

June 28, 2022

Dear Ms. Kaddeche:

Thank you for your email of June 22 regarding IFC Project 44281.

We appreciate your continued engagement with us on this matter. However, we remain concerned that the IFC has failed to properly apply its own Performance Standards to this investment and believe that its approval will result in a continuation of deeply unsustainable agricultural practices in the Cerrado. We are also perplexed that LDC activities outside the ringfenced scope of the proposed loan seem to have merited little consideration when, as you point out, one of the primary goals of this project is to “support LDC’s efforts to trace indirect suppliers in high value conservation areas in the Cerrado through our advisory project.”

Thank you in advance for your consideration of the issues we raise below. We respectfully request that the IFC delay consideration of this loan until these are more robustly addressed and look forward to your reply.

Comment #1: Project is not adequately assessed against PS1; PS3 and PS4 should also apply

With respect to your comment that the aim of Project 44281 is “to provide financial incentives for farmers preserving natural habitats within the IFC financed project”: we have yet to ascertain from either the project documents or your correspondence of [June 7](#) and [June 22](#) why IFC believes that no other environmental issues outside of deforestation and land conversion/ preservation should be addressed in this project, given specific guidance of PS 1, 3 and 4 on the myriad impacts of large-scale agriculture operations’ use of pesticides, water and fertilizer, as well as value chain GHG emissions.

As we have consistently noted in our correspondence with IFC, negative environmental impacts *beyond deforestation and land conversion* tied to ringfenced activities occurring on somewhere between ~1,000,000 and ~5,000,000 acres (~405,000 and ~2,024,300 hectares) include significant degradation and pollution of land, air, and water, as well as significant and unchecked GHG emissions. Based on the performance standards, these impacts require meaningful mitigation targets, plans, and monitoring activities (e.g., the use of Integrated Pest Management, reduction in use of energy- intensive toxic pesticides and fertilizers, and “cost-effective options to reduce project-related GHG emissions” including “sustainable agricultural practices” [PS 3]). Negative social impacts include [displacement of smallholder farmers](#) and negative public health impacts tied to toxic pesticide use and the consumption and [pollution](#) of natural resources.

These E&S impacts should require the proposed project to be properly assessed against (and relevant mitigation measures developed according to) PS 1, PS 3, and PS 4. Further, PS 1 is clear on the requirement regarding stakeholder consultation, which based on project documents, has not occurred at all. In the [table](#) below, we highlight again why we believe this project is out of compliance with IFC Performance Standards. (Relevant language from these Performance Standards may be found in [Addendum 1](#); more details outlining our rationale for applying PS 3 and PS 4 can be found in our unanswered [letter](#) of June 13th.)

If IFC is interested in raising the sustainability bar for commodity traders like LDC, it could leverage taxpayer funds to mitigate any number of the industry's other impacts on land, water, or climate by promoting the permanent adoption of genuinely sustainable regenerative or agro-ecological practices. The importance of addressing additional impacts beyond deforestation and high-value land conversion is underscored by IFC-supported Roundtable on Responsible Soy ([RTRS](#)) standards.

Regarding the proposed project’s potential additionality: Even if “supporting LDC on its ambitions towards zero-deforestation in its supply chain,” could justify IFC’s \$200M investment in a company already sitting on \$3.5B of available private and public financing, it is unclear *at best* that the proposed investment can deliver relevant “[E&S standards setting](#)” additionality, given that the majority of the geographically ringfenced area is already deforested. The proposed investment intends to support the production of 200-300 soy and corn-producing industrial farms in Goiás, Mato Grosso, Minas Gervais, which regions have already been largely deforested, according to [Global Forest Watch](#) (see images in [Addendum 2](#)). The IFC concedes as much in the [ESRS](#), noting, “The geographic scope of this

investment principally involves consolidated agricultural landscapes in southern Mato Grosso, Goiás and Minas Gerais that present *very low risk of significant habitat conversion*. However, it also includes northern and western Mato Grosso, which present a higher risk of significant habitat conversion.” The fact that the proposed loan will fund corn and soy purchases from these “already consolidated” landscapes speaks to the need for the IFC to direct the funds toward addressing many other serious impacts of corn and soy monoculture. Furthermore, after the project ceases, what guarantees are there that these incentives for land protection will remain?

Performance Standards 1, 3 and 4 require assessment and mitigation of impacts of industrial corn and soy production (see [Addendum 1](#) for relevant text)

	Land	Climate	Water	Stakeholder Consultation
	Agricultural commodity giants including LDC rely on monoculture cropping practices that involve the extensive use of synthetic fertilizers , herbicides , and pesticides that individually and collectively cause soil acidification, exhaustion, and erosion in addition to eutrophication and biodiversity loss .	Fertilizer application, soil preparation and the manufacturing of pesticides, fertilizers, and herbicides, soy oil extraction, crude oil refining, biodiesel production, and transport all contribute significant value chain GHG emissions .	In the Cerrado and other regions, pesticide and fertilizer intensive large scale monocropping is driving significant soil erosion, pesticide and fertilizer-based water pollution that 2022 World Bank report , points out are disproportionately impacting indigenous and poor communities across Brazil and Latin America. In some regions, there is significant depletion of water resources.	PS1 requires “effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them” and that “An effective ESMS is a dynamic and continuous process...that involves engagement between the client, its workers, local communities directly affected by the project and, where appropriate, other stakeholders.” Yet, project documents indicate that there has been no consultation carried out in this project.
PS1	Para(s): 2, 3, 7, 8, 12	Para: 7	Para(s): 8, 12	Para(s): 25-33
PS3	Para(s): 10, 11, 14 - 17	Para: 7, 11	Para: 9, 11	
PS4	Para(s): 7, 8, 9		Para(s): 7, 8, 9	
SDGs under threat	1, 2, 3, 6, 8, 12, 13, 15			
Paris Agreement Misalignment	LDC’s failure to adopt meaningful company-wide GHG reduction targets should disqualify the company from receiving any sustainability-linked public funding. Similar to its peers , LDC’s Scope 3 emissions likely make up more than 90% of its total; LDC has yet to calculate its Scope 3 emissions, let alone set Paris-aligned reduction targets. LDC’s 1% Scope 1 and 2 reduction targets align with neither the Paris agreement nor Brazil’s NDC .			

Comment #2: Concerns about fungibility—Traceability goal is inconsistent with IFC's apparent reticence to consider LDC's ties to deforestation, land grabbing, and other "poor practices" during loan preparation

Given that one of the project's central objectives is to "support LDC's efforts to trace indirect suppliers in high value conservation areas in the Cerrado through our advisory project," we believe the IFC should be deeply concerned about LDC's harmful activities outside the project's geographically ringfenced scope. We understand from our partners on the ground that deforestation, land grabbing and human rights threats are intensifying with impunity in the Cerrado during this last year of the Bolsonaro regime. In considering the merits of this loan, **we believe that all activities associated with LDC that are contributing to deforestation and land grabbing should be of great concern to IFC and its shareholders given that the funds are fungible.**

The IFC has maintained the proposed \$200M loan is "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." **However, the IFC has not explained how the Bank either would or could prevent LDC from spending the proceeds from the sale of corn and soy purchased with IFC funds on non-ringfenced purchases of corn and soy in their indirect supply chain that could be [tainted](#) by deforestation, land grabbing and/or human rights violations, among other environmental and social "poor practices".** LDC could also use these funds for its investments in the deeply troubling Ferrogrão project, a proposed railway dedicated to agricultural transport that threatens to [exacerbate the already tense land conflicts with Indigenous communities](#), particularly the [Munduruku, Apyacá, and Kayabi](#).

While you rightly point out in your email of June 22 regarding [the Repórter Brasil investigative report](#) that the lawsuit brought against local Bahia communities by industrial agri-commodity producers claiming "ownership" of traditional lands is currently being adjudicated and that the LDC joint venture company ALZ Grãos denies having a *direct* relationship with a producer implicated in associated land grabbing and human rights violations, our **purpose in sending the report was to put forth additional evidence of LDC's indirect ties to suppliers involved in land conflicts and deforestation**, which the report provides.

Comment #3: LDC has not demonstrated a [willingness](#) to "operate at the highest standards of accountability, more often above their peers", and is not an E&S leader in the agri-commodity industry

LDC's subjectively determined "[realistic](#)" [cut-off date for zero deforestation in its supply chain](#) of 2025 does not meet the [Cerrado SoS](#) recommendations, Consumer Goods Forum ([CGF](#)), or New York Declaration on Forests ([NYDF](#)) commitments. Important also, LDC's commitment does not align with the cut-off date contemplated in [proposed EU regulations](#) on deforestation-free products. We would also point out again that [unlike](#) some of its peers, [LDC has not disclosed](#) either (a) the level of traceability of its indirect supply chain or (b) the *absolute* volume of direct vs. indirect procurement, making it impossible for stakeholders to determine whether or to what extent the bank's investment or advisory efforts to "[improv\[e\] traceability](#) and accountability regarding deforestation and loss of high conservation value natural vegetation in LDC's supply chain in Brazil" or other negative impacts could exert any positive effect. As pointed out in all of our communication, it's GHG reduction targets are minimal and totally out of alignment with Paris targets.

Comment #4: Regarding the diversion of resources to feed industrially produced livestock rather than humans

Last, we would like to take this opportunity to ask again: **During a time of heightened food security concerns, do you believe that IFC should prioritize support for diversified agricultural production that will increase capacity of small and mid-scale farmers to produce food for consumption by humans rather than supporting large-scale feed production for industrial livestock?**

As pointed out in our [letter](#) of June 13, the World Bank's own [guide](#) states that feed production for intensive livestock systems is increasingly sourced from "high-input intensity grain and legume monocultures" that "can result in remote impacts on natural resources in feed-exporting regions, as well as competition for resources between the production of livestock feed and human-edible food." Against the backdrop of war-based food shortages that are disrupting highly centralized industrial food systems and having a disproportionate negative impact on the world's most vulnerable populations, we are particularly disheartened and concerned that the IFC would shy away from meaningfully assessing

its support of global industrial livestock and animal feed conglomerates—particularly those with ample resources to support their own operations and sustainability measures, should they choose to undertake them.

We would welcome the opportunity to discuss these questions with you and your team in greater detail.

Thank you for your consideration,

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CC.

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Adriana Kugler, World Bank Executive Director (US)

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Eva Valle Maestro, World Bank Executive Director (Mexico)

Richard Montgomery, World Bank Executive Director (UK)

Arnaud Buissé, World Bank Executive Director (France)

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Koen Davidse, Executive Director, World Bank Group (Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, North Macedonia, Moldova, Montenegro, The Netherlands, Romania, and Ukraine)

Lene Lind, World Bank Executive Director (Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden)

Matteo Bugamelli, World Bank Executive Director (Albania, Greece, Italy, Malta, Portugal, San Marino, and Timor-Leste)

Katarzyna Zajdel-Kurowska, World Bank Executive Director (Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan)

Roman Kachur, Managing Director (Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, North Macedonia, Moldova, Montenegro, The Netherlands, Romania, and Ukraine)

Addendum 1: Relevant text from Performance Standards 1, 3, and 4

Relevant text from PS1:

Paragraph 2: At times, the assessment and management of certain environmental and social risks and impacts may be the responsibility of...third parties over which the client does not have control or influence. Examples of where this may happen include:...(ii) when specific actions directly related to the project are carried out by...third parties such as providing land for a project which may have previously involved the resettlement of communities or individuals and/or leading to loss of biodiversity. While the client cannot control these government or third party actions, an effective ESMS should identify the different entities involved and the roles they play, the corresponding risks they present to the client, and opportunities to collaborate with these third parties in order to help achieve environmental and social outcomes that are consistent with the Performance Standards.

Paragraph 7: When the project involves existing assets, environmental and/or social audits or risk/hazard assessments can be appropriate and sufficient to identify risks and impacts.... The risks and impacts identification process will be based on recent environmental and social baseline data at an appropriate level of detail. The process will consider all relevant environmental and social risks and impacts of the project, including the issues identified in Performance Standards 2 through 8, and those who are likely to be affected by such risks and impacts. The risks and impacts identification process will consider the emissions of greenhouse gases, the relevant risks associated with a changing climate and the adaptation opportunities, and potential transboundary effects, such as pollution of air, or use or pollution of international waterways.

Paragraph 8: Where the project involves specifically identified physical elements, aspects, and facilities that are likely to generate impacts, environmental and social risks and impacts will be identified in the context of the project's area of influence. This area of influence encompasses, as appropriate:

- The area likely to be affected by: (i) the project and the client's activities and facilities that are directly owned, operated or managed (including by contractors) and that are a component of the project (ii) impacts from unplanned but predictable developments caused by the project that may occur later or at a different location; or (iii) indirect project impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent.

Relevant text from PS3:

Paragraph 7: Greenhouse Gases

In addition to the resource efficiency measures described above, the client will consider alternatives and implement technically and financially feasible and cost-effective options to reduce project-related GHG emissions during the design and operation of the project. These options may include, but are not limited to, alternative project locations, adoption of renewable or low carbon energy sources, sustainable agricultural, forestry and livestock management practices, the reduction of fugitive emissions and the reduction of gas flaring.

Paragraph 9: Water Consumption

When the project is a potentially significant consumer of water, in addition to applying the resource efficiency requirements of this Performance Standard, the client shall adopt measures that avoid or reduce water usage so that the project's water consumption does not have significant adverse impacts on others. These measures include, but are not limited to, the use of additional technically feasible water conservation measures within the client's operations, the use of alternative water supplies, water consumption offsets to reduce total demand for water resources to within the available supply, and evaluation of alternative project locations.

Paragraphs 10 and 11: Pollution

10: The client will avoid the release of pollutants or, when avoidance is not feasible, minimize and/or control the intensity and mass flow of their release. This applies to the release of pollutants to air, water, and land due to routine, non-routine, and accidental circumstances with the potential for local, regional, and transboundary impacts.¹⁰ Where

historical pollution such as land or ground water contamination exists, the client will seek to determine whether it is responsible for mitigation measures. If it is determined that the client is legally responsible, then these liabilities will be resolved in accordance with national law, or where this is silent, with GIIP.

11: To address potential adverse project impacts on existing ambient conditions,¹² the client will consider relevant factors, including, for example (i) existing ambient conditions; (ii) the finite assimilative capacity¹³ of the environment; (iii) existing and future land use; (iv) the project's proximity to areas of importance to biodiversity; and (v) the potential for cumulative impacts with uncertain and/or irreversible consequences. In addition to applying resource efficiency and pollution control measures as required in this Performance Standard, when the project has the potential to constitute a significant source of emissions in an already degraded area, the client will consider additional strategies and adopt measures that avoid or reduce negative effects. These strategies include, but are not limited to, evaluation of project location alternatives and emissions offsets.

Paragraphs 14-17: Pesticide Use and Management

14: The client will, where appropriate, formulate and implement an integrated pest management (IPM) and/or integrated vector management (IVM) approach targeting economically significant pest infestations and disease vectors of public health significance. The client's IPM and IVM program will integrate coordinated use of pest and environmental information along with available pest control methods, including cultural practices, biological, genetic, and, as a last resort, chemical means to prevent economically significant pest damage and/or disease transmission to humans and animals.

15: When pest management activities include the use of chemical pesticides, the client will select chemical pesticides that are low in human toxicity, that are known to be effective against the target species, and that have minimal effects on non-target species and the environment. When the client selects chemical pesticides, the selection will be based upon requirements that the pesticides be packaged in safe containers, be clearly labeled for safe and proper use, and that the pesticides have been manufactured by an entity currently licensed by relevant regulatory agencies.

16: The client will design its pesticide application regime to (i) avoid damage to natural enemies of the target pest, and where avoidance is not possible, minimize, and (ii) avoid the risks associated with the development of resistance in pests and vectors, and where avoidance is not possible minimize. In addition, pesticides will be handled, stored, applied, and disposed of in accordance with the Food and Agriculture Organization's International Code of Conduct on the Distribution and Use of Pesticides or other GIIP.

17: The client will not purchase, store, use, manufacture, or trade in products that fall in WHO Recommended Classification of Pesticides by Hazard Class Ia (extremely hazardous); or Ib (highly hazardous). The client will not purchase, store, use, manufacture or trade in Class II (moderately hazardous) pesticides, unless the project has appropriate controls on manufacture, procurement, or distribution and/or use of these chemicals. These chemicals should not be accessible to personnel without proper training, equipment, and facilities to handle, store, apply, and dispose of these products properly.

Relevant text from PS4:

Paragraph 7: Hazardous Materials Management and Safety

7: The client will avoid or minimize the potential for community exposure to hazardous materials and substances that may be released by the project. Where there is a potential for the public (including workers and their families) to be exposed to hazards, particularly those that may be life-threatening, the client will exercise special care to avoid or minimize their exposure by modifying, substituting, or eliminating the condition or material causing the potential hazards. Where hazardous materials are part of existing project infrastructure or components, the client will exercise special care when conducting decommissioning activities in order to avoid exposure to the community. The client will exercise commercially reasonable efforts to control the safety of deliveries of hazardous materials, and of transportation and disposal of hazardous wastes, and will implement measures to avoid or control community exposure to pesticides, in accordance with the requirements of Performance Standard 3.

Paragraph 8: Ecosystem Services

The project's direct impacts on priority ecosystem services may result in adverse health and safety risks and impacts to Affected Communities. With respect to this Performance Standard, ecosystem services are limited to provisioning and regulating services as defined in paragraph 2 of Performance Standard 6. For example, land use changes or the loss of natural buffer areas such as wetlands, mangroves, and upland forests that mitigate the effects of natural hazards such as flooding, landslides, and fire, may result in increased vulnerability and community safety-related risks and impacts. The diminution or degradation of natural resources, such as adverse impacts on the quality, quantity, and availability of freshwater,² may result in health-related risks and impacts. Where appropriate and feasible, the client will identify those risks and potential impacts on priority ecosystem services that may be exacerbated by climate change. Adverse impacts should be avoided, and if these impacts are unavoidable, the client will implement mitigation measures in accordance with paragraphs 24 and 25 of Performance Standard 6. With respect to the use of and loss of access to provisioning services, clients will implement mitigation measures in accordance with paragraphs 25–29 of Performance Standard 5.

Paragraph 9: Community Exposure to Disease

The client will avoid or minimize the potential for community exposure to water-borne, water-based, water-related, and vector-borne diseases, and communicable diseases that could result from project activities, taking into consideration differentiated exposure to and higher sensitivity of vulnerable groups. Where specific diseases are endemic in communities in the project area of influence, the client is encouraged to explore opportunities during the project life-cycle to improve environmental conditions that could help minimize their incidence.

Addendum 2: Global Forest Watch imagery of Goiás, Mato Grosso, and Minas Gerais



