A ROADMAP FOR SUSTAINABLE FINANCE POLICY DEVELOPMENT IN BRAZIL

Promoting investment in Brazil's socio-economic transformation

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To inform this paper, its authors interviewed Brazilian investors and policy makers and consulted with the PRI's Global Policy Reference Group.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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EXECUTIVE SUMMARY

This report is intended for policy makers and institutional investors[1] interested in Brazil's policy approach to enabling responsible investment and driving private capital towards activities that support the country's economic transition.

It builds on earlier jurisdiction-specific work focused on investor duties,[2,3] to cover broader sustainable finance measures and economic policy tools in the Brazilian market. It also identifies immediate and longer-term opportunities and provides recommended policy reforms developed through extensive interviews and consultation with policy makers, PRI signatories, industry experts and other stakeholders.

The report sets out Brazil's national context, constitutional principles that enable and encourage responsible investment policy and practice, recent policy measures towards a just climate transition, and the key institutions charged with delivering those policies.

Given challenges faced by policy makers and investors in directing capital towards sustainable investment opportunities in Brazil, the report presents a series of recommended policy measures across the following elements:

- a whole-of-government approach to transition;
- investor sustainability responsibilities, covering fiduciary duties and product-level disclosure frameworks;
- stewardship;
- corporate sustainability disclosures and accounting standards;
- corporate transition plans;
- the development of a sustainable finance taxonomy;
- human rights and environmental due diligence.

It also makes recommendations for broader economic policy reform to promote investment in Brazil's climate transition. These address the country's planned carbon market, roadmaps for key economic sectors, the promotion of blended finance tools and its Climate and Ecological Transformation Investment Platform.

Finally, the report explores how Brazil is seeking to align its climate transition with the protection of nature and manage its socioeconomic impacts.

Private capital naturally flows towards profit. Recommendations in this report aim to strengthen Brazil's enabling policy environment and reduce barriers for domestic private capital to contribute to Brazil's transition to a fair and sustainable economy.

The PRI thanks the numerous contributors to this research, including market participants who provided invaluable insights and feedback, and the PRI's Global Policy Reference Group.

[1] Hereby referred to simply as investors throughout this document.

[2] The Brazil Roadmap authored by the PRI in 2018 provided recommendations to improve existing sustainability regulations which were subsequently adopted by the National Monetary Council. The National Complementary Pensions Council also introduced requirements for financial institutions and pension funds in alignment with the report.

[3] The Legal Framework for Impact (2021) research concludes that Brazil's regulatory framework allows investors to consider sustainability impacts as long as these are in line with investors' financial objectives. However, it also highlights areas where legal reforms could further facilitate investing in line with sustainability goals.

INTRODUCTION

Brazil is not only a regional economic superpower, a key supplier of critical global commodities and steward of the single largest remaining tropical rainforest, it also has a long history of regional leadership on responsible investment. Under the current administration, the government is advancing a series of ambitious policies aimed at driving a just and inclusive economic transition that integrates considerations of climate adaptation and resilience, as well as the protection of nature and biodiversity.

The administrative makeup of the country, alongside a set of facilitating policies already in place, provide a strong foundation to achieve these goals.

The Federative Republic of Brazil is comprised of 26 states and a federal district. The federal government is made up of executive, judicial and legislative branches. The country's legal system is based on the European civil law tradition.

The 1988 federal constitution enshrines the 'social function of ownership' and expressly states that the economic order of Brazil has the purpose of assuring all citizens a dignified existence.[4] Known as the 'citizen constitution', it sets out a wide range of social rights, including access to:

- education;
- healthcare;
- housing;
- social security;
- labour protections.

The constitution establishes the duty of the state to implement public policies which aim to promote social welfare and ensure that the basic needs of all citizens, especially the most vulnerable, are met. This marked a significant shift from past regimes, reinforcing democratic values and participatory citizenship. Several policies are inspired by these foundational principles, including:

- Sistema Único de Saúde (Unified Health System);
- Cadastro de Empregadores, a register of employers, also known as the 'Lista Suja' (the 'dirty list') of companies found to be practicing modern slavery; and
- Lei de Cotas (or quota law), promoting the inclusion of people from disadvantaged social groups in the federal universities and public service.

Brazil's government is also seeking to deliver a just climate transition, highlighting the urgent need to tackle social inequality while addressing climate change. In its updated 2024 Nationally Determined Contribution (NDC), submitted as required by the Paris Agreement on Climate Change, Brazil stresses inclusive climate action, prioritising vulnerable communities, Indigenous peoples and workers affected by the shift to a low-carbon economy. The recent International Court of Justice (ICJ) Advisory Opinion on the Obligation of States in Respect to Climate Change may shape Brazilian climate policy, regulation and litigation in the years to come.

The Ecological Transformation Plan (ETP), announced in 2023, serves as the country's green industrial policy, employing important financial and regulatory tools and initiatives explored in this report. The Ministry of Finance leads its implementation, working closely with the Ministry of the Environment and in collaboration with the Ministries of Mining and Energy, Agriculture, and Science, Technology and Innovation.

However, to fully achieve their intended impact, existing measures could be strengthened through further refinement and consistent implementation.

[4] The PRI, UNEP FI, Generation Foundation (2021), A legal Framework for Impact (page 193)

POLICY MEASURES TO ENABLE RESPONSIBLE INVESTMENT

Overview

In preparing this report, the PRI conducted 16 interviews with Brazilian policy makers, regulators, investors and stakeholders. These interviews revealed clear intentions to increase alignment across financial regulation, the real economy and public policymaking. The starting point for this alignment is the ETP, which sets out the vision that informs it and establishes a national transition framework, covering climate, environmental and social inclusion goals. Within this framework:

- the Central Bank of Brazil, the Securities and Exchange Commission (CVM), the Superintendency of Private Insurance (SUSEP) and the National Superintendency of Pension Funds (PREVIC) have incorporated guidelines for sustainability in their prudential, transparency and management standards;
- the Brazilian Development Bank (BNDES) supports the implementation of the plan through its role as secretariat and technical partner in the Brazil Climate and Ecological Transformation Investment Platform (BIP);
- forthcoming policy measures, such as the sustainable finance taxonomy (which was approved in September 2025) and corporate sustainability disclosures aligned with IFRS S1 and S2 (which will be mandatory from 2026) will support greater transparency and credibility in the market;
- Brazil's Política Nacional sobre Mudança do Clima – the country's national climate change policy – outlines the country's approach to addressing climate change. It includes strategies for reducing greenhouse gas emissions, adapting to climate impacts and promoting sustainable development.

However, challenges remain for domestic investors seeking sustainable investment opportunities, including:

- **incomplete capital markets**, and a related shortage of investable projects, due to insufficient information about ETP-aligned investments, and the absence of appropriate financing mechanisms, leading to a lack of a clear pipeline and restricted access to capital for projects involving high risks and substantial upfront costs;
- **disincentives**, such as high interest rates and uncertainty over whether investors' legal duties allow them to allocate capital and engage in stewardship activities that address negative externalities and contribute to positive transition outcomes aligned with the ETP;
- **lack of transparency and credibility** in companies' and investors' alignment with transition goals;
- **lack of awareness, capacity and expertise** in allocating and stewarding capital in line with transition pathways toward sustainability goals;
- **policy inconsistency and uncertainty** in the national transition framework and sectoral pathways that discourage investment in the transition; and
- **principal and agent challenges** that prevent asset owners and shareholders from effectively monitoring investee companies' transition performance.

Further alignment of policy reforms in the financial sector and the real economy can help reduce the barriers identified above and incentivise both domestic and international capital to flow toward ETP goals. Specific policy incentives can motivate institutional investors to support capital flows towards sustainable activities. They give a reason to investors to identify these activities, allocate resources and, finally, invest in them. In turn, this can help reduce transaction costs, thus supporting the expansion of sustainable investment opportunities. Priority actions for government, regulators and investors that emerged from interviews with market participants have been incorporated into the recommendations that follow.

Recommended policy measures

A whole-of-government approach to transition

To successfully pursue international sustainability commitments such as the Paris Agreement, governments are making the climate transition a central policy goal. As part of these efforts, regulatory bodies and financial authorities support governments, within the confines of their mandates, to align responsibilities, ambition and actions across the financial sector and the real economy with transition goals.
In Brazil, the branches of the state have committed to jointly implement the Pact for Ecological Transformation. The Pact's common objectives of sustainable land use, energy transition and sustainable development with social, environmental and climate justice align broadly with the priority transition opportunities identified by domestic investors we interviewed:

- land use (forests, agriculture and livestock);
- energy;
- mining and infrastructure;
- transportation/urban mobility;
- waste management/sanitation.

Advancing the economic transition in Brazil will require a coordinated and integrated approach across legislative and regulatory authorities. Coherent financial and real economy policy reforms should work together to address economic externalities, incentivise markets for solutions and enable finance to support the transition.

Overarching recommendations

- The **federal government**, under the leadership of the Ministry of Finance, should consider:
  - ensuring greater connectivity between the ETP and broader public policy, regulation and governance to increase alignment of incentives;
  - guiding the development and implementation of policy measures that support interoperability with equivalent regulations in other jurisdictions, where possible;
  - reinforcing coordination among financial authorities (the Central Bank, the National Monetary Council, PREVIC, CVM and SUSEP) and all levels of government;
  - including in it is coordination goals the ministries in charge of the social dimension of the transition, including the Ministry of Labour and Employment and the Ministry of Education.
- **Relevant regulators** should consider:
  - enhancing supervisory expectations to support the ETP within their respective mandates;
  - equipping and incentivising market actors to address material sustainability risks and transition opportunities through regulatory reform, soft law (voluntary practice and codes of conduct), norms, financial and social security regulation; and
  - strengthening capacity to monitor policy implementation.
- **Investors** would benefit from:
  - conducting analysis of relevant sustainability-related risks and opportunities (including systemic risks and opportunities) that could affect investment processes;
  - identifying the sustainability-related risks and opportunities they can shape through their investment decisions and activities, including capital allocation, stewardship and policy engagement;
  - evaluating the feasibility of taking action on risks and opportunities, considering factors such as resource availability, expertise and potential impact. They should prioritise those deemed most reasonable and impactful for the investor to address.[5]

[5] The PRI, UNEP FI, Generation Foundation (2024), Investing for Sustainability Impact (page 10)

Investor sustainability responsibilities

Fiduciary duties

These measures establish expectations for investors to integrate material sustainability factors into their investment decisions (including capital allocation and stewardship) and normally provide guidance to help investors fulfil those expectations.

Research conducted as part of the Legal Framework for Impact project determined that Brazilian investors' primary purpose is to generate financial returns for clients and beneficiaries. As such, they[6] are likely to have a *legal obligation to consider* what they can do to mitigate sustainability risks that may undermine their ability to realise stated financial objectives, using the means at their disposal (e.g., investment powers, stewardship and policy engagement) and to act accordingly.[7] The social function of ownership ensured by Brazil's constitution may create an implicit duty for investors to use best efforts to reduce the negative sustainability impacts of their investments, as this would promote social justice and aim for the best balance between economic returns and the natural environment and wider social well-being.[8]

In some circumstances, the research confirmed that investors can pursue sustainability goals for reasons other than achieving financial return goals (i.e., in parallel to them).

Recommendations

The government provides legal certainty that the ETP and sustainability goals are aligned with investor duties. Therefore:

- **Government** and relevant regulators would benefit from engaging with private sector actors to allow for effective financial policy design and implementation.
- **Relevant regulators** should consider clarifying investor sustainability permissions and responsibilities, namely by:
  - identifying stewardship and engagement as part of core investor responsibilities;
  - guiding investors to integrate sustainability factors into their investment decision-making;
  - establishing disclosure requirements by outlining the methodologies, key metrics and processes for sustainability reporting; and
  - increasing coherency and alignment between expectations for investors and corporates.
- **Investors** would benefit from:
  - demonstrating long-term vision, an understanding of material sustainability risks and take decisive action on transition opportunities; and
  - adopting and sharing best practices in asset allocation, stewardship and policy engagement to contribute to financial objectives and relevant sustainability goals.

Product-level disclosure frameworks

The Legal Framework for Impact project found that investors are legally required to pursue sustainability impact if the objectives of the financial product commit them to do so. Disclosure frameworks or labelling schemes should define categories and set criteria for investment products or bonds with a sustainability objective.

In Brazil, CVM Resolution 175 targets sustainable funds and those that integrate environmental, social and governance issues. It requires such funds to clearly and consistently describe the investment policy adopted, the criteria used and the information necessary for transparency, in accordance with the standards defined in the funds' official documents. The Brazilian Association of Financial and Capital Market Entities (ANBIMA) is a self-regulating body which has issued best practice guidance on requirements for managers of sustainable funds.

In addition, CVM Resolution 160 establishes rules for public offerings of securities, requiring transparency and standardisation of information for products self-labelled as 'green' or with similar terminology.

Recommendations

- **Relevant regulators** should consider:
  - establishing baseline expectations and minimum sustainability disclosures across all financial products;
  - aiming to align disclosure frameworks and labelling schemes with the sustainable taxonomy classification; and

[6] Refers to closed, private pension plan entities, mutual funds and insurance undertakings.
[7] The PRI, UNEP FI, Generation Foundation (2021), A legal Framework for Impact (page 194)
[8] The PRI, UNEP FI, Generation Foundation (2021), A legal Framework for Impact (page 193)

- engaging with private sector actors to allow for effective financial policy design and implementation.

Stewardship

Stewardship is the use of investor rights and influence (beyond asset allocation) to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend.[9]

Brazil has a voluntary, principles-based stewardship code to encourage responsible engagement and consideration of system-level sustainability-related risk factors in investment practices.[10] First introduced in 2016 by the Brazilian Association of Capital Market Investors (AMEC), it was reviewed in 2021 in collaboration with the CFA Society Brazil. To date, the Brazilian Stewardship Code has not yet been fully integrated into the Brazilian financial regulatory framework and lacks formal monitoring and review mechanisms.

Recommendations

- **Relevant regulators** should consider:
  - recognising stewardship as an integral part of an investor's legal duties;
  - integrating stewardship into Brazil's broader financial regulatory framework to establish baseline expectations for investors to act and to disclose stewardship performance;
  - clarifying rules for collaborative engagement and best-practice guidance;
  - establishing regulatory oversight and communicate clear expectations and implementation guidance;
  - addressing antitrust risk and resolve competition law concerns that might limit investor collaboration on sustainability goals;[11]
  - encouraging transparent and responsible engagement with policy makers; and
  - establishing feedback channels for investors to flag policy gaps and inconsistencies that may discourage transition action. An inclusive consultation process should be established to involve various types of investors (across different asset classes, risk profiles, size, etc.) in policy development.
- **Investors** would benefit from:
  - developing and implementing a stewardship programme to serve investment objectives;
  - implementing mechanisms to manage conflicts of interest;
  - taking material sustainability factors into account in their investment processes and stewardship activities;
  - monitoring issuers of invested securities;
  - being active and diligent in the exercise of voting rights;
  - establishing collective engagement criteria; and
  - being transparent as to their stewardship activities.

Corporate sustainability disclosures and accounting standards

Entity-level corporate sustainability disclosure

Corporate disclosure has important implications for investors' capital allocation, stewardship activities and compliance. Investors rely on sustainability information provided by companies to understand related risks, opportunities and impacts. They need to know how these are identified, assessed, prioritised and monitored. They want to know how the company is addressing or plans to address them, and any progress made to this end. Standard setters such as the International Sustainability Standards Board (ISSB)[12] and the Global Reporting Initiative (GRI) have released standards for sustainability disclosures on multiple issues, while initiatives such as the Taskforce for Nature Related Financial Disclosures (TNFD) and the Taskforce for Inequality and Social Related Financial Disclosures (TISFD) are developing disclosure frameworks focused on specific sustainability topics.

The Securities and Exchange Commission of Brazil (CVM) regulates the Brazilian capital markets and participants and sets regulatory expectations for companies. In October 2023, it issued CVM Resolution 193, which mandates listed companies, investment funds and securitisation companies to disclose sustainability-related financial information based on the ISSB standards. Voluntary application began in the 2024 financial year and will remain voluntary for securitisation companies and investment funds. Mandatory application for publicly held companies starts in 2026, using the reliefs within the standards. These disclosures are to be subject to limited assurance until the end of the 2025 financial year, with

[9] The PRI (2023), Definitions for responsible investment approaches

[10] AMEC (2021), Codigo Brasilero de Stewardship

[11] The PRI, UNEP FI, Generation Foundation (2021), A legal Framework for Impact (page 201)

[12] The ISSB standards create a global baseline of sustainability-related disclosures, which can be built on by jurisdictions to further meet the needs of investors.

reasonable assurance from financial year 2026. This is the most consequential sustainability reporting legislation for Brazilian companies, as sustainability reporting was previously a voluntary measure, informed by guidance from the Brazilian Stock Exchange (B3).[13]

The CVM currently has a data partnership with environmental data non-profit CDP. Companies submit their IFRS S2-aligned climate data reports to CVM, while CDP facilitates the data collection process of over 1,100 Brazilian companies.

Further disclosure regulations include:

- The Brazilian Central Bank's Resolution CMN No. 4,945, regarding social, environmental and climate responsibility policies (PRSAC). This requires banks to implement and disclose on their websites a policy concerning:
  - their positive contribution to social, environmental and climate-related issues, along with implementation actions and evaluation criteria;
  - products and services that positively contribute to social, environmental or climate aspects;
  - any participation in national or international social, environmental or climate pacts/agreements; and
  - stakeholder engagement mechanisms used in the establishment and revision of PRSAC policies.
- BCB Resolution 139 requires banks to provide a report on social, environmental and climate-related risks and opportunities (a GRSAC report), including information on governance, risk management and business opportunities.
- In November 2024, the National Monetary Council's Resolution CMN 5,185 and the Central Bank of Brazil's Resolution BCB 435 adopted ISSB standards, phasing in IFRS S1 and S2 disclosures requirements for financial institutions and other entities licensed by the Central Bank. Implementation begins with publicly held companies and specific classes of entities and will apply to fiscal years beginning or after January 1, 2026.
- In September 2025, the National Monetary Council approved Resolution CMN 5,252. which establishes the accounting concepts and criteria to be followed by financial institutions and other institutions authorized to operate by the Central Bank of Brazil in the measurement, recognition, write-off, and accounting disclosure of sustainability assets and liabilities. The resolution comes into effect on January 1, 2027.
- CVM Resolution 218/2024 requires listed companies to observe Technical Pronouncement CBPS No. 01 (spelt out in the text of the resolution), demanding disclosure of risks and opportunities related to sustainability that may reasonably impact cash flows, access to finance or the cost of capital over the short, medium or long term. These measures aim to ensure consistency in financial statements and strengthen the connection between financial and sustainability reporting.
- CVM Resolution 223/2024 listed companies to apply Technical Guidance OCPC 10 again, spelt out in the text), which addresses the accounting treatment of three distinct types of instruments: carbon credits, emission allowances and decarbonisation.[14]
- SUSEP Circular 666, pension fund product providers, capitalisation companies[15], risk management aspects and identified risks and impacts. risk management aspects and identified risks and impacts.
- In alignment with the evolving understanding of fiduciary duties, in March 2025 the National Monetary Council issued Resolution No. 5,202/2025, amending Resolution No. 4,994/2022, which sets out guidelines for investments by closed pension entities (EFPCs) into investment fund share classes or in managed portfolios. The new resolution requires EFPCs to consider, when material and relevant, sustainability-related economic, environmental, social and governance aspects in their risk analysis. It also mandates transparency regarding the sustainability-related impacts of the benefit plan investment portfolios, in line with PREVIC's segmentation and criteria. In addition, in September 2025, PREVIC published a public consultation to amend Resolution No. 23/2023. The objective of the revision is to set out detailed guidelines about the ESG risk analysis that are expected from closed pension funds.

[13] BM&F Bovespa (2016), New Value – Corporate Sustainability

[14] CBIOs were introduced by the Brazilian National Biofuels Policy (RenovaBio) as a tool to reach its targets. Distinct from carbon credits, CBIOs are issued by biofuels producers and importers certified by the National Petroleum Agency (ANP), based on their purchase and sale invoices. In contrast, fossil fuel distributors have annual decarbonisation targets calculated by the ANP based on the volume of fossil fuels they sell. Purchasing CBIOs is the only way to reach these targets. Each year, fuel distributors are required to retire CBIOs, each of which is equivalent to a tonne of carbon dioxide, in line with their decarbonisation targets.

[15] Capitalisation companies are entities, organised as corporations, that sell contracts (called capitalisation bonds) which involve the periodic deposit of monetary instalments by the subscriber. After the agreed term, the subscriber has the right to redeem part of the deposited amounts, adjusted by a contractually established interest rate. Additionally, when provided for, the subscriber may also participate in cash prize draws.

Recommendations

- **Relevant regulators** should consider:
  - Increasing access to sustainability data generated from economic activities; and
  - Engaging with **private sector actors** to allow for effective financial policy design and implementation.
- **The CVM** should consider:
  - building on the ISSB's global baseline with targeted reporting requirements to capture relevant information on companies' impacts. Adopting impact disclosure requirements from the Global Reporting Initiative (GRI) Standards, similar to those of the EU Corporate Sustainability Reporting Directive, would further support the implementation of the ETP.[16]

Corporate transition plans

Corporate transition plan requirements are expectations for companies to describe their strategy to transition their processes, operations and business models to meet sustainability commitments within a specified timeframe. Entity-level reporting should include transition targets (and their alignment with national economic transition goals), plans, actions taken and progress made.

Market and regulatory practice on transition plans is most advanced on climate, but it can be applied to other sustainability goals. Research shows an emerging convergence among principal frameworks,[17] standards and initiatives around key indicators for climate transition plans, namely:

- governance;
- scenario analysis;
- identification of impacts, risks and opportunities
- climate targets, actions and levers to implement the plan;
- financial planning, accounting and verification;
- policy engagement;
- value chain engagement.

Recommendations

- **Relevant regulators** should consider:
  - adopting of requirements to disclose transition plans, leveraging internationally recognised indicators to ensure consistency and interoperability; and
  - increasing coherency and alignment between expectations of investors and companies.

They should also ensure that transition plans include information about how social aspects will be managed (e.g. skills development, community engagement, etc).[18]

Interoperable sustainable finance taxonomy

Sustainable finance taxonomies are needed to ensure well-functioning financial markets that collectively contribute to climate and broader sustainability goals. They help investors assess whether investments meet robust sustainability standards and align with policy commitments such as the Paris Agreement, the Sustainable Development Goals and national sustainability and climate change targets. 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.[19] They support the increased transparency and integrity of sustainable labelled bonds and other financial products.

Brazil's Ministry of Finance published its sustainable taxonomy action plan in December 2023. It presented plans for a taxonomy that addresses seven environmental objectives and four socio-economic ones. The government set up the Comitê Interinstitucional da Taxonomia Sustentável Brasileira (CICTSB) by decree in March 2024 to further develop the taxonomy.

The first phase of its development focuses on climate, with strong references to social objectives, including:

- generation of decent work and income enhancement;
- reduction of socioeconomic inequalities, considering racial and gender aspects;
- reduction of regional and territorial inequalities within the country; and
- promotion of quality of life, with increased access to basic social services.

In addition, the taxonomy includes references to minimum safeguards for matters not specifically subject to specific technical criteria. In contrast with

[16] For example, Malaysia has proposed to adopt ISSB requirements and complement reporting with social and environmental impact indicators. The areas to cover could be those most pertinent to Brazil (e.g., deforestation), based on market consultation. The metrics themselves could leverage the GRI Standards, in line with the PRI's recommended approach across all markets.
[17] CDP (2024), The State of Play 2023 Climate Transition Plan Disclosure
[18] The 2024 G20 Sustainable Finance Report includes specific guidance on advancing credible, robust and just transition plans.
[19] The PRI (2025), How financial authorities can build a sustainable financial system part 1: Addressing investor challenges

other taxonomies, it includes minimum standards as indicators to demonstrate due diligence with local legislation. To allow for interoperability with rules in other jurisdictions, the taxonomy references international standards, such as the Performance Standards on Environmental and Social Sustainability from the International Finance Corporation, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

The Ministry of Finance presented its approach to and criteria of the Sustainable Taxonomy Framework (TSB) for public consultation in the first quarter of 2025. Its design aligns with the PRI and World Bank sustainable finance taxonomy implementation guide,[20] setting it up for interoperability with other taxonomies. The PRI responded to the consultation with the recommendations below.[21]

Recommendations

- The **federal government** would benefit from:
  - continuing engagement on taxonomy interoperability, for instance through its role as President of the COP30 climate talks in 2025 and by joining the International Platform on Sustainable Finance;
  - further strengthening the link to international norms in the formulated ambition for the objectives that are included in the current iteration of the TSB;
  - embedding the TSB in Brazil's regulatory architecture. The TSB can, for instance, inform entities' compliance with CVM Resolution Nº 193, which transposes the ISSB standards: the disclosure of the amount of capital expenditures deployed towards climate-related opportunities will be particularly relevant in this regard; and
  - considering 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.

The publication of the final version of the TSB in late 2025, alongside Brazil's work started under the COP29 Taxonomy Roadmap is expected to increase interoperability between taxonomies internationally.

Human rights and environmental due diligence

Human rights and environmental due diligence refers to the process taken by an entity to identify and act on actual or potential negative sustainability-linked impacts in its own operations and value chain. These can be negative impacts on rights holders (as opposed to impacts only on the entity or shareholders) and the environment.

The UN's Guiding Principles on Business and Human Rights (UNGPs) provide an international standard for how companies should act on human rights. Unanimously endorsed by the UN Human Rights Council in 2011, they are widely supported by states, regional institutions and multilateral organisations, among others. While the UNGPs do not create new international law obligations, they are directly referenced in and continue to shape regulatory initiatives on responsible business around the world.[22]

The PRI recently published a policy briefing exploring the concept of due diligence and how this could be implemented in a proportionate, practicable and effective manner.[23]

Human rights and environmental due diligence in Brazil[24]

- The Brazilian constitution guarantees certain social rights. In 2014, the government introduced the Lista Suja of companies found to have slave labour in their operations or supply chains. Companies named lose access to public contracts and financing and face restrictions on their ability to trade. The list is updated every six months.
- The Voluntary National Guidelines on Business and Human Rights (Decree No 9.571/2018) endorsed and reproduced the content and structure of the UNGPs. They were replaced by Decree No. 11.772/2023, which established a working group to develop a National Policy on Business and Human Rights. The process, run by the Ministry of Human Rights and Citizen Affairs, is currently ongoing.

[20] The PRI, the World Bank Group, Chronos (2022), Implementation guide – taxonomies of sustainable economic activities

[21] PRI (2025), PRI response to consultation on Brazilian sustainable taxonomy

[22] Examples include the EU Corporate Sustainability Due Diligence Directive and Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains. The OECD Guidelines for Multinational Enterprises, which are based on the UNGPs, are also referenced in regulations such as Norway's Transparency Act, in addition to the policies highlighted above.

[23] PRI (2025), Policy briefing: The risk-based approach to due diligence

[24] International Bar Association (2022), Mandatory human rights due diligence in Brazil

- In March 2022, the Bill of Law 572 (Projeto de Lei nº 572/2022) was presented to the National Congress for the approval of a National Framework on Human Rights and Business. In addition to core due diligence requirements, Bill 572 emphasises the right to integral reparation in accordance with the principle of the centrality of the suffering of the victims. The Bill proposes victim-centred reparations and recognition of 'affected communities' as legal subjects. Experts have praised these proposals, while suggesting possible improvements through:
  - the addition of further depth and detail on procedures and mechanisms for monitoring; and
  - establishing clearer connections to other laws and mechanisms in national legislation.[25]

Recommendations

Brazil has been an OECD Key Partner since 2007, alongside China, India, Indonesia and South Africa. In 2022, it became an OECD accession candidate, which increases expectations on the country to implement proportionate, practicable and effective legislation on due diligence, for investors and investees, aligned with the OECD Guidelines.

- **National legislators** should consider:
  - continuing to develop and publish the National Policy on Business and Human Rights; and
  - supporting the passage of Bill No. 572/2022 and ensure the implementation of proportionate, practicable and effective human rights and environmental due diligence legislation for investees and investors, in line with international standards, with particular attention to the adoption of a risk-based approach.
- **Investors** would benefit from:
  - implementing processes to identify and prioritise human rights risks, through post-investment proactive due diligence in line with international standards.[26]

[25] Business and Human Rights Journal (2024), Regulatory Initiatives on Business and Human Rights in Brazil – From the Domestic to the International and Back?

[26] The PRI (2023) How to identify human rights risks: A practical guide in due diligence

Suggestions for broader economic policy reform

An effective, whole-of-government approach incorporates economic transition policy, complemented by sustainable finance policy reforms. Together, they enable investors to align finance more efficiently with sustainability goals by facilitating capital allocation to solutions and the mitigation of sustainability risks. A stable, coherent policy environment can help leverage private finance towards the achievement of both economic and sustainability goals.

Brazil has implemented real economy policy measures and initiatives to enable capital flows in line with the Ecological Transformation Plan. However, market participants have identified actions that would increase efficiency.

Recommendations

- The **federal government** should consider:
  - clarifying and communicating governance responsibilities of the public sector for implementation of the ETP;
  - raising awareness of the ETP among market actors and broader society to increase broad-based support;
  - increasing interministerial, heterogeneous and pan-regulatory working groups;
  - establishing regular channels for investors to contribute to shaping real economy policy to inform and guide what is investible for private finance;
  - translating macro guidelines and targets into concrete criteria, actions, metrics and indicators to enable the measuring of progress;
  - aligning the federal budget with implementation of ETP priorities;
  - developing sectoral plans for ETP priority sectors;
  - incentivising the alignment of real economy activities with the ETP, including with regards to social and employment-related dimensions, such as workforce management and skills availability;
  - increasing the issuance of sustainable investment vehicles and innovate to offer public/private partnerships and blended finance investment opportunities;
  - pricing externalities for improved risk management; and
  - valuing ecosystem services and factor environmental and social costs into economic and political decision making.
- **Investors** would benefit from:
  - seeking strategic opportunities to contribute to effective financial policy design and implementation; and
  - seeking to engage with governments to develop transition investment opportunities, as relevant to their investment circumstances and objectives.

The following emerging real economy policy measures have been identified by the PRI for future research, market engagement and more in-depth recommendations.

Carbon market

A key lever in Brazil's sustainable finance ecosystem is the newly introduced cap-and-trade compliance carbon market (SBCE), established in 2024 through Law No. 15.042/2024. Preliminary studies indicate that it will potentially place compliance obligations on approximately 4,000 emitting companies (those emitting more than 25,000 tonnes of CO_2e), with reporting obligations on a wider number of companies (those with more than 10,000 tCO_2e of emissions).[27]

It is currently in an early set-up phase, evolving towards full operationalisation by 2029. There will be a short monitoring and reporting stage before emissions caps come into force. The first National Allocation Plan will be drawn up in three or four years, initially with free allowances.

The market has the potential to cover a broad range of emitting sectors though agriculture is out of scope, despite its significant share of Brazil's emissions.[28] It will intersect with land-based sectors, however. Officially recognised domestic carbon credits generated through activities such as nature recovery and forestry, among other things, will be eligible for compliance purposes, although the exact share is to be determined. Domestic credits may also be generated in other sectors. The law explicitly recognises the rights of traditional communities and Indigenous peoples to commercialise their land to generate carbon credits, which is a welcome aspect.[29]

[27] International Carbon Action Partnership (2024), Brazil adopts cap-and-trade system
[28] BloombergNEF (2025), Brazil Transition Factbook 2025
[29] Ibid.

The law establishes the obligation to obtain free, prior and informed consent in accordance with ILO Convention No. 169, as well as the inclusion of a contractual clause that guarantees fair and equitable reparation and participatory management of the monetary benefits derived from the commercialisation of carbon credits and Certificados de Redução ou Remoção Verificada de Emissões.[30]

The law also requires the government to establish limits and procedures for international transfers under Article 6 of the Paris Agreement, which could facilitate financial flows to Brazil for the generation of carbon credits. Brazil's 2035 NDC is set on a range basis, with a target of a 59–67% emissions reduction against 2005 levels. The higher target is interpreted as contingent on the use of international flexibility mechanisms under Article 6.[31] Clarifying the mechanisms and likely scale of Article 6 transfers could support demand for carbon credits and the functioning of the cap-and-trade market as a whole.

The PRI will explore this new area for policy research and engagement to support its signatories in engaging with policymakers. This could include exploring alignment with international standards, policy monitoring to evaluate effectiveness and the development of expertise among the workforce related to project assessment, design, implementation and evaluation.

Recommendations:

- The **federal government** should consider:
  - implementing the legislation in a way that ensures transparency and visibility for stakeholders and potential market participants;
  - clarifying its interaction and alignment with international trading mechanisms under Article 6 of the Paris Agreement;
  - ensuring that carbon credits used for compliance purposes are high-integrity.

Sectoral roadmaps

To fully achieve their sustainability goals, stakeholders should aim to connect national transition strategies, sectoral transition pathways, taxonomies and non-state transition plans. Non-state actors may be involved in the development and review of national transition strategies and sectoral transition pathways to ensure they are informative, practical and investible.

Sectoral roadmaps provide guidance for the private sector to align key economic sectors with NDCs, National Biodiversity Strategies and Action Plans (NBSAPs) required under the Global Biodiversity Framework, and other national targets, considering the specific technological advances and barriers in different sectors. Complete sectoral plans were due to be published by November 2025.

To support the development of sectoral roadmaps, we suggest the following:

Recommendations

- The **federal government** should consider:
  - enhancing interconnections between national transition strategies and commitments, sectoral transition pathways and financial institution- and corporate-level transition planning. These plans should all be informed by scientific consensus and international norms to enable material positive contributions to sustainability goals, and should include short-, medium- and long-term sustainability targets and define resource allocation; and
  - engaging with private sector actors to allow for effective financial policy design and implementation.

Blended finance

Blended finance is a form of structured finance that leverages concessional capital to improve the risk profiles of investment opportunities to catalyse and crowd-in commercial funding.

Concessional capital is deployed on favourable terms, often in pursuit of sustainability or other policy objectives. Commercial funding refers to any capital that seeks commercial returns (including public and private capital). Concessional capital participates in blended finance structures through various forms, including grants, guarantees, price assurance (such as contracts for difference and offtake contracts), and concessional debt, concessional equity and other risk-sharing facilities. By crowding in private finance, blended finance can make efficient use of available public funds. Although multilateral development banks (MDBs) are the main source of this type of capital, investors note that targeted incentives could encourage companies to also provide concessionary capital, thereby expanding its overall availability.

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[30] CRVEs are "fungible, tradable asset that represents the reduction or removal of GHG equivalent to one tonne of carbon dioxide. A CRVE is a domestic emission reduction or removal unit that is issued by the SBCE (or potentially by a carbon credit certifier) pursuant to a methodology approved under the SBCE and registered on the SBCE."

[31] Climate Action Tracker (2025) Brazil 2035 NDC

Policy makers can play an important role in enabling greater uptake of blended finance by putting in place a set of aligned policies, regulations and institutional frameworks designed to address system-level sustainability risks and support the economy-wide transition through effectively leveraging public and concessional finance. They can also work with actors across global markets and MDBs to standardise and securitise blended finance assets to make them more accessible and tradeable.

In Brazil, there is currently a structural deficit of catalytic capital. Decision makers at funding entities may be held individually accountable for losses inherent to innovation; this limits the scalability needed to increase the sustainable investment universe by catalysing private investment in projects that can generate sustainable outcomes aligned with the ETP but which are not fully commercially viable or that are beyond the risk tolerance of investors bound by fiduciary duties.

Brazil is exploring a range of derisking and blended finance instruments, programmes and vehicles to accelerate capital to transition activities. One example is the Tropical Forest Forever Facility (TFFF), a US$125bn performance-based, fixed-income-style fund. Currently under development, it is intended to pay countries for preserving tropical forests, offering investors returns from investment-grade assets while channelling surpluses to verified conservation outcomes.

Backed by sovereign wealth funds and philanthropic capital, the TFFF will finance forest protection in 70 tropical countries, with direct benefits to Indigenous and local communities, and measurable impact, tracked via satellite monitoring.

Recommendations

- The **federal government** should consider:
  - whether the principle of social function shapes the legal purpose of entities such as private social investors to provide catalytic capital for venture philanthropy arrangements while maintaining tax exempt status, and revise relevant legislation accordingly;
  - reviewing legal mechanisms for funding entities that hold individual decision makers accountable for financial losses associated with providing catalytic capital and consider legislative revision to reduce impediments; and
  - developing operational guidance and templates and incentivising technical assistance to help early-stage project developers build the necessary capacity to advance such blended finance initiatives.
- **CVM** should consider extending the Resolution CVM 175 model to allow for blended structures in private equity, real estate and infrastructure funds to reduce transaction costs and increase efficiency.

Brazil’s ecological transformation investment platform (BIP) and eco invest

The Brazil Climate and Ecological Transformation Investment Platform supports Brazil's NDC and government transition plans. It connects projects with financial institutions, fostering public-private collaboration. It initially targets three themes: nature-based solutions and the bioeconomy; industry and mobility; and energy. Sub-sectors include sustainable fuels, low-carbon hydrogen and regenerative agriculture.

To qualify, projects must align with transition plans and government policies, demonstrate significant environmental impact and mobilise substantial capital. Socio-economic co-benefits and technological development promotion are also considered. Approved projects have a total potential investment of US$215bn. Notable projects include green hydrogen plants and restoration of native vegetation.

The Ministry of Finance coordinates the platform, integrating it with existing pathways to mobilise capital. A steering committee and various working groups facilitate collaboration among stakeholders. Ongoing work is underway to deepen and scale the pipeline.

In addition to the platform, Eco Invest Brasil is a government-led de-risking mechanism initiative designed to attract long-term foreign private investment by reducing the cost of capital and de-risking green infrastructure and adaptation projects in Brazil. The programme leverages guarantees and blended finance tools to mobilise private capital into strategic sustainable sectors, aligning with Brazil’s broader climate and ecological transition agenda.

ALIGNING NATURE PROTECTION WITH A JUST TRANSITION TO NET ZERO

The recent backlash against the net zero transition and proposed enabling policies has emphasised the importance of accounting for the transition's social effects in terms of socioeconomic conditions and the protection of fundamental rights.[32] Policies should aim to mediate between the different interests of affected stakeholders, respecting fundamental rights including the rights of workers and Indigenous peoples, with the aim of pursuing just transition measures that limit the possible negative effects of net zero policies.[33]

Tensions can also arise between social, human rights and biodiversity goals. Measures that address nature issues can lead to trade-offs with social and human rights issues, and vice versa. But similarly, there are opportunities for policies to reduce trade-offs and enhance synergies between nature and social issues.[34]

Socioeconomic conditions and deforestation in Brazil

In terms of socioeconomic development, income inequality in Brazil has been steadily decreasing over recent years.[35] The Brazilian government has undertaken a number of activities aimed at reducing this gap and clearly recognises in the ETP and in its NDC the interconnections between climate change, environmental degradation and socioeconomic inequality. A commitment to a just transition is key to these initiatives, including a goal in the ETP to reduce Brazil's Gini Coefficient (a measure of income inequality) to at least 0.50 by 2025, and below 0.40 by 2050 (compared with 0.506 in 2024).

However, inequality in the country is still high.[36] In 2022, 31.6% of its population was living in poverty, while 5.9% was in extreme poverty, amounting to 67.8m people in poverty and 12.7m in extreme poverty across the country.

In addition, its natural environment is under pressure. From 2001 to 2024, Brazil lost 73.3m hectares of tree cover, equivalent to 14% of the total cover area in 2000.[37] During this period, more than 70% of tree cover loss was driven by agricultural expansion.[38] Given growing global demand for agricultural products, agricultural production is often viewed by the impoverished as a route to improve socioeconomic conditions and, more generally, as an opportunity for the country to grow its economy. Clearing land for agriculture therefore has become a common phenomenon.

Brazil's Forest Code requires landowners to maintain a certain percentage of land as "Legal Reserves and Permanent Preservation Areas". In other words, certain levels of deforestation are considered legal, and those beyond the permitted scope illegal. Some have resorted to illegal means to take advantage of this economic opportunity. For example, reports state that between August 2023 and July 2024, 91% of forest clearing in the Brazilian Amazon was illegal.[39]

According to the World Bank, the agriculture sector accounts for 8.4% of Brazil's GDP. This rises to approximately 22% when considering the entire agribusiness sector, including processing and distribution. Brazilian agribusiness exports totalled US$164.4bn in 2024, accounting for 49% of total exports.[40]

[32] See PRI (2022), The socioeconomic implications of the transition

[33] The PRI paper Why and how investors can respond to income inequality further explains why it may be in investors' interests to reduce income inequalities and create a fairer and more stable economy.

[34] PRI (2024), Discussion paper: The human rights and nature nexus

[35] Brazil's human development index for 2023 was 0.786, slightly above the world average of 0.756.

[36] World Inequality Database (2025), Brazil

[37] Global Forest Watch Brazil country dashboard

[38] Ibid.

[39] Mongabay (2025), 91% of Brazilian Amazon deforestation last year was illegal, report finds

[40] World Bank (2025), New World Bank Study Discusses Policies to Make Brazil's Agrifood Sector More Competitive, Sustainable, and Inclusive

Policies addressing social issues and deforestation

Just transition in the Ecological Transformation Plan

The ETP adopts an integrated, 'whole-of-society' approach to environmental and social issues, focusing two of its three key objectives on 'Environmental Sustainability' and 'Social Justice'.

The Brazil Climate and Ecological Transformation Investment Platform, mentioned above, seeks to scale and optimise just transition investments from all sources in support of the ETP across three main sectors, including nature-based solutions and the bioeconomy. Projects presented for funding will need to align with four parameters, including having a material environmental impact and providing socio-economic benefits, in terms of job creation, development of local communities and improved quality of life.

While it is still too early in the process to provide an assessment of the effectiveness of the programme, the approach taken by the Brazilian government shows a commitment to addressing social and environmental issues concurrently.

The Bolsa Verde programme

The Bolsa Verde (or Green Grant) programme, in place between 2011 and 2018 and then revived in 2023, takes a novel and effective approach to tackling nature and social issues holistically. Its goal is to improve the lives of people experiencing rural poverty while reducing deforestation. The programme encourages the preservation and sustainable use of forests through income transfer to families who commit to land stewardship, using natural resources in a sustainable way and preserving the forest, in addition to helping with monitoring and protecting these areas. As well as payments, the beneficiaries gain access to technical assistance, environmental, social, technical and professional training activities (e.g., in alternative land use, sustainable production and enterprise development, and marketing of eco-friendly products).

Analysis of the Bolsa Verde programme's results show that it helped reduce deforestation by between 44% and 53% compared with areas that did not receive programme funding, while alleviating immediate poverty by providing recipients with a guaranteed income.[41] The programme further contributes to reducing poverty by creating new job opportunities by providing training and developing skills such as latex production, artisanal fishing and handicraft production.[42]

The Rural Credit programme

Brazil's Rural Credit programme is an important public policy to support the country's agricultural policy,[43] offering loans or credit lines to producers, whether individuals and companies, and often at subsidised rates. The National Monetary Council issues Resolutions that establish rural credit rules to be followed by the National Rural Credit System (SNCR). These rules are integrated in the Rural Credit Manual. The supervision of rural credit is carried out by Brazil's Central Bank.

The SNCR is highly decentralised and is comprised of a wide range of programmes operated by both public and private banks and cooperatives. The Agribusiness Credit Bill (LCA) establishes a fixed-income investment issued by banks to fund agribusiness activities, which is the main source of rural credit.

Lines of credit to sustainable smaller producers' agricultural enterprises can help improve their living standards, while steering their product decisions in a more sustainable direction, leading to better land use and less deforestation.

Policy makers may want to consider unequal access to credit. Family farmers account for 75% of all rural properties in the country. The main instrument to provide credit for family farming is the Programa Nacional de Fortalecimento da Agricultura Familiar (PRONAF). While funding allocated to PRONAF has been growing over time, studies show that access to credit between family farmers is uneven, with a greater part of the credit going to medium-sized and larger family farms.[44] Regional inequalities are also present, since most PRONAF contracts are awarded in the south

[41] Oxfam (2020), Protecting the People and the Forest: Bolsa Verde, Brazil

[42] International Labour Organization (2015), Social Protection and Climate Change - Can Brazil pursue twin social and environmental objectives together?

[43] Banco Central do Brasil, Rural credit

[44] Climate Policy Initiative (2023), Family Farming in Brazil: Inequalities in Credit Access

of the country, while the majority of small properties are located in the north.

The environmental requirements of the rural credit programme have also contributed to tackling deforestation. In 2008, Resolution 3,545 rural credit lending in municipalities in the Amazon biome conditional on compliance with environmental rules and proven legitimacy of property titles. It is estimated that this resolution led to a 15% reduction in deforestation over 2008–2011.[45] Since then, further regulations have been issued to strengthen the programme's environmental requirements. Stricter regulation has led to more sophisticated illegal efforts to bypass the environmental requirements. The challenge is being addressed by continuous improvement of regulations and technological updates in the enforcement mechanisms to ensure effectiveness of the programme.

[45] Climate Policy Initiative (2013), Change in Brazil Credit Legislation Reduced Amazon Deforestation by 15%

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