

His Excellency Mr. Ambassador Fred Arruda

Embassy of Brazil

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22 June 2020

### **Open letter from financial institutions to halt deforestation in Brazil**

It is with deep concern that we follow the tendency of increasing deforestation in Brazil<sup>1</sup>. As financial institutions, who have a fiduciary duty to act in the best long-term interests of our beneficiaries, we recognize the crucial role that tropical forests play in tackling climate change, protecting biodiversity and ensuring ecosystem services.

Brazil has a good record of combating deforestation, while at the same time providing favorable conditions for business and investments. However, the escalating deforestation in recent years, combined with reports of a dismantling of environmental and human rights policies and enforcement agencies, are creating widespread uncertainty about the conditions for investing in or providing financial services to Brazil.

We are deeply concerned about the Provisional Measure 910 (now changed to PL 2633/2020), that has been submitted to the Brazilian congress for a vote, and which would legalise the private occupation of public lands in the past, mostly concentrated in the Amazon. Should the measure pass, it would encourage further illegal occupation of public lands and widespread deforestation which would jeopardise the survival of the Amazon and meeting the targets of the Paris Climate Change Agreement and undermine the rights of indigenous and traditional communities.

Recent statements from the Environment Minister Ricardo Salles using the COVID 19 crisis to push through environmental deregulation<sup>2</sup> and the controversial legislative proposals to legalize occupation of public lands and forests<sup>3</sup>, to open indigenous peoples' territories for mining<sup>4</sup> and to reduce requirements for environmental licensing<sup>5</sup> are but a few examples reported by the media on the threat of deregulation of environmental and human rights policies in Brazil.

We are concerned about the financial impact that deforestation and the violation of the rights of indigenous peoples may have on our clients and investee companies, by potentially increasing

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<sup>1</sup> <http://alerta.mapbiomas.org/relatorios>

<sup>2</sup> <https://news.mongabay.com/2020/05/brazil-minister-advises-using-covid-19-to-distract-from-amazon-deregulation/>

<sup>3</sup> <https://uk.reuters.com/article/uk-brazil-environment-boycott/british-supermarkets-threaten-brazil-boycott-over-proposed-forest-law-idUKKBN22V3AM>

<sup>4</sup> <https://www.theguardian.com/world/2020/feb/06/brazil-bolsonaro-commercial-mining-indigenous-land-bill>

<sup>5</sup> <http://www.mpf.mp.br/pgr/noticias-pgr/nota-tecnica-apresenta-criticas-ao-texto-que-traz-novas-regras-para-o-licenciamento-ambiental>

reputational, operational and regulatory risks. Considering increasing deforestation rates in Brazil, we are concerned that companies exposed to potential deforestation in their Brazilian operations and supply chains will face increasing difficulty accessing international markets. Brazilian sovereign bonds are also likely to be deemed high risk if deforestation continues.

We want to continue to invest in Brazil and help show that economic development and protection of the environment need not be mutually exclusive. We therefore urge the government of Brazil to demonstrate clear commitment to eliminating deforestation and protecting the rights of indigenous peoples.

The majority of undersigned investors are members of Investor Initiative for Sustainable Forests, a PRI<sup>6</sup> initiative run in collaboration with Ceres, which engages companies that have exposure to deforestation originating in soy and cattle production, whilst also addressing other related environmental, social and governance (ESG) issues. As financial institutions, we see deforestation and the associated impacts on biodiversity and climate change as systemic risks to our portfolios.

The majority of signatories of this letter also joined a call for corporate action on deforestation in light of the devastating fires in the Amazon last year, representing 251 financial institutions with over US \$17 trillion in assets under management.<sup>7</sup> While we call on companies to take action, we view it as equally important that the regulatory environment encourages sustainable corporate practices. Robust policies for the reduction of deforestation and protection of human rights are key solutions to managing these risks and contributing to efficient and sustainable financial markets in the longer term.

Given the seriousness of this matter, we would like to request a video call with you or your designated representative and will be contacting the Embassy to arrange a suitable time.

With assurances of our highest consideration,

1. Storebrand Asset Management
2. KLP
3. Gjensidige
4. Sparebank 1 Forsikring
5. MP Pension
6. Nordea Asset Management
7. AP Pension
8. SEB Investment Management
9. AP2 Second Swedish National Pension Fund
10. AP4 Fourth Swedish National Pension Fund
11. Handelsbanken Asset Management
12. Robeco
13. ACTIAM
14. NN Investment Partners
15. A.s.r.
16. Church Commissioners for England

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<sup>6</sup> PRI: UN-backed Principles for Responsible Investment: <https://www.unpri.org/>

<sup>7</sup>[https://d8g8t13e9vf2o.cloudfront.net/Uploads/r/q/s/investorstatementondeforestationandforestfiresintheamazon\\_29\\_oct\\_2019\\_665598.pdf](https://d8g8t13e9vf2o.cloudfront.net/Uploads/r/q/s/investorstatementondeforestationandforestfiresintheamazon_29_oct_2019_665598.pdf)

17. LGPS Central
18. Legal and General Investment Management
19. Brunel Pension Partnership
20. Border to Coast Pensions Partnership
21. BlueBay Asset Management
22. Surrey Pension Fund
23. Northern LGPS
24. Comgest
25. Indep'AM
26. Domini Impact Investment
27. Pax World Funds
28. Sumitomo Mitsui Trust Asset Management
29. Fram Capital

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