

MINERVA S.A.

Third-party audit report to meet “undertaking to adopt minimum criteria for industrial-scale operations with cattle and beef products in the Amazon Biome”

THIRD-PARTY AUDIT REPORT TO MEET "UNDERTAKING TO ADOPT MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME"

To the
Sustainability Management of
Minerva S.A. ("Minerva" or "Company")
Barretos - SP

Summary

The present work has as purpose, by means of audit procedures, to identify whether Minerva S.A. (the "Company") has met the criteria assumed in the Public Undertaking comprising the period from January 01 to December 31, 2019. Based on our work, as described in this Report, except for the criterion "Traceability system for indirect suppliers", our analyses did not indicate any inconsistencies that could not be justified by Minerva.

We point out that this summary does not substitute the complete reading of the present Report.

I) Introduction

Greenpeace has been studying the behavior of the production chain for cattle-raising in the Amazon region since 2007. In 2009, after a long investigation, the organization published its report "Slaughtering the Amazon", which highlighted the relationship between the processing companies, involved in forest clearance and slave labor, and the latest products offered for sale in the international market. Subsequently, the processing companies JBS, Marfrig and Minerva, made a public undertaking not to purchase cattle from ranches responsible for deforestation inside the Amazon Biome region after October 2009, as well as from those that use labor analogous to slavery or that are located in indigenous land or environmental conservation areas. The public undertaking that establishes criteria for cattle purchases from properties located in the Amazon Biome is entitled Public Commitment of Cattle Raisers and is defined in the document "Minimum criteria for industrial-scale operations with cattle and beef products in the Amazon Biome".

II) Objective

BDO RCS Auditores Independentes ("BDO") has been engaged, in terms of Proposal No. 2400/19, to carry out agreed-upon procedures, which appear in italics in this report, for an independent assessment, by means of an audit of Minerva data and procedures, of whether the Company has met the criteria assumed in the above-mentioned public undertaking, for the period from January 1 to December 31, 2019. The audit procedures agreed between the parties are described in the TdR "Third-party Audit Reference Term 2017 (base year 2016)", in conformity with Greenpeace's last publication.

III) Audit period

The audit was carried out between February 03 and March 16, 2020.

IV) Description of the Company and of the cattle purchasing process in respect to the Public Commitment of Cattle Raisers

“Describe in detail the scope of the audit, informing the number of units of the company that receive animals from the Amazon Biome.

(extract from TdR - Model of audit report)”

The Company currently has eight active slaughterhouse units, one unit for export of livestock and seven units of confinement.

From the units located in Brazil, ten received animals from farms located in the Amazon Biome in 2019, which are:

- Abaetetuba - PA (Pre-shipment station and office for export of live cattle);
- Araguaína - TO;
- CSAP - Araguaína - TO (confinement);
- CSAP - Igarapé Miri (Pre-shipment station);
- CSAP - Rolim de Moura - RO (confinement);
- Mirassol D'Oeste - MT;
- Palmeiras de Goiás - GO;
- Paranatinga - MT;
- Rolim de Moura - RO;
- Várzea Grande - MT.

For the auditing procedures, according to the instructions of the TdR, the assessment was made on the analysis of 10% of purchases made in 2019 from properties located in the Amazon Biome region. This sample, to be detailed later in this Report in the item “Step 1 - Selecting the sample” included every month in 2019 and proportionately all 10 units located in or supplied with raw materials from the Amazon Biome region.

Before presenting the tests performed and their results, it is important to demonstrate the meaning of the following acronyms, which can be used throughout the report:

- ADEPARÁ: Agricultural and Livestock Defense Agency of the State of Pará;
- CAR: Rural Environmental Registry;
- CCIR: Certificate of Registration of Rural Property;
- DETER: Real-time Detection of Deforestation;
- ERP: Enterprise Resource Planning;
- FUNAI: National Foundation for Indigenous People;
- GTA: Animal Transit Form;
- IBGE: Brazilian Environment and Natural Resources Institute;
- INCRA: National Institute for Settlement and Agrarian Reform;
- INPE: National Institute for Space Research;
- LAR: Rural Environmental License / LAU: Single Environmental License;
- MPF: Federal Public Prosecution Office;
- MTE: Ministry of Labor and Employment, currently Labor Secretariat, part of the Ministry of Economy;
- PRODES: Brazilian Amazon Deforestation Monitoring Project;
- SEMAS: State Department of Environment and Sustainability;
- SICAR NACIONAL: System of Rural Environmental Registry;
- SIF: Federal Animal Sanitary Inspection Service;
- SMBA: Amazon Biome Monitoring System.

“Describe in detail the company systems for cattle purchases, its procedures and mechanisms used to fulfill the “Public Commitment of Cattle Raisers”, based on the public lists and on the GEO list, besides the traceability system of the origin of cattle.

(extract from TdR - Model of audit report)”

We analyzed routine purchases of cattle and made interviews with the main people responsible, including the outsourced company responsible for geomonitoring of the properties suppliers of Minerva and, through that, it was possible to identify relevant processes, and to examine the registries and information of suppliers included in Minerva’s database.

The initial registry of Minerva’s suppliers and farms is made by the cattle purchasers of the industrial units using the Company’s intranet. After that, the staff of the Sustainability department of Minerva makes a detailed analysis of all documents input in the system and, if such documents meet the cattle purchase criteria adopted by the Company, the registry is confirmed. According to this undertaking, Minerva conducts for each acquisition the following social and environmental verifications on its suppliers:

- Embargoed areas: checking IBAMA’s list;
- Existence of degrading or slave-like work conditions: consultation to the Labor Secretariat’s list up to December 13, 2019;
- Deforestation: through analyses of the geomonitoring company using the PRODES made available by INPE, polygons informed by IBAMA, or receipt of official letter from MPF;
- Invasion of indigenous land: through analyses of the geomonitoring company, replies to official letters sent to FUNAI, or receipt of official letter from MPF;
- Land grabbing and agrarian violence: Replies to official letters sent to INCRA and ICMBio, or receipt of official letter from MPF;
- Protected areas: through analyses of the geomonitoring company, replies to official letters sent to ICMBio, or receipt of official letter from MPF.

In order to allow more security to the process of first-time registry of suppliers and lessors in its system, Minerva follows rigorous procedures in relation to CPF (Individual Taxpayers Register)/CNPJ (Corporate Taxpayers Register) checks made to the list of embargoed areas from IBAMA and to the list of employers using slave-like work from the Labor Secretariat. The first consultation to both lists is made by the Cattle Purchase team upon initial registry and confirmed by the Sustainability team to validate the registry. Later, these checks are made again for each acquisition of raw materials before concluding each purchase order.

When receiving the initial registry, the Sustainability team of Minerva analyzes the documents and may accept or not the registry of the supplier after that analysis. If approved, the information is automatically uploaded via webservice.

If any irregularity is found, the registry is not concluded and the purchase process is cancelled. If no irregularity is found, the registry is concluded and it is possible to make the purchase from that property.

The cattle purchase process requires then consultation to the list of employers accused of keeping workers in slave-like conditions. The employee purchasing cattle enters the CPF/CNPJ of the owner in the most recent list of employers issued by the Labor Secretariat, makes the search, and if no match is found, includes the print of that screen into the owner’s registry file in the system, to prove that the CPF/CNPJ was not found in the list.

Concerning the consultation to the list of properties embargoed by IBAMA, the document used by the Company is the owner's embargo certificate, downloaded from <https://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php>, and where it is included all information on the embargo or the information that no embargo exists for the CPF/CNPJ consulted. Due to other commitments assumed by the Company for the purpose of fighting illegal deforestation in Brazilian Amazon Forest, an additional consultation of the CPF/CNPJ or of the name of the supplier is made on the website "Amazônia Protege" including the certificate that will show whether there are any public civil actions filed by the MPF.

As for the geomonitoring analyses, Minerva uses the services rendered by NicePlanet Geotecnologia, which provides to the Company the platform Amazon Biome Monitoring System ("SMBA"). The system is basically structured on official data and files from the federal and state governments published on websites of institutions and agencies and on complementary register information obtained by Minerva and made available to NicePlanet Geotecnologia. The data bank is daily monitored, which guarantees more accurate analyses of the social and environmental status of the supplier properties.

The online platform provides the certification of the social and environmental monitoring of the properties and their reanalysis at each purchase, performed according to the Company's units scale. The certificates resulting from these analyses are grounded on official public documents and on the analyst's technical opinion, and made available to the cattle purchasers responsible for decision making.

The methodology applied and main activities of the geomonitoring company are described next:

- Daily update of official data bases;
- Evaluation of new cattle suppliers;
- Improvement of registry data of suppliers included in the platform;
- Update of official public information database;
- Routines of analyses for checking social and environmental compliance of suppliers; and
- Crosschecking of geographic information about suppliers against data from official public information databases for the monitoring of deforestation and of overlapping with indigenous land and protected areas.

Accordingly, we were informed that all communication between the parties is established through the SMBA platform, where the Company inputs the requests for consultation of the initial registers along with the documents required to make the analyses. The requests are received by NicePlanet Geotecnologia by means of electronic notification. The following documents from the supplier attached to the SMBA platform along with its registry data, if applicable, are presented below:

- Contracts of lease/ loan for use/ partnership/ service rendering, if the supplier is not the owner of the property under analysis;
- Property registrations;
- Property titles;
- Deeds;
- Certification of georeferencing by INCRA;
- Property Descriptive Memorandums;
- Property polygons in shapefile format (Digital map of the property);
- IBAMA's Clearance Certificate of Embargo;
- Clearance Certificate of Illegal Deforestation from SEMAS-PA - LDI; and
- CAR (Rural Environmental Registry).

In case of any geospatial irregularity, the analyst in charge of the environmental analysis at SMBA will request new documents.

NicePlanet Geotecnologia generates the polygons of the properties in shapefile format, based on the documents received and informs Minerva, at the moment of acquisition of cattle, if the property overlaps with indigenous land and conservation units of public domain, in addition to information on deforestation occurring after October 05, 2009.

All files received are analyzed and when meeting technical specifications that allow their reliable digitization, they are converted into shapefile format, decimal coordinates system, "Datum WGS 84" and input in the register data bank.

The maps are viewed in Minerva's database after processed by NicePlanet Geotecnologia through the organization of geographical information layers, when it analyses possible overlapping, perimeter distortions, such as river curves, roads, and others. After this analysis, the information referring to identification of the property, owner, geographic reference and others are input and filed in the data bank.

Through the described procedures, the maps can be used for monitoring the vegetation coverage of the supplier properties of cattle for slaughter or export.

After the registration procedures, NicePlanet Geotecnologia will classify the properties as:

Authorized property: Classification attributed to all properties in which:

- the CPF/CNPJ of the suppliers is not included in the list of employers accused of keeping workers in a condition analogous to slavery, made available by the Labor Secretariat or in other valid lists;
- the CPF/CNPJ of the suppliers is not included in public consultation lists of environmental violations and embargoes from IBAMA and SEMAS or, if included in one of the lists, identified that the embargo refers to a property different from the supplier property under analysis;
- the perimeter of the related property, already validated by cartographic criteria, do not overlap with indigenous land, conservation units, quilombos, deforestation polygons (PRODES), polygons of areas embargoed by IBAMA and SEMAS, or overlapping with other properties with active CAR in SICAR Nacional.

Requiring attention: Classification attributed to all properties in which:

- it was identified overlapping of more than 10% with another CAR or indication of deforestation by DETER.

Unauthorized property: Classification attributed to all properties in which:

- the CPF/CNPJ of the suppliers is included in the list of employers accused of keeping workers in a condition analogous to slavery, made available by the Labor Secretariat or in other valid lists;
- the CPF/CNPJ of the suppliers is included in the public consultation lists of environmental violations and embargoes from IBAMA and SEMAS, and even if identified that the embargo refers to the property under analysis or to a different property, this should be at a straight distance below to the minimum limit established;
- the perimeter of the related property, already validated by cartographic criteria, has more than 10% of its total area overlapping conservation units fully protected or of sustainable use with no license for cattle raising activity;
- the perimeter of the related property, already validated by cartographic criteria, has more than 10% of its total area overlapping indigenous land or conservation units fully protected, with evidence of use by men of the overlapped area;

- the perimeter of the related property, already validated by cartographic criteria, overlap deforestation polygons (PRODES), with confirmation of total clearance as from the multi-temporal analysis of satellite images;
- the perimeter of the related property, already validated by cartographic criteria, overlap IBAMA's embargoed area polygons.

For the analysis of the deforestation criterion, the verification occurs in two different moments: upon the registry of the property and on purchase. Additionally, deforestation can be confirmed through PRODES, as detailed below:

Analysis of PRODES deforestation polygons: PRODES deforestation polygons, yearly made available by INPE since 2009, are superimposed to the shapefiles of the perimeters of the supplier properties already registered in SMBA platform.

The PRODES reports are analyzed considering only those with Julday (Julian days) referring to the date of July 07, 2009 or later, only for supplier properties in the state of Pará, and Julday referring to the date of October 05, 2009 or later for the other states.

For properties with PRODES overlapping its perimeters, multi-temporal analyses are made using satellite images provided by INPE to confirm deforestation (total clearance) within the described polygon. If deforestation is found, the property is blocked for trading, the registration is finished and the supplier property is classified as UNAUTHORIZED, with the maps showing total clearance in the indicated area made available by SMBA platform.

Properties with PRODES polygons overlapping their perimeters and with LAR issued after the date described in PRODES polygons are classified as AUTHORIZED.

Properties with PRODES events, but with no confirmation of the deforestation indicated by INPE, through multi-temporal analysis of satellite images, are classified as AUTHORIZED, characterizing the polygons as "False Positives" in geospatial analysis. The SMBA platform provides the maps that show the lack of anthropization in the indicated area.

"Describe the cattle purchase blocking system used by the company, how it is updated in accordance with the public lists and the GEO list.

(extract from TdR - Model of audit report)"

The block of suppliers is made through an automated locking system. The system is responsible for blocking the CPF/CNPJ of irregular suppliers and for the creation of exceptions for purchase from properties not included in IBAMA's embargo lists and blocked by NicePlanet and to be included in GEO list (spreadsheet generated from data from the geomonitoring system of properties in the Amazon Biome, including the results of monitoring certificates made in 2019), but owned by blocked suppliers. Such exception is created manually and may be accepted or rejected, depending on the analysis made by Minerva's Sustainability Department.

It is important to point out that for blockades due to inclusion of the owner in the Labor Secretariat's list, accused of keeping workers in slave-like conditions, no exception is created, because the CPF/CNPJ of the supplier is blocked, as well as all properties held by that owner, and it is not possible to acquire cattle from any of the farms they own.

Access to the system for the creation of exceptions is limited only to the employees of Minerva's Sustainability Department. Information is directly inserted by that team, daily if from IBAMA and at each update if from the Labor Secretariat.

As for the remaining blocking information related to deforestation, overlapping of indigenous and protected land, conservation units, agrarian violence, and land grabbing, when received from the geomonitoring company, the removal of registry occurs automatically through Minerva's system. For cases informed by MPF, the removal of registry is made manually in the blacklist.

When a property is released in the system through an exception created by an employee of the Sustainability Department, this unblocking is normally of three days, one day before slaughter, the day of slaughter, and one day after slaughter. We emphasize that the checks, even when an exception is created, are made at each acquisition of raw material. In some cases, the release of the property exceeds three days because the properties are far from the slaughter units, so the trip may be longer. Nevertheless, the release does not exceed fifteen days.

V) Procedures

"Describe the audit strategy (audit trail) and procedures used to demonstrate that the Minimum Criteria have been met, informing which documents were made available, as established by the Reference Document for each stage of the audit process.

(extract from TdR - Model of audit report)"

The procedures adopted consisted in the analysis of documents and information referring to purchases of cattle by Minerva within the Amazon Biome areas during the period from January 1 to December 31, 2019, in accordance with NBC TSC Standard 4400 - Agreed-upon procedures engagement on accounting information, approved by Federal Association of Accountants (CFC) Resolution No. 1.277/10.

The work was carried out based on the TdR, previously agreed between the companies signatories to the agreement and the NGO Greenpeace and on the related documents submitted by Minerva to evidence compliance with the "Minimum criteria for industrial-scale operations with cattle and beef products in the Amazon Biome". The main procedures applied in the audit include:

- Document inspection;
- Inquiries of employees who operate the system by means of interviews;
- Simulations of operations in the existing tools.

In order to demonstrate that the Minimum Criteria have been met, as established by the Reference Document for each stage of the audit process, the following procedures were adopted. The procedures for each stage of the work and the results obtained through the checking process are detailed in the next items of the present Report.

Initially, we requested from Minerva the following documents necessary to perform the work and required analyses:

- Records of cattle purchases and receipts during the audited period;
- List of direct suppliers for the audited period;
- A list of blocked suppliers generated from analysis of satellite images and the geographical information system, with the name of the owner, identification document, name of the property, and reason for blocking, provided by NicePlanet Geotecnologia;
- Evidence that the Company is a signatory to the National Pact for the Eradication of Slave Labor;

- Invoices, purchase orders and GTAs from 25 cattle purchases, randomly selected from the sample of 10% of all purchases in the Amazon Biome;
- CAR documents from 25 properties randomly selected from the sample of 10% of all purchases in the Amazon Biome made in 2019;
- LAR documents from two properties included in the documents from the sample of 10% of all purchases in the Amazon Biome made in 2019;
- CCIR documents from 25 properties randomly selected from the sample of 10% of all purchases in the Amazon Biome made in 2019.

In addition to the documents referred to above, the following documents were requested and received from the geomonitoring company NicePlanet Geotecnologia:

- Proof of Enrollment and Registration Status on Brazilian Revenue Service;
- Articles of Organization and Bylaws of the company;
- Technical Responsibility Note (ART);
- Résumé of its professionals;
- PDF file with the operating procedures.

Additionally, for crosschecking the public lists of embargoed areas (IBAMA) and slave labor (Labor Secretariat) against the 10% sample of purchases from suppliers in the Amazon Biome in 2019, the audit downloaded IBAMA's list from its website on February 13, 2020, and the Labor Secretariat's list of employers convicted for exploitation of workers updated up to December 13, 2019. The list issued by the Labor Secretariat was made available by the Sustainability team of Minerva, given that it is no longer available for download on its website.

After receiving the documents listed and considering the interviews made with the people in charge of the departments of Sustainability, Information Technology, and Traceability of Minerva, besides interviews with the staff of NicePlanet Geotecnologia responsible for geomonitoring, the following steps were taken:

- A sample of 10% of total cattle purchases made in the Amazon Biome was selected, from January 1 to December 31, 2019, including every month of the year and proportionally all the processing units supplied with raw material from the Amazon Biome;
- The sample was crosschecked against the lists of IBAMA, Labor Secretariat, and the list obtained by the geomonitoring company (deforestation, indigenous land, and conservation units), by means of their common information, the CPF/CNPJ;
- When owners or properties are found in any of the lists, we checked the date of inclusion on the list, which should be after the date of the purchase. Additionally, we checked the location of the municipality where the embargoed property and supplier are established in order to check if they are the same;
- For these suppliers or properties included in those lists, we tested blocking in Minerva's system, by simulating a purchase from suppliers identified as irregular in the previous step. As previously mentioned, the system allows unblocking when locking occurs by the CPF/CNPJ, for suppliers from properties embargoed by IBAMA, in cases of deforestation (PRODES), and properties inside indigenous areas and conservation units. However, unblocking occurs only when the property is not the one that generated the locking. In cases of blocking for inclusion in the Labor Secretariat's list, it is not possible to unblock any of the farms for purchase;
- According to the reference term, the sample used for the blocking test should be equal to ten cases for each criterion (IBAMA, Labor Secretariat, and GEO lists); however, it was not possible to conduct the ten tests for the Labor Secretariat's list, because no case was identified when crosschecking the lists. Accordingly, regarding the criteria of irregular properties, twenty cases randomly selected for testing using statistical software were checked, with ten tests conducted for IBAMA and ten for the GEO list.

- Minerva's purchase system was evaluated by means of interviews with people in charge of the geomonitoring procedures in the outsourced company, for understanding the processes established to guarantee that the purchase is regular, and that no purchase is made from suppliers who have properties with boundaries inside indigenous land, conservation units, or responsible for deforestation since October 2009;
- Also, in respect of the geomonitoring procedures carried out by NicePlanet Geotecnologia, we verified the reliability and efficacy of the service provided by taking a sample of thirty supplier farms and simulating a geomonitoring exercise. The sample included both "authorized" and "unauthorized" properties, with ten properties selected for each criterion (deforestation, inside conservation units and inside indigenous land);
- Additionally, in order to evaluate purchases from the selected sample, a random sample of 25 purchases per unit was generated, with all invoices, GTAs and Purchase Orders analyzed by BDO Brazil audit team;
- Regarding LAR documents, only two properties from the sample were found and checked, for being the properties larger than three thousand hectares;
- In respect of the CAR document, 25 properties from the sample were randomly selected by means of the statistical software to present the documentation in Minerva's system;
- Also, to confirm the legality of property title documents, 25 properties were randomly selected using the statistical software for checking the CCIR document in INCRA's website and/or documents such as the property registration, considering that the purpose is to check the lack of agrarian conflicts or indigenous land invasion.

Stage 1 - Sampling process, testing of cattle purchases system and testing of blocking system of suppliers in noncompliance.

Step 1 - Selecting the sample

"Give a brief description of the procedures used for selecting information on cattle purchases by the companies in the Amazon Biome region during the period audited, and the criteria adopted for sampling.

The sample calculation will not be published and may be disclosed to Greenpeace, as long as information confidentiality is agreed in contract.

(extract from TdR - Model of audit report)"

Minerva extracted from its ERP system the database of cattle purchases made in the Amazon Biome between January 1 and December 31, 2019. A member of BDO Brazil IT staff was present to ensure the integrity of the information extracted from that database, which occurred on February 03, 2020.

From this total of purchases made from properties located in the Amazon Biome, a random 10% sample was taken, as agreed between the companies and Greenpeace, resulting in a total of 1,509 cattle purchase transactions.

The selection was made by the statistical software, taking each of the 12 months of the sample period and considering a 10% sample per slaughterhouse unit, thus ensuring a representative proportion of purchases from the various units of the company (see table 1 of the Appendix by the end of this report).

Step 2 - Testing the system of cattle purchases

“Give a brief description of how the public listings (IBAMA and MTE) and the Geo list were compared with the samples of cattle purchases, indicating where they coincided and where they did not.

If cattle purchase from a property appearing on any of the lists is identified, give an estimate of the volume of irregular purchases as a percentage of the total sample, and how checking was done of any cattle purchases from irregular suppliers.

The sample calculation will not be published and may be disclosed to Greenpeace, as long as information confidentiality is agreed in contract.

(extract from TdR - Model of audit report)”

To perform this step of the work of cattle purchase testing, BDO Brazil’s audit team downloaded IBAMA’s official list of embargoed areas, “IBAMA’s List”, on February 13, 2020. In respect of the list issued by the Labor Secretariat, referring to suppliers accused of using labor analogous to slavery, because it was no longer available, Minerva’s Sustainability team provided it.

Later, on February 20, 2020, NicePlanet Geotecnologia provided the “GEO List”, that is, the list of properties with suppliers authorized, unauthorized and requiring attention for the twelve month of 2019 involving any of the following criteria: deforestation (PRODES), overlapping of boundaries with Indigenous Land or Environmental Conservation Units.

For analyzing the “IBAMA List”, we crosschecked the list against the 10% sample of cattle purchases in Amazon Biome by means of the common field of the spreadsheets, the suppliers’ CPF/CNPJ. As a result of this procedure, twenty suppliers were identified, totaling 36 purchases (2.38% of total purchases of the sample), considering that:

- In 18 cases, it was found that the purchases referred to different municipalities and farms;
- In other six cases, they refer to the same municipality, but from different farms;
- In one of the cases, it was not possible to verify the name of the farm in IBAMA’s website, but we found that it referred to different municipalities;
- Finally, justifications from Minerva were requested for 11 cases to prove that those did not refer to same farm. Evidence that no purchases were made from irregular farms was obtained by means of social and environmental analyses issued by the SMBA and digital map showing the polygon limits of Minerva’s supplier farm, as recorded in SMBA.

As for the Labor Secretariat’s list, the same procedure of crosschecking the sample of Minerva’s purchases against the list of suppliers accused of using labor analogous to slavery was followed. As a result, we have found that no owner was included in that list.

Concerning the list obtained from NicePlanet Geotecnologia (GEO list), BDO Brazil’s audit team accompanied its extraction remotely from the outsourced company’s monitoring system on February 20, 2019. The list includes all properties monitored by the outsourced company blocked for deforestation (PRODES), IBAMA’s polygons, IBAMA’s list, illegal deforestation list of the state of Pará (LDI), SEMAS consultation, and for overlapping indigenous lands or conservation units in the period from January 1 to December 31, 2019.

When checking the GEO list, the common field between this list and the selected sample of purchases used for identification was the CPF/CNPJ of the supplier. After this comparison, 19 supplier farms classified as “unauthorized” from which Minerva made purchases during 2019 were found.

From that total, seven cases were found in which the purchase occurred before the date the supplier farm was included in the list, evidencing compliance of the purchases. However, there were 12 cases in which the purchase occurred after the inclusion of the property in the monitoring list. For those cases, complementary justification was requested and by analyzing the supporting documentation provided, certifications included in the SMBA, in the report of environmental analyses, it was found that the property does not overlaps indigenous land or deforestation polygons (PRODES), IBAMA's polygons, IBAMA's list, illegal deforestation list of the state of Pará (LDI), SEMAS consultation, and consultation to the website Amazônia Protege, requested in another commitment taken by the Company.

Such documents support that the 12 cases of purchases then made are in conformity. Therefore, no purchases of cattle were found in disagreement with the undertaking for the criteria of deforestation and overlapping of Indigenous Land and Environmental Conservation Units (GEO List).

Step 3 - Testing of blocking system for irregular suppliers

"Give a brief description of how the monitoring system for cattle purchases in the Amazon Biome was assessed, how purchase blocking is effected (automatic or manual, unblocking mechanism, if applicable) for irregular suppliers, and what checks were made to identify any failures in blocking purchases of cattle from irregular suppliers.

If unblocking of a supplier is permitted, describe the criteria applied.

The sample calculation will not be published and may be disclosed to Greenpeace, as long as information confidentiality is agreed in contract.

(extract from TdR - Model of audit report)"

In order to check the effectiveness of the Company's blocking system, the TdR determines that from the totality of irregular suppliers obtained when crosschecking the sample of purchases against the lists (IBAMA, MTE and GEO), blocking tests shall be conducted in the Company's computerized system.

This agreed-upon procedure determines that ten properties shall be selected for each criterion (IBAMA, MTE and GEO), totaling thirty properties to be tested.

For the criteria "IBAMA List" and "GEO List", the selection was made by means of statistical software, totaling ten random properties for each criterion, therefore guaranteeing the actual proportion of representativity of purchases from the different slaughterhouse units.

However, for the criteria of the Labor Secretariat's list no irregular case was found for the testing to be conducted.

After selecting the 20 properties in relation to IBAMA and GEO criteria, the simulations were carried out on March 10, 2020, in Minerva's office in Barretos, via remote access to the computer of the cattle purchaser of the unit of José Bonifácio - SP.

As a result of the blocking tests of the farms embargoed according to IBAMA List, the ten properties were blocked for purchases in Minerva's system, so when trying to conclude the purchase, the system showed an automatic message of blocking, preventing the order to be saved and the purchase to be made (see table 3 of the Appendix by the end of this report).

Finally, in the purchase tests of the properties of the GEO List, the ten cases were also blocked, informing that the property was included in the blacklist and preventing the purchase process to be concluded.

Stage 1 - Hired geomonitoring company (NicePlanet Geotecnologia)

Step 1 - Verification procedures

“Describe briefly how the outsourced geomonitoring company’s procedures for inputs into the slaughterhouses’ purchase systems were assessed, and what documents were examined to ensure the integrity of the outsourced company’s processes.

(extract from TdR - Model of audit report)”

To execute this step of the work, the TdR demands that the auditing firm review the procedures adopted by the hired geomonitoring company, ensuring the integrity and transparency of the process to prepare and update geographical information to feed the systems of registry of suppliers and blocking. In this stage, it is necessary to evaluate the geomonitoring criteria of the Company to understand the procedures adopted.

For a better detailing and understanding of the process, the audit team of BDO Brazil participated in a conference at the Company’s office in Barretos on March 10, 2020, along with six employees of Minerva’s Sustainability Department, to discuss the methodology adopted and agreed between NicePlanet Geotecnologia and Minerva, and to explain the criteria adopted in the geomonitoring analyses applied for each level of geographical accuracy, steps taken, processes and documentation accepted.

In view of that, as established in the TdR, we verified whether the hired geomonitoring company is duly empowered to carry out the activities, considering the Corporate Purpose, CNAE (Brazilian Classification of Economic Activities), Technical Responsibility at CREA (Regional Council of Engineering, Architecture and Agronomy), and analysis of the experience of the professionals involved.

To this end, the following documents indicating the integrity and competence of NicePlanet Geotecnologia were delivered:

- Articles of organization and bylaws of NicePlanet Geotecnologia establishing its main purpose;
- Geomonitoring protocol with the classification criteria (“authorized”, “unauthorized” or “requiring attention”) agreed between Minerva and NicePlanet Geotecnologia;
- Proof of Enrollment and Registration Status with the Brazilian Revenue Service issued on March 11, 2020 at 02:57 p.m.;
- Document of Technical Responsibility Note (ART) for a professional of NicePlanet Geotecnologia issued by CREA-PA.

Step 2 - Simulation of monitoring

“Describe briefly the methods used to select samples and the procedures followed for simulating monitoring for each criterion, how cases were simulated and the results obtained.

(extract from TdR - Model of audit report)”

To perform this step of the work, one of the partners of NicePlanet Geotecnologia made a presentation via conference to BDO Brazil’s audit team at Minerva’s head office in Barretos - SP.

To that end, the monitoring procedures were explained, in addition to simulations of cases of unauthorized and authorized suppliers, randomly selected by means of the statistical software used by the audit team of BDO Brazil.

After the explanation already detailed in the previous steps, we moved to the step of geomonitoring simulation. The TdR requires ten cases to be simulated for each of the monitoring criteria (deforestation, overlapping of conservation units and of indigenous land) tested by the geomonitoring company for Minerva. The simulation should be carried out for both blocked and released suppliers, totaling 30 properties tested.

To test the monitoring conducted by NicePlanet Geotecnologia from the sample of 30 properties, the audit selected ten properties to check monitoring of the deforestation criterion, ten properties to test monitoring of the criterion of overlapping of conservation units, and ten properties to test monitoring of the criterion of overlapping of indigenous land.

To formalize and support the simulation of monitoring of the thirty cases randomly selected, print screens of the analysis made were submitted and considered compliant, ensuring the regularity of the procedures adopted for the social and environmental criteria established for purchases made in 2019.

The 30 cases were individually tested and the team from NicePlanet Geotecnologia showed which analysis made resulted in the classification of each supplier farm. For all tested cases, the conformity of the supplier farms in relation to their status was verified. Therefore, for the tested cases, it was possible to verify the effectiveness of the geomonitoring procedures of NicePlanet Geotecnologia.

Step 3 - Assessment of documents for property title and environmental compliance

“Describe briefly the methodology for selection of the sample, and how the documents were analyzed, indicating discrepancies and agreements.

(extract from TdR - Model of audit report)”

In order to guarantee compliance with the Minimum Criteria, the documents of environmental compliance - CAR and LAR or LAU (and/or protocols) and the documents of property title compliance - CCIR were analyzed. Additionally, we included in our analyses during this stage, the documents referring to invoices, GTAs and purchase orders mentioned in this step.

In relation to the documents of environmental and property title compliance, we present below the percentage of suppliers included in the sample of 10% of purchases from the Amazon Biome with information on Minerva’s registries on CAR, LAR/LAU and protocols and CCIR:

- CAR: 100%;
- LAR/LAU and/or protocol: 0,13%;
- CCIR: 100%.

To verify the documentation related to environmental and property title compliance (CAR, LAR/LAU and CCIR), the documents included in the Company’s system, as issued by the official bodies, were verified at Minerva’s office in Barretos on March 09, 2020. As established in TdR, a random sample was selected, by means of the statistical software, with 25 cases for each type of document (CAR and CCIR) present in 10% of purchases from supplier farms located in the Amazon Biome, in order to reduce the sampling risk to an acceptable level of reliability, as set forth in NBC TA 530, addressing audit sampling procedures. As for LAR documents, only two cases were analyzed, which is the total number of documents included in Minerva’s registry of suppliers for the selected sample.

As for CAR cases, when crosschecking the documents against information from Minerva’s system, we found that:

- In one case the address informed in the document was different from the address input in Minerva’s system;
- In one case, the CNPJ number found in the registry was different from the one stated in the CAR document;
- In one case, the CAR number informed had only the first digits input into Minerva’s registry system, due to the small limit of characters of the field for inclusion of the complete number.

However, all divergences referred to above were corrected in Minerva's system during the verification conducted at the location on March 09, 2020.

As for CCIR cases, when crosschecking the documents against information from Minerva's system, we found that:

- In two cases, the CCIR document was outdated in Minerva's system;
- In one case, the CNPJ was outdated in Minerva's system;
- In one case, when comparing the address in Minerva's system with the one stated in the document, we found a difference, also the CCIR number registered in Minerva's system did not exist.

However, all divergences referred to above were corrected in Minerva's system during the verification conducted at the location on March 09, 2020.

Finally, as for LAR cases, as previously mentioned, only two documents were analyzed, for being the only ones referring to properties larger than 3,000 hectares.

As a result of these analyses, we found that in both documents the LAR number informed in the document from the official body was different from the document input into the system. However, the divergences referred to above were corrected in Minerva's system during the verification conducted at the location on March 09, 2020.

Regarding the documentation referring to invoices, GTAs and purchase orders, no inconsistency was found.

VI) Results of the audit process

"On the basis of the procedures applied, state whether any purchase transaction was identified that does not meet all the points of the public undertaking, indicating the root cause of non-compliance with the Minimum Criteria.

"For the "Traceability system for indirect suppliers" criterion, give brief details of the procedures applied to verify this item. "If the company does not show that there is control of the entire production chain (indirect suppliers - cattle raising and breeding), the criterion should be marked as non-compliant.

(extract from TdR - Model of audit report)"

Based on all audit procedures adopted, in relation to deforestation criteria after October 2009, overlapping of conservation units or indigenous land (GEO List), and suppliers listed in the Labor Secretariat's list of slave labor, no purchase transactions were found not in conformity with the criteria described in the "Public Commitment of Cattle Raisers", which reinforces the Company's commitment on the monitoring of its deforestation free supply chain, in a clear and transparent way, contributing to the fight against climate changes by reducing greenhouse gas emissions.

In relation to indirect suppliers, Minerva informed that until the present moment there is no systematic verification for these cases. We point out that the monitoring of indirect suppliers requires support and investments from the government in technologies that promote the traceability of cattle from birth to slaughter. This is particularly important in small properties, where few resources are available for investment in this type of technology.

Another requirement of the “Minimum criteria for industrial-scale operations with cattle and beef products in the Amazon Biome” was joining the National Pact for the Eradication of Slave Labor. Evidence of Minerva’s association with the Institute for the National Pact to Eradicate Slave Labor (InPACTO) can be found on the website (<https://inpacto.org.br/saiba-qualis-sao-as-novas-empresas-associadas-ao-inpacto/>), including all signatories of the National Pact, and on the Term of Association of companies to InPACTO, in addition to a receipt proving the relation with InPACTO presented by Minerva to BDO Brazil’s audit team.

Concerning rejection of land grabbing and agrarian violence, there is no public information that allows the identification of irregular suppliers to carry out the procedure of blocking of supplier farms in its system. Additionally, Minerva informed that it did not receive any notice or denunciation from the Public Prosecution Office or from Federal or State Land Institutes with information on such cases in 2019.

In regard to Minerva’s Working Plan, containing the Minimum criteria for industrial-scale operations with cattle and beef products in the Amazon Biome, it is no longer being performed, given that it was a requirement of Greenpeace, which is no longer leading the agreement.

1. Access to Information

“Give a brief description of the conditions of access to information essential for proving the company’s compliance with the Minimum Criteria. Complete Table 1, identifying all the documents analyzed and giving references (date or code and version).

(extract from TdR - Model of audit report)”

Minerva made available all the documents and information requested by the BDO Brazil’s audit team to perform the work.

It was possible to access the purchase, registry and monitoring systems of Minerva, and to have access to all documents requested related to the purchase sample.

Additionally, the people responsible for the information needed to understand the processes and to clear up doubts were available to BDO Brazil’s audit team.

The table below includes the information necessary for our analyses and the period covered:

Table 1 - Checklist of documents analyzed

Document name	Date of coverage / code and version	Checked (Y/N)
Procedures or Manual of the System	For the period from January 01 to December 31, 2019	Y
Purchase records	For the period from January 01 to December 31, 2019	Y
Monitoring system	For the period from January 01 to December 31, 2019	Y
Blocking system	For the period from January 01 to December 31, 2019	Y
List of suppliers	All suppliers located in the Amazon Biome, for the period from January 01 to December 31, 2019	Y
Public list of embargoed properties - IBAMA	List Downloaded on February 13, 2020 (http://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php)	Y
Public list of individuals/companies - slave labor - MTE	The list was made available by the Sustainability team of Minerva, given that it is no longer available for download on MTE website	Y
List of Blocked Suppliers - Geo	Download of the list made by NicePlanet Geotecnologia on February 20, 2020, observed by BDO.	Y

2. Exceptions

“The audit company must show clear evidence of exceptions, describing the problem and taking concrete facts into account, so that the report may serve as a tool for continuing improvement in the company’s purchase system. Details of the non-conformity shall be described in the Audit Attached document, which shall NOT be published, but which may be disclosed to Greenpeace, as long as information confidentiality is agreed in contract.

(extract from TdR - Model of audit report)”

Except for the criterion “Traceability system for indirect suppliers”, not able to be met by the Company until the present moment, given that the monitoring of these indirect suppliers depend on support and investments from the government in technologies that promote the traceability of cattle from birth to slaughter, there were no other cases of non-conformity confirmed in the present work. The other irregularities found were justified by Minerva and adjusted in the system, if necessary. Details of these cases were given in the body of this Report.

VII) Audit Limitations

“If the auditor finds any difficulties or restrictions, this should be noted in the report.

(extract from TdR - Model of audit report)”

The scope of our work was defined to permit us to obtain an adequate degree of assurance, and includes the assessment of compliance regarding the adoption of the “Minimum Criteria for Industrial-Scale Operations with Cattle and Beef Products in the Amazon Biome”, included in the Reference Term, for the period from January 01 to December 31, 2019.

Our report is for the sole purpose described above and it should not be used for any other purpose or distributed to third parties who have not taken responsibility for the sufficiency of or have not agreed with the mentioned procedures. This report is related exclusively to the items specified in the “Minimum Criteria for Industrial-Scale Operations with Cattle and Beef Products in the Amazon Biome”, and does not cover the financial statements of Minerva taken as a whole.

More details are given in our report on recommendations for Agreed-upon Procedures, in accordance with NBC TSC Standard 4400, approved by CFC Resolution No. 1.277/10, which will be delivered to Minerva. Only Minerva may pass it on to other parties as it deems necessary.

Considering that the mentioned procedures are not an audit or limited review conducted in accordance with Brazilian auditing or review standards, we do not provide any assurance on cattle purchases for the period from January 01 to December 31, 2019, or on the effectiveness of Minerva’s internal controls on such processes.

Had we applied additional procedures or made an audit or review of financial statements in accordance with Brazilian auditing or review standards (NBC TAs or NBC TRs), we could have been aware of other important issues, which would have been reported.



VIII) Conclusions

“Give your conclusion on the results shown, identifying any evidence found that the undertakings assumed have not been fulfilled. The conclusion should contain an annual assessment of direct cattle purchases, according to the undertaking.

(extract from TdR - Model of audit report)”

Based on our work, as described in this Report, comprising the period from January 01 to December 31, 2019, except for the criterion “Traceability system for indirect suppliers”, mentioned in item 2 above, our analyses did not indicate any inconsistencies that could not be justified by Minerva.

São Paulo, May 08, 2020.



BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Viviane Alves Bauer
Accountant CRC 1 SP 253472/O-2

APPENDIX

Table 1 - Total purchases and sampling in base year

1 - Total purchases and sampling (base year)

Total cattle purchase operations originated from the Amazon Biome region conducted by Minerva from January 1 to December 31, 2019.	Total cattle purchase operations sampled to perform the presented analyses.
15087	1,509

Table 2 - Non-conformities found in the audited period

2 - Non-conformities (base year)

Cattle purchases originating from:	Total purchases in non-conformity	Rate of purchases in non-conformity in relation to the totality of cattle purchases in the year in the Amazon Biome (%)	Rate of purchases in non-conformity in relation to the totality of cattle purchases sampled (%)
Properties where deforestation was identified after October 2009	-	-	-
Properties where overlapping of Indigenous Land was identified	-	-	-
Properties blocked for being located in Conservation Units	-	-	-
Properties blocked for being included in the list of MTE and Transparency List	-	-	-
Properties blocked for being included in IBAMA's list	-	-	-

Table 3 - Results of the blocking test

3 - Blocking Test

	Total number of simulation tests of cattle purchase in the Company's system	In accordance	Not in accordance
IBAMA	10	10	-
MTE	-	-	-
GEO (PRODES, DETER, Indigenous Land and Conservation Unit)	10	10	-