



Government
of Canada
Trade Commissioner
Service

Gouvernement
du Canada
Service des
délégés commerciaux

Canada

TRADE COMMISSIONER SERVICE

EXPORT DEVELOPMENT CANADA

**SUSTAINABLE AND
RESPONSIBLE BUSINESS
CONDUCT IN BRAZIL**

Octávio Frias de Oliveira Bridge, São Paulo



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1 FOREWORD

When it comes to the role that corporations play in sustainable and inclusive development, Canadian businesses want to act responsibly, including in their activities abroad. They also want to be recognized as world leaders in sustainable practices that respect good governance, environment and local communities, a role expected of them by Canadians. Responsible investment and business operations play an important role in promoting Canadian values globally and the Government of Canada understands that responsible corporate behaviour by Canadian companies active abroad not only enhances their chances for business success, but can also contribute to broad-based economic benefits for the countries in which they are active and for Canada.

Over the years, the Canadian Trade Commissioner Service (TCS) and Export Development Canada (EDC) have adopted a range of initiatives to help grow business and support them so that they can conduct their business in a sustainable and responsible manner. The TCS, with a network of Trade Commissioners in 160+ cities worldwide, helps Canadian businesses gain market insight, find new opportunities and key contacts, and anticipate and resolve business challenges, to make better, timelier decisions in international markets. EDC understands that there are environmental, social and governance (ESG)-related risks involved for their Canadian clients, and that it is critical to have strong procedures to identify, assess and manage these risks.

The Government of Canada expects and encourages Canadian companies working internationally, of any size and sector, to respect human rights and all applicable laws, to meet or exceed international [Responsible Business Conduct \(RBC\) guidelines](#) and standards, to operate transparently and in consultation with host governments and local communities, and to conduct their activities in a socially and environmentally sustainable manner. This includes operating abroad in a manner consistent with the [UN Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development \(OECD\) Guidelines for Multinational Enterprises](#), of which Canada is a signatory. When companies operate in an economically, socially and environmentally responsible manner, and they do so transparently, it can create shared value.

As part of our efforts to support Canadian businesses, we hope this guide listing resources for Canadian investors and exporters can be useful in making their ventures in Brazil, Canada's top trade partner in South America, successful, responsible and sustainable. Nothing of course can replace expert legal advice for specific questions and concerns, which we highly recommend is sought by every Canadian company considering doing business in Brazil. As such, this guide is not meant to cover every eventuality for every company, but really aims to be a starting point in your company's path to diversification into this market, highlighting Brazil's main policies and legislation, as well as the main agencies that monitor and enforce compliance. I also encourage you to consult the TCS [Responsible Business Conduct Abroad web page](#), which provides various other resources and tools to help your company implement responsible business practices in doing business abroad.

As you look to enter this exciting market, let me remind you that the TCS and EDC have officers on the ground to help your business and provide guidance to support your company in making informed decisions and operate responsibly. We look forward to hearing from you. Consider us part of your team!

Sincerely,

Jennifer May
Ambassador of Canada to Brazil, in Brasilia

For more information:

Government of Canada's Approach to Responsible Business Conduct Abroad: www.csr.gc.ca

TCS: www.tradecommissioner.gc.ca/brazil-bresil

Export Development Canada: www.edc.ca

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2 BRAZIL SNAPSHOT

TERRITORY

Largest country in the Southern Hemisphere and fifth-largest country in the world.

POPULATION

210 million. Estimated to peak at 233 million by 2047 (IBGE, 2019). Sixth-most populated country (UN, 2019).

FOREIGN DIRECT INVESTMENT

World's fourth-main destination of Foreign Direct Investment flows in 2019, receiving US\$75 billion in new investment. Canada is the ninth-main destination for Brazilian foreign investment, with US\$47 billion (UNCTAD, 2020). Stock of Canadian direct investment in Brazil in 2018: CAD\$14 billion, an 0.8% increase from 2017 (Statistics Canada, 2020).

TRADE

World's 27th-largest exporting country in volume (Second in Latin America after Mexico) (WTO, 2019). Imports of goods and services represents 14.3% of GDP (World Bank, 2019).

BRAZIL'S MAIN EXPORTS IN 2019	PERCENTAGE
Soybeans	12%
Petroleum oils	11%
Iron ores	10%
Cellulose	3%
Corn	3%

BRAZIL'S MAIN IMPORTS IN 2019	PERCENTAGE
Transmitting or receiving devices and components	4%
Pharmaceuticals	4%
Fuel oils	4%

(Source: Ministry of Economy 2020)

Brazil is the world's largest exporter of beef, chicken, coffee, soybeans, orange juice, and sugar, and the second largest exporter of corn, ethanol and papaya.

In 2019, its main export destinations were China, United States, the Netherlands, Argentina and Japan (Canada ranked 11th). The main exporting countries to Brazil were China, U.S., Argentina, Germany and South Korea (Canada was 18th) (Ministry of Economy 2020).

In 2018, Canadian exports to Brazil reached CAD\$1.7 billion, whereas imports from Brazil amounted to CAD\$4.7 billion (Statistics Canada, 2019).

ECONOMY

Ninth-largest economy in the world with a gross domestic product (GDP) of US\$1.9 trillion—equivalent to more than 30% of Latin America's GDP (IMF, 2019).

While Brazil's economy in early 2020 was recovering after a decade of contraction and low growth, the impact of COVID-19 is still unpredictable. The Central Bank of Brazil anticipates a negative growth of 6.1% for 2020 (July 2020 data) Inflation (IPCA) in 2019 was 4.3%, but now expected to remain below 2% in 2020.

FINANCIAL SYSTEM

Banks are broadly resilient to severe macro financial shocks. Current high profits, buoyed by fairly large interest margins, and capital ratios support the resiliency of banks under a severe stress test scenario. The system is "dominated by large, vertically-integrated financial conglomerates and concentrated in liquid short-term instruments" (IMF, Brazil: Financial System Stability Assessment, 2018)

Brazil's interest rates (SELIC) started a down trend from 14.25% in September 2016 to 4.25% at the end of 2019.

POLITICAL SYSTEM

Brazil's is a democratic federative republic and features a presidential system. The president serves a four-year term in office and may be re-elected for a single consecutive term. Jair Bolsonaro, the current president took office on Jan. 1, 2019.

FOREIGN POLICY

Brazil currently has 223 offices abroad, including embassies, consulates and missions in international organizations—one of the largest diplomatic networks worldwide. Those include the Brazilian Embassy in Ottawa, as well as three consulate generals in Montreal, Toronto and Vancouver.

Brazil and Canada have enjoyed diplomatic relations since 1941, when Brazil established its embassy in Ottawa. Canada has an embassy in Brasília, consulates general in São Paulo and Rio de Janeiro, and trade offices in Belo Horizonte, Recife and Porto Alegre.

SUSTAINABILITY

According to RobecoSAM's *Country Sustainability Ranking*, Brazil ranks 52nd out of 65 countries, while Canada is sixth. In Yale University's *Environmental Performance Index*, Brazil places 69th, while Canada is 25th.

MEDIA AND FREEDOM OF SPEECH

In the 2019 *Press Freedom Index* out of 180 countries, Brazil ranks 105 and Canada is 18th.

Major business and economic media outlets include large independent media groups such as Abril, and Globo, which is one of the largest worldwide, as well as newspapers such as Folha de Sao Paulo, Globo and O Estado de Sao Paulo, or business publications, like EXAME or Valor. The general public has access to reliable sources of data.

3 BUSINESS ENVIRONMENT

SOCIAL-ECONOMIC DIMENSION

Brazil ranks 79th in the *Human Development Index* and has 26.5 million people living below the national poverty line (UNDP, 2019). It experienced a notable period of economic and social progress between 2003 and 2014, when more than 29 million people were lifted from poverty and inequality declined by 6.6% (from a Gini coefficient of 58.1 to 51.5) (World Bank). Despite significant improvements in the last 20 years, gender inequality remains high. The 2019 UN *Gender Inequality Index* ranked Brazil 89th and Canada at 18th.

TAXATION

Brazil's tax regime is highly complex. Nearly 100 taxes, duties and contributions are charged in Brazil, which can be levied by different government spheres (federal, state and municipal). It ranks 184th (out of 190 countries) in ease of paying taxes, according to the *Ease of Doing Business report* (World Bank, 2019). The Brazilian government has plans for major tax reforms that it intends to submit to the National Congress in a phased approach.

LABOUR SYSTEM

Brazil is moving to simplify its labour regime. In 2017, it adopted a new labour law that is gradually reducing costs for employers. It also permits employees to work with more flexibility (intermittent contracts, home office, ability to split vacation time etc.). But Brazil still has one of the most complex and exhaustive labour regimes of any major economy, set out in nearly 1,000 legal clauses. It ranks 131st out of 140 countries on labour market flexibilization (World Economic Forum, 2019).

BUREAUCRACY

The country's bureaucracy is highly complex. It ranks 109th in the *Ease of Doing Business report*, out of 190 countries (World Bank, 2019). The ranking is based on 10 topics, including trading across borders, registering property, getting credit, paying taxes and enforcing contracts. On average, it takes 11 processes and around 90 days of work to start a business in Brazil—though this used to be almost 120 days. Custom administration may also present some challenges, some of which reported by international media, consultants and academic papers include irregular payments and requests for bribes. To tackle these issues and reduce government intervention in business activity, in September 2019 the Brazilian Federal Government enacted the Economic Freedom Act, meant to facilitate investments by reducing the regulations employers must comply with.

INFRASTRUCTURE

Brazil ranks 84th out of 140 countries in the level of transport infrastructure and 74th in utility infrastructure (World Economic Forum, 2019). The country has one of the lowest railroad density levels in the world (kilometres of railroad per 1,000 square

kilometres of land), stands in 79th amongst 103 countries and ranks 116th in quality of road infrastructure, out of 141 countries (World Economic Forum, 2019).

To boost the economy and promote private sector participation in infrastructure, the Brazilian government created the Investment Partnerships Program (Programa de Parcerias de Investimentos (PPI) in 2016. In its current format, the PPI program has identified approximately 60 projects that could be targeted by the private sector. The estimated total investment is US\$10 billion.

CRIME

Brazil has a long-standing challenge around urban violence and crime. It ranks 19th in the world ranking of intentional homicide victims (Canada ranks 151st). In 2019, the country had a murder rate of 19.97 per 100,000 population with more than 41,000 people killed (UNODC, 2019). Yet, the overall situation is improving and as such, the murder rate dropped by 19% between 2018 and 2019.

CLIMATE CHANGE

The impacts and costs of 1.5 degrees Celsius of global warming will be very significant, according to the Intergovernmental Panel on Climate Change. In Brazil, there could be an intensification of extreme climatic events, such as prolonged droughts and severe storms. This brings a set of challenges that could be business opportunities for innovative technologies and solutions addressing these issues.



Santos Port, the largest in South America

4 ENVIRONMENTAL STEWARDSHIP

BIODIVERSITY AND ENVIRONMENTAL PRESERVATION

Brazil is the world's most biodiverse country. It hosts between

15% and 20% of the planet's biological diversity, with more than 120,000 species of invertebrates, about 9,000 vertebrates and more than 4,000 plant species (UN Environment). On average, 700 new animal species are discovered every year in Brazil. Part of this biodiversity, including endemic species, is recognized as threatened. The Ministry of Environment has officially recognized that 1,172 species are endangered in the country. They are located mostly in the Amazon rainforest. Frequently identified threats to the Amazon are logging, forest fires, and the implementation of large infrastructure projects such as roads, highways and dams.

Brazil's commitments and policies: To preserve its natural richness, the country has more than 1,600 federal, state and private Conservation Units (CUs) that protect 16% of the continental territory and 0.5% of the marine area, which corresponds to 1,479,286 square kilometres. Brazil adopted the Aichi Biodiversity Targets for 2011-2020. In 2013, it launched the National Biodiversity Strategy and Action Plans, which includes a set of 700 initiatives involving more than 60 organizations to be achieved until 2020. In 2014, it established the Brazilian Biodiversity Information System, the most comprehensive resource on national biodiversity with data from more than 230 institutions. In 2018, the country adopted the National Strategy for the Conservation of Threatened Species (GEF-Pró-Espécies Project) focused on the prevention, conservation, management, and governance fronts to minimize threats and the risk of extinction of species. It brings together the federal, state and municipal levels of governments toward the implementation of public policies.

CLIMATE CHANGE AND GHG EMISSIONS

The Amazon is the world's largest tropical rainforest and a tremendously important carbon sink. In 2018, Brazil was able to cut its greenhouse gas emissions from deforestation to levels below its internationally agreed 2020 climate change targets. However, deforestation in the Amazon rainforest grew 85% in 2019, compared with the previous year, according to official data (Brazil's National Institute for Space Research, 2020) and 9,166 square kilometres of rainforest were lost. Extensive cattle ranching is the number one cause of deforestation in Brazil (and the other Amazon Basin countries).

Brazil's commitments and policies: In 2009, Brazil enacted the National Policy on Climate Change, which sets the country's commitment to reduce the projected emissions of greenhouse gases within limits ranging from 36.1% to 38.9% by 2020. In 2016, Brazil ratified the Paris Agreement and pledged to reduce its GHG emissions by 37% below 2005 levels by 2025 and by 43% below 2005 levels in 2030. The policy calls for public financial institutions to provide credit to private companies that wish to steer their business practices toward the mitigation of climate

change. In 2020, Brazil formed a new Amazon Council headed by Vice-President Hamilton Mourão, which will centralize efforts across ministries to protect the region and ensure its sustainable development.

RENEWABLE ENERGY

Brazil boasts one of the world's cleanest energy matrices—45% of the overall internal energy supply is renewable (17% biomass and 13% hydropower) (EPE, 2019). Significant volumes of private capital, including from Canadian investors, have been allocated to renewable energies in Brazil. The 2019 Bloomberg Climatescope places Brazil as the third-most attractive market in the world for clean energy investment (after India and Chile), whereas the 2019 EY Renewable Energy Country Attractiveness Index ranked Brazil 19th out of 40 countries. While the sector presents ample opportunities, potential impacts from renewable energy projects on communities, including the displacement of human populations, on biodiversity, land-use and land-cover change, all need to be looked at closely by Canadian companies interested in pursuing opportunities in this sector.

Brazil's commitments and policies: In 2020, the government launched a 10-Year Energy Expansion Plan (known as PDE 2019-2029) that estimates renewable energies to reach 81% of the national electricity matrix in 2029, hitting 251 GW of installed capacity and 203,400 kms of transmission lines.

AIR QUALITY

About 40% of the Brazilian population is estimated to breathe air which is more polluted than World Health Organization (WHO) guidelines. Air pollution kills about 45,000 Brazilians every year (Health Ministry, 2019).

Brazil's commitments and policies: A National Air Quality Program was established in 1989 (PRONAR). In 1990, the passing of Federal CONAMA Resolution No. 003/90 established air quality standards, sampling methods, and quality levels. National air quality limits are only to be used in absence of local ambient air quality standards.

WATER

Brazil has the world's largest renewable water resources, but increases in indiscriminate water usage, droughts, underinvestment and difficult water distribution are causing water shortages. The North region of Brazil, for example, is home to approximately 80% of the amount of water available, but represents only 5% of the population. The coastal regions are home to more than 45% of the population, but account for only 3% of the country's water resources (National Water Agency – ANA, 2019).

Brazil's commitments and policies: The National Water Resources Management System, established by the Water Law (Law No. 9,433/97), relies on an integrated and participatory model for water management, which includes federal and state councils and agencies, other water-related organizations and

river basin committees. Public and private companies that operate in the water management sector are represented in the National Water Resources Council, which was established by the Water Law to serve as the collegiate body responsible for implementing water resource management in the country.

Key laws and regulations

Brazilian environmental legislation is one of the most sophisticated and comprehensive worldwide and includes hundreds of federal, state and municipal laws and regulations focusing on specific environmental topics. As such, to adequately navigate applicable laws and regulations, Canadian companies should seek professional legal advice (the Trade Commissioner Service can provide references for qualified local service providers). Though this is not an exhaustive list, here are a few highlights that can serve to provide an overview and orient Canadian firms interested in this market:

- **The Federal Constitution** (Chapter VI) establishes that it's incumbent upon the Government and the community to defend and preserve the environment for present and future generations. The Chapter is strongly inspired by the United Nations Conference on the Human Environment (1972) and the Brundtland Report (1987);
- **Federal Law 6,938/1981** creates the National Environmental Policy and establishes the Environmental Permitting Process and the Civil Liability system for environmental damage;
- **Federal Law 9,605/1998** and **Decree 6,514/2008** establish criminal sanctions and provide for administrative offences against the environment;
- The **Administrative Environmental Misdemeanors Law** (Decree No. 6,514 of July 22, 2008) establishes penalties and administrative offences for illegal activities against the environment;
- The **Mining Code** (Decree-Law No. 227 of Feb. 28, 1967) governs all aspects of the mineral industry, from exploration to production and use of mineral resources;
- **Forestry Code** (Federal Law 12,651/2012) regulates the protection of Legal Forestry Reserves and the Permanent Protected Areas;
- **Federal Law 9,985/2000** establishes the National System for Environmental Protected Areas, the main code on biodiversity preservation enforcement tools;
- **Federal Law 12,187/2009** represents Brazil's commitment to addressing greenhouse gas emissions and states the National Program of Climate Change;
- **Federal Law 12,305/2010** establishes the National Policy for Solid Waste, being the main legal framework regulating obligations on the generation, transport, management and destination of solid waste;
- The **Water Code** (Decree No. 24,643 of July 10, 1934) aims to protect the quality of water available for public and private use;

➤ **Law No. 9,433** of 1997 introduces the National Water Resources Policy and sets up the National Water Resources Management System;

➤ **The Representative Action Law** (Federal Law 7,347/1985) provides that environmental damages are subject to Public Civil Suits;

➤ Article 35, item 3 of Protocol I and Article 55, items 1-2 of Protocol II of the **Geneva Convention** (Decree No. 849 of June 25, 1993) to prevent negative environmental impacts in the context of armed conflicts;

➤ **Federal Law No. 13,123/2015** establishes a legal framework concerning Brazilian biodiversity;

➤ **Federal Law 9,433/1997** establishes the National Policy on Water Resources, which regulates water use;

➤ **Federal Law 11,105/2005** regulates bio safety of genetically modified organisms (GMOs);

➤ **Complementary Federal Law 140/2011** delineates the enforcement rights of authorities at all levels of administration;

➤ **Decree 8,127/2013** establishes the National Contingency Program for oil pollution in Brazilian waters;

➤ **Federal Law 13,123/2013** and **Decree 8,772/2016** provide for access to genetic resources, the protection and access to associated traditional knowledge and the sharing of benefits for conservation and sustainable use of the country's biodiversity;

➤ **CONAMA resolution nº357** regarding water management;

➤ **CONAMA resolution nº001/86** regarding environmental licencing.

Agencies Monitoring and Enforcing Compliance

The enforcement of environmental legislation is carried out by both federal and state agencies. At the federal level, the main bodies are:

Brazilian Institute for Environment and Renewable Resources (IBAMA) is an agency of the federal government, linked to the Ministry of the Environment, that functions as "environmental police." IBAMA is in charge of issuing environmental licences, controlling the quality of the environment, sanctioning, and overseeing and controlling the use of natural resources. The agency was created in 1989 and is headquartered in Brasília.

Chico Mendes Institute for Preservation of the Environment and Biodiversity (ICMBio) is in charge of management and enforcement of environmental policies in federal protected areas;

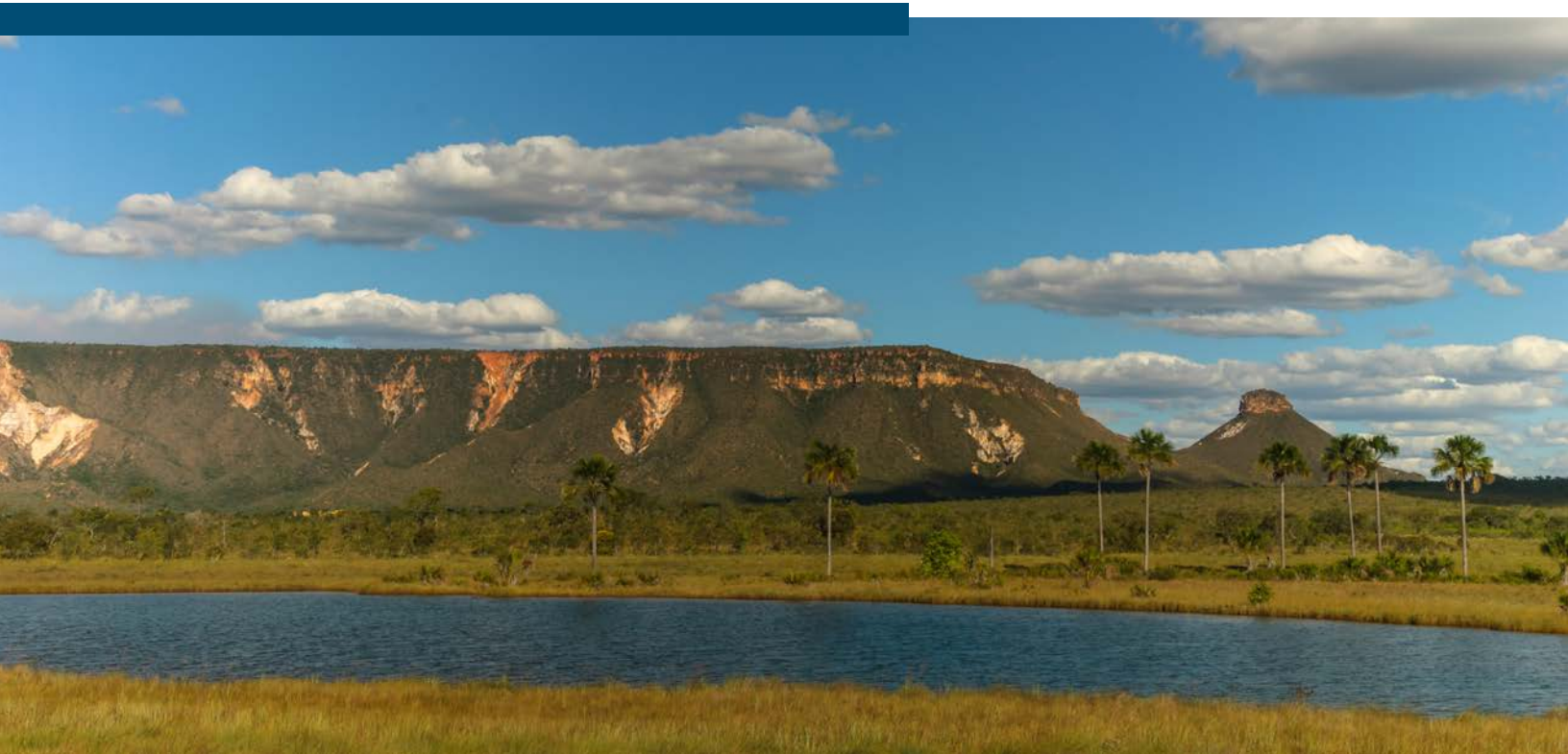
National Environmental Council (CONAMA) creates the directives aimed at nationwide application;

Genetic Heritage Management National Council (CGEN)

is a collegiate body of deliberative, legislative, advisory and appellate character, responsible for co-ordinating the development and implementation of policies for the management of access to genetic resources.

At state level, the **São Paulo Environmental Agency (CETESB)** is a well-structured and well-equipped body that plays a significant role in establishing a model for other state

environmental agencies throughout the country. Other agencies monitor and follow CETESB's guidance on environmental protection enforcement and regulatory activity. Some state agencies are still dependent on public prosecutors and NGOs to initiate their enforcement of environmental laws within their respective territories, but enforcement has been gradually improving.



Jalapão region

5 SOCIAL WELFARE

5.1 GENDER AND RACE

Gender and race imbalance remains a challenge in Brazil. The country stands below global average (92 out of 153 countries) in World Economic Forum's (WEF) *Global Gender Gap Index* (2020) and 79th in the UN's *Gender Inequality Index* out of 189 countries (2018 data). Inequalities associated with race are also observed in Brazil. According to the UN *World Human Development Index*, if white and non-white Brazil were two separate countries, the first would rank 44th while the latter would lag much behind in the 105th position of the ranking. Canadian companies are encouraged to support business activities that promote gender and racial balance in Brazil.

Brazil's commitments and policies: The country has adopted National Plans of Policies for Women (the latest ended in 2015), with nearly 50 targets to promote equality in the labour market and the financial autonomy of women. In 2005, it launched the Gender and Ethnicity Pro-Equity program (Programa Pró-Equidade de Gênero e Raça) aiming at promoting equality of opportunities and treatment between men and women in private organizations. The program, which was last executed in 2015, is supported by the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the International Labour Organization (ILO-Brazil Office). Industry associations such as the Brazilian National Association of Pension Funds (ABRAPP) have also put forward best practices guidelines.

5.2 INDIGENOUS GROUPS

There are about 305 Indigenous groups living in Brazil, totalling around 900,000 people, or 0.4% of Brazil's population (2010 census). The country has recognized 713 territories for its Indigenous population, covering about 14% of Brazil's land mass. Nearly all of this reserved land (98.5%) lies in the Amazon. The Guarani is the largest Indigenous group, with 51,000 people, whereas the Yanomami live in the largest territory, with 9.4 million hectares in the northern Amazon (Survival International, 2019). In South America, Brazil has the largest known concentration of Indigenous peoples living in isolation. Canadian companies should refrain from engaging in any activity, mainly in the infrastructure, energy and mining sectors, that can, directly or indirectly, negatively affect Indigenous territories.

Brazil's commitments and policies: Federal laws prohibit the eviction of Indigenous peoples from their lands and Brazil has signed all key international agreement on Indigenous rights. The National Indian Foundation, FUNAI, is the Brazilian government body that establishes and carries out policies relating to indigenous peoples, which is responsible for mapping out and protecting lands traditionally inhabited and used by these communities. Controversially, the government has announced that in 2020, it will submit to Congress a draft bill that will allow economic activities (agriculture, livestock, mining and tourism) in Indigenous ancestral lands.

5.3 QUILOMBOLAS

Presently, there are nearly 5,000 quilombos (rural communities made by the descendants of African-American slaves, known as quilombolas) spread across all regions of the country. As these rural communities carry a distinct ethnic identity and historical background, they have the right to claim ownership over their collective territories. The first land title was awarded in 1995 to Quilombo Boa Vista (located in the Brazilian Amazon). Presently, approximately 200 quilombola territories are titled, but nearly 2,000 land-titling processes of quilombola lands are pending before federal authorities. Approval process may take up to 20 years. Canadian companies should not engage in any activity that undermines the rights of quilombola communities and shall not carry any operation in land owned or claimed by quilombos.

Brazil's commitments and policies: The Brazilian Constitution recognizes the existence and rights of contemporary quilombolas and guarantees their right to own their collective territories. The rights of quilombola communities are also ensured in the Indigenous and Tribal Peoples Convention (No. 169, 1989) of the International Labour Organization, ratified by Brazil.

5.4 CHILD AND MODERN SLAVERY

According to the International Labour Organization (ILO), slavery "refers to situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception, and/or abuse of power" (ILO, 2017). In Brazil, slavery is also defined as forced labour, but it includes debt bondage, degrading work conditions, long hours that pose a health risk or work that violates human dignity. According to the *Global Slavery Index data*, Brazil ranks 142 out of 167 in terms of its prevalence index rate (Canada ranks 166/167). The *Government Response Index*, a study that ranks national legal, policy, and programmatic responses to modern slavery globally, assigns a BB rating (from A to D) to Brazil—the same score as Canada (*Global Slavery Index*, 2019).

Brazil's commitments and policies: In 2018, the government established the National Guidelines on Business and Human Rights (Decree No. 9571), which proposes that Brazilian and multinational companies of all sizes adopt various measures to contribute to the defence of human rights in the context of their operations and of the chain of production linked to the company. The guidelines are inspired by the UN Guiding Principles on Business and Human Rights. Yet, the bill states that the guidelines are to be implemented only voluntarily by companies, which could minimize corporate responsibility.

5.5 LAND OWNERSHIP AND LANDLESS PEOPLE

Since the 1980s, Brazil's rural development and agrarian reform has ignited a consistent public debate and land use conflicts between farmers, cattle ranchers, logging companies, illegal mining, small- and large-scale mining and landless movements.

The Brazil's Landless Workers Movement (MST), formed by rural workers, has led more than 2,500 land occupations of large landed estates, with about 370,000 families, which have settled on 7.5 million hectares of land as a result of the occupations. While this is more relevant to larger Canadian companies building a facility or asset in rural areas, all companies should be aware of potential land issues involving their operations in Brazil.

Brazil's commitments and policies: In 1970, Brazil established the National Institute of Colonization and Agrarian Reform (INCRA), a federal agency with responsibility over land reform, maintaining the national register of rural properties, and managing public lands. The acquisition of rural real estate by international companies or Brazilian companies directly or indirectly controlled by foreigners has a range of restrictions, according to laws passed since 1971.

Key Laws and Regulations

The Government of Canada strongly recommends that Canadian companies interested in doing business in Brazil seek professional legal advice to guide them through the local legal framework. However, to provide a general overview of some of the applicable laws, here is a non-exhaustive list:

INDIGENOUS PEOPLE

- **The Federal Constitution** (Chapter VIII) protects Indigenous people's social organization, customs, languages, beliefs and traditions. It also recognizes the Indigenous peoples as the first and natural owners of the land;
- The **Indian Statute** (Law 6.001 of 1973) contains rules on the relations of the state and Brazilian society with the Indigenous communities.
- Brazil is a signatory of various international agreements, such as the **United Nations Declaration on the Rights of Indigenous Peoples, ILO's Indigenous and Tribal Peoples Convention, the United Nations International Covenant on Civil and Political Rights, and the American Convention on Human Rights** (OAS).

LABOUR

Brazilian labour laws are numerous and complex, so the Government of Canada strongly recommends that Canadian companies seek legal advice when considering the Brazilian market. To provide a broad overview of some of the existing laws, here is a non-exhaustive list that can be used as a starting point:

- **Consolidation of Labour Laws** known as the "Labour Code" (Law-Decree 5.452/1943). The Labour Code was enacted on May 1, 1943, and has been subject to many changes, amendments and adaptations since then;
- **Federal Constitution** (Articles 6, 7 and 8) on the rights of urban and rural workers;
- **Law 13.467/2017** introduces several amendments popularly referred to collectively as the "labour law reform." These reforms cover such rights and responsibilities as collective

bargaining, vacation hours and pay, termination (severance) pay, the tax treatment of medical insurance contributions and travel allowances, etc., and set down the roles of employers, unions, and employees and the obligations governing relations between them;

- **Law 7.064/1982** regulates expatriation and repatriation of residents in Brazil and hiring of any foreign workers;
- **Law 13.429/2017** regulates outsourcing;
- **Ordinance MT 3.214/1978** sets forth norms related to labour health and safety issues that are regulated by 36 different ordinances issued by the Ministry of Labour;
- **Law 9.029/1995** prohibits discrimination in the workplace.

CHILD LABOUR

- The **Federal Constitution** (Articles 7 and 227), which prohibits work of people under 16 years old, except as apprentice from the age of 14. Apprentice work must not include night shifts nor be dangerous or harmful to health, including for those over 16 but younger than 18 years old. Moreover, the apprenticeship activities must not interfere with the adolescents' ability to attend school or their performance at school;
- The **Consolidation of Labour Laws (CLT)**, the main regulation on employment in Brazil, limits the possibility of work by children under 16 years to cases authorized by court, and sets out the conditions for hiring apprentices;
- The apprentices' right to professionalization and job protection is also set out in the **Statute of the Child and Adolescent (ECA)**.

Agencies Monitoring and Enforcing Compliance

On labour issues, the key enforcement agency is the **Secretariat of Labour Inspection (SIT)**, attached to the federal Ministry of Economy. Its implementation is mainly decentralized by means of the 27 Regional Superintendencies of Labour and Employment—SRTEs (until 2008, they were Regional Labour Precincts—DRTs), decentralized units of the MTE present in the 26 states and the Federal District.

The **Indian National Foundation** (FUNAI: Fundação Nacional do Índio) is a Brazilian government body that establishes and carries out policies related to Indigenous peoples. FUNAI was created by Law No. 5,371 of 1967. Its institutional mission is to protect and promote the rights of Indigenous peoples in Brazil. FUNAI partners with a set of public entities to ensure the protection of Indigenous rights, such as the Ministry of Justice, Federal Police, Federal Road Police, National Public Security Force, Ministry of Defence, Armed Forces, Amazon Protection the Operations and Management Center of the Amazonian Protection System (Censipam), Ministry of Environment, Brazilian Institute of Environment and Renewable Natural Resources (Ibama), Chico Mendes Institute for Biodiversity Conservation (ICMBio), State Military Environmental Police and Federal Prosecutor's Office.

6 CORPORATE GOVERNANCE

OVERVIEW

Recent high profile corruption scandals (e.g. Operation Carwash) have resulted in significant changes to the corporate governance landscape in Brazil. Furthermore, Canadian companies operating in Brazil must keep in mind that in addition to obligations under Brazilian law, there are certain Canadian laws that apply even outside of Canada, such as the Corruption of Foreign Public Officials Act. Businesses convicted under the Act face heavy fines, and individuals can be sentenced to a maximum of 14 years in jail.

CORRUPTION

In recent years, Brazil has seen a significant growth of compliance, anti-corruption and enforcement practices. According to Transparency International, the country moved from “weak” to “strong” in its capacity to identify the persons who exercise ultimate control over a company (secrecy around ownership and control of legal entities is used to facilitate corruption at the global level) (Transparency International, 2018). Brazil’s standing in the *Exporting Corruption Index*, which evaluates the implementation of the Organisation of Economic Co-operation and Development (OECD) Anti-Bribery Convention, recently improved—from “little or no enforcement” to “moderate enforcement,” revealing positive trends.

Greater transparency, however, is needed to remove significant constraints for business in Brazil, especially in the tax and customs administration, public procurement and natural resource sectors. The country ranks 91 (out of 141 countries) in transparency, according to the 2019 World Economic Forum’s *Global Competitiveness Report* and tops EY’s *Global Fraud Survey*, which provides insights on the perception of fraud, bribery and corruption amongst senior executives—96% of respondents stated that bribery/corrupt practices occur widely in business in the country. Transparency International has recently shed light on the setbacks to Brazil’s anti-corruption legal and institutional framework and ranked the country 106th in their corruption perception index among 180 countries, a slight drop from the previous year (Transparency International 2019 and 2020).

Canadian companies should be aware that Brazil has one of the largest numbers of state-owned entities in the world (approximately 400) and international anti-corruption organizations warn of moderate to high bribery risks for companies when doing business with state-owned entities or acquiring public services, especially in areas such as public procurement, natural resources, customs administration, and tax administration. If a Canadian company uses local agents, third parties or intermediaries to obtain contracts, assist them in the sale and distribution of their products, or generate business opportunities, due diligence should be conducted on these companies, using the tools and recommendations highlighted through these guidelines. Companies should also implement proper controls at the company level and internal due diligence procedures to deter and detect corruption/bribery when

doing business in Brazil. Information on how to implement a compliance program can be found, for instance, in the *Anti-Corruption Ethics and Compliance Handbook for Business* produced by United Nations Office on Drugs and Crime (UNODC), OECD and the World Bank.

Brazil’s commitments and policies: Brazil has taken several steps to prevent and curb corruption in recent years. Several laws were approved, control mechanisms strengthened and international partnerships, such as the Open Government Partnership (OGP), launched with the support of the government (Canada is also a member). In 2013, the landmark Anti-Corruption Law was adopted (Law No. 12,846/2013). It establishes civil and administrative liability to companies engaged in corruption, in addition to the already existing personal liability of its directors and staff. In 2004, the federal government created the Transparency Portal (Portal da Transparência) with the aim of increasing transparency in public administration, enabling citizens to track the allocation of public money and play a monitoring role in this process. In 2019, an anti-crime package, which toughens laws to tackle corruption, organized crime and violent crime practiced by criminal gangs, was approved by Brazil’s Senate. A wide range of public entities and industry associations launched anti-corruption guidelines and ethical codes (e.g. Comptroller General of the Union’s Integrity Program: Guidelines for Private Companies or the Code of Ethics of the Federation of Industries of the State of Amazonas).

Key Laws and Regulations

The Government of Canada strongly recommends that Canadian companies interested in doing business in Brazil seek professional legal advice to guide them through the local legal framework. However, to provide a general overview of some of the applicable laws, here is a non-exhaustive list:

The Corporations Law (Law No. 6,404/1976) specifically governs corporations and may supplementarily govern limited liability companies (LLCs). It regulates shareholder rights, board structures, duties and responsibilities, among others.

The Civil Code (Law No. 10,406/2002) governs an extensive amount of civil law topics, including a specific section on all existing corporate structures under Brazilian law and simple corporate governance rules applicable to these structures.

The Securities Law (Law No. 6,385/1976) creates the Brazilian Securities Commission (CVM), the regulatory body that governs the securities exchange market, its surveillance, as well as providing specific guidelines and rules pertaining to listed companies.

The Financial System and Institutions (Law No. 4,595/1964) establishes the legal framework of financial institutions in Brazil and its governing entity, the Monetary Council (CMN), which is responsible for providing the guidelines with which these institutions must comply.

The Money Laundering Act (Law 9,613 of 1998) addresses the crimes of money laundering or concealment of assets, rights, and valuables. It creates the Council for Financial Activities Control (COAF).

The Public Procurement Law (Law No. 8,666 of 1993) sets out the general rules for bidding procedures and government contracts.

The Administrative Improbability Law (Law No. 8,429 of 1992) establishes civil sanctions for acts defined as illicit because they constitute “administrative improbity.”

ON TRANSPARENCY AND ANTI-BRIBERY

The Criminal Code, legislative Decree No. 2,848 of 1940 criminalizes bribery of both foreign and domestic public officials. The code was amended in 2002 to be in compliance with the OECD Anti-Bribery Convention.

The provisions define as active corruption any act of offering or giving undue advantages to a foreign public official to influence acts related to an international commercial transaction (Article 337-B), as well as influence peddling, defined as asking, demanding or receiving consideration for influencing an act by a foreign official on duty, if related to an international commercial transaction (Article 337-C).

Domestic bribery is prohibited in Articles 316 (graft or extortion), 317 (passive corruption), 332 (influence peddling) and 333 (active corruption). Under these rules, domestic public officials can be criminally prosecuted.

The Anti-Corruption Law (a.k.a. Clean Company Act / Federal Law No. 12,846 of 2014), which is among the toughest anti-corruption laws in the world, prohibits companies from offering or giving an unfair advantage to a domestic or foreign public official or to a related third party. It broadly defines acts harmful to public administration and the applicable fines, introduces leniency agreements in Brazilian law, and creates the National Register of Punished Companies (CNEP) and the National

Registry of Ineligible and Suspended Companies (CEIS) (more below). It also forbids certain practices that threaten competition in public procurement processes or that affect the awarding of public contracts. Under the law, foreign companies may be prosecuted in Brazil for foreign bribery if they have (formally or de facto) a registered office, branch or representation in Brazil. The law imposes severe sanctions, including fines that can reach 20% of a company's gross annual revenues. It is important that Canadian companies are aware of their responsibilities under both the Brazilian Anti-Corruption Law and the OECD Anti-Bribery Convention. The Federal Law was regulated by Presidential Decree No. 8,420 of 2015 (the Anti-Corruption Decree).

The Anti-Crime Package, federal Law No. 13,964 of 2019 provides for changes in the Criminal Code, Code of Criminal Procedure, Electoral Code, among others, aiming at making more effective the combat against corruption, violent crime and organized crime. It was sanctioned by the president in December 2019.

International Conventions: Like Canada, Brazil has signed and ratified the OECD Anti-Bribery Convention, the United Nations Convention against Corruption and the Inter-American Convention Against Corruption (OAS).

Agencies Monitoring and Enforcing Compliance

The **Federal Prosecution Service** (Ministério Público) and the Federal Police (Polícia Federal) enforce foreign bribery crimes.

Enforcement of the Clean Companies Act against a Brazilian legal entity suspected of foreign bribery is to be carried out exclusively by the **Comptroller General of the Union** (Controladoria-Geral da União-CGU).

7 ESG* TRACK-RECORD

***ESG** (Environmental, Social and Governance) information is vital when assessing and screening corporations to understand their purpose and management quality. The criteria is used by socially-conscious investors to determine a company's impact on the world. It is important that Canadian companies assess properly the ESG track record of any Brazilian companies they are considering doing business or partnering with, or that they are seeking to acquire.

Compliance

ENVIRONMENT

To know if a company has infringed environmental regulations, a good first step could be to consult the following sources:

IBAMA: Consultation of Environmental Notices and Embargoes. Several search filters may be applied (name of company, location, type of infringement etc.). Available in Portuguese [here](#).

Government of Pará: List of Illegal Deforestation of the State of Pará. Available in Portuguese [here](#).

Public Prosecutor's Office: Amazon Protects (projeto Amazônia Protege). Available in Portuguese [here](#).

To know if a company has received an environmental licence to operate, here are some sources that can be verified:

Ministry of Environment: National Portal on Environmental Licencing. Available in Portuguese [here](#).

IBAMA registry. Data may be searched by name of company or location ([here](#)) or [period](#) (in Portuguese)

SOCIAL

To know if a company has infringed social regulations, a good first step could be to consult the following sources

The **Digital Observatory for Health and Safety at Work** (Observatório Digital de Saúde e Segurança do Trabalho-SmartLab) is a data platform, developed by the Public Prosecutor's Office (MPT) and the International Labour Organization (ILO), with interactive data on a wide range of labour-related issues (e.g. occupational accidents, accumulated social security expenses). Available in Portuguese [here](#).

Companies that are caught engaging in modern slavery are listed in the **"Slave Labour Dirty List"** (Lista Suja do Trabalho Escravo). Created in 2004, the list was recognized by the UN as a key tool in the fight against slavery in Brazil. It is drawn up by the Ministry of Economy and can be updated at any time but must be published at least every six months. Latest edition is [here](#) (in Portuguese).

The **Superior Labour Court** (Tribunal Superior do Trabalho-TST) also lists the 200 companies with most labour lawsuits

filed against them ("Ranking das Partes"). The TST is highest Brazilian appellate court for labour law issues. The list is updated regularly and available [here](#) (in Portuguese).

GOVERNANCE

To know if a company has infringed transparency and corporate governance regulations, a good first step could be to consult the following sources :

National Registry of Ineligible and Suspended Companies (CEIS). If a Brazilian company, due to administrative sanctions, has been barred from participating in public tenders and executing agreements with public entities it will be listed in CEIS, available [here](#) (in Portuguese). The Anti-Corruption Law made it mandatory for all public authorities to keep the registry updated.

Not-for-Profit Entities Debarment List (CEPIM). It was established to inform society, government bodies and local governments about the not-for-profit private entities that are forbidden to execute contracts, transfer contracts or partnership agreements with the federal government due to unresolved irregularities. The CEPIM was launched in 2012. The list is available [here](#) (in Portuguese).

National Register of Punished Companies (CNEP). It contains information on sanctions incurred by companies under the Anti-Corruption Law and any failure to comply with the leniency agreements made under the Law. The list is available [here](#) (in Portuguese).

Consultation Process (Consulta Processual) by the Federal Prosecution Service. Users may monitor online the progress of open proceedings before the federal justice system (STF, STJ, TSE etc.). Available [here](#) (in Portuguese).

Pró Ética. A pioneering initiative in Latin America, the National Register of Companies Committed to Ethics and Integrity (Pro-Ethics Company) was launched in 2010 by the Comptroller General of the Union (CGU) and the Ethos Institute with the objective of evaluating and disclosing the companies, which are most committed to corporate transparency. The list of Pro-Ethics companies is announced every two years (annually until 2018). Full list of [2018-2019](#) companies (all in Portuguese).

Business Pact for Integrity and Against Corruption. Launched in 2015 by the Ethos Institute, the Pact is a voluntary set of commitments adopted by private and public companies to promote a fairer and more ethical market and prevent corruption practices. Commitments are monitored annually and made public. List of signatories is available [here](#) (in Portuguese).

Tax compliance. Before doing business with Brazilian companies, a Canadian corporation may ask for a set of certificates that demonstrate tax compliance. They are issued by the National Treasury Attorney's Office (PGFN), the Brazilian Federal Revenue Office (Receita Federal) or the Superior Labor Court (TST).

They include:

The Certificate of Fiscal Regularity (Certidão de Regularidade Fiscal) which could be comprised by the Negative Debt Certificate (Certidão Negativa de Débitos-CND), Positive Certificate with Negative Effects (Certidão Positiva Com Efeitos de Negativa-CPEN) or Positive Certificate (Certidão Positiva-CP);

The Certificate of Good Standing with the Employee Severance Indemnity Fund (Certidão de Regularidade do FGTS);

The Certificate of Negative Labour Debts (Certidão Negativa de Débitos Trabalhistas - CNDT). More info [here](#) (in Portuguese).

Beyond Compliance Toward Sustainability

To be compliant with local laws and regulations is naturally a required step for Brazilian companies. However, it is of value to identify the companies that move beyond compliance and embrace corporate sustainability. To help identify them, legal advice should be sought (the Trade Commissioner Service can provide references for qualified local service providers). These 3 steps should also be taken:

Step 1. Look for policy commitments and the sustainability track record in the corporate reports of Brazilian companies

The majority of Brazilian large companies report on their corporate sustainability using one of the three most prominent reporting standards: **Integrated Reporting** (IR) by the

International Integrated Reporting Council, the **Global Reporting Initiative** (GRI) Standards, or the materiality framework by the **Sustainability Accounting Standards Board** (SASB).

Pressure is on Brazilian companies to report on their ESG standards. B3 (the São Paulo stock exchange) requires a statement from the company on whether it publishes either an integrated or sustainability report (program Relate ou Explique). The Securities and Exchange Commission of Brazil (CVM) requests securities issuers to disclose in their filings to CVM (Reference Form or Formulário de Referência in Portuguese) if they publish social environmental reports (Instrução Normativa (IN) 480 da CVM). All 135 Brazilian state-controlled companies (Lei das Estatais) and, since 2019, all 1,115 public administration bodies (Tribunal de Contas da União) are also required to publish an integrated report. According to a study¹, 31% of companies/securities issuers reported disclosing social and environmental information.

Step 2. Look for Brazilian companies in corporate sustainability indexes, benchmarks and awards, either national or international.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The **Corporate Sustainability Index** (ISE) selects Brazilian companies listed in the national stock exchange B3 according to their corporate sustainability practices. The 2020 list of top performers is made up of 30 companies and 36 stocks in 15 industries. The list is updated annually and can be found here (in Portuguese and English). Questionnaire answers are public and may be accessed here. The current portfolio was launched in January 2020. (see Box 1).



¹ Garcia, A.G.; Niasca,D.; Marçal, A. (2019). Como o Relato Integrado Vem Sendo Disseminado no Contexto das Organizações

BOX 1:

The Corporate Sustainability Index (ISE)

The ISE is an index that measures the average return on a theoretical public equity portfolio listed on B3 and based on the sustainability practices of companies. In order to evaluate the performance of B3's listed companies on their sustainability aspects, ISE designed a nearly-400 question survey that may be answered by the companies that issued the 200 most liquid stocks (the eligible universe). Up to 40 companies from B3's 200 most liquid securities may integrate the ISE portfolio, which is balanced to avoid excessive concentration and renewed annually. The questionnaire considers the "triple bottom line" concept—an integrated analysis of environmental, social and economic aspects. Companies must submit supporting documents to corroborate their answers. An independent counsel, composed of 11 organizations and presided by B3, was established to ensure the transparency of the index construction process. Founded in 2005, it's the fourth corporate sustainability index to appear worldwide (the first is the DJSI established in 1999). In 2019, ISE engaged in a methodological review to leverage Big Data and AI tools to collect data. ISE is built around seven dimensions: Social, Environmental, Economic and Financial, Corporate Governance, Product Nature, Climate Change and General. Each dimension is divided up in criteria, typically policy, management, performance and legal compliance, but with other possibilities depending on the size. Each criterion is divided in indicators—72 in total. From a thematic point of view, transversal to the indicators, ISE focuses on 35 themes. ISE methodology is updated annually in response to constant market feedback.

The **Sustainable Business Ethos Indicators** are a management tool that guides companies in the incorporation of sustainability and corporate social responsibility (CSR) into their business strategies. The tool consists of a self-reported questionnaire and seven thematic guides that enable the self-diagnosis of the company's management and an online system that enables companies to obtain reports on their performance. Both support companies to accelerate their sustainability journey through proper target-setting and management. The Indicators cover four dimensions (vision and strategy, social, governance and management, environment). More than 4,000 companies have used the indicators, including 77% of companies listed in B3. 60% are large corporations and 40% are SMEs. Indicators have been adopted in several Latin American countries such as Mexico, Uruguay, Ecuador and Chile. Ethos Institute is one of the ISE partners. Canadian companies may ask their Brazilian peers if they follow the Ethos Indicators. More information [here](#) (in Portuguese)

Benefit (B) Corps (B System) are companies that balance purpose and profit by considering the impact of their decisions on their workers, customers, suppliers, community, and the environment. There are currently 130 Brazilian B Corps (expected to reach 180 by the end of 2019) and 4,400 have applied and are currently under evaluation (largest volume worldwide). The full list of Brazilian companies is [here](#).

The **Dow Jones Sustainability Index (DJSI)** is a global index consisting of the top 10% of the largest 2,500 stocks in the *S&P Global Broad Market Index* based on their sustainability and environmental practices. It assesses more than 6,500 companies yearly based on broad range of general and industry-specific criteria and it covers industry-specific questionnaires for 61 industries. It's annually reviewed and updated. More information [here](#) (in English).

The **Coller FAIRR Protein Producer Index** is an assessment of meat, dairy and farmed fish producers on material environmental, social and governance risks. It covers four Brazilian companies. Available [here](#) (in English).

The **Fashion Transparency Index Brazil** is a review of 30 of the biggest Brazilian fashion brands and retailers ranked according to how much they disclose about their social and environmental policies, practices and impact. Partnership between Fashion Revolution and ABC Associados. Available [here](#) (in English).

ENVIRONMENTAL

The **Carbon Efficient Index (ICO2)** was created by B3 and the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social/BNDES). It comprises of companies participating in the IBrX-50 index (the 50 most actively traded and best representative stocks of the Brazilian stock market) that have adopted transparent practices with respect to their greenhouse gas emissions (GHGs). List of companies is available [here](#) (in English).

The **EXAME Guide on Sustainability** (*Guia Exame de Sustentabilidade*), established in 2000, recognizes on an annual basis the most sustainable Brazilian companies by industry (covering nearly 20) or theme (such as supply management or biodiversity). Partnership between magazine EXAME and ABC Associados (since 2019). Selected companies in 2019 available [here](#) (in Portuguese).

ÉPOCA Green Company Award (Prêmio ÉPOCA Empresa Verde) is a partnership between Época magazine and consultancy PwC Brazil to select the 20 companies with best environmental practices in Brazil. It was launched in 2008 (as ÉPOCA Climate Change Award) and discontinued in 2018. Winners are: [2008-2016](#), [2017](#) (in Portuguese).

The **Carbon Disclosure Project (CDP)** is a global system for companies to measure, disclose, manage and share vital environmental information. It's the most comprehensive collection of self-reported environmental data in the world. Database for Brazilian companies is available [here](#) (in English).

The **Global 100 Most Sustainable Corporations in the World Index** is compiled by Canadian advisory firm Corporate Knights. A list of Brazilian companies is available [here](#) (in English).

SOCIAL

The **Thomson Reuters D&I Index** identifies the Top 100 publicly traded companies with the most diverse and inclusive workplaces, as measured by 24 separate metrics across four key pillars. Brazilian corporations are often showcased in the ranking, which can be accessed [here](#) (in English). They also appear in the **Bloomberg Gender-Equality Index**, which measures gender equality across internal company statistics, employee policies, external community support and engagement, and gender-conscious product offerings. It can be found [here](#). Brazilian companies have also received the **EDGE Certification**, a business certification standard for gender equality. The full list is [here](#) (in English). Finally, participating companies in Brazil's **Gender and Ethnicity Pro-Equity program** adopt an action plan to promote equality of opportunities and treatment between men and women and receive a certificate (Selo Pró-Equidade de Gênero e Raça) if targets are met. The certificate was last awarded in 2015 to 68 organizations. The full list is available [here](#) (in Portuguese).

The **EXAME Guide on Diversity** (Guia EXAME de Diversidade), launched in 2019, evaluates and publicly recognizes best practices on diversity and inclusion by Brazilian companies in various industries (gender and racial issues, inclusion of people with disabilities and promotion of LGBTI+ rights). The partnership is between the EXAME magazine and the Ethos Institute. Selected companies in 2019 available [here](#) (in Portuguese).

The **VOCÊ S/A Guide—The 150 Best Companies to Work For** determines the *Happiness at Work Index* (IFT), which is comprised of two dimensions: the *Workplace Quality Index* (IQAT), based upon evaluations by employees, and the *People Management Quality Index* (IQGP), based on an assessment by Fundação Instituto de Administração (FIA) and VOCÊ S/A magazine. The 2019 ranking of Brazilian companies is available [here](#) (in Portuguese).

The **Corporate Human Rights Benchmark (CHRB)** assesses the performance of 200 of the largest publicly traded companies in the world on a set of human rights indicators. The companies, from four industries—agricultural products, apparel, ICT manufacturing and extractives—are chosen on the basis of their market capitalisation and revenues. The 2019 *Benchmark* includes Brazilian companies and can be accessed [here](#) (in English).

GOVERNANCE

In 2016, **Transparency International** published a study on the public disclosure practices of emerging market multinationals based on three dimensions: (1) the reporting of key elements of their anti-corruption programs, (2) the disclosure of their company structures and holdings and (3) the disclosure of key financial information on a country-by-country basis. The report covers 12 Brazilian companies and can be found [here](#) (pages 38-40) (in English). In 2018, Transparency International published the same study but covering the Brazilian market alone. It highlighted the 100 most transparent companies and the 10 most transparent banks in the country. Available online [here](#) (in Portuguese).

Step 3. Consider purchasing data on Brazilian companies from ESG raters—organizations that produce structured and standardized sustainability research and ratings on public and private companies

Sustainalytics' ESG Risk Ratings. It's based on a two-dimensional materiality framework that measures a company's exposure to industry-specific material risks (including environmental risk) and how well a company is managing those risks. Sustainalytics also offers **Country Risk Ratings**, which measure the risk to a country's long-term prosperity and economic development to supplement credit analysis (170 countries in total, including Brazil). More information available [here](#) (in English).

Resultante. The Sao Paulo-based consulting firm assesses, scores, and compares the ESG profile of more than 130 Brazilian listed companies in 11 industries. Data derives from corporate reports, media and public sources. The methodology permits customization according to the user's interest and the allocation of different weights to selected variables. ESG scores incorporate an assessment of materiality according to industry. More information [here](#) (in Portuguese).

SITAWI/VIGEO EIRIS. In 2015, SITAWI, a Rio de Janeiro-based consulting firm, partnered with Vigeo Eiris to deliver ESG ratings of Brazilian companies. Topics include environment, human resources, human rights, community involvement, corporate behaviour, and corporate governance. Approximately 70 companies are covered. SITAWI is also able to offer a methodology of ESG valuation of each company according to their Net Present Value (NPV) and Discounted Cash Flow (DCF).

MSCI ESG Metrics is designed to deliver a broad set of standardized ESG data and simple metrics that are comparable across a broad universe of 8,500 companies globally. Its approach begins with a deep governance assessment; then it focuses on the most relevant ESG factor by industry and on risk exposures/opportunities, not just disclosure. Finally, it's able to identify leaders and laggards, not by a business type exclusion. To assign scores, MSCI relies more and more on "alternative data" sources such as satellites, government/industry, academic and also on artificial intelligence and applied big data and less of simple company disclosures and formal statements. MSCI rates 350 Brazilian companies. More information [here](#) (in English).

8 CHECKLIST

- 1 Get familiar with Brazil, its opportunities and key challenges.
- 2 Take a deep dive into Brazil's performance on environmental stewardship.
- 3 Understand Brazil's key social issues.
- 4 Research Brazil's performance on transparency and corporate governance.
- 5 Perform ESG Track-Record Searches of Brazilian companies.
- 6 Reach out to the Canadian Trade Commissioner Service and Export Development Canada representatives in Brazil for personalised services, and seek advice from local legal and business experts.
- 7 Seize market opportunities in Brazil in a sustainable and responsible manner.



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