

**Global Witness**

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Minerva Foods is the South American leader in beef exports and operates in the processed foods segment, selling its products to over 100 countries. Present in Brazil, Argentina, Chile, Colombia, Paraguay and Uruguay, Minerva Foods operates 25 slaughter and deboning plants and 3 processing plants.

We are committed with Agribusiness and proud of producing and distributing beef, financially backing and consolidating sales channels for South American producers, in order to provide high quality and safety food for our consumers.

Climate change and human rights are essential components in the implementation of our business plan, expressed on public agreements and sectorial engagement. Minerva is signatory of important agreements for supply chain management and human rights in South America, e.g., Public Ministry Agreement for illegal deforestation in the Amazon biome, Greenpeace beef moratorium<sup>1</sup> and Brazilian National Pact for the eradication of slave labor. Also, as a company listed in the Brazilian stock market, the obligatory Reference Form (“*Formulário de Referência*”), available on our [IR website](#), describes in details the major risks to our long-term viability, which include sanitary, climate, social, environmental and economic risks.

Regarding Global Witness letter, we proudly reinforce our commitment to manage and mitigate risks on our operation, such as climate change, deforestation, land use degradation, land tenure, greenhouse gas emissions, and universal human rights.

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<sup>1</sup> Despite Greenpeace having stepped out of the Moratorium in 2017, Minerva continues monitoring its supply chain ensuring that the same rules are followed as if the Moratorium was still in force, including publishing a third-party audit report.

## **Climate change/unsustainable deforestation/land use degradation/land tenure**

The year of 2009 was a milestone for Brazilian cattle ranching and beef industry, when the Brazilian Federal Public Ministry (“MPF”) and Greenpeace disclosed an investigation connecting illegal deforestation in the Amazon with industries and international retailers (not including Minerva). Since then, Minerva Foods created one of the biggest supply chain monitoring system in the world, driving sustainability on the Brazilian cattle supply chain. By adopting strict criteria, all cattle purchases are only made after checking the origin, in compliance with the requirements stipulated under the social, environmental and labor aspects (please refer to Chart 1 for a graphic illustration). This requires that all cattle purchases have to be preceded by consultations on the supplier for environmental and labor compliance, as follows:

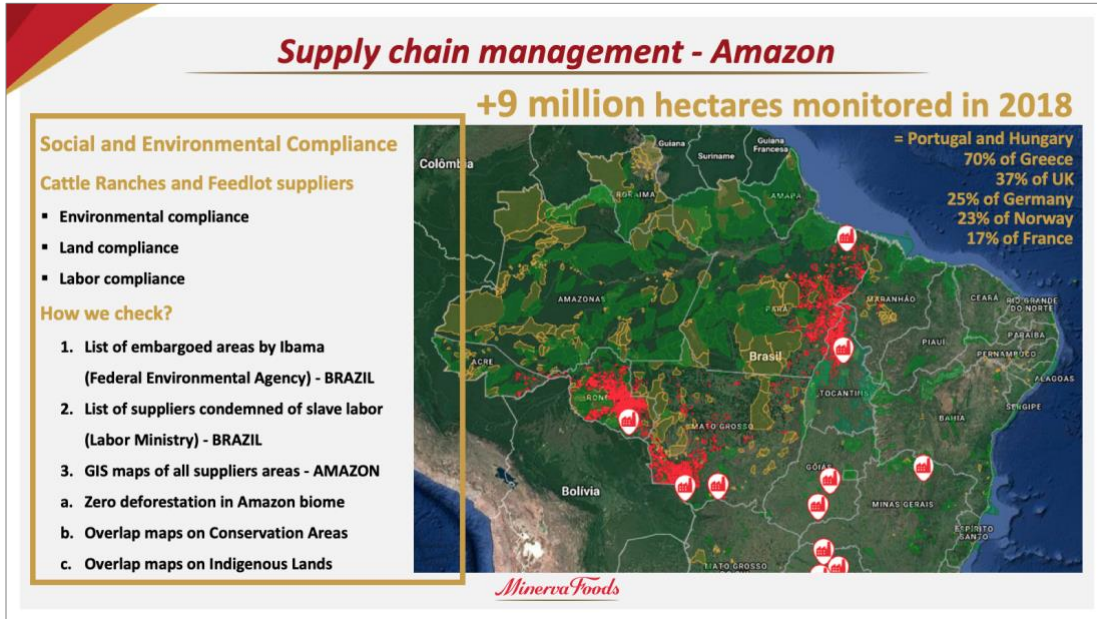
1. Environmental compliance – under Environmental Ministry [embargoed areas list](#) verification;
2. Labor compliance – under Labor Ministry [forced labor list](#) verification;
3. Land compliance/land tenure – verification of the CAR (“*Cadastro Ambiental Rural*”, the environmental rural land register) and other land tenure documents.

For **100% of its mapped suppliers** located in the Amazon biome, Minerva also undertakes one additional verification, as agreed with the MPF and Greenpeace:

4. Amazon biome requirements (in place since 2009) – zero deforestation (legal or illegal), no production in indigenous land and/or protected areas. This is accomplished by overlapping the suppliers’ ranch maps with deforestation polygons, Indigenous Lands and Environmental Protection Areas. The sustainability department blocks any suppliers that are not compliant with any of the criteria, which effectively means that Minerva can’t buy any animals coming from these suppliers.

**Minerva strongly believes that this day-to-day operation gives a good assurance that the Company’s products are neither associated with child/forced labor and embargoed areas nor with deforested areas in the Amazon biome, encroachment on Indigenous Lands, Conservations Units and Environmental Protection Areas.** Minerva’s supply chain management system is yearly audited by a third-party company since 2015, and all reports are publicly available on <https://portal.minervafoods.com/en/sustainability>.

Chart 1. Brazilian Amazon biome supply chain monitoring system.



Global Witness state in the letter that, according to Imazon’s report, Minerva’s slaughterhouses are exposed to approximately 1 million hectares of risky areas. To be clear, this does not mean that Minerva purchases animals produced in these recently deforested areas. **Minerva Foods monitors, since 2009, more than 7,000 suppliers in the Amazon Biome, comprising a total area of over 9 million hectares. This monitoring system resulted in the actual blocking of more than 2,000 providers that didn’t comply with one or more of the criteria mentioned above and from which Minerva can’t buy anymore as per the agreement (this is illustrated in Chart 2 below).**

Chart 2. Minerva Foods supply monitoring system statistics.



Monitoring indirect suppliers is, as correctly pointed out, not done today and very challenging (the Imazon report mentions an initiative of a request for information from the suppliers, which is, from Minerva's point of view, ineffective and as mentioned in the report unfortunately impossible to audit). For that to be done, government intervention is required. The MPF is very active on monitoring all farmers (which include the meatpackers' indirect suppliers) and their "CAR" compliance, which partially mitigates the risk. In the state of Para, for instance, there is already a resolution being implemented by the MPF to link the "GTA" (transportation document) with the "CAR" (land register), which would in Minerva's opinion, increase the assurance of the supply chain traceability. There are unfortunately no reliable statistics on the cattle supply chain to determine the number of indirect suppliers. It must be pointed out, however, that many suppliers have integrated operations (breeding, cow-calf and fattening).

It is important to highlight that the three largest meatpackers represent only 30-35% of all the cattle purchases in the country, and only these three meatpackers are signatories of the Moratorium and thus formally required to enforce the zero deforestation criterium. Suppliers that are not in compliance with the local law, that have deforested after the agreed cutoff date or that buy from indirect suppliers that have recently deforested can provide animals to other meatpackers without any hassle. Although not a guarantee, it is very likely that the supply chain of the three largest meatpackers is in its majority composed by animals that comply with the deforestation cutoff dates since birth, as only the best suppliers can meet these meatpackers standards.

The institutional environment has improved considerably since 2009 when the Beef Moratorium was signed by the three largest meatpackers and Greenpeace: at that time there was no public data on suppliers, no "CAR", no slave labor list and no embargoed areas list.

**Furthermore, Minerva Foods is among the companies with the best performance according to the Public Ministry audit reports, available on their [official website](#). In recent articles from recognized NGOs ([EarthSight](#) and [O Eco](#)) Minerva's performance was recognized when compared to other players, as mentioned below:**

*"The audit, devised under the Meat TAC agreement and published in 2018, said 'meatpacker A' was one of the worst performing meatpackers in the state during 2016.*

*It showed that the firm had bought over 118 thousand heads of cattle – or 19 percent of its total purchases in Pará – presenting some form of irregularity, including purchases from farms which didn't have the mandatory Rural Environmental Cadastre (CAR) document needed to sell to slaughterhouses. **Minerva, one of 'meatpacker A' main competitors, showed 0.1 percent of irregularities.** Most shockingly, 14 percent of the [total cattle purchased by 'meatpacker A' in Pará](#) that year were found to have come from illegally deforested areas."*

Additionally, Minerva Foods is internationally recognized for its premium and quality beef. In order to provide these attributes to our consumers, it is indispensable to have premium and quality genetics for breeding, premium and quality animal diet, premium and quality animal handling. Providers that delivers those attributes have extremely high standards for cattle ranching to be profitable. Around 70-80% of Minerva's procurement are done with 20% of loyal partners. Ranchers that brings to us the best quality animals to export to over 100 countries, with different protocols on gender, age, fattening stage, diet and breed, are often full cycle ranchers – with breeding, cow-calf and fattening stages. Also, those beef producers are in full compliance with labor and environmental laws, in order to be export providers and have profitable operations. There is no space to be immature in the beef business, either you are profitable, or you leave the business and lease your land to professionals.

Minerva Foods is working closely with the joint working group on suppliers since 2015, an effort led by NGO Amigos da Terra, funded by NORAD and Moore Foundation, in which include NWF, WWF, TNC, major industries and international retailers. Also, an evaluation over VISIPEC, a visualization tool developed by the University of Wisconsin-Madison in partnership with National Wildlife Federation NWF, is under consideration. Unfortunately, the functional version of this tool is a beta-version with very low assertiveness, according to developers.

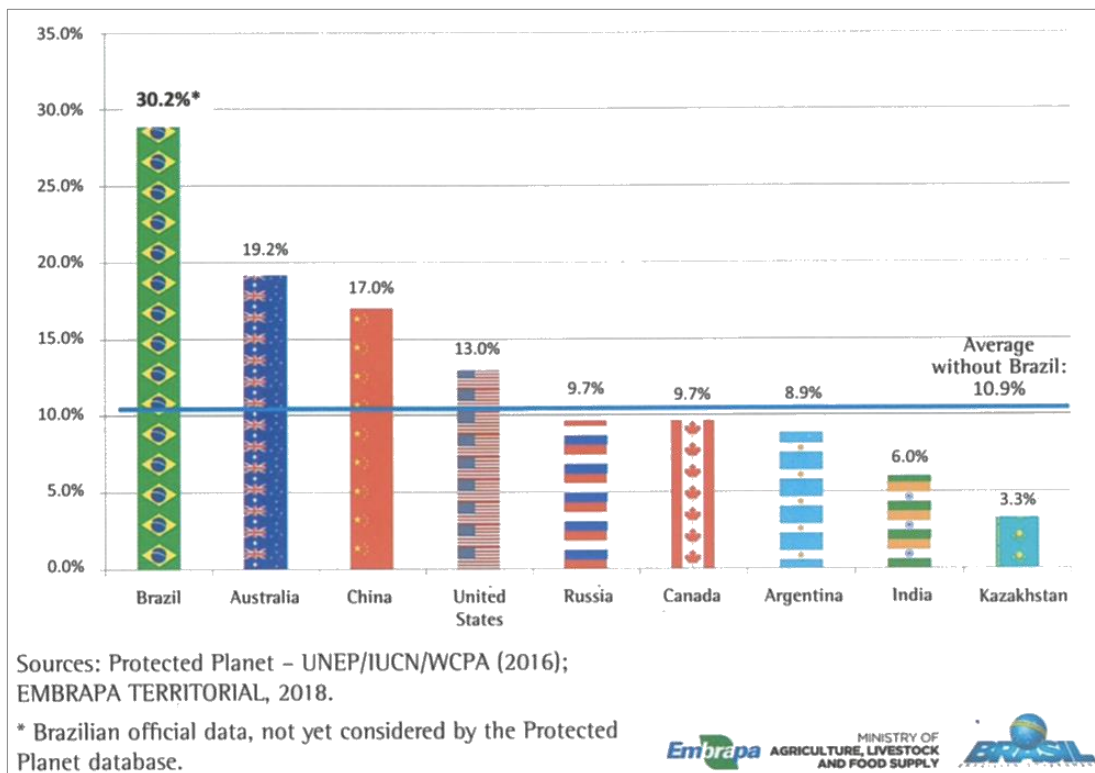
Moreover, all Company operations – processing, packaging, storage, distribution, publicity, product labeling and food safety standards – are subject to extensive regulation and supervision by the Ministry of Agriculture and by local and foreign authorities.

### **Brazilian land use**

It is important to highlight some Brazilian land use statistics to uncover common bias. Cattle ranching is commonly addressed as the leading driver for illegal deforestation, when in fact, the main driver is land speculation and timber illegal exploitation. South American countries still have a great percentage of forest and uncleared lands that can be legally and sustainably explored. Some countries rely on the necessity to expand their production areas in order to grow and invest in public health, public education and infrastructure, for example.

No country has dedicated more territory to the protection of native vegetation and biodiversity than Brazil. The fifth largest nation in the world in terms of territorial extension, Brazil ranks first in protected areas according to United Nations Environment Program – UNEP.

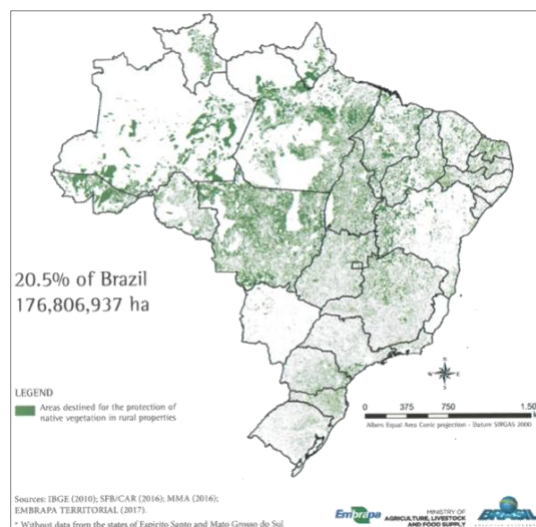
Graph 1. Protected land areas in countries with more than 2.5 million km<sup>2</sup> (%).



Source: Protected Planet – UNEP/IUCN/WCPA (2016), Embrapa territorial.

Figure 2. Areas destined for native vegetation protection in rural properties.

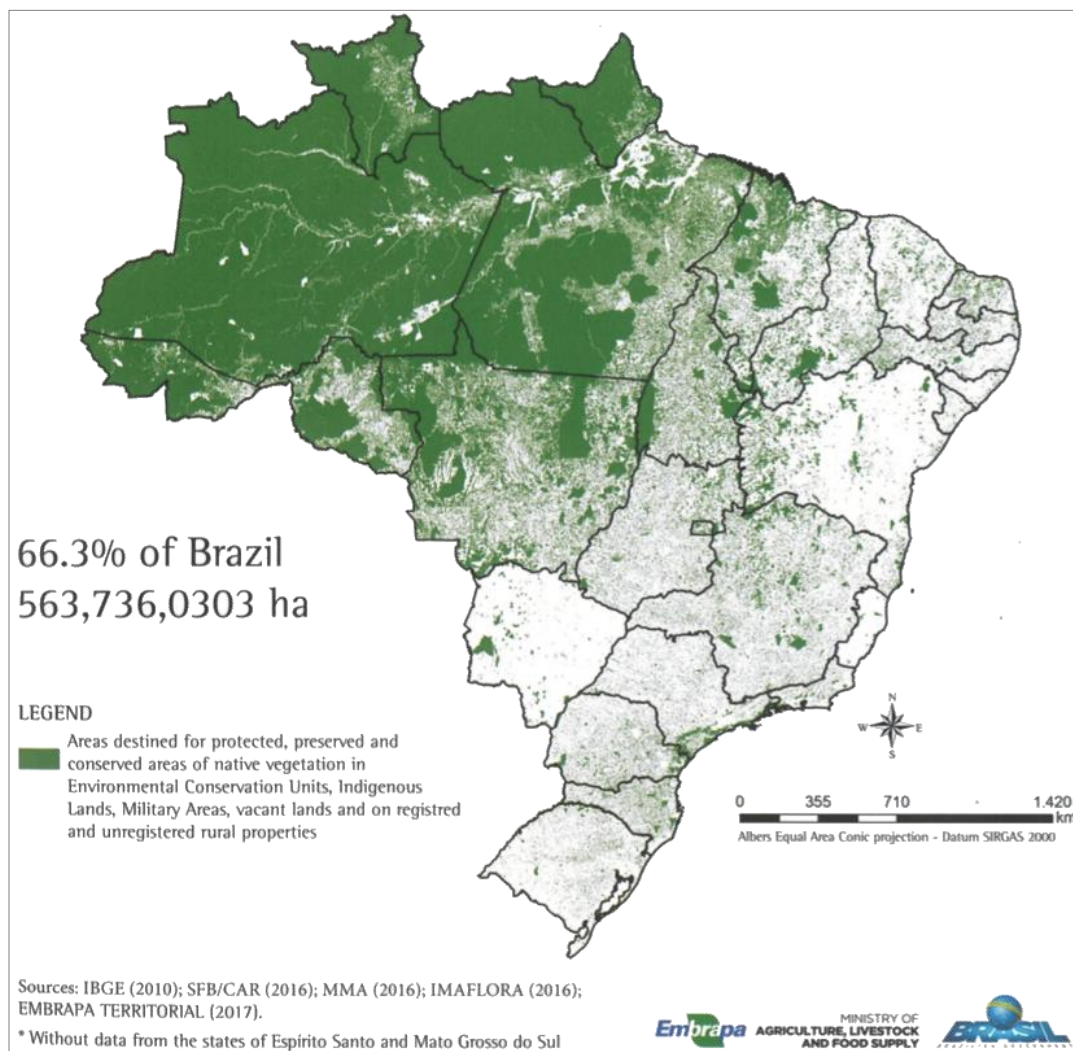
In addition to protection areas, in which includes environmental conservation areas and Indigenous Lands, Brazil have a huge amount of preserved vegetation areas inside rural properties, in compliance with legal requirements – Forest Code. **Brazilian producers as a whole have destined more than 176 million hectares for the preservation and biodiversity (figure 2). No other country devotes so much of its territory (20,5%) to the preservation of native vegetation inside private rural properties<sup>2</sup>.**



Source: Embrapa Territorial, 2018.

<sup>2</sup> Shades of green: sustainable agriculture in Brazil. Evaristo de Miranda. São Paulo, 2018.

Figure 3. Total protected, preserved and conserved native vegetations in Environmental Conservation Units, Indigenous Lands, Military Areas, vacant lands and rural properties.



Source: Embrapa Territorial, 2018.

**With over 65% of its territory preserved (figure 3), Brazil is the biggest producer of sugar, coffee and orange juice, second biggest producer of soy, poultry and beef, and third biggest producer of corn. All of this production still protects the native vegetation with fair and limited payment for environmental services<sup>3</sup>. When it comes to export, Brazil leads the pack in beef, poultry, soybeans, coffee, sugar, orange juice and ethanol.**

The success of Brazil's agribusiness sector has often be attributed to rampant government support and deforestation of the Amazon, this couldn't be further from the truth: historically, state support for agriculture in Brazil has ranged from 5-7% of total farm income, compared with 10-12% in the

<sup>3</sup> Shades of green: sustainable agriculture in Brazil. Evaristo de Miranda. São Paulo, 2018.

US, 25-30% in the EU, and a 25-26% average in OECD countries; and with core agricultural growth taking place 1,000 km from the rainforest, the Amazon has been left relatively untouched<sup>4</sup>.

Scientific and technological breakthroughs have also contributed to this success. EMBRAPA (Brazilian Agricultural Research Corp), established in 1973 by the government, is the largest tropical agriculture research institute in the world and has developed hundreds of innovations for Brazilian farmers. But perhaps its single most important contribution was the epic transformation of Brazil's semi-arid Cerrado region from unfarmable land to the world's new breadbasket. This involved the mass application of lime and the breeding of rhizobium bacteria to reduce soil acidity and fix nitrogen. EMBRAPA has also taken a lead in biotechnology by genetically improving brachiaria grass and the soybean plant, making both highly suitable to the semi-arid region. Together this enabled the region's large-scale livestock and grain production operations today<sup>5</sup>.

## **Minerva Foods Transparency**

Learn more about our operation, supply chain audit reports and CSR on Minerva's website and on Sustainability Report, yearly published.

Find out at <https://portal.minervafoods.com/en/sustainability>.

For IR's information, take a look at our [investor's website](#).

Thank you for considering this letter and our disclosure on such important issues for Minerva Foods and our shareholders. We reinforce our commitment with sustainability, expressed in our Mission "to be a global provider of quality food with social, economic and environmental responsibility".

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<sup>4</sup> Brazil Agtech Market Map. Francisco Jardim. São Paulo, 2018.

<sup>5</sup> Brazil Agtech Market Map. Francisco Jardim. São Paulo, 2018.