

Marfrig Commitment

July 23, 2020

Marfrig's objective is not only to mitigate negative socioenvironmental impacts, but also to expand the positive ones, contributing to socioeconomic development, the maintenance and recovery of biodiversity in the areas where it operates.

As such, Marfrig is launching its Pledge today, together with an execution plan that covers a five-year period, with deadlines and goals that envision a 10-year period, both for the Amazon and the Cerrado. The plan is presented as a timeline that goes on until 2030, in which many actions will take place simultaneously and will be interconnected. It calls for networking, partnerships with the private sector, civil society organizations, the academia, and joint actions with the Department of Justice. Society will be able to monitor the pace of goals achieved by accessing transparent platforms.

Marfrig is kicking off this initiative and invites other members from the livestock chain to join forces. The company believes that the scalability and scope of the plan will gain strength once investors start contributing with resources and knowledge, banks start developing **innovative** mechanisms so that farmers can have access to more resources that adhere to the ESG criteria (Environmental, Social and Governance), the public authorities coordinate actions of inspection and control in the Amazon and the Cerrado biomes, and civil society can follow and monitor the entire process with full transparency.

The company is aware that there may be problems related to deforestation in these indirect links of its supply chain, and it has been working to become part of the solution, it is also absolutely committed to eradicating deforestation from its supply chain.

Currently, deforestation in the Amazon has reached alarming levels, rising for 14 consecutive months. The fires in June 2020 were the largest in the last 13 years. Data provided by the National Institute for Space Research (INPE), has shown the escalation of a Brazilian historical problem, of which the livestock sector is a relevant part.

In 2009, the Non-Governmental Organization Greenpeace published the report "Slaughtering the Amazon" (*A Farra do Boi na Amazônia*), considered a watershed for the Brazilian agricultural and livestock production, in terms of sustainability. The study urged suppliers and beef plants to become responsible for the effects of livestock farming on deforestation and asked for a greater commitment towards transparency and adequacy in the meat and leather production chains. As a result, a Public Livestock Commitment was officialized, by the three largest Brazilian slaughterhouses, to exclude from their lists of suppliers those involved in deforestation, labor analogous to slavery and owning areas or located on indigenous lands and environmental conservation units, based on public lists of embargoed areas of the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) and the Ministry of Labor.

To comply with the Public Livestock Commitment, Marfrig implemented a georeferencing and geomonitoring model, operated by satellite, gearing efforts towards working with as many direct suppliers as possible, in order to mitigate indirect risks. From that point on, it began to monitor 26 million hectares of land in the Amazon biome daily, an area which is larger than the state of São Paulo. By doing that, it was able to guarantee the direct supply of cattle from farms with zero deforestation since October 2008.

But this is not enough. The livestock value chain is quite complex, it consists of a vast number of farmers involved in the different stages of cattle breeding, rearing and fattening, scattered around this huge territory of socioeconomic vulnerability and institutional fragility. Additionally, there are structural issues that have not been adequately addressed by the public and private sectors yet. Deforestation will not be fought effectively if these issues are not properly addressed, these indirect links are not considered and with no implementation of more robust public policies.

In order for this change to become systemic in the areas where it operates, Marfrig understands that it is not enough to exclude those suppliers involved in deforestation from its supply chain: the reality must be changed and they must be included – through a process of continuous improvement. The first step in the process should be to comply with the environmental legislation and sustainability criteria with the use of technological packages and resources that will provide support to these farmers in their transition from low productivity pasture land to high productivity ones.

These initiatives have already been adopted by the company through programs and partnerships with the Department of Justice, the Meat Institute from the Mato Grosso State (IMAC) and The Sustainable Trade Initiative (IDH). However, it needs to gain scalability and speed, especially in view of the deforestation levels in the Amazon, which have gone out of control, and the reaction of the Brazilian society and the world, which has become more present in recent years.

It has been widely reported in the national and international news media and it has never been clearer that economic development depends on more advanced social and environmental practices. There has been an increasing pressure from national and international investors, from relevant personalities in the financial world and business organizations in Brazil. Buyers in Europe and, more recently, in China, are demonstrating that the requirement for traceability in commodities is here to stay. In addition, there is an increasingly clear link between livestock production, human health and the balance of ecosystem.

The company has been paying close attention to the changes in society, which call for innovative forms of production and consumption. As our corporate name says, Marfrig started business as a slaughterhouse, but it already operates in line with the latest trends, such as plant-based foods. As Marfrig gradually expands its field of activity, it's moving towards a protein-based food company - either animal or plant-based, it's always committed to the health of people and the ecosystems.

With this approach in mind, Marfrig believes that it must reaffirm the 2009-Commitment and enhance it, with the addition of a robust and effective action plan. Today, by using advanced technologies to control deforestation and by being able to better identify gaps, the company has become more capable of fulfilling what has been previously agreed – and it wants to go further: providing the full traceability of its chain, including its indirect suppliers; and by promoting the social inclusion of farmers, as well as local and indigenous communities.

Pledge Traceability

The tool that should be used to avoid deforestation and to achieve the socio-productive inclusion of the entire chain will be the total traceability of the supply chain. This will be done through mechanisms that will be interconnected and it includes the use of chips and ear tags in cattle, satellite monitoring, georeferencing of farms, blockchain systems and the creation of risk maps, which will compare vegetation maps against the areas where the breeding and rearing suppliers are located, making it possible to identify the areas that are most susceptible to deforestation. Many of these mechanisms are already being used by Marfrig and will be used more intensively.

Inclusion

Excluding farmers involved in deforestation from our list of suppliers would only put an end to the problem for the company's supply chain; deforestation will still continue in those areas. For a more systemic and effective change, it is necessary to go beyond exclusion and move towards the inclusion of these farmers. This is possible with programs and partnerships that will adapt production to environmental legislation and sustainability criteria. The inclusion of these farmers make it possible to achieve social, economic and environmental gains for those areas, insofar as it maintains and regenerates biodiversity. This practice has already been adopted by Marfrig and will gain scalability and speed.

Zero Deforestation

Marfrig takes on the public commitment against deforestation throughout its entire supply chain in the Amazon and the Cerrado biomes. This plan reaffirms the 2009-Public Livestock Commitment, through which Marfrig achieved zero deforestation in its chain of direct suppliers, and it wants to go further: it's including the commitments to eliminate deforestation among indirect suppliers in the Amazon biome by 2025. Regarding the Cerrado, Marfrig has created a structure to extend satellite geomonitoring to this biome, as well as to implement the instruments required for control along the chain, therefore, fighting deforestation in an effective way. The objective is to achieve zero deforestation by 2030. For this purpose, the action plan takes into consideration short, medium and long-term actions; most of the efforts to develop the necessary tools to enable traceability will take place in the first five years though.



Transparency

Marfrig's initiative takes into consideration the weaknesses that are inherent to the entire sector, in a transparent manner and totally open to establishing a dialogue with society. This dialogue will be essential to monitor the implementation of this initiative and, perhaps enhance it, to make it more effective. The public will be able to monitor the achievement of goals by accessing the transparent platforms, which allow for the social control of the plan's execution.

We invite all of those who want to help us build a prosperous, inclusive and sustainable future to join forces. Our Commitment and Action Plan can be found at www.marfrig.com.br.