

## March 2023

### Written responses received from financial institutions regarding prosecutors' official audit of JBS' cattle purchases in the Amazon State of Pará

On 14<sup>th</sup> February 2023, Global Witness wrote to HSBC, Deutsche Bank, Credit Suisse, BNP Paribas, Blackrock, JP Morgan, Morgan Stanley, Aviva and Robeco who are all JBS shareholders, and Barclays who have underwritten the company's bonds. We asked them to respond to recommendations made in the report [Beef, Banks and the Brazilian Amazon](#) after an [official prosecutors' audit](#) of the company's cattle purchases in the Amazon state of Pará between mid-2019-2020 reflected the large-scale illegal deforestation identified in Global Witness' own research.

In our letter, Global Witness recommended they suspend any services, financing or contracts with JBS, or products sourced from JBS, until it can be transparently shown the company is complying fully with its no deforestation agreements. JBS has [criticised](#) some of the underlying data used by the prosecutors, who, in turn, did not accept their reasoning. The responses of the financial institutions Global Witness contacted are documented in Table 1 below.

**Table 1 – Responses received via email to Global Witness's letter sent 14 February 2023**

Name of financial institution	Response (via email)
<b>Blackrock</b>	Did not respond to our request for comment.
<b>BNP Paribas</b>	<p>“As you know, for confidentiality reasons, we cannot comment the data linked to our clients.</p> <p>The Group is strongly committed to fighting deforestation and has, since 2010, implemented financing and investment sector policies to address ESG risks, including those related to deforestation.</p> <p>As per our Agriculture sector policy, revised in April 2021, BNP Paribas will only provide financial products or services to companies (producers, meat conditioners and traders) involved in soy and beef activities in the Brazilian Amazon and Cerrado regions that have a strategy towards zero deforestation in their production and supply chains by 2025 at the latest. For all clients, BNP Paribas will also require full traceability of beef and soy supply chains (direct and indirect) by 2025. We are the first bank in the world to have adopted such stringent requirements on deforestation and traceability for soy and beef in these regions.</p> <p>Producers and traders' activities are closely monitored, and they go through an annual ESG assessment. We also require that they report on the progress made to ensure that they will comply by 2025 with BNP Paribas' Agriculture policy. These discussions are part of the ongoing dialogue we have with our clients. Our engagement strategy has</p>

	<p>already led to concrete positive impacts, as some top tier actors with whom BNP Paribas has set up a dialogue already have brought forward their zero-deforestation target from 2030 to 2025.</p> <p>Like for all of our sector policies, in the case of a possible misalignment, the companies can be placed under monitoring. If they fail to comply with the Group’s standards and commitments, we can decide to end the relationship.</p> <p>Like you, we are convinced that financial institutions have a key role to play, and that is why BNP Paribas’s continued dialogue with its clients and escalation approach are both a key part of the Group’s ESG Framework in general including its deforestation strategy.”</p>
<b>Morgan Stanley</b>	<p>“We are sensitive to the issues raised, and consider deforestation risk as part of Morgan Stanley’s environmental and social due diligence and review process. Please also note that Morgan Stanley has a very small equity stake in JBS which is essentially attributable to client-related activities.”</p>
<b>Credit Suisse</b>	<p>“Thank you for your letter and information on JBS.</p> <p>Our sector policies and guidelines describe the environmental and social standards we expect our clients to adhere to but also describe business activities and operations that Credit Suisse does not intend to finance. In the interests of transparency, we share summaries of our latest policies on our website (see summary of our sector policies).</p> <p>Further information on Credit Suisse’s approach to sustainability is outlined in our 2021 Sustainability Report (see: <a href="https://www.credit-suisse.com/sustainability/en/reports.html">https://www.credit-suisse.com/sustainability/en/reports.html</a>). An update on progress against our objectives will be provided in our 2022 Sustainability Report which will be available shortly.</p> <p>We ask you for your understanding that, due to legal restrictions and as a matter of policy, Credit Suisse is not in a position to comment on any possible client relationships or securities holdings.”</p>
<b>Robeco</b>	<p>Please find attached the letter we have drafted in response to your update, reflecting on the findings from the prosecutor’s audit as well as laying out the different steps we are taking to eliminate deforestation from our investments and push companies to remediate their impacts. [Please see letter at bottom of PDF]</p>
<b>Barclays</b>	<p>Did not respond to our request for comment.</p>
<b>HSBC</b>	<p>Did not respond to our request for comment.</p>
<b>JP Morgan</b>	<p>Declined to comment.</p>
<b>Aviva</b>	<p>“Many thanks for your email and the opportunity to comment. As discussed, we have designated JBS as a red rated issuer which prohibits any active equity exposure to the company. We do currently have negligible exposure to JBS through a passive index holding which we do not have discretion to remove at this time. We do not recognise the larger number reported by Refinitiv.</p> <p>I’d also like to outline our ongoing work on deforestation. In November 2021, we were one of thirty investors globally to sign a commitment to use our best efforts to eliminate agricultural commodity-driven deforestation from our portfolios by 2025. This investor working group focusses on the implementation of the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation, known as the Financial Sector Deforestation Action (FSDA). The FSDA has identified priority companies and financial institutions to engage with on deforestation risk, using Global Canopy’s Forest 500 list. We are leading engagements with 5 companies and 5 banks, as well as supporting additional engagements alongside other investors. Our expectations for these companies have been made public here.</p>

	<p>We spent much of 2022 carrying out a detailed deforestation risk assessment of our investment portfolio – the approach and results of which can be found on p12-22 of our 2022 Biodiversity Report, found on this page Aviva at COP15 - Aviva plc. We are currently working to refine this assessment, and plan to develop a more comprehensive deforestation engagement strategy this year.</p> <p>In 2022 we strengthened our voting policy by making deforestation a more formal element. We now vote against targeted management resolutions at companies with significant exposure to commodity-driven deforestation risk over their lack of robust policies and targets on reducing deforestation. In particular, the poorest performers identified in Global Canopy’s Forest 500 ranking of companies exposed to forest-risk commodities (beef and leather, soy, palm oil, timber and pulp and paper) in their supply chain. As of Jan 2023 we have voted against 83 companies on this basis, and their progress will continue to be kept under review. These names may be the most exposed to tropical deforestation risk, but this also means they have the greatest influence in the forest-risk commodity supply chains they are involved in. If they act on deforestation and associated human rights abuses, they have the greatest potential to drive change. More detail on our engagement and voting on deforestation can be found in the Biodiversity Report above, pages 24-30.”</p>
<p><b>Santander</b></p>	<p>“Thank you for your e-mail. Santander is fully committed to working with our clients, as well as governments, regulators, and NGOs, to help end deforestation. We recognise this is a highly complex challenge which can only be addressed if all relevant stakeholders play their part.</p> <p>While we cannot comment on our discussions with individual clients, as you know from our previous correspondence, we understand our responsibilities and obligations as a responsible lender and are in frequent contact with our beef processing clients with operations in the Amazon region on this matter, applying strict lending policies and monitoring their activities closely.</p> <p>We are also actively engaged in a range of initiatives aimed at addressing this issue, including being part of the Plano Amazônia coalition and collaborating with Brazil’s banking federation, Febraban, in setting best practices for the financing of the beef processing sector to help end deforestation. In December 2022, Santander became the first bank to join the Innovative Finance for the Amazon, Cerrado and Chaco (IFACC) initiative to accelerate financing for sustainable production.”</p>
<p><b>Deutsche Bank</b></p>	<p>“Many thanks for your email and the opportunity to respond to your letter.</p> <p>As you know we cannot comment on potential, existing or former client relationships.</p> <p>We would also like to point out that we can only speak for Deutsche Bank AG and our business activities, especially financing. As DWS is a separate listed company, please get in touch directly with DWS with regard to potential investments topics.</p> <p>Deutsche Bank has a set of requirements and guiding principles that we apply to our client and business selection processes in order to promote sustainable agribusiness. As part of this approach, we require clients to participate in certification schemes and expect them to publicly demonstrate their commitment to No Deforestation standards. We reject accusations that we are knowingly providing direct financing for projects or activities related to deforestation of primary tropical forests or that are located in sensitive areas such as “high conservation value” areas. Of course, this also applies to projects where illegal logging occurs. All of our financing follows our policies and guidelines.</p> <p>We address environmental and social issues in our ongoing dialogue with our clients. Our dialogue scope also covers media reporting, including reports from NGOs as well as individual statements from clients. This is the basis on which we decide how to proceed depending on existing contractual agreements. As a ultima ratio, this may also mean that we terminate a business relationship.</p>

	<p>If we can help with anything further, please don't hesitate to get in touch."</p>
<p><b>DWS</b></p>	<p>"As you know, we cannot publicly comment on single companies.</p> <p>In general, the exchange with investee companies is an integral part of the DWS investment process on the active investment platform. In our fiduciary function, critical and constructive dialogue with investee companies is important to us in order to call for improvements in sustainability factors. In addition to regular exchanges with boards of investee companies, DWS conducted 581 engagements with 471 investee companies in 2021, an increase of almost 28 percent compared to the previous year. In 375 of our 581 engagements, we discussed environmental topics.</p> <p>As part of these engagements, we may make demands for transparency in the supply chain and for the creation of and compliance with relevant international standards. We strive to assess each company individually. In this context, we also engage in dialogue with companies to highlight the risks and impacts of deforestation.</p> <p>Most companies are open to dialogue. In cases where no progress can be seen, DWS uses its voting rights accordingly or also publicly comments on the lack of change at the respective Annual General Meeting. The results of DWS's voting rights can be viewed publicly for the German, Luxembourg and US mutual funds. For example, the voting rights of the active and passive DWS funds in Europe are combined. If these efforts do not bear fruit and we conclude that little potential for improving key sustainability factors is apparent, we consider excluding companies from the investment universes of the relevant products.</p> <p>Please note that the above figures will no longer be up-to-date with the upcoming new annual report."</p>

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Response to "Update letter on new audit results exposing JBS' link to deforestation"

28 February 2023

Dear Mr. Mantovani and Amazon Team,

Thank you for your letter regarding JBS' ongoing deforestation allegations, concerns which we are acknowledging and actively addressing through our investment, engagement and voting activities.

We believe the recent findings by the Federal Prosecution Office in Pará reconfirm the previously known gaps in the company's environmental and social due diligence processes, as well as highlight the clear litigation risks posed to companies for both past and continued negligence towards deforestation within their sourcing. We believe that JBS has taken significant steps since 2021, after the conclusion of the prosecutor's investigation, to improve traceability and monitoring across its direct and indirect cattle supply chain. These steps include the launch of JBS' Transparent Livestock Farming Platform and the presentation of a clear roadmap to achieve full traceability by end of 2025. While we expect that the Transparent Livestock Farming Platform will create a robust due diligence process, we remain cautious in our views as long as allegations around deforestation continue to emerge. Thus, we take the repeated allegations seriously in both our investment decisions and engagement dialogues, with the exact steps being outlined below.

At Robeco, we believe that with a constructive dialogue with the companies in which we and our clients invest we can have a larger impact than excluding companies from our investment universe. However, we recognize that there are instances where escalation may be necessary, with exclusions from the investment universe being regarded as a last resort. As such, we are on an ongoing basis monitoring our investment exposure to companies in breach of the UN Global Compact (UNGC) principles or OECD Guidelines for Multinational Enterprises, as defined by our independent data provider Sustainalytics. All companies in breach of these international norms, including on environmental controversies, will undergo an enhanced engagement of maximum three years, which if not showing sufficient progress in resolving and remediating the breach can lead to exclusion of the issuer (see more details in our [Stewardship Policy](#)). It is in this context that we are currently closely monitoring JBS. While the company is not rated to be in breach of the UNGC or OECD Guidelines, JBS is on the monitored Sustainalytics Watchlist due to the extensive deforestation allegations.

Having signed the [COP26 commitment to eliminating commodity-driven deforestation](#) from our investment portfolios by 2025, we are currently developing adequate frameworks to assess and integrate deforestation and wider biodiversity risks and impacts across all our investment processes. Currently Robeco is already integrating ESG criteria into close to all investment processes.

We acknowledge our responsibility as shareholders to use our shareholder rights to push for positive change as long as we are invested in a company, and do so through various channels, constantly exploring how we can increase our impact. We have been in an ongoing dialogue with JBS since 2016 to address various sustainability-related topics, with a particular focus on deforestation and corporate governance. The engagement is asking among others for scientifically aligned zero conversion commitments, adequate supplier monitoring and engagement, biodiversity impact assessments, ecosystem restoration and remediation of non-compliance, and responsible stakeholder management such as of indigenous community rights. We acknowledge the gaps in JBS performance, in particular on the scope and timelines of their no conversion targets and compliance to their no-deforestation commitments. Yet, we have seen the company take several positive steps over the last years, including the alignment to COP27 Cattle Sector Roadmap, and the efforts to gain visibility over indirect suppliers through their Transparent Livestock Farming Platform. However, we recognize these steps are not yet sufficient to halt deforestation and native vegetation conversion across JBS' supply chain and thus continue to explore options to increase investor pressure, including among others:

- Robeco leading the Finance Sector Deforestation Action (FSDA) engagement with JBS. The FSDA is a collaborative investor engagement group consisting of the over 30 financial institutions that have signed the COP26 commitment on eliminating commodity-driven deforestation. Representing the group in the dialogue with JBS, Robeco has recently sent JBS a formal letter outlining investor expectations around companies' deforestation management and human rights practices, and continues to follow up on these expectations with the company.
- Robeco has warned JBS for being flagged in our deforestation proxy voting list, triggering a future vote against management if the company's deforestation controversy score in Sustainability does not improve over the next year. In 2023, Robeco launched its new deforestation voting policy, voting against management on an appropriate agenda item for companies that have high exposure yet insufficient management of deforestation risks.

Besides our intensive corporate engagement, Robeco is an active member of the Investor Policy Dialogue on Deforestation's (IPDD) Brazil working group, engaging with Brazilian government on the importance of halting deforestation, highlighting the need for stronger policies and enforcement systems for environmental protection, including among others centralized traceability systems.

We hope that the above views and steps taken by Robeco provide a sufficient answer to your questions and would want to point you towards our recently published [deforestation position paper](#) for further information. We would be interested to learn more about the Global Witness audit mentioned in your letter, whether in writing or over a call, and will take your suggestions into account in our upcoming engagements with the company. We thank you for your work, which is critical in holding companies accountable, and look forward to hearing from you.

Yours sincerely,



Peter van der Werf,  
*Executive Director Active Ownership, Robeco*