



June 7, 2022

Ms. Kari Hamerschlag
Deputy Director, Food and Agriculture
Friends of the Earth/Friends of the Earth Action

Thank you for your letter dated May 25, 2022, setting out your concerns related to IFC's financing of Louis Dreyfus Company Brasil S.A. (LDC Brazil).

We understand and share your concerns about the loss of natural habitat in the Cerrado. Please be assured that because of the many issues affecting the sector, particularly related to the ability of agribusiness companies to monitor compliance in their supply chains, IFC has been very selective with its financing to the agricultural sector in Brazil. IFC's role is to engage with private companies that can promote sustainable development. In Brazil, we have focused efforts on partnering with like-minded companies that are willing and able to operate at the highest standards of accountability, more often above their peers. On the heels of LDC's zero-deforestation announcement in February 2022, IFC believes that via its financing and engagement, it can support this company on its ambitions towards zero-deforestation in its supply chain. In fact, the project will finance the purchase of soybean and corn exclusively from eligible farmers committed to zero deforestation or conversion of natural habitats in Brazil.

As with all investments, IFC undertook a rigorous due diligence process in relation to LDC's ability and commitment to implement IFC's Environmental and Social Performance Standards (PS). While all PSs are applicable to the proposed investment, risks and impacts that need to be managed under the PSs are adequately described under PS1, PS2, and PS6 and the relevant supply chain requirements. The proposed IFC investment will be ring-fenced – specifically to be utilized for the sourcing of an estimated 500,000 metric tons of soy or corn from pre-financed *direct* suppliers and farmers on the spot market that comply with LDC Brazil's supply chain requirements and those of IFC's financing. IFC funds will not be used for *indirect* purchases (i.e. via middlemen/aggregators). Also, there is no financing allocated for transportation and this proposed investment does not entail any expansion of existing processing assets and warehouse facilities.

Our assessment has determined that LDC has established and enforced a rigorous E&S risk screening platform for qualifying the farmers within the scope of IFC's proposed investment. The details of the risk screening platform are summarized in the ESRS disclosed on May 4, 2022. The implementation of the system, which IFC will monitor during the life of the loan, is expected to prevent risks of land grabbing and land conflicts with Indigenous Peoples and traditional communities directly associated with eligible farmers.

In addition, IFC's financing will be complemented by advisory services to improve the traceability of indirect suppliers, train farmers on additional natural vegetation preservation requirements to qualify for LDC's financial incentives, and support LDC in quantifying its scope 3 GHG emissions. Overall, we expect the proposed project to support LDC Brazil in the further development of its verification system to avoid

deforestation and loss of natural habitat in its supply chain. Considering the scale of the LDC Brazil operations, their 2025 zero-deforestation undertaking has the potential to demonstrate the feasibility of full traceability in Brazil.

Finally, we understand your concerns about the impact of livestock production and IFC has developed a specific approach to the sector to help raise standards in the industry. Nonetheless, we see the proposed project as centered on improving traceability and accountability regarding deforestation and loss of high conservation value natural vegetation in LDC's supply chain in Brazil. While we agree that no single project can address all these issues, IFC believes the proposed engagement would significantly improve accountability in LDC's supply chain regarding deforestation and the preservation of natural habitat, as well as good agricultural and labor practices. I would like to take this opportunity to thank you for your continued interest in our work and for raising matters of mutual importance to our attention.

Sincerely,



Tania Kaddeche
Regional Head of Industry
Manufacturing, Agribusiness and Services
Latin America and the Caribbean