

SARB 026/2023

IMPLEMENTATION GUIDE

FOR FINANCIAL INSTITUTIONS



May 2026



Guide • SARB 026/2023 Implementation Guide for Financial Institutions

May • 2026

This Guide presents a set of processes, criteria, and best practices to guide financial institutions in the implementation of SARB 026/2023. It details procedures for identification, assessment, monitoring, and consequence management in credit operations involving slaughterhouses within the Legal Amazon and the state of Maranhão.

The document supports the harmonization of practices among banks, reduces application ambiguities, and strengthens the effectiveness of self-regulation in promoting supply chains free of illegal deforestation.

About Imaflora

Since 1995, Imaflora has worked to promote the sustainable and inclusive use of natural resources. Its projects balance environmental conservation with economic development, addressing demands from the forestry, agricultural, and socio-biodiversity chains, as well as the climate agenda. The organization conducts field work, provides technical assistance, ESG services, and certifications, in addition to research and data development.

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CONTENTS

1.	PRESENTATION	06
2.	SARB 026/2023	07
3.	SARB 026/2023 IMPLEMENTATION PROCESSES	09
4.	FINAL CONSIDERATIONS	21
	GLOSSARY	22



1. PRESENTATION



This guide is intended for financial institutions that are signatories to SARB 026/2023 and other institutions interested in enhancing their socio-environmental monitoring processes. This guide is also applicable to financing transactions entered into with slaughterhouses and meatpacking facilities. The document proposes an implementation standard for the FEBRABAN (Brazil's Federation of Banks) regulation aimed at managing the risk of illegal deforestation in the livestock chain within the Legal Amazon and the State of Maranhão. It is assumed that the implementation of the self-regulation, like any formal rule, involves a set of discretionary actions. In order to prevent banking competition from benefiting those companies that transform regulations into weaker practices, a set of best implementation practices is proposed to develop the regulation's potential to combat illegal deforestation and other socio-environmental violations in the meatpacking chain.

Solutions are proposed in this document to facilitate the implementation of the regulation by banks, focusing on three main pillars. The first is associated with how banks identify and monitor slaughterhouse and meatpacking clients within the scope of the self-regulation. The second relates to procedures for assessing the traceability and monitoring systems of these facilities. The third is associated with the timelines and consequence management established by the banks. Furthermore, the guide proposes ways to strengthen the regulation's governance by mitigating conflicts between banks' commercial interests and their socio-environmental purposes.

To address the complexity of implementing the FEBRABAN regulation—associated primarily with the requirement for slaughterhouses to monitor indirect suppliers—this guide was developed on the premise that banks should bring about firm but gradual transformations in their clients' procurement practices. It is proposed that this process be guided by a continuous improvement logic, based on annual cycles of assessment, planning, development, and monitoring, ensuring that financial institutions foster learning processes for their slaughterhouse and meatpacking clients. These processes are critical to establishing robust systems for restricting suppliers involved in socio-environmental violations. The idea is that the continuous improvement guideline will also ensure an inclusive process, supporting the legalization of cattle producers' practices and allowing them to gain access to credit facilities.

The guide is divided into two primary sections, in addition to this introduction and the final considerations. The first involves a presentation of SARB 026/2023, issued by the Brazilian Federation of Banks (FEBRABAN). It focuses primarily on the objectives and guidelines for managing illegal the risk of deforestation that constitute the core of the regulation. Also, a brief discussion on the primary implementation challenge, i.e. monitoring of indirect suppliers, will be provided. This context is critical for a proper understanding of the second part of the guide, which presents the processes designed to implement the regulation.

Details of the proposed processes to harmonize the regulation's implementation, articulating the activities necessary for socio-environmental risk management in credit granting, is presented in three parts. Initially, a macroprocess is developed to provide an overview of all activities to be performed. This general process is then broken down into seven specific processes that can lead to the execution of SARB 026/2023. Finally, a glossary provides the definitions of terms and documents that constitute this guide.

2. SARB (BANKING SELF-REGULATION SYSTEM) 026/2023

SARB 026 is a self-regulation standard published by FEBRABAN in 2023, focusing on the management of the risk of illegal deforestation associated with credit granting to slaughterhouses and meatpacking facilities operating in the Legal Amazon and the State of Maranhão. The regulation was developed through dialogue between banks and civil society organizations, and reflects a joint effort to align the financial sector with the sustainability demands of the livestock chain.

The signatory banks committed to granting credit only to slaughterhouses and meatpacking facilities that implement traceability systems for direct and indirect suppliers, and that do not

engage in illegal deforestation in their supply chains. The regulation established a deadline of December 2025 for slaughterhouses and meatpacking facilities to implement monitoring systems. During the same period, banks must fully structure their socio-environmental risk management protocols, restricting financing for clients that fail to demonstrate compliance with the regulatory requirements. Figure 1 shows how SARB aims to integrate financial instruments and beef chain governance mechanisms, requiring slaughterhouses and meatpacking facilities to monitor direct and indirect suppliers to combat illegal deforestation.

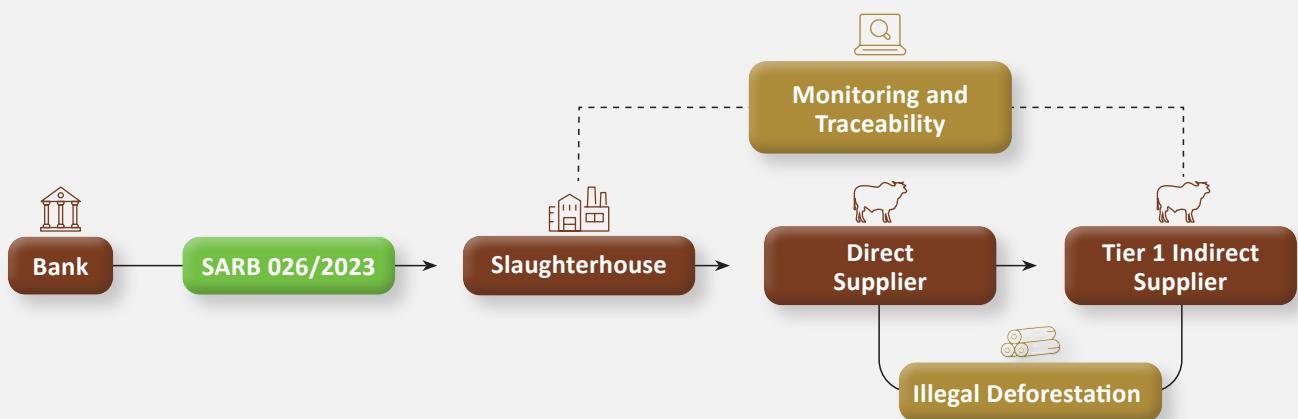


Figure 1: Relationship between banks, slaughterhouses, and suppliers in the implementation of traceability and deforestation control requirements under SARB 026/2023.

Financial institutions must establish a **Protocol for credit transactions with cattle slaughterhouses and meatpacking facilities** classified under the section “Processing Industries”, specifically “cattle slaughtering, except swine” (10.11-2), and “Meatpacking – cattle slaughtering” (1011-2/01), and “Slaughterhouse – cattle slaughtering under contract, except swine” (1011-2/05), according to the National Classification of Economic Activities (CNAE).

When drafting the protocol, each financial institution may establish exceptions for properties of indirect suppliers with an area of less

than 100 hectares, and define specific procedures, conditions, and deadlines for compliance applicable to small-scale slaughterhouses.

The credit transactions protocol must:

1. Be compatible with the Social, Environmental, and Climate Responsibility Policies (PRSAC) and the Integrated Risk Management (GIR);

¹ Small-scale facilities are considered to be those covered by the Municipal Inspection Service (SIM) of the Health Inspection System, or those whose annual gross revenue in the reference calendar year is equal to or less than four million, eight hundred thousand Reais (BRL 4,800,000.00).

² CMN Resolution No. 4,945/2021. Available on: <https://www.bcb.gov.br/estabilidadefinanciera/exibenormativo?numero=4945&tipo=Resolu%C3%A7%C3%A3o%20CMN&utm_source=chatgpt.com>

³ CMN Resolution No. 4,557/2017. Available on: <<https://www.bcb.gov.br/estabilidadefinanciera/exibenormativo?tipo=Resolu%C3%A7%C3%A3o&numero=4557>>.

- II. Define the procedures to be adopted for managing illegal deforestation risk associated with these transactions;
- III. Require that cattle meatpacking facilities and slaughterhouse clients in the Legal Amazon and the State of Maranhão implement a traceability and monitoring system that demonstrates that they do not procure cattle associated with illegal deforestation from direct suppliers and tier 1 indirect suppliers.

The regulation establishes that financial institutions must require their clients operating in the Legal Amazon and the State of Maranhão to maintain permanent disclosure on their websites of a traceability and monitoring plan showcasing the performance evolution of their traceability and monitoring systems, as well as the SARB 026/2023

Terms of Commitment.

The Indirect Supplier Challenge

Implementing traceability and monitoring for tier 1 indirect suppliers is a complex process that requires not only the action by the meatpacking facilities but also the engagement of their direct suppliers and support from the government. To ensure SARB 026/2023 does not deepen inequalities in the livestock chain in the Amazon, it is critical that meatpacking facilities make their procurement subject to socio-environmental requirements by incorporating mandatory checks as a prerequisite for each transaction. These checks may be conducted either through the meatpacking facilities' own internal initiatives or by engaging specialized firms in socio-environmental monitoring and agribusiness risk management, which can provide information systems and support the proactive blocking of transactions that fail to meet the established criteria.

However, engagement with direct suppliers continues to advance slowly, hindered by mistrust of meatpacking facilities, particularly regarding the strategic use of market information, and by the growing number of illegal indirect suppliers. The low response capacity of environmental and land agencies to cattle producers' requests for legalization is another critical factor regarding the current landscape of the livestock chain in the Amazon.

⁴ Visipec. Available on: <<https://www.visipec.com/pt/home/>>.

⁵ Selo Verde. Available on: <<https://seloverde.meioambiente.mg.gov.br/>>.

⁶ It is worth noting that all these GTA-based solutions are subject to the limitations of batch-based traceability systems, as provided under this and other instruments. These systems are characterized by the aggregate identification of a group of items, losing accuracy and efficiency across the links of a supply chain. This occurs because procured animals are mixed on farms and may be resold in mixed-origin batches. Therefore, through this system, it is not possible to identify exactly which farms the animals from the meatpacking facilities' indirect suppliers originate from. This would only be possible through individual traceability systems, such as those planned for implementation under the National Program for the Identification of Bovines and Buffaloes (PNIB), as well as the Individual Cattle Traceability System of the State of Pará (SRBIPA) and the Green Passport (Passaporte Verde), to be implemented in the State of Mato Grosso. The more movements there are between farms, the greater this uncertainty tends to be. This requires inferences based on probabilistic models, which are not yet part of existing monitoring systems. Thus, even in tier 1 indirect supplier monitoring, the SARB 026/2023 indicators based on these models involve a degree of inaccuracy that must be addressed.

To comply with SARB, meatpacking facilities have been using historical data from the Rural Environmental Registry (CAR) and the Animal Transit Guides (GTA), integrated into platforms such as Visipec (traceability tool) and Selo Verde (traceability and transparency tool). While useful for reporting, these tools fail to provide a foundation for real-time blocking of procurement. They still face limitations regarding data access and updates, which restrict their use for future decisions and may lead to the delisting of suppliers without offering pathways for legalization. Thus, they should be viewed as transitional solutions, to be associated with real-time monitoring mechanisms for direct supplier procurement and the expansion of the Carne Legal (Legal Beef) program audits, supported by Boi na Linha (Beef on Track), to include indirect suppliers.

In this scenario, banks should demand that meatpacking facilities use this information as engagement instruments with direct suppliers to draft action plans and annual reports detailing measures taken in response to irregularities. This strategy will allow direct suppliers to gradually stop trading with illegal farms and adopt digital traceability and risk management systems, preventing transactions that do not comply with socio-environmental criteria and promoting the sustainable transformation of the meat production chain.

The Indirect Supplier Challenge

The implementation of the traceability established by SARB 026/2023 faces structural challenges. The monitoring of indirect suppliers depends not only on the slaughterhouses but also on their direct suppliers and the government (public sector). The main challenges are:

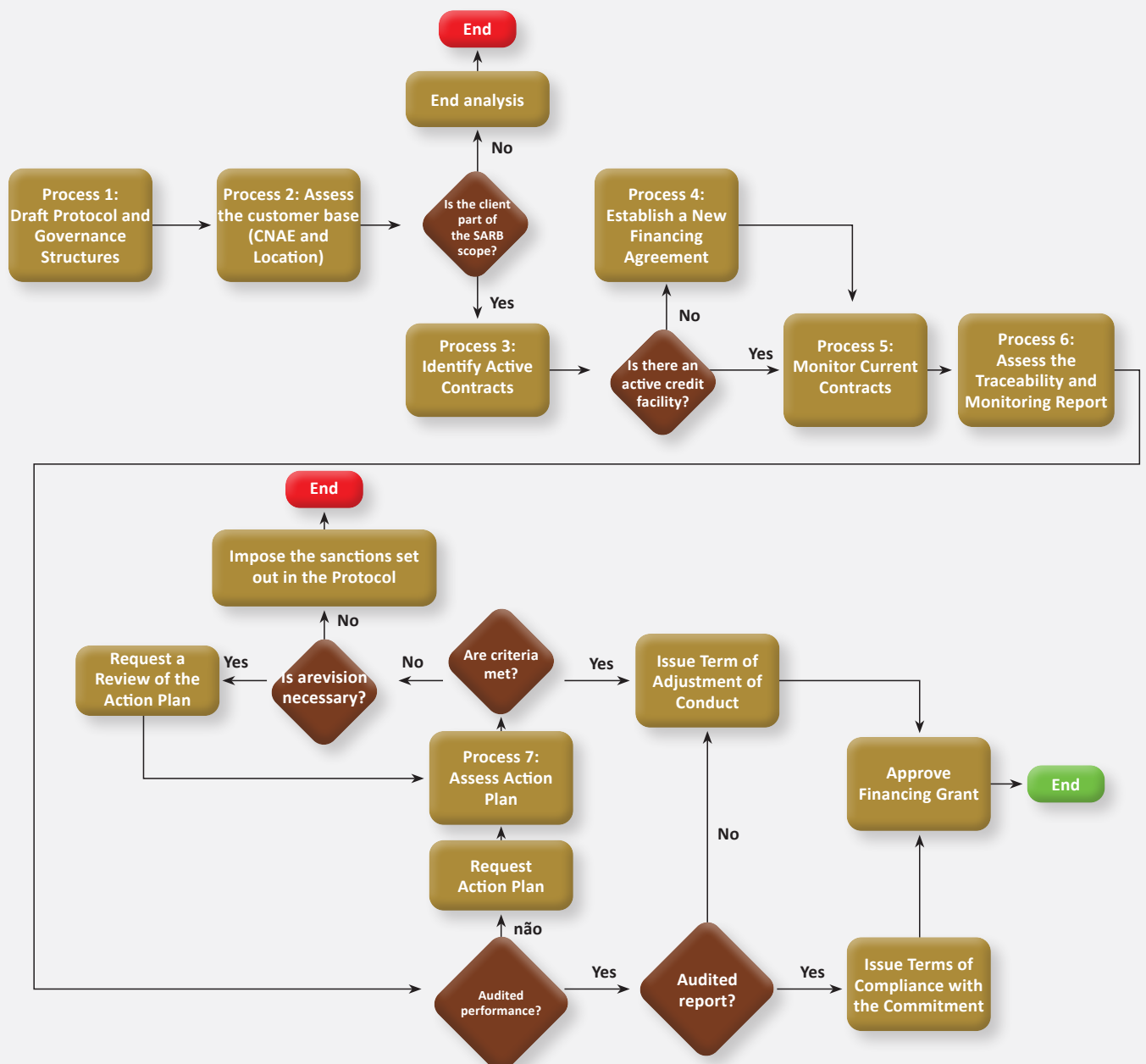
- **Limited Engagement:** distrust among direct suppliers, resistance to data sharing, and a high number of indirect suppliers in illegal situations.
- **Reduced Government Capacity:** low capacity of governmental agencies to effectively support socio-environmental legalization.
- **Outdated Details:** records such as the Rural Environmental Registry (CAR) and the Animal Transit Guide (GTA) are historical and do not, considered in isolation, provide the management support needed to guide future procurement decisions.
- **Supply Risk:** The mass exclusion of suppliers could disrupt the supply chain, in addition to encouraging practices to circumvent the regulation.

3. SARB 026/2023 IMPLEMENTATION PROCESSES



3.1. Macroprocess

SARB Implementation Guide 026/2023



The **SARB 026/2023 Implementation Guide for Financial Institutions** proposes frameworks for the structuring, assessment, and monitoring of credit transactions with slaughterhouses and meatpacking facilities located in the Legal Amazon and the State of Maranhão. Seven processes are structured to guide banks in the implementation of the regulation, ranging from the definition of internal protocols to the final assessment of traceability reports and action plans of the companies. Together, these processes allow banks to guide, through the granting of financing, the continuous improvement of socio-environmental monitoring practices among the slaughterhouses' suppliers.

Process 1: Drafting of Protocols and Governance Structures

The first step for implementing SARB 026/2023 consists of banks creating an internal protocol, and defining minimum requirements and performance criteria for the socio-environmental monitoring systems of both direct and indirect suppliers. The protocol must include adaptation timelines, incentive policies, and sanctions or consequences for non-compliance. Furthermore, the process requires the definition of organizational governance structures linked to the Risk, Sustainability, and Commercial departments.

Process 2: Assessing the Client Base by CNAE and Location

The second step consists of screening the client base to identify those falling under the scope of the regulation. Inclusion is determined by combining primary and secondary CNAE codes with the transaction location. All clients identified as slaughterhouses or meatpacking facilities must be considered, regardless of whether they have active contracts. If at least one unit is located in the Legal Amazon or the State of Maranhão, all of the company's units become subject to the requirements of the standard.

Process 3: Identifying Clients with Financing Contracts in Force

After the initial screening based on CNAEs and location, all identified clients remain within the scope of the regulation, and a **Term of Awareness** (*Termo de Ciência*) regarding SARB 026/2023 must be included in their records. Those without active contracts must be assessed when requesting new credit transactions, while clients with active contracts are immediately directed to the continuous monitoring process.

Process 4: Establishing New Financing Contracts

When clients within the scope of the norm request new financing, the bank must check whether they have traceability and monitoring systems in place for direct and indirect suppliers. If they already have systems in place, they must submit a traceability report to be assessed according to previously established criteria. In the absence of such systems, or if minimum required levels are not met, the client must draft an Action Plan with clear targets for improvement in traceability and monitoring. If the plan submitted is deemed inconsistent, the sanctions provided for in the protocol will be imposed. This process ensures that new transactions are only granted to clients committed to socio-environmental legalization.

Process 5: Monitoring of Contracts in Force

Contracts in force must be monitored annually based on the reports and action plans submitted by clients. This assessment is not restricted to a binary logic of "Compliant" or "Non-Compliant." Instead, it adopts a three-tier classification: full compliance, for clients that already fully meet the requirements; in progress, for clients that demonstrate consistent progress even if they have not yet reached all minimum levels; and non-compliance, for clients that have not achieved satisfactory performance in their results and action plans, becoming subject to the sanctions provided for in the protocol.

Process 6: Assessing Traceability and Monitoring Reports

Clients must submit annual reports describing the status of their socio-environmental monitoring systems, including the history, structure, processes, indicators, improvements made in the previous year, and the respective results. The assessment of these reports is primarily quantitative; it relies on established minimum performance levels as a reference. However, it also involves a qualitative analysis considering aspects such as development time, investment volume, supplier engagement, and critical factors that may influence the success or failure of actions. If minimum performance levels are not attained, clients must draft or revise the action plan and sign a **Term of Adjustment of Commitment**. Once the established criteria are met, the bank will require the annual report to be audited by an independent third party, which may be conducted through the expansion of the Legal Beef program audits, supported by Beef on Track, leading to the signing of **Term of Compliance**.

Process 7: Assessing Traceability and Monitoring Action Plans

Clients that fail to attain the minimum levels in the assessment of the traceability and monitoring report must submit action plans, which are documents evidencing and detailing the actions necessary for the system’s evolution. These plans must contain objectives, activities, deadlines, responsible parties, supplier engagement strategies, investment forecasts, the team involved, and clear strategies for advancement toward the Federal Government’s goal of zero conversion and deforestation in Brazil across all biomes by 2030. The approval of new financing contracts and the maintenance of ongoing contracts are subject to the consistency and feasibility of these action plans.

3.2. Details of the processes

The seven processes described below constitute the governance and monitoring cycle; they range from the creation of internal protocols to the assessment of monitoring and traceability reports and action plans. This ensures that financial institutions operate in an integrated manner, aligned with the socio-environmental criteria of SARB 026/2023.

Process 1: Drafting of Protocols and Governance Structures

SARB 026/2023 provides that financial institutions must establish a protocol for credit transactions with slaughterhouses and meatpacking facilities in the Legal Amazon and the State of Maranhão. Key activities and decisions to be made by banks to establish robust protocols are suggested here.

The primary decision to be made according to the protocol is about defining requirements for the socio-environmental monitoring systems of direct and indirect suppliers. These systems must enable slaughterhouses and meatpacking facilities to demonstrate that they do not procure cattle from properties engaged in illegal deforestation and other socio-environmental illegal activity. They must meet the minimum requirements of the socio-environmental procurement checklist below. Furthermore, banks must decide on two key issues regarding these systems: (i) whether they will adopt additional requirements for their clients, and (ii) whether indirect supplier properties smaller than 100 hectares will be included in or excluded from the monitoring systems, in accordance with the exceptions provided for in the regulation.

Socio-environmental procurement checklist:	
Requirement	Compliant
Rural Environmental Registry (CAR)	<input type="checkbox"/>
No embargo due to illegal deforestation on the rural property where the activity takes place, according to the list provided by IBAMA (Brazilian Institute for the Environment and Renewable Natural Resources).	<input type="checkbox"/>
No embargo due to illegal deforestation on the rural property where the activity takes place, according to the lists provided by state environmental agencies (when publicly and electronically available).	<input type="checkbox"/>
No overlapping with deforestation polygons, as provided for on the PRODES Amazon/INPE system, without a vegetation removal permit, after August 1, 2008, for Direct Suppliers, and August 1, 2019, for Indirect Suppliers.	<input type="checkbox"/>
No overlapping with Preservation Units and certified Indigenous Lands, prior to the date of procurement of the animals. *Criterion outdated regarding Quilombola Territories according to the Beef on Track 2.0 protocol.	<input type="checkbox"/>
No entries on the Registry of Employers that have subjected workers to conditions similar to slavery, pursuant to Interministerial Ordinance MTPS/MMIRDF No. 4, dated May 11, 2016.	<input type="checkbox"/>
Record-keeping of cattle purchases.	<input type="checkbox"/>

After defining the minimum criteria for the socio-environmental monitoring system, details of implementation requirements for meatpacking facilities must be provided. SARB suggests making a distinction between deadlines and implementation conditions of these systems for small-scale meatpacking facilities, which are defined as those encompassed by the Municipal Inspection Service (SIM) of the Health Inspection System, or those with an annual revenue below BRL 4,800,000 in the calendar year. **However, in view of the continuous improvement logic and the extended adaptation period proposed in this Guide, it is suggested that banks adopt the same requirements and deadlines for small businesses, proposing instead incentive policies for their adaptation. One suggested form of incentive is the establishment of credit facilities with facilitated conditions to fund monitoring and traceability systems for small-scale slaughterhouses and meatpacking facilities.**

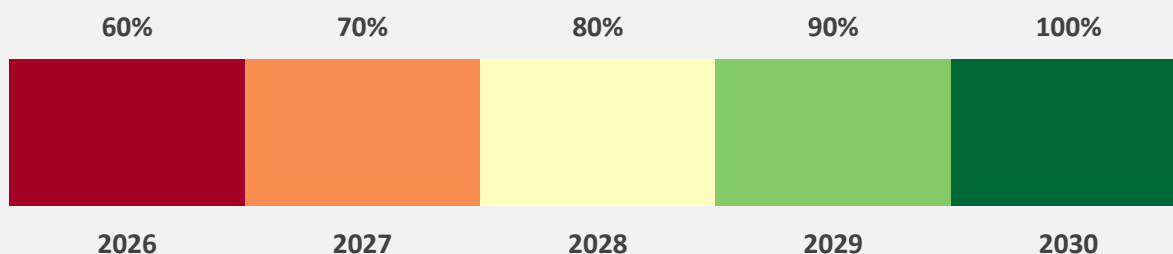
Next, minimum performance levels must be established for the monitoring systems that will be considered satisfactory by the banks, as well as the deadlines for their implementation, applicable to slaughterhouses and meatpacking facilities of all sizes. **The idea is that banks should not only require the formal implementation of a system but also assess its effectiveness. By establishing a minimum performance level, a clear and verifiable parameter is created to provide a basis for monitoring the progress of slaughterhouses and meatpacking facilities in the socio-environmental monitoring of their supply chains.**

The requirements and deadlines for direct and indirect suppliers must be different. **Given the significant progress that committed companies have already achieved in monitoring direct suppliers, it is suggested that they must demonstrate 100% traceability of direct suppliers starting in 2025.** For indirect suppliers, which represent the main challenge for slaughterhouses and meatpacking facilities, minimum annual performance parameters can be established considering national targets for combating deforestation. **The suggested deadline for meatpacking facilities to achieve 100% monitoring of indirect suppliers is 2030.**

This aligns with the target set by the Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAm)—Brazil’s primary public policy for combating deforestation—to reach zero illegal deforestation by that year.

For the case of indirect suppliers, it is also important that bank protocols include annual assessment mechanisms for socio-environmental monitoring progress to demand **continuous improvement** from their clients. **They must enable the commitment to be fully implemented by 2030.** The following rule is then suggested: **a progressive performance scale should be followed, requiring minimum performance of 60% in 2026, 70% in 2027, 80% in 2028, 90% in 2029, and 100% in 2030.** These milestones should be understood as minimum annual levels of acceptable performance to ensure that the sector advances consistently toward full socio-environmental compliance, while allowing for methodological adjustments, the incorporation of new tools, and the gradual enhancement of governance.

Minimum Performance Levels Schedule (2026-2030)



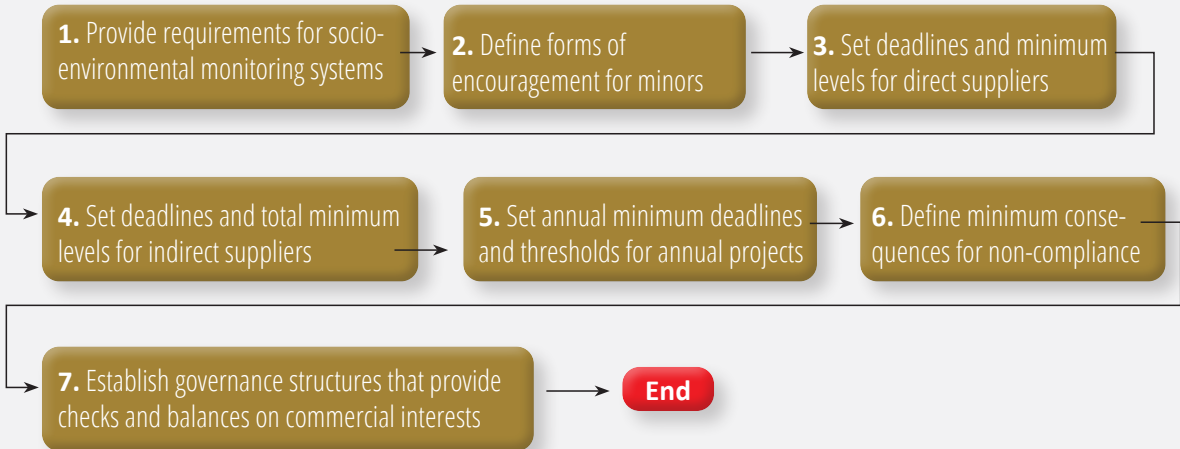
The banks' protocol must also establish consequence management for companies that fail to meet the minimum performance levels. This is a sensitive issue, given the risks that the homogenization of conduct may pose regarding antitrust regulations. However, for SARB to remain legitimate, it is critical that banks commit to establishing minimum consequences for non-performance. It is suggested that banks establish, at the very least, a significant penalty on the credit score of slaughterhouses and meatpacking facilities that fail to meet the requirements, imposing significant increases to the interest rates provided for in their financing contracts. A minimum percentage increase in the interest rate charged on credit transactions is suggested for companies that fail to achieve proper performance. Banks may obviously establish more severe penalties, including fines and the cancellation of financing contracts within their protocols and agreements. Although raising interest rates as a form of risk pricing does not alone guarantee the regulation's effectiveness, it is a minimum necessary measure for consequence management throughout its implementation.

The protocol must provide details of the roles of the various organizational areas involved in the regulation's implementation. The participating organizational units must be clearly established, as well as the unit that may be coordinating the execution. The implementation coordination should be centralized within the Banks' Sustainability or Risk Offices, and the execution of the

regulatory protocol should be focused on one or more employees within these areas. In addition, the banks' commercial areas are also key to the implementation process. All employees in the involved areas must receive periodic training on the regulation and the established protocols. Furthermore, they should be involved in identifying the protocol's limitations and promoting its continuous improvement.

A key governance issue is the existence of conflicts of interest between the implementation of SARB 026/2023 and the organizational objectives associated with the banks' commercial areas, in particular in bank branches within the Legal Amazon and the State of Maranhão. In some regional contexts, slaughterhouses and meatpacking facilities may be important clients for branches and their officers. Thus, credit restrictions could have severe impacts on achieving their targets and results. In small municipalities in the region, it is common for bank employees to have close personal relationships with clients, which may drive the creation of ways to bypass the regulation's risk assessment procedures. To prevent this issue, it is recommended that the execution of socio-environmental risk assessments in credit contracts be carried out by centralized organizational units, avoiding potential personal relationships between the bank and clients. The use of information systems and devices that automate risk analysis and ensure neutrality can also be key.

Process 1 - Drafting of Protocols and Governance Structures



Process 2: Assessing the Client Base by CNAE and Location

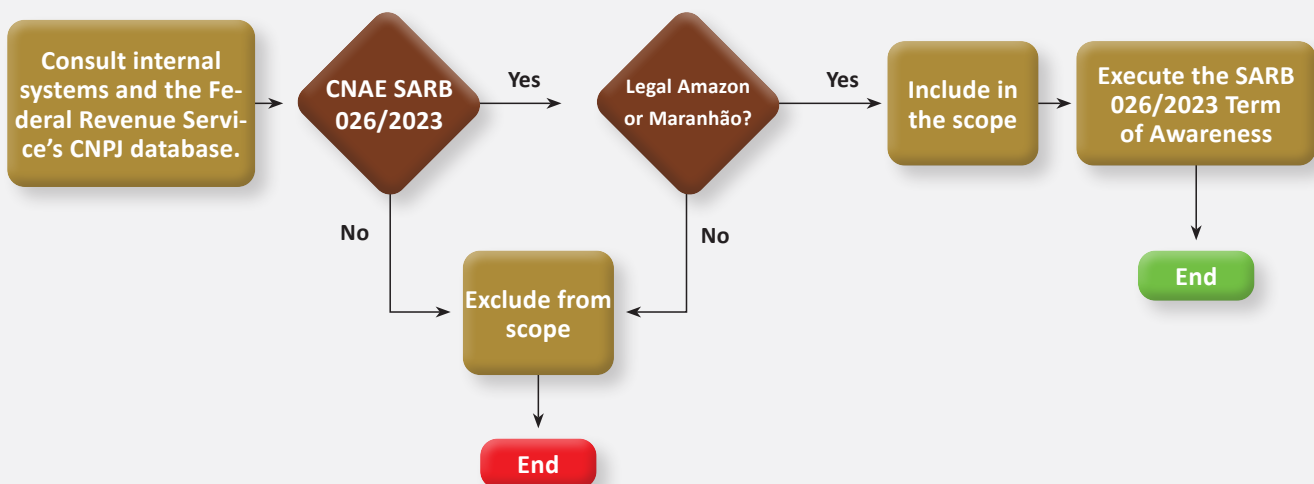
Identifying the clients covered by the regulation is a critical step, as it defines who must be assessed and monitored regarding the risk of illegal deforestation in the beef supply chain. This process must be operated continuously, with permanent updates to the list of clients within the scope of the regulation and assessment based on CNAE and location.

All clients classified under Class 10.11-2, Subclasses 1011-2/01 (Meatpacking Facilities – cattle slaughtering) and 1011-2/05 (Slaughterhouse – cattle slaughtering under contract, except swine), must be included in the analysis, regardless of whether these CNAEs are registered as a primary or secondary economic activity. The analysis must include the bank's entire client base, not just those with active credit contracts. Furthermore, internal system queries should be supplemented by checking public databases. It is suggested to consult the National Registry of Legal Entities (CNPJ) database from the Federal Revenue Service.

Following the CNAE-based analysis, client locations must be verified. If they are located in the Legal Amazon or the State of Maranhão, they will be automatically included in the scope of SARB 026/2023. The check must consider not only the headquarters' address but also all branches and plants of the company. All companies with plants in the Legal Amazon and the State of Maranhão, regardless of the number of units or the proportion they represent in the business, must be included in the scope of SARB 026/2023. The dynamic of constant buying, selling, and leasing of meatpacking plants in the region reinforces the need for constant updates to the client registry. The credit restrictions imposed by the regulation must apply not only to the plants located in the Amazon but to the company as a whole.

As part of the registration requirements for all meatpacking facilities and slaughterhouses operating in the Amazon, banks must require the execution of the SARB 026/2023 Term of Awareness. This document informs clients of the definitions established in the bank's protocols for financing to be granted. It is suggested that the banks' own systems flag the existence of this registration pending to account managers if the document has not been submitted.

Process 2 - Assessing Client Base by CNAE and Location



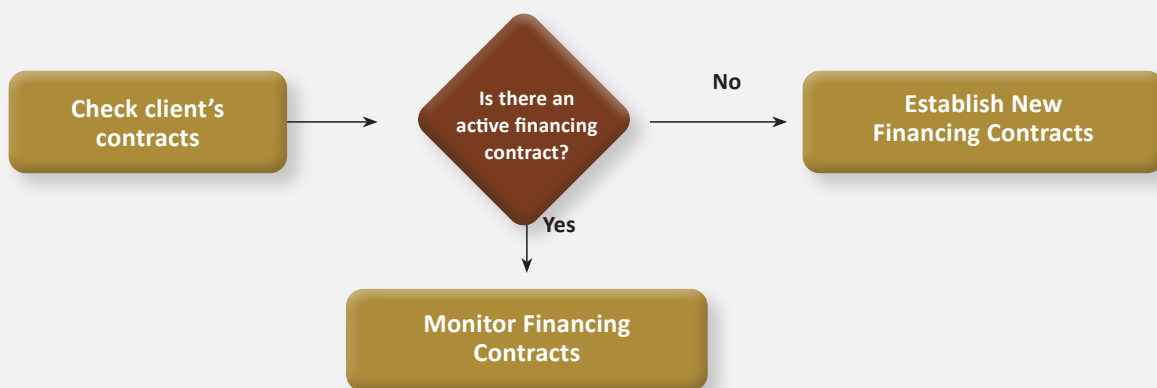
7 See <https://dados.gov.br/dados/conjuntos-dados/cadastro-nacional-da-pessoa-juridica---cnpj>.

Process 3: Identifying Clients with Financing Contracts in Force

After identifying the clients subject to the regulation, the bank must check whether those within the scope of SARB 026/2023 have active financing transactions. All credit transactions for companies covered by the regulation must meet the conditions, and it is critical that both new transactions and existing contracts be assessed according to the established criteria.

This analysis is fundamental to ensuring effective compliance with the regulation. If there is no active financing contract, the client should be considered under **Process 4** - Establishing New Financing Contracts. If there is an ongoing transaction, the client should be considered under **Process 5** - Monitoring of Financing Contracts.

Process 3 - Identifying Clients with Financing Contracts in Force



Process 4: Establishing New Financing Contracts

SARB 026/2023 does not apply to account holders without active financing contracts, nor is it applicable to other services offered by banks. Nonetheless, it is recommended that banks advise slaughterhouses and meatpacking facilities without active contracts about the new requirements; this is ensured by including the SARB 026/2023 **Term of Awareness** in the record requirements for all clients within the scope of the regulation, as proposed in **Process 3**.

When these clients within the scope of SARB request access to financing, the bank must assess whether or not they have socio-environmental monitoring systems in place for direct and indirect suppliers. If applicants have a traceability and monitoring system for direct suppliers and tier 1 indirect suppliers, they must submit a report to the bank describing this system, including any performance indicators.

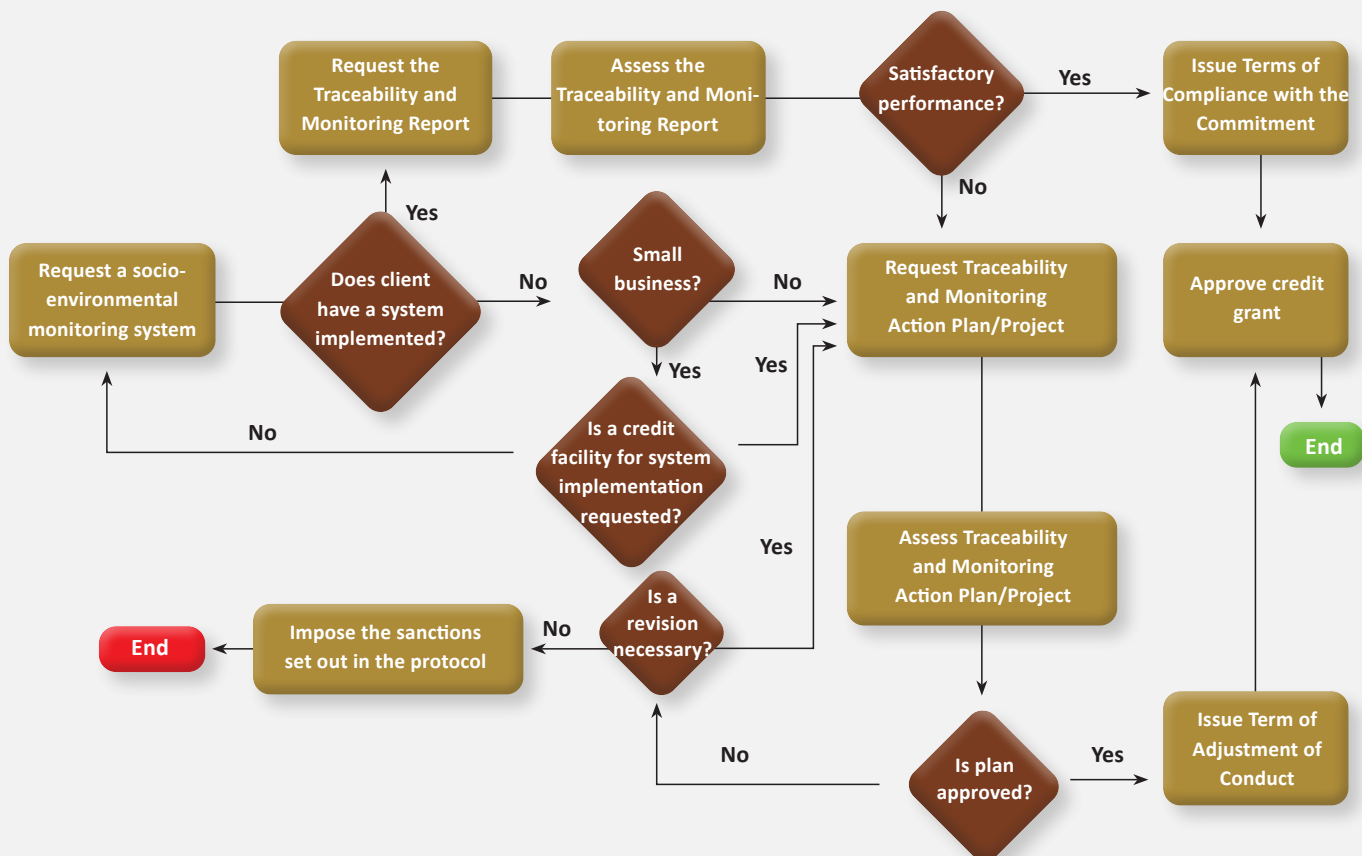
If the applicant is a small business that does not have a traceability and monitoring system in place, the bank may suggest that these clients apply for specific credit facilities for implementation, encouraging the adherence of clients that do not yet have this type of control over direct and indirect suppliers. In this case, the company must develop a project for the traceability and monitoring system, including a timeline and targets that meet the deadlines and minimum requirements established in the banking protocols.

The reports, plans, or projects must then be assessed according to the conditions of **Process 6**. If the socio-environmental monitoring system reaches the established minimum performance criteria, the bank may grant the credit and will begin monitoring the robustness of the results by requesting reports and independent external audit opinions, as detailed in **Process 5**.

If the system fail to reach the minimum performance criteria established in Process 1, the bank must request an action plan to improve traceability and monitoring, aimed at enhancing the existing system and meeting the minimum requirements. This action plan will be assessed by the bank under **Process 7**. If the actions and targets set out in the plan are considered inconsistent or insufficient, the bank will consider the possibility of requesting a revision. If applicable, the client must redraw the action plan according to the bank's guidelines, subjecting it for

a new assessment. If the client fails to demonstrate the capacity to develop a robust plan with credible and sufficient targets, the credit grant must be subject to the sanctions defined in the bank's protocol. The robustness of action plans must be assessed based on **Process 7**. Once the plan is compliant, the bank will issue the **Term of Adjustment to the Commitment**, and may approve the granting of financing. The bank will then proceed to monitor the contract annually as specified in **Process 5**.

Process 4 - Establishing New Financing Contracts



Process 5: Monitoring of Contracts in Force

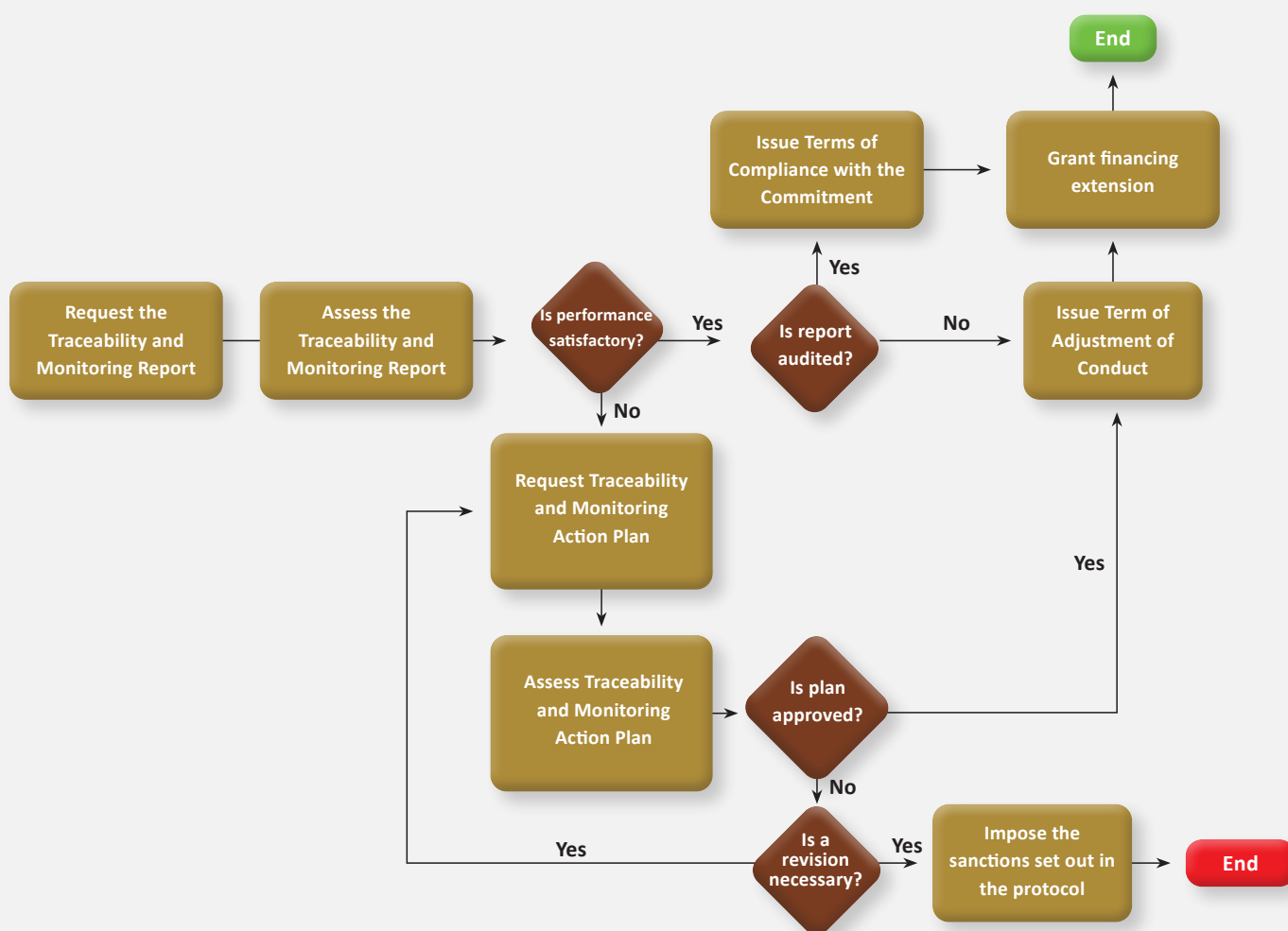
Banks must annually monitor and assess the implementation of SARB 026/2023 by slaughterhouses and meatpacking facilities, classifying them according to their level of regulatory compliance. The objective is to establish a clear, progressive assessment of the effectiveness of socio-environmental monitoring systems, distinguishing between those that are already in full compliance and those still in the process of adaptation.

This assessment method aims to move beyond a rigid, binary logic that would reduce results to a simple “Compliant” versus “Non-Compliant” dichotomy. Instead, it seeks to recognize and value the continuous improvement efforts undertaken by meatpacking facilities and slaughterhouses in implementing their monitoring systems, especially regarding indirect suppliers. **This approach is critical to ensuring that the regulation is not applied in a paralyzing or exclusionary manner, but**

rather as an instrument for inducing progressive compliance. **By creating space for clients to demonstrate commitment and provide consistent action plans, this classification promotes a cycle of learning and evolution in the governance of the beef supply chain.**

Financing contracts with slaughterhouses and meatpacking facilities within the scope of SARB 026/2023 must be monitored annually. The monitoring will take place in March of each year, evaluating the performance of the meatpacking facilities’ socio-environmental monitoring systems during the previous year. The focus is to track compliance and the implementation of the regulation by reviewing traceability and monitoring reports and action plans.

Process 5 - Monitoring of Contracts in Force



If the traceability and monitoring report meets the established minimum performance criteria, the bank may approve the extension of the credit contract and will monitor the robustness of the results by requesting independent external audit opinions. Meatpacking facilities and slaughterhouses that fall into this category will be classified as “Compliant,” being therefore eligible for new financing contracts and the extension of existing ones. In these cases, the bank will issue the **Term of Compliance with the Commitment**.

If the system does not meet the minimum performance criteria, the bank must assess the traceability and monitoring action plan aimed at improving the existing system and meeting the minimum requirements. This plan must be assessed according to Process 7. If the action plan is approved, the meatpacking facility will be classified as “In Adaptation Stage,” and the bank will issue the **Term of Adjustment to the Commitment**.

If the actions and targets in the action plan are considered inconsistent or insufficient, the bank may request a revision of the document. In this case, the client must redraft the document according to the bank’s guidelines, submitting it for a new assessment. If the client fails to demonstrate the capacity to develop a robust action plan with credible and sufficient targets, the granting of credit will be subject to the sanctions defined in the consequence management guidelines established in **Process 1**.

The “Non-Compliant” classification is assigned when the client fails to meet the regulatory criteria and submits no evidence of efforts or action plans for adaptation. In this case, the bank must impose the sanctions established in its consequence management until the client submits a robust action plan for the adaptation of the socio-environmental monitoring system.

Process 6: Assessing Traceability and Monitoring Reports

Traceability and monitoring reports must have two mandatory components. The first is an overview of the current state of the meatpacking facilities’ and slaughterhouses’ socio-environmental monitoring systems, involving a brief description of their history, organizational structures, the processes involved in their implementation, and their performance indicators. The second component is an assessment of the system improvement actions developed over the last year, which may be outlined in traceability and monitoring action plans, as well as results, and impact on performance indicators.

The assessment of the reports is primarily quantitative but must be complemented by a qualitative analysis. The quantitative pillar is performed by monitoring the performance indicators provided for in SARB 026/2023, which include:

1. The percentage of slaughtered cattle tracked and monitored back to direct suppliers and the type of audit;
2. The percentage of slaughtered animals tracked and monitored back to indirect suppliers and the type of audit;
3. The percentage of slaughtered animals in full compliance with the commitment, covering direct and indirect suppliers, and the type of audit.

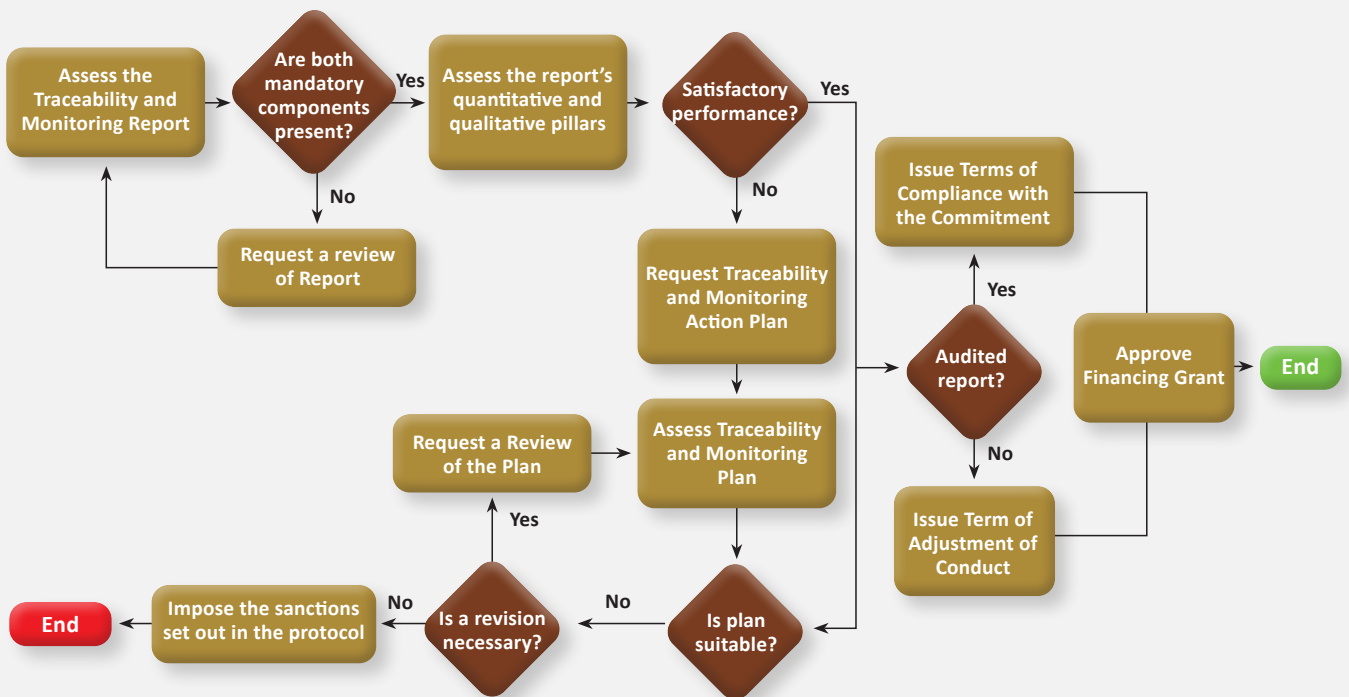
As detailed in **Processes 4 and 5**, companies that reach the minimum performance levels are released from drafting action plans to improve their socio-environmental monitoring systems. Once the minimum levels established in the protocol are reached (as provided in Process 1), banks must require that performance indicators be audited by an independent third party before issuing the **Terms of Compliance with the Commitment**. For companies with performance below these minimum levels, the quantitative assessment of credit monitoring performance will be performed by comparing the previous year’s indicators with the targets defined in their respective action plans. This comparison allows for the consideration of the occurrence and pace of progress in monitoring direct and indirect suppliers. The assessment of satisfactory progress levels should involve meeting targets, comparing performance against peers, and aligning with the Brazilian government’s goal of Zero Deforestation in all biomes by 2030.

The assessment of the indicators’ progress must be supplemented by the review of qualitative data provided in the reports drafted by the meatpacking facilities and slaughterhouses. The review must consider:

- A clear description of the data used to calculate indicators, clarifying how it was collected, the periods covered, and how it was reviewed;
- A presentation of the development history of the socio-environmental monitoring system;
- Actions developed to promote the engagement of direct suppliers in monitoring indirect suppliers, which may combine changes in supplier registration processes, progressive procurement restrictions, economic penalties and rewards, provision of access to information systems, other forms of technical and managerial support, loyalty tactics, and other supply chain management practices;
- Actions to support the legalization of direct and indirect suppliers with socio-environmental liabilities;

- Robust assessments that identify critical success or failure factors of the actions developed, providing a basis to assess whether the pace of progress was influenced by constraints exogenous to the companies' efforts;
- Resources expended by the organization over the past year for supplier monitoring, including the number of employees dedicated to these processes and changes compared to previous years; engagement of specialized consultancies, and investments made for improvement or creation of information systems.

Process 6 - Assessing Traceability and Monitoring Reports



Process 7: Assessing Traceability and Monitoring Action Plans

Traceability and monitoring action plans are annual documents aimed at improving the socio-environmental monitoring systems of slaughterhouses and meatpacking facilities. They must be submitted by companies that have failed to reach the levels considered sufficient by banks, according to the criteria established in **Process 1**. The drafting of the plan must be according to the report, based on a clear diagnostic of the current state of the monitoring system and an assessment of lessons learned from previous years' plans.

Action plans must consist of the following mandatory components:

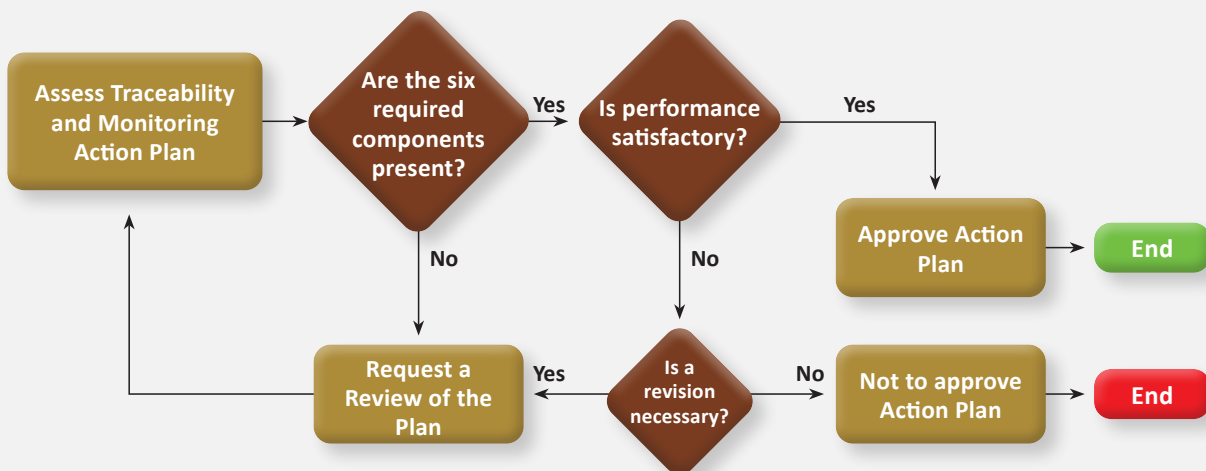
- A table linking specific objectives, the activities to be developed to achieve them, the responsible departments and positions, and the execution deadlines;
- A detailed description of the proposed strategies for engaging direct suppliers in the company's traceability and monitoring systems;
- A description of actions to support the legalization of direct and indirect suppliers with socio-environmental liabilities;
- An overview of the team involved in execution, including the

number of individuals and the profile of the coordinator;

- A forecast of investments in training and the financial resources required for execution;
- Objective targets for the progressive expansion of the percentage of slaughtered animals monitored, covering direct suppliers, indirect suppliers, and those in full compliance with the commitment.

The establishment of targets for advancing SARB 026/2023 performance indicators must take into consideration results achieved in previous action plans, as well as the goal of full supply chain monitoring by 2030, in line with the Federal Government's target of zero deforestation.

Process 7 - Assessing Traceability and Monitoring Action Plans



4. FINAL CONSIDERATIONS

SARB 026/2023 is considered a milestone in livestock environmental governance by reinforcing the strategic role of financial institutions in promoting more sustainable practices and mitigating environmental irregularities associated with the production chain. Approval of SARB 026/2023 should be celebrated as a relevant institutional advancement because, by holding Brazil's main signatory banks accountable, it paves the way for strengthening socio-environmental governance in the beef cattle industry. In this process, banks become fundamental vectors for driving and consolidating the monitoring systems adopted by meatpacking facilities.

With clear, sequential processes, this Guide transforms SARB 026/2023 into a practical tool, allowing financial institutions to conduct their operations in an integrated, coherent manner. By covering all aspects from the development of protocols and governance structures to the assessment of traceability reports and action plans, the Guide offers a systemic view of how to

implement the regulation in credit transactions with meatpacking facilities and slaughterhouses. This arrangement strengthens the coherence between regulatory requirements, banking practices, and socio-environmental progress, transforming credit into a strategic instrument to induce structural changes in the sector.

More than formal compliance with the regulation, the implementation of this Guide should be seen as an opportunity for institutional enhancement. By taking the lead in aligning credit with sustainability, banks contribute to a beef cattle chain that is more transparent, responsible, and aligned with national and international commitments to combat deforestation. Thus, SARB 026/2023 establishes itself as an essential pillar for the advancement of the environmental agenda in Brazil, while simultaneously increasing the security of credit transactions and reinforcing the credibility of the financial system in the face of contemporary socio-environmental challenges.



GLOSSARY

To facilitate the understanding and implementation of SARB 026/2023, the Guide is structured around the following key concepts:

Scope of SARB 026/2023: clients classified as meatpacking facilities and slaughterhouses identified by CNAEs 1011-2/01 and 1011-2/05, which have headquarters, branches, or plants in the Legal Amazon and/or the State of Maranhão.

Direct Suppliers: producers that provide cattle directly to the slaughterhouse or beef meatpacking facility.

Indirect Suppliers: producers that provide cattle to the direct supplier of the slaughterhouse or beef meatpacking facility, that is, only tier 1 indirect suppliers.

Credit Transactions: loans and financing granted by financial institutions, classified according to the origin and allocation of funds.

Traceability: the ability to track a product or its components through the stages of the supply chain and obtain associated information.

Governance: relations and conflicts of interest between internal structures, roles, and responsibilities necessary to enforce the regulation, especially between the Risk, Sustainability, and Commercial areas.

Monitoring: a continuous function that collects data on specific metrics to assess the extent to which actions, progress, performance, and compliance with reference criteria are being developed or achieved.

Data-based Management Monitoring: monitoring of indirect suppliers based on data generated by direct suppliers within their decision-making processes regarding cattle procurement.

Data-based Historic Monitoring: monitoring of indirect suppliers based on a combination of historical CAR and GTA data and procurement that did not necessarily account for the suppliers' socio-environmental restrictions in their decision-making processes.

Socio-environmental Monitoring System: a structured set of continuous data collection, analysis, and assessment mechanisms that allow for the monitoring of supplier socio-environmental compliance throughout the supply chain. This system must rely on both management data provided by direct suppliers within the

scope of their cattle procurement decisions, and historical data.

Supplier Reinsertion: a mechanism that allows cattle producers previously considered as "Non-Compliant" by meatpacking facilities to become suppliers again, provided that they demonstrate compliance with socio-environmental liabilities.

Traceability and Monitoring Report: an annual document required from clients that provides for the current state of the system, improvements made over the last year, and results achieved in performance indicators.

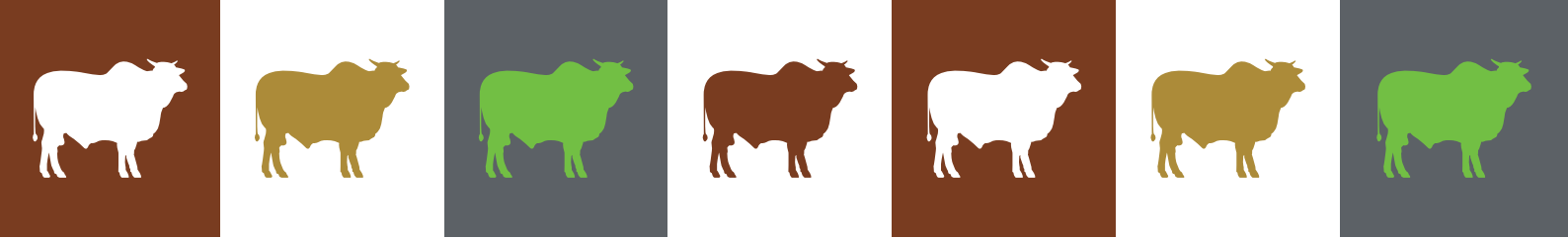
Traceability and Monitoring Action Plan: an annual document required from clients who have not reached full compliance with the regulation. It must provide for consistent actions, targets, and investments to reach minimum monitoring levels for direct and indirect suppliers, aligned with the Brazilian target of Zero Deforestation by 2030.

Term of Awareness with the Commitment: a mandatory document for all meatpacking facilities and slaughterhouses operating in the Legal Amazon and the State of Maranhão. It provides that the client has been formally informed of the socio-environmental criteria and protocols of SARB 026/2023 for the granting of financing. The absence of the document must be informed in the client's file so that account managers can identify the pending issue before processing new credit transactions.

Term of Compliance with the Commitment: a document issued by the bank when the client demonstrates, through an independent audit, full compliance with the socio-environmental criteria of SARB 026/2023. It formalizes the statement of full compliance of the meatpacking facility or slaughterhouse to the financial institution.

Term of Adjustment of Conduct: a document issued when the client has not yet reached full compliance but provides a consistent action plan approved by the bank. It formalizes the meatpacking facility's commitment to implementing corrective and developmental measures aimed at fully complying with the requirements of SARB 026/2023.





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