



B Lab Controversial Issues Statement - Agribusiness Producers in Brazil

B Lab's Approach to Controversial Issues and B Corp Certification

As for-profit companies that meet the most rigorous standards of overall social and environmental performance, accountability, and transparency, Certified B Corporations are leaders in the movement to use business as a force for good.

Whether through information a company provides in its [Disclosure Questionnaire](#), an issue raised by a third-party through B Lab's formal [Complaints Process](#), or public discourse on B Corp certification requirements and standards, difficult and complex questions regularly arise as to how controversial issues in the world of business should affect a company's eligibility for B Corp certification. Judgments on these issues are then determined by B Lab's independent [Standards Advisory Council](#) as part of a disclosure review process.

B Lab's Disclosure Questionnaire forms the basis of the disclosure review process, which covers sensitive industries, practices, outcomes, and penalties and is based on third party screenings and standards like the IFC Excluded Industries List and International Labor Organization Conventions. Recognizing that any list of sensitive issues may be incomplete, however, B Lab also reserves the right to conduct similar reviews on issues that are not currently featured in the Disclosure Questionnaire, but are deemed subject to material stakeholder concern and a potential violation of the B Corp movement's Declaration of Interdependence.

When new industries or issues where a decision making model has not already been developed arise, B Lab conducts research into the issue in order to guide the Standards Advisory Council's decision. Research is based on secondary sources compiled by B Lab staff, with the overall intent of identifying and understanding the different concerns related to the industry or issue and the different perspectives of stakeholders. This includes a review of press related to the industry and its impact, how the issue is covered by other standards, existing public policy and public policy recommendations from non-profit organizations and other topical experts, examples - potentially both good and bad - of actors within the industry, interviews with expert stakeholders and other public commentary and perspectives. This content is in turn used to develop the framework for Standards Advisory Council review, and determines the types of questions that individual companies are required to answer as part of their review.

Particularly when it comes to industries that are controversial, there is a natural and healthy tension between the inclination to exclude all companies in those industries from eligibility for B Corp Certification, and *the need for leadership* that has the potential to transform the culture, behavior, and impact of those industries. While B Lab and its [Standards Advisory Council](#) may determine that an industry as a whole is ineligible for certification because of its negative impacts or practices, they also recognize that in controversial industries it may be possible for companies to be meaningfully managing those potential negative impacts or controversies. In these circumstances, the need may be greatest to distinguish between good and bad actors, as well as good, better, and best performance by using rigorous standards of verified social and environmental performance, legal accountability, and public transparency. All stakeholders are best served by the existence of credible and transparent standards that facilitate improved policy, investment, purchasing, and employment decisions.

Along with the recognition that there are many diverse and reasonable perspectives as to what contributes to a shared and durable prosperity for all, B Lab and its Standards Advisory Council will make determinations regarding eligibility for B Corp Certification and, if eligible, will require companies in controversial industries, with controversial policies, or engaged in controversial practices to be transparent about their practices and how they work to manage and mitigate concerns. B Lab will also document and share these positions publicly in order to enable all stakeholders, including citizens and policymakers, to make their own judgments about a company's performance, as well as further thoughtful, constructive public discussion about important issues. Existing B Lab statements and frameworks on controversial issues are available [here](#).

These frameworks, like B Lab's standards generally, are works in progress, and we look forward to improving upon them in the future. B Lab invites other perspectives as it continues to refine its views and, hopefully, contribute to a constructive conversation about the role of business in society.

Independent of eligibility for B Corp Certification, all companies in any industry are able to use the [B Impact Assessment](#) as an internal impact management tool to assess and improve their overall practices, and/or adopt a stakeholder governance legal structure (such as [benefit corporation](#)) appropriate to the company's current corporate structure and jurisdiction.

If you have questions or comments about B Lab's approach to the below issues, please email B Lab's Standards Management team at standardsmanagement@bcorporation.net.

Agribusiness Producers in Brazil and B Corp Certification

Agribusiness producers that operate within the Brazilian agribusiness industry are exposed to high environmental and social risks due to their geographic location, specifically within areas of high conservation value, such as the Amazon, Cerrado and Atlantic forest biomes.

In response to these risks, B Lab and its independent Standards Advisory Council have rendered the following decision regarding their eligibility for B Corp Certification:

Companies in the Brazilian agribusiness production industry operating in the Amazon, Cerrado & Atlantic forest biomes¹ are eligible for B Corp Certification as long as they meet the following requirements:

1. **Deforestation:** *Company is compliant with the Brazilian Forest Code (CAR, APP, RL & PRA requirements) including but not limited to no illegal deforestation since July 2008, as stipulated in the Forest Code. Further, the company has a formalized no-conversion policy for natural ecosystems for their own operations and future plans mentioning a cut-off date of Jan 1, 2020² (or before).*
2. **Land conflicts:** *The company complies with all pertinent Brazilian legislation including not operating on lands designated as protected areas or indigenous areas. The company has adequate and formalized policies and processes to uphold the rights of historic land owners and avoid land disputes. This could include a formal commitment to respecting land rights of indigenous peoples and practices such as identification and assessment of protected areas, indigenous lands and other areas of natural and cultural significance in the company's vicinity, dialogue and engagement with communities, grievance mechanisms for community members as well as evidence of having resolved any disputes in the past.*
3. **Additional Requirements Specifically for Cattle Ranches:** *Companies have formalized policies and processes in place to at least pursue the mitigation of risks of deforestation/land conversion, land encroachment and conflicts, and forced labour for feed and livestock suppliers along with ongoing monitoring. This could include practices such as supplier screening based on location, documentation and G4 agreement criteria, supply chain mapping, supplier code of conduct, audits for verification, geospatial monitoring, etc. for at least significant direct suppliers that are producers and potentially for indirect suppliers.*

1

https://data.globalforestwatch.org/datasets/54ec099791644be4b273d9d8a853d452_4?geometry=-173.406%2C-41.791%2C64.602%2C15.259

² To meet this requirement, a company cannot have converted land after January 1st 2020 and needs to have a formal no-conversion policy that states that no-conversion is permitted at least from January 1st 2020, even if the policy is instituted retroactively.

Companies meeting the above requirements will be required to make transparent their practices on the above topics on their B Corp profile, as well as other relevant practices including their management of labor rights (which, while material to the industry, is covered through the standard certification requirements and thus not called out separately above). Companies will also undergo a background check to independently affirm that there are no flags regarding the above topics, including a review of any recent and significant land acquisition, deforestation and land conversion practices in the last few years.

*Companies having certifications such as the RTRS, RFA, FSC, RSPO that cover their **entire** production will be meeting the above requirements. These requirements apply to agribusiness producers and exclude natural forest management companies, for whom a separate process may be required in the absence of FSC certification.*

While the no conversion requirement is specified for specific biomes in Brazil, it will serve as a gateway for global application and deforestation fronts, where the largest concentrations of forest loss or severe degradation are projected.

Industry Overview and Associated Risks

Brazil is considered the most biodiverse country in the world, housing 15-20% of the world's biodiversity. The Brazilian biomes such as the Amazon, Cerrado & Atlantic Forests, not only contain rich biodiversity, including two biodiversity hotspots,³ but also serve as important carbon sinks for combating climate change.⁴ Unfortunately, exponential growth of the Brazilian agribusiness industry over the past two decades has resulted in an unprecedented expansion of agricultural land and subsequent deforestation in these high conservation value regions.

Despite its high natural capital, Brazil is the fourth largest emitter of greenhouse gases, almost all of which is the result of deforestation.⁵ Beyond this, land use change affects surrounding ecosystems through increased levels of drought, soil erosion, and biodiversity loss; which in turn amplify climate change and its global impacts. Both soy and beef are key drivers of deforestation with an estimated 60-70% of deforested land in the Amazon being used for cattle ranching.⁶ Furthermore, the beef supply chain is particularly complex as cattle ranchers themselves purchase from other cattle farmers who are involved in breeding, and ongoing herd movement and poor traceability make it difficult to track cattle from deforested or converted land.

³ <https://www.cbd.int/countries/profile/?country=br>

⁴ https://www.panda.org/knowledge_hub/where_we_work/amazon/about_the_amazon/why_amazon_important/, <http://www.fao.org/redd/news/detail/en/c/1105756/#:~:text=It%20is%20also%20an%20immense,that%20spreads%20many%20metres%20deep.>

⁵ <https://www.nature.org/media/brasil/sustainable-agriculture-brazil.pdf>

⁶ <https://www.sciencedaily.com/releases/2011/03/110304091504.htm>

Apart from beef, soy cultivation in these areas is set to expand by 12 million hectares between 2021 and 2050, with 80% of that being produced for animal feed.⁷ While the deforestation of tropical forests in the Amazon is a more visible threat, the conversion of native vegetation to crops and pastureland in the Cerrado has devastating impacts on biodiversity and fresh water systems and experts warn that land conversion in the Cerrado is linked to both global warming and an 8.4% drop in annual rainfall.⁸ To date half of the Cerrado's native vegetation has already been converted to agricultural land for soy production.⁹

In addition to environmental impacts, agribusiness in Brazil also risks human rights impacts for the people that live and work on these farms and in the surrounding communities. Between 2003 and 2017, 35,000 people were rescued from slave labour in Brazil, with the majority being from cattle ranching, coffee farms, forestry and charcoal production.¹⁰ Most of these were rural indigenous Brazilians, Afro Brazilian men and migrant workers that were engaged in working exhaustive hours, had degrading working conditions and housing, and debt bondage in remote locations that prevented them from switching jobs or returning home.¹¹ In these locations, surrounding indigenous and local communities suffer not only from having the availability of their natural resources threatened¹² but also through an escalating number of threats and intimidation made against them in attempts of land grabbing by large scale agri-businesses.¹³ Recent reports have highlighted the human rights abuses against indigenous communities and Brazil has one of the highest murder rates for environmental activists in the world, with 80% of murders being linked to defending land in the Amazon.¹⁴

Despite the risks mentioned above, proponents argue that the recent agricultural revolution in Brazil brought about through the use of machinery and improved agricultural practices generated a steady economic growth to rural areas. The agribusiness industry in Brazil now accounts for 22% of national GDP, 33% of all employment and almost 40% of exports.¹⁵ Population in rural agricultural towns have increased in line with growing employment opportunities resulting in better amenities for locals in the way of healthcare and education.

Best Practices for Agribusiness Producers in Brazil

There are a host of regulations (e.g. Brazilian Forest Code),¹⁶ recognized credible third party certifications and guidelines such as the [Roundtable on Sustainable Soy \(RTRS\)](#), [Forest](#)

⁷ <https://globalforestatlas.yale.edu/amazon/land-use/soy/>

⁸ <https://news.mongabay.com/2020/05/soy-made-the-cerrado-a-breadbasket-climate-change-may-end-that/>, <https://www.unbciencia.unb.br/biologicas/34-engenharia-florestal/569-chuvas-no-cerrado-reduziram-8-4-em-tres-decadas>

⁹ <https://news.mongabay.com/2020/05/soy-made-the-cerrado-a-breadbasket-climate-change-may-end-that/>

¹⁰ <https://www.globallslaveryindex.org/2018/findings/country-studies/brazil/>

¹¹ See note 10

¹² <https://news.mongabay.com/2020/01/communities-in-brazilian-cerrado-besieged-by-global-demand-for-soy/>

¹³ http://www.mightyearth.org/wp-content/uploads/Rapid-Response_Soy-and-Cattle_Report-1.pdf

¹⁴ <https://www.globalwitness.org/en/press-releases/international-ngos-issue-stark-warning-bolsonaro/>

¹⁵ <https://www.pwc.com.br/pt/publicacoes/setores-atividade/assets/agribusiness/2013/pwc-agribusiness-brazil-overview-13.pdf>

¹⁶ https://ccafs.cgiar.org/publications/certifying-sustainability-opportunities-and-challenges-cattle-supply-chain-brazil#_Xx-QnxNKjiA

[Stewardship Council \(FSC\)](#), [Rainforest Alliance](#), [Roundtable on Sustainable Palm Oil \(RSPO\)](#) and [Brazilian Roundtable on Sustainable Livestock \(GTPS\)](#) as well as private sector and civil society initiatives (e.g. [Soy Moratorium](#), [Cerrado Manifesto](#), [G4 Cattle Agreement](#)) that not only aim to reduce and mitigate the above mentioned risks but also encourage best practices among agribusinesses. There is not, however, one universal standard for performance, nor are there relevant standards in existence for each commodity category.

Despite the variety of initiatives and standards available for producers of commodities in Brazil, there are a few common threads across most of them:

1. **Legal compliance:** Compliance with all applicable laws and regulations including CAR registration, not violating boundaries of protected areas and indigenous lands and compliance with labour regulations.
2. **No conversion of land with native vegetation:** Commitment to and demonstration of no deforestation and no conversion of land with native ecosystems¹⁷ (in some cases from a retroactive cut-off date), future expansion only on previously converted or degraded land.
3. **Respect for land rights of indigenous communities:** Commitment to upholding legal and customary rights of communities, demonstration of legal ownership of lands, identification of surrounding communities and places of natural and cultural significance, engagement with local surrounding communities in relation to land ownership and disputes, demonstration of receipt of the surrounding communities' free, prior and informed consent (FPIC), establishment of channels for communication and dialogue with the local community (including grievance mechanisms) and no involvement in land disputes with current or former local residents or communities.
4. **Demonstration of good working conditions for workers:** Commitment to human rights, prohibition of all forms of forced, compulsory, slave or child labor, non-discrimination, not hindering freedom of association and collective bargaining and payment of equal remuneration for work of equal value.

Rationale for the Standards Advisory Council Decision and Disclosure:

Agriculture continues to be one of the main drivers of deforestation and land conversion in the biomes of Brazil and companies operating in this space should be expected to meet context specific minimum requirements as potential B Corps, beyond the demonstration of agricultural best practices that are featured in the B Impact Assessment. In the absence of an industry wide certification that covers multiple crops and livestock, these minimum requirements ensure that potential B Corps are aware of the significant risks specific to their industry context and have

¹⁷ Ecosystems that resemble – in terms of species composition, structure, and function – those that are or would be found in a given area in the absence of significant human management impacts including aquatic ecosystems, forests or other native terrestrial ecosystems such as woodlands, shrublands, savannahs, grasslands, peatlands and páramo and localized areas of non-forest natural vegetation within forest biomes (Source: [Rainforest Alliance Sustainable Agriculture Standard](#))

taken action to mitigate them in their own operations and supply chain. Rationales for each of the requirements are as follows:

Companies that operate as producers within the Brazilian agribusiness industry are exposed to high environmental and social risks due to their geographic location, specifically within areas of high conservation value, such as the Amazon, Cerrado and Atlantic forest biomes.¹⁸ Conservation of forests and lands with native ecosystems is a key issue for the agribusiness industry in Brazil. While the Forest Code is recognized as a well written legislation, there are yet farms that do not comply with the same,¹⁹ which creates a case for specifically highlighting compliance with the Forest Code. Recognizing the leadership and high performance expected for B Corp Certification, the no-conversion requirement has been added with a cut-off date that aligns with the guidance in the Accountability Framework (AFI)²⁰ and global goals to halt deforestation by 2020, as specified in the New York Declaration on Forests and in Target 15.2 of the UN Sustainable Development Goals. Retroactive creation of the no-conversion policy is permitted for companies that have not converted land since January 1, 2020, to allow for companies who have had a good practice, to remediate by adopting the policy and ensure it is maintained over time.

Given that land encroachment and respect for land rights of communities is another important dimension of the impact of agribusiness producers, it is necessary that they acknowledge and manage it. For cattle ranches, in addition to the impact of their own operations, the risks of deforestation/land conversion, land encroachment and conflicts, and forced labour also percolate into their supply chain of cows and feedstock. The requirements pertaining to these issues have been intentionally kept broad, as there are many ways to manage these risks and specific practices could vary by context.

Even though this review was undertaken in recognition of the risks to Brazil's high conservation value forests and savannas, it serves as a potential gateway for broader application of no-conversion requirements. Specifically, these requirement could be applied to other countries and deforestation fronts,²¹ where the largest concentrations of forest loss or severe degradation are projected and where efforts to halt deforestation must be concentrated. The underlying practices might need to be modified to be specific to the local context and thus this particular position is specifically designed for Brazil.

The disclosure requirement in the Standards Advisory Council's decision is intended to recognize that some people may disagree with the position outlined by the Standards Advisory Council and should have the relevant information to make their own judgment regarding the company's social and environmental performance.

¹⁸ <https://www.arcgis.com/apps/Cascade/index.html?appid=d917920501534bcb8fd82b925de562c6>

¹⁹ See note 16

²⁰ <https://accountability-framework.org/contents-of-the-framework/cutoff-dates/2-guidance-on-selection-and-adoption-of-cutoff-dates>

²¹ Deforestation fronts: Amazon, Atlantic forest/Gran Chaco, Borneo, Cerrado, Chocó-Darién, Congo Basin, East Africa, Eastern Australia, Greater Mekong, New Guinea, Sumatra (Source: [WWF](http://www.wwf.org))

Companies that have not sufficiently managed these issues in the opinion of the Standards Advisory Council will not be eligible for B Corp Certification. Further, specific, material and credible complaints about agribusiness producers in Brazil will be investigated through B Lab's formal Complaints Process.

In cases where B Lab is unable to determine whether a company is meeting the requirements of this statement, the company's case will be presented to the Standards Advisory Council for a decision.

The decision of the Standards Advisory Council has been informed by independent research conducted by B Lab and stakeholder consultations including academic experts.

This statement is effective as of October 2020 until further judgment from the Standards Advisory Council.

Please send your feedback or questions to B Lab's Standards Management team at standardsmanagement@bcorporation.net.