

RCF Cerrado Programme 1 Eligibility Criteria

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1. Background

One of the **main objectives of the RCF Cerrado Programme is to include areas of native vegetation under the protection status of the RCF**, thereby **preventing legal and/or illegal conversion** in areas controlled by the soy sector. With respect to illegal conversion, while the Forest Code is supposed to convey some degree of protection to native vegetation in areas of legal reserve or areas of permanent protection (APPs), compliance with the code is low and it is often the case that the obligations of the code are not enforced. According to a study by ICV, 79% of deforestation in the state of Mato Grosso is not legal¹, and MapBiomas shows that only 2.2% of deforestation alerts detected by the platform were checked in the field by the government in the last three years².

In this context, therefore, it is important to recognise that **most areas of native vegetation are potentially at risk of deforestation or conversion, irrespective of whether or not they are under the formal protection of the Forest Code**. Indeed, this is the rationale of different initiatives designed to increase the level of protection of native vegetation in Brazil, such as REDD+ projects, RTRS certification, APAs, and RPPNs.

It is also important to note that **more than 75% of rural properties in Brazil do not fully comply with the requirements of the Forest Code**³. According to the law, these **farmers need to adhere to a PRA** (Programme of Environmental Regularization established by the state environmental agency) **and have up to 20 years to fulfil its obligations** with relation to areas of deficit of legal reserves or APPs.

In this context, the **RCF aims to emulate the environmental impact of full compliance with the Forest Code** in terms of placing areas of native vegetation under protection. The RCF requires farmers to protect areas of native vegetation in excess of the requirements of the Forest Code for the region where their farms are located, irrespective of whether these areas are in the same or in separate farms from the areas of production included in the programme (as long as in the same biome). But, **unlike the Forest Code, the RCF requires farmers to put areas of native vegetation under its protection status from day one**, as opposed to allowing them 20 years to fulfil their obligations.

In essence, the main environmental impact of the RCF Cerrado Programme is to create additional areas of effective conservation of native vegetation in relation to its baseline, with effect immediately, anticipating the environmental impacts that would be created by implementation of the Forest Code.

While the RCF does not restrict its requirements to the definitions of the law, **the RCF does not allow illegal farms to participate in the Programme** (see next section).

The RCF operates in areas of high risk of deforestation, so that its impacts have the maximum additionality. By operating in these areas, however, the RCF also has a higher risk of events of deforestation involving its farms or participants.

¹ See <https://www.icv.org.br/2023/02/ilegalidade-no-desmatamento-do-cerrado-em-mt-e-de-quase-80/>

² <https://mapbiomas.org/dados-sobre-fiscalizacao-mostram-que-impunidade-ainda-predomina-no-combate-ao-desmatamento>

³ See Britaldo Soares Filho et al., 2014: "Cracking Brazil's Forest Code", Science 344, 363; and Gerd Sparovek et al., 2011: "A revisão do Código Florestal Brasileiro, Novos Estudos 89", and "Código Florestal, Aplicação e cumprimento na prática" presented in the conference 'Código Florestal, Estratégias para implantação e cumprimento, 2013'.

The RCF does not require all the farms of the producer`s group to be included in the Programme. Participation in the RCF is voluntary and farmers are allowed to participate with one or more of the group`s farms. **As the RCF does not provide any consideration for farmers to commit with the Environmental Criteria beyond the Programme Areas, it is not entitled to require these other farms to comply with its criteria,** nor to appropriate itself of any environmental impact on these farms.

2. Determination of compliance with the Forest Code

The Forest Code defines the requirements of native vegetation to be preserved in each rural area, which includes the Legal Reserve (which may be 20%, 35% or 80% of the farm area, depending on the area and type of vegetation involved, as per article 12 of the Forest Code) and the APPs (Areas of Permanent Protection). Under certain conditions the APP may be considered in the computation of the Legal Reserve area (as per article 15 of the Forest Code). However, in case this aggregation results in a total area in excess of the Legal Reserve required, this excess of vegetation cannot be converted.

In case a farm has a deficit of native vegetation, the farmer will need to take corrective actions that may involve the regeneration of the vegetation in the same farm or, under certain conditions, the off-setting of the deficit with areas located in other farms (article 66 of the Forest Code). However, the first requirement for the farmer to regularize its farm is to enrol the area in the CAR (Environmental Rural Registry) and to adhere to the PRA (a Programme of Environmental Regularization established by the state environmental agency). Following the request to adhere to the PRA, the state environmental agency must notify the farmer to sign a term of commitment with the correction actions to be taken.

It is important to clarify that **the RCF does not aim at substituting the public authorities in the enforcement of the Law** and it is not supposed to validate the official regularization process in substitution of the public authorities. Therefore, in case the farm does not contain enough vegetation as required by the Forest Code, the RCF considers a farm “compliant with the Forest Code” if the farming group is formally engaged in a process of regularization of the farm, having enrolled the farm in the CAR and, whenever appropriate, having adhered to a formal process of regularization (PRA). However, for the objectives of the RCF, this farming group can only participate in the Programme if it brings sufficient areas to, in aggregate, satisfy the requirement of having native vegetation exceeding the requirements of the Forest Code.

In this sense, the objective to promote the protection of native vegetation and production of DCF soy is satisfied by the contractual engagement of the farmer towards the RCF Cerrado Programme to bring a sufficient area of native vegetation under the protective status of the RCF (as described in section 3 below).

3. RCF metrics and targets of environmental protection

Given that the objective of the RCF Cerrado Programme is to bring more areas under protection, the RCF selects farming groups with significant areas of native vegetation in relation to their areas of soy cultivation. In the first phase of the RCF, this was expressed as a requirement that farms have “at least 5% of excess legal reserve to be protected.” But, considering the potential problems of referring to the legal definitions of the Forest Code, RCF will now adopt metrics that better reflect its environmental

objective as opposed to focusing on enforcement of Forest Code provisions – an attribution of governmental environmental agencies, not the private sector.

In this context, the **RCF adopts as a metric the Protection/Production Ratio (PPR) of its portfolio.**

The PPR is the proportion of areas of protection in relation to total areas of the farms financed by the RCF (i.e., total area of native vegetation divided by total area of CARs included in the RCF Cerrado Programme).

The targets of the RCF Cerrado Programme reflect the PPR of its portfolio, and, targets will be defined using the Forest Code as a proxy. The Forest Code requires that farms in the Cerrado biome keep 35% of legal reserve if located in the Legal Amazon and 20% elsewhere. The RCF portfolio aims to include soy farms that in aggregate protect at least 5% more area of native vegetation than required by the Forest Code for the region where farms are located.

So, the **PPR targets of the RCF portfolio** for the next crop cycles are:

- In Cerrado areas **inside the Legal Amazon: a minimum of 40% PPR;**
- In Cerrado areas **outside the Legal Amazon: a minimum of 25% PPR.**

In some cases, the aimed proportion of production and protection areas of a farmer can be achieved in a single farm (defined as the area covered by a CAR). In other cases, **the farmer may bundle groups of individual CARs that, in combination, result in the desired area of native vegetation** put under the protective status of the RCF.

This bundling should not be understood as a means of compliance with the Forest Code requirements and is not intended to release the farmer of the regularization process committed under the Forest Code rules (enrolment in the CAR, engagement in a PRA, etc. - see section 3 above).

In order to differentiate its metrics from those of the Forest Code, **the RCF refers to areas of Excess Native Vegetation (ENV) as opposed to Excess Legal Reserve**, to avoid confusion with areas legally categorised under the Forest Code.

An area of ENV is the area of native vegetation that exceeds the proportion of Legal Reserve required by the Forest Code (35% or 20%, as the case may be), placed under protection by farmers in land owned or controlled by a farmer. For the purposes of calculation ENV, the RCF aggregates any area of native vegetation, including areas that could be labelled as legal reserve or APP under the definitions of the Forest Code.

If a farm contains sufficient area of native vegetation to include both legal reserves and APPs, compliance with these two categories is considered satisfied and any remaining native vegetation is considered ENV. If a farm does not contain sufficient native vegetation to include both legal reserves and APPs, the APPs are considered for the calculation of the legal reserves, as per Article 15 of the Forest Code; in this case there will be no ENV.

4. Applicability of the Environmental Criteria

RCF Eligibility Criteria apply to the Programme Area. For the purposes of the RCF, a Programme Area is **the collection of Rural Properties** (“Properties”)⁴ where are located: (i) the production areas financed by the RCF, and (ii) the areas of Native Vegetation to be protected by the Producers in the context of the RCF. A Property is defined as a continuous extension of land affected to the agricultural production and operated by the same group of Producers, and may include many CARs. An area cut by a road, a river or other natural obstacles is still considered as a continuous extension of land for the purpose of this definition⁵. For the purposes of the RCF each CAR is assumed to be a farm (but not a Property).

A Property may contain other areas of production in addition to the ones financed by the RCF. In case the RCF finances the production in one of the areas of a Property, the whole Property shall be considered to be included in the Programme Area for the purposes of the Eligibility Criteria, even if there are other areas, in the same Property, that are not financed by the RCF. Determination of what constitutes a given Property, however, is dependent on information provided by the Producer to the RCF, and may not always be complete or accurate.

It is common practice that farmers produce in more than one Property, on their own or together with other members of their family (a Producers Group). These Groups are often informal, and the collection of Properties operated by a Producers Group may vary from time to time (including both owned and leased from third parties). The RCF does not require Producers Groups to include in the RCF Programme all the Properties they operate. Participation in the Programme is voluntary and farmers are allowed to include one or more of the Group’s Properties.

As referred above, **once a Property is included in the RCF Programme, the Eligibility Criteria applies to the whole area of the Property where the financed area is located.** On the other hand, **the RCF Eligibility Criteria do not apply to Properties operated by the same Group but not financed by the RCF.** The RCF provides financial incentives for farmers to forego their legal right to deforest the Properties they include in the RCF Programme. Therefore, Properties not included in the RCF Programme (Properties that are not receiving financial incentives of the RCF) are not obliged to comply with the RCF Eligibility Criteria (and the RCF cannot appropriate itself of any environmental impacts, positive or negative, occurring on farms outside of the Programme Area).

Consequently, a **deforestation or an embargo occurring in a Property not participating in the RCF shall not, per se, prevent other Properties of the same Group to participate** in the RCF. However, **depending on the context and gravity of facts, the RCF may reject the participation of a producer and all its Properties.**

⁴ Property, for the purposes of the RCF, is the “imóvel rural” (rural property) as defined by Law 4.505/1964, and complemented by the Normative Rule of INCRA nr. 82/2015. A Property may include many CARs and, for the purposes of the RCF, each CAR is assumed to be a farm (but not a Property).

⁵ Given the unprecise definition of what constitutes a Property, which may include several different CARs, the RCF will need to rely on information self-declared by Producers, and may not always be complete or accurate. This is particularly the case when the areas financed are sub-plots (individual CARs) leased from Properties owned by third parties. In these cases, the RCF will not be able to impose some of its criteria on areas not directly financed by the Programme.

Eligibility criteria

Environmental Eligibility Criteria required for producers to participate in the RCF Cerrado Programme 1 (phase 3)

1. Land use

The Property included in the RCF must comply with the following conditions:

- i) Deforestation and conversion: the cultivation area of the Property must have been cleared of native vegetation before 1 Jan 2020;
- ii) Preference to be given to areas restored from abandoned pastureland to soy cultivation;
- iii) No conversion of additional areas of native vegetation is allowed (in the Property) during the term of the Facility; and
- iv) The Protection:Production Ratio (PPR) of the portfolio of Properties financed must be at least:
 - 40% in Cerrado areas **inside the Legal Amazon; and**
 - 25% in Cerrado areas **outside the Legal Amazon;**

and the areas of native vegetation must be conserved for the duration of the finance period.

Clarification Notes to the criteria above (see also Table 1 in the Annex):

1. Deforestation pre-2020 does not preclude a Property to be included in the Programme, provided that the limits imposed by the Forest Code were respected (please refer to Note 5 to the Eligibility Criteria “Compliance with the Forest Code” below). Any deforestation from 2020 onwards will result in the rejection of the Rural Property from participating in the RCF. In case the deforestation happens after the Property is included in the RCF, the producer will be expelled of the Programme and subject to a 15% fine over the loan value.
2. The non-deforestation requirements of the Eligibility Criteria apply only to Properties financed by the RCF. Properties operated by the same producers but not include in the RCF are not obliged to comply with these requirements.
3. For the assessment of conditions above, the RCF adopts the concept of Minimal level (of deforestation or conversion) as defined by the Accountability Framework Initiative (Afi)⁶.

⁶ “Minor level (of deforestation or conversion): A small amount of deforestation or conversion that is negligible in the context of a given site because of its small area and because it does not significantly affect the conservation values of natural ecosystems or the services and values they provide to people. Minimal levels of deforestation or conversion at the site scale do not necessarily violate no-deforestation or no-conversion commitments. However, this provision does not sanction substantial conversion of forests or natural ecosystems to enlarge commodity production areas. To be considered consistent with no-deforestation or no-conversion commitments, minimal levels must generally meet the following conditions: Not exceed cumulative thresholds that are small both in absolute terms (e.g., no more than a few hectares) and relative to the area in question (e.g., no more than a small proportion of the site). Levels of conversion or deforestation should be assessed cumulatively over space and time; multiple small instances of conversion may lead to a producer being considered non-compliant with commitments. (...)” (“Accountability Framework, Terms and Definitions, June 2019, page 15).

4. For the determination of what constitutes “deforestation and conversion of native vegetation”, the RCF adopts the definition of “fallow areas” established in the Brazilian Forest Code⁷, according to which an area can remain fallow for a maximum period of 5 years. So, if a fallow area is left without productive use (e.g., agriculture, pasture land) for more than 5 years, it will be considered to be under natural regeneration and to have reached ‘native vegetation’ status. On the other hand, any further clearance of fallow areas within the 5 years period (i.e., prior to having reached ‘native vegetation status’), are not considered “deforestation or conversion of native vegetation” for the purposes of this criterion.
5. The Protection/Production Ratio (PPR) is the proportion of areas of protection in relation to total areas of the farms financed by the RCF (i.e., total area of native divided by total area of CARs included in the Cerrado Programme) and, the targets above were defined using the Forest Code as a proxy. The Forest Code requires that farms in the Cerrado biome keep 35% of legal reserve if located in the Legal Amazon and 20% elsewhere.
6. The RCF portfolio aims to include soy farms that in aggregate protect at least 5% more area of native vegetation than required by the Forest Code for the region where farms are located. I.e., the targets aim at Excess Native Vegetation (ENV) of 5% in relation to the legal reserve requirements of the Forest Code.

The PPR requirements can be met in each individual Property or by aggregating bundles of Properties of the same Group. It is important to clarify that this bundling is not a means of compliance with the Forest Code requirements and it does not release the farmer of the regularization process committed under the Forest Code rules (see section below).

2. Compliance with the Forest Code

- i) The Property must be registered with the Cadastro Ambiental Rural (CAR);
- ii) The Property must not overlap with conservation units, indigenous reservations, and community lands (including quilombos);
- iii) The Property must contain and maintain an area of native vegetation equivalent to those required for Legal Reserve and Areas of Permanent Protection (APPs) determined by the Forest code or be engaged in a Programme of Environmental Regularization (PRA) established by the state environmental agency.

Clarification Notes to the criteria above:

1. Determination of compliance with the Forest Code is a particularly challenging task, given that there is no official confirmation provided by government authorities and the data reported in the CAR is self-declared and not validated by the relevant environmental agencies. For this reason, RCF conducts its own analyses to determine likelihood of compliance, based on the amount of native vegetation observed in the Properties and whether this satisfies the theoretical requirements of the law. All these analyses are conducted using satellite imagery (Landsat) and ArcGIS. The RCF does not carry out on-site audits.

⁷ Law 12.651/2012, art. 3, item XXIV).

2. RCF's analyses take into account the data self-declared in SICAR. However, the quality of declarations is highly varied, and it is often the case that the numbers declared do not match the areas in the polygons drawn in SICAR, or the boundaries and locations of legal reserves and APPs are incorrect or inappropriate, requiring case-by-case interpretation.
3. For the calculation of APPs, RCF uses the data self-declared in the CARs related to the Property, both in terms of area declared and by calculating the area of the polygons drawn by the landowner in the CARs. The area declared and the area drawn in the map are often different. In case of discrepancies, if the GIS analysis provides a clear delineation of the APP area, the area calculated in the polygons are used. Otherwise, the highest figures are adopted.
4. If the analysis conducted by RCF according with the procedures described above suggests that a Property contains sufficient area of native vegetation to include both legal reserves and APPs, compliance with these two categories is considered satisfied and any remaining native vegetation is considered "excess native vegetation". If such analysis suggests that a Property does not contain sufficient native vegetation to include both legal reserves and APPs, the APPs are considered part of the legal reserves, as per Article 15 of the Forest Code.
5. In case the Property does not contain sufficient native vegetation to meet the requirements of the Forest Code in respect to its Legal Reserve and APP, the Forest Code requires the farmer to adhere to the relevant Programme of Environmental Regularization (PRA)⁸. The adherence process starts with a requirement to be made by the Producer in the SICAR. Based on this requirement, the environmental agency will analyse and validate the information declared by the Producer in the CAR and subsequently must notify the Producer to sign a formal commitment ("Termo de Compromisso"), whereby the Producer commits to adopt the required measures for the environmental regularization of the Property. Therefore, after having declared its intention to adhere to the PRA, the formalization of the adherence depends on the environmental agencies taking specific actions to continue the formalization process (analysis and validation of the CAR, and notification of the Producer to sign the Termo de Compromisso). Considering that these actions are not under the Producers' control⁹, the RCF considers that once the farmers declare in the SICAR their intention to adhere to the PRA, they have initiated the regularization process and are deemed to be complying with the Forest Code requirements and procedures.
6. The RCF analysis is not intended to replace the responsibilities of the public authorities, nor to validate or scrutinize the official regularization process. Therefore, for the purposes of the RCF eligibility criteria, the requirement of "compliance with the Forest Code" should be considered met (i) if RCF's analysis suggests that the Property does not have a deficit of Legal Reserve and APP, or (ii) in case RCF's analysis suggests that the Property has a deficit of Legal Reserve and/or APP, if the farmer is formally engaged in a process of regularization of the farm, having enrolled the Property in the CAR and submitted a request to adhere to the PRA.
7. For the purposes of the RCF, the protection of native vegetation and the production of DCF soy occurs not from the requirement of "compliance with the Forest Code" but rather from the contractual engagement of the farmer towards the RCF (as described above).

⁸ Law 12.651/2012, art. 59.

⁹ At present, there are over 7 million CARs enrolled in the SICAR, but only 7% of the CRAs were analysed and validated by the government.

3. Land title

Farmers must have unquestionable right to use the Property, be it as land title, land lease agreement or another legally recognised form of land tenure (e.g., 'posse').

4. Legal compliance

Farmers must demonstrate that the Property does not contravene any environmental or legal requirements, such as:

- i) environmental embargoes,
- ii) labour legislation (including slave and child labour),
- iii) Soy Moratorium (if applicable), and
- iv) internationally accepted rules for the use of agrochemicals (at the RCF farm level).

Clarification Notes to the criteria above (see also Table 2 in the Annex):

1. By adopting strict environmental criteria, the Programme aims to minimise its exposure to financing the production from recently deforested areas. The Programme will conduct an initial screening of each Property applying to participate in the Programme, using an internal producer enrolment and due diligence system. This system uses advanced analytics on a combination of real time production data, consultation to external databases (SICAR, IBAMA, state environmental agencies, Ministry of Labour, etc.), documental and satellite imagery analyses. The Programme does not carry out on-site audits.
2. The assessment of the conditions above will be made through the consultation of official databases (SICAR, IBAMA, state environmental agencies, Ministry of Labour, etc.) and, with respect to the requirement (iv) above, through a declaration signed by both the farmer and the Agronomic Engineer officially responsible for the approvals required for the use of agrochemicals in the Property.
3. The RCF does not finance Rural Properties containing an embargoed area¹⁰. However, an embargo in a Rural Property outside of the RCF shall not, per se, preclude other Rural Properties of the group to participate in the Programme (provided that they comply with the RCF criteria).
4. The RCF shall not finance any Producer involved with slave labour in any of its Properties. For the verification of this criteria, the RCF refers to the list of employers accused of using slave labour published by the Ministry of Labor.

¹⁰ "Embargo" is an administrative measure imposed by the environmental authority (Federal or State), with the objective of preventing the continuity of the environmental damage and allow for the regeneration the degraded area (Decree nr. 6.514/2008, art. 108). The embargo applies to the area of the property where the environmental infraction occurred only; it does not apply to the rest of the property and does not restrict the farmer to carry out production activities in other areas of the property (Decree nr. 6.514/2008, art. 15-A). **Until January 2024, banks were allowed to finance production activities in a rural property having an embargoed area**, provided that the productive activities to be financed are not carried out in the embargoed area. **In January 2024 the Central Bank of Brazil adopted a rule forbidding financial institutions to finance activities in a property having an embargoed area**, even if the activities are not carried out in the embargoed area (until then, this restriction applied only to loans to properties located in the Amazon Biome). **The Central Bank is now adopting the RCF rule approach.**

5. Environmental & Social Framework

The Responsible Commodities Facility adopts an Environmental & Social Framework developed in partnership with UNEP Finance.

The E&S Framework was developed to ensure that it supports the objectives of the Facility, and also contribute to a number of the Sustainable Development Goals (SDGs), Brazil's National Biodiversity Strategy and Action Plan (NBSAP), Brazil's National Determined Contribution (NDC) to Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC), as well as several relevant industry initiatives, i.e.:

- Soy Working Group (Grupo de Trabalho da Soja – GTS)
- Cerrado Working Group (Grupo de Trabalho do Cerrado – GTC)
- Cerrado Manifesto (including the Statement of Support)
- Collaboration for Forests and Agriculture (CFA)
- Tropical Forest Alliance 2020 (TFA 2020)
- Consumer Goods Forum (CGF)
- Amsterdam Declaration Partnership
- Good Growth Partnership

Annex: Summary tables for application of RCF criteria

Table 1: Application of RCF criteria for cases of deforestation and conversion of native vegetation

	Deforestation inside RCF Programme Area ¹	Deforestation outside RCF Programme Area ¹
Prior to Jan 2020	<p>Allowed.</p> <p>Deforestation must have respected the limits imposed by Forest Code, i.e., maintaining Legal Reserves and APPs.²</p> <p>This is what the RCF aims at: stopping ongoing deforestation through the provision of financial incentives for farmers to forego their legal right to deforest.</p>	<p>In principle, the RCF Eligibility Criteria do not apply³.</p> <p>However, the RCF may take into account the context and gravity of facts observed in rural properties that are not Programme Areas to reject a rural property to become a Programme Area.</p>
Since Jan 2020, before joining RCF	<p>Not allowed.</p> <p>Rural Property is not eligible for participation in the RCF.</p> <p>The RCF only accepts Rural Properties that stopped deforestation since January 2020.</p>	
After joining RCF	<p>Not allowed.</p> <p>Results in the expulsion of the Producer from the RCF and payment of a fine of 15% of the loan value.</p> <p>An exception of this case is when the Producer leases only a sub-set of the Property, and deforestation is conducted by the landowner in areas not financed by the Programme. In this case, this Property will be removed from the Programme, but the Producer (not the landowner) may be allowed to continue to participate in the RCF in other Properties.</p>	

1. Programme Area: consists on the group of Properties financed by the RCF. For the purpose of the Environmental Eligibility Criteria, the RCF adopts the legal definition of Rural Property: a continuous extension of land affected to the agricultural production (and an area cut by a road, a river or other natural obstacles are considered as a continuous land for the purpose of this definition) (Law 4.505/1964, and regulated by the Normative Rule of Incra n. 82/2015). Rural Properties contain: (i) the production area financed by the RCF, and (ii) the areas of Native Vegetation to be protected by the Producer in the context of the RCF. A Rural Property may also contain production areas that are not financed by the RCF. A Rural Property may include many CARs, and for the purposes of the RCF each CAR is assumed to be a farm (but not a Rural Property).
2. “Deforestation within limits of the Code” is assessed as described in Section 2 (determination of compliance with the Forest Code) of this Document.
3. Given that the RCF did not finance these areas, it cannot impose restrictions on their use and associate itself with their environmental impacts, positive or negative.

Table 2: Application of RCF criteria for cases of legal infringements and embargoes

	Infringements and embargoes inside RCF Programme Area ¹	Infringements and embargoes outside RCF Programme Area ¹
Prior to joining the RCF	Not allowed.	<p>In principle, the RCF Eligibility Criteria do not apply².</p> <p>However, the RCF may take into account the context and gravity of facts observed in rural properties that are not Programme Areas to reject a rural property to join the RCF.</p>
After joining RCF	<p>Not allowed.</p> <p>Results in the expulsion of the Producer from the RCF.</p> <p>An exception of this case is when the Producer leases only a sub-set of the Property, and an infringement is conducted by the landowner in areas not financed by the Programme. In this case, this Property will be removed from the Programme, but the Producer (not the landowner) may be allowed to continue to participate in the RCF in other Properties.</p>	

¹ Programme Area: consists on the group of Properties financed by the RCF. For the purpose of the Environmental Eligibility Criteria, the RCF adopts the legal definition of Rural Property: a continuous extension of land affected to the agricultural production (and an area cut by a road, a river or other natural obstacles are considered as a continuous land for the purpose of this definition) (Law 4.505/1964, and regulated by the Normative Rule of Incra n. 82/2015). Rural Properties contain: (i) the production area financed by the RCF, and (ii) the areas of Native Vegetation to be protected by the Producer in the context of the RCF. A Rural Property may also contain production areas that are not financed by the RCF. A Rural Property may include many CARs, and for the purposes of the RCF each CAR is assumed to be a farm (but not a Rural Property).

² Given that the RCF do not finance these areas, it cannot impose restrictions on their use and associate itself with their environmental impacts, positive or negative.