



SUSTAINABILITY
REPORT
2020

About this report

[GRI 102-42; 102-48; 102-49; 102-51; 102-52; 102-53; 102-54]

Welcome to our Sustainability Report, in which we present the advances we have made and the results obtained for our businesses during the year¹. **This is the 15th consecutive year in which we give an accounting of our activities by means of this publication format**, which reinforces our **commitment to transparency** in our relations with the various publics we do business with by offering access to information related to our business strategies, governance, management, operations, impacts, and results, while also giving consideration to the economic, social, and environmental spheres of action.

The information offered in the following pages will describe the challenges which we faced during an atypical year, one marked by the Covid-19 pandemic, in which we strove to preserve the health and safety of our employees – always our priority in this context – while maintaining continuity in our operations, necessary for a business dedicated to an essential economic service for society.

In 2020, the sustainability theme gained greater importance than ever for us. **We launched the Marfrig Verde+ Program**, by which we embraced the commitment to eradicate deforestation within our supply chain within the next ten years. We have already taken relevant steps in this direction, as will be shown later, in parallel with continuous improvements in all practices designed to minimize the impact of our operations

¹ From January 1 to December 31 [GRI 102-50]

on the environment and on society as a whole. Many involve specific conquests made during the year, such as the fact that we reached the highest rating, among bovine protein companies, in the **Coller FAIRR Protein Producer Index**, a ranking closely watched by global investors when they make decisions. We also joined several major sustainability indices at the B3 Exchange, including the Brazil Index, the Exchange Index, and the Over-the-Counter Index, indicating that we are very much on the right track.

This report follows the directives and methodology of the **Global Reporting Initiative (GRI)**, an international institution dedicated to creating standards for reporting by companies and governments to the publics which are relevant to them and detailing the impact of their activities when it comes to critical questions such as sustainability, deforestation, climate change, and human rights. With a view toward improving the report even more, this edition will incorporate various indicators developed by the **Sustainability Accounting Standards Board (SASB)**, another international organization establishing parameters for the better evaluation of ESG goals (Environment, Social Responsibility, and Corporate Governance) as met by companies, as well as some elements introduced by the **International Integrated Reporting Council (IIRC)**, dealing with the way in which our capital resources are utilized in creating value, a concept underpinning our Integrated Reports.

The current document also brings some indications as to our contributions when it comes to goals established by global institutions such as the United Nations, including the **Global Compact**, to which we became a signatory in 2020, and the Sustainable Development Goals (SDG). [GRI 102-12]

The written content is accompanied by accounting tables as audited by Grant Thornton Independent Auditors. Full figures are available on the Company's Investor Relations website (<http://ri.marfrig.com.br/>).

Doubts, suggestions, or requests for more information can be sent through the following channels: [GRI 102-53]

Sustainability

<http://marfrig.com.br/pt/fale-conosco>
(55 11) 4593-7400

Investor Relations

<http://ri.marfrig.com.br/pt/servicos-aosinvestidores/fale-com-ri>
(55 11) 3792-8600
ri@marfrig.com.br
Enjoy!

Materiality Matrix

[GRI 102-43; 102-44; 102-47]

The information presented in the present report is organized in accordance with formats established by GRI Standards. In line with this methodology, we have included, in this year's report, a new Materiality Matrix, a process by which it is possible to identify aspects of our operations considered relevant to the various public with which we carry on relations. Using this approach, we have been able to identify how our operations impact stakeholders, and how our strategies and actions are affected by them.

In order to obtain information from our varied publics we launched an online survey during the first half of December 2020. We obtained 145 responses from various countries. Respondents included shareholders, clients, consumers, suppliers, employees, governments, the press, market institutions, investors, non-governmental organizations (NGOs), producers, financial market professionals, and others. The resulting information will help guide us in defining material themes in an analysis which will also include our strategic planning, our priorities as defined by the Marfrig Sustainability Platform, and by studies and other references relevant to the industry. [GRI 102-40; 102-42]

Once the material terms of our business are defined, we can also consider their relation to Sustainability Development Goals and the manner in which we can contribute to meeting the UN's 2030 targets. The breadth of subjects considered will orient the definition of GRI topics, which, in turn, will be detailed in the GRI Table of Contents.

Management of supply chains



Animal Wellbeing



Food Quality and Safety



Employee Health and Safety



Reduction in Greenhouse Gas Emissions



Management of natural resources and the environment



Solidity and longevity of businesses



IMPACTS

The definition of Material Matrix also brings into consideration the impacts provoked by our operations. We are a food producer; the positive impact of our activities has to do with the quality and safety of our products, which is then reflected in the health and safety of our customers.

In addition, we are the world's biggest producer of hamburger and the second biggest producer of bovine protein. The Company's reach means that we generate positive socio-economic impacts, we create jobs, both direct and indirect, and we pay taxes. From the viewpoint of the environment, the criteria we use for responsible buying (which can also be considered a practice respecting human rights) have established a high standard when it comes to supply chain management. They assure regularity in our operations, respect for the environment, diversity, and animal wellbeing.

In relation to external negatives, the chief ones are concentrated in the environmental sphere and derive from risks related to deforestation of natural biomes, practices which often involve cattle raising when it is not pursued correctly. The structural deficiencies related to this theme can sometimes have a negative impact on both the social and the economic spheres.

ENVIRONMENTAL

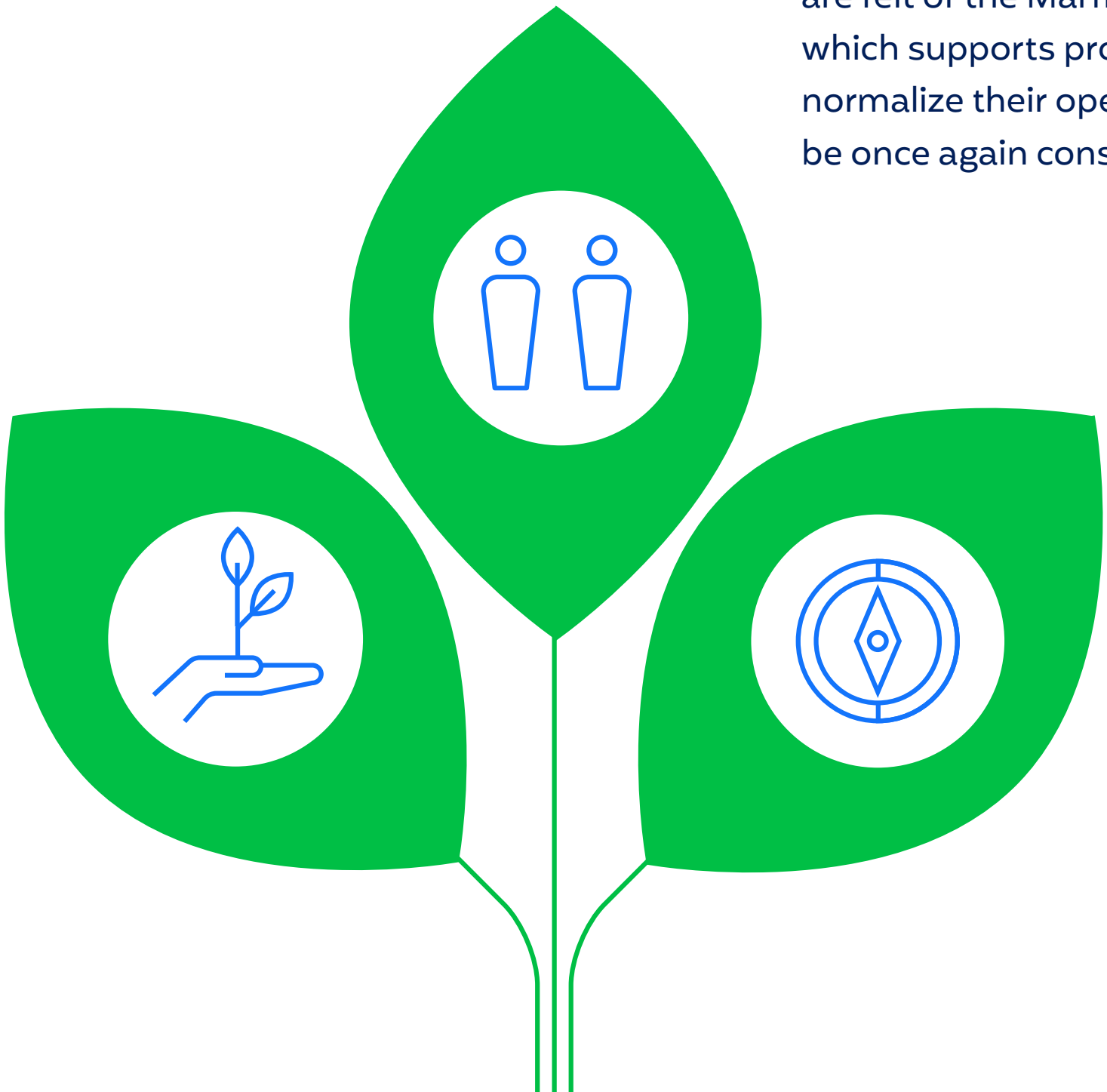
Impact on climate change, due to deforestation of biomes and emission of GHG. To manage this question, we adopted responsible buying criteria (for more information, see page 50) and we instituted the Marfrig Verde+ Program, in which we take on a commitment to make 100% of our supply chain free of deforestation by 2030 (read more on page 47).

SOCIAL

The Rural Exodus, caused by alterations in the climate and by exhaustion of the soil, has generated a decline in farm productivity and income. Unemployment has risen because farms operating under irregular conditions have been blocked from trading. In order to minimize the impact on the environment, measures have been adopted to combat deforestation, as noted in the previous topic. Unemployment caused by the blocking of irregular farms will tend to decline as effects are felt of the Marfrig Verde+ Program, which supports producers in efforts to normalize their operations so they can be once again considered as suppliers.








ECONOMIC

Generation of income impacted by inactivity among farms which have been blocked as suppliers. Such blockages derive from irregularities in operations in areas where deforestation is rampant. This problem is already being addressed by the Marfrig Verde+ Program.




Materiality and its limits

[GRI 102-46; 102-47; 103-1]

Theme	Description	Where occurs	GRI Topics and related SASB Indicators
 Management of Supply Chains	Responsible buying, utilizing environmental and social criteria; engagement with suppliers, both direct and indirect, on sustainability practices.	Operational and administrative units, suppliers, and employees.	204-1; 304-2; 308-1; 308-2; 408-1; 409-1; 411-1; 414-1; 103-1; 103-2; 103-3; FB-MP-430a.2
 Animal Wellbeing	Actions in conformity with best practices; engagement with suppliers and producers in favor of best practices.	Operational and administrative units, suppliers, employees, and communities.	103-1; 103-2; 103-3; FB-MP-260a.1
 Food Quality and Safety	Activities, brands, products, and services; evaluation of impacts on health/safety of products/services; information and labeling of products and services.	Operational and administrative units, employees.	416-1; 416-2; 417-1; 417-2; 417-3; 103-1; 103-2; 103-3
 Health and Safety of Employees	Training and certification, in addition to routine on-the-job health and safety.	Operational and administrative units.	403-1; 403-2; 403-3; 403-4; 404-1; 404-2; 404-3; 103-1; 103-2; 103-3
 Reduction of Greenhouse Gas Emissions	Control of GHG.	Operational and administrative units, employees, suppliers, clients.	305-1; 305-2; 305-3; 305-4; 305-5; 103-1; 103-2; 103-3; FB-MP-110a.1
 Management of Natural Resources and the Environment	Management of the use of inputs (water and energy), impacts on biodiversity and the management of effluents and residues.	Operational and administrative units, employees, suppliers, clients.	302-1; 302-3; 302-4; 303-1; 303-3; 306-5; 307-1; 103-1; 103-2; 103-3; FB-MP-130a.1; FB-MP-140a.2
 Solidity and Longevity of Businesses	Compliance, anti-corruption, and unfair trading; Economic Performance.	Operational and administrative units, employees, suppliers, clients.	201-1; 205-1; 205-2; 205-3; 206-1; 103-1; 103-2; 103-3

Summary



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.

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1

Message from the Administration

Board of Directors

Executive Directors

MESSAGE FROM THE BOARD OF DIRECTORS

[GRI 102-14]



Marcos Molina
President of the Board of Directors

I would classify the year 2020 as historic. First, because of the challenges brought forth by the novel coronavirus pandemic. It was a time of learning, one that obliged us to review strategies and priorities, often demanding swift decisions in order to protect the health of our employees while also guaranteeing the continuity of our businesses. Happily, the actions we took proved correct over time. We obtained spectacular results, the fruit of operations which are becoming better and better every day. We fulfilled with success our mission of supplying foodstuffs, following the most rigid health protocols, without prejudice to the safety of our employees.

The period was also marked by the importance which is now being attributed to questions related to sustainability, chiefly in relation to the environment. Society, in general, and investors, in particular, are now giving greater value to companies which distinguish themselves by the good practices they adopt, all of which is good news for us. Expanding the positive impact of our operations, contributing to socio-economic development, while also maintaining and recovering biodiversity in the regions where we operate, are all aspects which we do not see as mere options. We have always believed that companies which are truly sustainable and which are able to produce without disrespect for the planet and which best use natural resources are ones which will be relevant in the future, especially a future which is now fast approaching. In

our industry, acting with environmental responsibility is an obligation and we believe that it is only by doing so that we will earn the respect of our clients, consumers, employees, partners, and the financial markets.

We want to be part of this group, along with our producers. For that reason, in 2020, we took on a public commitment to combat deforestation throughout our entire supply chain. We have laid out clear and objective targets, through 2030, for all of our suppliers, both direct and indirect, located in the Amazon Biome and the Cerrado region who may be operating irregularly that we are determined to preserve the rainforest and biodiversity.

All of these actions come together in the Marfrig Verde+ Program, through which we stimulate greater involvement by producers in the use of innovative mechanisms and new technologies. Partnership, support, and engagement are, for us, the watchwords for more effective and swifter success in reaching better results for all.

With Marfrig Verde+, we became the first company in the industry to formalize our drive to combat deforestation. This is a pioneering approach for which we are, happily, well known. For example, we were the first to structure a model for geo-referencing and for geo-monitoring via satellite of our



We have laid out clear and objective targets, through 2030, for all of our suppliers, both direct and indirect, located in the Amazon Biome and the Cerrado region who may be operating irregularly that we are determined to preserve the rainforest and biodiversity."

entire supply chain, during the early years of the current century. We were also in the forefront in production of vegetable-based protein, the result of an innovative partnership with Archer Daniels Midland Company (ADM), one of the biggest agricultural processors and suppliers of foodstuffs and ingredients in the world. This partnership resulted in creation, in 2020, of Plant Plus Food!, a joint venture dedicated to offering vegetable-origin products through retailers and food services. We also distinguished ourselves, this year, by creation of new brands based on models favoring sustainable production methods. We launched Carbon Neutral Viva, which offers cuts of beef from cattle raised within a system that integrates forest management with livestock-raising in a way that assures neutral emissions of methane gas.

The delivery of differentiated products to our customers, such as these, offers concrete proof of our efforts on behalf of sustainable development, efforts which brought us, in 2020, recognition from respected sources. We were the bovine protein company with the highest ranking in the annual FAIRR report, based on environmental, social, and corporate governance criteria. The ranking is a reference for international investors in making investment decisions. We also became part of the Sustainable Business Index (ISE) and the Carbon Efficiency Index (ICO2) on the Brazilian B3 Financial Exchange.

We reaffirmed our engagement with efforts to advance practices favoring sustainability and social responsibility with

our adhesion, in 2020, to the Global Compact, an initiative of the United Nations which mobilizes the business world in adoption of ten principles related to human rights, work, the environment, and the fight against corruption, directives which we have already incorporated into our day-to-day activities.

Another highlight of the year came in the form of record economic-financial results, fruit of our operational excellence, simple structure – with independent and profitable operations – and efficient management. As a consequence, we were able to reduce our U.S. dollar indebtedness and propose distribution of R\$ 141 million in dividends, which shows the commitment of our management to the generation of value for all shareholders, without compromising our irreducible commitment to financial discipline.

Despite the sad news which marked virtually every single day in 2020 for all of us, it is with great satisfaction that we can report these positive advances. We know that there are still many challenges ahead but we are determined to continue on our present path, constantly improving our sustainability practices. To all those who walk by our side in this journey – especially our employees, who maintained their engagement and commitment throughout this difficult and challenging year –, I offer my thanks.

Marcos Molina
President of the Board of Directors

SOUTH AMERICA

MESSAGE FROM THE EXECUTIVE DIRECTOR

Starting right at the beginning of 2020, we faced the novel coronavirus pandemic, a unique situation for everyone. But the fact that our operations are undertaken in different geographic regions allowed us to meet the challenges presented by the pandemic by learning from our North American colleagues since their region saw an acceleration of cases before South America did.

We were obliged to alter our routines and to make some important decisions. Our priorities were to preserve the health of our employees and to maintain our operations functioning. We produce foodstuffs and we needed to guarantee the continuity of our deliveries. The strategies which we adopted proved effective. We were, for example, the first company in the industry to sign on to the Adjustment of Conduct Protocol (TAC) with the Labor Prosecutor's Office, an agreement with nationwide coverage guaranteeing protections against Covid-19 for our employees; our adherence served as a reference point for other companies.

The impacts caused by the coronavirus pandemic did not, however, alter international market demand for protein, which remained robust. Within that context, South America continued as the chief source for exports of bovine meat, consolidating Brazil's leading position along with Argentina and Uruguay – three countries in which we retain operations – as global protein suppliers. Asia, meanwhile, continued as a major international importer of bovine protein, with China

the principle destination for exports to the continent, another factor which favored us. We are the company with the largest authorized capacity for export to China. We have seven units in Brazil, four in Uruguay, and two in Argentina, which together represent 71% of our total production capacity.

This privileged leadership position with regard to increasing demand from the biggest country in Asia contributed to record performance figures in 2020. Net revenues for the South American operation were R\$ 18.6 billion, a rise of 25.4% from 2019. Gross profit reached R\$ 2.9 billion, up 65.1%. Adjusted EBITDA, in turn, totaled R\$ 2.1 billion, an advance of 106% over the figure registered in 2019, with EBITDA margin at 11.1%, 4.4 percentage points over the previous year.

In order to better understand these results, it is important to look at the trajectory. The figures reflect a series of actions and procedures adopted well before 2020, including strategic choices made years before, with a focus on bovine protein and overall improvements to management of our operations. We have, over the past two years or more, refocused on the basics: effective purchasing, good processing, and more sales. We maintain, as lodestars, higher productivity, and lower fixed costs.

The strategy also includes diversification, with investments in the area of hamburger meat and processed products; we also focus on innovation, as seen in the launching of the new Viva! brand, which uses meat cuts from cattle raised at low-carbon

installations. I would also, once again, highlight the Marfrig Verde+ Program, a commitment we took on in 2020 to fight deforestation throughout our production chain. By 2030, various additional actions are planned such that 100% of our suppliers, including indirect suppliers, operate in areas free of deforestation.

We are advancing rapidly to meet our goals, just as we have continually improved our strategies in relation to social responsibility and preservation of the environment. Sustainability, for us, is not an attribute but an obligation. Consequently, we have developed concrete responses in this direction, ones which have brought us results of which we are duly proud. I would like to thank all who have supported us as we build upon this foundation.



Miguel Gularte
CEO of Marfrig

NORTH AMERICA

MESSAGE FROM THE EXECUTIVE DIRECTOR

The year 2020 will be remembered as the time when the Covid-19 pandemic surprised and challenged global economies, a context which has brought, in its train, both challenges and opportunities.

We lived through, within this context, a level of employee absenteeism never before seen, reflected in significant reductions in production at our bovine meatpacking units during the peak of the pandemic. Similar impacts were felt throughout the bovine meatpacking industry in the United States, provoking an average decline in utilization of installed capacity of 55% across-the-board. These interruptions in production brought rapid changes to slaughter steer prices and in beef prices to final consumers.

At the same time, there was a clear change in demand for delivery services. With social isolation, many people began cooking at home, which meant an expansion in demand for delivery of foodstuffs by local stores to homes. Our direct-to-customer sales unit, the Kansas City Steak Company, experienced a record increase in demand reflecting this trend.

During the period of interrupted operations, we did not drop our priority for employee and product safety, nor our responsibility for an essential function within the supply chain for foodstuffs. We swiftly adapted our infrastructure investments, developing new procedures to maintain social distancing and

to promote the wellbeing of employees. Altogether, we spent some US\$ 106 million on actions in direct response to the pandemic.

Throughout the year, we continued to invest in our employees and in our processing infrastructure. More than 600 employees, across all of our plants, completed Leadership Development programs. We also kicked off projects designed to expand installed capacity at our units.

Our business model based on aggregating value has proven highly resilient in the face of a pandemic. Even with operations interrupted, we reached record revenues and EBITDA earnings. For the year, net sales were US\$ 9.4 billion, with EBITDA earnings at US\$ 1.4 billion, up 10.7% and 53.5%, respectively, in comparison with 2019, previously our best performing year.

Looking forward, we are favored by today's fundamentals, with ample supplies of slaughter steers, at least over the short term, and increasing demand for beef, in both the domestic market and for export. Given that we maintain strong relationships with cattle suppliers, partners, suppliers, and loyal customers, we have every reason to believe that we will be able to repeat this sterling performance in 2021.



We did not drop our priority for employee and product safety, nor our responsibility for an essential function within the supply chain for foodstuffs."



Tim Klein
CEO of National Beef



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Mission, vision, and values

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HIGHLIGHTS

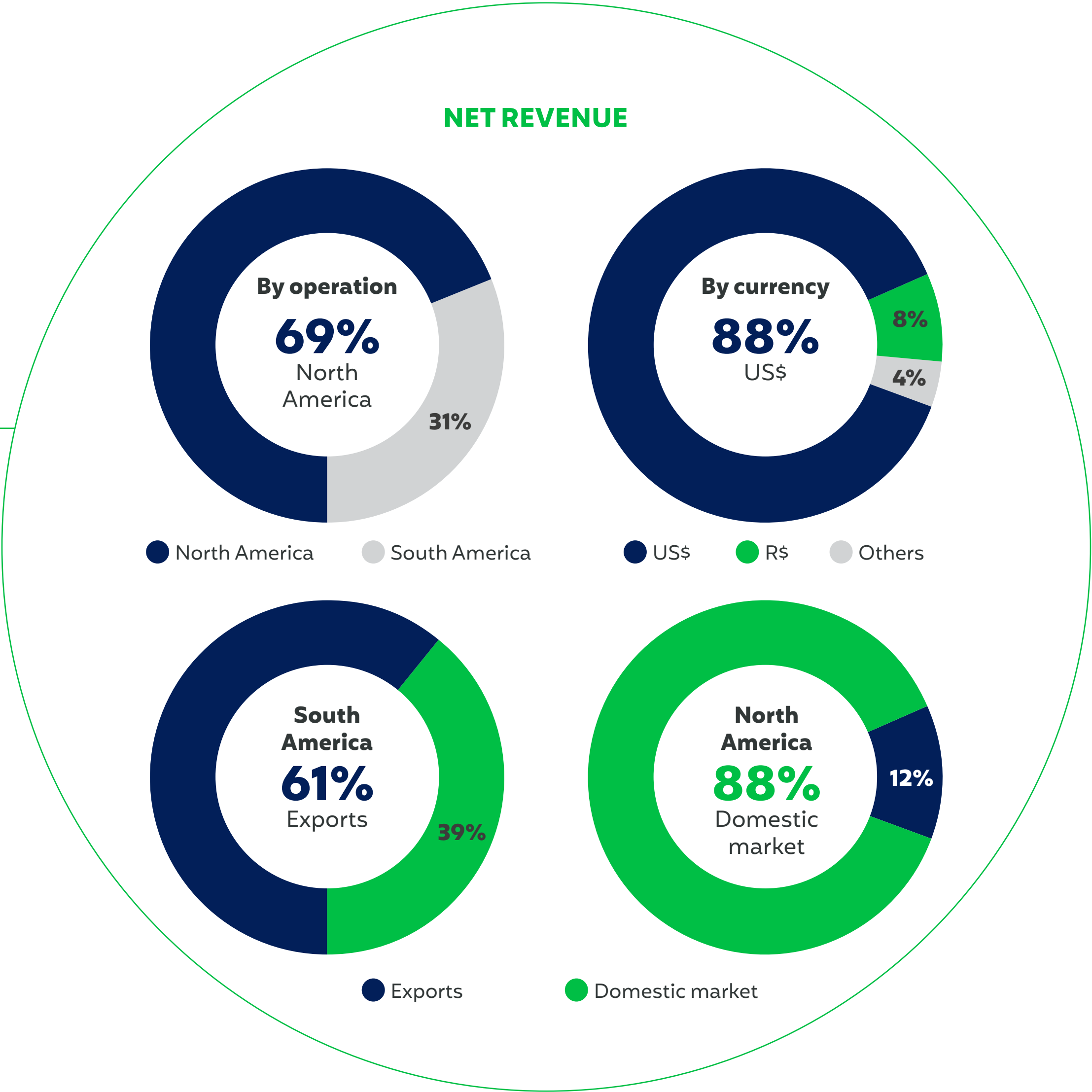


R\$ 67.5 billion
in **Net Revenue**, up 35.3%

R\$ 9.6 billion
in **ADJUSTED EBITDA**, a record,
up 99.4% from 2019

R\$ 3.3 billion
in **Net Profits**

R\$ 7.7 billion
in **operational cash flow**



62% of suppliers from
the Amazon Biome are able
to identify animal origins

47% of suppliers in the
Cerrado Biome identify origins

3,101 employees took part in
training aimed at animal wellbeing

8.6% decrease in intensity index
for water use in global operations

8.6% decrease in intensity
index for use of energy

62% of solid residues
sent for composting

RECOGNITION OF OUR SUSTAINABILITY PRACTICES

Best bovine protein company at FAIRR

We were the best ranked bovine protein company in the Collier FAIRR Protein Producer Index: fourth place, six rankings ahead of 2019. The ranking is published by the FAIRR Initiative, a collaborative effort by investors, and seeks to analyze information released by companies from various countries regarding production processes, contextualized to reflect current conditions including the rise in demand for protein products from Asia, deforestation, and others. With the survey data in hand, FAIRR – with headquarters in London – highlights companies which operate in conformity with the norms adopted by those seeking continuous improvement in their operations. The ranking also contributes to raising awareness about the risks and opportunities related to intensive animal production, aiding investors to identify and prioritize compliance with ESG goals (Environment, Social Responsibility, and Corporate Governance) in their decision-making processes. Access the study in <https://www.fairr.org/index/regions/latam/>.

Business Sustainability Index (ISE)

We joined the 16th portfolio of the Sustainable Business Index (ISE) at the B3 Exchange – Brazil, Exchange, and Over-the-Counter. The indicator is a reference point for best practices in relation to sustainability, covering various actions by companies with a strong focus on sustainability.

Carbon Efficiency Index

We became part of the Carbon Efficiency Index (ICO2) at the B3 Exchange, a portfolio which includes stocks in companies that adopt policies designed to minimize emission of greenhouse gases from their operations.

CDP A-List

Our hydraulic resources management policies received an A grade from the CDP, a global non-profit organization which encourages companies and governments to reduce emissions of greenhouse gases, safeguarding hydraulic resources and protecting forests. Fewer than ten companies in Latin America have achieved this level of performance. In 2020, we also rose in grading for CDP categories covering Climate Change, from C to A-; and Forests (for livestock production) from B to A-.

Progress in evaluation of animal wellbeing practices

The grade given by the BBFAW, the leading global measure of performance when it comes to animal wellbeing on ranches, and related to our practices, rose significantly during the year, from TIER 4 to TIER 2.

Science Based Targets

We are the first animal protein company in Brasil and the first bovine protein company in Latin America to commit to Science Based Targets, an initiative designed to reduce emissions of greenhouse gases, limiting global warming in line with Paris Accord targets.



PROFILE

We are **the world leader in production of hamburgers and one of the largest companies in the world when it comes to bovine-based protein**, in terms of capacity. We produce foodstuffs of high aggregate value based on animal protein, mainly bovine in origin, but including various other options for consumers such as ready-to-use frozen vegetables, lamb, fish, and sauces.

We are also active in **production and marketing of foodstuffs based on vegetable protein** through our PlantPlus Foods! unit, created in 2020 in partnership with U.S. firm Archer Daniels Midland Company (ADM). With headquarters in the United States, the new unit produces and markets products through retail and food service channels in both North and South America.

Consolidated in the Americas, our operations are divided between two regions. In **North America** we act via National Beef, the fourth largest beef processor and the most efficient company of its kind in the United States. In country, we slaughter and de-bone bovine protein from the U.S. itself. Our products, both fresh and processed, are sold through local retail channels, wholesalers, and food services. They find their way to many different destinations, with a special focus on premium markets in Japan and South Korea. They are also marketed alongside complementary products and some of the by-products of processing. The operation has

its own tannery and logistics units as well as an online sales department for direct dealing with consumers.

In **South America**, we dedicate our operations to the slaughtering and de-boning of bovine protein and the production of industrialized and processed food products such as hamburger, canned meats, beef jerky, sauces, ready-made meals, and many others, with facilities in Brazil, Uruguay, and Argentina. The products are marketed in the countries of origin via retail channels, wholesalers, and food services, with some products exported. We also have a presence in Chile, where we are the largest importer of beef and where we have a slaughterhouse operation for lamb.

We are a highly diversified foodstuffs multinational with products sold in more than 100 countries. We can count on 32,000 employees at 32 different facilities putting out bovine-based products and sending them to 10 distribution centers as well as sales points spread over four continents. With headquarters located in the city of São Paulo (SP), we are a publicly traded company with shares negotiated on the B3 Novo Mercado in Brazil, including the Stock Exchange and the Over the Counter market. The Novo Mercado is a market segment reserved for companies which choose to adhere to especially high levels of Corporate Governance. **[GRI 102-3; 102-5; 102-7]**



Global leader in hamburger production



Second biggest beef protein company in the world, by capacity



Pioneer in production of vegetable protein foodstuffs



Products sold in **more than 100 countries**

PRODUCTION CAPACITY



30,100 head of cattle slaughtered daily



222,000 tons per year of hamburger



209,000 tons per year of other processed products

[GRI 102-16]

To furnish the best protein products globally and establish long-term relationships with consumers, creating products of high quality and safety.

Client Focus

Total commitment to our domestic and foreign clients.
Attention and passion in attending the needs of clients through every stage of the productive cycle.
Act to integrate what is correct in relation to products and procedures.

Simplicity

Clarity, objectivity, and simplicity in decision-making, seeking to facilitate procedures. The slogan "less is more" permeates our operations.

Transparency

Don't hide problems. Behavior and actions should focus on learning from mistakes so that they don't occur again. Motivate dialog with stakeholders, a practice which generates confidence, as well as boosting professional and personal growth.



We are recognized as the best company globally for protein output:

Grow along with our clientele, suppliers, and partners via innovative products while participating in the leading markets;

Promote the Company's development and create value for our shareholders;

Keep employees motivated and committed to high standards of operational excellence across the production chain and to do so in a sustainable manner; and

Respect the society in which we work.

Respect

Guided by ethical principles and motivated constantly by the development of good relationships.

Excellence

Incentives are constantly being offered for innovative solutions as we seek a standard of excellence in all that we do. The capacity to develop throughout the organization, in the search for client loyalty in both the domestic and the international market.

Entrepreneurship

Attention to market context, adapting ourselves to it. Working with passion on tasks needed to recover from situations of adversity. Act with resilience. Own up to responsibilities, taking care of procedures, ensuring productivity, and conserving resources. Be attentive to what is necessary in the face of demands, problems, and opportunities.

STARTING IN THE AMERICAS, BUT GOING TO 100 COUNTRIES [GRI 102-4; 102-6]

Our operations embrace the entire main axis of the Americas, giving us access to the chief markets of the rest of the world:

- slaughterhouses
- high-aggregate value production units
- distribution centers



20
bovine
slaughterhouses

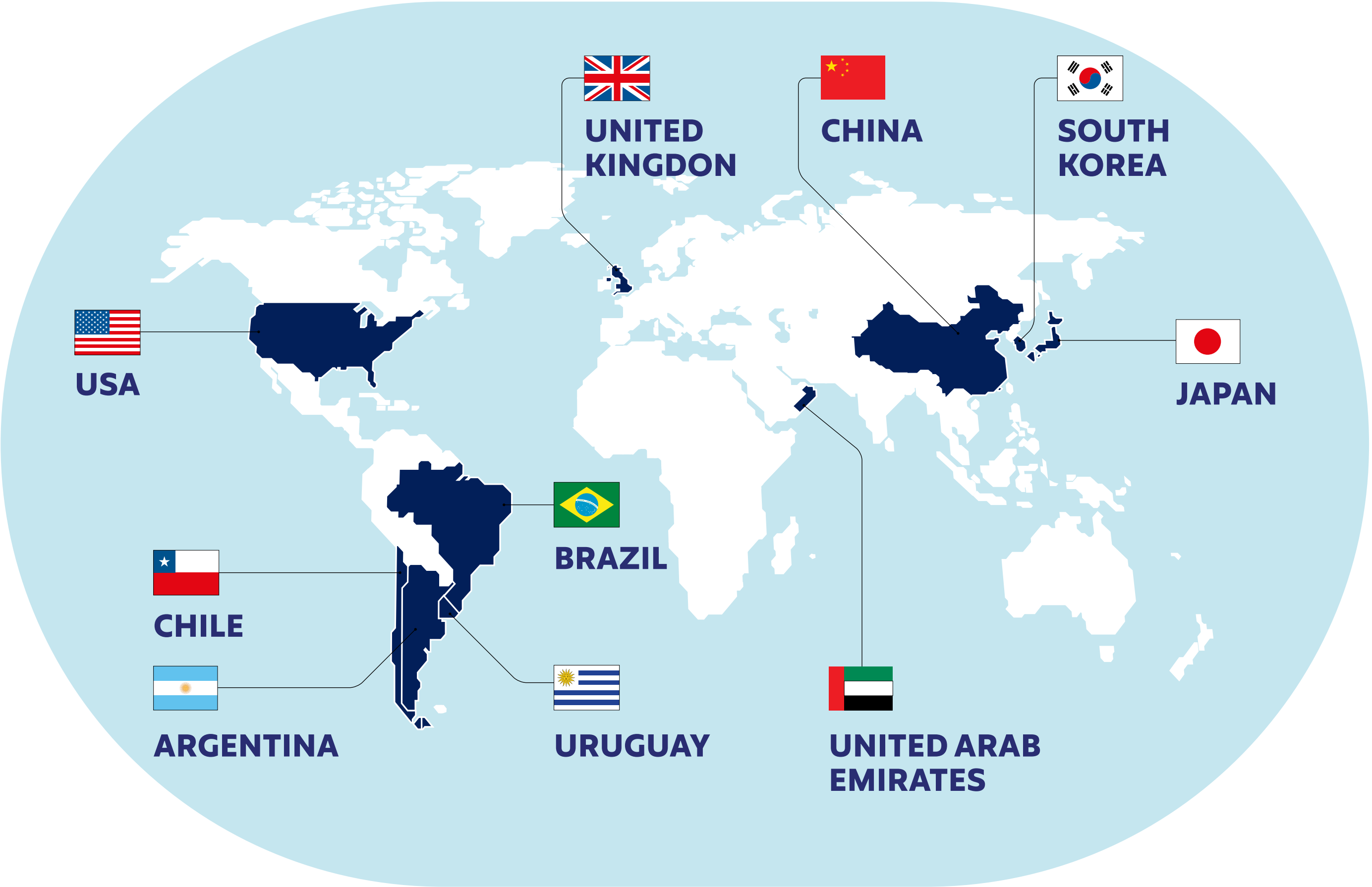
1
lamb
slaughterhouse

12
units for
high-aggregate
value products

8
distribution
centers

MARKETING PRESENCE IN THE AMERICAS, EUROPE AND ASIA

With sales offices spread over 10 countries in the Americas, Europe, and Asia, our products and brand names are made available in more than 100 countries via retailers, wholesalers, and food services.



BRANDS

[GRI 102-2]

The sustainability practices we pursue allow us to offer differentiated products to our clients. The proof of this is our Viva! brand. Launched in 2020, it features cuts of beef from animals raised in alternative environments, such as ranches adhering to the Carbon Neutral Beef (CCN) concept; these are organic, previously unseen products in Brazil. For more information see page 49.

Our brand portfolio in Brazil also gained from the launch of industrialized products under the Montana brand name, as well as Bassi Hamburger, and from premium beef cuts producer Montana Steakhouse.

We adopted throughout the course of the year diverse strategies in Brazil to disseminate more information about our brands, on television and through digital platforms. We also brought in Marfrig Ambassadors, a total of 20 celebrities – among them famous chefs and singers – releasing more than 100 videos and 300 posts during the year and reaching some 80 million people. We recorded commercials for TV with singer Michel Teló and with chef Salt Bae, which were aired during major soccer games and on Brazilian news shows. Altogether, more than 100 million Brazilians saw our brands presented in this way during the year.

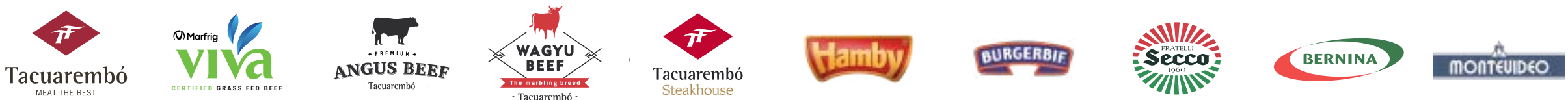
BRAZIL



ARGENTINA



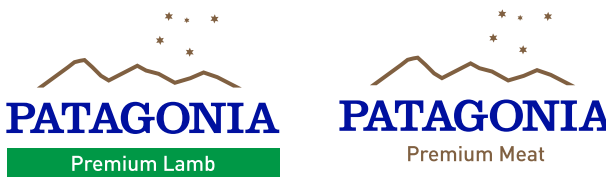
URUGUAY



UNITED STATES



CHILE



Among our ambassadors is Salt Bae, a Turkish kitchen chef considered a global celebrity: with more than 20 beef restaurants around the world and more than 30 million followers on social media. With his help, we have developed a strategy for disseminating the Marfrig name and our premium beef brand Bassi through creative, impactful content. Some of the numbers we've seen:

+ 17 million visualizations

+ 13,000 comments

+ 1.3 million likes





How we generate value

SUSTAINABILITY: OUR MAIN STRATEGIC AXIS

[GRI 103-2; 103-3]

Our business covers three fronts: meatpacking, industrialized products, and plant-based products, a high aggregate value segment we entered in 2019, consolidating our participation through creation of Foods! in 2020.

In order to generate value on each of these fronts, we have developed strategies based on five pillars, of which the chief is sustainability. Through consistent directives and actions related to the need to minimize the impact of our operations on the

environment, we have been able to assure the highest possible standard for animal wellbeing while conserving natural resources as used in our operations. Always working in partnership with organizations recognized for their activities on these fronts and engaging with those who make up our production chain, best practices for sustainability tend to result in production of higher quality goods, in line with consumer demands in the markets where we are active.

Our global leadership in the field of animal protein production, the extend of our distribution network, the strength of our brands, and the expertise we have in developing sustainable alternatives of production and the partnerships needed to make them work effectively are all factors generating value for the diverse publics we work with across the spectrum of society. We use our resources to bring about positive impacts for our stakeholders, classifying our capital assets into six categories in accordance with the model developed by the IIRC:



Productive Capital.

Covers our entire global operation. Encompasses all of our units in the Americas plus our product distribution network, which reaches 100 countries around the world.



Human Capital.

Formed by our more than 32,000 employees, essential to the success of our operations.



Intellectual Capital.

Refers to the technical capacity for utilization of technologies and production of solutions that transform the productive process, also reflected in our partnerships with organizations recognized for activities that align with our values and which include experience in animal protein production. It also involves the professional training which our employees receive.



Natural Capital.

Includes efforts to engage all aspects of our work and our production chain with the needs of sustainability, while minimizing effects on the environment.



Social Capital and Goodwill.

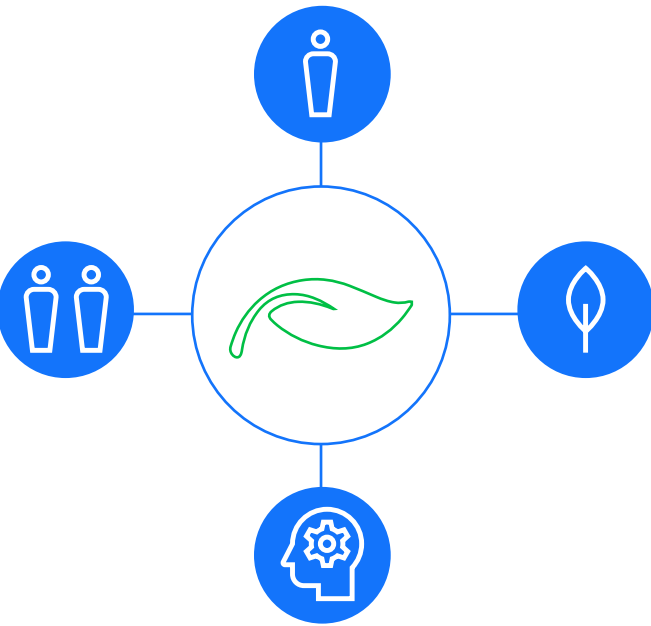
Based on the relationships we have created with different stakeholders and the social impact we have had from our commitments, across the supply chain; always based on respect for human rights and inclusion.



Financial Capital.

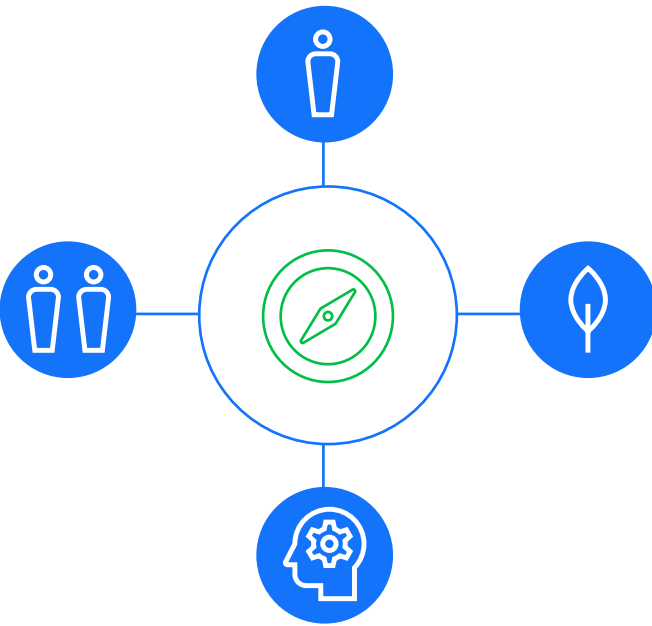
Encompasses our available financial resources and the results obtained from the efficient management and development of our operations.

STRATEGIC PILLARS



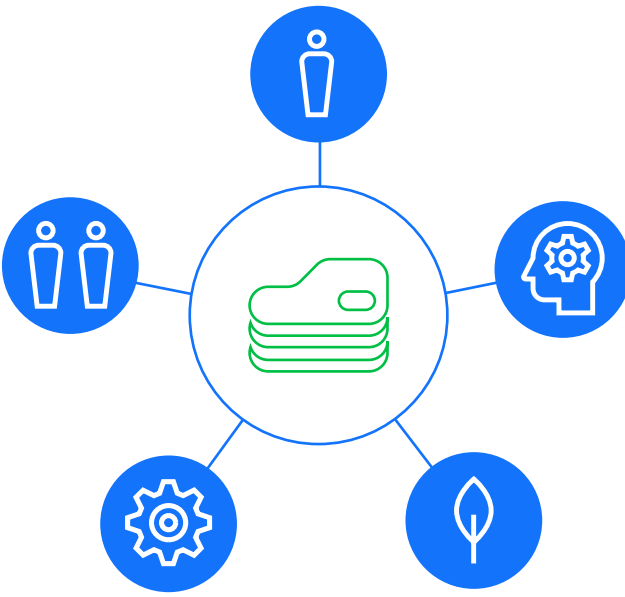
SUSTAINABILITY

- The animal protein Company highest ranked in the global FAIRR survey.
- Adaptation of a system of geo-monitoring via satellite previously used in the Amazon region for use in the Cerrado Biome.
- Putting in motion mechanisms for improved profitability and access to financing for small producers.
- Support for technical assistance programs for indirect suppliers; intensification, restauration, and rehabilitation of ranches.
- Application, in our Amazon region operations, of the unified protocol for cattle buying, based on methodology developed in collaboration with the Federal Prosecutor's Office (MPF).



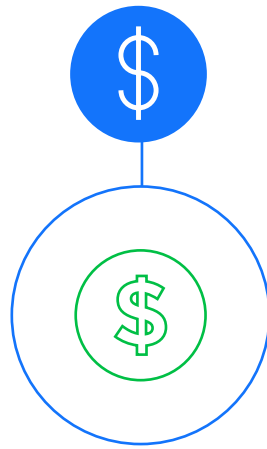
CORPORATE GOVERNANCE

- Continuous evolution of practices adopted.
- Pro-active participation in Sustainability Committee with support from the Board of Directors.
- Development of Compliance system over and above training and fine tuning of policies.



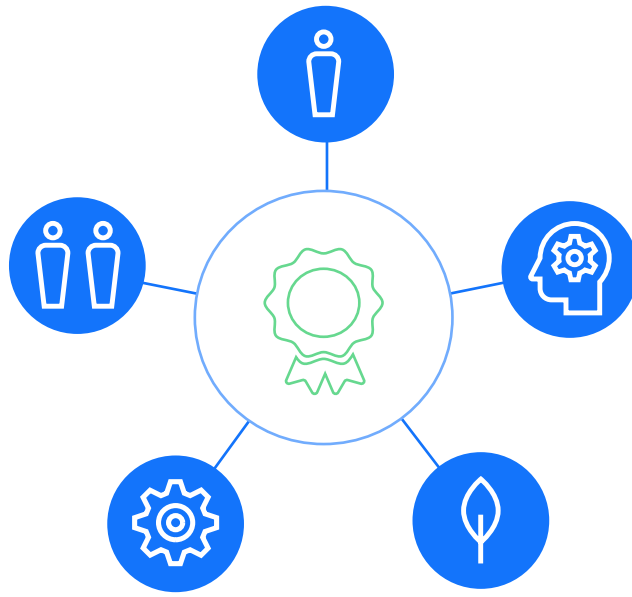
PRODUCTS AND CLIENTS

- Launch of the Viva! brand, based on a production model using technologies for low- carbon cattle raising (the Carbon Neutral Protocol in partnership with Embrapa).
- Creation of PlantPlus Foods!, dedicated to the production and sale of foodstuffs based on vegetable protein, in partnership with U.S.-based Archer Daniels Midland Company (ADM).



SOLID FINANCES

- Low dollar-denominated debt.
- Record results.
- Distribution of R\$ 141 million in dividends.



OPERATIONAL EXCELLENCE

- Rigid protocols for health and safety in all operations, guaranteeing protection against Covid-19 infections among employees.
- First company in the industry to sign an Adjustment of Conduct Protocol (TAC) with the Labor Prosecutor's Office (MPT), covering nationwide operations and related to actions designed to combat the spread of Covid-19; the agreement served as a model for other companies.
- A simple structure, with independent and profitable operations, underpinning record economic-financial results.
- Innovation in launching of products, such as the Viva! brand, based on carbon-neutral breeding, as well as foodstuffs based on vegetable protein, under the PlantPlus! brand.
- Investments and projects aimed at organic growth.
- The Brazilian Company with the largest number of bovine slaughterhouses authorized to export to China: 13 units in South America, seven in Brazil, four in Uruguay, and two in Argentina, representing 70% of installed capacity in the region.

CAPITALS





Operation

North America

South America



OPERATIONS

[GRI 103-2; 103-3]

Our business dealings are divided between two platforms: North America and South America. Together, we have the capacity to slaughter 30,100 head of cattle per day, producing 222,000 tons of hamburger per year and 209,000 tons of other processed meats. [GRI 102-2]

Both divisions featured diversified production, embracing meat processing and industrialization. Our farm produce operations are also divided between the two regions. A joint venture we operate with U.S. corporation Archer Daniels Midland Company (ADM), one of the biggest suppliers of food ingredients in the world, resulted in creation of PlantPlus! and establishes our company as responsible for the production and distribution of products via installations at Várzea Grande (Mato Grosso), in Brazil, and via National Beef, in the United States.

NORTH AMERICA

We operate via **National Beef, the fourth largest processor of beef**, concentrating approximately 14% of slaughterhouse output in the country. With a wide range of high aggregate value items including many options for immediate consumption, National Beef offers quality products based on the best raw materials available, as well as easily recognized brands. Items are sold locally via retail channels, wholesalers, and food services as well as to various markets worldwide.

One of the things that differentiates National Beef from others is the fact that it includes, among its shareholders, U.S. Premium Beef, an organization which brings together local cattle breeders. This collaboration means that the company can enjoy a network of exclusive suppliers, which contributes to sustainable operations for the company and creation of long-term value. Other National Beef operational highlights include:

- **The most efficient company in the industry** in the U.S.
- **Leader** in production of **certified Angus beef**.
- **Biggest exporter of chilled beef in the U.S.**, with Japan, and South Korea as chief markets.
- One of the **largest Wet Blue tanneries in the world**, featuring advanced, state-of-the-art technology.
- Owner of “Kansas City Steaks,” **the company’s own on-line sales channel for products delivered directly to consumers**. See website www.kansascitysteaks.com
- **87% of sales** made to the internal market go directly to **premium clients**.
- **70% of beef production** is **Black Angus**.
- The company commands **its own logistics**, National Carriers®. Using a fleet of more than 1,200 trucks, the company offers transport and cattle-related logistical services for clients all over North America.



PRODUCTION CAPACITY

- 13,100** head of cattle slaughtered per day.
- 100,000** tons per year of hamburger meat.
- 104,000** tons per year of other processed meats.
- 3** slaughterhouses.
- 5** processing units.

ANNUAL PERFORMANCE

- R\$ 48.909 billion** in net revenue (+6.5 %)
- R\$ 8.843 billion** in gross profit (+87.9 %)
- R\$ 7.671 billion** in EBITDAAJ (+96.1 %)

SOUTH AMERICA

This region is the world's biggest exporter of beef and we are among the production leaders with a daily slaughter capacity of approximately 17,000 animals. Our operations are present in Brazil and in Argentina, countries which, during the year, consolidated their positions as the chief suppliers of protein in the world, along with Uruguay and Chile.

Our products are directed toward local consumers as well as the international market, as underlined by the fact that we are one of the biggest exporters of animal protein in South America. Asia is the chief market, especially China, which is responsible for 61% of our total export revenues. Such demand favors our company, given that we have the largest number of facilities certified by China as exporters: a total of 13, including seven in Brazil, four in Uruguay, and two in Argentina. Among principal destinations we can include Egypt, Chile, and the United States.

One of the highlights of the year was the positive impact of our Operational Efficiency Program. By means of improved buying policies, better processing, and stepped up sales, the operation resulted in a revenue gain of some R\$ 390.9 million during the year.

- In **BRAZIL**, we are the **second largest beef protein company and one of the chief suppliers of hamburger meat**, items which are directed to retail sales channels via food services, both in Brazil and overseas. We also **produce and market food products based on vegetable protein**, this the result of an exclusive agreement with U.S.-based ADM, one of the largest suppliers of food ingredients in the world. In this market, our exports broke records for both volume and revenues in 2020, even while the domestic market

did not show signs of recovery because of the high cost of raw materials, given lower overall cattle supplies and the sluggish Brazilian economy.

- In **ARGENTINA**, we are **leaders within the country in the production and sale of foodstuffs derived from beef**. We are also active in the segment reserved for high aggregate value products, based on familiar brand names in the local market, such as Paty, for hamburgers, and Vienissima, leader in the sausage industry. According to the Argentina Beef Exporters Consortium (ABC), the country exported, in 2020, 900,000 tons of beef for revenue of US\$ 2.7 billion, a rise of 7% over 2019.
- In **URUGUAY**, we are the **biggest beef protein company in the nation and the chief exporter**, responsible for about 30% of all the beef sold overseas, including both chilled and frozen beef to highly demanding markets such as Japan, the United States, Europe, South Korea, China, and others. We are also **the leading private group**, with more than 3,000 employees, and a pioneer in Latin American production of organic beef. During the year, the total volume of beef exported by the country as a whole was down 11.5%, due to restricted supplies during the first nine months of 2020.
- In **CHILE**, we are **the sole multinational in the protein market**, featuring a distribution center and our own processing plant. We are also noted as the chief importer and distributor of beef and we are a major local employer, with a workforce of about 400. We are also active in the mutton market, with one of the main lamb slaughterhouses in South America. The unit is also known as the only one in the country that can boast a BRC certificate, a seal of food security recognized worldwide, as well as Kosher recognized, meaning the final products conform to orthodox Jewish dietary rules.



PRODUCTION CAPACITY

17,000 head of cattle slaughtered per day

122,000 tons per year of hamburger

10,000 tons per year of other products

17 slaughterhouses

7 processing units

ANNUAL PERFORMANCE

R\$ 18.573 billion in net revenue (+25.4%)

R\$ 2.881 billion in gross profit (+65.1 %)

R\$ 2.066 billion in EBITDAAJ (+106.0%)

ADVANCES IN 2020

PlantPlus!

In 2020, we created PlantPlus!, a joint venture established in conjunction with U.S.-based Archer Daniels Midland Company (ADM). In the new company, which is headquartered in Chicago, our stake is 70%, with ADM holding 30%.

PlantPlus! Is dedicated to the production and sale of vegetable-based products by means of retail sales channels and food service networks in both North and South America. Under the agreement, we are responsible for production, which takes place at units in both Brazil and the United States. The joint venture was approved by Brazil's Anti-Trust Council (CADE) in August.



Campo del Tesoro

We acquired, in Argentina, a company called **Campo del Tesoro**, a local producer of hamburgers for food service suppliers. With this purchase, we consolidated our participation in the industry. We are the leaders when it comes to the hamburger market in the country, via the Paty brand, and because of our production capacity of 54,000 tons of hamburger meat per year. Given such an operation, we were able to expand volume by 27%, becoming the chief supplier to one of the biggest food service players in the world. Campo del Tesoro has a facility in Pilar, in the province of Buenos Aires, where it processes 15,000 tons of hamburger per year. The transaction involved the purchase of 100% of the company's shares for some US\$ 4.6 million.

Mercado Paty

We launched, in Argentina, the "Mercado Paty," an e-commerce portal for retail products. The line is also accessible via mobile phone, allowing consumers to buy a combination of various foodstuffs, including hamburger, produce, and frozen goods, with home delivery provided. Created in 2020, it is available to residents of Greater Buenos Aires. Find out more at <https://mercadopaty.com.ar>





5

Governance and management

Corporate governance

Ethics and compliance

Corporate risk management

Quality control

CORPORATE GOVERNANCE

[GRI 102-18]

We have adopted a Corporate Governance model which seeks continuous improvement in practices related to the following areas: transparency, equity, accountability, and corporate responsibility. To these ends, our corporate structure rests upon three pillars: shareholders forum, oversight, and execution:

Shareholders Forum

General Assembly. The highest governing body is a forum in which management is accountable to shareholders for basic strategies, and delivery of results. Shareholders are then invited to make their views known on each of these issues.

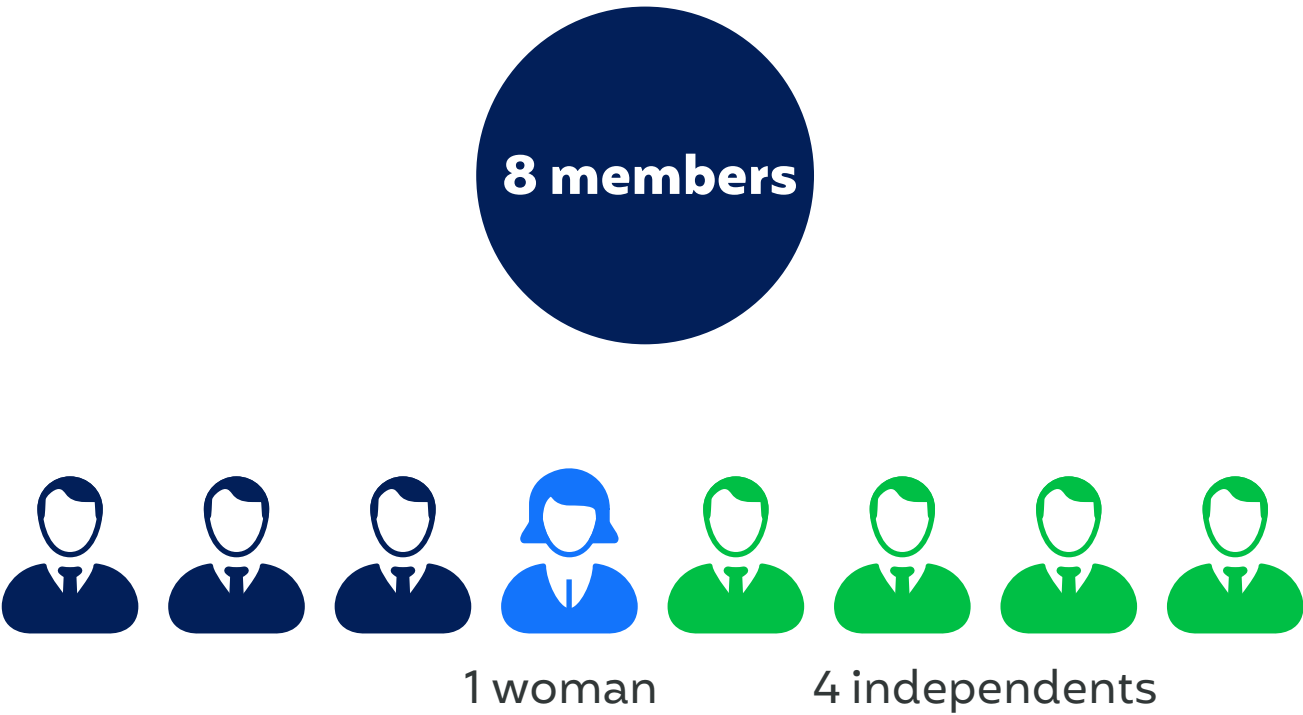
Oversight

Board of Directors. This body establishes the general orientation for conducting business, decides strategic questions, and oversees the Company's management, doing all such tasks with a commitment to Marfrig's long-term future while minimizing the impact our operation has on society and the environment. As of the end of 2020, the Council was composed of eight members, including four independents. Find more information here about the Council, including profiles of each of its members: <http://ri.marfrig.com.br>.

To aid the Board of Directors in the performance of its duties, we have developed a system of four advisory committees, each contributing its analysis when it comes to decisions in specific areas:

- Statutory Auditing.** This process analyzes balance sheets and oversees and coordinates internal and outside auditing and accounting procedures, especially when it comes to internal financial controls, risk management and other routines involving legal norms. The effort is coordinated by an independent counsellor and by two other independent members from the area of shareholder accounting.
- Remuneration, Corporate Governance, and Human Resources.** This involves evaluation of questions related to corporate governance, internal policies, and norms related to Human Resources, such as remuneration and benefits for administrators, employees, and service providers.
- Finance Committee.** This group periodically examines investment plans and overall Company financing as well as the impacts of such on capital structure. It also monitors and maintains liquidity and capital at pre-determined levels. It is composed of two counsellors, one of whom is independent, and a statutory director.
- Sustainability.** These efforts take account of the impact of our strategies and operations on the environment, keeping in mind the need for best practices when it comes to animal origins, animal welfare, greenhouse gas emissions, conservation of natural resources and control over effluents and residues. The group is composed of five members: two counsellors (one independent), two outside members, and the director.

BOARD OF DIRECTORS



Fiscal Council. This body's actions are permanent and independent, exercising oversight and control in relation to accounts and administrative actions in order to guarantee compliance with legal and statutory requirements. As of the end of 2020, it was composed of three permanent members and two alternates, all holding terms of one year, with reelection permitting.

Execution

Statutory Directors. These execute the policies and general directives established by the Board of Directors. As of the end of 2020, the group was composed of four members: the director-president, two other directors (Finance and Legal and Investor Relations), plus a fourth director chosen without reference to any specific area; all members hold terms of three years, with reelection permitted, but each can be removed at any time. Details regarding the composition and professional backgrounds of the directors can consult our Investor Relations website (<http://ri.marfrig.com.br>).

ANNUAL EVALUATIONS

The performance of the Board of Directors is evaluated on an annual basis. The members go through a process of self-evaluation as part of an overall review of the Council as a whole. This process helps identify possible areas for improvement in practices related to Corporate Governance. As part of the process, each counsellor receives a questionnaire with 30 items, 28 multiple-choice and two essays, sent by the Company's Governance Secretariat. At this stage, the counsellors review perceptions regarding business strategies and corporate risks; the dynamics of the Board of Directors and the participation of the counsellors, as well as individual performance. The results are disseminated through the Reference Form.

Another practice which we have adopted is to submit to the Board of Directors an evaluation of the director-president, with the objective of helping determine annual remuneration. This routine is undertaken with the support and oversight of the Committee on Remuneration, Corporate Governance, and Human Resources.

POLICIES

Seven policies set the tone for our practices and procedures when it comes to Corporate Governance. The full text of documents related to this theme can be found on our Investor Relations website (<http://ri.marfrig.com.br>).

- Dissemination
- Negotiation
- Dividends
- Management of Market Risks
- Remuneration of Administrators
- Transactions with Parties in Relation to Situations Involving Conflict of Interest
- Planning for Purchase of Stocks and Options

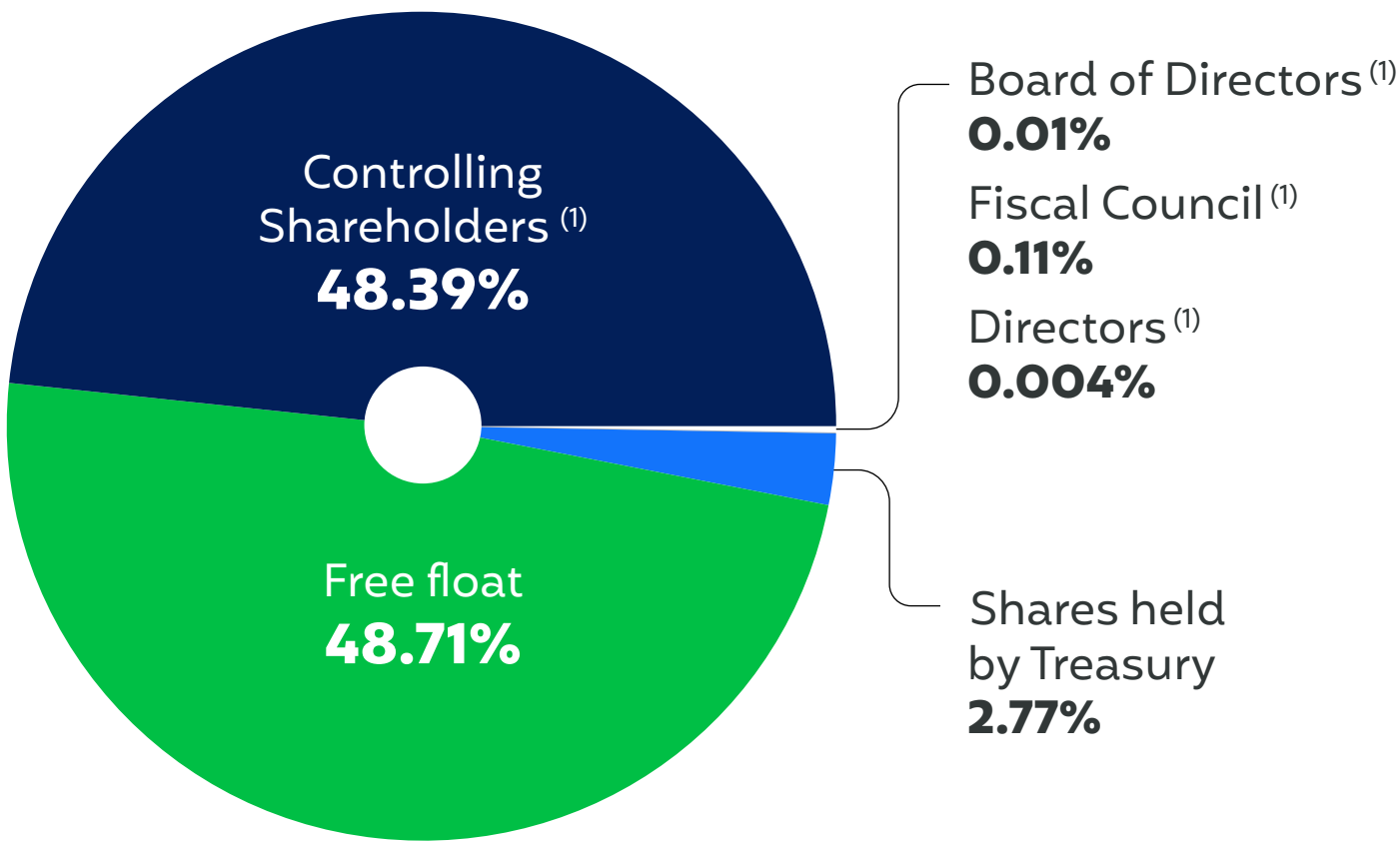
Capital Markets

Our shares are traded on the B3 Brazilian Exchange's Novo Mercado, a listing mechanism for companies committed to strict Corporate Governance rules, with a ticker ID of MRFG3. We also trade Level-1 American Depositary Receipts (ADRs) on the Over-the-Counter market (OTC) in the United States.

Em 2020, our shares were added to three more B3 indices: the Entrepreneurial Sustainability Index (ISE), which brings together shares of companies which have adopted practices promoting ESG (Environment, Social Responsibility, and Corporate Governance) goals; the Carbon Efficiency Index (ICO2), made up of companies which have minimized the impact of their activities on climate change; and the Brazil 50 Index (IBrX-50), a theoretical portfolio composed of some 50 stocks negotiated on the B3. At the end of 2020, Marfrig shares were trading on a total of 13 B3 indices:

IBOVESPA B3 **IBRA B3** **IBRX50 B3**
IBRX100 B3 **ICO2 B3** **ICON B3**
IGC B3 **IGC-NM B3** **IGCT B3**
ISE B3 **INDXB3** **ITAG B3** **SMLL B3**

SHAREHOLDING STRUCTURE



(1) In conformity with CVM Directive 358, dated March 31 of 2021
Obs.: "Controlling Shareholders" encompasses MMS Participações Ltda., which is owned by Marcos Antonio Molina dos Santos and Marcia Aparecida Pascoal Marçal dos Santos, each with a 50% capital stake, as well as individual participations by controllers.

ETHICS AND COMPLIANCE

[GRI 102-11]

Integrity is our guiding light when it comes to all of our relationships. In order to instill and disseminate the principles of ethical conduct which serve as our guiding star among employees, we can count on a Compliance Program. One of the pillars sustaining this program, Policies and Training, gained special attention in 2020:

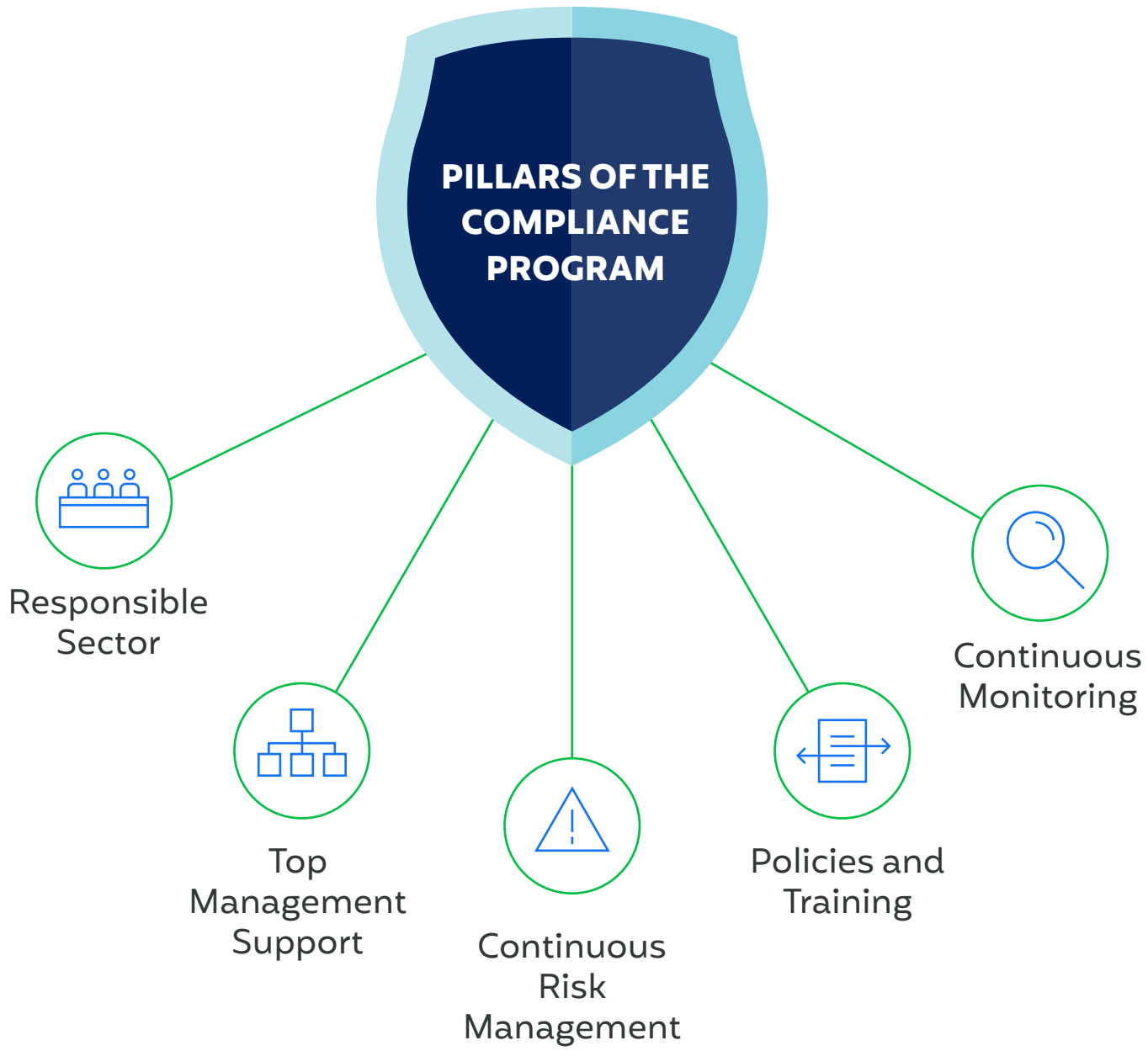
- Launching of two new policies during the period: Ethics and Conduct Code and Code for Third Parties, including orientations regarding the correct manner in which to conduct business dealings, directives which should be observed throughout the value chain, and the Policy for Prevention of Money Laundering and Terrorism Finance, which establishes indicators aimed at preventing such practices in relation to third-party dealings. Find here more information about the ten policies which guide our Compliance Program, available in both English and Spanish, and covering policies applicable to all of our operations.
- 100% of employees in South America and in the United Kingdom took part in Compliance training, a fact that underscores the advances we have made in bringing uniform directives on this subject to all of our operations in diverse countries and regions. Such programs include specific anti-corruption modules: [GRI 205-2]
 - **Administrative:** employees with access to computers and email, about 4,000 in the Southern Cone and the United Kingdom, took part in training programs via e-learning platforms.
 - **Operational:** given current conditions during the Covid-19 pandemic, training directed at employees

deployed to factories has been modified. Instead of the previous system of separation into small groups of instruction we now distribute instruction materials to employees in which Compliance issues are presented in an academic format. Such materials, in Portuguese and in Spanish, have been distributed to approximately 17,000 employees working at our plants.

- Development of specific Compliance training courses for different areas and purposes such as Animal Origins, a course that orients buyers regarding sustainable practices when purchasing cattle. Also in the area of purchasing, we developed a training routine for policies in relation to third-party dealings, in general, as well as due diligence practices, in particular. Another course was directed at top management, a group of some 100 professionals, and covered our commitment to preventing workplace harassment.

In addition to **Policies and Training**, four other pillars hold up our Compliance Program:

Responsible sectors and top management support: the overall management of this subject belongs to the Compliance Directors. These report to the Vice President for Legal Affairs and can count with the unrestricted support of the company's top managers, an essential condition if there is to be effective implementation of the program. The structure also includes an Ethics and Compliance Committee, which meets regularly to monitor aspects such as ethics and conduct, especially effective implementation of the Code of Ethics and Conduct, the complaint line, the Compliance Program as a whole as well as related themes.



Continuous Risk Management: based on the Compliance Risks Matrix, which is periodically revised and which allows for introduction of new measures to mitigate risks and create new preventative mechanisms.

Continuous Monitoring: mechanisms for the monitoring of actions and of performance indicators related to Compliance and designed to detect departures from appropriate conduct. An example of such a mechanism is a specific channel, made available on different platforms (email, 800-number, website), for use by whistle-blowers who observe conduct that departs from the principles outlined in the Code of Ethics and Conduct or from other related principles.

Commercial Relations Management

In 2020, we improved our Compliance practices even more with introduction of a new **Code of Ethics and Conduct for Third Parties**. This document, launched in 2020, brings together the values which we defend and the directives to be observed in relation to commercial relations developed with us by third parties. It was disseminated to all of our partners. For us, it is important not only that third parties take cognizance of the document’s content, but also that they observe the directives established as a way to further strengthen the culture of integrity we wish to instill in all our dealings.

Continuous monitoring of client base (Overseas Markets). Every day, by means of a high-tech tool based in Brazil, we run a broad survey of our list of overseas clients. This routine is designed to verify that our company is maintaining relationships with others who have not been the object of sanctions due to money laundering, corruption, arms trafficking, and others. This tool accesses the main criminal detection lists used worldwide as well as media outlets and other indicators involving people with high levels of political exposure. The survey is managed by our Overseas Trading area and includes training by Compliance officers using another tool known as the BNC (Batchnamecheck), run by LexisNexis, and well known in the global market.

Helpline

We have made available, to all our employees, partners, and third parties, **exclusive platforms** for the filing of complaints related to practices or occurrences which do not correspond to the principles determined by our norms and policies under the company’s Compliance Program and/or under local laws. These platforms are managed locally and the information obtained from them is treated as confidential. Users may identify themselves or remain anonymous. In Brazil, there were 518 incidents reported on the Helpline in 2020, of which 92% were related to Human Resources questions. In 2020, there were no cases related to risks from corruption, nor were there any cases of corrupt practices of any kind, either confirmed or in the public domain. **[GRI 205-1; 205-3]**

HELPLINE (BRAZIL)

compliance@marfrig.com.br

or 0800 223 1000 (Monday through Thursday from 8:00 a.m. to 6:00 p.m. and Fridays from 8:00 a.m. to 5:00 p.m.)

Institutional Representation

We are members, through our Brazilian operations, of the Commission on Corporate Responsibility and Anti-Corruption of the International Chamber of Commerce (ICC), with headquarters in France. The commission is organized in defense of the principles of free markets, principles which we also defend. Among the many subjects under the aegis of the ICC are commercial arbitration and the battle against corruption. For more information see <https://iccwbo.org/>

Our close collaboration with the ICC has reverted into significant advances and actions in a number of areas:

- Within the institution, we are part of a commission which contributes to the strengthening of compliance policies in the realm of private sector companies, an effort which helps to re-establish our country’s international credibility.
- In 2020, we reinforced our relationship with the ICC when we approved adherence to the Private Sector Commitment to Supply Chain Integrity, a movement promoted by our Board of Directors. The commitment seeks to promote broad integrity throughout supply chains by disseminating best Compliance practices from all participants, demanding that they observe the same standards of integrity established by our own direct partners.

Best practices as adopted in relation to the question of Competition meant that, in 2020, there was not a single judicial suit, pending or finalized, regarding unfair competition, monopoly practices or in violation of fair trade laws. **[GRI 206-1]**

CORPORATE RISK MANAGEMENT

The directives which we have adopted in this area seek to evaluate, monitor, and control the risks to which we are naturally exposed. In order to deal with this subject we have divided it into two action fronts:

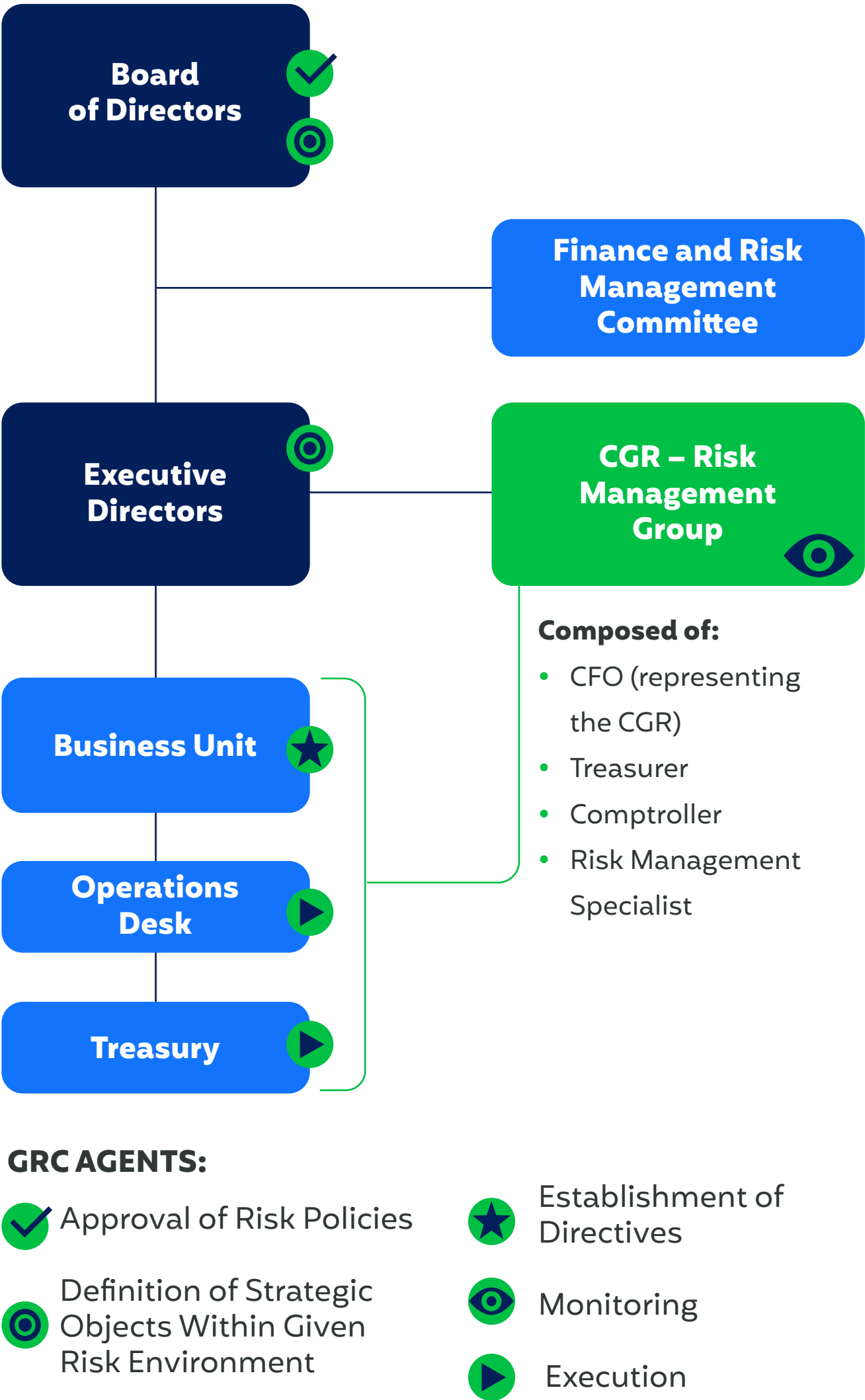
Risks related to our own policies, which we seek to protect: this covers aspects considered significant to our business dealings and which can be mitigated by internal policies as approved by the Board of Directors. This category includes the following themes related to such policies:

- Transactions with parties related to situations involving conflicts of interest.
- Foreign exchange fluctuations, alterations in interest rates, variations in commodities prices and liquidity levels.

The specific risks covered by these policies are detailed in item 5.2 of the Reference Form available on our Investor Relations website (<http://ri.marfrig.com.br>).

Risks accepted and monitored: under this rubric come risks which are less material or which are not subject to our direct control, making it more difficult to posit and manage effective policies. Examples of this include situations involving commercial restrictions or surtaxes put in place by other countries which import our goods, new competitors in the marketplace, unexpected shifts in legislation, and sudden economic crises as well as regulatory changes, alterations in market conditions and in the overall economic climate. Although we may not have policies formulated for such cases, we do have routines for monitoring them and for mounting case-by-case analyses as a way to minimize the impact of

RISK MANAGEMENT STRUCTURE



such risks on our operations. These can be reviewed in item 4.1 on the Reference Form available via our Investor Relations website.

The definition of strategic objectives when it comes to the overall risk environment belongs to the Board of Directors and to the Statutory Directors. It is up to the Council to approve policies related to this subject. In this realm, the Council is aided by the Finance Committee and the Committee on Risk Management.

To support decisions and actions regarding strategic questions, and in conformity with all local laws, ethical considerations, and internal controls, we can count on the efforts of our Risk Management Group (GGR). Composed of professionals from the areas of Finance, Treasury, and the Comptroller's Office along with Risk Management experts, the GGR advises the Executive Directorate in all matters involving strategic objectives, acting to protect and enhance the Company's assets.

When it comes to the management of risk in the arena of business affairs, decisions are made based on the policies mentioned above as well as internal procedures. Observation of the controls contained in the documents and procedures, as mentioned above, is guaranteed via internal audits. The effectiveness of internal controls is guaranteed through independent audits. When needed, the Company may contract outside specialists from the consulting world in order to help us with the management of risks.

QUALITY MANAGEMENT

[GRI 103-2; 103-3; 416-1]

We have adopted high quality standards when it comes to foodstuffs, in line with consumer market demands. In order to meet such parameters, we have undertaken a program for quality control management based on indicators which evaluate our own performance regarding this vital question. These indicators do not just measure operational efficiency; they also include client satisfaction. The process includes the following points:

- Certifications and audits, which validate the fact that the productive process is being closely controlled. These, in turn, follow well defined criteria and seek to ensure that final products conform to technical norms as determined by the marketplace.
- Our own laboratories, accredited through ISO 17.025, to evaluate products.
- Tracing of the entire productive chain from reception of animals, ingredients, and raw materials to shipment of final products.

All of these routines, taken together with socio-environmental, health, and safety initiatives, generate a positive and direct impact on corporate sustainability, guaranteeing the long-term health of our business. As a result of these practices, we did not observe, in 2020, a single case of non-conformity with voluntary codes of conduct nor any case involving fines, sanctions or warnings related to the impact of our products on the health of our consumers. [GRI 416-2]

- Food security is one of the themes embraced by our Integrated Management System (SGI), which has as its objective the search for continuous improvement in

procedures when it comes to this subject as well as environmental management, health, occupational safety, and social responsibility. One of the improvements adopted in Brazil, during the year, was obtention of SMETA certification, one of the main formats used worldwide for ethics-based auditing. It is based on a Code of Conduct known as the ETI (Ethical Trading Initiative) and touches upon health and safety, working norms, the environment, ethical commercial relations, among others. It includes best practices for treatment of partners, and a reduction in duplication of efforts in conjunction with other auditing formats. We have, therefore, substituted it for OHSAS 18000, when it comes to health and occupational safety, and SA 8000, in the area of social responsibility.

- Programs based on prerequisites such as our Standard Procedure for Pre-Hygiene and our Standard Operational Procedure as well as our Operational Sanitary Procedure, the Water and Water Supply Plan, the Pest Control Plan, our Tracing Plan, our Infection Control Plan, a Recall Plan, and many others.
- The APPCC Program (Analysis of Hazards and Critical Control Points).
- Micro-biological analyses of animal carcasses and final products using surface swabs in areas of contact with foodstuffs, analyses of ambient air.

How we measure Quality

A variety of factors influence product quality. As a preventative control procedure method, we have put in place everything from regular internal and external audits to management routines involving task force teams covering issues such as absenteeism, turnover, and training needs. Here are some of the practices we use to measure quality:



1) Quality Indicators

Complaints and product-returns: One of the best thermometers for controlling an operation's quality is monitoring of complaints and product-returns. We generate indices with regard to these variables, which automatically update each time a product is returned.

Official zero-tolerance management: This indicator measures fulfilment of deadlines along with the efficiency of the methods adopted for such. In addition to seeking to avoid recidivism and incidents of non-compliance with safety rules related to foodstuff handling, this index also has the objective of contributing to the continuous improvement of best practices in general.

Audits. Every two weeks, our units pass through an audit undertaken by an internal unit or by a third party. We are also audited by government agencies in the various countries where we do business.

In Brazil, monitoring is accomplished through the Quality Guarantee Committee. Our operations are also evaluated, in country, by the Ministry of Agriculture, Fishing and Food Supply (MAPA), under the supervision of the Federal Inspection Service (SIF).

In the United States, units belonging to National Beef have their own proprietary system for management of this issue. It allows the company to operate at standards higher than those adopted by the industry as a whole and is called the Beef® Biologic® system. The idea is to introduce, into all operations, a "clean room" mentality. The process includes employee training, routines for the control of pathogen and micro-organism levels in the environment, and continuous monitoring of all operations.

2) Laboratories

As part of our quality control system, we own, in Brazil, four laboratories accredited under the aegis of ISO 17.025. They are located strategically in relation to our operations: Tangará da Serra (MT), Várzea Grande (MT), Promissão (SP), and Pampeano (RS). The facilities undertake micro-biological and physio-chemical analyses as a way to guard against contamination by pathogens as well as measuring the presence of pesticides. The analyses also pinpoint foodstuff composition in relation to protein, fat, and humidity.

In the United States, evaluations are conducted at every plant covering safety, food standards and food safety as defined by the Inspection Service, an agency of the U.S. Department of Agriculture (USDA FSIS). All units, in addition, adopt a gamut of measures under the quality and safety banner as developed by the Department of Corporate Technical Services. All such procedures are verified and audited by inspectors belonging to the technical services departments of each unit and are monitored by USDA Inspection Service personnel.

3) Tracing

Our entire productive process is monitored and traced with a view toward guaranteeing the safety and quality of our food products, starting with the arrival of animals at the slaughterhouse gate, including raw materials and ingredients, before moving on to shipment of final products. Such practices have been in place since 2007. In addition to not buying cattle directly from critical areas in the Amazon region, tracing also involves the development and management of itineraries for every head of cattle purchased from suppliers. Together with suppliers, we trace

every step of the supply chain as a way to guarantee proper standards. In this way, it is possible for us to identify the ranch origin and diet for any animal. We are also able to gather other data relevant to the productive process such as lot numbers, slaughter dates, inventory, and transport. Based on such information, we are better able to improve operations and adopt optimum solutions to any problem that arises.

4) Certifications


Our operations and procedures are evaluated periodically by independent certifiers in accordance with international standards and client needs in key markets. Such routines, based on a desire to demonstrate the excellence of our products, operations, and procedures includes issues such as social responsibility, health and safety, environmental protection, and guaranteed quality. We are always seeking top scores and do not deliver results any less than A and double-A.


Certifications at plants located in various countries differ from one another in accordance with the operational and consumer characteristics of each market and the local laws. In Uruguay, for example, each unit has its own certification procedure for each different product, such as organic beef. Other examples follow:

- 100% of our units – in Argentina, Brazil, Chile, Uruguay, and the United States – are certified by the BRC (British Retail Consortium, an international reference point for food safety), as A or double-A.
- 100% of units located in Brazil and in Uruguay, along with one unit in Argentina, can boast of having an **HACCP** seal, a certification of quality related to hygiene and food safety.
- 2 processing units, in Brazil, have **IFS certification**, based on food safety norms recognized by the Global Food Safety Initiative (GFSI) for the auditing of procedural quality in food products.

CERTIFICATIONS FOR UNITS, BY COUNTRY

 ARGENTINA	Number of certified units	
	2019	2020
ISO 22.000	1	1
BRC GLOBAL STANDARDS	3	3
HACCP	1	1
MCDONALD'S CODE OF CONDUCT AND MCDONALD'S STANDARDS	3	2
MCDONALD'S SQMS	2	2
ANIMAL WELFARE (VIA NAMI)	2	2
ORGANIC	1	1
ANGUS CERTIFICATION	1	1
QUALITY MANAGEMENT SYSTEM UNDER NORMS SET BY ISO 9001:2015 BY THE ARGENTINE NORMALIZATION AND CERTIFICATION INSTITUTE (IRAM)	1	1
SAFETY SYSTEM MANAGEMENT UNDER THE AEGIS OF FSSC 22000, VIA ENGLISH CERTIFICATION SOURCE INTERTEK	1	1
INTERNAL TECHNICAL NORM AD 001/04:2009 "MEAT CUTS 100% FREE OF PRESERVATIVES" BY ARCOS DORADOS HOLDING COMPANY, CERTIFIED BY IRAM	1	1

 BRAZIL	Number of certified units	
	2019	2020
ISO 14001:2015	8	8
OHSAS 18000	8	0
SA 8000:2014	2	2
SMETA (AUDITORIA DE COMÉRCIO ÉTICO DOS MEMBROS SEDEX)	0	13
BRC GLOBAL STANDARDS	18	14
HACCP	18	14
IFS FOOD (INTERNATIONAL FOOD STANDARD)	2	2
RAINFOREST ALLIANCE CERTIFIED TM	4	4
MCDONALD'S SWA (SUPPLIER WORKPLACE ACCOUNTABILITY)	17	10
MCDONALD'S SQMS (SUPPLIER QUALITY MANAGEMENT SYSTEM)	17	9
MCDONALD'S GLOBAL BSE FIREWALLS	17	9
MCDONALD'S AHW BEEF SLAUGHTER	15	9
BURGUER KING GLOBAL SUPPLIER	1	9
HALAL CERTIFIED BEEF	15	12
NORTH AMERICAN MEAT INSTITUTE (NAMI)	15	11
FOOD MANUFACTURING STANDARDS	1	1
COSTCO CODE OF CONDUCT	—	8
HIGH QUALITY BEEF QUOTA (UE)	—	8
ISO/IEC 17025	—	4
ICS (INITIATIVE CLAUSE SOCIALE)	—	3

 CHILE	Number of certified units	
	2019	2020
BRC GLOBAL STANDARDS	1	1
HALAL CERTIFIED BEEF	1	1
KOSHER CERTIFIED BEEF	1	1

 USA	Number of certified units	
	2019	2020
BRC GLOBAL STANDARDS	6	7
GLOBAL STANDARD FOOD SAFETY	6	7
MCDONALD'S AND MCDONALD'S STANDARDS CODE OF CONDUCT	3	4
MCDONALD'S SQMS	3	4
COSTCO CODE OF CONDUCT	2	3
HIGH QUALITY BEEF QUOTA (UE)	1	1
HALAL CERTIFIED BEEF	3	3
NAMI (ANIMAL WELFARE)	3	3
LEATHER WORKING GROUP (LWG)	1	1
CERTIFIED ANGUS BEEF – CHOICE	3	3
CERTIFIED ANGUS BEEF – PRIME	3	3
NATURAL CERTIFIED ANGUS BEEF	2	2
NATIONAL BEEF BLACK CANION BEEF	2	2
NATIONAL BEEF CLACK CANION PREMIUM RESERVE	2	2
ANGUS BEEF	2	2
CERTIFIED HEREFORD	2	2
CERTIFIED HEREFORD PREMIUM CHOICE	2	2
EU ANGUS		

 URUGUAY	Number of certified units	
	2019	2020
BRC GLOBAL STANDARDS	5	5
HACCP	5	5
MCDONALD'S CODE OF CONDUCT AND MCDONALD'S STANDARDS	4	4
MCDONALD'S SQMS	2	2
BURGUER KING GLOBAL SUPPLIER	4	4
HALAL CERTIFIED BEEF	4	4
NAMI (ANIMAL WELFARE)	4	4



Recall

Our South American operation utilizes a recall system based on national and international standards, with procedures regularly tested under the responsibility of Quality Control. The system operates based on establishment of protocols, functions, and responsibilities documented as a way to guarantee the effectiveness of the process. Practices adopted include, for example, weekly exercises in tracing of animal types (Angus, Halal, Organic), in addition to annual simulation of recalls by selected clients. In 2020, there was no actual recall needed; nor were any export prohibitions adopted or food safety questions raised.

Labeling

All of our products meet the different demands for labeling imposed by the various markets in which they are sold. In order to better inform clients and consumers about the composition of our foodstuffs – a practice aimed at assuring quality and safety – all labels include information such as net weight, nutritional value, fabrication date, and sell date. In addition, so that consumers can know more about food origins and raw materials and/or ingredients, 100% of meat products include tracing information. All items also include orientations about ideal temperatures for storage and conservation as well as advisories about safe use and correct disposal.

In the United States, for example, 100% of labels are validated by Technical Services Cooperatives in order to comply with labeling rules enforced by the Food Safety Inspection Service, a division of the U.S. Department of Agriculture (USDA FSIS). When it comes to products destined for export, the same division also verifies and guarantees that all labeling conforms to rules set exclusively for export products, including information about ingredients and components that could cause allergies, among others. In 2020, there were no cases in which our products were found to be deficient in the area of information and labeling, nor were any found to be in non-conformity with communications and marketing norms.

[GRI 417-1; 417-2; 417-3]





Human resources

Health and occupational safety

PEOPLE

[GRI 102-8]

Given that we are dedicated to the production of foodstuffs – an essential activity for the population – our operations were maintained uninterrupted throughout the year, even during periods of restrictions imposed by the Covid-19 pandemic.

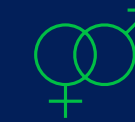
In this context, the health and safety of our employees gained the highest priority. We adopted a contingency plan designed to support all, with actions and measures followed at all of our units and in all the countries in which we are present (for more information see page 42).

In recognition of the inestimable contributions made by our employees during the period, we donated to them, in Brazil, some 660 tons of meat over the course of 16 weeks. In our North American operation, we made payments and offered benefits in cases of production emergencies at various times during the year.

Number of employees

Including all of our global operations, we had 32,255 employees as of the end of 2020, 0.26% – or 84 jobs – more than at the end of the previous year. The increase in employment was led by the North American division and accompanied the growth of the business in that region during the year.

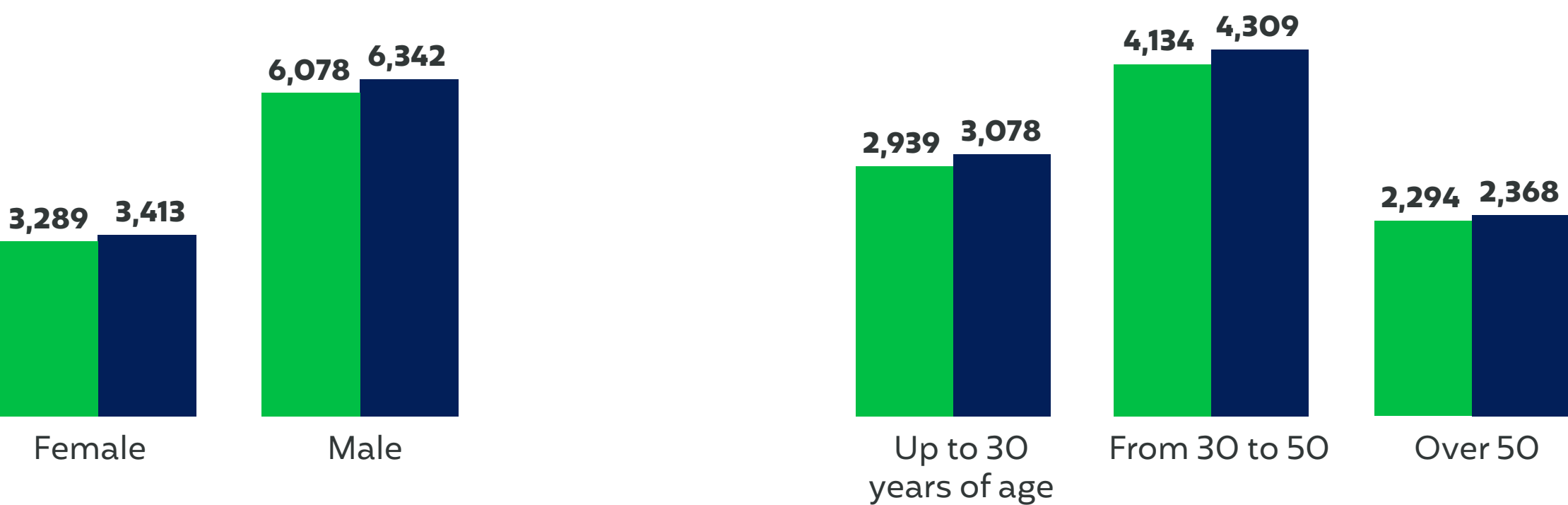
Gender



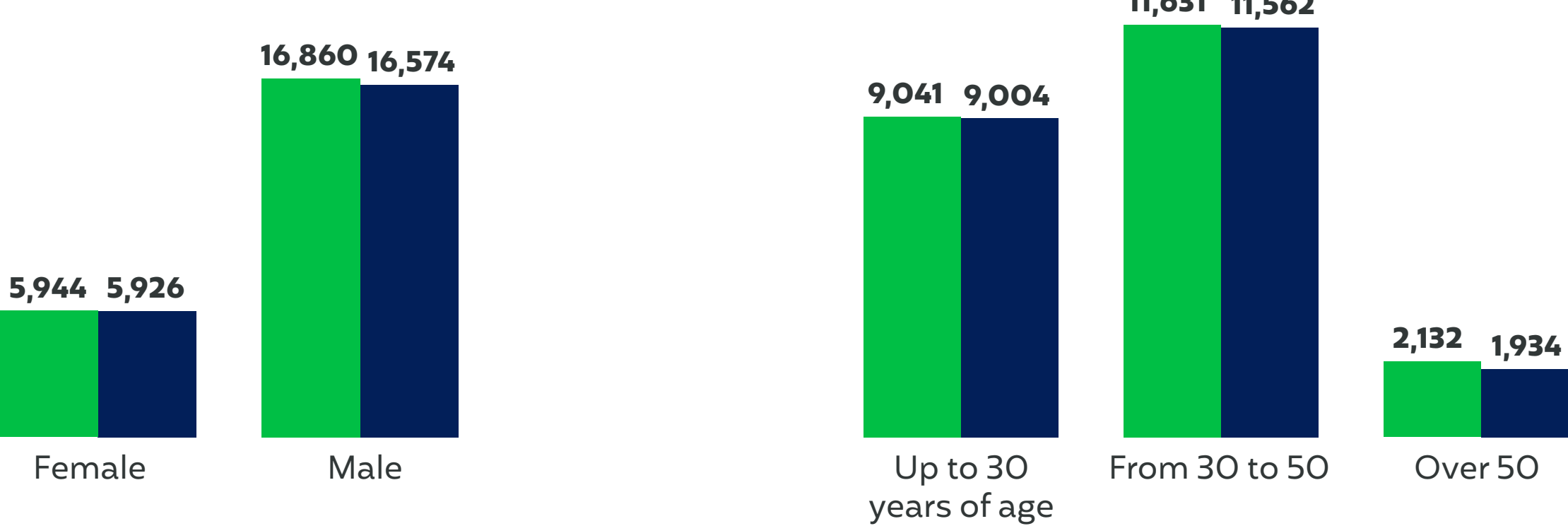
Age



NORTH AMERICA



SOUTH AMERICA



2019 2020

In North America, our workforce is composed of people from 32 different nationalities. As part of an effort to accommodate the varied cultures represented, we developed partnerships with local educational institutions. These have offered us the possibility of providing classes to our workers in English as a Second Language (ESL). In Uruguay, we also offer our employees language classes, in this case Portuguese and English. Another practice adopted in the country is payment of a bonus upon retirement as a way to help retirees prepare for a new chapter in their lives. [GRI 404-2]

PROFESSIONAL DEVELOPMENT

Our employees are all protagonists in the development and success of our businesses. In our routines, we seek to promote respect, diversity, and human rights, in line with rigorous directives and applicable laws as applied in the different countries in which we operate.

We maintain, as a principle, the need to present opportunities to our employees for professional development within the Company. To this end, we have developed a policy favoring internal promotions, which is reflected in high levels of retention and professional stability.

We also offer training and habilitation programs, which totaled 811,326 hours last year. Of that total, 65% were offered by the North American division. Participation by employees in such programs averaged, per year, 54.2 in North America and 12.5 in the South American division. [GRI 404-1]





Our training agenda, in Brazil, emphasized the formation of operational leaders, including supervisors and shopfloor coordinators. We also created our CEO Academy (online) covering the whole gamut of corporate leaders, from managers to vice presidents. Training sessions directed toward leadership development reached 8,542 hours during the year and took place, in part, online as part of our adaptation to the pandemic and, in part, in-person, involving 1,046 employees.

To contribute to professional development, we also periodically evaluate the performance of our employees. In Chile, Argentina, and Uruguay, 100% of employees are evaluated in terms of themes such as responsibility, discipline, productivity, commitment to work, and ability to work well with others. In the United States, about 90% of the workforce is evaluated through formal methods throughout the year, which contributes to a better definition of salary adjustments for those in management jobs. **[GRI 404-3]**

In Brazil, evaluations are made based on employee performance as measured against a series of targets, set annually in line with Company strategies. The targets plan is defined by the directors and validated by the Corporate Human Resources Department. Job performance is monitored on a monthly basis. At the end of the year, high-performance employees are recognized. In 2020, employees in the area of maintenance became eligible for such recognition, joining directors, managers, coordinators, and specialists. In 2021, the targets will also incorporate ESG (Environment, Social Responsibility, and Corporate Governance) goals. **[GRI 404-3]**

We also seek to develop initiatives designed to boost job retention. In Brazil, there are two programs with this aim:

- **Strong Program:** this program offers internal opportunities for operational assistants to grow within the company. After a selection process, employees continue as operational assistants but receive training over a period of three months in preparation for additional responsibilities.
- **Tell-a-Friend Program:** employees indicate professionals for job placements. If the person is hired and approved for a permanent job after a training period, then the employee indicating the individual receives a bonus via his or her paycheck.

In North America, our actions are aimed at engagement with employees through a program called Share and Grow Together, designed to maintain high levels of job retention. The program offers a space for conversations aimed at building a better working environment. The initiative includes surveys involving employees, conducted by external experts, and training. It is capped off by a 16-hour course in Leadership Development. The course was completed last year by more than 775 supervisory staff, managers, and other personnel.

WORKPLACE HEALTH AND SAFETY

[GRI 103-2; 103-3]

COVID-19

Offering a secure workplace environment and protecting the health of employees is a basic premise for us. Given the challenges imposed by the COVID-19 pandemic, we have dedicated even more attention to this subject than ever. We took swift action in the areas of sanitation and infrastructure to prevent the dissemination of the virus among our employees, re-structuring our entire approach in order to meet employee needs at our many facilities. We gave ample berth to employees in risk groups as well as to workers living with people in the affected age cohorts. Employees on leave suffered no loss of benefits because of infection. We kept in place benefits such as basic food basket distribution, food coupons and productivity bonuses. We initiated a program of weekly distribution of two kilograms of meat to all employees, to help them avoid the need to shop outside their homes. The measure helped promote social distancing. We also increased the number of doctors and nurses on hand in order to meet rising healthcare demands at all of our units.

In Brazil, we adopted procedures for mass testing, for tracing of employees who might be transmitting COVID-19, and we were the first meatpacker to sign a Conduct Adjustment Accord (TAC in the Portuguese original) with the Labor Ministry attorney's office (MPT).

At our **North American** operations, we established a special COVID-19 task force at each of our units, responsible for coordinating, evaluating, and planning COVID-related actions. The purpose was to guarantee that all of the healthcare guidelines were being followed. These teams work in harness with employees at each unit under the leadership of National Beef to develop new practices for safety and health as the COVID-19 problem evolves.

In our **South American** operations, the healthcare focus on our employees has led to a revision of procedures and the adoption of a COVID-19 Contingency Plan. In addition, we have made available to all the vaccine against the H1N1 virus as part of an effort to mitigate the risk of complications from COVID. We applied testing for detection of COVID-19 at all of our units, a stage accompanied by our Health and Safety team. Workers testing positive were placed in quarantine with continuous medical accompaniment. In some units, employees were tested more than once, as deemed necessary.

Among the action we adopted to protect the health of our employees in the face of the COVID-19 threat are the following:

TESTING

- Mass testing of 100% of employees.
- Active outreach, via an epidemiological questionnaire covering 3% of employees per week.
- Active outreach, via fortnightly testing of 3% of employees at each producing unit.
- Adoption of a testing system at time of admission, return from vacations, and after travel between units.
- Adoption of an active outreach procedure, undertaken



weekly, at all units to identify possible symptoms not previously reported.

- Testing of employees who work within a radius of 1.5 meters of colleagues who have tested positive.
- Implantation of antigen testing, Ag type, at all units (a rapid test done with a swab via immunoassays processing).
- Third parties servicing units should follow protocols in relation to testing and are subject to sporadic examinations.

TRANSPORTATION

- Re-adaptation of all means of transport available at facilities such that all motor vehicles operate at 50% of capacity; program includes increase in availability of buses.
- Adoption of a system for taking the temperature of workers before they get on a bus.

OPERATIONAL ROUTINES

- Installation of sanitary barriers at the factory gate, including taking of temperatures and redirection to laboratories.
- Physical barriers at workstations.
- Social distancing at worker convenience areas.
- Changes in hours and shifts in order to reduce the average number of people in locker rooms and cafeterias.
- Changes in flow of workers to and from restaurants.
- Exclusion of any and all raw foods offered as part of meals furnished by the company.
- Implantation of a system of sanitary barriers in restaurants, including alcohol gel.
- Changes in service models for restaurants, ending self-service in favor of wait staff for employees.
- Installation of acrylic barriers to separate workers.

- Implantation of systems designed to promote sanitary practices in external areas, used two to three times per day.
- Use of PFF2 masks in all productive areas and obligatory surgical masks in all company dependencies.

Health and Occupational Safety Routines

Parallel to the COVID-19 Contingency Plan, we maintained all other practices aimed at assuring the occupational health and safety of our employees, in line with Regulatory Norms and the applicable laws in the venues where we are active.

The operational units, in the different countries where we are present, can count on specialized professionals when it comes to Safety Committees, including Internal Committees for the Prevention of Accidents (CIPA), Specialized Engineering Services for Workplace Safety and Health, and Ergonomic Committees. The North American facilities, in addition, are regularly evaluated with regard to safety, based on the DuPont Behavior Based Observation (BBS) procedure.

In South America, all of the countries in which we operate have specific management teams to assure the health and safety of workers. In Brazil, routines come under the aegis of the Corporate Program for Workplace Health and Safety (PDSSTC), which develops uniform standards for all operating units. In addition to various premises and norms, the program embraces instruction for the certification and mobilization of workers and third-party service providers in an effort to guarantee the necessary materials and ambience for workplace safety. Performance in relation to such programs, as well as evaluation of the risks entailed, is accomplished through continuous monitoring of a series of indicators.

PDSSTC also includes the adoption of control measures and preventative systems aimed at anticipating, recognizing, and evaluating risks existing in the workplace environment. Involving all of our employees at Brazilian installations, the program takes as its point of departure the guidelines offered by OHSAS 18001 and aims to preserve the physical and mental integrity of workers and contractors. This, in turn, is based on meeting the legal requirements of policies under the Integrated Corporate Management System (SGI), which covers issues such as quality, health, safety, environment, and social responsibility. **[GRI 403-1]**

The quality of these procedures can be seen through the reduction in accidents. In Brazil in 2020, for example, we reduced by 44% our overall total of workplace accidents and by 65% accidents which result in loss of work time by employees. Evaluations of dangers and risks are undertaken in conjunction with sectoral managers, CIPA members, and workplace safety teams, who are responsible for final conclusions and monitoring based on the research.

Based on results from the comparison of severity versus probability, proposals are made to improve conditions and, when such changes are made, to assure that they are monitored and maintained as part of the company's overall operating system.



In order to better observe risk situations and occurrences, each productive unit makes available, for use by its employees, a specific form. When detecting workplace situations that could expose workers to risk, or to occupational disease, workers are oriented to interrupt their activities, availing themselves of the right to refuse tasks whenever they find evidence of grave risks that represent an imminent danger to their safety or health or to that of others. Such facts are then communicated immediately to higher management, which will take the necessary preventative measures.

In order to evaluate accidents and other incidents, we can also count on specific forms of instruction, ones which orient and formalize conduct aimed at preserving health and safety. The process of evaluation and identification of risks and hazards is undertaken on an annual basis and can include the purchase of new equipment and products, changes in workplace routines, and alterations in plant layout. **[GRI 403-2]**

We also make available workplace healthcare services; these too contribute to the identification and elimination of dangerous situations, minimizing risks to employees. In conjunction with various other norms, the Program for Prevention of Workplace Risks (PPRA) aims at identifying dangers and risks. It also suggests actions to minimize the problems it finds. We also offer workplace healthcare services based on a Program for Medical Control of Occupational Health (PCMSO), which is also linked to existing norms. This program aims to guarantee that employees enjoy good physical and phycological health and includes an entire slate of actions based on an annual calendar of biological monitoring along with preventative actions for both managers and employees. **[GRI 403-3]**

During the course of the year, the company offered 253,567 hours of training in health and safety routines in Brazil, focusing on themes such as fire-fighting and industrial equipment handling, as well as subjects including dangerous activities such as use of knives and safe handling of chemical products, among others. Training sessions, based on physical presence, are offered during working hours by SESMT and visiting experts. **[GRI 403-5]**

Workplace accidents

[GRI 403-9]

The total number of workplace accidents showed a decline across all platforms. In North America, there were 249 cases of accidents with or without leave of absence, 13% fewer than in 2019. In South America, where we have the largest number of plants, the decline was 30%. The result reflects actions taken to preserve the health and safety of our employees with efforts that are ever more intense at each operating unit.

	North America		South America	
	2019	2020	2019	2020
Accidents with leave of absence	209	168	1,305	910
Accidents without leave of absence	77	81	2,653	1,867
Total	286	249	3,958	2,777



Sustainability platform

Origin control

Animal wellbeing

Reduction in GHG

Natural resources

Effluents and residues

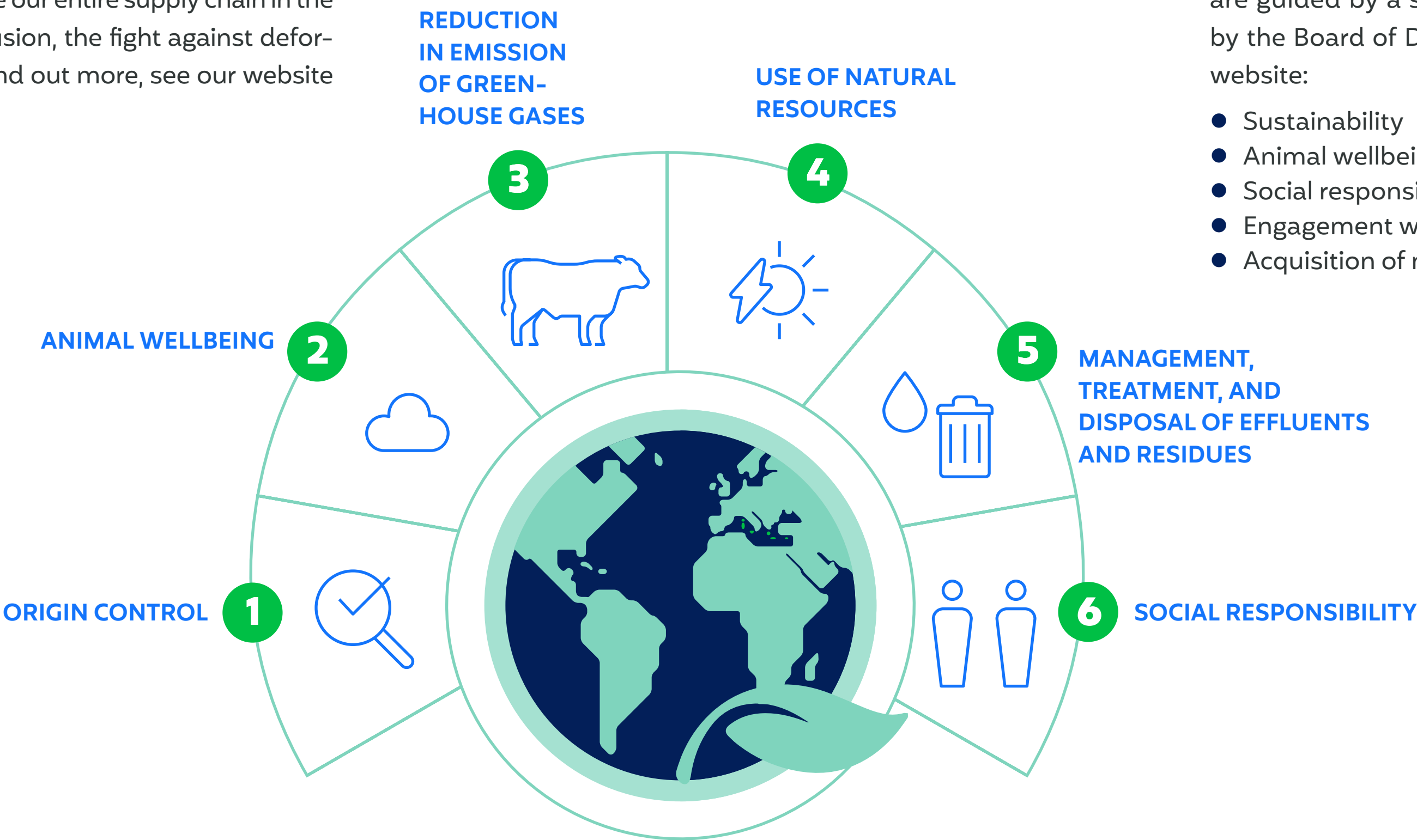
Social responsibility

Sustainability is one of the pillars of our business strategy. We hope, in our actions, to be an effective agent for transformation across our supply chain, promoting production models which preserve biomes and biodiversity, especially when it comes to policies designed to combat deforestation. Efforts to minimize impacts on the environment also include development of new forms of production. Another crucial question is that of human rights. In this regard, we have adopted a variety of measures to disseminate best practices, even among our suppliers.

We reinforced these principles in 2020, with the establishment of a public commitment to engage our entire supply chain in the effort. Actions are aimed at inclusion, the fight against deforestation, and transparency. To find out more, see our website on Sustainability.

Fixed strategies

Actions related to sustainability permeate our day-to-day operations. To manage them in a pro-active manner, we have established objectives, targets, and benchmarks for measuring results. We have divided the initiatives into six strategic axes:



Governance. Given the strategic importance of this theme, decisions and global directives in this area are made by the Board of Directors. In this task, the Board can count on the advice of the Sustainability Committee, formed by specialists in the subject who can boast highly regarded professional careers. The execution of strategic planning belongs to the Sustainability Directorate. Its actions are monitored closely by the CEO. This group analyzes risks and opportunities related to sustainability as well as setting targets for performance by individual operational units.

Directives. The actions undertaken in promoting sustainability are guided by a series of five policies, all of them approved by the Board of Directors and available on our Sustainability website:

- Sustainability
- Animal wellbeing
- Social responsibility
- Engagement with Stakeholders
- Acquisition of material from forest origins

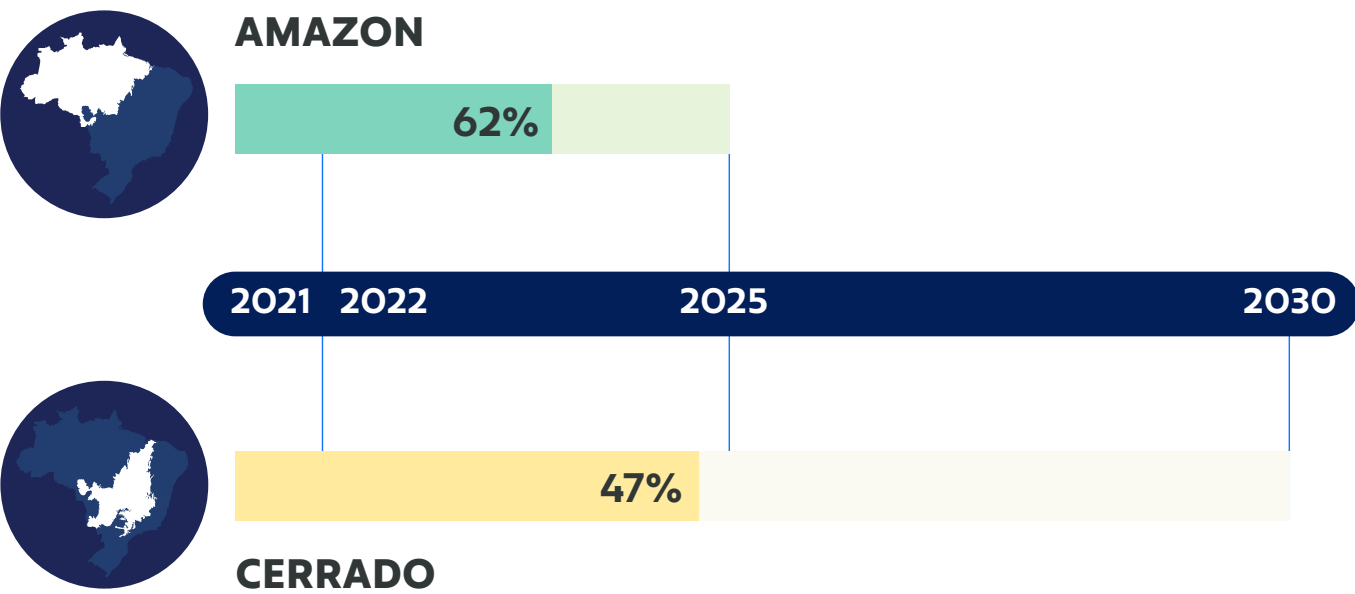
1 ORIGIN CONTROL

[GRI 103-2; 103-3; 102-9; 304-2]

We took an important step in 2020 when we fine-tuned our procedures and practices related to origin control. We launched our **Marfrig Verde+ Program**, a strategy that seeks to accelerate the development of sustainability across the bovine products value chain, with a particular focus on greater inclusion of producers. Through this program, we established a plan of action, one which is already posting results, aimed at making sure **100% of our supply chain is free from deforestation by 2030**.

We are advancing swiftly toward this goal. By the end of 2020, we had already reached a high level of origin identification, some 62% in the Amazon and 47% in the Cerrado.

ORIGIN IDENTIFICATION



Marfrig Verde+ Program

An initiative based on three pillars:

- **Development of innovative financial mechanisms.**
This involves development of new financing sources making it possible for producers to access credit. This is also part of an effort to combat deforestation. By accessing credit for investments in their ranches, producers improve their systems and productivity, making it less likely they will engage in destruction of the virgin forest.
- **Building up technical support and productivity .**
Support for producers to implement technologies helping to make the transition to cattle raising that conciliates productivity with conservation. Examples of this are the production procedures adopted under the aegis of the Carbon-Neutral Meat protocol (launched in August of 2020) and the Low-Carbon Meat protocol, developed in cooperation with the Brazilian Agricultural Research Corporate (Embrapa).
- **Mechanisms for monitoring and tracing.**
Monitoring of 100% of direct and indirect suppliers:
In the Amazon by 2025
In the Cerrado by 2030



What we achieved in 2020:

- We adopted a system of geo-monitoring via satellite, previously used in the Amazon, for use in the Cerrado Biome. **We brought forward the use of this instrument, originally slated for 2021.**
- We developed a marketing/financial model based on integration with suppliers of cattle in the Amazon, established **in partnership with financial institutions.**
- We launched **a production model based on low-carbon technologies** for cattle-raising (the Carbon Neutral protocol developed in partnership with Embrapa).
- We revised and updated the concept and the scope of the **Marfrig Club protocol**, bringing it into alignment with the chief ESG demands of investors and international norms.
- We completed and applied **the mitigation of risks map** for the Amazon Biome, for both direct and indirect suppliers, identifying areas exposed to deforestation risks and social conflicts. This tool allows us to cross reference maps of native flora with those showing cattle raising, thus making it possible to identify areas of greater or lesser risk to the rainforest and to biodiversity and social unrest.
- We supported a **program for technical assistance to indirect suppliers**, a way to intensify, restore, and normalize ranches.
- We made available mechanisms to improve profits and **access to financial mechanisms for small producers.**
- We applied, in our Amazon region operations, **the unified cattle-buying protocol** (Protocol for the Monitoring of Amazon Cattle Suppliers), whose methodology was developed with the aid of the Federal Prosecutor's Office (MPF). This advance was brought forward since the original rollout was scheduled for 2021.

By 2022:

- Adaptation of all control systems in the value chain to risk mitigation protocols.

Between 2022 and 2025:

- Protocol for re-inclusion of blocked producers, making it possible for them to return to the value chain if they meet the company's sustainability criteria.
- Execution of program for technical support network, which will seek to intensify and restore cattle-raising conditions by improving both 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:

- Tracing of all suppliers in the Cerrado and all other biomes.

Marfrig Verde+ is the result of a partnership with the IDH – through its Sustainable Commerce Initiative, part of the Dutch private-public institution. To learn more about the program, see our Sustainability website.

PRESERVATION OF THE FORESTS

Carbon-neutral beef is bred via a system known as ILPF using pastures located next to planted forests (the main species being eucalyptus). In this format, cattle comes into pasture at age 10 months, giving enough time to grow and fatten before being readied for slaughter. This guarantees that emissions are neutralized by the nearby eucalyptus trees, but only if they are felled and sent not for kindling or pulp production but for cutting into boards or for use in furniture manufacture, procedures which keep the carbon trapped. We are concentrating this type of production in Mato Grosso do Sul, where there is a large presence of eucalyptus destined for use as solid wood.



IMPACT ON THE VALUE CHAIN

We have a number of initiatives and processes underway that are aligned with the basic premises of Marfrig Verde+. These include engagement with both direct and indirect suppliers in the application of sustainable production practices – one of the chief objects of our strategy –, as well as sustainable production models, responsible buying, management of risks, support of suppliers, and our commitment to transparency, realized via complete audits of our own procedures.

New production concepts

In 2020, we launched our Viva! brand, a line of meat cuts produced under the concept of Carbon Neutral Meat (CCN). In this format, animals are bred in systems that integrate cattle-raising and the forest; this allows for a neutralization of methane gas emissions by the animals. To gain this advantage, various techniques are used such as Cattle Pasture-Forest Integration (ILP) and Cattle-Forest Integration (ILPF), aimed at creating an equilibrium between pastures and biodiversity. These models are the result of an unprecedented collaboration with the Brazilian Agricultural Research Corporation (Embrapa) in 2018, with the objective of encouraging sustainable practices for cattle-raising and certifying the beef produced under such systems. In addition, we are also working with the Carbon Neutral Beef (CCN) concept as well as the Low-Carbon Beef (CBC) concept, with new initiatives to be announced soon.

This partnership with Embrapa is in line with the principles we defend when it comes to incentives to change production and handling systems; changes include rotation of pastures and integration of cattle-raising systems with forest-based and agricultural production. We also encourage suppliers to utilize new methods for free-range cattle raising such as pasture-based feed sources. Use of soybeans as feed, when practiced as a supplement, is discouraged when it is not possible to trace the feed's origin. This is a policy which assures that production is not linked in any way to deforestation. Such an approach is in line with our overall conduct when it comes to controls over deforestation throughout the commodities value chain.



PIONEERS IN PRODUCTION OF ORGANIC BEEF

We have produced organically certified beef for more than 20 years, a story that had its beginnings in Uruguay, at the Tacuarembó meatpacker, in 1999. Today, this process brings together some 240 producers, a figure that should rise to 300 by the end of 2021 and which corresponds to 9% of nationwide output. Everything started with an association created by a few producers, among them Gustavo Ferreira, who doubles as a researcher in this area.

The hope for this format, Ferreira says, is to produce beef without degrading the environment or damaging biodiversity. "I always believed in the equilibrium of ecosystems," he argues. In addition to adding value to the beef – given that organic products are in ever greater demand among consumers in different parts of the world – Ferreira also notes that in the model "there is also a knock-on effect when it comes to impacts on water quality, animal health, and the care of pastures."

Unlike intensive production systems, Ferreira defines the process as co-innovative. When it first began, he recalls, there were few organic beef producers anywhere in the world. Uruguay was one of the pioneers in the field in South America. It took a great deal of work on the part of the

meatpacker to make the product known and to open doors for it in the marketplace. Producers, meanwhile, had to toil to make sure their products met the requirements of those who controlled certification. "We learned together," he recalls.

Slowly, the initiative, which began as a pilot program on a contract signed with a Dutch company, began to gain wings, eventually meeting consumer needs in various international markets, including Europe, the United States, and Asia, with special emphasis on China and Japan. Such results, Ferreira argues, reflect the efforts made by many to develop the whole chain of value by sharing information and experiences and by learning more about the certification process. He adds, "For me, it is highly satisfying to have been a partner in this for the last 20 years."

In addition to Marfrig and various producers, the Certified Organic Beef Program has also earned the support of local universities, the Agriculture and Livestock Research Institute of the Ministry of Livestock, Agriculture and Fishing, as well as many meatpackers. "No institution can advance alone in the face of such a challenge," he concludes. "We must evolve together."

Responsible Buying

Conformity with the law, good conservation practices in relation to the environment, and the type of handling adopted by owners are some of the factors we have evaluated since 2009 in the process of selecting our suppliers when we buy animals. Through suggestions made to suppliers, we have sought to promote high standards of production. We evaluate and select 100% of our suppliers of bovine protein utilizing environmental and social criteria. The verification process is made at each new purchase of animals, when we consult suppliers as to animal characteristics such as age, weight, and meat quality, key variables in determining whether animals are fit for consumption in the markets served by the slaughterhouse. **[GRI 308-1; 414-1]**

Some of the criteria we apply to producers in this process:

- Property is not listed as an embargoed area by the Brazilian Environmental Protection Institute (IBAMA) nor is it registered as a property using forced labor (the "Blacklist" released by the Labor Inspection Secretariat of the Economy Ministry). There are still risks related to slave and child labor and, in order to mitigate this risk, we verify 100% of our suppliers at the moment we purchase animals for slaughter. In the United States, all of our National Beef units adhere to Child Labor Laws in force in that country; these laws prohibit employment of people under the age of 18 in industries such as slaughter and processing of bovine meat. In addition, we periodically send letters to suppliers and contractors, informing them of our policies and soliciting their compliance with them. **[GRI 408-1; 409-1]**
- Present documents showing proof of Registration of Land Ownership (SNCR), Rural Environmental Registration (CAR), Guarantee Letter, Verification on List for the Marfrig Club Protocol, Proof of Tax Payments, and Animal Transit License (GTA), among others.

- Information referring to human rights, work shifts, adequate remuneration, fair working conditions, non-discrimination, including discrimination of any kind, utilization of child labor, and freedom of association will be solicited through a questionnaire based on international SA8000 norms and dealing with social responsibility. This approach is part of the random monitoring used to track such factors throughout our production chain. [GRI 408-1; 409-1]

Animals for slaughter are acquired on rural properties located near our processing plants in all the countries in which we operate. In this manner, 100% of suppliers are considered local in nature, as are all suppliers located in the same country as the unit responsible for the purchase. [GRI 204-1]

The principle of responsible purchasing is not applied only to suppliers of cattle. Producers of soybeans are also evaluated by means of a similar questionnaire in which queries are evaluated and verified regarding origins of the soybeans as a way to assure that they are not being grown in areas suffering from deforestation. Such controls in the case of soybeans are not in place only as a way to monitor animal feed, but also so that alternative bovine protein producers can make sure they too are using this all-important commodity properly as a base. Use of products furnished by PlantPlus!, the company we launched in partnership with Archer Daniels Midland Company (ADM), also reinforces dedication to the production of foodstuffs with a vegetable foundation. Routines such as these are in line with efforts to combat the practice of deforestation and hydraulic scarcity (for more information see page 65), among other practices aimed at sustainability throughout the value chain and which contribute to the conservation of biodiversity in critical biomes, especially the Amazon.



PlantPlus!, the company we launched in partnership with Archer Daniels Midland Company (ADM), also reinforces dedication to the production of foodstuffs with a vegetable foundation



Geo-space Monitoring

In line with our commitment to conditioning purchases on respect for environmental criteria, our suppliers in the Amazon Biome are continuously monitored by geo-space technology in place since 2009. We expanded the reach of this routine in 2020 to include producers located in the Cerrado. This improvement was made possible after we completed 100% of the mapping of cattle properties in the entire country, independent of biome. Based on the maps, we were able to compile the Rural Environmental Register (CAR); this information, in turn, is cross referenced with satellite images of the ranches furnished by the INPE (National Institute of Space Studies). We then seek to certify that the properties are free of deforestation and from conflicts with indigenous peoples or conservation groups. Some of the practices included in this routine follow:

- **Conflicts in indigenous territory.** Monitoring is undertaken by a specialized company and is supplemented with information solicited annually by FUNAI, the government body responsible for the management of indigenous affairs in Brazil. Other routines are also followed, all of them audited by the DNV-GL consulting group, headquartered in Norway. Irregular suppliers are blocked. In 2020, there were no cases registered of rights violations against indigenous populations. **[GRI 411-1]**
- **Heat points.** Identification of slash-and-burn activity among farm owners in the Amazon Biome, which results in warnings issued to suppliers and adoption of preventative measures.

In the face of any cases of non-conformity with rules as detected by monitoring, the supplier is blocked from selling animals to us until the issue is resolved. Under this scheme, 9,896 suppliers – or 100% – were evaluated during the course of the year, in Brazil; monitoring took into account environmental and social impacts. Based on the criteria, some 698 suppliers presented significant negative impacts (active and potential). Of these, 72% showed improvement following evaluation. In all other cases, supply contracts were suspended. **[GRI 102-10; 308-1; 308-2]**

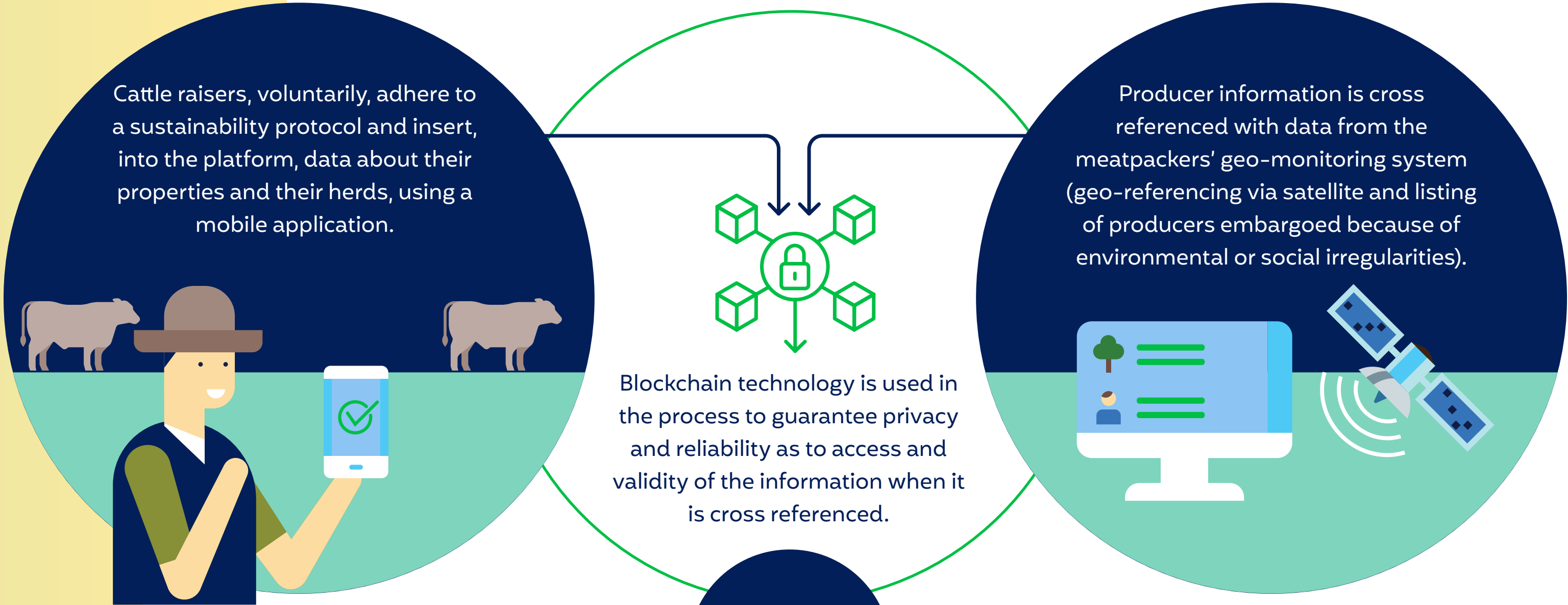
DEFORESTATION RISK MAP

Our procedures for responsible buying were also improved in 2020. We completed the Deforestation Risk Map, a tool that allows for the identification of areas highly exposed to socio-economic risks in the Amazon and Cerrado Biomes, taking into consideration both direct and indirect suppliers. The tool cross references the presence of native flora with areas used for cattle raising, making it possible to identify locations presenting greater or lesser risks to biodiversity and, in accordance with those risks, to set priorities. Depending on the risks uncovered by the map, we may ask for more detailed information from producers, including documents and reports, as a way to guarantee that local operations are in conformity with social and environmental commitments made in the name of sustainable cattle breeding.

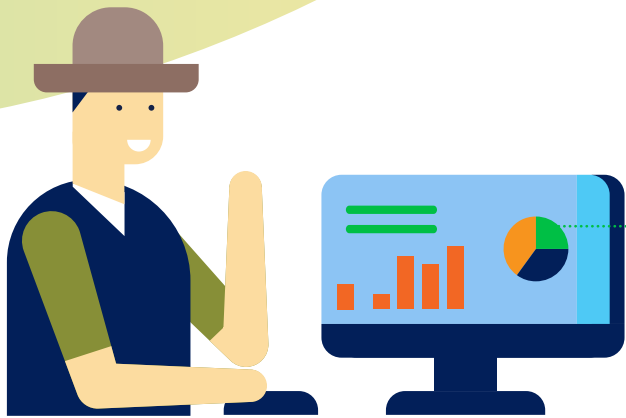
The tool, used for the first time in 2021, establishes a level of association between deforestation and other variables such as total effective herd while also defining five risk classes (very low, low, medium, high, and very high) for each variable considered. The analysis uses for its basis official, publicly available data related to cattle-raising, deforestation, socio-economic conditions, pastureland, and native flora.

The Conecta Platform

In 2020, we personalized a tool which combines satellite monitoring with blockchain technology to verify instances of deforestation and other violations of socio-environmental norms in the cattle-raising and beef production value chain. In line with the principle of inclusion, the **Conecta Platform** will be made available to all producers, independent of size. Initially, it will be available in the State of Mato Grosso, another mark of our pioneering attitude when it comes to technologies of this kind.



Advantages



In return for their information, **producers** receive a socio-economic analysis of their operations – including both their own and other suppliers – and a summary of their respective productive profiles (in accordance with information authorized by them).

In this manner, they will have the elements necessary to manage their business dealings, avoiding any “contaminated” participants in the supply chain.



Meatpackers reinforce the transparency of the supply chain, keeping themselves true to the commitments they have made.



Retailers and consumers can be sure that the meat they buy on the supermarket shelf is free of illegal deforestation and other socio-environmental ills.

MARFRIG CLUB

We have been using supply tracing techniques since 2010, when we instituted our Marfrig Club Program, aimed at recognizing producers who distinguish themselves by best practices in relation to animal wellbeing and socio-environmental norms; the program furnishes technical support. The idea is to accompany the evolution of routines on these properties for a period of ten years, with monitoring gradually intensified and expanded. With Marfrig Verde+, the initiative assumed an even more active role, transforming itself into a hub for the support of supply inclusion. Thus, cattle-raisers identified as being located in areas of socio-environmental risk can find, through the Marfrig Club, a way to support their production while remaining within norms.

In this re-organization and updating of monitoring protocols, the Marfrig Club, in line with our commitment to continuous improvement, is able to fine-tune targets and indicators related to the most demanding international norms for Sustainability, such as those of the Rainforest Alliance, GlobalGAP, RedTractor, IFC, CDP, FAIRR, BBAW and Forest500. With these movements transforming our value chain, we can move forward while also respecting the individuality and the specific conditions of each producer. [GRI 102-13]

2 ANIMAL WELLBEING

[GRI 103-2; 103-3]

Taking care of animal wellbeing, in conformity with best practices on handling, is a fundamental question for us because it directly influences the quality of the food products we sell and, consequently, the food safety of our customers. Thus, in addition to assuring the best routines and practices in our units, efforts in this regard also embrace working conditions at all installations, and rigid routines and training for our employees who handle animals; we also engage with suppliers – especially producers and transporters – so that we are always in conformity with the highest standards when it comes to animal wellbeing.

In 2020, we adopted key performance indicators (KPIs) to monitor and evaluate the evolution of our practices regarding animal wellbeing and we took on a series of public commitments. We also established targets covering various of our actions:

- Audits of Animal Wellbeing at industrial units carried out by third parties (according to NAMI (North American Meat Institute) standards.
- Training in animal wellbeing.
- Travel time for animals, never more than eight hours between ranch and slaughterhouse.
- Animal supplier engagement with criteria for animal wellbeing, via the Marfrig Club. For more information see page 54.

All of the measures adopted, in line with our principle of continuous improvement, allow for us to constantly rise in the rankings developed by the **BBAW 2020** (Business Benchmark on Farm Animal Welfare), the chief global evaluation of animal wellbeing. We advanced from **Tier 4 to Tier 2**, the best

classification of a bovine protein company in the Americas when it comes to animal wellbeing. For more information about this initiative and others related to animal wellbeing, see here. <https://sustentabilidade.marfrig.com.br/#principios>

What we observe in our animal wellbeing practices:

- We respect, whenever possible, the five animal freedoms – environmental, behavioral, psychological, sanitary, and physical –, as determined by the Farm Animal Welfare Council, an independent British group which has become a global reference point on this matter. To offer the best possible treatment to animals, we have adopted diverse procedures and taken various measures throughout the entire handling process, beginning at the ranch, and extending all the way to the slaughterhouse.
- We observe all of the chief ethical mandates and all of the laws regulating animal treatment in all of the markets in which we operate.
- We meet all of the demands of our clients in this matter from all over the world.
- We utilize academic research in our efforts to constantly improve our structures and practices in relation to animal wellbeing.
- We do not offer any incentives to use hormones in the animals we buy under any circumstances.
- We do not buy animals whose origins include genetic engineering or cloning.
- We do not use anti-biotics in any of our direct operations. The application of such substances, however, can occur at producer ranches. Our orientation is to use these substances only in case of disease treatment and under the supervision of a veterinarian. Utilization of anti-biotics should also come with a period of quarantine in accordance with manufacturer recommendations and with the approval of governing authorities in each different country. These, in turn, should follow both national and international norms for use of such medications.

FROM THE RANCH TO THE SLAUGHTERHOUSE

[FB-MP-430A.2]

We have adopted procedures and practices applying to the many stage of animal handling from pre-slaughter to slaughter, all of them involving the three principle segments of the value chain: rural properties, transport, and industrial operations.



Rural property

- Orienting materials (manuals and folders).
- Technical visits².
- Specific checklists filled out during technical visits.
- Lectures and training.
- Marfrig Club Program (for more information see page 49).

Transport

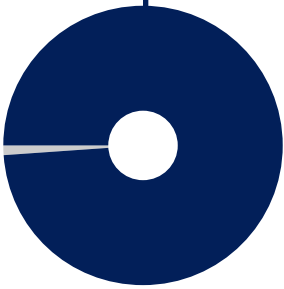
- Training and awareness for transport companies.
- Evaluation of transport vehicles.

Industry

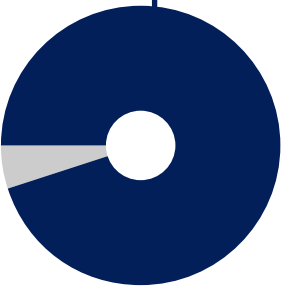
- Animal wellbeing audits undertaken by third parties based on high-standard criteria for animal welfare as set by NAMI and others³.
- Frequent monitoring⁴, also undertaken via video cameras at most units.
- Sufficient high-quality food and water for all animals.
- Adequate structures with appropriate density and anti-slip floors.
- Covered shelter with sprinkler systems, as needed, for animals housed in industrial facilities; use of equipment without disturbance for the animals who should enjoy an hospitable, comfortable, moderate-temperature environment.
- Modern containment and stunning equipment.

RESULTS IN 2020

7,631 evaluations
made by those responsible
for animal wellbeing
at our units.



99.07%
of cages in
excellent
conditions.



95%
of drivers evaluated and scoring at the highest
levels; verification made by those responsible for
embarkation at rural properties.

² Quarterly, at least, to accompany animal departures.

³ Specifics of clients, for example.

⁴ According to standards of the North American Meat Institute (NAMI), client protocols, and current legislation.

In addition to these practices, we would also highlight other actions we have taken:

Engagement with value chain. In 2020, we kicked off a broad process of mapping covering product suppliers and animal origins. The approach is being undertaken by means of a questionnaire in which we solicit information regarding cattle-raising conditions, feeding, environmental enrichment, training, slaughter and certification methods, as well as animal wellbeing through all phases of the industrial process. The work of engaging with beef suppliers intensified in 2020 and will continue in 2021. Managers in all the countries where we operate will maintain contact with suppliers, assuring greater interaction with this key public while re-emphasizing our recommendations in relation to the issue of animal wellbeing and the need for best practices on its behalf throughout the value chain.

Innovation. We developed Move Boi, equipment designed at one of our own units, for the handling of cattle. With this equipment, the animal, at the entrance of the slaughterhouse, is given an incentive to walk along a corridor, thus avoiding the need to use electrified prods. Given the excellent results already obtained, the Move Boi system will be extended to other units during the course of 2021. This is an example of the type of practice we are constantly seeking: development of projects in partnership with equipment manufacturers to facilitate operations and work routines for our employees while maintaining the wellbeing of the animals.

Training. We have developed considerable training orientations regarding animal wellbeing, constantly seeking innovation, a dynamic approach, and awareness for the benefit

of all: animals, suppliers, transport workers, the industry, and consumers. Our transport suppliers and employees are already well oriented on this topic and integrated with an agenda that includes periodic updating of skills.

MANAGEMENT

We focus on animal wellbeing in line with best practices in all of our operations, based on uniform directives for all the countries in which we are present. We can count with the support of specialized and dedicated teams and we promote constant interchanges regarding the standards applied to this subject:

Animal wellbeing policy. We adopt directives observed internationally as foreseen in our own Policies regulating animal wellbeing, a document which seeks to guarantee innovation and leadership in application of best practices for the handling of animals, extending to them safety, and respect for their wellbeing at every stage of the operation. All recommendations should be observed, in every country in which we operate, by employees, suppliers, third parties, and others interested in the process and acting in our name. Consult the document on our Sustainability website.

Animal wellbeing committee. We also seek to promote the sharing of experiences when it comes to topics of interest such as new legislation, strategies, and trends in the area of best practices within any of the countries where we do business. This exchange of ideas occurs through the venue



of our Global Animal Wellbeing Committee, which is composed of members from the animal wellbeing areas in Brazil, Chile, Argentina, Uruguay, and the United States. The committee is responsible for various things: the supply chain itself (animals, raw materials for preparation of final products, processed and frozen foods, and ingredients), the purchase and transportation of animals, and various sections of the industrial units including teams responsible for the handling of animals and the supervision of overall operations.

Specialized and qualified teams. PWe deploy specialized, dedicated teams for all routines involving animal wellbeing at our units; these, in turn, are led by our animal wellbeing division. With a multi-disciplinary background, this team coordinates and fine-tunes animal triage, takes responsibility for the quality of equipment and physical plant, and trains the professionals involved in the procedures. This group is also responsible for evaluating suppliers.

Research. We have established, in Brazil, a partnership with a research group called INOBIO-MANERA from the Paulista State University (UNESP), specialized in thermal comfort and animal wellbeing. This group undertakes research in the area of animal welfare and develops strategies for engagement with the supply chain.

Investments in animal wellbeing

Improving the structure of our units in order to advance in the area of animal wellbeing and the practices that promote it, with a view toward creating the best possible environment for the animals, is an objective worthy of the investments that have been made in National Beef's Dodge City unit, in the state of Kansas. Investments, in 2020, totaled US\$ 27 million, partly for creation of an up-to-date low-stress environment for the animals and partly to develop solutions involving the re-use of water resources as well as upgrades for food safety. The next step is to deliver the same upgrades at the Liberal unit.

In our South American operations, investments in animal wellbeing reached R\$ 4 million, destined for structural improvements in the area of transport vehicles and arrival infrastructure, in Chile, and modernization of structures, equipment and stunning devices, via a system of camera monitors, as well as renovation and general maintenance in relation to overall animal wellbeing, in Brazil. In Argentina and Uruguay the focus has been on maintenance of buildings in order to improve handling of animals with a view toward their wellbeing, as well as improved procedures for certification and authorization.

Informed use of anti-biotics

[FB-MP-260a.1]

We understand that all of the practices which enhance animal wellbeing also make it possible to improve overall health conditions and, consequently, reduce eventual needs for use of medications such as anti-biotics. Such a philosophy is part of all our actions, including the Carbon-Neutral Meat initiative, a production system that uses a shade-producing environment for animals, highly

nutritious pastures, and a low GHG balance via greater integration of pasturelands with forests. All of this is spelled out in orientation materials and training disseminated throughout our supply chain, through the Marfrig Club Program as well as specialized teams promoting animal wellbeing at each of our units.

Given the nature of our operations, we acquire cattle for slaughter from supplier ranches without any use whatsoever of any type of anti-biotics on the animals. Even so, we continue to treat this subject with the utmost attention.

The World Health Organization (WHO) recommends that producers and food packing industries suspend any routine use of anti-biotics as a means to promote quick growth in the animals and/or to prevent diseases in otherwise healthy animals. The WHO recommendations have the objective of aiding in preservation of the efficacy of anti-biotics for human use by reducing unnecessary use in animals, given that excessive application of anti-biotics in animals or humans can contribute to a rise in resistance against such medications⁵.

Also regarding this subject, as members of the Global Roundtable for Sustainable Beef (GRSB) since 2012, we have disseminated among our suppliers of animals for slaughter the Declaration of Conscientious Use of Anti-Biotics, inspired by an original GRSB⁶ document as adapted to the conditions pertaining to our supply chain. The document aims at outlining practices related to this particular category of medications as used by producers of sustainable bovine protein as well as veterinarians and other stakeholders in the cattle-raising value chain.

⁵ https://www.paho.org/bra/index.php?option=com_content&view=article&id=5540:oms-recomenda-que-agricultores-e-industria-alimentar-parem-de-usar-antibioticos-em-animais-saudaveis-para-preservar-sua-eficacia&Itemid=812
⁶ <https://grsbeef.org/resources/Documents/AntimicrobialStewardship/GRSBAntimicrobialStewardship-FINAL.pdf>





As part of this process, we have also made publicly available a list of medications that are not recommended for use in the case of animal production because they are classified as Highest Priority Critically Important Anti-Biotics (HP-CIA), in other words, anti-biotics critically important for human use, or Medically Important Anti-Biotics (MIA), according to the WHO definition. To learn more, see <https://www.who.int/foodsafety/cia/en/>.

Whenever an animal gets sick, a consultation is ordered with a veterinarian and, depending on the case, an anti-biotic might be prescribed as treatment.

The conscientious utilization of anti-biotics is also emphasized for our suppliers of animals for slaughter via verification documents that are part of the production system under the Marfrig Club Program.

At the end of the productive process, all animals that arrive at the slaughterhouse should carry, without exception, information about origins and vaccinations (furnished by an official Transit Control Document – the GTA), as well as a completed Guarantee Letter in which the supplier will include information about any medications that have been used.

Monitoring for use of anti-biotics, in our units in Brazil, is undertaken via the PNCRC⁷ (National Control Plan for Residues and Contaminants/ Animals) in every single one of our slaughterhouses, following rules established by the SIF (Federal Inspection Service) of the Brazilian government. In the event of any non-compliance, the property of the producer is subject to restrictions in conformity with current legislation and, depending on the specific case, may be prohibited from selling any products.

⁷ <https://www.gov.br/agricultura/pt-br/assuntos/inspecao/produtos-animal/plano-de-nacional-de-controle-de-residuos-e-contaminantes>

ANIMAL WELLBEING INDICATORS

In 2020, we adopted key performance indicators (KPIs) and established targets for various actions, measures designed to improve the monitoring and evaluation of best practices regarding animal wellbeing, as part of our policy of seeking constant improvement.

TARGETS AND KPIS FOR ANIMAL WELLBEING*

INDICATORS	TARGET	2020 RESULT
Training	40 hours of training at minimum per year per slaughterhouse.	793.4 hours
Transport time	65% of cattle transported by routes equal to or less than eight hours.	94%
Audits of industrial units	100% of bovine slaughterhouses, in all countries where we operate, audited by third parties in line with NAMI Animal Wellbeing standards by 2025.	94%
Suppliers of service animals in relation to animal wellbeing criteria	100% of ranches meet at least one criterion for animal wellbeing under the Marfrig Club Program by 2025.	98%

* Result for 2020 include data for Brazil, Chile, Argentina, and Uruguay. The exception is the reference to suppliers of service animals in which case the wellbeing statistics are restricted to Brazil.

GLOBAL RECOGNITION

BEST BOVINE MEAT COMPANY IN THE AMERICAS FOR ANIMAL WELLBEING MANAGEMENT

In the 2020 edition of the BBFAW (Business Benchmark on Farm Animal Welfare), the largest and most important global ranking of animal wellbeing, we advanced to Tier 2, rising two positions in relation to 2019, when we were rated Tier 4. This upward progression reflects our zeal for continuous improvement in our practices when it comes to animal wellbeing by adopting specific policies as well as targets and commitments along with regular reporting of relevant information across our entire global operation. We have been a part of the BBFAW since 2012, the first year of the survey, and this is the second time we have reached Tier 2, the first being in 2015. Recognized as a global references in the management of animal wellbeing on ranches, the BBFAW allows investors, companies, NGOs, and other interested parties to share information about the practices adopted by others in the field as well as measuring their own performance. Learn more details here. <https://sustentabilidade.marfrig.com.br/#reconhecimento>

PUBLIC COMMITMENTS

We assumed public commitments when it comes to animal wellbeing in 2020, applicable to our entire Brazilian operation, practices which will be extended to the other countries in which we operate during the course of 2021, in accordance with the type of operation.

	Established term	Target
Management:	By December of 2024	Undertake third party audit of public information on animal wellbeing for the entire Company.
Elaboration of products for in-house brands:	By December of 2023	100% of bovine slaughterhouse activity in Brazil undertaken in accordance with NAMI (North American Meat Institute) standards.
	By December of 2028	100% of beef suppliers act in accordance with NAMI standards.
In relation to in-house product brands based on other sources of protein (eggs and/or pork):	By December of 2025	Use eggs from hens free of chicken coops.
	By December of 2026	Utilize pork from systems that raise hogs in collective sites (permitting, at most, 28 days of individual growth).
		Acquire pork from systems that do not permit mutilation of the animal's ears.
		Purchase pork from systems that utilize only chemical castration, avoiding pain and suffering for the animals (a practice substituting for surgical castration).
		Restrict purchases of pork to systems that do not permit the cutting of animals' teeth. In extreme cases, when there is proven evidence of aggressive behavior by animals, the practice may be permitted.
	By December of 2028	Utilize pork from systems that provide for enriched environments (malleable materials).
In marketing of products belonging to other brands:	By December of 2028	Restrict marketing of products that contain eggs unless they can be proven to come from granges free of chicken coops.

3 EMISSIONS OF GREENHOUSE GASES

[GRI 103-2; 103-3]

We developed various initiatives, throughout 2020, to mitigate the effects of greenhouse gas emissions (GHG) from our operations as a way to help meet the climate change challenge through alterations in our routines. We improved our measurement and monitoring of “Scope 3” emissions, adding more sources. We came up with clear targets for reducing both direct and indirect emissions at our operations in North and South America.

- We were the **first animal protein company from Brazil and the only bovine protein company from Latin America** to commit to Science Based Targets, an initiative which establishes scientific goals for the reduction of greenhouse gas emissions in accordance with Paris Accord targets, which include limiting global warming to 1.5°C.
- We also rose in scoring for all of the CDP categories in Latin America (for 2020, based on information from 2019). In “Climate Change” and “Rainforests,” we received a grade of A-.

In line with our traditional efforts to engage with partners throughout the production cycle when it comes to adoption of best practices, we launched our Viva! brand, featuring cuts of meat produced via low-carbon methods, an initiative we developed with the help of Embrapa. We also promoted more sustainable routines through orientations organized by the Marfrig Club and other initiatives. For more information, see page 54.



Performance during the year

Total emissions of greenhouse gases (GHG) under Scope 1 – those related directly to our operations –, in 2020, totaled 526,483 tCO₂eq, or 16% higher than the previous year, reflecting chiefly an increase in emissions from a single National Beef plant which saw increased emissions from a treatment system for effluents.

When it comes to total emissions under Scope 2, those related to consumption of electric power, we posted 208,690 tCO₂eq, a 4% reduction, reflecting greater energy efficiency and reduced consumption of energy by National Beef (-1%), even in the face of a 5% expansion in production. In South America, where production was broadly stable (+0.4%), the reduction in consumption was much greater (-20%). With Scopes 1 and 2 considered together, the intensity of total emissions rises by 6%, influenced in great part by the 16% decline in intensity in South America due to more efficient use of electric power (reflected in a Scope 2 decline). In addition, there were no significant purchases of frozen gases, unlike the previous year. In North America, the 19% increase came from the treatment of effluents at one unit of National Beef. The ETE (Effluents Treatment Station) at the National Beef unit uses an anaerobic system for treatment of heavy organic wastewater, producing more emissions (GHG) in 2020 than previously.

Total emissions under Scope 3, those coming from sources outside of our immediate operations but over which we have some influence, were 29,259,824 tCO₂eq, a decline of 8% from 2019. The reduction reflects lower emissions in relation to airplane travel as well as a fall-off in emissions associated with residues generated by our operations (-13.6%)

and emissions linked to the purchase of products from third parties (bovine protein for slaughter). Despite the increase in overall production volume (2.8%), the intensity of emissions, under Scope 3, experienced a decline of 10.4%, based on the reduction in actual emissions mentioned above. **[GRI 305-5]**

We have been managing GHG emissions based on our own Policy for Climate Change and Use of Natural Resources, a document which establishes operational levels for industrial, marketing, and service activities with a view toward an overall low-carbon approach. The document includes annual inventories since 2010 and is available via the CDP.

PERFORMANCE REGARDING GHG EMISSIONS

[GRI 305-1; 305-2; 305-3; FB-MP-110A.1]

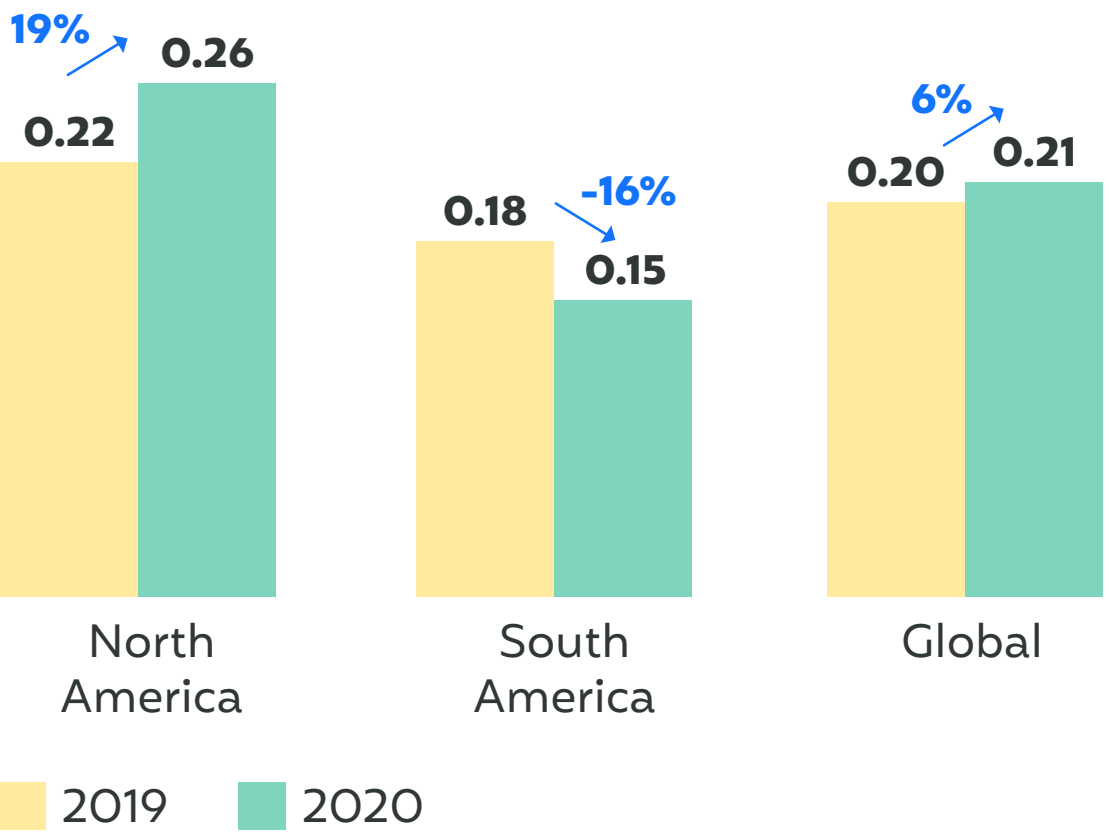
Total emissions

In tCO ₂ eq	North America			South America			TOTAL		
	2019	2020	Var %	2019	2020	Var %	2019	2020	Var %
Scope 1	243,977	347,298	42%	210,843	179,185	-15%	454,820	526,483	16%
Scope 2	177,410	176,109	-1%	40,852	32,581	-20%	218,262	208,690	-4%
Scope 3	18,339,589	17,871,690	-3%	13,436,340	11,388,134	-15%	31,775,929	29,259,824	-8%

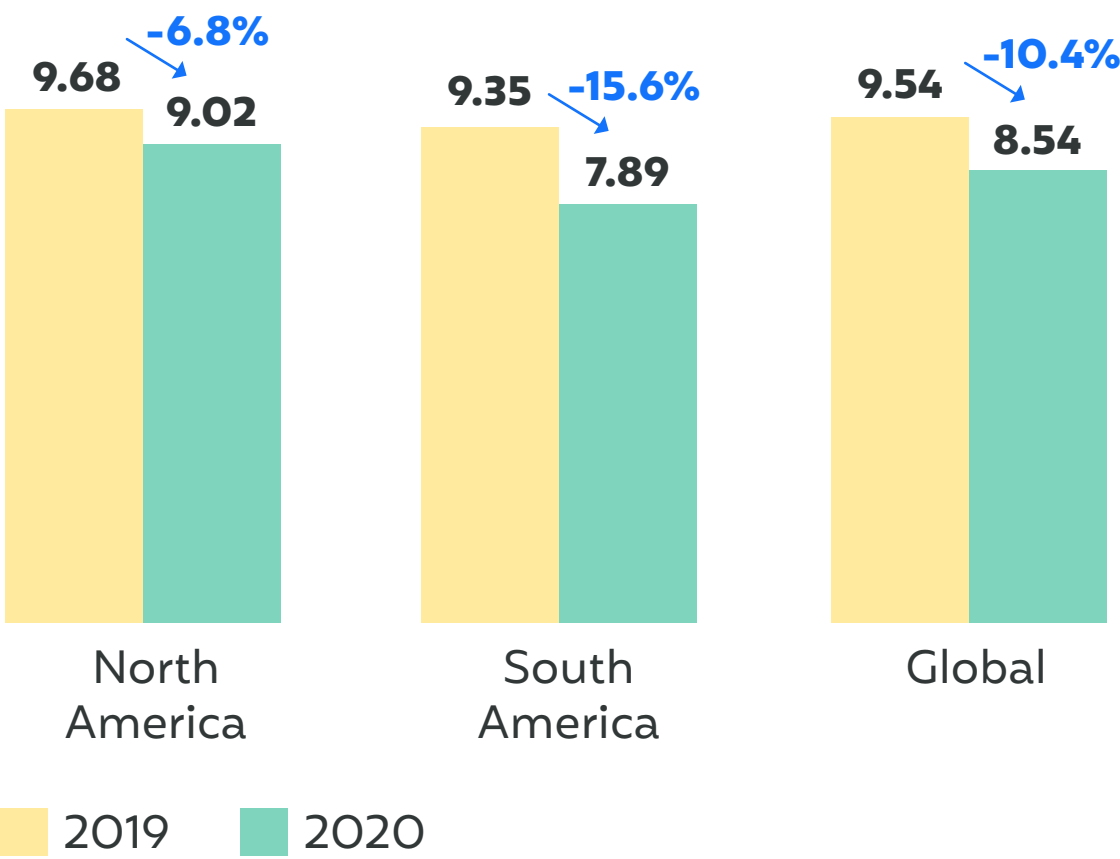
Note: Adding all the scopes of emissions, there was a reduction of 8% in the total volume.

INTENSITY OF EMISSIONS **[GRI 305-4]**

SCOPES 1 + 2



SCOPE 3



In our operations:

Monitoring. We have been busy improving monitoring of emissions at our operations. Since 2012, we have conducted annual inventories of emissions under Scopes 1, 2, and 3. In 2020, we improved the system for measuring “Scope 3,” by including more sources. In this category, there are a number of additional indirect emissions, such as purchase of raw materials from third parties and inputs for animal feed. It also includes transport and distribution in addition to business travel by employees and commuting from home to workplace⁸. This inventory will be submitted for a third party audit under the CDP system. For more information, see <https://la-pt.cdp.net/>

⁸ Measurement includes employee use of transport offered by Marfrig. The use of vehicles owned by employees is not included.

Reduction targets. We have adopted clear targets for reduction in emissions from our own activities, linked to results from economic incentives offered to work teams. To manage this question, we use the following indicators:

1. Percentage of target reached for reduction of GHG emissions (Scopes 1+2).
2. GHG emissions at Effluent Treatment Stations (ETEs).
3. Percentage of electric power proven as renewable.
4. Percentage of target reached for reduction of GHG emissions (Scope 3).
5. Percentage of slaughtered animals coming from low-carbon emission systems.

INSTITUTIONAL PARTICIPATION

We are part of the Meat Tracing Task Force, led by the Brazilian Coalition for Climate, Forests, and Agriculture, which, in 2020, contracted a study about tracing throughout the bovine protein production chain. The results will serve as the basis for action by members of the Task Force, which includes, aside from us and the CBC, the Brazilian Export Industries Association (Abiec), The Brazilian Agribusiness Association (Abag) and other institutions and companies. For more information see here.

Evaluation of scenarios. In order to adapt to climate change, we developed scenarios looking toward the year 2040. Such studies serve as a guide to our Plan of Action designed to minimize GHG emissions through establishment of targets, based on the methodology outlined in Science Based Targets (SBTs).

In the Productive Chain:

Low Carbon Cattle-Raising. We developed a partnership with Embrapa for products that contribute to “the cause” because they result from sustainable cattle-raising practices with an emphasis on low-carbon or carbon-neutral systems. These products are sold as part of the Viva! brand, cuts of meat derived from cattle raised on ranches practicing Integrated Pasture (ILP) techniques and Integrated Pasture and Forest (ILPF) techniques.

- **Good management** of procedures in relation to the Handling of Pastures, Animal Feed, and Waste by the Marfrig Club. For more information, see page 54.
- **Adaptation to climate change**, adjusting cattle-raising so that breeds more resistant to high temperatures are used while, at the same time, adopting handling techniques that promote thermal comfort on properties (creation of areas of shade and maintenance of green havens with trees to which the animals have access).



4 NATURAL RESOURCES

In this pillar, we include actions directed toward the management of water and energy, two resources which are strongly impacted by climate change. Changes include alterations in rainfall patterns and their impact on the availability of water – a resource essential for our activities – and which also, in turn, affect the availability of energy, provoking volatility in prices of this key input. Fully aware of these and other challenges imposed by the current situation, we have managed the use of water – fundamental for the safety and quality of food products –, based on common directives for the entire Company, ones which take into consideration the analysis of risks and the doctrine of continuous improvement. When it comes to the latter, we include improved measurements and constant monitoring in addition to measures encouraging conscientious consumption accompanied by careful observation of the quality of the treated water used in the different markets in which we sell our products. The evolution of our practices is reflected in our **rise in the rankings of the CDP in relation to hydraulic efficiency.**

The promotion of rational use is another key guide in our efforts to manage the consumption of energy. Among other initiatives, we have substituted traditional sources for other, more sustainable, ones such as the wind farm we installed in Uruguay as well as installation, at all units, of more energy-efficient equipment.

A-LIST DO CDP

We became part of the CDP A-List, a kind of award for companies that have led their industries in transparency and environmental action. Good practices have made Marfrig a leader in hydraulic safety, raising our grade from "A-" to "A."

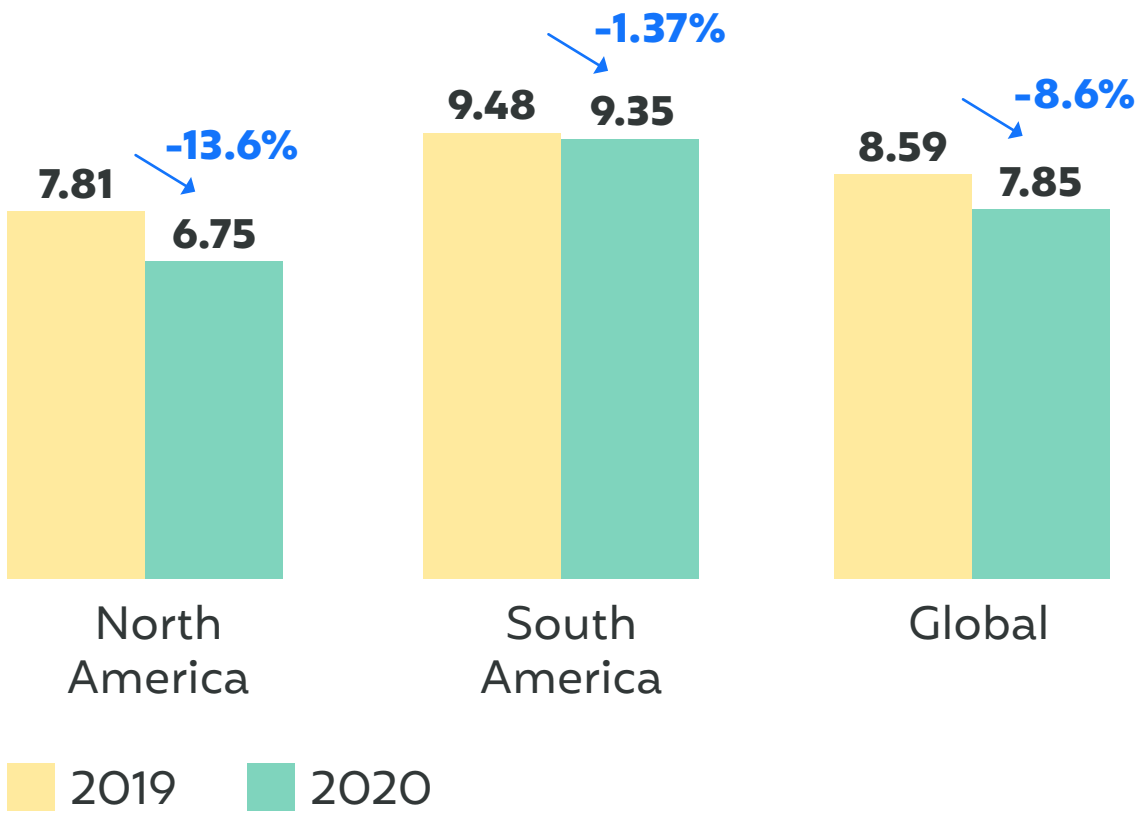
The A-List brings together companies which have distinguished themselves in at least three areas: reduction in emissions of greenhouse gases, management of hydraulic resources, and protection of forests. Only 5% of the more than 5,800 companies listed by the CDP reach any of the A lists.



WATER [GRI 303-1]

During the year, consumption of water totaled 26.9 million m³, maintaining a broadly stable level by registering an increase of just 1.5% against 2019. This result reflected a rise in consumption in the North American division of 4.1% in line with increased production during the year. This increase, however, was not reflected in the intensity of consumption. On the contrary, demand for water in relation to the volume of production declined in North America – with the indicator varying between 7.81 and 6.75 – while, in South America, it varied from 9.48 to 9.35. Overall, the index of intensity in relation to water consumption declined by 8.6%, reflecting the success of measures taken to avoid waste while promoting rational consumption.

WATER USE INTENSITY INDEX



In South America, surface waters are the chief source. They respond for 66.0% of the total, followed by subterranean (33.4%). This picture is different from the one seen in North America, where subterranean sources and public reservoirs show a more closely proportioned participation, 55.2% and 44.8%, respectively.

In relation to subterranean water sources, some North American units use water from a combination of wells and public supplies. In South America, our operations can count on wells, surface capture, and acquisition of water from third parties. All units are authorized to access water supplies. However, there is no authorization to take more than certain defined limits, a measure necessary to protect reservoirs and assure supplies.

Results regarding our consumption are reported under Indicators for Water as Supply Chain and Water in CDP reports. For more information, see <https://la-pt.cdp.net/>

TOTAL OF RETAINED WATER, BY SOURCE

[GRI 303-3]

In m³	North America		South America	
	2019	2020	2019	2020
Surface waters	0	0	8,582,835	8,906,560.30
Subterranean waters	7,081,215	7,390,893	4,964,695	4,505,994.37
Municipal supplies from public reservoirs	5,773,591	5,986,899	80,870	83,954.60
Total	12,854,806	13,377,792	13,628,400	13,496,509.27

How water is managed [FB-MP-140a.2]

Our overall target is an average reduction of 20% in the volume of water consumed in the production of each ton of product by the end of 2035, with the year 2020 as the baseline. The volumes of reduction in consumption of water have been redistributed among operational units, considering the hydraulic situation of each one. In other words, units in areas suffering hydraulic scarcities will have less challenging targets than other regions where there are more water resources. Another differential when it comes to the water reduction target is the link between water consumption and variable remuneration for managers of each unit.

100%
of operating units
measure water
intake volumes

In order to manage water consumption in our operations, we have adopted a number of different routines involving best practices in control of both volume and quality. Management tools include the following:

- **Measuring and monitoring:** In observance of demands by environmental authorities in the different countries where we operate, we began audits in 2020.
- **Treatment:** All of our operating units have Water Treatment Stations (ETA) keyed to the capacities of their respective reservoirs – surface or subterranean, for example –, which allow for treated water to meet the potability requirements demanded by legislation in each venue in which we operate.
- **Management based on hydraulic risks:** we use AQUEDUCT, a tool developed by the World Water Institute (WRI), which identifies variables related to the quantity and quality of water available to our operations worldwide. Another measure, developed in 2020 as a way to improve management, was a survey in loco of hydraulic conditions at each unit.
- **Hydraulic efficiency:** we have adopted a number of measures to diminish water consumption at our units, including automated equipment to identify leaks, among others, in addition to a training agenda for our employees. In areas which do not demand potable water, we have adopted methods for reuse of water resources.
- **Consumption targets:** all productive units have their own targets for reduction in consumption of water in line with local conditions and the volume of production at each.

As part of the value chain, we engage with our partners as we all seek to adopt best practices in relation to water management. Orientations are contained in the Marfrig Club Sustainable Practices Guide and refer to the reduction of water consumption as it pertains to use of water by the animals. Learn more at <https://sustentabilidade.marfrig.com.br/>.

Hydraulic Risk

Among the countries where we operate, we have had exposure to hydraulic risks in the United States, with four of our units experiencing medium or high levels of water stress. In Chile, we maintain a marketing operation in Santiago, a very high risk zone, although as a distribution rather than a production center water consumption is no threat to output. In the other countries where we operate, the majority of our plants are located in areas of low water stress.

In 2020, we reached the target of diminishing water consumption by 30% in our operations.

NUMBER OF UNITS EXPOSED TO HYDRAULIC STRESS

	Low	Low to Medium	Medium to High	High	Extremely High
Argentina	2	2		1	
Brazil	10		1	1	
Chile	1				1
Uruguay	6				
United States	1	2	4	1	

Source: Aqueduct

Indicators

In 2020, we adopted three indicators for the management of water consumption at our operations:

1. Volume of water captured by unit of production (m3/ton of production).
2. Volume of water captured per head of cattle (m3/head).
3. Percentage of water for reuse.

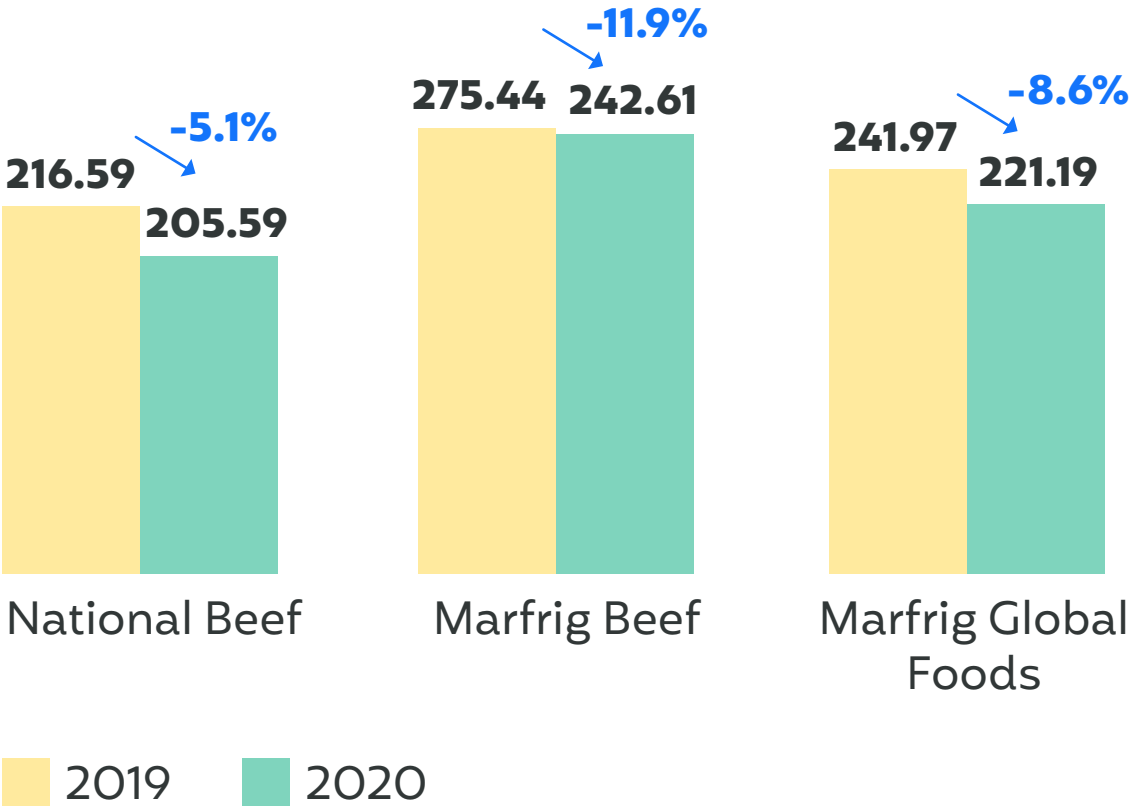
ENERGY

During the year, our consumption of energy totaled 1,640.5 million GJ, up 10.3% from the previous year. The greatest demand came from South America, which has the biggest concentration of plants accounting for some 50.6% of total consumption.

We have made important strides in the use of renewable energy. In 2019, alternative sources responded for 14.8% of all our consumption, rising to 15.2% in 2020.

Although total consumption increased, the intensity of use witnessed a reduction in all our operations for a net decline of 8.6% in the overall total. This result reflects actions including training, awareness, and increased use of more efficient equipment. **[GRI 302-4]**

ENERGY USE INTENSITY INDEX
[GRI 302-3]



Among the practices developed to promote the conscientious use of energy are training classes for our teams and adoption of more energy-efficient equipment in our operations. These include use of more efficient equipment for the reuse of thermal heat in boilers and rendering plants, among other examples. We have also increased **our participation in the free market for energy** as a way to guarantee the purchase of sustainable sources of power at previously established prices.

Wind Farm in Uruguay

About 30% of the consumption of energy at the Tacuarembó plant, in the center-north region of Uruguay, is supplied by a wind farm we maintain at the location. The production of clean energy for our own use is one of the examples of our efforts to advance in the direction of a new energy-use model which is more sustainable while having less impact on the natural environment.

Indicators

Two new indicators were adopted in 2020, with a view toward following up on energy consumption for each unit. In addition, we adopted usage targets for renewable energy sources, which will be published in the 2021 cycle of the CDP.

- 1. KW/h per tons of production.
- 2. KW/h per head of cattle.

ENERGY CONSUMPTION

[GRI 302-1; FB-MP-130a.1]

In GJ	RENEWABLES		Var.%	NON-RENEWABLES	
	2019	2020		2019	2020
North America	63,339	52,635	-16.9%	347,122	354,818
South America	157,427	195,944	24.5%	238,443	154,198
TOTALS	220,766	248,579	12.6%	585,565	509,015

5 EFFLUENTS AND RESIDUES

We are seeking ceaselessly to improve our procedures for the disposal of all waste, while also focusing on the management of solid residues. To measure and identify improvements, we adopted, in 2020, new indicators in all of our units. Improvements during the period include:

- New criteria and targets related to the volume and quality of the effluents disposed of, which will be reported in the 2021 CDP cycle.
- Audits of annual data referring to management, starting with the 2020 numbers.

We are also modernizing our Effluent Treatment Stations (ETEs). The renovation plan is based on a broad study to identify actions needed at the plants, both for primary treatment of effluents, the phase in which solids in sedimentary suspension, floating solids, and colloidal organic material are removed through physio-chemical procedures, and for secondary treatment, the stage directed toward removal of organic material and other substances not extracted in the first phase through bio-chemical means.

How effluents are generated

In 2020, our operations produced 21,729,836 m3 of effluents. The main means of treating this material is at treatment stations. In parallel, we also developed various actions involving our suppliers, engaging with them on best practices in relation to this subject.

- **Effluent Treatment Stations (ETE):** the effluents generated by the various productive stages at our units are treated before being sent back into the environment. This is possible because 100% of our plants have their own ETEs, facilities in which effluents are treated physio-chemically and then biologically so that, by the end of the process, they meet standards demanded by federal and, where applicable, state laws.
- **Reuse:** given the fact that we produce foodstuffs, while keeping in view our commitment to the quality and safety of our products, we have established restrictions on the reuse of water at our facilities. Thus, the systems we have put in place for treatment do not demand that the effluents be turned into potable water, as in the case of reutilization of water through cleaning filters at Water Treatment Stations (ETAs) for water used outside of the meatpacking plant (gardens, patios, and roadways).

Among suppliers, we use the Marfrig Club as an instrument for engagement with suppliers in adoption of best practices in the use of water and the treatment of effluents, offering them information on how to protect reservoirs and steps to be taken to avoid contamination of residual waters generated by dwellings, stables, and other installations. Suppliers can also find orientations about treatment of effluents at <https://sustentabilidade.marfrig.com.br/>.

NEW TREATMENT SYSTEM FOR RESIDUAL WATERS

Residual waters at the National Beef unit located in Liberal, in the U.S. state of Kansas, will soon be treated by a new system currently under construction. The system, begun in 2019 and due to be inaugurated in 2021, involves investments of US\$ 70 million. When it comes on stream, the new system will update all of the cleaning and purification procedures in use for this key raw material, recapturing and re-utilizing hydraulic resources. The project takes an innovative approach: it will include recapture of methane gas, utilizing it as a source of energy. This new and clean energy source will supply 15% of the unit's energy needs.



FERTILE IRRIGATION AS AN ALTERNATIVE TO DISPOSAL OF EFFLUENTS

Effluents which would have been discarded after use, at our unit in Tangará (MT), are now being used to irrigate 300 hectares at a neighboring farm where corn, soybeans, and citrus fruits are grown. As liquid effluents, says Francisco Renato Casale Mauro, a producer and zoology technician, the organic material and nutrients present in the effluents help to improve the soil and promote growth. "This, in fact, means we can reduce our use of conventional fertilizers," he notes.

This fertile irrigation method covering some 50,000 orange trees on the property, for example, leads to production of 2,000 to 3,000 liters of orange juice per day. The area also includes space for pasture and cattle grazing, with productivity 100% higher compared to pastures that are not similarly irrigated. Another revealing piece of information is that the gain in productivity from fertile irrigation reduces the need to rotate cattle. On Renato's property, there are 15 head of cattle per hectare, while the average for the state of Mato Grosso is two or three. "With fertile irrigation, I have pastureland all year round," he adds.

The farm is 7 kilometers from the Marfrig plant, which pumps an average of 4,000 m³ of effluents per day to the site. "This partnership is a win-win proposition," Renato states. "Marfrig doesn't send effluents into the reservoir used to obtain water for the company and I get a volume of inputs which I could not obtain from digging wells."

Liquid effluents are not the only resource Renato puts to a second use. Five years ago, he developed a compost heap based on cattle rumen and other organic materials generated by the Marfrig plant. The material, after enrichment, becomes an organic-mineral rich fertilizer and is used in cultivation of corn and soybeans as well as pastureland. "We are becoming self-sufficient in much of our fertilizer needs because of this practice," he says.

SOLID RESIDUES

Our operations generated 129.9 million tons of residues in 2020, of which 288 tons were hazardous, such as paint cans, contaminated containers, fluorescent mercury lights, and others. The greatest volume comes from South America, the region which concentrates the largest number of our plants. When it comes to overall disposal of solid residues, the most commonly used method is composting, which accounts for 62% of the total.

The data show the efforts we have made to dispose correctly of such materials throughout the productive process, using all of the available methods for their treatment and/or recovery. All of the practices we have adopted are in line with directives established by the legislation of the countries in which we operate. Some examples:

- Selective pick-up: units engage in triage, separating the substances into different classifications so the material can be reused, recycled, or recovered in accordance with its characteristics, legal requirements, and the environmental demands of each country.
- Awareness and training: employees take part in periodic training dealing with this subject and are continually oriented as to correct methods for disposal of materials as part of their ordinary work routines.
- Hazardous products: we employ rigorous procedures for

the storage, transport, and disposal of hazardous products, including environmental monitoring and contingency planning for each type of substance and each type of occurrence. Our units have their own systems for environmental management to follow-up on the destination of these substances.

To help stimulate our suppliers to adopt best practices for the management of residues, we offer them orientation through the Marfrig Club, including the recommendation that all have a documented plan for dealing with this issue. To know more, see <https://sustentabilidade.marfrig.com.br/>

Our practices when it comes to solid residues, in Brazil, are compatible with the demands of the National Policy on Solid Residues (PNRS). In the States of São Paulo and Mato Grosso do Sul, for example, we undertake a process of reverse logistics for packaging materials by buying credits via auctions administered by a company called EuReciclo.

RESIDUE DESTINATIONS

[GRI 306-5]

	North America		South America	
In tons	Hazardous	Non-hazardous	Hazardous	Non-hazardous
LANDFILL - OWN + THIRD PARTY	2	47.49	208.32	29244.84
COMPOST	–	79.66	–	81058.14
INCINERATION	–	–	22.55	300.56
RECYCLING	–	4.36	0.09	15542.31
OTHER DESTINATIONS	–	–	55	3330.75
TOTAL VOLUME	2	131.50	285.96	129,476.59

Indicators

Metrics we adopted in 2020 for the management of effluents and residues:

1. Quality Treatment of Effluents Index (IQTE).
2. Quantity of hazardous residues disposed of.
3. Quantity of non-hazardous residues disposed of (ton/head).
4. Quantity of non-hazardous residues disposed of (ton/ton of production).
5. Percentage of non-hazardous residues destined for sanitary landfills.
6. Percentage of suppliers engaged with best practices related to residues and effluents.

6 SOCIAL RESPONSIBILITY

With the objective of contributing to the development and social wellbeing of the communities where we work, we have devised a number of relevant programs, in various countries. To this end, we have also set up partnerships with healthcare institutions and offered financial support for social causes including campaigns to raise the awareness of employees on key issues and raise funds at our operating units for charities.

Bringing about positive social impacts through our operations is one of the constant goals of our day-to-day- business. Consequently, social responsibility permeates our actions, procedures, and strategies. One example is the criteria adopted for the purchase of raw material: we do not purchase cattle from ranches that utilize child labor or labor analogous to slavery, nor from properties located in areas controlled by indigenous or refugee populations.

We maintain a commitment to protect and defend human rights, reinforced by our adhesion, in 2020, to the Global Compact. This initiative of the United Nations seeks to engage businesses in best practices related to sustainability and corporate social responsibility as disseminated in the ten principles related to Human Rights, Labor, Environment, and the fight against Corruption. [GRI 102-12]

In line with these directives, we have sought to build solid relationships with society in general, through our daily activities as well as our public relationships. We have developed a number of initiatives designed to bring such objectives into our relations with producers, clients, and the communities surrounding our plants.

TEN PRINCIPLES RELATED TO HUMAN RIGHTS

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



PRODUCERS

Our goal is to see our entire supply chain free of deforestation by 2030. In line with this goal, we believe that one of the best ways to combat this practice is through promotion of better overall conditions for producers. Thus, in order to help preserve rainforests, it is necessary to promote social inclusion in relation to producers – especially those operating on a small scale –, the local communities in which they operate, and indigenous peoples in surrounding areas, questions that are raised by Marfrig Verde+, a sustainable development program based on the tripod PRODUCTION / PROTECTION / INCLUSION. To learn more, see page 47.

We are also engaged with our supply chain when it comes to practices related to human rights. We have adopted criteria involving responsible purchasing for 100% of our cattle suppliers in all of the countries where we operate. We do not admit, in any of our operations, practices such as child labor or slave-like working conditions, always acting in line with current legislation in every country in which we have operations. Suppliers that show evidence of harboring such practices are immediately suspended from our rolls. Learn more on page 49.

**Our goal is to
see our entire
supply chain free of
deforestation by
2030**



CLIENTS

#tamojunto. The social isolation imposed by the COVID-19 pandemic affected small companies and individual entrepreneurs in the food service segment of the market. These often found their orders drying up and were forced to temporarily close their doors or limit hours of operation for employees and circulation for customers. In order to minimize the impact suffered by these businesses and offer them a cushion to fall back on during the crisis, the Company launched #TMJMarfrig. Through this program, our clients were able to postpone accounts payable, aiding a great many restaurants, luncheonettes, steak houses, and bakeries. Previously, accounts were payable in 10 to 14 days; with the pandemic, terms were extended and credit limits were tripled.

Available to regularly registered clients, the initiative was in effect from July to December of 2020. Marfrig made available about R\$ 50 million through this initiative and was able to help about 5,000 entrepreneurs per month.

COMMUNITIES SURROUNDING OUR OPERATIONS

We also generate positive impacts on communities when we create jobs and pay taxes. However, for us, to genuinely act in a socially responsible manner we also need to effectively contribute to the wellbeing and socio-economic growth of the localities in which we operate. In 2020, actions we had already developed for the communities in question were supplemented by new efforts to minimize the impact of the Covid-19 pandemic. Actions included donations of money, food, and material for safety and healthcare.

Marfrig without Frontiers Program

In order to help refugees from various countries, especially Haiti, Venezuela, Cuba, and Bolivia, we created the Marfrig without Frontiers Program in 2020. This project was initiated at our unit in Várzea Grande (MT), in Brazil, in partnership with the Catholic Church's Immigration Campaign and reinforced our commitment to cooperating with local communities on critical issues wherever we operate.

Marfrig "Fazer e Ser Feliz" Institute

As another way to contribute to the communities in which we operate, the Company has maintained its **Marfrig Fazer e Ser Feliz Institute** (the Marfrig Act and Be Happy Institute) since 2011. Located in three municipalities which host Company units – Promissão (SP), Bataguassu (MS), and Chupinguaia (RO) –, the non-profit entity is involved in developing actions to aid about 150 children in socially vulnerable situations. They are aged 6 to 11 years and are matriculated in public schools. Activities are scheduled for non-school hours from Monday through Friday and include tutoring and instruction in computer use as well as Bible studies and handicrafts.

In 2020, as a consequence of the COVID-19 pandemic and in response to local sanitary rules, activities at the Marfrig Fazer e Ser Feliz Institute were suspended.

Hospital de Amor

Marfrig also maintains, since 2017, a partnership with the Hospital de Amor (Love Hospital), a center of excellence in the field of Oncology in Barretos (SP). The beef necessary to meet daily consumption requirements at the hospital, which treats about 16,000 people per month, is supplied by Marfrig. To engage with cattle-raisers in this endeavor, Marfrig created its Agro Against Cancer Program through which each supplier donated to the hospital R\$ 1.00 per animal slaughtered. These resources are used for treatment, prevention, and pre-diagnosis of cancer and are offered by the hospital, in its turn, free of cost to the Unified Healthcare System (SUS). In 2020, suppliers also donated 94.2 tons of Montana brand meats to the institution.



COVID – 19

Various steps have been taken by our operations:

South America

In Brazil:

- +500,000 vegetarian hamburgers were donated to people in socially vulnerable situations and to healthcare professionals. The products were distributed by an NGO called Rio da Paz, by the São Paulo Food Bank, and by the SESC Brazil Desks of São Paulo and Rio de Janeiro. Also as part of the initiative, Marfrig could count on the support of ADM and Burger King®.
- 26,500 flasks of 70% alcohol gel were donated to 27 social assistance institutions and hospitals in the 13 cities where the Company operates.

In Argentina:

- Production of alcohol gel at units, in partnership with research and development teams, for distribution to employees and local communities.
- Orientation material dealing with the steps necessary to minimize Covid-19 transmission distributed to employees, who pass them on to their families.
- Donation of food and other resources to communities surrounding sites of our operations.
- Setting up of first aid stations at our units, designed to meet needs of local populations.
- Donation of equipment for intensive care units at hospitals located in places near our operational units.

North America

Support for communities in which we work as well as local businesses which supply us with the goods and services needed by our employees and their families. Our donations include:

- +US\$ 1.7 million in assistance to partners in neighboring communities.
- Donation of funds to teaching institutions, directed at purchase of laptops for students, expansion of Internet access, support for sanitary accessories, and reinforcement of reserve funding for emergencies.
- Donation of funds and products.
- Furnishing of gift cards for meals at restaurants.
- Support for payment of bills for public services by small businesses.
- Furnishing of tools and equipment to disinfect ambulances and firetrucks, industrial-size washing machines and driers used to clean uniforms used by first responders from emergency units.
- Furnishing of meals for police, fire, hospital, and other healthcare workers at their respective departments.
- Donations made to senior citizen homes with the aim of facilitating purchase of iPads for each resident, allowing them to maintain contact with loved ones during the current long period of separation. We also support Veterans Homes, Community Action Centers for Senior Citizens, Social Assistance Programs, Clubs for Boys and Girls, Day Care Centers, and shelters for both men and women.



8

Economic-financial performance



ECONOMIC-FINANCIAL PERFORMANCE

[GRI 103-2; 103-3]

Another year of record results, reflecting the operational excellence of our company, its simple structure, and its efficient management.

The numbers were also helped by the resilience of our business, which was able, even under the strain of the challenges posed by the Covid-19 pandemic, to obtain the benefits of geographic diversification. The important role played by the North American market, which found itself at a propitious moment in the cattle cycle with greater availability of animals and rising consumer demand for animal protein, contributed to the results we were able to obtain.

NET REVENUE

R\$ 67.5 billion

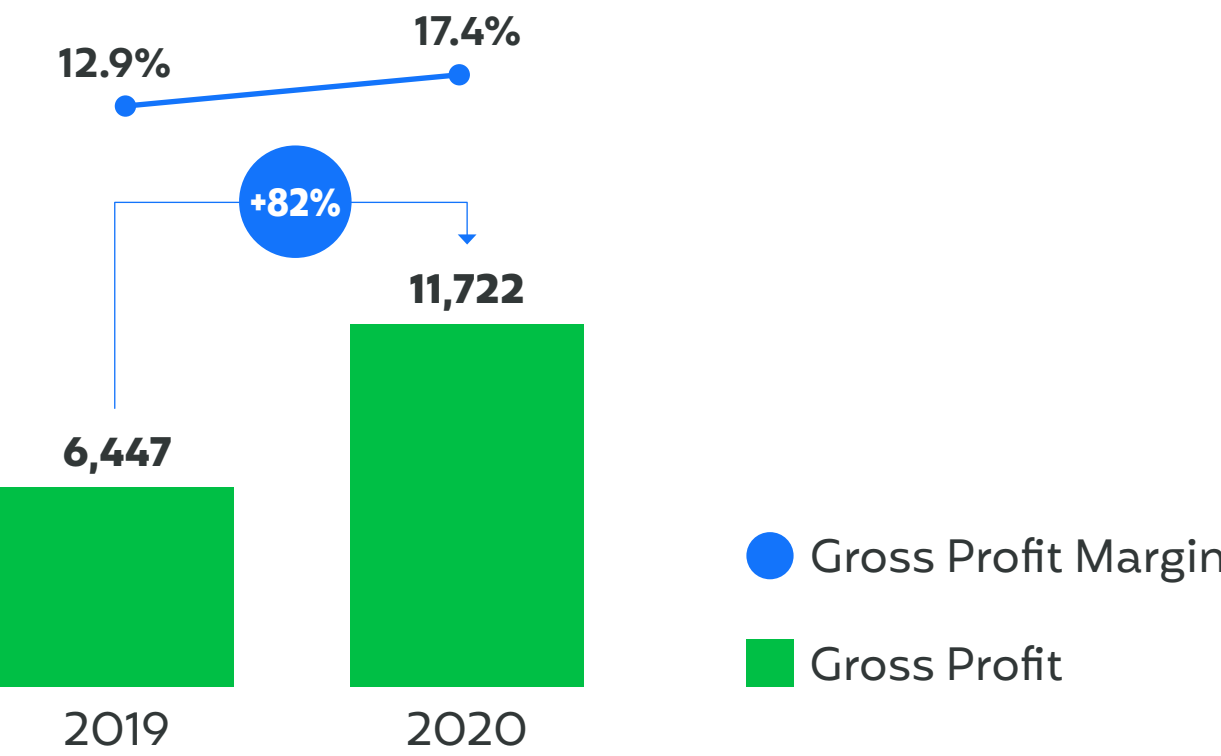
up 35.3%% explained by the increased volume of exports in the face of a 30.8% depreciation of the Brazilian Real against the U.S. dollar, in addition to a 25.4% rise in operational revenue from the South American region and by a 6.5% increase from North America.

Gross Profit

A leap of

81.8%

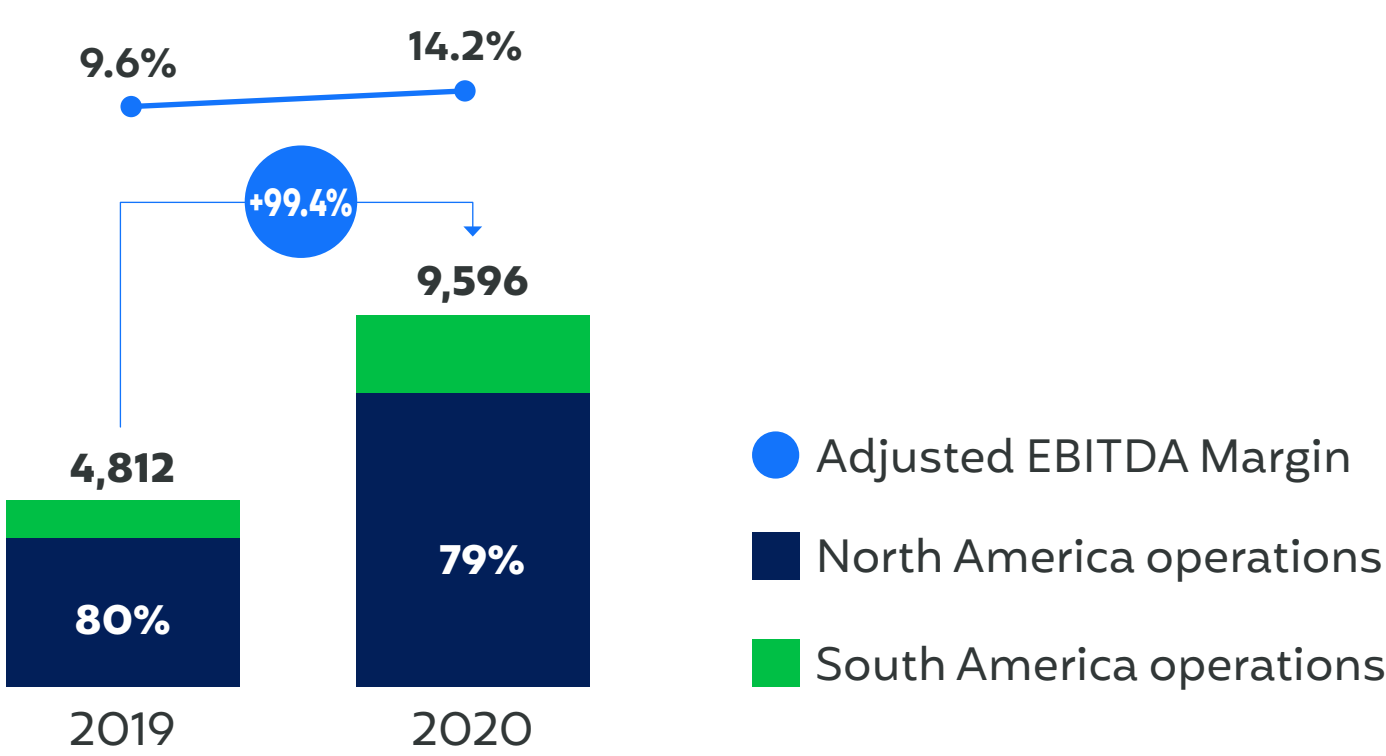
in relation to 2019, explained by greater export volume, higher average prices in all regions, economies from operational improvements and efficiency programs, and by the year-on-year 30% currency depreciation.



ADJUSTED EBITDA and Margin (R\$ million)

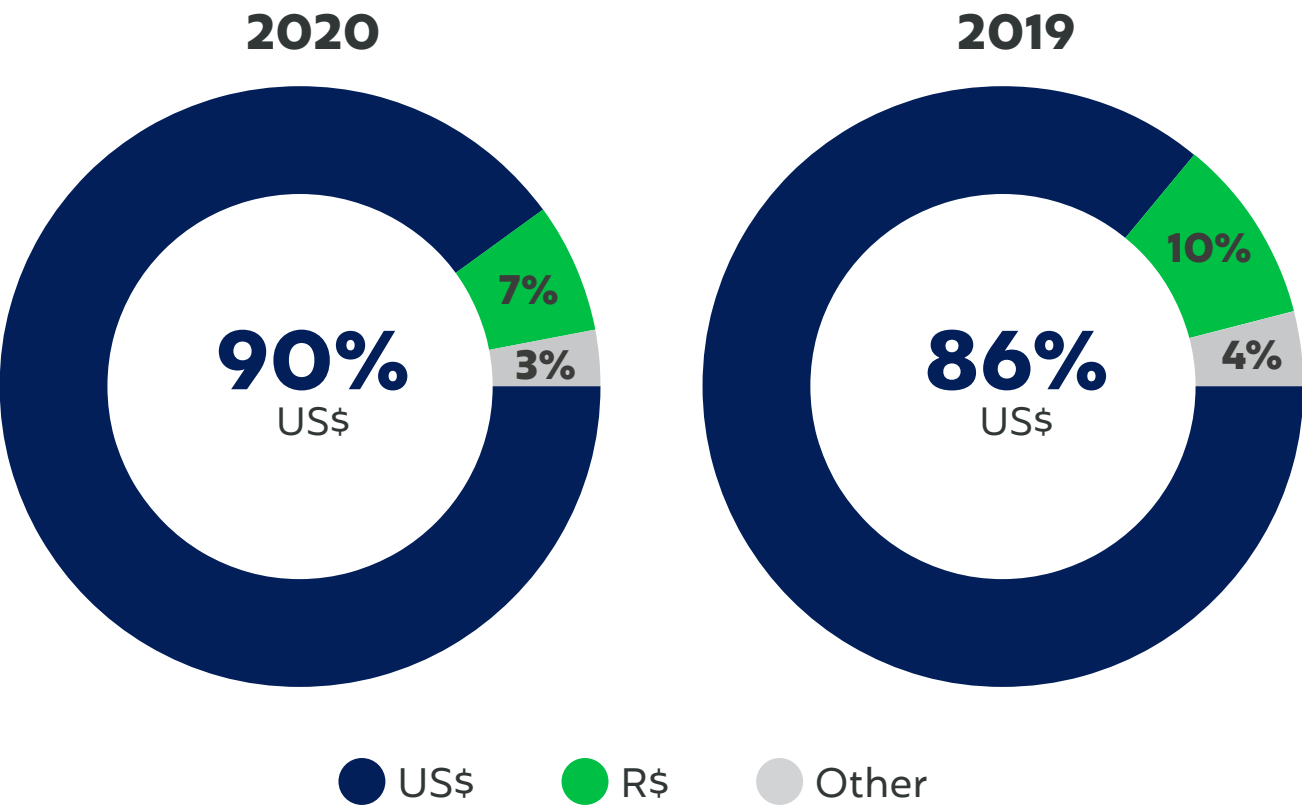
R\$ 9.6 billion

an all-time record, surpassing by 99.4 % the 2019 result. The Adjusted EBITDA Margin, 14.2%, was also a record.



Revenue by Currency

As a multinational company, a great part of Marfrig’s revenue comes from diverse markets. In 2020, the U.S. dollar responded for 90% of total revenue.



NET RESULTS

R\$ 3.3 billion

generating an accounting base for distribution of R\$ 141 million in earnings. Such a value represents 50% of the net profit distributed to shareholders, equal to about R\$0.20 per share.

OPERATIONAL CASH FLOW

R\$ 7.7 billion

an increase of 196% over the same period in 2019, explained by record operational performance in both North and South America.

FREE CASH FLOW

R\$ 4.9 billion

a record result based on better management of working capital and reduction in financing costs as well as gross debt.

RECURRENT CAPITAL INVESTMENT

R\$ 1.4 billion

71% higher than in 2019. The increase is explained by the effects of the currency depreciation when translating investments made in foreign currencies into Brazilian Real as well as greater investment in projects and organic growth.

NET DEBT

US\$ 2,897 million

(R\$ 15.1 billion), composed of gross debt totaling US\$ 5.159 billion against cash carryover and deposits of US\$ 2.262 billion.

Leverage (in R\$):

Lowest level ever registered

2020: **1.57x**

2019: **2.77x**

VALUE-ADDED DEMONSTRATION

[GRI 201-1]

In the course of the year, the value-added total set for distribution (consolidated) reached R\$ 17.9 billion. The largest portion of that total (35%) went to payroll, followed by third-party return on capital (34%), such as interest charges and rents.

Consolidated (In thousands of R\$)		
	2020	2019
Revenues	68,573,563.00	49,744,936.00
Value-added Distribution	17,875,891.00	10,194,146.00
Personnel	6,240,627.00	3,995,282.00
Taxes, fees, and contributions	1,092,830.00	327,616.00
Return on third party capital	6,011,582.00	4,289,009.00
Return on company capital	4,530,852.00	1,582,239.00

Full balance sheets for 2020 can be found here:
<https://ri.marfrig.com.br/informacoes-financeiras/central-de-resultados/?lang=en>



GRI content summary

[GRI 102-55]

GRI Standards	GRI topics	Definitions	Page/answer
GRI 102 - GENERAL DISCLOSURES	102-14	Statement from senior decision-maker	8
	102-1	Name of the organization	Marfrig Global Foods S.A.
	102-2	Activities, brands, products, and services	19; 24
	102-3	Location of headquarters	15
	102-4	Location of operations	17
	102-5	Ownership and legal form	15
	102-6	Markets served	17
	102-7	Scale of the organization	15
	102-8	Information on employees and other workers	39
	102-41	Collective bargaining agreements	Conventions or collective bargaining agreements may address matters pertaining to health and safety, issues that are managed by the Company in accordance with Regulatory Norms and laws related to these matters in the respective markets
	102-9	Supply chain	47
	102-10	Significant changes to the organization and its supply chain	52
	102-11	Precautionary Principle or approach	30

GRI Standards	GRI topics	Definitions	Page/answer
GRI 102 - GENERAL DISCLOSURES	102-12	External initiatives	2; 70
	102-13	Membership of associations	54
	102-45	Entities included in the consolidated financial statements	Marfrig Global Foods S.A. and subsidiaries, such as NBM US Holdings, Inc. Marfrig Argentina S.A, Marfrig Chile S.A., Quickfood S.A, among others.
	102-46	Defining report content and topic Boundaries	5
	102-47	List of material topics	3; 5
	103-1	Explanation of the material topic and its Boundary	5
	102-48	Restatements of information	2
	102-49	Changes in reporting	2
	102-40	List of stakeholder groups	3
	102-42	Identifying and selecting stakeholders	3
	102-43	Approach to stakeholder engagement	3
	102-44	Key topics and concerns raised	3
	102-50	Reporting period	2
	102-51	Date of most recent report	2

GRI Standards	GRI topics	Definitions	Page/answer
GRI 102 - GENERAL DISCLOSURES	102-52	Reporting cycle	2
	102-53	Contact point for questions regarding the report	2
	102-54	Claims of reporting in accordance with the GRI Standards	2
	102-55	GRI content index	77
	102-56	External assurance	This report was not submitted to a third party audit
	102-18	Governance structure	28
	102-16	Values, principles, standards, and norms of behavior	16

MANAGEMENT OF SUPPLY CHAINS

GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	51
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products, and services on biodiversity	47
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	50; 52
	308-2	Negative environmental impacts in the supply chain and actions taken	52
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	50; 51
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	50; 51
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	52

GRI Standards	GRI topics	Definitions	Page/answer
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	50
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	5
	103-2	The management approach and its components	21; 47
	103-3	Evaluation of the management approach	21; 47

ANIMAL WELLBEING

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	5
	103-2	The management approach and its components	21; 54
	103-3	Evaluation of the management approach	21; 54

FOOD QUALITY AND SAFETY

GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	33
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	33
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	37
	417-2	Incidents of non-compliance concerning product and service information and labeling	37
	417-3	Incidents of non-compliance concerning marketing communications	37

GRI Standards	GRI topics	Definitions	Page/answer
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	5
	103-2	The management approach and its components	21; 33
	103-3	Evaluation of the management approach	21; 33

HEALTH AND SAFETY OF EMPLOYEES

GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	43
	403-2	Hazard identification, risk assessment, and incident investigation	44
	403-3	Occupational health services	41; 44
	403-5	Worker training on occupational health and safety	44
	403-9	Work-related injuries	44
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	40
	404-2	Programs for upgrading employee skills and transition assistance programs	40
	404-3	Percentage of employees receiving regular performance and career development reviews	41
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	5
	103-2	The management approach and its components	21; 42
		Evaluation of the management approach	21; 42

GRI Standards	GRI topics	Definitions	Page/answer
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REDUCTION OF GREENHOUSE GAS EMISSIONS

GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	61
	305-2	Energy indirect (Scope 2) GHG emissions	61
	305-3	Other indirect (Scope 3) GHG emissions	61
	305-4	GHG emissions intensity	61
	305-5	Reduction of GHG emissions	61
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	5
	103-2	The management approach and its components	21; 60
	103-3	Evaluation of the management approach	21; 60

MANAGEMENT OF NATURAL RESOURCES AND THE ENVIRONMENT

GRI 302: Energy 2016	302-1	Energy consumption within the organization	66
	302-3	Energy intensity	66
	302-4	Reduction of energy consumption	66
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource	64
	303-3	Water withdrawal	64
GRI 306: Waste 2020	306-5	Waste directed to disposal	69
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	5
	103-2	The management approach and its components	21
	103-3	Evaluation of the management approach	21

GRI Standards	GRI topics	Definitions	Page/answer
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SOLIDITY AND LONGEVITY OF BUSINESSES

GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	31
	205-2	Communication and training about anti-corruption policies and procedures	30
	205-3	Confirmed incidents of corruption and actions taken	31
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	31
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	76
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	5
	103-2	The management approach and its components	21; 75
	103-3	Evaluation of the management approach	21; 75



SASB content summary

Food & beverage sector: meat, poultry & dairy

Topic	Code	Accounting metric	Page/answer
Greenhouse Gas Emissions	FB-MP-110a.1	Gross global Scope 1 emissions	61
Energy Management	FB-MP-130a.1	1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	66
Water Management	FB-MP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	64
Antibiotic Use in Animal Production	FB-MP-260a.1	Percentage of animal production that received (1) medically important antibiotics and (2) not medically important antibiotics, by animal type	57
Environmental & Social Impacts of Animal Supply Chain	FB-MP-430a.2	Percentage of supplier and contract production facilities verified to meet animal welfare standards	55



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