

MARFRIG and **IDH** share the goal of accelerate sustainability within the beef value chain through the development of large scale and long-term impact solutions that consider multistakeholders coalitions of governments, trade unions, producers, financial institutions, companies, NGOs and universities that strive for impact on public good.

In September 13th, 2019 IDH and Marfrig signed a partnership to design a: “Landscape solution to support the establishment of a long term program for sustainable production of calves and cattle and forest protection in the Amazon Biome”

OBJECTIVES OF THE PARTNERSHIP



1 Structuring of Financial Mechanisms

to attract resources (public and private, national and international) to be invested at the farm level with focus on Forest Code implementation, intensification of calves’ production systems through implementation of iLPF (pasture, crop, forest integrated systems) practices, payment for ecosystems services and maintenance of the zero deforestation commitments.

2 Structuring of Technical Assistance Network

to support the implementation of the changes at farm level, including animal nutrition, herd management, breeding, environmental compliance, land register, others. TA will include implementation of the Low Carbon and Zero Carbon Beef protocols.

3 Design of an Indirect Suppliers Monitoring System

that will attend investors, governments and society needs and ambitions and will address the landscapes elements where the program will be implemented.

Based on the **PRODUCTION - PROTECTION - INCLUSION** approach, Marfrig wants to create a closer connection with farmers among the supply chain that goes beyond the commercial relations, improving their livelihood and mitigating the deforestation risks.



10-YEAR VISION (2030)

DIRECT SUPPLIERS

(Tier 1)

Expand the Purchase Policy and monitoring system to other biomes, promote the integration of the livestock chain for all sizes and stages of production

INDIRECT SUPPLIERS

(Tier 2 and 3)

Develop origin control mechanisms for indirect suppliers under a inclusion approach supported by a TA network and financial mechanisms to promote better conditions to small and medium producers

SECTORIAL APPROACH

Coordinated efforts among producers, industry, retailers, banks, investors and society in order to promote a market isonomy preventing the leakage risks

In order to implement this vision Marfrig is establishing a set of **CONCRETE ACTIONS** that are distributed over the next 10 years:

5-YEARS ACTION PLAN
and new approaches for the beef value chain

STRUCTURED PROGRAMS FOR 2030
based on the 5-years Action Plan results

2022
Short-term
Having a clear
vision of the risks
and context

2025
Medium-term
Marfrig approach for
sustainable origination
based on implemented
solutions

2030
Long-term
Scaling-up the Marfrig
sustainable origination
approach within whole
value chain*

10-YEARS PROGRAM FOR SUSTAINABLE ORIGINATION



*the livestock value chain is understood as the producers, beef industry, retailers, banks and investors



GLOSSARY

Traceability

Traceability or Origin control: It is one of the pillars of the Marfrig's Sustainability Platform. This corresponds to the mechanisms adopted by the company to track the point of origin at farm level of the cattle from the breeding to the slaughterhouses. These mechanisms can include individual traceability (ear tags, chip, etc.), block-chain technologies, landscape monitoring, among others, that are selected according to the risk level of each region and to the commercial conditions for clients. The main elements covered by the Origin Control includes biodiversity conservation, deforestation-free supply chain, working conditions, indigenous lands, among other criteria.

Biome

Biome is a set of plant and animal life, consisting of the grouping of vegetation types that are close together and can be identified at a regional level, with similar geology and climate conditions and that, historically, have undergone the same processes of landscape formation, resulting in a diversity of flora and fauna of their own.

<https://cnae.ibge.gov.br/en/component/content/94-7a12/7a12-vamos-conhecer-o-brasil/nosso-territorio/1465-ecossistemas.html?Itemid=101>.

Amazon Biome

Amazon biome means any supply chain that is located in areas defined as Amazon Biome as defined by the IBGE definitions and biome maps.

<https://www.ibge.gov.br/en/geosciences/environmental-information/18341-biomes.html?=&t=sobre>

VSA

VSA is an innovative market-based model and online platform that connects demand for sustainably produced agro-commodities with locally driven sustainability advancements, based on the landscape approach.

<https://www.idhsustainabletrade.com/landscapes/verified-sourcing-areas/>

Direct Suppliers

Direct suppliers corresponds to Tier 1 of the livestock chain. Tier 1, are the suppliers that delivers the cattle to the slaughterhouses (all of them has the fattening stage and can cover also the rearing and breeding states in some cases), only one farm before the Marfrig's slaughterhouses

Indirect Suppliers

Indirect suppliers corresponds to Tiers 2 and 3 of the livestock chain. Tier 2, usually the rearing stage (in some cases can also conduct the breeding stage), two farms before the slaughterhouses. Tier 3 usually conducts only the breeding stage, three or more farms before the slaughterhouses.

ILP/ILPF

Integration-crop-livestock-forest (ILPF) is a production strategy that integrates different productive, agricultural, livestock and forestry systems within the same area.

<https://www.redeilpf.org.br/index.php/rede-ilpf/o-que-e-ilpf>











Deforestation

Deforestation means conversion by suppression of areas of primary forest physiognomy by anthropogenic actions (INPE) of 6,26 ha contiguous ha or more.

http://www.obt.inpe.br/OBT/assuntos/programas/amazonia/prodes/pdfs/Metodologia_Prodes_Deter_revisada.pdf
























5-YEAR ACTION PLAN FOR SUSTAINABLE ORIENTATION

IDH-Marfrig
MoU Pillars

Engagement level	Vision	Goals	SDGs	Actions	Deliverables	Deadline	Partners	Technical Assistance	Financial Mechanisms	Monitoring
Direct Suppliers (Tier 1)	Expand the Purchase Policy and monitoring system to other biomes, promote the integration of the livestock chain for all sizes and stages of production	D1. Develop and pilot an integration model for cattle suppliers in Amazon		D1.1 Establish the commercial/financial model for integration	Partnership with financial institution established and na integration model (commercial and financial approaches) ready for pilot	2020	IDH			
		D1.2 Establish a pilot integration model under the partnership with IDH in the Sustainable Production of Calves Program	Pilot integration model implemented with São Marcelo Farm and producers under the Sustainable Production of Calves	2021	IDH					
		D2. Expand the monitoring system used in Amazon biome and adopt the purchase policy adapted to Cerrado biome	 	D2.1 Establish the methodology for to monitor direct suppliers in Cerrado	Methodology for Cerrado biome monitoring prosed by Geoflorestas and approved by Marfrig	2021	Geoflorestas			
		D2.2 Implement the geo-monitoring system in the Cerrado biome	Achieve 100% of the direct suppliers in Cerrado biome covered by Marfrig's monitoring system	2022	Geoflorestas					
		D2.3 Develop and validate the criteria to block non-compliant direct suppliers	Marfrig's purchase policy revised and adpcted to cover the suppliers in the Cerrado biome	2023	Agroicone					
		D3. Establish a TA Program for restoration, intensification and ILP	  	D3.1 Partnering with research centers for developing TA models for low-carbon livestock technologies	Partnership agreement between Marfrig and Embrapa covering the NCB and LCB protocols	2020	Embrapa			
		D3.2 Test new technologies based on block-chain for monitoring and TA	Pilot use of a block-chain solution in MT	2022	Safetrace / TNC / P4F					
		D3.3 Partnership with Geoflorestas focused on restoration	Partnership or service agreement with Geoflorestas covering the TA for restoration in direct suppliers	2022	Geoflorestas					
		D3.4 Develop new financial mechanisms to producers participating	Partnership with financial institution established and financial products being offered to Marfrig Club members	2022	IDH					
		D4. Review and update Marfrig Club		D4.1 Review the concept and scope aligned with relevant Investors' requirements (FAIRR, IFC, etc.)	New Marfrig Club Protocol	2020	H2O Company			
		D4.2 Revise all Marfrig Club Documentation	Update questionnaires, Auditors opinion/guidance Implemented sample report in line with auditor recommendation	2021	IDH					
		D4.3 Adaptation of the Marfrig Club protocol and expansion to indirect suppliers (Tiers 2 and 3)	Marfrig Club protocol adapted and being applied to indirect suppliers (Tiers 2 and 3)	2022	IDH					
		D4.4 Develop market connection elements to recognize producers participating	At least 1 new element of market recognition being delivered to Marfrig Club members	2023	IDH					
		D5. Re-insert blocked suppliers in the Amazon Biome	 	D5.1 Establish technical and legal framework with MPF/Imac to re-introduce direct suppliers to the formal supply chain (short-term)	Criteria and procedures for direct suppliers re-insertion established for Amazon biome	2022	MPF / Imac			
		D5.2 Establishment of procedures for re-insertion / readjustment		2025		MPF / Imac				
		D5.3 Communication plan to publicize the possibility of re-inclusion		2025		MPF / Imac				
		D6. Expand the integration model for Cerrado biome		D6.1 Map the Market dynamic in Cerrado biome, using the indirects' risk map	Commercial and financial package for integration adpcted to Cerrado biome	2022	Agroicone			
		D6.2 Adapt the integration model developed for Amazon biome		2023		IDH				
		D6.3 Establish a pilot integration model in Cerrado	1 pilot project under implementation in Cerrado biome	2025		IDH				

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IDH-Marfrig MoU Pillars

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		D7. Revised purchase policy for high-risk areas identified by the suppliers risk-map	 	D7.1 Partnering with CFA - Forest and Agriculture Cooperation for the assessment and improvement of Marfrig's supply chain monitoring approach and purchase policies D7.2 Develop criteria to direct suppliers to mitigate the risks in the identified high-risk areas for supply D7.3 Expand the controls and criteria for suppliers from high-risk areas related to indigenous people, traditional communities and conservation units	Final report from CFA with recommendations for Marfrig's purchase policy and monitoring system New purchase policy/criteria for high-risk areas	2021 2021	CFA IDH			
Indirect Suppliers (Tier 2 and 3)	Develop origin control mechanisms for indirect suppliers under a inclusion approach supported by a TA network and financial mechanisms to promote better conditions to small and medium producers	I1. Develop and apply the breeding and risks maps for indirect suppliers in Amazon biome	 	I1.1 Hiring a consultancy to conduct the study for all Marfrig's supply chain in Brazil, including Amazon and Cerrado biomes I1.2 Identify the risk areas for supply	Risk maps of Marfrig's supply chain available for Amazon biome	2020 2020	Agroicone Agroicone			
		I2. Support programs providing TA to indirect suppliers to intensification, restoration and regularization	  	I2.1 Partnering with IDH in the Sustainable Production of Calves Program	Co-funding agreement between Marfrig and IDH establishing the cooperation terms and roles for the Sustainable Production of Calves program	2020	IDH			
		I3. Development of pilot initiatives in Amazon biome for risk mitigation	 	I3.1 Partnering with Aliança da Terra for developing and piloting VISIPEC solutions under Marfrig's operations to avoid cattle triangulation	1 pilot project under implementation that address the cattle triangulation risk	2022	Aliança da Terra			
				I3.2 Foment independent studies about the risks and impacts from cattle ranchers activities under Marfrig's supply chain over indigenous people, traditional communities and conservation units	At least 1 study concluded about the risks and impacts from Marfrig's supply chain over indigenous people, traditional communities and conservation units	2023	IDH			
				I3.3 Engaging in the landscape level initiatives to establish pilot regions for deforestation-free supply (VSA approach)	Formal support for landscape governance models in relevant sourcing areas	2025	IDH			
		I4. Develop a monitoring solution for indirect suppliers and landscapes in the Amazon biome	 	I4.1 Establishing new partnerships to test solutions available in the market for monitoring indirect suppliers	Summary of the tests and pilots implemented by Marfrig indicating the success elements that will be used in the Marfrig's indirect suppliers monitoring system	2025	IDH			
				I4.2 Engaging in the landscape level initiatives to establish pilot regions for deforestation-free supply (VSA approach)	Formal support for landscape governance models in relevant sourcing areas	2025	IDH			
				I4.3 Establish technical and legal framework with MPF/Imac to re-introduce indirect suppliers to the formal supply chain (medium-term)	Criteria and procedures for indirect suppliers re-insertion established for Amazon biome	2025	MPF / Imac			
		I5. Improve the profitability and access to finance for smallholders		I5.1 Partnering with IDH in the Sustainable Production of Calves Program	Co-funding agreement between Marfrig and IDH establishing the cooperation terms and roles for the Sustainable Production of Calves program	2020	IDH			
				I5.2 Establishing new partnerships for developing financial mechanisms to smallholders	At least 1 new financial mechanisms in place for the producers under the Sustainable Production of Calves Program	2021				
I6. Establish a TA network to intensification and restoration	  	I6.1 Expand the TA network established under the Sustainable Production of Calves Program to other biomes and states	1 TA Program for the high-risk sourcing areas established (based on the Calves Program experience)	2025	IDH					

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IDH-Marfrig
MoU Pillars

Engagement level	Vision	Goals	SDGs	Actions	Deliverables	Deadline	Partners	Technical Assistance	Financial Mechanisms	Monitoring
Sectoral Approach	Coordinated efforts among producers, industry, retailers, banks, investors and society in order to promote a market isonomy preventing the leakage risks	S1. Mitigate the leakages from blocking direct suppliers – cattle triangulation, through the Homogenized Protocol for Cattle Purchase		S1.1 Homogenized Protocol for Cattle Purchase within the beef industry	Homogenized Protocol for Cattle Purchase in-use by Marfrig	2022	MPF / Imaflora			
				S1.2 Catalyse additional sectoral actions to mitigate the triangulation risk	Participation in other sectoral initiatives	2023				
		S2. Develop sectoral mechanisms for Market recognition of environmental services (ex: carbon)		S2.1 Partnership with Embrapa for piloting and scaling-up the NCB and LCB protocols	Pilot projects under NCB and LCB protocols	2022	Embrapa			
				S2.2 Identify farms that fall under the protocol and develop TA partnerships for implementation by farmers	List of farms and TA program for NCB and LCB established	2022	Embrapa			
			S2.3 Developing branding strategies and distribution channels for certified NCB and LCB beef products	Branding strategy defined	2023	Embrapa				
		S3. Integrate animal origin control with environmental data		S3.1 Advocacy with public sector bodies for the integration of animal control and environmental data	Summary of the tests and pilots implemented by Marfrig	2025	IDH			
				S3.2 Share the results of the technologies and solutions tested by Marfrig with the actors among the livestock value chain						
		S4. Stimulate the development of long-term pre-competitive TA models to support farmers		S4.1 Foment the capacity building for TA within sectoral organizations, capacity building entities and public TA companies	At least 1 partnership established focused on capacity build and/or pre-competitive TA models	2025	IDH			
		S5. Stimulate the development of new business models involving all the actors in the value chain		S5.1 Promote sectoral discussions and market analysis about the role of each actor in beef the value chain (producers, industry, retailers, banks and investors) in promoting sustainable production pathways (Production-Protection-Inclusion approach)	Summary results about the each actor among the beef value chain	2022	IDH			
				S5.2 Establishing new approaches for the beef value chain based on the results of the market analysis	At least 1 initiative supported by Marfrig covering new business models for the beef value chain	2025	IDH			

MAP OF CURRENT PARTNERSHIPS



Homogenized Protocol for Cattle Purchase within the beef industry



Re-insertion of blocked suppliers (direct in the short-term and indirect in the medium-term - monitoring solutions to farmers)

CFA

Assessment and improvement of Marfrig's supply chain monitoring approach based on the assessment of documentation and process, it is a initiative from CFA that Marfrig will participate



Service provider hired to develop the indirect suppliers risk-map in the Amazon Biome



Marfrig is one of the 8 founding organizations of the PCI Institute, a public-private association recognized as the official implementer of the Mato Grosso State PCI Strategy



Development and piloting of a block-chain application

to report on zootechnical and environmental information to the beef-industry - self informed by the producer - Marfrig would contribute with the geo-monitoring system indicating the environmental situation and regularization needs



Partner with Amigos da Terra - Amazonia Brasileira to apply the Visipecc solution to avoid cattle triangulation and pilot the solution in Marfrig's operations



Consultancy hired to conduct the review of the Marfrig Club Protocol



Geo-monitoring service provider - can be a future partner for restoration TA



Partnership for piloting and scaling-up the CCN and CBC protocols