

Compliance Verification Audit with the "Public Commitment to Livestock"

JBS S.A.

Date: 12/2/2021



TO JBS S.A.

I) Introduction

Since 2007, Greenpeace has been studying the behavior of the livestock production chain in the Amazon. After a long investigative process, in 2009, the organization released the report “A Farra do Boi na Amazônia” [Amazon Bull Spree] which pointed out the relationship between meatpacking companies involved in illegal deforestation and slave labor with cutting-edge products sold on the international market, such as bags and sports shoes. Since then, processing companies such as JBS, Marfrig and Minerva have made a public commitment to exclude from their list of suppliers those farms that deforested the Amazon Forest after October 2009, in addition to those that use slave-like labor or are located in indigenous lands and conservation units. The public commitment that establishes criteria for the purchase of cattle on properties located in the Amazon Biome is called Public Commitment to Livestock and is defined in the document “MINIMUM CRITERIA FOR OPERATIONS WITH CATTLE AND BOVINE PRODUCTS ON AN INDUSTRIAL SCALE IN THE AMAZON BIOME”.

II) Purpose

Associação Control Union Certificates was hired with the purpose of independently evaluating, through an audit, the information and processes of JBS S.A., which make it possible to identify whether the company met the criteria assumed in the Public Commitment to Livestock, covering the period from 1/1/2020 to 12/31/2020.

III) Audit period

The audit was carried out between 10/26/2021 and 11/30/2021.

IV) Description of the Company and of the Cattle Purchase Process regarding the fulfillment of the Public Commitment to Livestock

JBS S.A. is a multinational company of Brazilian origin, recognized as one of the global leaders in the food industry. Headquartered in the city of São Paulo, the Company is present in 15 countries.

In all the places where it operates, the more than 250,000 employees follow the same guidelines in relation to aspects of sustainability - economic, social and environmental -, innovation, quality, and food safety, with the adoption of the best practices, always guided by the same Mission and Values.

JBS has a diversified product portfolio, with options ranging from fresh and frozen meats to ready-to-eat dishes, sold through recognized brands in Brazil and abroad, such as Friboi, 1953, Swift, Seara, Seara Gourmet, Doriana, Massa Leve, Pilgrim's Pride, Plumrose, Primo, amongst others. The Company also operates with related businesses, such as Leather, Biodiesel, Collagen, Wrapping for sausages, Hygiene & Cleaning, Metal Packaging, Transport, and waste management solutions, innovative operations that also promote the sustainability of the entire value chain of the Business.

Currently, the company has 37 cattle processing units in Brazil, 25 of which are buyers of cattle from farms located within the Amazon Biome. The scope of this audit considered 24 slaughter units: Água Boa/MT, Alta Floresta/MT, Araguaína/TO, Araputanga/MT, Barra do Garças/MT, Brasnorte/MT, Colider/MT, Confresa/MT, Diamantino/MT, Goiânia/GO, Juara/MT, Juína/ MT, Marabá/PA, Mozarlândia/GO, Pedra Preta/MT, Pimenta Bueno/RO, Pontes e Lacerda/MT, Porto Velho/RO, Redenção/PA, Rio Branco/AC, Santana do Araguaia/PA, São Miguel do Guaporé /RO, Tucumã/PA and Vilhena/RO.

As mentioned in the document "Terms of Reference for Third Party Audits", the public commitment is made up of five main points publicly assumed so far by the 3 (three) largest meat processing groups in Brazil. In accordance with the commitment, the signatories committed to adopt the established criteria, within determined deadlines, not purchasing cattle from:

- a) Farms (direct and indirect suppliers¹) that have deforested within the Amazon Biome² after October 2009;
- b) Farms that are on the list of embargoed areas by the Brazilian Institute for the Environment and Renewable Natural Resources (“*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*” - IBAMA) and/or Farms located within Indigenous Lands and Environmental Conservation Units (protected areas);
- c) Farms where there are slave or degrading labor practices, according to the list of the Ministry of Labor and Welfare published on its official website, or the List made available by InPACTO (“*Instituto Pacto Nacional pela Erradicação do Trabalho Escravo*” or National Pact Institute for the Eradication of Slave Labor), through the Access to Information Law;
- d) Farms that are on illegal land or that have been acquired through violence in the countryside, based on the company's unequivocal knowledge, through notices sent by the Public Ministry, INCRA, the Justice and others.

In order to comply with the Commitment, JBS has its own system for monitoring cattle supplying farms. All cattle supplying farms are registered in the JBS system and all meat processing units access this system to purchase cattle. JBS' corporate Sustainability area is responsible for managing this system and updating the status of registered producers in accordance with the company's policies.

JBS divides the monitoring process into two stages. In the first stage, they analyze the situation of the supplier farms according to the information contained in the public lists accessible on the websites of IBAMA (whose list is updated daily) and Slave Labor and then cross-reference with the CPF/CNPJ of registered suppliers. Producers who have CPF/CNPJ present in the public lists of IBAMA and/or Slave Labor are automatically blocked for purchase in the JBS system. For the CPF/CNPJ listed in the list of areas embargoed by IBAMA and in the case of producers who own more than one farm, only the farm on the public list remains blocked for purchase and JBS controls this situation by asking the producer to prove that the supplier farm is different from the one reported on the IBAMA list. For the Slave Labor list, all farms owned by producers that have CPF/CNPJ listed are blocked.

¹Farms that supply indirectly to meat processing units are not yet systematically verified, and, therefore, must be shown as non-compliance until the meat processing units are able to adopt auditable procedures for indirect suppliers.

²The boundaries of Brazilian biomes are defined by IBGE. The IBGE map is available at ftp://geofp.ibge.gov.br/mapas/tematicos/mapas_murais/bioma.pdf

In the second stage, geospatial monitoring is carried out, which analyzes the maps of farms that supply cattle and compares them considering deforestation criteria and the preservation of protected areas (Indigenous Lands and Environmental Conservation Unit) within the Amazon Biome. This geospatial monitoring is carried out by the company Agrottools, which was hired by JBS and uses as a basis the official deforestation maps released by the National Institute for Space Research - INPE (PRODES and DETER), official maps of indigenous lands released by the National Indigenous Foundation - FUNAI and official maps of the Environmental Conservation Units of the Ministry of the Environment – MMA. The maps of the farms from the official CAR base are compared with the maps made available by INPE, FUNAI, and MMA to verify the existence of overlaps and thus be able to understand if the supplier farms are blocked or approved for commercialization. Agrottools provides a daily monitoring report of farms that supply raw material to JBS and are located in the Amazon Biome. This report presents the status of farms (blocked or approved) and, in case of non-compliance, it presents the reason (invasion to Environmental Conservation Units, invasion of Indigenous Lands, deforestation based on DETER and/or PRODES data), for the years of 2008 to 2020. Farms indicated as "blocked" are automatically blocked from purchasing raw materials in the JBS system.

JBS has about 70 thousand farms in its supplier registry and in the verification of the provided lists, 14.799 suppliers were found blocked for purchase (IBAMA List, Slave Labor List and Geo List). There are suppliers listed by IBAMA that have farms different from those listed, in this case an analysis of each property is made considering the municipality and the name of the farm and is compared with the map of the farm that you want to purchase, evaluating if the embargo points are not in overlap with such a farm. If it is proven that the IBAMA embargo is not on the property in question, the supplier farm is manually released and the purchase is carried out. The unlocking of blocked farms can only be carried out by a specific user profile of the corporate team, upon presentation of evidence sent by the supplier that justify its release.

V) Procedures

Stage 1 – Sampling process, testing of the cattle purchasing system and testing of the non-compliant supplier blocking system.

Step 1 – Sample selection

The verification process started with the extraction of purchase reports, a process carried out by the Information Technology department at JBS. The extraction of the lists was accompanied by an Information Technology professional from Control Union to ensure that the programming language did not have filters or biases that could influence the result of the operation. Records were obtained in full and no deviations were observed.

Sampling was carried out considering a random selection criterion of 10% of the total purchase orders of 62,736. A total of 6,276 purchase orders were then selected, considering the entire list of cattle suppliers in the Amazon Biome within the period January 1st, 2020 to December 30th, 2020, according to the 2017 Third Party Audit Reference Term.

The following purchase orders were analyzed.

- 292 of the 2,923 purchase orders for Alta Floresta/MT;
- 188 of the 1,884 purchase orders for Água Boa/MT;
- 423 of the 4,226 purchase orders from Araputanga/MT;
- 141 of the 1,407 purchase orders for Araguaína/TO;
- 283 of the 2,832 purchase orders for Barra do Garças/MT;
- 27 of the 270 purchase orders from Brasnorte/MT;
- 263 of the 2,630 purchase orders for Confresa/MT;
- 207 of 2,070 purchase orders for Colider/MT;
- 192 of the 1,921 purchase orders for Diamantino/MT;
- 3 out of 29 purchase orders from Goiânia/GO;
- 264 of the 2,639 purchase orders from Juara/MT;
- 158 of the 1,583 purchase orders for Juína/MT;
- 400 of the 4,002 purchase orders from Marabá/PA;
- 5 out of 45 purchase orders from Mozarlândia/GO;
- 136 of the 1,362 purchase orders for Pedra Preta/MT;
- 364 of the 3,639 purchase orders for Pontes and Lacerda/MT;
- 553 of the 5,525 purchase orders for Pimenta Bueno/RO;
- 280 of the 2,798 purchase orders in Porto Velho/RO;
- 257 of the 2,567 purchase orders for Rio Branco/AC;
- 197 of 1,968 purchase orders from Redenção/PA;
- 689 of the 6,885 purchase orders for São Miguel do Guaporé/RO;
- 150 of the 1,498 purchase orders for Santana do Araguaia/PA;

- 243 of the 2,424 purchase orders from Tucumã/PA;
- 561 of the 5,605 purchase orders from Vilhena/RO

Table 1. Checklist of analyzed documents

Document Name	Coverage date/code, and version	Rated ¹ (Y/N)
Procedures or System Manual	Review date 3/12/21	S
Purchase records	Cattle purchase information for all units for the period from January 1 st to December 31 st , 2020.	S
Monitoring system	Agrotools company system, which specializes in geospatial monitoring	S
Locking System	ERP system / verified operation during audit	S
List of Suppliers	Cattle purchase information, from all supplier farms located in the Amazon Biome, for the period from January 1 st to December 31 st , 2020	S
Public list of embargoed properties - IBAMA	Consult at the website: https://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php	S
Public list of people / companies – slave labor	Lists consulted from the register of employers: Update: Lists updated December 13 th , 2019, February 11 th , 2020, February 14 th , 2020, February 21 st , 2020, February 29 th , 2020, March 17 th , 2020, March 20, 2020, April 3 rd , 2020, April 9 th , 2020, July 24 th , 2020, October 5 th , 2020 and October 16 th , 2020.	S
List of Blocked Suppliers - Geo	Lists of supplier farms with "Approved" and "Blocked" status in effect at the time of generation of purchase orders for cattle (January 1 st to December 31 st , 2020)	S

Step 2 – Testing the cattle purchasing system

Of the 10% sampled in the period from January 1st, 2020 to December 31st, 2020, the CPF/CNPJ contained in the IBAMA List, Slave Labor List and Geo List generated by Agrotools (Approved and Blocked Lists in force at time of generation of purchase orders for cattle), all updated through document analysis access to the JBS cattle purchase system, in accordance with the Terms of Reference.

Of the 6,276 purchase operations sampled, which correspond to 10% of the total purchases in the period evaluated, from JBS' processing units located in the Amazon biome, it is concluded that:

- no farm purchase operation included in the MTE List was evidenced, according to updated lists of December 13th, 2019, February 11th, 2020, February 14th, 2020, February 21st, 2020, February 29th, 2020, March 17th, 2020, March 20th, 2020, April 3rd, 2020, April 9th, 2020, July 24th, 2020, October 5th, 2020, and October 16th, 2020;
- no farm purchase operation included in the GEO List with a Blocked result was evidenced, therefore, no purchase operation analyzed presented any irregularity regarding the deforestation criteria (PRODES) and/or overlapping with protected areas (Indigenous Lands and/or Units of Environmental Conservation);
- seventeen purchase operations of production units present in the IBAMA List were evidenced, however, according to evidence presented by JBS, the purchases were registered on dates prior to the date of inclusion of producers in the List of Embargoed Areas by IBAMA.

Therefore, no purchase of cattle was identified that did not comply with the criteria of the IBAMA List.

The traceability of JBS from its direct suppliers is guaranteed through the Animal Transit Guide ("*Guia de Trânsito Animal*" - GTA), which is mandatory for the purchase of cattle and verified by the SIIF/MAPA of each JBS unit.

For the traceability of indirect suppliers, in September 2020, JBS announced a commitment to monitor its indirect suppliers until 2025. In March 2021, the company launched the "Transparent Livestock Platform", using blockchain technology, which will make it possible to extend social and environmental monitoring to suppliers of its cattle suppliers. As informed by JBS, by the end of 2025, the company must ensure that all its suppliers have adhered to the program, a period in which the condition will no longer be mandatory for the commercialization of animals. All suppliers must be registered on the Platform, be monitored and adhere to JBS' Responsible Purchasing Policy, both direct and indirect suppliers.

Step 3 – Test the blocking system of non-compliant suppliers

According to the Term of Reference for Audits, random purchases were simulated for the meat processing units in Água Boa/MT for 30 supplier farms, as follows: 10 farms linked to CPF/CNPJ on the IBAMA List, 10 farms linked to CPF/CNPJ on the slave labor list and 10 farms blocked by the Geo List. This sampling aims at verifying whether there would be a possibility for the purchasing system to generate purchases from suppliers that are blocked in the reference lists (deforestation, indigenous lands, environmental conservation units, IBAMA, and Slave Labor lists).

Conclusion: in all simulations carried out by the purchasing system (ERP), the purchase of cattle was not allowed, presenting the automatic blocking that makes it impossible to record the purchase order.

Stage 2 – Outsourced geo-monitoring company

Step 1: Verification of procedures

The verification took place on November 26th, 2021 with the company Agrottools, which performs geospatial analyzes for JBS, and the processes for obtaining this data were presented. It was verified that the hired company is duly qualified to carry out the activities. The following were presented:

1. ART registration (“*Anotação de Responsabilidade Técnica*” or Technical Responsibility Note) referring to the activities performed;
2. Corporate and Branch CNPJ Card;
3. Project documentation containing the scope of activities, operational plan, and technical description regarding the procedures for accessing, processing, and using the databases referring to the criteria used in the social and environmental analyses.

Step 2: Monitoring simulation

The monitoring company, Agrottools, responsible for generating the Geo list, receives data from JBS and performs data validation. In case of any inconsistency between the data, Agrottools forwards this inconsistency to JBS until the data are adequate. The property is registered in the system and the GeoID, geographic identity of the property, is generated.

Next, the geometry is analyzed against the defined socio-environmental criteria, reporting overlapping when applicable. The maps of supplier farms are provided by suppliers and based on official documents (CAR, property registration, etc.), which are monitorable, reportable, and verifiable, and Agrotools carefully evaluates the information received before analyzing the geometry, certifying that information is actually from the supplier farm linked to the digital map. JBS supplier farms were randomly selected from the Geo List, covering both blocked and approved suppliers, to assess the functioning of the monitoring system for deforestation (10 properties), invasion of Environmental Conservation Units (10 properties) and invasion of Indigenous Lands (10 properties), totaling the simulation of 30 supplier farms. The results were satisfactory with the status of each adherence property in the Geo List.

3.3 – Step 3 – Assessment of land and environmental regularization documents

The assessments related to the land and environmental regularity of the supplier farms were based on verification of the various related documentation, such as CAR or LAR and CCIR, which are obtained through a presentation by the supplier and validated by JBS's Sustainability department.

The LAR (“*Licença Ambiental Rural*” or Rural Environmental License) of the supplier farms still demands adequate regulation by the official bodies and instruments that allow its application in several Brazilian states. In the case of the State of Para, there is an exception, which developed new regulations and an integrated system that allows producers to regularize themselves in relation to the property's rural environmental license, and where the presentation of the LAR for properties equal to or greater than 3,000 hectares is mandatory for all JBS supplier registrations in the State. For the CAR (“*Cadastro Ambiental Rural*” or Rural Environmental Registry) in accordance with the new Forest Code (Law No. 12.651 dated May 25th, 2012), all producers must enroll in the Rural Environmental Registry, the term is indefinite according to Federal Law 13.887/2019. Were selected 25 properties for CAR verification; all of them have the CAR registration, however, for LAR and CCIR, it was verified that some properties do not present the documents. As the responsibility for maintaining this document is not exclusive to JBS, except in cases which the advances have not been carried out due to the exclusive fault of the competent environmental agency, a point of continuous improvement in this matter is indicated. The regulation of LAR (Rural Environmental License) lacks in several Brazilian states, due to regional differences and

impracticable legislation in their respective spheres.

VI) Audit process results

According to the sample of 6.276 cattle purchase operations, no supplier purchase operation referring to the list of embargoed areas by IBAMA, no purchase operation that was irregular in relation to the Slave Labor list and no purchase operation supplier from the Geomonitoring blocked list (deforestation and invasion of indigenous lands and/or environmental conservation units) was identified.

Regarding the monitoring of indirect suppliers, JBS still does not have a system in place to manage all indirect suppliers in the livestock chain. The company has a public commitment to reach the goal by 2025 and a free online platform available to its suppliers.

1. Access to information

The analyzed documents are described in Table 1.

2. Non-compliance

Regarding the monitoring of indirect suppliers, JBS still does not have a system in place to manage all indirect suppliers in the livestock chain.

VII) Audit Limitations

There were no limitations during the audit.

The audit took place with weekly meetings held every Friday with the presence of the audit team and JBS managers in compliance with the Term of Reference for Third Party Audits.

VIII) Conclusions

Based on the verification carried out, meetings, analyzed documentation and findings described in this report, we are able to conclude from this assessment in relation to JBS' adherence to the "Public Commitment to Livestock" that:

1. From the sample of 6,276 cattle purchase operations carried out by JBS, originating from supplier farms located in the Amazon Biome, in the period from January 1st to December 31st, 2020:

1.1 No irregularities were identified in relation to the IBAMA List.

1.2 No irregularities were identified for the MTE List criterion.

1.3 No irregularities were identified for the GEO List criteria (deforestation and invasion of indigenous lands and environmental conservation units).

1.4 No irregularities were identified for the criteria of invasion of protected areas (Indigenous Lands and Environmental Conservation Units).

1.5 The company does not have a management system for all indirect suppliers.

2. Documentary control in the receipt of cattle for slaughter in the meat processing units, through the Animal Transit Guide (“*Guia de Trânsito Animal*” - GTA), with precise information, without which there is no release to receive animals from the supplier. Thus ensuring 100% traceability of cattle slaughtered from direct suppliers.

Local: São Paulo

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Appendix 1 - Tables
Table 1. Total Purchases and Sampling

1. Total Purchases and Sampling	
Total purchases of raw material originating from the Amazon Biome made by JBS from January 1 st to December 31 st , 2020.	Total purchases sampled to carry out the analyzes presented
62,736	6,276

Table 2. Non-compliances found during the audit period

2. Non-compliances (base year 2020)			
	Total non-compliances	% of non-compliances in relation to the total purchase of the base	% of non-compliances in relation to total sampled purchases
Purchases of raw material originating from properties in which deforestation after Oct/2009 was identified.	0	0	0
Purchases of raw materials from properties with overlapping Indigenous Lands	0	0	0
Properties blocked by presence in UC	0	0	0
Properties blocked by presence on the MTE List	0	0	0
Properties blocked by presence on the IBAMA List	0	0	0
Properties blocked by other criteria provided for in the commitment not described above (specify)	0	0	0

Table 3. Blocking test results

3. Blocking test			
	Total Number of Tests	Compliant	Non-Compliant
IBAMA	10	10	0
MTE	10	10	0
GEO (PRODES, DETER, TI and UC)	10	10	0