



São Paulo, September 16, 2021

## EarthSight

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### 1. Introduction

As part of our commitment to transparency and in attention to the correspondence received from this distinguished institution, we would like to thank and clarify your questions about the research on Brazilian beef exports to the US.

We take the opportunity to highlight some important information about our sustainability procedures and strategy, in particular, about efforts toward the monitoring cattle suppliers and our commitments towards a deforestation-free supply chain in our operations.

Marfrig is fully aware of the challenges related to the livestock production chain and recognizes its role as an important agent of transformation to guarantee production in relation to the preservation of Brazilian biomes, especially the Amazon and Cerrado. Marfrig reaffirms all of its social and environmental commitments, highlighting the efforts to guarantee a supply chain free from deforestation/conversion.

The company is absolutely convinced about the robustness of its monitoring system, including geo-referenced geomonitoring, in practice since 2010. Marfrig is absolutely aware of the challenges that still remain in the complex Brazilian livestock chain and to address such challenges, in July 2020, Marfrig launched the public commitment for INCLUSION, DEFORESTATION/CONVERSION FREE, TRACEABILITY and TRANSPARENCY. To achieve this commitment, concomitantly, Marfrig launched the **Marfrig Verde+ Plan** in partnership with the IDH - The Sustainable Trade Initiative, an innovative program as it provides a set of unprecedented actions that the innovation and technology available today allow for a new level of production in the complex Brazilian livestock chain.

The Marfrig Verde+ Plan, which is being implemented by Marfrig, has been obtaining very positive preliminary results. Through this approach Marfrig is already monitoring **100%** of its direct suppliers and **62%** of our chain of indirect supply with origin control in the Amazon biome-the goal is to achieve **100% tracked by 2025**. The geomonitoring system is also being updated to cover the Cerrado biome, for which we also observed 100% of direct suppliers and obtained **47%** sourcing control of the indirect suppliers in 2020, with the deadline for that region



being 2030. These results demonstrate that the company will achieve its objectives before the timeframe established for the goals.

In the Marfrig Commitment, TRANSPARENCY is a fundamental value. To this end, the company has periodically presented the progress of the plan and the results obtained so far, especially through virtual events open twice a year.

Historically, Marfrig committed to a chain free of deforestation in 2009 and in 2010 the company was the pioneer in the implementation of a geomonitoring system via satellite. Today, Marfrig daily geomonitors 100% of its direct suppliers in the Amazon via satellite, an area higher than 74 million acres. This platform also monitors 100% of direct suppliers from other biomes in which raw material is sourced from official lists of environmental and social agencies. As of January of this year, this platform also began to geomonitor the Cerrado via satellite, an unprecedented fact in the country. In 2019, through the geomonitoring platform, Marfrig also started to monitor hotspots via satellite, especially in the Amazon, to ensure the environmental integrity of its supply chain.

These results show that the company's path in this area is solid, but we know that there are still challenges. Marfrig recognizes them and they have been thoroughly studied so that solutions can be developed and implemented, always in partnership with research entities, specialists and civil society entities, a fact that leads to a critical view and the necessary independence for company performance.

## 2. Brazilian Livestock Chain Context

In relation to livestock in Brazil, it is important to put into perspective that this industry has a turnover of 115 billion dollars a year. Accounting for 8.5% of the total Brazilian GDP (Gross Domestic Product). Brazil has more than 213 million heads of cattle, with 43.3 million heads slaughtered per year (ABIEC (Brazilian Beef Exporters Association) - Beef Report 2020 - Brazilian Livestock Profile). The herd is produced by approximately 2.5 million properties (IBGE -Brazilian Institute of Geography and Statistics - Agriculture and Livestock Census 2017). This puts into perspective the size of the industry and the size of the challenge to connect and engage these ranchers with the demands of preserving biodiversity in line with production and income generation.

It is also important to consider the complexity of the livestock chain in Brazil. The system is subdivided into three phases, which can be together or separated: breeding, rearing, and finishing. In addition to these points, we must consider other relevant characteristics that impact the strategies to reconcile production and preservation: the first is that it is a **spot market**: in general, there are no long-term contracts. Ranchers sell the animals only when they are ready for slaughter. The second is that it is a **free market**: ranchers sell their cattle to whomever they want. They choose the best buyer for them during the negotiation. As a third point, the market acts as a **reverse Auction**, where they sell to the highest bidder. And the last point is that the market is **very fragmented**: there are more than 2.5 million farming properties as already mentioned, and each rancher has its own production style, which makes the challenge even greater.



## 2.1. Marfrig positioning in the livestock context

### 2.1.1. Direct Suppliers

In order to face this dynamic and complex market, **the company has developed and maintains a strict policy for the purchase of animals, and has implemented a protocol with criteria and procedures that are prerequisites for the approval of suppliers and supply.** To ensure compliance with all the requirements set out in the policy and the protocol, Marfrig **developed a Supplier Monitoring Platform.** The system crosses georeferenced data and farm documents with official publicly available information to identify potential non-compliance with the following criteria:

**Deforestation/conversion:** spatial criteria of the Deforestation Monitoring Project in the Legal Amazon (Prodes - INPE), which monitors the deforestation/conversion of the Legal Amazon via satellite;

**Embargoed areas:** list updated daily with the areas embargoed by the Brazilian Environmental Protection Agency (Ibama) due to illegal activities;

**Preserved Natural Areas (Unidades de Conservação):** spatial criteria provided by the Ministry of the Environment in conjunction with the Chico Mendes Institute for Biodiversity Conservation (ICMbio), which indicates the exact location and limits of the preserved natural areas;

**Indigenous lands:** spatial criteria provided by the National Indian Foundation (Funai), indicates the exact location and limits of Indigenous lands protected by law;

**Slave labor:** "Employer registration" based on the "red list of slave labor" for companies engaged in slave labor practices, published by the Secretariat of Labor.

This purchasing process is **audited annually by third party company** (the latest audit report is available on our website<sup>1</sup>).

Another important fact is that the **company participates in the development and enforcement of the Protocol for Monitoring Cattle Suppliers in the Amazon, proposed by the MPF (Federal Public Prosecutor's Office),** covering all the states of the Legal Amazon, launched in May 2020 and in force since July 2020. All of our operations in the Legal Amazon are adapted and use this protocol, including criteria that are broader than those contained in the previous TAC (Term of Conduct Adjustment).

At Marfrig, the supplier registration process follows strict criteria. An assessment is performed the first time that a supplier is added to our list of suppliers and is repeated for each new slaughter operation. When a non-compliance is found for a supplier—one of the suppliers included in the list or any of the 15,000 ranchers whose livestock we slaughter annually—the supplier/farm is immediately blocked and new purchases are not made. This procedure is a fundamental and non-negotiable practice in our operation.

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[https://sustentabilidade.marfrig.com.br/assets/Documentos/Site/control\\_e\\_origem/greenpeace\\_EN.pdf](https://sustentabilidade.marfrig.com.br/assets/Documentos/Site/control_e_origem/greenpeace_EN.pdf)



It is also worth noting that, in order to reduce the risk of purchasing animals from areas affected by fires in the Amazon, Marfrig has been monitoring the hotspots in real time in the region since August 2019. Whenever any overlapping of farms and hotspots are found, an alert is triggered, and the purchase is reevaluated until the situation is fully clarified. This comprehensive control is possible thanks to the satellite supplier monitoring platform. The alert causes our teams to contact the suppliers involved to verify any occurrences and take mitigation actions. **Marfrig is the only company in the industry that adopts a process like this to analyze fire outbreaks on farms.**

### 2.1.2. Indirect Suppliers

Marfrig is very clear about the challenges related to indirect supply and, in order to face these risks and further guarantee a supply chain without deforestation, **in July 2020, we launched the Marfrig Commitment and the Marfrig Green+ Plan<sup>2</sup> that reflects the company's public commitment to Deforestation/Conversion Free, with Traceability, Inclusion and Transparency. The Marfrig Commitment is not restricted to the Amazon, it also extends to the Cerrado biome and others that have operations.**

This plan was conceived through a partnership with the Dutch public-private institution IDH - Initiative for Sustainable Trade, aiming to ensure that 100% of the company's production chain is sustainable, low carbon, tracked and free from deforestation.

As mentioned in the previous response letter sent to this council, the plan is structured on three pillars—**development of innovative financial mechanisms, technical support and monitoring and traceability mechanisms**. The plan is very robust and has very clear goals, which aim to preserve biodiversity in Brazil, especially in the Amazon and the Cerrado, and seek to develop low-carbon livestock. There are 18 macro actions distributed over five years. All the initiatives set forth in the plan for the year of 2020 have been implemented and are the basis for achieving the steps set forth for this year and coming years, namely:

**Development of a Risk Mitigation Map for Direct and Indirect Suppliers in collaboration with a renowned territorial intelligence company, Agroicone:** This new tool covers areas of highly dense native vegetation, livestock areas (including indirect supplier areas) and pastures. This information will allow Marfrig to identify and mitigate risks related to deforestation/conversion and indirect suppliers in the company supply chain.

**A blockchain-based traceability platform (Conecta):** The Conecta tool is a blockchain-based approach developed in partnership with Safe Trace, CPQD, TNC and Amigos da Terra to provide more safety and transparency for traceability across the entire supply chain. The tool application is currently being tested.

**Visipec:** is a joint effort between the National Wildlife Federation (NWF) and AVP, based on a methodology developed by scientists and researchers at the Gibbs Land Use and Environment Lab (GLUE) at the University of Wisconsin-Madison (UW). It is a

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<sup>2</sup> [https://sustentabilidade.marfrig.com.br/#about\\_vplus](https://sustentabilidade.marfrig.com.br/#about_vplus)



supplementary traceability tool to the monitoring systems already used by Brazilian slaughterhouses to improve the visibility of the cattle production chain and establish more efficient monitoring of deforestation.

**Expanding georeferencing to the Cerrado:** As the National Institute for Space Research (INPE) began to regularly publish deforestation maps for the Cerrado as of 2019, Marfrig adapted its georeferencing and geomonitoring system. Which is already operating for the company's purchasing process.

**Partnership with financial institutions:** developed an integration model (with a financial and corporate approach) ready to be applied. Aiming at developing new financial mechanisms that reach small ranchers, especially the ones engaged in breeding, more susceptible to the risk of deforestation.

**Partnership between Marfrig and Embrapa:** development of the Carne Carbono Neutro (Carbon Neutral Beef) protocol, launched in 2020, and Carne Baixo Carbono (Low Carbon Beef), scheduled for launch in 2021.

**Sustainable Calves Production Program:** An memorandum of understanding between Marfrig and the IDH was recently signed defining the terms of cooperation for the Sustainable Calves Production Program. This program, launched in 2018, in a partnership between the IDH and the Carrefour Foundation, focuses on "breeding", the first step in livestock production, which is why it is related to indirect suppliers. The program is located in the Vale do Rio Juruena region, in the north of the state of Mato Grosso (in the Amazon Biome), and comprises approximately 150 small farmers. The program's mission is to provide free deforestation calves in accordance with a private protocol specially created for the indirect. To this end, these farmers receive a package of technical assistance that includes everything from proper management of pastures to access to credit, and with that their properties become economically viable without the need to open new areas of native vegetation.

These efforts have brought on important results to the Marfrig supply chain, reaching at the end of 2020 100% monitoring of direct suppliers that have been reached for a while now and 62% of our chain of indirect supply with sourcing control in the Amazon biome—the goal is to have 100% tracked by 2025. The geomonitoring system is also being updated to cover the Cerrado biome, for which Marfrig also monitors 100% of direct suppliers and 47% of origin identification. This shows that the pre-established deadlines for control and tracking of the entire chain will be achieved well in advance.

### 3. Answers to Earthsight questions

**3.1.** Which Marfrig slaughterhouses export to the United States? What products are exported from each slaughterhouse?

Establishments numbers 4238, 2543, 847, 232, 2007, 3250 are approved to US export. The Marfrig slaughterhouses export bovine raw beef.



**3.2.** Does Marfrig export beef products to the US from cattle slaughtered in slaughterhouses other than the ones from which the exports originate? If so, can you please specify which slaughterhouses supply beef to your exporting facilities?

No. Marfrig only exports beef products from Marfrig slaughterhouses.

**3.3.** How does Marfrig ensure that beef products exported to the US are being processed at licensed facilities only?

All Marfrig slaughterhouses have official federal veterinarians (from Brazilian Agricultural Ministry) that certifies the beef products, in accordance with USA and Brazilian legislations.

**3.4.** The Marfrig slaughterhouse in Rondônia (Chupinguaia) licensed to export to the US is located in an Amazon state known for high levels of illegal deforestation, land grabbing and land conflicts with indigenous peoples. How does Marfrig ensure the beef products it exports to the US from this facility are not linked to such practices? How can Marfrig be certain that these beef products are not tainted by illegalities considering the known difficulties in tracing cattle back to indirect suppliers?

Based on the processes explained in the itens 2.1.1. and 2.1.2, all farms that supply animals for slaughter at Marfrig slaughterhouses are subject to all socioenvironmental criteria adopted by the company according to the biome where they are located, and all consultations and monitoring carried out are in full compliance with these criteria.

Marfrig reinforces its commitment to mitigating the system's environmental and social gaps that may still pose risks to the value chain and this is reflected on the Marfrig Verde+ Plan, by which was the first company in the sector to make a public commitment to free deforestation supply chain by 2030. Since then, it has been working with its partners on processes to meet all established targets and ensure compliance with all requirements set out in program policies and protocols. With these actions, we are certain that the adoption of these tools and approaches developed individually by Marfrig or in partnership with other actors will soon allow the elimination of illegal practices throughout the entire livestock chain.

More details on the tools and how these interactions are already taking place in our daily operations to ensure a supply chain free from deforestation, free from land grabbing or conflicts with indigenous peoples, can be accessed through our website.<sup>3</sup>

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<sup>3</sup> [https://sustentabilidade.marfrig.com.br/assets/Documentos/Site/plano-verde-mais/Marfrig\\_Verde\\_Progress\\_eng.pdf](https://sustentabilidade.marfrig.com.br/assets/Documentos/Site/plano-verde-mais/Marfrig_Verde_Progress_eng.pdf)



#### 4. Final comments

Marfrig is committed to sustainable development in all our operations, as well as the robustness of Marfrig's entire ESG management model, which includes its purchasing policy, the company's control and monitoring tools and its genuine willingness to build solutions.

We are committed to ending deforestation and tackling the climate crisis. The implementation of our commitment requires the engagement of the academia, civil society, the private sector, and particularly the livestock industry. The involvement of farmers in this process is crucial and we are putting a lot of emphasis on this dialogue. You can continue to count on our commitment, transparency, and willingness to further our dialogue throughout this process.

Kind regards,

A handwritten signature in blue ink, appearing to read "Paulo Pianez", is positioned above the printed name.

Paulo Pianez

Sustainability and Communication Director, Marfrig