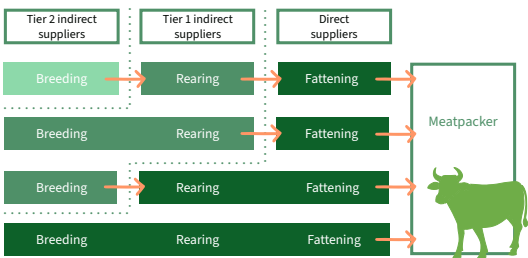


Importance of Tier 1 indirect supplying properties in the beef supply chain in Brazil

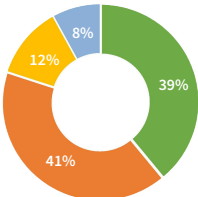
Monitoring indirect suppliers is essential to guarantee a sustainable future for the Brazilian cattle industry

Beef supply chain in Brazil



Origin of cattle-related deforestation in Pará, Brazil

Figure 1



- Direct supplier properties**
SUPPLIERS WHO SELL DIRECTLY TO MEATPACKERS
- Tier 1 indirect supplier properties greater than 100 hectares**
INDIRECT SUPPLIERS WHO SUPPLY CATTLE TO DIRECT SUPPLIERS
- Tier 1 indirect supplier properties under 100 hectares**
INDIRECT SUPPLIERS WHO SUPPLY CATTLE TO DIRECT SUPPLIERS
- Tier 2+ indirect supplier properties**
INDIRECT SUPPLIERS WHO SUPPLY CATTLE TO OTHER TIER 1+ INDIRECTS

Data: Prodes Amazonia 2019-2021 - Pará State
Source: University of Wisconsin-Madison

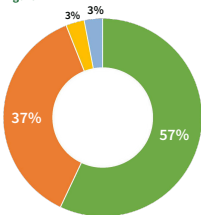
*considering the highly complex dynamics of the cattle supply chain, the data refers to the highest level occupied by a supplier between 2019 - 2021

Main conclusions:

- 80% of deforestation originated from direct supplier properties or Tier 1 indirect supplier properties greater than 100 hectares
- The vast majority of Tier 1 indirect supplier properties are not currently monitored (unlike direct suppliers, monitored by meatpackers who committed to the “TAC da Carne” in collaboration with Pará Federal Prosecutors)
- Tier 1 indirect supplier properties greater than 100 hectares must be included in monitoring systems to understand the full scope of deforestation within a supply chain

Remaining forests in Pará, Brazil — percentage within properties per tier

Figure 2



- Direct supplier properties**
SUPPLIERS WHO SELL DIRECTLY TO MEATPACKERS
- Tier 1 indirect supplier properties greater than 100 hectares**
INDIRECT SUPPLIERS WHO SUPPLY CATTLE TO DIRECT SUPPLIERS
- Tier 1 indirect supplier properties under 100 hectares**
INDIRECT SUPPLIERS WHO SUPPLY CATTLE TO DIRECT SUPPLIERS
- Tier 2+ indirect supplier properties**
INDIRECT SUPPLIERS WHO SUPPLY CATTLE TO OTHER TIER 1+ INDIRECTS

Data: Prodes Classe Floresta Amazonia 2021 - Pará State
Source: University of Wisconsin-Madison

*considering the highly complex dynamics of the cattle supply chain, the data refers to the highest level occupied by a supplier between 2019 - 2021

Main conclusions:

- 94% of remaining forests are located in direct supplier properties or Tier 1 indirect supplier properties greater than 100 hectares
- By including Tier 1 indirect supplier properties greater than 100 hectares in monitoring systems, the chances of avoiding future deforestation are increased

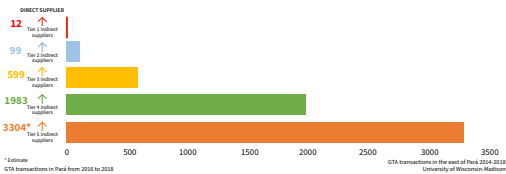
Use of the Animal Transit Guides (GTA)

The Animal Transit Guide (GTA) is the official document for animal transportation in Brazil and contains essential information about traceability (origin, destination), as well as other information, such as vaccination. The GTA is mandatory every time a batch (cattle) is transported from one farm to another.

Number of unique properties* potentially involved in the 3-year animal life cycle (using batch traceability)

*not considering properties that appear more than once in different levels

Over 3 years of GTA transactions:



When using GTA to track the chain beyond tier 1 indirect, the number of properties that must be assessed for compliance increases exponentially as we move back in the chain. At the same time, there is a decreasing level of certainty about the commercial relationship between an tier 2 indirect or higher supplier and the direct supplier that sold to the meatpacker. Therefore, using this information, the only link in the chain that certainly has a commercial relationship with the direct supplier is the tier 1 indirect supplier.

94% of the remaining forest is concentrated on tier 1 indirect and direct properties (Figure 2). This shows that GTA is viable for speeding up and addressing most of the deforestation or other socio-environmental problems that occur on the properties of an tier 1 indirect supplier and a direct supplier.

Understanding the importance of indirect suppliers, the GTFI created the “Boas Práticas” (Good Practices)

Goals of the Boas Práticas

Preserve most of the remaining forests



Minimize supply chain impact and need for additional monitoring costs

Total properties analyzed: around 56 thousand properties, considering direct suppliers, tier 1 indirects, tier 2 indirects, and indirects from other levels.

Figure 1 - Total Prodes deforestation identified is above 200 thousand hectares in properties of direct suppliers, tier 1 indirects, tier 2 indirects, and indirects of other levels.

Figure 2 - Total area of remaining forests is over 4.4 million hectares in properties of direct suppliers, tier 1 indirects, tier 2 indirects, or indirects of other levels.