE**

Seed capital:



Provided seed funding for the development of concept



Seed funding provided by some member companies for the implementation of concept




Funding for pre-operational activities for the concept

Terms of the Cerrado Programme 1 (Green CRAs)

Issuance volume: US\$ 11,000,000

Denomination: USD

Registration: Vienna Stock Exchange 


Maturity: 4 years, bullet


Coupons: 2% pa.

Programme Manager: 

Securitization vehicle:  

Credit and risk Managers: 

Legal Counsel Brasil: 

Legal Counsel UK: 

E&S framework developed with:



Formalization agents:



Fiduciary agent:



Custodian:



Paying Agents:



Judicial collection:



Independent verification



Cerrado Programme 1: Financial Supporters

 TESCO Sainsbury's Waitrose

Production and Environmental impacts – USD 11m, 4 years

Environmental Impact Statements

36 farms

- Receiving Crop financing

300,000 t

- Of zero deforestation soy produced

11,000 ha

- Natural Vegetation conservation (of which ca. 4,200 ha of Excess Legal Reserve)

2.3 Mt CO₂e

- CO₂ stocks conserved in programme farms

Statements of Environmental Impact

- Description of the environmental impact generated by the Cerrado Programme 1, and the pro-rata impact of each investment



Declaração para Transporte de Produtos Florestais Originários - OF1

Nome do Transportador: 2002

Nome: **LABRADOR DE MADEIRAS DO PARA S/A**

CPF: 21747-01/0001-22

Endereço: **LOTIS 7, QUADRA 8, DE FASE 1 Nº 8 - Complemento: PORTA A COMUNICAÇÃO COOPERADORA S**

Cidade: **PARA S/O**

UF: **PA**

CEP: **67120-000**

Nome do Produto: **MADEIRAS LISA - QUADRA DE SETOR E COTE DO CERRADO SUSTENTAVEL AVANÇADO 01/01**

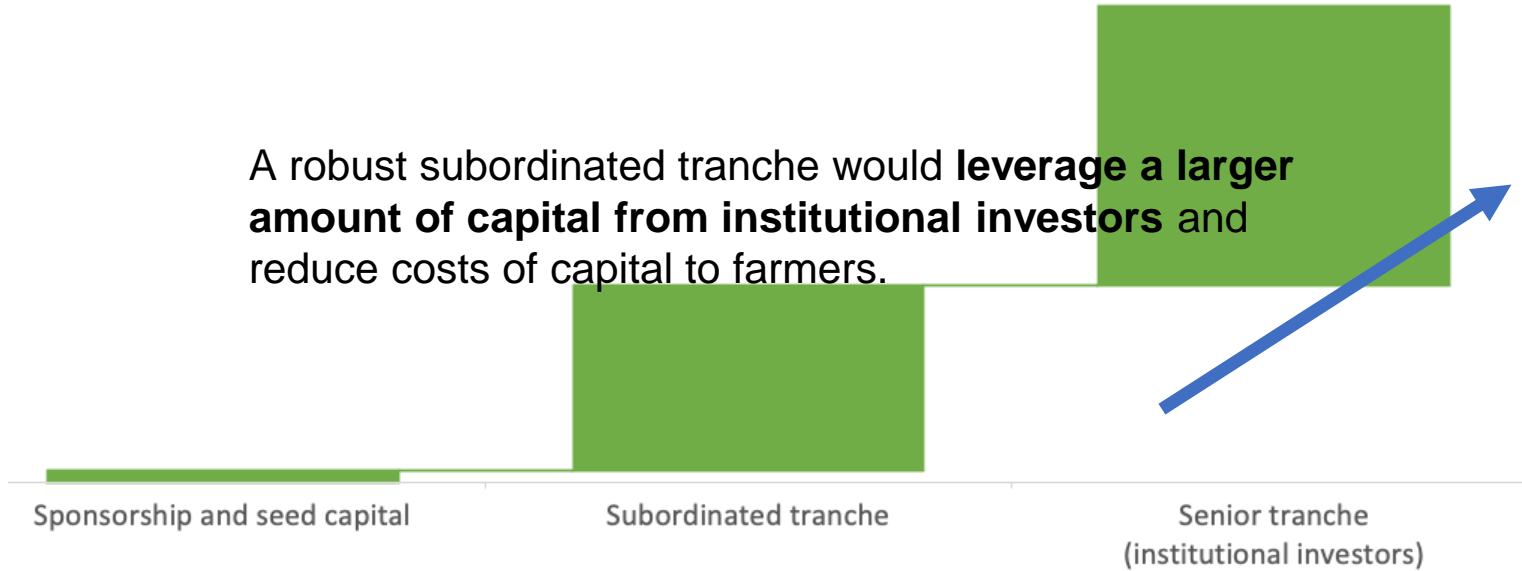
Nome Produto	Quantidade	Valor	Valor Total
MADEIRAS LISA - QUADRA DE SETOR E COTE DO CERRADO SUSTENTAVEL AVANÇADO 01/01	10000	10000	10000

Data de Emissão: 22/12/2014 14:51:42

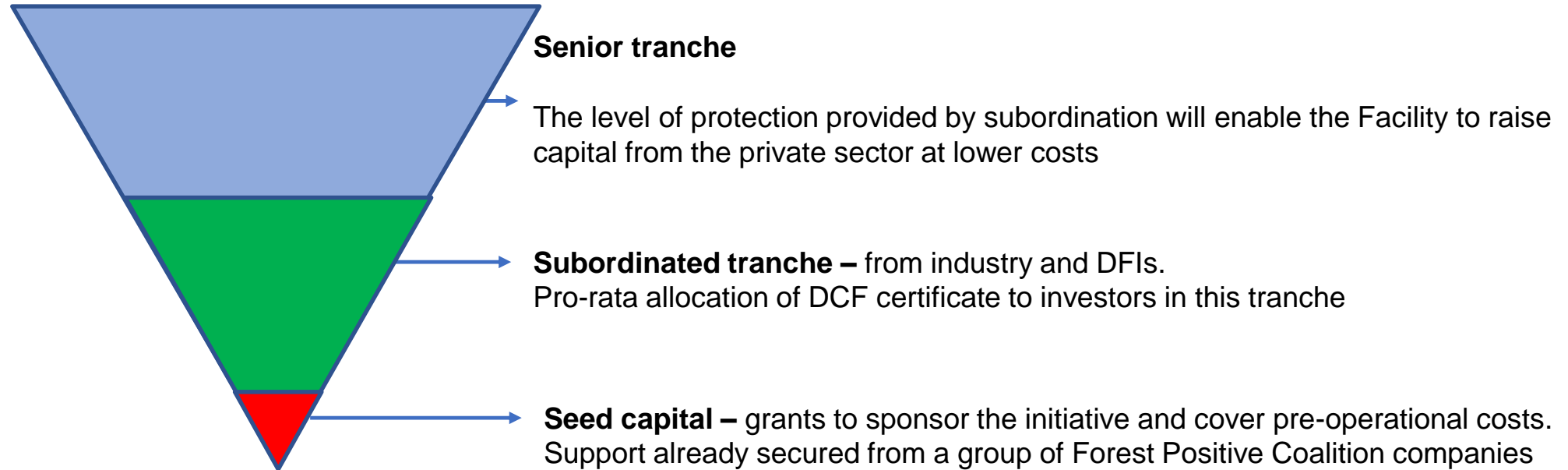
Assinatura Responsável: _____

Capital formation: a blended finance structure to reduce cost of capital to farmers

A robust subordinated tranche would **leverage a larger amount of capital from institutional investors** and reduce costs of capital to farmers.



Capital formation: a blended finance structure to reduce the costs of capital to farmers



A robust subordinated tranche would **reduce costs of capital of the Senior Tranche**, and enable the Facility to provide low interest loans to farmers.



Annexes

Main features of Cerrado Programme 1

FINANCIALLY SUSTAINABLE	<p>Given that this model is based on provision of debt finance (as opposed to grants or donations), it has the potential to drive a sustained transformation of the sector on a landscape level, without long-term reliance on public and philanthropic resources.</p>
SCALABLE	<p>The Facility can attract significant amounts of institutional investment capital to create a long term and scalable solution for the sector, gradually covering whole biomes.</p>
ATTRACTIVE TO FARMERS AND INVESTORS	<p>The Facility provides a financial return to investors and reduce costs to farmers by ca. 20%</p>
ROBUST ENVIRONMENTAL STANDARDS	<p>Eligibility criteria aligned to the Cerrado Manifesto, including a cut-off date for conversion of native vegetation and adopting an Environmental & Social Framework developed with UNEP Finance</p>
SUPPORT FROM A WIDE RANGE OF ACTORS	<p>Developed in collaboration with a wide range of actors, including Brazilian and international NGOs, impact investors and government agencies</p>
MONITORING AND VERIFICATION	<p>The activities of the Facility are monitored, independently verified and its impacts are overseen by a multistakeholder Environmental Committee</p>
OPERATIONAL	<p>A pilot programme was launched in August 2022. The RCF is now working to expand it significantly with a larger programme to be launched in the next crop season (2023)</p>

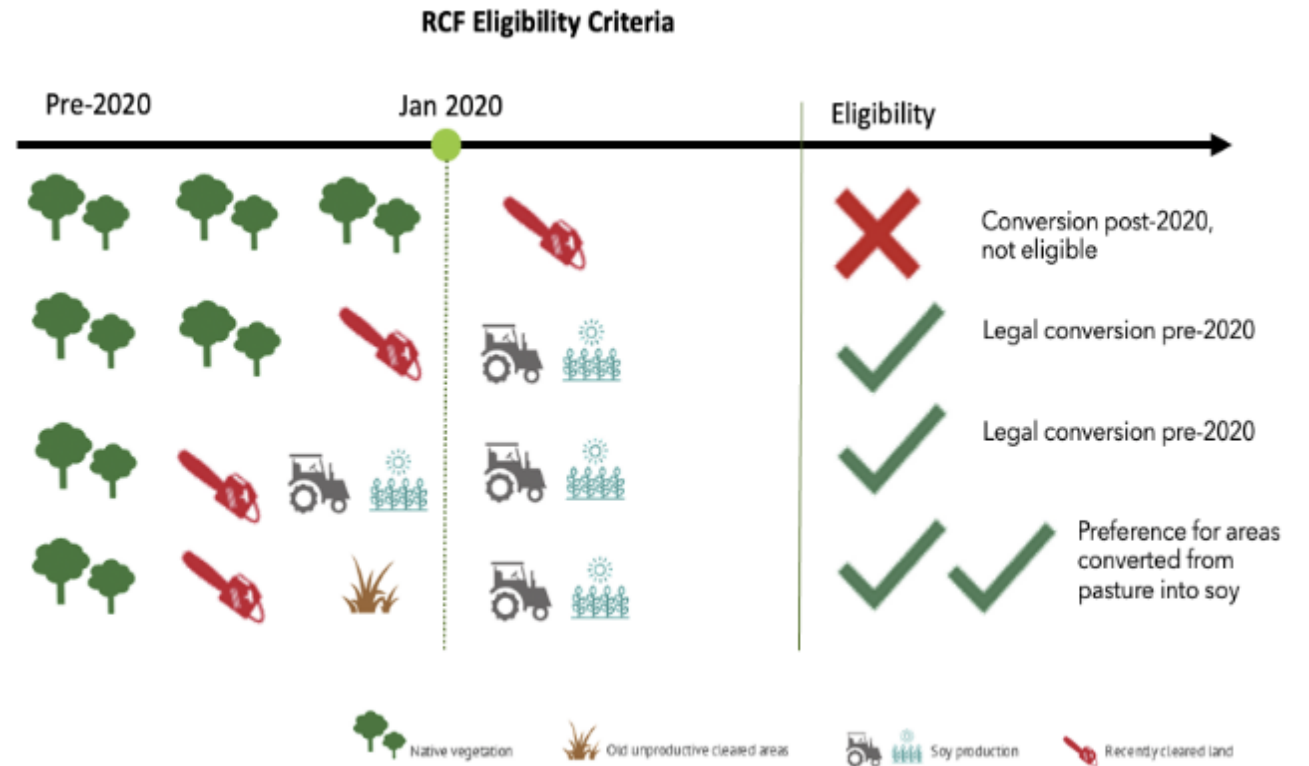
Risks and mitigation measures

RISK	MITIGATION MEASURES
LACK OF ENGAGEMENT OF FARMERS	<ul style="list-style-type: none"> • Pre-origination of farmers (pool of farmers engaged before the call of investors` funds) • Attractive interest rates for farmers
FINANCIAL DEFAULT	<ul style="list-style-type: none"> • Diversification of producers. • Average concentration of 3% in a single farm
ENVIRONMENTAL DEFAULT	<ul style="list-style-type: none"> • Diversification of producers. • Average concentration of 3% in a single farm
NON-PERMANENCE AFTER END OF PROGRAMME	<ul style="list-style-type: none"> • Renewal of programme, re-investing principal capital of anchor investors
NO RENEWAL OF PROGRAMME	<ul style="list-style-type: none"> • Principal capital (and interest) returned.
NO EXPANSION OF THE PROGRAMME	<ul style="list-style-type: none"> • Principal capital (and interest) returned, and can be redirected to other initiatives
REPUTATIONAL RISK	<ul style="list-style-type: none"> • Involvement of wide range of high-profile organizations. • Third party verification of impacts • Managing expectations and narrative of the RCF from the outset (part of an ecosystem, contributing to a rural transition)

Eligibility Criteria – related to area of cultivation

1. Land use: The area of cultivation must comply with the following conditions:

- i) Deforestation and conversion cut-off date: 1 Jan 2020
- ii) Preference given to areas restored from abandoned pasture land



Eligibility Criteria – related to area of cultivation

2. Compliance with the Forest Code:

- i) Farm land must be registered with the Cadastro Ambiental Rural (CAR);
- ii) Full compliance with Legal Reserve and APP requirements

3. The farm area must not overlap with conservation units, indigenous reservations, and community lands (including quilombos).



Eligibility Criteria – related to the farmer

1. **Land title:** the Farmer must have unquestionable right to use the land, be it as land title, land lease agreement or another legally recognised form of land tenure (e.g., '*posse*').

2. **Legal compliance:** the Farmer must demonstrate that he/she and the farm does not contravene any environmental or legal requirements, such as :
 - i) environmental embargoes,
 - ii) labour legislation (including slave and child labour), and
 - iii) Soy Moratorium (if applicable)
 - iv) Internationally-accepted rules for the use of agrochemicals.



Environmental & Social Framework



Environmental & Social Framework developed in partnership with UNEP Finance.

to ensure that it supports the objectives of the Facility , and also contribute to a number of the Sustainable Development Goals (SDGs), [Brazil's National Biodiversity Strategy and Action Plan](#) (NBSAP), [Brazil's National Determined Contribution](#) (NDC) to Paris Agreement of the United nations Framework Convention on Climate Change (UNFCCC), as well as several relevant industry initiatives, i.e.:

- Soy Working Group (Grupo de Trabalho da Soja – GTS)
- Cerrado Working Group (Grupo de Trabalho do Cerrado – GTC)
- [Cerrado Manifesto](#) (including the [Statement of Support](#))
- [Collaboration for Forests and Agriculture](#) (CFA)
- [Tropical Forest Alliance](#) 2020 (TFA 2020)
- [Consumer Goods Forum](#) (CGF)
- [Amsterdam Declaration Partnership](#)
- [Good Growth Partnership](#)