

PRI RESPONSE

BRAZILIAN SUSTAINABLE TAXONOMY (TSB)

31 March 2025

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Brazilian Ministry of Finance's call for feedback on their Sustainable Taxonomy

ABOUT THIS CONSULTATION

The Brazilian Ministry of Finance has sought [stakeholders' views](#) about their Sustainable Taxonomy Framework (TSB) – including the methodology, draft criteria for eight sectors, minimum safeguards, an approach to address inequality, and a measurement, reporting and verification framework. The TSB was developed by the Interinstitutional Committee for the Brazilian Sustainable Taxonomy (CITSB), which was set up on 22 March 2024 by executive decree. The preliminary proposals that are subject to this consultation were developed by ten Sectoral and Thematic Technical Groups (GTs) between April and November 2024 – in coordination with the Executive Secretariat (SE) of the CITSB, the Supervisory Committee (CS) and the Advisory Committee (CC).

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KEY RECOMMENDATIONS

Sustainable finance taxonomies are crucial to ensure well-functioning financial markets that collectively contribute to climate and broader environmental goals. They help investors assess whether investments meet robust sustainability standards and align with policy commitments such as the Paris Agreement on Climate Change, the Sustainable Development Goals (SDGs) and national sustainability and climate change goals. They are also a cornerstone instrument of [sustainable finance policy frameworks](#) through their ability to provide a science- and evidence-based foundation for disclosure, stewardship and duty-based policies.

The PRI welcomes the development by the Brazilian Ministry of Finance of the Sustainable Taxonomy (TSB), including the development of an index to measure and promote gender and racial equality. The TSB's design aligns with the PRI and World Bank [sustainable finance taxonomy implementation guide](#), and sets it up to be interoperable with other sustainable finance taxonomies.

The PRI's key recommendations are:

- For the Brazilian government to further engage on taxonomy interoperability, for instance through its role as President of the UNFCCC COP30, following up on efforts by the COP29 Presidency and by joining the International Platform on Sustainable Finance.
- To further strengthen the link to international norms in the formulated ambition for the objectives that are included in the current iteration of the TSB.
- To embed the TSB in Brazil's regulatory architecture, most notably its transposition of the ISSB standards through CVM Resolution N° 193: mandating the use of the TSB by companies for the disclosure of the amount of capital expenditures deployed towards climate-related opportunities will be particularly relevant in this regard.
- To consider how to ensure coherence of the broad-ranging approach taken internationally to minimum social safeguards with the TSB approach, which also covers environmental objectives and references legal requirements adapted to Brazil's specificities.

DETAILED RESPONSE

The PRI welcomes the opportunity to respond to the consultation on the Brazilian sustainable taxonomy (TSB). Providing detailed feedback on the selection of sectors or the specific technical screening criteria outlined in sections 2.1 to 2.6 of the consultation falls outside the remit of PRI's work and expertise. The PRI's response is therefore focused on selected questions in sections 1, 3, 4 and 5.

SECTION 1: METHODOLOGY

Consultation question – 15.2. Do you have any other general additional comments?

The TSB aligns with the components PRI has formulated in a [sustainable finance taxonomy implementation guide](#) jointly published with the World Bank:

- **Objectives** which define the aims of the taxonomy.
- **Activity lists** which detail eligible economic activities in the most material sectors.
- **Performance criteria** for significant contribution and do no significant harm that determine whether the eligible activities are aligned with the objectives of the taxonomy, as well entity level guidelines for minimum social safeguards.

The PRI welcomes that TSB's clearly defines the ambition for the objectives that are included in its current iteration. We encourage the TSB to further strengthen the link to international norms in the objectives by referencing:

- The Paris Agreement (article 2.1b) and the UAE Framework for Global Climate Resilience for the climate adaptation objective.
- The Kunming-Montreal Global Biodiversity Framework (notably targets 2, 3, 10 and 11) and the Glasgow Leaders Declaration on Forests and Land Use for the objective on the sustainable use of soil and conservation, management, and sustainable use of forests. The conservation and restoration of forests is particularly important for both biodiversity and climate goals.

We also encourage to reference the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the Declaration of the ILO on Fundamental Principles and Rights at Work, and the International Bill of Human Rights in relation to minimum social safeguards.

The TSB is set up to achieve the important and explicitly identified principle of interoperability with other sustainable taxonomies through its partial alignment in objectives and overall structure (using technical screening criteria). The PRI encourages the Brazilian government to further engage on taxonomy interoperability, for instance through its role as President of the UNFCCC COP30 and by joining the International Platform on Sustainable Finance.

SECTION 3: MINIMUM SAFEGUARDS

Consultation question – 12.2. Do you have any other general comments?

The PRI welcomes the TSB's effort to broaden the concept of minimum safeguards to environmental topics and facilitate implementation by referencing legal requirements adapted to Brazil's specificities.

This approach may result in a more holistic and measurable application of the principle of minimum safeguards, ensuring that entities' policies, processes, practices, and actions are truly aligned with sustainability standards most relevant to Brazil.

The implementation of due diligence processes is included as one of the transversal legal compliance indicators. International investors recognise that preventing and mitigating actual and potential negative human rights/environmental outcomes through due diligence practices leads to better financial risk management, and helps to align their activities with the evolving demands of beneficiaries, clients and regulators. Alignment with international standards such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights will ensure the robustness of the process.

However, the departure by the TSB from the more broad-ranging approach to minimum social safeguards taken internationally may create challenges for interoperability: we therefore recommend considering how to ensure coherence with other taxonomies, while maintaining an approach relevant to the Brazil's specific context.

SECTION 4: ADDRESSING INEQUALITIES

Consultation question – 12.2. Do you have any other general comments?

The objective of the TSB to address key social issues such as extreme and rising inequalities is worthwhile. Extreme inequality has surged over recent decades, creating challenge to achieve a successful economic transition. Research of the United States Federal Reserve has shown that income inequality increases the vulnerability of the financial system, making it more prone to [shocks](#).

The TSB's approach to develop an index to measure and promote gender and racial equity shows a potential way forward to develop a social investment framework that maintains the core concepts of significant contribution and do no significant harm in a structure that is adapted to social issues. The PRI is open to engage on the merits of this framework in relation to efforts in other jurisdictions to develop social taxonomies (e.g. Mexico, EU).

The PRI supports the proposal presented in the TSB to implement the index in three phases: 1) limited requirements, especially for SMEs, 2) mandatory disclosures and internal audit, with more limited requirements for SMEs 3) requirements to meet a higher minimum score for substantial contribution.

SECTION 5. SYSTEM OF MANAGEMENT, REPORTING AND VERIFICATION (MRV)

Consultation question – 12.2. Do you have any other general comments?

For effective implementation of the TSB, it will need to be embedded in Brazil's regulatory architecture, notably:

- **Disclosure provisions**, such as Brazil's transposition of the ISSB standards through CVM Resolution N° 193. Mandating the use of the TSB by companies for the disclosure of the amount of capital expenditures deployed towards climate-related opportunities will be particularly relevant in this regard.

- Transition plan provisions, notably to inform financial planning
- Stewardship instruments, such as the Brazil stewardship code
- Labelling schemes for financial products
- Sectoral emission, technology and investment pathways
- Public finance instruments

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of Brazilian Ministry of Finance further to finalise and adopt the Sustainable Taxonomy

Please send any questions or comments to policy@unpri.org.

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