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1. PURPOSE

This Social and Environmental Beef Purchasing Policy presents general and specific guidelines on the process of purchasing beef by ASSAÍ and its chain.

It has as purpose to provide guidance on the existing relationships between ASSAÍ and its suppliers of beef products, besides presenting criteria of compliance, integrity, and sustainability required from such suppliers in view of the critical nature of this chain in terms of deforestation, working conditions, and respect for land tenure. With this policy, ASSAÍ sets forth commitments, performance pillars, and guidelines that serve as the basis for the company's beef purchase process, besides ensuring compliance with the Brazilian Forest Act and other legislation in force.

Compliance with these guidelines is mandatory for all beef suppliers and is a condition precedent for providing goods to ASSAÍ and maintaining long-term relationships with the Company's businesses.

If a supplier refuses to apply these guidelines or to implement any required corrective actions, ASSAÍ may terminate the business relationship with such supplier. It is worth highlighting that, in addition to and complementary to this policy, ASSAÍ has an Environmental Management Policy that sets forth provisions on protection of natural ecosystems and biodiversity, besides the commitment to tackle the climate crisis and reduce greenhouse gas emissions.

2. SCOPE

Assai's Social and Environmental Beef Purchasing Policy applies to all suppliers in the supply chain of all our businesses, who supply beef products of Brazilian origin *in natura* or processed, chilled or frozen, to all brands supplied, regardless of the biome in which they are located.

3. GENERAL GUIDELINES

3.1. Context

Native forests and vegetation provide important ecosystem services for maintaining life: they provide habitat for half of all known plant and animal species and livelihoods for

millions of people in rural and traditional communities. In addition, forests have a fundamental role in regulating the planet's climate, in guaranteeing water (distribution of rainfall that feeds rivers), and are an important carbon reservoir. Deforestation or conversion of native vegetation into pasture increases greenhouse gas emissions and contribute to triggering extreme weather events that destabilize ecosystems and biodiversity, threatening the survival of traditional and indigenous people, impacting economic activities, and jeopardizing the survival of humankind on the planet.

The Brazilian Forest Act, revised in 2012, sets forth the rules to be complied with by rural properties for coexisting with natural resources. In particular, defines Legal Reserve, which is a mandatory portion of rural property that must be maintained with native vegetation. The area intended for such Legal Reserve depends on the geographic location of the property and the biome existing therein. Accordingly, it was set forth that in the Brazilian states located in the so-called Legal Amazon, for farms containing the Amazon biome, the legal reserve must represent 80% of the rural property as stated by every owner thereof; for properties located in the Cerrado biome, such legal reserve area must represent 35%; all other areas in Brazil (including areas of general fields in the Legal Amazon) must maintain 20% as Legal Reserve. Said Brazilian Forest Act allowed for that the Environmental Areas Permanently Protected (APP) could be considered in the calculation of the Legal Reserve (provided, however, that they are preserved and if this calculation does not result in the conversion of new areas within the property) and to be reduced because of the Ecological Economic Zoning and a certain proportion of protected areas in the corresponding municipality or State of Brazil.

Failure to comply with such Brazilian Forest Act can subject violators to fines, embargoes from areas or production units, and damage to the companies' reputation. Thus, in a preventive and out-of-court manner, many meatpacking companies have executed such Environmental Conduct Adjustment Agreement (TACs, which is a Consent Decree) with the Federal Public Prosecution Service (MPF), undertaking the commitment in 2008 not to buy from farms located in the Amazon biome that do not comply with all legal and socio-environmental requirements. In addition, in 2009 some meatpacking companies adopted voluntary commitments, called "Public Commitments of the Livestock Industry", which consider the same criteria as those so-called TACs, but which also, as regards

deforestation, include the commitment of not buying from farms, not only with illegal deforestation but also with legal deforestation in the Amazon biome, as of the year it was executed.

The livestock activity involves several stages, often with over one farm and rancher, according to the simplified process below.

Indirect farm(s) (Tier 3) > Direct farm (Tier 2) > Meat packer (Tier 1) * > Retail

**It can have an intermediate between meatpackers and retailers, called here “processor”, however is not a required actor in the supply chain.*

Despite the progresses made in the traceability of this chain, tracking the origin and monitoring their indirect farms are still complex challenges for meat packers, considering that there is a vast number of potential indirect farms in Brazil.

ASSAÍ believes that native vegetation and forests should be protected. For this reason, in the last 10 years its policies and processes for monitoring the beef production chain supplied by meat packers have been continuously improved, besides dialoguing jointly with suppliers, governments, inspection agencies, social organizations, among others in the search for practices and available and accessible technology for greater control of such production chain. We understand that the participation and commitment of everyone, especially our suppliers, is indispensable to contribute positively in this scenario.

3.2. Commitments by Assaí

ASSAÍ, aware of its role in the Brazilian market, seeks to be a transformative agent of society, adopting the best practices in its businesses. In line with its purpose of making supply chains more responsible, it seeks to cooperate to mitigate social and environmental risks and build a relationship of trust with our customers and stakeholders.

Since 2018 we have been periodically carrying out studies on critical chains that aim to identify a socio-environmental risk matrix of our value chain, listing raw materials and risks (such as working conditions, animal welfare, deforestation, and biodiversity). The

most recent mapping identified 28 more critical chains from socio-environmental risks in the stages of cultivation, production, or transformation of products sold in our stores. We also consider biodiversity issues, with an approach to effects on use of soil, sustainable extraction, and extinction of species.

In the end, 13 product chains/categories were prioritized. To achieve this result, an analysis was performed on internal and external data (public sources and documents) of the primary chains that allowed to cross the levels of social and environmental risks with relevance of these products/categories in relation to the volume and origin of purchases of products associated with these chains, rating them as low, medium and high.

As a result thereof, policies and procedures are established such as this Social and Environmental Beef Purchasing Policy.

3.2.1 ASSAÍ commitments in favor of non-deforestation and the promotion of human rights

ASSAÍ aims at eliminating deforestation and the conversion of native vegetation into pastures in its supply chains, promoting the protection of native biomes and the Brazilian cultural heritage in the long term, promoting the respect for the International Declaration of Human Rights, and respecting the rights and way of life of indigenous people, local communities and workers.

Therefore, in the bovine livestock chain, ASSAÍ and its suppliers that sell beef of Brazilian origin must respect the following principles for the entire production of our suppliers' plants:

- Free from deforestation and conversion of native vegetation,
- Free from conditions similar to slave/ child labor,
- Free from environmental embargoes because of deforestation,
- Free from invasions of indigenous lands,
- Free from invasions in environmental conservation areas.
- Registered with CAR (Rural Environmental Registry)
- Environmental permit, when applicable.

These principles guide the operational standards set forth by the “Protocol for Monitoring Livestock Suppliers in the Amazon” and the “Protocol for Voluntary Monitoring of Livestock Suppliers in the Cerrado biome”, as detailed in sections 5 and 6, which all suppliers of the company must comply with and follow.

This commitment complements the commitments that had already been undertaken by ASSAÍ in favor of respecting international workers' rights, the people of traditional communities, or underrepresented people according to documents set forth by:

- Ethics Charter of ASSAÍ's suppliers
- Diversity and Human Rights Policy

In addition, ASSAÍ only purchases beef from suppliers having the Federal Inspection Service (SIF) inspection seal, which is bound to the Brazilian Federal Department of Agriculture, responsible for ensuring the quality of products of animal origin and ensuring traceability and quality for consumers, based on domestic and international protocols and laws.

Thus, ASSAÍ is committed to contributing to responsible and sustainable livestock farming in Brazil, as well as conducting business with integrity, compliance and transparency, in all its business units.

3.2.2 Inputs and Drivers

Besides such commitments, our work in the Transformation of the Value Chain is based on some guiding and normative documents of partner associations or of which we are signatories:

- Principles of the United Nations Organization (UN);
- 17 UN Sustainable Development Goals (SDGs);
- Federal Pact for the Eradication of Slave Labor in Brazil;
- UN Declaration on the Rights of Indigenous People;
- Normative foundations of the requirement for free, prior and informed consent;
- UN Guiding Principles on Business and Human Rights;

- The fundamental human rights described in the UN International Human Rights Charter (which comprises the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights);
- Eight fundamental Conventions of the International Labor Organization (ILO);
- Declaration of Fundamental Principles and Rights at Work by the International Labor Organization (ILO);
- Registration Tool for Employers that have kept workers under conditions similar to slavery - “Dirty List” (Interministerial Ordinance MTE/SDH number 2/2011).
- Commitments of the Beef Guidance from Forest Positive Coalition by Consumer Goods Forum (CGF)

Box 1: Sustainable Development Goals (SDGs) - United Nations

The policy is in line with the following goals:

Goal 12 – Responsible consumption and production: ensure sustainable production and consumption standards.

Goal 13. Take urgent measures to tackle climate change and its impacts.

Goal 15 - Protect, restore, and promote the sustainable use of land ecosystems; manage forests in a sustainable way; eliminate desertification; prevent and recover land degradation, and halt biodiversity loss.

The other sustainable development Goals can be found [here](#).

To reinforce our position, we have also undertaken public commitments in favor of Sustainability, which can be checked on our institutional website: <https://www.Assai.com.br/pt/sustentabilidade>.

3.2.3 Governance

The highest governance and monitoring body for the Social and Environmental Beef Purchasing Policy is the Corporate Governance and Sustainability Committee, which advises ASSAI'S Board of Directors.

3.3. Assaí's Specific Guidelines and Processes

ASSAÍ seeks to establish a solid and well-defined governance for a transparent and consistent management, setting forth clear and straightforward rules, as well as guidelines and procedures in line with best practices and prioritizing improvements in controls.

To implement this Policy in its businesses, ASSAÍ has set forth the following processes over its entire operating strategy:

3.3.1. Awareness-raising & Internal Engagement

ASSAÍ understands that implementing and compliance with the Policy depends on the engagement of internal teams, from team leaders to operational areas. Thus, all the Group's associates involved in the beef purchase process are trained and updated every year on procedures to comply with this policy, and are aware of their role and responsibilities in its implementation, in following up and monitoring suppliers, and in the engagement and awareness-raising of all stakeholders on the importance of transparency about the origin of beef sold.

3.3.2. Approval of Beef Suppliers:

Approval is the first step in the process of admitting a potential supplier, in which minimum criteria are established so that the supplier is deemed fit to sell products to ASSAÍ.

In addition to having a stage of awareness and sensitization of suppliers on our socio-environmental commitments, evidence is required to prove the alignment, commitment, and adherence of the potential supplier so that an agreement can be executed.

This step is valid for all suppliers that slaughter livestock and supply beef to ASSAÍ, whether suppliers of nationwide brand or private label:

- i. Sign our Social and Environmental Beef Purchasing Policy and commit to comply with it;
- ii. Prove to have or hire its own satellite traceability and geomonitoring system and commit to carry out social and environmental analyzes of the farms with which it has an interest in establishing purchasing livestock (carried out before any purchase is made);

- iii. Must mandatorily become users of the Protocols of the "Boi na Linha" (Beef on Track) Project and ensure that direct farms are meeting the criteria required in their cattle purchasing process.
- iv. Comply with the laws and regulations currently in force, know the values, and respect the ethical principles set forth in ASSAÍ'S Code of Ethics, in the Diversity, Inclusion and Human Rights Policy, and also in Policy of Human Rights across ASSAÍ'S Value Chain;
- v. Undertake to submit the information on the origin of all farms, per batch sent to ASSAÍ, through our tracking system;
- vi. Inform and agree that all farms will be assessed again by ASSAÍ (by the Group's geomonitoring system). In case of any suspicion of non-compliance, meat packers need to show the false positive or block the farms;
- vii. Submit the applicable Consent Decree (TAC) entered with the Federal Prosecution Office in the states where it was enforced;
- viii. Ensure the quality of products of animal origin through the Federal Inspection Service (SIF).
- ix. This stage has as purpose to ensure that every potential supplier is aware of and committed to adhering to ASSAÍ'S requirements, as well as complying with the established socio-environmental criteria, besides complying with the Forest Code, the applicable legislation in force, and product quality standards.

3.3.3. Monitoring of livestock purchases by meat packers

Beef suppliers having slaughterhouses must, since 2017, have their own satellite geomonitoring system, which allows to check social and environmental risks from the location of farms and with the crossing of public data. It is mandatory to use the geomonitoring tool, regardless of the geographical location of their units, and they have also to ensure that all cattle batches purchased are verified regarding the total production of the corresponding meat packer.

They must also ensure that all batches of cattle purchased comply with the criteria of ASSAÍ'S Policy. Every supplier can choose the tool to be used, but it must ensure that

the system uses the same criteria set forth in ASSAÍ'S Policy and in the "Boi na Linha" (Beef on Track) protocol. Suppliers are responsible for managing, controlling the origin, and performing socio-environmental analyses of farms, besides sharing such data with ASSAÍ.

3.3.4. Traceability and purchase information from suppliers

For each ASSAÍ purchase, every beef supplier must enter information on the Company's tracking tool about the direct origin of the beef sold to ASSAÍ.

Suppliers having meatpacking plants must also provide non-financial information on livestock purchases (quantity, day of purchase, Animal Transportation License - GTA) and on the slaughter of animals (day of slaughter) on the tracking tool. Such pieces of information must be linked to that of shipments to ASSAÍ, complying with the principle of traceability.

In addition to social and environmental information, information on food safety and quality (cutting pattern, packaging integrity, labeling, and manufacturing date) is also collected. For greater efficiency in the process of providing such information, it is recommended to integrate the plant management systems with the tracking tool.

3.3.5. Rechecking the Social and Environmental Analysis by Assaí

To assess the adherence and accuracy of the monitoring process carried out by meat packers that are suppliers, ASSAÍ reanalyzes, via geomonitoring system, all batches purchased by the Group from originating farms, verifying if they are in compliance with the criteria set forth with the Policy and the "Boi na Linha" (Beef on Track) protocol.

ASSAÍ has adopted its own tracking tool in which data of direct origin and data of goods dispatch are made available by suppliers. Thus, ASSAÍ can continuously check all data passed on by meat packers.

This double check process is an internal due diligence that assesses the same criteria from the perspective of the protocol used for all meat packers. When there are suspicions of any non-compliance, the farm is suspended and the supplier is asked to send evidence of false-positive, and the justifications are checked by ASSAÍ. In case a non-compliance risk is confirmed, the farm is blocked and an action plan is made with the meat packer with educational, corrective, and/or punitive measures.

All meat packers must fully comply with the Social and Environmental Beef Purchasing Policy to remain as suppliers of ASSAÍ. Those who refuse to comply with the implementation and/or monitoring requirements are subject to the Group's disciplinary measures, being subject to blocking and not providing to any business unit of the Group until becoming compliant.

3.3.6. Admission, development, and readmission of suppliers

Since the first version of the policy was published in 2016, ASSAÍ has been always seeking to develop and support its potential suppliers, regardless of their size, so that they get organized to meet the requirements of the Policy, and thus ensure the positive improvement of industry good practices.

For every new potential supplier, ASSAÍ provides training able to support it in adhering to the Group's guidelines. Every potential supplier must fully comply with the Policy to start supplying to ASSAÍ or keep being a supplier. Suppliers that refuse to comply with such implementation or monitoring requirements are not approved and cannot supply anything to any business unit of the Group.

In case a supplier stops supplying to ASSAÍ for noncompliance with the Policy and that wishes to resume supplying, it will be provided with technical and mobilization support to perform an in-depth diagnosis and to determine an action plan for the supplier to comply with ASSAÍ'S policies. When such a supplier shows all evidence of complying with such policies, it will be admitted again as a business partner.

ASSAÍ encourages its meatpacking suppliers or processors that have blocked livestock suppliers because of any noncompliance to be transparent with their producers, explaining the reasons for their blocking and encouraging them to adapt themselves to the corresponding requirements and performing the required forest restoration of the deforested area, when applicable.

3.3.7. Responsibility, disciplinary measures, and recognition

For each supplier, ASSAÍ keeps updated documentation regarding compliance with the Policy, the business agreement containing the suppliers' Ethics Charter, and evidence of compliance with the corresponding traceability and geomonitoring tools, as well as the monthly monitoring of all compliance indicators.

ASSAÍ, as a co-developer of some tools and user of the "Boi na Linha" (Beef on Track) Platform, of the NGO Imaflora and the Federal Prosecution Service, requires from its suppliers transparency on the results of independent audits of third parties, according to the "Audit Protocol for Livestock Suppliers in the Amazon", and adopts disciplinary measures if the results show any lack of compliance with the Policy.

ASSAÍ develops quantitative and qualitative *Key Performance Indicators* (KPIs) for the monthly monitoring of compliance with the Policy and of the suppliers themselves in order to compare the performance between all suppliers, thus allowing the valuation of those having better rates, including:

- % of suppliers that are compliant with the Policy
- % of suppliers using geomonitoring system
- % of suppliers reporting the farm traceability
- % of farms with CAR (Rural Environmental Registration)
- % of farms analyzed by geomonitoring system
- % of beef purchased (volume) that is compliant with the Policy

In addition, all resale suppliers must comply with all current laws and regulations, know the values, and respect the ethical principles set forth in ASSAÍ's Code of Ethics and the Policy of Human Rights across ASSAÍ'S Value Chain.

According to the Ethics Charter for Suppliers, all ASSAÍ'S suppliers must follow the standards provided for therein, under any circumstances, across the Group's supply chain, its subsidiaries and subcontractors, in order to ensure that:

- Employees are treated with respect and dignity in an environment that provides safe and healthy working conditions;
- Appropriate mechanisms are set for the preventive management of risks connected to the corresponding industry in which they operate;
- The culture of safety and health at work should be disseminated, establishing educational processes to promote such subjects;

- Production or service provision processes are carried out in the most environmentally-friendly and animal-friendly manner possible;
- Business relations performed by every supplier shall be developed in an ethical and exemplary manner, within the strictest compliance with the law, regulations, and internal standards of the Group, as well as being free from any kind of undue favoring, active or passive corruption of public agents, extortion, or fraud of any kind.
- The promotion of the human rights of traditional/native communities and people, such as indigenous and quilombolas, is ensured.

For processors, distributors, and warehouses that do not buy livestock, the same responsibility is expected when choosing their meat-packing suppliers, considering the processes set forth in this Policy. Meatpacking plants that have been blocked by ASSAÍ will not be able to supply beef intended for ASSAÍ to processors, distributors, and warehouses in our chain.

3.3.8. Cooperation between all stakeholders in the chain

To achieve continuous improvement and contribute to sustainable livestock breeding in Brazil, ASSAÍ understands that the work must be carried out collaboratively through the active and effective engagement of all stakeholders, such as suppliers, civil society, representatives of producers, competitors, governments, and customers.

In particular, ASSAÍ seeks to:

- i. Strengthen multisectoral alignment in relevant forums for the chain in order to foster the adoption of collaborative and synergistic practices to eliminate deforestation.
- ii. Make progress in actions, commitments, and best practices for the chain, supporting and collaborating with different network initiatives
- iii. Strengthen and support initiatives that aim at readmitting blocked farms so that the chain has the possibility to remedy non-conformities and adapt to and comply with socio-environmental criteria.
- iv. Conduct diagnoses and pilot initiatives to strengthen their processes in identifying indirect farms and finding a solution to enable meat packers to monitor them.
- v. Strengthen and contribute to initiatives and programs of jurisdictional or landscape-scale initiatives.

vi. Monitor and contribute to discussions and developments on monitoring other biomes and related commodities.

3.3.9. Dissemination of result and transparency

ASSAÍ understands the importance of sharing its progress, challenges, and achievements related to the implementation of the Social and Environmental Beef Purchasing Policy; therefore, it undertakes to disclose to the public the Policy, the implementation plans, and progress reports related to it, including the publication of KPIs (which are been audited by third party). ASSAÍ also undertakes to determine goals, deadlines, and results in its Annual Sustainability Report, also through extraordinary reports whenever required, ensuring transparency with its stakeholders.

In parallel to this process, internal forums with the various areas involved monitor all the indicators of each of the stages. From these results, we determine the continuous improvement action plans that involve working with suppliers. ASSAÍ periodically adjusts its program, as well as its controls, in a process of continuous improvement.

3.3.10. Social investments for the preservation of forests

ASSAÍ aims at being a transformative agent of society, with a positive impact on the entire chain. It understands the importance of small producers and family farming in the preservation and conservation of environmental resources such as Brazilian forests. Accordingly, its brands, through the ASSAÍ Institute, develop projects that seek to value small producers and thus contribute to the long-term protection of native forests and vegetation.

To learn more about ASSAÍ Institute's initiatives, please visit <https://institutoassai.org.br/>

3.4. Protocol for Monitoring Livestock Suppliers in the Amazon

Suppliers with at least one meatpacking plant in the Amazon biome or making purchases of livestock in the Amazon biome must become users of the protocols of the "Boi na Linha" (Beef on Track) Project (please see table below), and must ensure that the farms are meeting the 12 criteria required by it in their livestock purchasing process. In addition, ASSAÍ requires these suppliers to adopt a non-deforestation commitment in the Amazon Biome, in line with ASSAÍ'S policy. ASSAÍ recognizes as good practice the execution of

a Consent Decree (TAC) with the Federal Public Prosecution Services in the Brazilian states where the plants are located.

Details on the 12 criteria of the Monitoring Protocol and process flowcharts can be accessed through the following QR codes:



"Boi na Linha" (Beef on Track)
Project Monitoring Protocol



Flowcharts of the "Boi na Linha"
Project Processes

Box 2: "Boi na Linha" (Beef on Track) Project

ASSAÍ cooperates with the "Boi na Linha" project. Created in 2019 by the NGO Imaflora in partnership with the Federal Public Prosecution Service in actions connected to the commitment of the Beef Consent Decree (TAC), this project aims at strengthening the social and environmental commitments of the beef production sector and boosts its implementation. To this end, Imaflora has been cooperating with meatpacking plants, public prosecutors, NGOs, and retailers to improve and provide technical clarification on the criteria and technical instruments for monitoring and verifying the commitments executed.

Further information can be found on the project website: <https://www.boinalinha.org/>

Box 3: Criteria of the Protocol for Monitoring Livestock Suppliers in the Amazon

Criteria of the protocol for monitoring livestock suppliers in the Amazon to comply with TACs (Consent Decrees) executed.

- Illegal deforestation (cut-off date: August 2008)
- Indian native homeland
- Preservation Units
- Environmental Embargo (IBAMA)

- Changes to CAR (Rural Environmental Registry) limits
- Environmental embargo (IBAMA and SEMAS/PA)
- Slave labor
- Rural Environmental Registry ("CAR")
- Rural Environmental Licensing in the State of Pará (Brazil)
- Animal Transportation License (GTA)
- Productivity
- Zero deforestation (cut-off date: October 2009)

Such Protocol also provides the rules for assessing the compliance with the aforementioned criteria and also the accepted measures to readmit livestock suppliers that had been blocked.

Further details on the Monitoring Protocol can be found on the project's website: <https://www.boinalinha.org/>

3.5. Protocol for Monitoring Livestock Suppliers in the Cerrado Biome

ASSAÍ is a signatory of the Letter of Support for the Cerrado Manifesto since 2017. The Cerrado Manifesto recognizes the ecological and social value of the second largest Brazilian biome, as well as the need to implement measures to eliminate deforestation in companies that purchase from this biome. ASSAÍ supports the goals of such Manifesto and is committed to working with Brazilian and international actors to stop deforestation and the conversion of native vegetation in the Cerrado biome. For details, please access the Manifesto ([link](#)) and the Support Letter ([link](#) in English).

Meatpacking plants that are whether located in the Cerrado biome or that purchase livestock from this biome must check the compliance of the farms considering the Voluntary Monitoring Protocol of Cattle Suppliers in the Cerrado (version beta, can access the details: <https://www.cerradoprotocol.net/the-cerrado-protocol>)

Every supplier must monitor its purchases according to the 13 criteria of the Voluntary Monitoring Protocol for Cattle Suppliers in the Cerrado according to the cut-off dates set forth in the Protocol.

Suppliers with at least one meatpacking plant in the Cerrado biome or making purchases of cattle in the Cerrado biome must become users of the Voluntary Monitoring Protocols of Cattle Suppliers in the Cerrado.

Box 4: Cerrado Protocol

Considering Imaflora's work experience with the 3 largest meat packers and 3 largest retailers in Brazil for the harmonization of the Amazon Protocol, Proforest and Imaflora formed a partnership to develop a protocol for the voluntary monitoring of cattle suppliers in the Cerrado, with a similar goal of facilitating the implementation of best practices for the direct monitoring of cattle suppliers in the biome. This project has been developed as part of Good Growth Partnership's Responsible Demand Project, funded by the Global Environment Fund (GEF) through the World Wildlife Fund (WWF).

Further information can be found on this initiative's website:
<https://www.cerradoprotocol.net/>

Box 5: Criteria of the Voluntary Monitoring Protocol of Cattle Suppliers in the Cerrado

Criteria of the protocol for monitoring livestock suppliers in the Amazon to comply with TACs (Consent Decrees) executed

- Illegal Conversion of Native Vegetation (Forest Code)
- Free from Deforestation and Conversion of Native Vegetation (Cutting Date for legal deforestation: PRODES 2020)
- Indian native homeland (TI)
- Quilombo territories (TQ) (quilombo settlements first established by escaped Afro-Brazilian slaves)
- Preservation Units
- Environmental embargoes – Vectors (IBAMA, ICMBio, and competent state agencies)
- Changes in boundary demarcation on the CAR (Rural Environmental Registry)
- Environmental Embargoes – Public Lists (IBAMA, ICMBio, and official government lists)
- Slave labor

- Rural Environmental Registry ("CAR")
- Provisional Operating Permit (APF) in the state of Mato Grosso
- Animal Transportation License (GTA)
- Productivity

Such Protocol also provides the rules for assessing the compliance with the aforementioned criteria and also the accepted measures to readmit livestock suppliers that had been blocked.

Further details on the Monitoring Protocol can be found on the initiative's website: <https://www.cerradoprotocol.net/>

3.6. Other Biomes

Regardless of the biome, farms and suppliers must comply with the Brazilian Forest Code and other legislation in force.

We emphasize that meatpacking suppliers must monitor farms located in other biomes based on the social and environmental criteria of this policy, as such criteria apply to the entire Brazilian territory. ASSAÍ does not accept in its supply chain farms that do not respect such criteria.

3.7. Indirect Producer Requirement

Monitoring direct farms tends to shift deforestation to indirect farms that are more difficult for meatpackers to identify the unconformities in their value chain. Consider that context, certain illegal practices are used by some specific farms such as “cattle laundering or leakage”, which is condemned by ASSAÍ and not authorized for our value chain.

To address this issue ASSAÍ seeks to take part in Brazilian and international working groups on such topic of indirect farms on technical, administrative, and operational challenges and solutions to track and monitor, learn about initiatives and tools, and to conduct pilots with our suppliers. From this perspective, ASSAÍ is part of the Working Group for Indirect Suppliers (GTFI), facilitated by the NGOs National Wildlife Federation (NWF) and Friends of the Earth ("*Amigos da Terra*") that includes the main actors

(producers, industry, retailers, civil society, and public agencies) and seeks to foster sustainable initiatives to monitor indirect farms and promote the production of sustainable beef.

ASSAÍ is requiring to meatpacker suppliers the definition of the goals to identify and monitor all indirect farms in their supply chain to verify the same socioenvironmental criteria that are applied to direct farms. ASSAÍ reinforce that supports pilot projects involving its suppliers to define, test the monitoring of indirect farms and, if the project is efficient, develop a large-scale monitoring and understands that policies and the full traceability must be reached by 2025 at the latest.

3.8. Whistle-Blowing and Reporting Channel

ASSAÍ makes the Whistleblowing Channel available to all its employees, suppliers, service providers, customers, clients, social institutions, partners, and defenders of the environment and human rights, and society in general.

It is the official tool for receiving complaints, dissatisfactions, and reports of violations for non-compliance with the Social and Environmental Beef Purchasing Policy and with the Code of Ethics of ASSAÍ.

Any violations of this Policy, the company's Code of Ethics, or any provision in the Ethics Charter for Suppliers must be reported (allowing anonymity) and will be investigated confidentially.

Ombudsman (from Monday to Saturday, from 8 a.m. to 8 p.m.)

Cell Phone 0800 777 3377 <mailto:ouvidoria@assai.com>

<https://www.assai.com.br/canaldeetica>

3.9. Network

- "Boi na Linha" (Beef on Track) Project, by Imaflora
- InPacto
- CDP

- Indirect Suppliers Working Group (GTFI)
- Tropical Forest Alliance (TFA)
- Proforest
- Collaboration for Forestry and Agriculture (CFA)
- Forest 500
- Accountability Framework Initiative
- Global Compact
- Consumer Goods Forum
- Ethos Institute

3.10. Policy Update

ASSAÍ acknowledges that full compliance with the goals of this Policy is a continuous improvement process. The first version of this policy was published in 2016, which was updated in 2020, and the most recent version was published in June 2022.

The company seeks to meet the most demanding standards regarding the establishment of purchasing policies (such as the recognized Accountability Framework Initiative).

3.11. Policy Validation

This policy was submitted to ASSAÍ'S Corporate Governance and Sustainability Committee in 2022 and approved by the Board of Directors in 2022. It was published in September 2022 and supersedes the beef purchasing policy previously adopted in 2020.

4. PENALTIES

Internal disciplinary measures for non-compliance.

5. ATTACHMENTS

Not applicable.

6. INTERNAL REFERENCES

For cases not covered by this policy, please read the following specific policies:

6.1.1. Code of ethics;

- 6.1.2. Ethics charter for suppliers;
- 6.1.3. Environmental management policy;
- 6.1.4. Diversity and human rights policy;
- 6.1.5. Annual sustainability report;
- 6.1.6. Regarding the "boi na linha" (beef on track) project, please access the monitoring protocol ([link](#)) and the process flowcharts ([link](#));

7. DEFINITIONS

7.1. Amazon (Bioma): Forest formation that encompasses several countries in South America (Brazil, Peru, Colombia, Bolivia, Guayana etc.). in Brazil, the Amazon covers 40% of the Brazilian territory, in the States of the so-called legal Amazon, which is close to the Equator. This one is considered the world's most biodiverse biome.

7.2. Legal Amazon: Administrative geographical definition composed of all the Brazilian states of Acre, Amapá, Amazonas, Mato Grosso, Pará, Rondônia, Roraima, and Tocantins, in addition to part of the state of Maranhão. It encompasses not only the amazon biome but also part of the so-called 'Cerrado' savanna biome (open pasture with patches of stunted vegetation), besides part of the pantanal wetlands of Brazil (the richest biodiversity biome in south America).

7.3. Cerrado Biome: Composed especially of savanna, the Cerrado (open pasture with patches of stunted vegetation) biome represents the second largest vegetation formation in Brazil, present in 22% of the Brazilian territory. Its continuous area covers the Brazilian states of Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Bahia, Maranhão, Piauí, Rondônia, Paraná, São Paulo, and the federal district, as well as the enclaves in the Brazilian states of Amapá, Roraima, and Amazonas. The Cerrado vegetation does not have a single aspect, as along its extension it is possible to find several phytophysognomies (aspects of the peculiar vegetation of a region).

7.4. Environmental Areas Permanently Protected (APP): These are legally protected areas, covered or not by native vegetation, with the environmental function of preserving water resources, landscape, geological stability and biodiversity, facilitating the genetic flow of fauna and flora, protecting the soil and ensuring the well-being of human populations.

7.5. Deforestation/ Conversion of Native Vegetation: Total or partial removal of natural and/or native vegetation (in the case of conversion of native vegetation), resulting from: (i) conversion to agriculture or other non-forest land use; (ii) conversion to a planted forest; or (iii) severe and continuous degradation.

7.6. Legal Deforestation: Vegetation suppression in rural properties under the consent of a public agency and formalized through the consent for suppression of native vegetation or another equivalent documentation.

7.7. Illegal Deforestation: Vegetation suppression on rural properties without the legally-required prior consent from the public agency or carried out in areas that could not have been deforested.

7.8. Non-Deforestation (free from deforestation): Livestock production that does not cause or contribute to deforestation.

7.9. Rural Environmental Registry (CAR): Electronic self-declaration public registry, mandatory for all rural properties, the purpose of which is to integrate the environmental information of rural properties and rural possessions for control, monitoring, environmental planning, and elimination of deforestation.

7.10. Forest Act (“Código florestal”): A law that provides for the protection of native vegetation within the Brazilian territory. It determines the areas that must be preserved and which regions are allowed to receive different types of rural production. It sets forth the rules to be complied with by rural properties for coexisting with natural resources. In particular, it defines the Legal Reserve, which is a mandatory portion of rural property that must be maintained with native vegetation. The area intended for such legal reserve depends on the geographic location of the property and the biome existing therein. Its last review was approved in May 2012.

7.11. Public Livestock Commitment (CPP): An initiative led by Greenpeace in 2009 with the four largest Brazilian meat packers at the time (the so-called G4). Such commitment sets forth that its signatories should not purchase animals raised on properties that do not comply with the “minimum criteria for operations with cattle and bovine products on an industrial scale within the Amazon biome”. Such criteria include respect for social and environmental legislation, besides forbidding any deforestation activity in the area, even the kind of deforestation that could count on some kind of legal consent issued by a competent environmental agency.

7.12. CPF/CNPJ (Respectively): CPF stands for “Individual Taxpayer’s Registry”, while CNPJ stands for Federal Taxpayer’s Registry for Companies: They are required registries kept by the Brazilian federal revenue for all individuals and organizations.

7.13. Cut-off Date or Reference Date for Non-Deforestation and Non-Conversion Commitments Undertaken (TACs, CPP): Date (base date) after which a deforestation or conversion makes a given area or production unit non-compliant with non-deforestation or non-conversion commitments, respectively.

7.14. Deadline: Date for commitments, agreements, or policies to be complied with.

7.15. Environmental Embargo for Deforestation: Sanction applied by the state environmental authority (SEMA: State Environmental Agencies) or federal (IBAMA) because of the confirmation of a crime or environmental violation, which aims to promote the restoration of the environment and make the recovery of the degraded area feasible. Economic activities such as raising and selling cattle in the embargoed area cannot be carried out.

7.16. Direct Farm (Tier 2): Last farm where an animal was before it became the possession of the one who slaughtered it.

7.17. Indirect Farm (Tier 3 or more): Cattle breeders prior to the direct farm. They are also called "indirect suppliers".

7.18. Slaughterhouse (Tier 1): Production unit performing the activities of purchasing and slaughtering cattle.

7.19. Working Group on Indirect Suppliers (GTFI): An initiative led by NGOs NWF and Friends of the Earth aimed at encouraging cooperation between players in the chain on the subject of indirect suppliers.

7.20. Animal Transportation License (GTA): Official document required by law to be issued in any case of transportation of animals between different district, cities, or states of Brazil for any purpose (slaughter, recreation, fattening, breeding, exhibition, auction, sports, and other).

7.21. Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA): An agency bound to the ministry of the environment that is responsible for ensuring the maintenance and preservation of areas of natural wealth such as forests and rivers.

7.22. Cattle Laundering/ Leaking: Malpractices that allow animals from farms that do not adhere to/comply with socio-environmental criteria to be slaughtered and sold on the Brazilian market, or through an intermediate approved farm that sells to slaughterhouses that are monitored by/comply with social and environmental criteria (cattle laundering) or through slaughterhouses that do not comply with socio-environmental criteria (leaking).

7.23. Rural Environmental License (LAR): A document that makes part of the Brazilian National Environment Policy (PNMA) the key purpose of which is to ensure that activities meet the standards of environmental compliance, pursuant to the current laws in force.

7.24. Forest Management: According to the definition of the accountability framework initiative, forest management involving selective cutting of trees aiming at conserving natural ecosystems is accepted with the appropriate permits from the competent agency, and in this case it is not considered as deforestation.

7.25. Cerrado Manifesto: A letter undersigned by 40 environmental organizations that blew the whistle about the destruction of the Cerrado biome in areas transformed into agricultural activities. this initiative was supported by Brazilian and international companies, such as the casino group and ASSAÍ through the letter of support from the Cerrado manifesto.

7.26. Federal Public Prosecution Service (MPF): A public body that is part of the Federal Public of the Union led by the Attorney General of the Union of Brazil. The function of MPF is to defend the social and individual rights of citizens before the federal supreme court, the superior court of justice, federal regional courts and federal judges. The MPF also acts preventively, out of court, by making recommendations, holding public hearings, and executing agreements through the so-called environmental conduct adjustment agreement (TAC).

7.27. NGO: Non-governmental organization.

7.28. Processor/ Distributor/ Warehouse: Unit that transforms beef cuts into final beef products. Its activities do not include direct livestock purchasing.

7.29. PRODES: A project developed by INPE, the Brazilian Federal Institute for Space Research, bound to the Federal Department of Science, Technology, Innovation and Communications. This project, for monitoring deforestation, makes it possible to find areas deforested by clear cutting in the Legal Amazon and thus find out the annual deforestation rates in the region.

7.30. Traceability: Ability to track the production path of a product or its components, from the origin of the raw material to the final product, through information on production, processing, manufacturing, and distribution.

7.31. Federal Inspection Service (SIF): Monitoring and inspection system of the federal Department of Agriculture of Brazil to assess food quality and safety in facilities of products of animal origin.

7.32. Indigenous Lands: Lands donated by third parties, acquired or expropriated by the Brazilian federal union, which are intended for the permanent possession by indigenous people. these are lands that also belong to the union's heritage, but that are distinguished from lands of traditional occupation.

7.33. Slave Labor/ Conditions Similar to Slavery: Recruitment, transportation, transfer, shelter or reception of people, through any threat or use of force or other form of coercion, abduction, fraud, artifice, abuse of power or position of vulnerability, or delivering or receiving payments or benefits to achieve the consent of a person under the control of another person, for the purpose of exploitation.

7.34. Environmental Conservation Unit: Territorial spaces and their components, with relevant natural characteristics, legally determined by the government, with preservation/ conservation purposes and defined limits, under a special administration regime.

7.35. Environmental Conduct Adjustment Agreement (TAC): Out-of-court agreement executed between the government and organizations/individuals that caused damages to diffuse interests, collective interests or homogeneous individual interests. Those that cause damages are thereby committed to adjust their conduct to comply with the requirements of the law, being subject to sanctions.

8. REVISIONS AND APPROVALS

Internal revision log.