

Initial letter sent April 26th, 2023. Updated May 9th.

Dear IFC Executive Directors,

Re: Alvoar Equity, project Number 47068
Proposed loan to Alvoar Lacteos

The undersigned organizations are writing to request that the Board delay a vote on Project 47068: Alvoar Equity, a proposed loan of up to BRL 160 million (USD c.32 million) to support expansion of Alvoar Lacteos (“Alvoar”), pending a more thorough analysis of the project’s potential adverse environmental and social (E&S) impacts and appropriate stakeholder consultation.[1]

The proposed loan was announced on March 28th and the projected date for the board vote is April 30th.[2] According to IFC documents, the project involves “limited adverse [environmental and social (E&S)] impacts that are few, site specific, largely reversible and readily addressed through existing mitigation measures and good international industry practices” and is therefore classified as Category B.[2] [3]

Contrary to this, our research and review of the IFC’s proposed Environmental and Social Action Plan (ESAP) and Mitigation Measures indicates that there are diverse, potentially permanent impacts related to Alvoar Lacteos’ supply chain, that instead require a Category A designation and a more comprehensive environmental and social assessment and mitigation plan.[4]

These potential impacts include “harmful child and forced labor, significant OHS conditions, and significant risk of natural habitat conversion”.[5] Other potential significant, negative impacts of the company’s supply chain – and appropriate associated mitigation measures – have failed to be identified in the ESAP and other disclosures, including greenhouse gas emissions (especially methane), land rights, pesticide use, animal welfare, and overuse of antibiotics.

Governance: The IFC states on the project disclosure page that “Alvoar’s capacity to implement its E&S and Supply Chain management systems across all its direct and raw milk sourcing operations” is a key E&S risk associated with the investment.[6] The stated plan is that the Company “will develop a comprehensive supply chain management system” by July 2024.[6] This is planned to ensure inputs are not purchased from suppliers involved in forced or child labor, deforestation, and other environmental and socially harmful activities.

IFC has not done enough to understand the presence and scope of forced and/or child labor, deforestation (legal or illegal), or other environmental and social harms in Alvoar’s supply chains at present. In preparation of this proposal, IFC staff visited only the Company’s two main production facilities, and four (0.07%) of 5,500 dairy suppliers.[7] Further, it is not indicated how IFC plans to assess the presence of such issues in future, or assess the adequacy of any plans and processes put in place by

Alvoar to address them. An IFC screening and monitoring program is stipulated, but no details are given to substantiate its scope or sufficiency.

As it stands, IFC can have no assurance that the proposed investment will have minimal adverse E&S impacts. The real extent of supply chain issues is unknown, and proposals to improve processes are inadequate. At the very least, an E&S management system should be in place, along with more robust systems for IFC audit and monitoring, before any investment in the company is considered.

Along with the inadequacy of Alvoar's policies to assure minimal adverse E&S impacts, there is also an absence of direct engagement with affected communities and other stakeholders, or a completed stakeholder engagement plan. Thus, Alvoar is not in compliance with IFC Performance Standard 1. This is particularly concerning given the company's reported supply chain relationship with MST (*Movimento dos Trabalhadores Rurais Sem Terra*, the Landless Workers' Movement), and inadequately understood supply chain risks relating to land rights and land occupation.[8]

Further supply chain analysis is required to understand the scope of Alvoar relationships with the MST, including to guarantee the company's supply chain practices do not contribute to the ongoing marginalisation of landless workers and peasants in Brazil; and to ensure that its subsidiaries Betania and Embare do not have ongoing relationships with suppliers who have a record of deforesting or invading fragile lands, including indigenous territories and the Amazon or Cerrado biomes.

The proposed loan is being assessed under the Global Food Security Platform (GFSP), a stated aim of which is "getting existing food stocks to the neediest people and ensuring that the war does not result in a collapse of food production and trade flow in the near term".[9] While loan documents indicate that the investment aims to achieve "Increased access to hygienically packed dairy products" and "sustaining the resilience of the global food supply market by facilitating increased milk production and distribution in underserved areas of Brazil", it is unclear how this loan will increase food access for the neediest Brazilians – for example in the state of Ceará, where local production reportedly already outpaces consumption.[8] We also question why this dairy giant with estimated revenues of BRL 4 billion (\$721.4M), whose merger was the subject of anti-trust scrutiny, requires public support.[10]

Climate change: The IFC is committed to align its strategies, activities and investments with the Paris Climate Agreement.[11] It is unclear whether, and how, the IFC can ensure any investment in Alvoar is consistent with this: the company lacks any commitment to Net Zero or Paris Alignment. Such a commitment should be a requirement for the project. The only mention of GHG accounting or mitigation in project disclosures is a statement in the ESAP that Alvoar will in future begin "monitoring its GHG emissions on an annual basis following an internationally recognized methodology, and local regulations". This does not specify inclusion of Scope 3 (indirect) emissions, though they will likely comprise the vast majority (60-90%) of Alvoar's total emissions, and should be the focus of reduction and mitigation measures.[12]

According to the Joint MDB Assessment Framework for Paris Alignment for Direct Investment Operations, investments in the high-emitting ruminant livestock sector require evaluations against specific GHG-reduction criteria, including alignment with nationally determined contributions (NDCs), long-term strategies (LTSs) for low-emissions and climate resilient pathways, and/or global literature on sector specific decarbonization pathways in line with the Paris Agreement mitigation goals.[13] Alvoar Equity loan documents reveal no evidence of IFC assessing the Alvoar project against any such criteria. Had IFC done so, it might understand that there is a need for a major reduction in production in the cattle sector in the LAC region, along with a heightened focus on measures to significantly cut the GHG footprint of existing operations through better management practices.[14] This could include a shift away from intensive feed and milk production, toward silvopasture and agroforestry practices that increase sequestration and do not rely on fossil fuel-based fertilizers and pesticides.

Animal welfare: Field investigations in April 2023 have also found 2 Alvoar suppliers practising a number of deeply concerning animal welfare violations, including: dehorning with caustic paste, which can cause deep burns and other injuries; premature slaughtering of animals; and the killing of animals outside of legal slaughterhouses.[15]

Given these concerns, we ask that the Board request a delay on the vote on Project 47068: Alvoar Equity, on the basis that: a) the loan must be reclassified as Category A given clear, diverse and potentially permanent environmental and social impacts; and b) the company must first establish a sufficiently comprehensive Environmental & Social Impact management system that ensures better supply chain traceability, while fully addressing GHG emissions and other harmful social and environmental impacts.

More generally, we would ask you to request that the IFC management provide more time for Board and civil society review before bringing loans with significant social and environmental impacts to the Board. We submitted a Request for Information on the project on 7 April, but have had no response to date. In line with this, we request that the IFC make more information available to the public and communities in the areas of current and proposed Alvoar Lacteos operations, conducting stakeholder consultation as the Bank's policies require.

We are happy to answer any questions and welcome a meeting with your office to further discuss these concerns.

Yours sincerely,

350 Seattle
A Well-Fed World
AbibiNsroma Foundation ANF
Alianima
Amazon Watch
Amigos da Terra (FOE Brazil)
Amigos de la Tierra (Spain)

Animal Equality Brazil
Animals Asia
Asociación Unión de talleres 11 de septiembre
Bank Information Center
BankTrack
Better Food Foundation
Blue Dalian
Both ENDS
Brighter Green
CEDENMA
Censat Agua Viva Amigos de la Tierra Colombia
Climate Save Movement
Club Humanitaire sans Frontières
Compassion in World Farming
Decolonial Centre
Dharma Voices for Animals
Ethical Farming Ireland
Extinction Rebellion Ecuador
Factory Farming Awareness Coalition
Fair Start Movement
Feedback Global
Food Animal Concerns Trust (FACT)
Fórum Nacional de Proteção e Defesa Animal
Friends of the Earth England, Wales, Northern Ireland
Friends of the Earth Europe
Friends of the Earth US
Front Commun pour la Protection de l'Environnement et des Espaces Protégés (FCPEEP)
Global Forest Coalition
Global Justice Ecology Project
Green Advocates International
Green REV Institute
Healthy Food Systems Australia
In Defense of Animals
Instituto Maíra
Instituto para el Futuro Común Amerindio IFCA
International Accountability Project
Mazingira Network - Tanzania (MANET)
Movimento Tapajós Vivo
National Family Farm Coalition
Oatey.in
Peace Point Development Foundation-PPDF
Plant Based Nutrition Movement
Plant Based Treaty
Profundo
Rainforest Action Network
Real Food Systems Youth Network
RedAfros
Rede Social da Justiça e Direitos Humanos

SHARAN
Sinergia Animal
Stop Financing Factory Farming
Sustainable Holistic Development Foundation (SUHODE)
SVB (Sociedade Vegetariana Brasileira)
The Bretton Woods Project
The Raven Corps
UAWC
Voters For Animal Rights
Washington Brazil Office
Waterloo Region Climate Initiatives
World Animal Protection
World Federation for Animals

Cc:

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References

1. Alvoar Lacteos was created by a 2022 merger of predecessor companies Betania Lacteos S.A., “Betania”, and Embare Indústrias Alimentícias S.A., “Embare.”
2. As stated on the Summary of Investment Information page for the proposed project. <https://disclosures.ifc.org/project-detail/SII/47068/alvoar-equity>.
3. This categorization allows more limited impact assessment and disclosure compared to Category A. <https://www.ifc.org/wps/wcm/connect/f873da60-4adf-4fa0-83ec-729227aa5511/Interpretation+Note+on+E+and+S+Categorization.pdf?MOD=AJPERES&CVID=mUtZoyc>
4. <https://disclosures.ifc.org/project-detail/ESRS/47068/alvoar-equity>
5. “Environmental & Social Action Plan”, <https://disclosures.ifc.org/project-detail/ESRS/47068/alvoar-equity>.
6. <https://disclosures.ifc.org/project-detail/ESRS/47068/alvoar-equity>.
7. The “Overview of IFC's Scope of Review” of the ESRS (ibid) states that preparation undertaken included "field visits to the main production facilities, namely Lagoa de Prata in Minas Gerais (initially operated by Embare) and Mor'ada Nova in Ceara (initially operated by Betania) and four dairy farms located in the surroundings of the industrial plants (two at each location). For further information regarding Alvoar suppliers see: <https://alvoar.embare.com.br/#nossas-marcas>.
8. Diário do Nordeste, December 2022. <https://diariodonordeste.verdesmares.com.br/opinia0/colunistas/egidio-serpa/crise-na-pecuaria-cearense-esta-sobrando-leite-bovino-no-mercado-1.3310807>
9. As stated on the Summary of Investment Information page for the proposed project, under “Development Impact”. <https://disclosures.ifc.org/project-detail/SII/47068/alvoar-equity>.
10. Just Food, November 2021. <https://www.just-food.com/news/brazilian-dairy-groups-betania-embare-strike-merger-deal/>
11. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/climate+business/paris-alignment-at-ifc#:~:text=IFC%20and%20Paris%20Alignment,developed%20together%20with%20other%20MDBs.
12. According to the Greenhouse Gas Protocol, Scope 3 emissions are indirect emissions from upstream and downstream activities and not direct operations, e.g. on-farm emissions. Scope 3 emissions represent the majority of dairy companies’ greenhouse gas emissions. See for example Thornton 2020, <https://www.fairr.org/article/why-ambitious-scope-3-emission-target-setting-is-becoming-an-industry-standard/>, Siegl et al 2023, <https://www.sciencedirect.com/science/article/pii/S2667010023000434>, and Thoma et al 2013, <https://www.sciencedirect.com/science/article/pii/S0958694612001975>
13. EIB, <https://www.eib.org/attachments/documents/cop26-mdb-paris-alignment-note-en.pdf>.
14. IADB, <https://publications.iadb.org/en/options-achieve-net-zero-emissions-agriculture-and-land-use-changes-latin-america-and-caribbean>.
15. Primary research coordinated by Sinergia Animal in April 2023. Please contact carolina@sinergiaanimal.org and mvandermark@sinergiaanimal.org for more information.