

## Classification and Environmental and Social Strategy (ESS) Marfrig Global Foods

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### 1. Project Scope and Objective and IDB Invest Participation

Marfrig is the second largest protein producer in the world, with a presence across Latin America and in the U.S., as well as in Brazil. Situated between the cattle rancher and the consumer-facing retailer within the value chain, Marfrig's direct suppliers include fully integrated cattle ranchers and finishing cattle farms. The company's indirect suppliers include rearing farmers and calf producers. In 2019, Marfrig's primary processing capacity in Brazil was on average approximately 16,000 animals/day, and its products were sold to predominantly national but also to international markets.

For over a decade, Marfrig has been working on strengthening its cattle procurement procedures to reduce environmental and social risks from its supply chain. It has focused on being a leader in the sector on sustainability issues and preventing deforestation, given that cattle ranching has been historically linked to loss of forest cover in Brazil.

Marfrig has recently embarked on a 10-year, multi-dimensional plan (Marfrig Verde + Plan<sup>1</sup>) which aims to ensure that 100% of the company's production chain is sustainable and deforestation-free within ten years. It covers a five-year detailed execution roadmap marked by deadlines and goals that support its 2030 vision. Through the plan, Marfrig will implement measures to eradicate completely any deforestation in the supply chain in the Amazon Biome by 2025 and in the Cerrado Biome by 2030.

Marfrig's Verde + plan has two main areas, both aimed at reducing the environmental impact of the sector: (i) to develop and provide long-term solutions and successful business models to the supply chain to ensure sustainable production of cattle; (ii) to reduce Marfrig's environmental footprint in its own operations through resource efficiency projects across the region.

The Project consists of supporting the initial phase of Marfrig's Verde + strategic plan aimed at accelerating investments to strengthen the sustainability in the beef supply chain as well as in Marfrig's own operations across the region.

### 2. Classification and Environmental and Social Strategy

The Project has been pre-classified as Category A, in accordance with IDB Invest's Environmental and Social Sustainability Policy. Key environmental and social ("E&S") risks are mainly related to Marfrig's supply chain, including deforestation, impacts on landscapes, ecosystems and biodiversity, child/forced labor, and inadequate EHS practices by the Company's primary suppliers.

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<sup>1</sup> More information available at: <https://www.marfrig.com.br/pt/sustentabilidade/plano-marfrig-verde>

During the environmental and social due diligence (ESDD) process, IDB Invest will be assisted by an independent E&S consultant firm. As part of the E&S due diligence, IDB Invest and the consultant will visit Marfrig's operational units and further assess the Project's key features, including: (i) capacity of the company for the assessment and management of E&S risks and impacts related to its direct operations and supply chain; (ii) management of environmental, social, labor and occupational health and safety practices in its slaughtering units, processing facilities and distribution centers; (iii) management of hazardous materials/chemicals; (iv) management of wastewater and solid waste; (v) energy efficiency; (vi) relation with affected communities and (vii) stakeholder engagement. The Sponsors will be required to ensure the project meets the requirements of IDB Invest's Sustainability Policy and address any gaps in the form of an action plan.

Based on the information received and reviewed so far, the Performance Standards (PS) that the Project is likely to trigger are: PS1 Assessment and Management of Environmental and Social Risks and Impacts; PS2 Labor and Working Conditions; PS3 Resource Efficiency and Pollution Prevention; PS4 Community Health, Safety, and Security; PS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources, and PS7 Indigenous Peoples. The final determination of the PS triggered by the Project will be done by the end of the ESDD process.

Once the ESDD process is completed, an Environmental and Social Review Summary (ESRS) will be prepared and published on this website.

### **3. Additional Information**

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In addition, affected communities can access IDB Invest's Independent Consultation and Investigation Mechanism (ICIM) as follows:

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