

SUSTAINABILITY PROGRESS REPORT 2020

Dear Reader:


Welcome to our Sustainability Progress Report, which we publish every year, highlighting for you the advances we have made in sustainable practices in our operations.

The current document is a kind of preview of the content we will be presenting in our Annual Sustainability Report, which will be delivered by April. While we continue work on the main report, we feel it makes sense to present, for your perusal, the main lines of the challenges faced and the results obtained in 2020 when it comes to our sustainability strategy. We have a commitment to remain accountable to our many valuable publics when it comes to the frequent delivery of transparent and timely information. The current document is a testament to that principle.

In the event you want more information about any of the subjects covered in the current report, or if you have any comments or suggestions, do not hesitate to contact us via email sustentabilidade@marfrig.com.br or by phone at (55 11) 4593-7400.

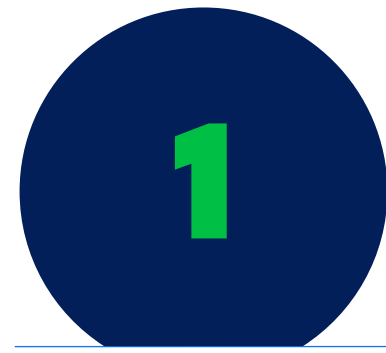
Enjoy!



This is an interactive document. Click on the content and then on the upper menu  to navigate the Report and the links throughout the text to obtain more information about the topics discussed.

SUMMARY

1. A message from Management
2. Our Sustainability Journey
3. Our Commitment to Sustainability
4. Sustainability Platform: Advances in 2020
 - Origin Control
 - Animal Welfare
 - Gas Emissions and the Greenhouse Effect
 - Natural Resources
 - Effluents and Waste
 - Social Responsibility
5. Perspectives



Message from Management

Marcos Molina

President of the Administrative Council

The coronavirus pandemic and the challenges faced by all in its wake made 2020 into a year for the history books. For us, dedicated to the essential service of food production, it became necessary to review and re-order our decisions and priorities in ways that would enhance the health and safety of all those who work with us while also maintaining the continuity of our businesses. Even while reviewing and altering many of our routines, we made certain that, in our planning and in all of the relationships stemming from that planning, we would not allow any change or impact to the principle of sustainability. On the contrary, we obtained significant advances and notched important achievements.

Indeed, in 2020 the principle gained even more traction, especially in relation to questions involving the environment and motivated, in great part, precisely by the uncertainties unleashed by the pandemic. Society in general, and investors in particular, have come to value more than ever those companies which favor sustainability as a high priority and which highlight the good practices associated with achieving sustainability. This, of course, creates new challenges for us all; in our case, we were prepared to respond to those challenges with the necessary celerity. Throughout our history, we have always been pioneers when it comes to the need for action in this field. For example, we were the first company in the industry to create geo-referencing and geo-monitoring models via satellite and to incorporate them into our supply chains.

In 2020, we reinforced our vocation for sustainability. We were the first company in the industry to make a public commitment to fight against de-forestation throughout our entire value chain.

With producers and civil society organizations as partners, we bring clear objectives to the battle such that, by 2030, all of our suppliers, both direct and indirect, operating in the Amazon and the Brazilian Savanna biomes will promote, through their own regular practices, rainforest preservation and biodiversity.

Parallel to this, we have perfected our own management practices aimed at fostering sustainability. These initiatives are supported by six pillars, focusing on the points which, to us, are the most critical in our strategy: origin control, control of carbon emissions, animal welfare, efficient use of natural resources (water and energy), management of effluents, and social responsibility. These topics have been bundled together into a single administrative area dedicated exclusively to the theme of Sustainability, an area which, in turn, has adopted a management model enabling it to monitor all of the necessary variables as well as company performance in relation to best practices. The model is highly structured, allowing managers to define the scope of such practices, the desired results, and a series of Key Performance Indicators (KPI). Based on these evaluations, it is possible to develop concrete policies and assure concrete results.

We would highlight, in addition, the fact that these actions have made

it possible for us to offer better products to our clients and to final consumers. In partnership with Embrapa, for example, we launched the new CCN (Viva Carne Carbon Neutral Beef) brand, based on sustainable production models in which animals are bred in forest-like pastorage systems allowing for neutralization of methane emissions.

In the following pages, we will bring together some of the advances and achievements registered in 2020 when it comes to best practices for sustainability in our operations, initiatives that have allowed us to obtain critically important recognition. One that we should highlight is the highest ranking for any bovine protein company in the Collier FAIRR Protein Producer Index, an evaluation of companies in the animal protein field based on criteria including environmental, social and corporate governance elements as developed by international investors. We also became part of the ISE Corporate Sustainability Index of Brazil's B3 Financial Exchanges. To see our actions recognized through these indices, which include many other companies with their own commitments to sustainability, is the source of great pride for us. These achievements can be added to the many others you will find in these pages.

Despite the sad news which marked virtually every day in 2020, it is with enormous satisfaction that we can report substantial positive advances. We know there are still many pressing challenges, but we will continue on this path, perfecting even more our practices aimed at sustainability.

Our sustainability journey

Highlights and Achievements from 2020

Marfrig Green+

A pioneering program for the industry in the fight against deforestation in the Amazon and in the Brazilian Savanna biomes. Through this initiative, we hope to guarantee that 100% of our supply chain is sustainable and free of deforestation by 2030.

Best Bovine Protein Company at FAIRR

We achieved the highest ranking of any bovine protein company in the Collier FAIRR Protein Producer Index: overall, we placed fourth in the index, six positions higher than in 2019. The FAIRR index is an initiative that brings together investors worldwide to evaluate companies from many different countries in terms of their protein production and in light of criteria for environmental protection, social responsibility, and corporate governance.

Corporate Sustainability Index (ISE)

We were incorporated into the 16th portfolio of the B3 (Brazilian Financial Exchanges) ISE Corporate Sustainability Index. The index is a benchmark for good practices related to sustainability and includes companies that have adopted practices aimed at sustainable growth.

Carbon Efficiency Index

We became part of the B3 (Brazilian Financial Exchanges) Carbon Efficiency Index (ICO2), a portfolio that includes companies that have adopted measures to minimize emissions of greenhouse gases in their operations.

CDP A-List

Our management of water resources received an A grade from CDP, a global non-profit organization which encourages companies and governments to reduce greenhouse gas emissions, preserve water resources, and protect forests. Fewer than 10 Latin American companies have achieved this benchmark. In 2020, we also rose in the CDP rankings in relation to Climate Change, going from C to A-; and in Forestry (for cattle-based products) from B to A-.





Carbon Neutral Beef

In partnership with Embrapa, we launched the new Viva Carne Carbon Neutral Beef brand (CCN), based on a system of forest-like pastorage that neutralizes animal production of methane gas.

Science Based Targets

We are the first animal protein company in Brazil, and the first in Latin America, to become part of Science Based Targets, an initiative aimed at reducing greenhouse gas emissions as a way to limit global warming to only 2°C, in line with targets under the Paris Accord.

The Fight against Deforestation

We signed the Public Commitment originally put forward by CEBDS (The Brazilian Business Center for Sustainable Development), which has, as its objective, cooperation with the Amazon Council to combat illegal deforestation.

First Green CPR in Brazil

In partnership with Santander bank, we structured Brazil's first CPR (Green Agribusiness Rural Products Note), as part of a credit line to promote sustainable cattle breeding. Funds will be freed up based on criteria including origin tracking, social inclusion, zero deforestation, and transparency under the Marfrig Green+ Program.

Mitigation of Risks from Indirect Suppliers

We launched our Map for the Mitigation of Risks from Indirect Suppliers, a first for the industry. The initiative will allow for precise control over areas which ranch and breed cattle in Brazil with a view toward measuring social and environmental risks.

Global Compact

We became a signatory to the Global Compact under the aegis of the United Nations, an initiative aimed at encouraging companies to adopt policies that emphasize corporate and social responsibility and sustainable development.

Certification to produce organic beef under USDA protocols

Our Bataguassu (Mato Grosso do Sul) unit was certified to produce organic beef in accordance with protocols developed by the U.S. Department of Agriculture (USDA) and is now able to export its products to that country.

Publication of Auditing Report under the Amazon Public Commitment

Ours was the only company in the industry to publish such a document in 2020. It is the result of an independent audit designed to evaluate and guarantee that purchasing procedures utilized by the company meet criteria under the Public Commitment, including refusal to acquire cattle raised in deforested areas, indigenous reserves, or areas under embargo by IBAMA (Brazilian Institute for the Environment and Renewable Natural Resources), or from properties that employ child labor or workers in conditions similar to slavery. [Access.](#)



Our commitment to sustainability





We are keenly aware of the social and environmental impact of our cattle-raising activities. Consequently, good practices aimed at sustainability are followed not only in our daily operations but throughout the company. Sustainability is one of the pillars of our business strategy.

We aspire to be an **effective agent of change throughout our production chain**. We reinforced this principle in 2020 with the introduction of a **Public Commitment** to throw our entire supply chain into the battle for sustainability by incorporating, into all of our operations, priorities including the fight against deforestation, the development of origin tracing, and a renewed emphasis on transparency. [Access](#) the full document.

In line with the objective of providing positive guidance to all within the productive chain, we have extended, to our suppliers, all the know-how necessary for adoption of the same practices we employ in all our units. By means of rigid procedures aimed at guaranteeing responsible purchasing, among other measures, we seek to engage our suppliers in efforts to join the battle against deforestation and in favor of human rights, among other aims. All such efforts are aimed at furthering the same principle and are taken into account when it comes to making responsible investment decisions. Such decisions are based on the familiar triad of environmental protection, social awareness, and good corporate governance (ESG).

**WE ASPIRE TO BE AN EFFECTIVE AGENT
OF CHANGE THROUGHOUT OUR PRODUCTION CHAIN**

Social

We promote positive outcomes for the communities in which we operate, based on policies that respect human rights throughout the chain of production. We also promote constant development of new technologies and productive methods designed to transform the industry, based on transparency and engagement for all our stakeholders.

Environmental

We are working assiduously to promote production models that preserve the biome and promote biodiversity, guaranteeing a supply structure that in no way contributes to deforestation.

Corporate Governance

We have included all of the themes related to sustainability into our decision-making process. We can count on the assistance of a Sustainability Committee, formed entirely by outside experts specialized in the subject matter, and with the support of the Administrative Council.



By making sustainability one of the pillars of our strategy, we have also achieved a great number of advances for our overall operation and for our supply chain. As a result, we have been able to minimize the environmental impact of our activities, contributing positively to the communities in which we operate, and we have been able to deliver, to our clients and to consumers, products with substantial added value.

Origin control: management of raw material origins, based on criteria related to conservation of biomes and biodiversity, in addition to production chain best practices, including those related to working conditions; also encompasses rigid controls over quality and food safety using processes and procedures that closely monitor all standards related to anti-biotics, hormones, and controversial substances involving the raw material itself as well as the production chain.

MARFRIG SUSTAINABILITY PLATFORM

Practices aimed at sustainability can be divided into six strategic axes:

Animal welfare: respect for the principles that underlie this important value in line with recommendations for *World Animal Protection* and the most rigorous international norms governing humane slaughter.

Reduction of greenhouse gas emissions: continuous improvement in the efficiency of processes used to minimize the impact of our operations on climate change and for the adaptation of such processes to this new context.

Use of natural resources: conscientious consumption of water and energy in productive processes, in addition to use of alternative sources of energy from clean and renewable sources.

Management, treatment and disposal of effluents and wastes: responsible conduct when it comes to the treatment and disposal of these byproducts.

Social responsibility: engagement with suppliers when it comes to the practices to be used in relation to human rights, in addition to support for the development of new methods of production, technologies and initiatives designed to promote social inclusion and a positive impact on the localities in which we operate.





SDG Sustainability Platform

The strategies developed by our Sustainability Platform have resulted in many different actions designed to effectively contribute to the fulfilment of the 2030 Agenda, a United Nations initiative establishing 17 Sustainable Development Goals (SDG). Our own initiatives have contributed to realization of ten of the objectives:



2

ZERO HUNGER

3

GOOD HEALTH AND WELL-BEING

6

CLEAN WATER AND SANITATION

7

AFFORDABLE AND CLEAN ENERGY

8

DECENT WORK AND ECONOMIC GROWTH

12

RESPONSIBLE CONSUMPTION AND PRODUCTION

13

CLIMATE ACTION

15

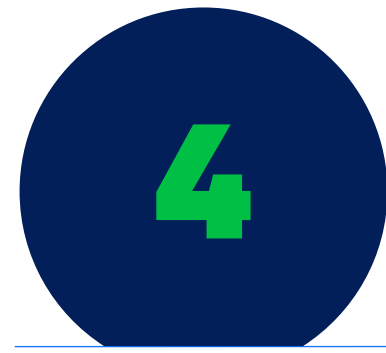
LIFE ON LAND

16

PEACE, JUSTICE AND STRONG INSTITUTIONS

17

PARTNERSHIPS FOR THE GOALS



Sustainability Platform: Advances in 2020



ORIGIN CONTROL

We took on an important commitment in 2020: 100% of our supply chain will be free of any taint of deforestation by 2030.

100% of our supply chain will be free of any taint of deforestation by 2030.

To reach this objective, we launched our **Marfrig Green+ Program**, a strategy based on three pillars:

Development of innovative financial mechanisms

Support and aid producers in gaining access to capital, chiefly small and mid-sized suppliers, as a way to combat deforestation. By obtaining capital and investing it in improvements to their holdings, such producers will be able to upgrade their operations and will, as a consequence, be less likely to encroach on virgin forests.

Structuring of new technologies and technical assistance

Engaging with producers on adoption of best practices is a constant part of our effort. To that end, we have provided a variety of incentives such as the Marfrig Club Program, which seeks to contribute to the sustainable development of rural properties and guarantee safer production methods with less impact on the environment. We have also instituted protocols for the production of Carbon Neutral Beef (launched in August 2020) and Low Carbon Beef, both developed in conjunction with the Brazilian Agricultural Research Corporate (Embrapa).

Mechanisms for monitoring and tracing

Identifying areas which are vulnerable to deforestation implies the need to use innovative approaches and technologies, including monitoring of rural properties by geo-referencing satellites, use of blockchain systems and risk maps. We are also adopting a system to monitor indirect suppliers, one of the most basic challenges currently faced by our industry.



In 2020, we took an active part in debates over sustainability with Marfrig, whose actions are proving quite robust and which are developing rapidly. We want to stay close to a company which puts value on corporate responsibility and which opposes the opening of new forested areas and the financing, by agribusiness, of deforestation, seeking to eliminate it entirely from the supply chain."

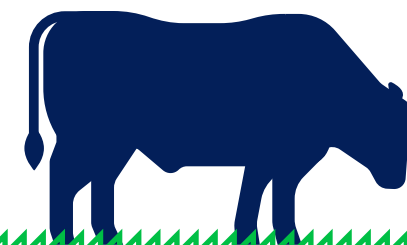
Thais Fontes, Sustainability Manager of Rabobank Brazil

Through Marfrig Green+, we have established clear targets designed to preserve and sustain biodiversity in Brazil, especially in the Amazon and Brazilian Savanna biomes:

What we achieved in 2020

- We adapted a system for geo-monitoring via satellite, already in use in the Amazon region, for the Brazilian Savanna biome. **We brought forward the delivery of this new mechanism, originally scheduled for 2021.**
- We developed a marketing/financial model based on integration with cattle suppliers in the Amazon, establishing **partnerships with financial institutions.**
- We created production **models based on low-carbon technologies** in cattle-raising (Carbon Neutral Beef and Low Carbon Beef, in partnership with Embrapa).
- We revised and updated the foundations and scope of the **Marfrig Club Protocol**, aligning it with the appropriate criteria under the aegis of ESG principles as developed by international investors.
- We completed work on a **risk-mitigation map** for the Amazon biome and began implementing it, covering indirect suppliers, and identifying areas vulnerable to deforestation. This tool will permit cross-referencing with various other maps such as those pinpointing cattle raising and native vegetation, making it possible to identify areas of greatest risk for suppression of biodiversity.
- We supported **technical assistance programs for indirect suppliers** as a way to intensify efforts at restoration and normalization of rural holdings in line with criteria developed by the IDH and in partnership with the Program for Sustainable Breeding of Calves.
- We provided mechanisms to improve profitability through **enhanced access to financial instruments for small-scale producers**, also under the aegis of IDH criteria and the Program for Sustainable Breeding of Calves.

We adopted, for our operations in the Amazon Region, **the unified protocol for cattle purchasing** (Protocol for the Monitoring of Amazon Cattle), based on methodology developed in conjunction with the Federal Prosecutor's Office. The advances in this area were accelerated from their original timetable for implementation in 2021.



By 2022

- Adaptation of all of our systems for supply-chain control and mitigation of risks.

Between 2022 and 2025

- Re-integration of previously blocked producers, making it possible for them to re-enter the supply chain based on fulfilment of the company's sustainability criteria.
- Execution of the program for a technical assistance network, which will address the need for accelerated restoration of value chains through improved management of pastures and genetics as well as animal nutrition.

By 2025

- Reach full tracking capability for the entire Marfrig supply chain in the Amazon.

By 2030

- Tracking capabilities for all suppliers located in the Brazilian Savanna and other biomes.

Marfrig Green+ is the result of a partnership with the IDH, a Dutch private-public institution dedicated to Sustainable Trade. To find out more about the program, including its action timetable, see [link](#).



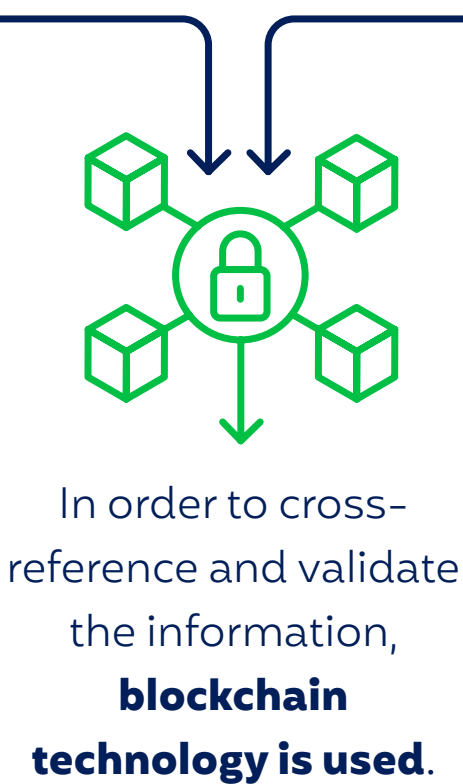
We have been following the progress of Marfrig for 15 years and we can safely say it is one of the most innovative companies we know. The constant search by top management for sustainable solutions brought us together in creation of Marfrig Green+. The plan is highly ambitious and makes Marfrig a leader in the new global agenda of socio-economic inclusion, the value of natural capital, and transparency in every relationship."

Daniela Mariuzzo, Executive Director of IDH Brasil

The Conecta Platform

In 2020, we personalized a tool which brings together satellite monitoring with blockchain technology to verify instances of deforestation, as well as other abuses under socio-environmental law, in the cattle-breeding supply chain. In line with the principle of inclusion, our **Conecta Platform** will be made available to all producers, independent of size. Initially, it will be adopted in the state of Mato Grosso, another pioneering benchmark in use of innovative technologies.

Cattle breeders, voluntarily, sign the sustainability protocol and supply the platform with data about their herds and holdings, using a mobile phone application.



Producer data is cross-referenced with the monitoring systems managed by slaughterhouses (via geo-referencing satellites which match up the information obtained with lists of producers cited for environmental and labor irregularities).



Advantages



Producers obtain a socio-environmental analysis of their own operations, as well as those of their suppliers, along with a summary of their respective production profiles (in accordance with information authorized by the producers themselves).

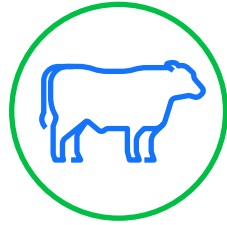
In this manner, producers obtain important information for their own business management purposes, while also avoiding "contamination" of the supply chain.



Slaughterhouses reinforce the transparency of their supply chains, enabling them to maintain the commitments they have undertaken.



Retailers and consumers can be assured that the beef available to them on the supermarket shelf is free of the taint of illegal deforestation and other socio-environmental irregularities.



ANIMAL WELFARE

We maintain our strong commitment to the production of foodstuffs that guarantee food security, a commitment that extends to a maximum of respect for animal welfare. Against this background, we took a number of steps throughout the year to strengthen the best practices already adopted in this regard. We initiated a wide ranging procedure for the mapping of suppliers in terms of animal origins; we signed a Public Commitment, defining management benchmarks and intensifying technical training for our own employees and those of our suppliers, among many other actions. All such initiatives were made with a view toward assuring that animals, at all stages of handling, beginning at the ranch and extending all the way to the slaughterhouse, are protected by the five Liberties guaranteed by the *Farm Animal Welfare Council*, an independent British body which is the reference point when it comes to this question.

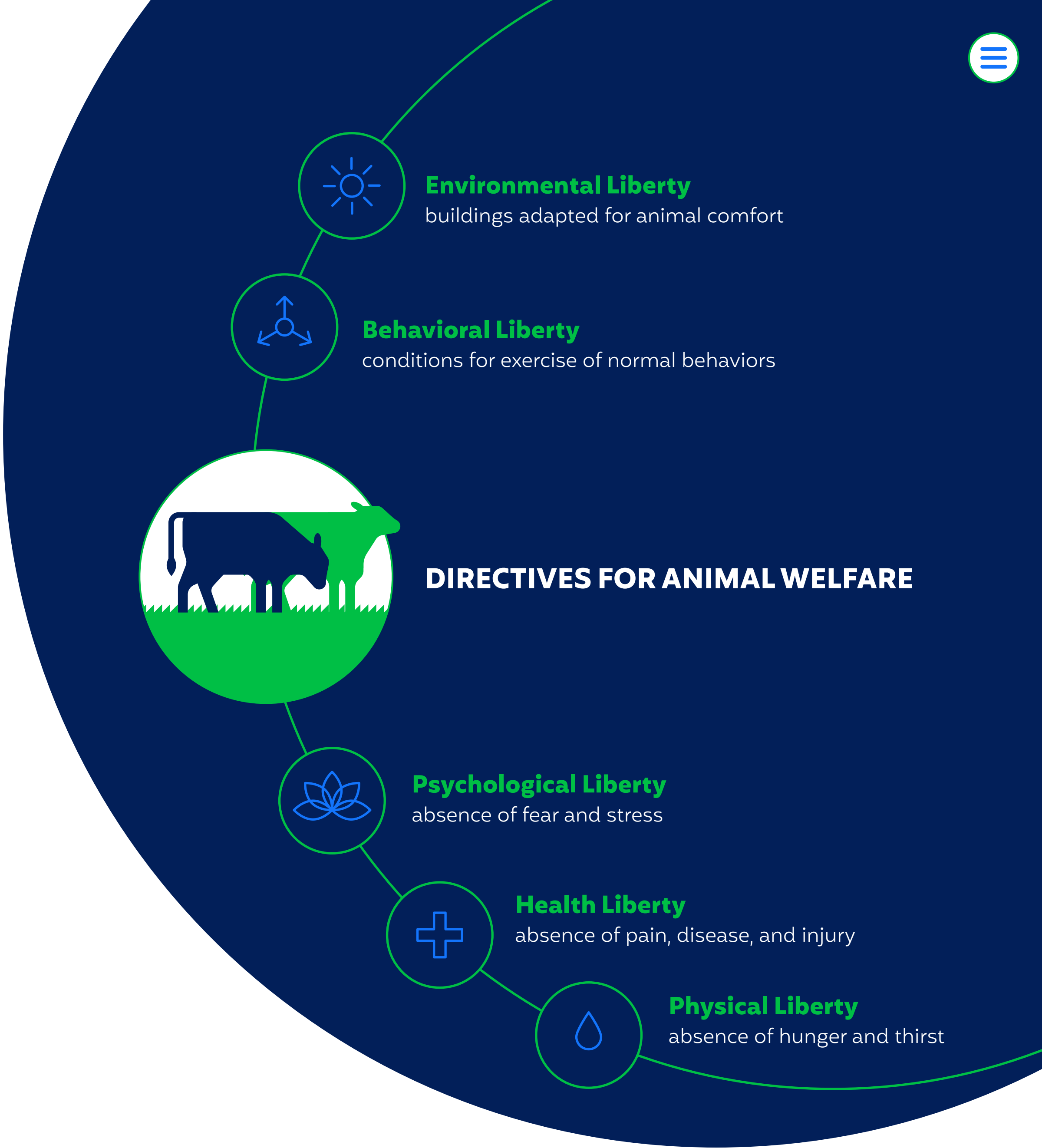
Directives for Animal Welfare

We have managed this issue based on internal rules and procedures developed in partnership with livestock breeders, transporters, and employees, all of whom pass through frequent audits. All directives, in addition, observe legal standards and applicable regulations in all of the markets in which our company has a presence; they also meet demands of clients located in a great variety of different countries. All of the main principles underpinning this vital issue are brought together in our Corporate Policy on Animal Welfare. Examine the document [here](#).



Marfrig has sought to adopt a more transparent approach to animal welfare and, for that reason, has worked closely with Compassion in World Farming to improve its public policies and train its team to constantly improve animal handling throughout the entire supply chain."

Rubia Soares, Foodstuffs
Manager of CIWF for Europe





KPI ANIMAL WELFARE TARGETS

In order to monitor and evaluate the evolution of our own best practices for animal welfare, with the objective of promoting constant improvement, we adopted a number of Key Performance Indicators (KPIs) in 2020, while, at the same time, establishing target dates for achieving established goals.

KPI animal welfare targets

Target Date	Target
Starting in 2020	At least 40 hours of training per year per unit.
	65% of cattle transported on routes equal to or less than eight hours.
By 2025	100% of slaughterhouse units (beef and sheep) audited based on NAMI Animal Welfare Standards.
	100% of ranches meet at least one animal welfare criterion under the Marfrig Club Program.

Annual Results

In 2020, we reached several of our goals ahead of schedule, sometimes by years, in addition to exceeding performance objectives in many areas during the period:

100% of Marfrig slaughterhouse units audited under standards set by the NAMI Protocol.

1.711 employees trained in best practices covering every aspect of animal handling from ranch to slaughterhouse.

239 training programs developed.

432 hours of training.

75% of animals transported via routes equal to or less than eight hours.

Engagement with the value chain

We kicked off a broad program of producer mapping, which brought us detailed information about animal inputs and origins. The approach is based on a questionnaire in which we solicit data regarding breeding conditions, environmental enrichment, training methods related to slaughter, and certification for animal welfare standards when it comes to all industrial procedures. These efforts at engagement with suppliers intensified significantly in 2020, especially with respect to supply chain mapping, and will extend into 2021. Our managers in every country in which we have a presence are also in contact with suppliers, promoting greater interaction with this key public while emphasizing our commitment when it comes to a critically important endeavor, the dissemination of animal welfare best practices throughout the supply chain.

Public Commitment

We took on a Public Commitment for animal welfare and we have applied it to management of our operations in Brazil.

Target Date	Target
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In Management

By 2024	Undertake third party audits of all public information relating to our company and animal welfare.
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In the value chain

By dec. of 2023	100% of cattle slaughter activities in Brazil undertaken in accordance with NAMI (North American Meat Institute) Standards.
By dec. of 2028	100% of all protein suppliers acting in accordance with NAMI Standards.

In relation to branded products based on other proteins (eggs and/or pork meat)

By dec. of 2025	Use only chicken eggs from systems free of cages.
By 2026	Use pork meat only from collective breeding systems (allowing, at most, 28 days in systems designed for individual breeding).
	Acquire pork meat only from systems that do not employ ear mutilation techniques.
	Adoption of chemical castration for animals, a technique that eliminates pain and suffering and which substitutes for surgical castration.
	Restrict purchases to systems that do not involve cutting of animal teeth. In extreme cases, when there is documented evidence of aggressive behavior among animals, the practice may be permitted.
By 2028	Use only pork meat from breeding systems that employ enriched environments (materials capable of being manipulated).

In marketing of products under other brand names

By 2028	Restrict marketing of products that contain eggs in their composition, limiting them to eggs from chickens in systems free from cages.
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There is a growing tendency among big companies to adopt practices that promote animal welfare, in this way meeting a rising clamor from consumers and from society as a whole. For this reason, we believe that a policy of constant monitoring of animals to ensure their wellbeing throughout the production cycle is a key tool for success in implementing improved practices when it comes to animal production."

José Ciocca, World Animal Protection HSA Campaign Manager



GREENHOUSE GAS EMISSIONS

We work to promote low carbon cattle raising. In this sense, we developed various initiatives, throughout 2020, to mitigate such effects and to adapt our routines to the needs imposed by climate change. Measures were adopted on two fronts: in our own operations and throughout the productive chain.

In our operations:

Monitoring. We upgraded monitoring of emissions in all of our operations. Since 2012, we have maintained annual inventories on direct emissions (Scope 1) and on indirect emissions from the electric power we consume (Scope 2). In 2020, we upgraded our system for measuring emissions to "Scope 3," which includes sources. In this category come indirect emissions such as those resulting from the purchase of raw materials from third parties as well as raw materials for animal feed. It also involves transport and distribution, residues from composting, and emissions from business travel undertaken by our employees, including commuting¹. The data are available on the CDP platform. Access it [here](#).

RISE IN CDP POINTS

Our ratings in all of the CDP categories rose. On Climate Change and Forestry, we reached A-.

Reduction targets. We have adopted clear targets for the reduction of emissions coming from our own operations, linked closely to economic incentives offered to our employees. To help manage the program, we have adopted the following benchmarks:

1. Percentage reached in reduction of greenhouse gas emissions (Scopes 1+2)
2. Greenhouse gas emissions at treatment centers for effluents (ETEs)
3. Percentage of electric power proven to be renewable
4. Percentage reached for reduction of greenhouse gas emissions (Scope 3)
5. Percentage of animals slaughtered from systems featuring low greenhouse gas emissions

Evaluation of scenarios. To help us adapt to the problems brought about by climate change, we developed a number of scenarios using the year 2040 as the baseline. The study will guide our Action Plan to minimize greenhouse gas emissions in line with the goals set by Science Based Targets (SBTs) methodology.

IN LINE WITH THE PARIS ACCORD

We were the first animal protein company in Brazil and the only bovine meat company in Latin America to make a commitment to Science Based Targets, an initiative establishing scientific goals for the reduction of greenhouse gas emissions with the objective of meeting the Paris Accord target of limiting global warming to no more than 2°C. Our Commitment is to reduce emissions, by 2035, to:

43% of Scope 1 and 2 emissions
35% of Scope 3 emissions



Marfrig has shown itself a leader in sustainability when it comes to deforestation, climate change and the transition to low-carbon production. It is a company committed to long-term strategies and goals, with an emphasis on transparency."

Rebeca Lima, Senior Manager for Supply Chain Companies, CDP Latin America

¹ Benchmark for employees using transportation made available by Marfrig. The use of private vehicles by employees is not considered.

Production Chain:

Low carbon cattle raising. We developed, in partnership with Embrapa, a number of highly “relevant” products, the result of sustainable cattle-raising practices, with an emphasis on low carbon and carbon neutral methods. These products are being marketed under the brand name Viva! and feature cuts of beef using techniques taken from Integrated Cattle Ranching (ILP) and Integrated Forest and Ranch Cattle Raising (ILPF).

Promotion of practices aimed at cattle-raising sustainability. These include:

- **Good management** of procedures related to the Management of Pastures, Animal Feeding, and Waste Management via the Marfrig Club. Find out more [here](#).
- **Adaptation to climate change needs**, adjusting animal breeding to favor those breeds which are most resistant to higher temperatures while, at the same time, adopting techniques that assure better comfort for animals at existing properties (including an increase in shaded areas and maintenance of green areas with trees, with adequate access for animals).

Tracing. We are participants in the Beef Tracing Task Force, a group led by the Brazilian Coalition for Climate, Forests, and Agriculture, which, in 2020, commissioned a study concerning tracing within the beef production cycle. The results will serve as the basis for an action agenda among Task Force participants, which include, in addition to our company and the CBC, the Brazilian Industrial Exporters Association (Abiec), the Brazilian Agribusiness Association (Abag), as well as other institutions and companies. Find more information [here](#).



From 2013 to 2016, with the support of Marfrig and other partners, we were able to undertake, in São Félix do Xingu (PA), a pilot project for the tracing of beef to its origins. We can now bear witness, with enthusiasm, to the continuity of this work via the Marfrig Green+ program, which seeks to find solutions for the entire supply chain with the aim of eliminating deforestation. We know that the diligent execution of initiatives for the tracing of beef is fundamental to guaranteeing a sustainable supply chain from pasture to dinner table.”

Francisco Fonseca, Sustainable Cattle-Raising Coordinator, TNC – Brasil

CULTIVATING THE FORESTS

Carbon neutral beef production under the ILPF system features pastorage mixed with eucalyptus groves. Cattle are introduced to the format at 10 months and remain there until ready for slaughter. The system guarantees that emissions are neutralized because of the presence of the eucalyptus trees, which store carbon in their bark. The trees are later used in the furniture industry rather than for firewood or pulp. We are currently concentrating such production in Mato Grosso do Sul, which has the largest stands of long-cycle eucalyptus destined for use as hard woods.





NATURAL RESOURCES

In this pillar, we concentrate on actions related to the management of water and energy consumption. We made major investments throughout the year on various fronts with the objective of promoting improvements to the environment through new and innovative procedures. Parallel to this effort, we adopted new benchmarks to measure our progress.

Water

We are managing our consumption of water in line with the best practices demanded by the different markets to which we export our products. It is, of course, a vital raw material for our entire productive process, which makes us especially attentive to possible scarcities that may someday be imposed by climate change, scarcities which would affect our entire value chain.

- In all our **operations**, we have adopted rigorous routines when it comes to consumption, controlling both quantity and quality. Management tools include:
 - **Measuring and monitoring:** observing the demands made by environmental protection agencies in the various countries in which we operate, data which, beginning in 2020, is then audited.

100%
of operating units
measure water
intake volumes

- **Treatment:** All of our units have Water Treatment Stations (ETA) designed to match up with their reservoir type, underground or surface, for example, and are keyed to meet potability standards demanded by legislation for each area in which we operate.
- **Water Risk Management:** we use AQUEDUCT, a tool developed by the World Resources Institute (WRI) which identifies the quantity and quality characteristics of the water we use in our global operations. Another step taken in 2020 to upgrade water management was a broad in loco survey of resources at each unit.
- **Hydro-Efficiency:** we adopted a number of measures to diminish water consumption at our units, including equipment to staunch leaks and automate supplies, among others, in addition to enhanced training exercises for our employees. In areas which do not require potable water, we adopted measures to reuse water resources.
- **Consumption Targets:** our productive units all have consumption reduction goals in line with production volume and local characteristics.

30%
is the target
for reduction of
consumption in 2020
Based on 2013 data,
per metric ton

- **In the value chain**, we also engage with our partners, who are increasingly adopting their own water management practices. Orientations are available in the Marfrig Club Guide to Sustainable Practices and cover reduction of water consumption in animal breeding and cattle feeding. For more, access [here](#).

A public accounting

Our consumption figures are reported under the categories of Water, Supply Chains, and Forests in CDP reports. Click here to [access](#).

INDICATORS

Initiatives and actions adopted in relation to water consumption management were monitored, in 2020, in accordance with three indicators:

1. Volume of water intake per unit of production [m³/ton of output]
2. Volume de water intake per head (m³/head)
3. Percentage of water reused



A-LIST DO CDP

We are now on the CDP's A-List, a distinction for companies which show high levels of transparency when it comes to environmental action. The good practices which Marfrig adopted, especially in the area of water security, led to an upgrade from "A-" to "A." The A-List brings together companies which shine when it comes to at least one of three main themes: reduction of greenhouse gas emissions, management of water resources, and protection of forests. Only 5% of the more than 5,800 companies that make up the CDP list have been able to score an A.



We are encouraged by the work Marfrig has done to uncover and publicize the ESG risks affecting the animal protein supply chain, and its efforts to mitigate such risks. We know that the Paris Accord cannot be implemented without involving the animal protein industry and we hope Marfrig continues to lead through its practices, a significant contribution in the transition to a sustainable low-carbon economy."

Lorraine Hau, ESG analyst at FAIRR

Energy

Our energy management approach is based on the need to adapt to the challenges presented by climate change, a factor which influences, among other things, raw materials costs. Therefore, in parallel with other initiatives aimed at conscientious use of resources, we have adopted a number of measures, disseminated through training courses and the use of energy-efficient equipment, with two being of special note:

- Increased **participation in the free energy market**, as a way to guarantee supplies at pre-established prices. Virtually² all of our units have linked their energy supplies to renewable sources. In eight of our plants, renewables receive incentives.
- Substitution of traditional sources for sustainable ones. In Uruguay, for example, we own a wind farm that generates enough power to meet, on average, 30% of demand from our Tacuarembó unit.

INDICATORS

In 2020, we began to monitor electric energy consumption at our productive units through two metrics, which we have now transformed into indicators:

1. KW/h per metric ton of product
2. KW/h per head of cattle

We also adopted the use of renewable energy, with data to be published as part of the CDP's 2020 cycle.

² The Bagé (RS) and Pontes e Lacerda (MT) units are energy use 100% non-renewable, as provided by distributors.





EFFLUENTS AND WASTE

The correct disposal of effluents, and the identification of appropriate destinations for solid wastes from industrial activities, are operations demanding constant improvement. All our units have their own specific procedures when it comes to these critical functions; meanwhile, we are engaging with our suppliers to help them adopt similar practices.

In 2020, we adopted indicators for the management of effluents and wastes throughout all of our units, a development which will help us to closely monitor evolution of the incentives we have put in place. We also developed new criteria and targets related to the volume and quality of discarded effluents; these will be reported to the CDP as part of its 2021 cycle. We will also begin annual audits of data related to effluent and waste generation, with this year's figures as the baseline. Another highlight is our plan to renovate our Effluent Treatment Stations (ETEs). We are making major investments to modernize these installations.

100%
100% of our units
have Effluent Treatment
Stations (ETEs), which give
them autonomy in treating the
effluents that result from the
various stages of their
productive cycles.

- **R\$ 30 MILLION is the amount we have invested in ETEs and ETAs in the countries where we operate.** Before making such investments, we conduct a full study of the steps necessary to prepare our plants, when it comes to both the primary treatment of effluents, the phase in which solid particles are separated and suspended (while floating and organic material is subject to physical and chemical treatment), and to secondary treatment, a stage designed to remove, through bio-chemical processing, any residual organic material not identified in the first phase.
- **Among suppliers,** our engagement with good practices in water use and treatment of effluents is accomplished through orientations aimed at the protection of water resources from reservoirs located on supplier properties, as described in the [Marfrig Club Guide to Sustainable Practices](#).

Solid wastes

To make sure that solid wastes are properly disposed of, we have adopted a triage strategy based on separation of materials destined for re-use, recycling, or recovery in accordance with the characteristics of each waste type and the regulatory demands of each locality. We also promote periodic training programs on the subject for our employees and we have adopted rigid procedures, managed by special

environmental units at all of our properties, for storing, transporting and discarding products considered dangerous.

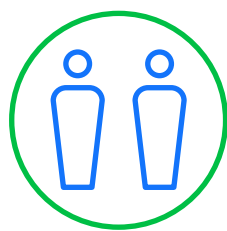
To our suppliers, we offer directives via the Marfrig Club program. Orientations focus on best practices for collection of wastes and programs designed to reduce their production. Find out more [here](#).

All of the practices adopted are in line with our commitment to the directives that form the National Policy on Solid Wastes (PNRS).

INDICATORS

To bolster even more our management of effluents and solid wastes, we adopted, in 2020, the following indicators to monitor our performance:

1. Index of Quality Treatment of Effluents (IQTE)
2. Quantity of dangerous wastes disposed of
3. Quantity of non-dangerous wastes disposed of (metric ton/head)
4. Quantity of non-dangerous wastes disposed of (ton/ton of production)
5. Percentage of non-dangerous wastes disposed of in sanitary landfills
6. Percentage of suppliers adopting best practices in relation to management of effluents and wastes



SOCIAL RESPONSIBILITY

To bring about positive social outcomes via our operations is a constant goal in our day-to-day activities. Consequently, the notion of social responsibility permeates our actions, procedures, and strategies. A good example is the criteria we have developed for purchasing of raw materials: we do not buy cattle from ranches that employ child labor or labor in conditions similar to slavery; nor do we make purchases from properties located in areas reserved for indigenous peoples or for other minorities.

We have a commitment to defend and to propagate respect for human rights, underlined by our adhesion, in 2020, to the **Global Compact**. This United Nations initiative seeks to encourage companies to follow best practices for sustainability, as well as corporate responsibility defined by **ten principles** related to Human Rights, Labor, Environment, and the Drive Against Corruption.

In line with these directives, we have sought to build solid relationships throughout society, either through our own day-to-day activities, or through activities directly related to our various publics. This is especially true in two cases:

- **Producers:** our goal is to have a supply chain completely free of deforestation by 2030. We believe that one way to achieve this goal is by improving overall conditions for production. Accordingly, to preserve our rainforests, it is necessary to promote social inclusion among our suppliers,

HUMAN RIGHTS



RESPECT and support the protection of internationally recognized human rights



ASSURE non-participation in actions that violate human rights

LABOR



SUPPORT the right to free association and recognize the right to collective bargaining



ELIMINATE all forms of forced or compulsory labor



ABOLISH all forms of child labor



ELIMINATE all forms of job discrimination

ENVIRONMENT



SUPPORT a preventative approach to environmental challenges



DEVELOP initiatives to promote greater environmental responsibility



INCENTIVATE the development and spread of environmentally friendly technologies

ANTI-CORRUPTION



COMBAT corruption in all its forms, including extortion and bribery

especially those who operate on a small scale. Such suppliers can be found among local communities and indigenous populations, a strategy that is addressed through Marfrig Green+, a sustainable development program supported by the triad PRODUCTION/ PROTECTION/ INCLUSION. Find out more [here](#).

- **Communities surrounding our operations:** we generate positive outcomes when we create jobs and pay taxes. But, for us, social responsibility goes beyond that. We seek to contribute effectively to the wellbeing and the socio-economic growth of the localities in which we operate. Consequently, we offer various programs, in many different countries, such as the Marfrig Institute and our partnership with the Hospital de Amor, in Brazil, as well as campaigns for charitable donations in various countries. Find our more [here](#).



The challenges when it comes to guaranteeing the sustainability of the supply chain in the meatpacking industry are great and depend on everyone in the business working together. Ranchers, slaughterhouses, technology companies, and organizations representing civil society need to surmount problems such as tracing that arise because of the fragmented nature of the industry, an industry in which meatpackers only have contact with the animals at the end of the cycle. To know your partners is to support them in making the necessary adaptations, principally those which have to do with the Forest Code. The challenge for the industry, at this time, is to make sure that leading companies commit themselves to the need for this transformation."

Mauro Armelin, Executive Director of Amigos da Terra – Amazônia Brasileira

THE SUSTAINABLE CALVES PROGRAM

In 2020, we became part of the Sustainable Calves Program, an initiative to professionalize small producers when it comes to the earliest stages of cattle breeding.

Developed for the Amazon biome, some 150 producers in the Rio Juruena Valley of Mato Grosso participate. The Program aims at promoting socio-economic inclusion; it offers orientation and production support, in addition to ample credit lines, technical assistance in the areas of genetics and pasturage, and aid in legalization of land titles and environmental matters.

The Program is fruit of a partnership between IDH Sustainable Commerce and the Carrefour Foundation. As a company, we became part of the Program as an intermediary helping to smooth the way between production and final customer. The Program, which can be scaled up considerably, is a model for providing information about tracing throughout the realm of indirect suppliers, one of the priorities of Marfrig Green+.



5 Perspectives

In keeping with the advances noted in this report, we intend to continue our journey, always seeking to improve the sustainability practices already adopted as part of the original Six Pillars of our Platform.

We understand that each of these fronts occupies a critical place in our business strategy and is crucial to the continuation of the Campaign. We are aware of the challenges that face us in 2021: we will shepherd to maturity many of the initiatives adopted in the previous year, such as further development of the performance benchmarks we have set for ourselves. Through these, we will be able to better measure our performance so that we can present, to our stakeholders, an ever more transparent picture of our progress. Constant improvement is our watchword and we will continue firmly on this path.

As a global company, a focus on sustainability is a constant in all of our operations. Whether in the United States, Brazil, Argentina, Uruguay, or Chile, we are all pursuing the same goals and employing the same means, in line with the demands of each country and the needs of each market in which we operate.

We will give special attention to development of initiatives under the Marfrig Green+ program, working in partnership with producers with a view toward identifying the origins of our raw materials and, as a consequent, combating deforestation throughout the supply chain. We maintain clear goals and clear programs as a way to reconcile the needs of production with the necessity of preserving the Amazon and Brazilian Savanna biomes, especially through the development of low-carbon cattle-raising. We are also dedicated to making all the efforts necessary to achieve the goals we are publicly committed to.

We are thankful to all our employees for their hard work—there are some 30,000 worldwide—in 2020, keeping our business active. If we are able to highlight, in the present document, our progress toward sustainability, it is because of the efforts of each one of our employees, all of whom observe the rules, recommendations, and principles related to the best practices necessary to reach our goals.

Many such actions are fruit of the partnerships we have developed and the relationships we have established with many different publics, including producers, organizations representing civil society, banks, and governments. We extend to all our thanks for standing beside us in the search for a better tomorrow through adoption of the best possible practices throughout the chain of production.

And now, hoping that 2021 will allow us all to surmount the difficulties caused by the coronavirus pandemic last year, we go forward with renewed commitment.

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