



*Frigol S.A.*

*Cattle | Brazil*

## **Landscape Protection Plan for Frigol S.A.**



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## **1. &GREEN'S INVESTMENT IN FRIGOL S.A.**

### **1.1 The Objectives: Transaction and its LPP**

Frigol S.A. started its activities in 1992 in the beef processing segments, with operational units located in the states of São Paulo and Pará, Brazil. Frigol holds a significant position in both the national and international markets, with a presence in over 60 countries across South and North America, Europe, the Middle East, Asia, and Africa.

Frigol is the 4<sup>th</sup> largest meat packer in Brazil with 3 slaughterhouses (2 in Pará state and 1 in São Paulo state), and several fattening farms in the beef and pork supply chains. The company has annual revenues of ~ USD 700 million. It was founded in 1992 and is still family controlled (100% ownership). The company ran into financial difficulties in 2010, eventually filed for Ch-11 but which it exited in 2017 after having turned around the company. Creditors took deep haircuts. Today the ch-11 incident in its history has marginal impact on funding availability.

Frigol originates cattle mainly in Pará State and in São Paulo State (60% / 40% of sales respectively). Approximately 52% of sales are exports (primarily China and Kosher-compliant to Israel). The company sources regularly from 2000 cattle ranchers in Pará and São Paulo state and has approximately 20,000 registered in its data base. Frigol has invested in its plants over the last year which, increasing its authorized processing capacity from **2,750 head/day to 3,300 head/day. This will demand materially increased working capital going forward.**

Frigol and &Green are partnering to structure and implement an impact-linked facility to support the company in developing a sustainable, NDPE-compliant livestock supply chain in the State of Pará, Brazil. Through this partnership, &Green will support Frigol's efforts in enhancing its traceability system for indirect suppliers, including environmental and social requirements and achieving full compliance with IFC PS, and thereby setting a blueprint of cattle traceability in the Amazon biome. Furthermore, with &Green, Frigol will aim to contribute for the sustainable development of the livestock activity in Para State, with direct contributions to the implementation of local policies and regulations.

### **1.2 Environmental and Social Due Diligence (ESDD) Overview**

Environmental Resources Management (ERM) was retained by Sail Investments to support the &Green Fund with the assessment of the Frigol S.A., by conducting an Environmental and Social Due Diligence (ESDD). The ESDD involved a review of Frigol's documents, site visits in two Frigol units and four supply chain farms located in the State of Pará, interviews during site visits with Projects' personnel responsible for managing environmental, social, health and safety, and labour aspects of the Projects, as well as the subsequent review of supplementary documents requested during these interviews.

The ESIA covered all aspects of the project's operations, offering crucial information regarding the location of operational units, characterization of areas of influence, and environmental and social impact analyses.

According to the categorisation methodology currently used by Sail Investments, ERM classified the project as A – Substantial (Figure 1), or as defined by the IFC, this category



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includes projects that have the potential to cause significant negative social or environmental impacts, which may be varied, or irreversible.

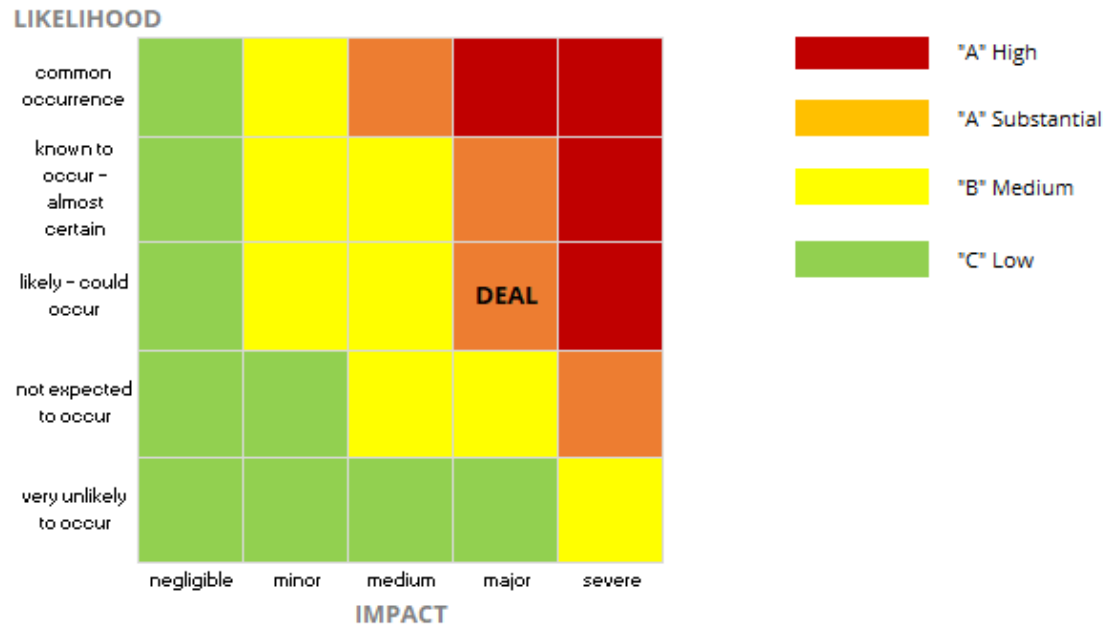


Figure 1 – Risk Categorisation

During this assessment some environmental, social, and governance (ESG) risks were identified, including gaps in EHSS (Environmental, Health, Safety, and Social) compliance, particularly regarding stakeholder engagement and social impact assessments. To manage these risks, Frigol is implementing an Environmental and Social Management (EHS) system, with a primary focus on health and safety, although environmental and social aspects are still being developed.

The summary of the impacts scale, intensity and likelihood used for the classification are described below:

- Scale – 4 impacts considered as large scale, 4 impacts considered as limited in scale, site specific, and one as no or negligible.
- Intensity – 4 impacts considered as major, 4 impacts considered as medium, and one as negligible.
- Likelihood – 8 impacts considered as likely – could occur and one impact considered as very unlikely to occur.

Despite this transaction falling under Risk Category A – Substantial, ERM understands that through strong mitigation strategies to be included in the operation's management system—especially those emphasizing the second-tier indirect supply chain traceability—the risks can be addressed.

The assessment of NDPE (No Deforestation, No Peat, No Exploitation) implementation was a key component of the ESDD, providing the overall evaluation that Frigol's sourcing practices partially aligned with both NDPE commitments and EUDR standards. Frigol has a



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robust monitoring system in place for Direct suppliers, with the cut-off date established for 2008, aligned with the Brazilian Forest Code regulatory milestones. Under the Adjustment Agreement with the Federal Public Prosecutor's Office of Pará for Sustainable Livestock in the Amazon Biome (known in Brazil as “TAC da Carne”) Frigol carries out independent bi-annual audit cycles, conducted by Grant Thornton on direct suppliers’ management, the most recent audits concluded in 2019 and 2021, demonstrated 100% compliance. Although Frigol demonstrates good progress on the monitoring and verification of the direct supply chain, the NDPE assessment has found great room for improvements in the monitoring of the indirect supply chain, expanding the current criteria and policies applied on direct suppliers to the indirect ones. The verification and reporting process also needs to be reviewed to cover the indirect supply chain.

### 1.3 The project area: the scope of the landscape protection plan

Frigol has three beef processing units, located in Pará and São Paulo, as well as two affiliated Distribution Centres (DCs) in São Paulo state that supply the domestic market. The Facility between &Green and Frigol is focused on the two beef processing units and supply chain located in Para state.

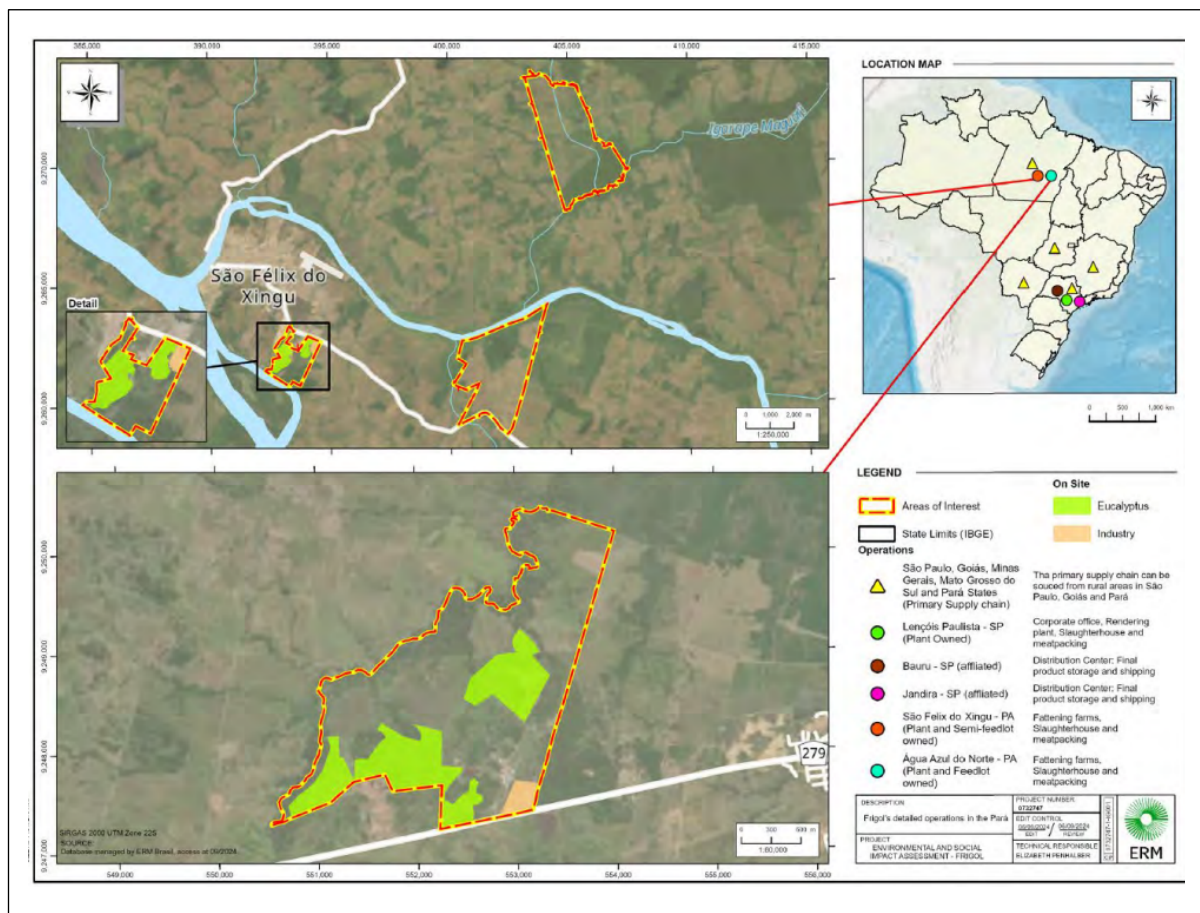


Figure 2. Location of Frigol's operations in the Para state.



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ERM has defined the Directly Affected Area (DAA), the Direct Influence Area (DIA) and Indirect Influence Area (IIA) based on the Terms of Reference from the Environmental and Social Due Diligence for Frigol and internal alignments with Sail Investments.

For Frigol's operations, Directly Affected Area (DAA) was defined as the company's operations in the municipalities of São Félix do Xingu and Água Azul do Norte, in the State of Pará. This definition encompasses the industrial and operational activities of Frigol in these locations (slaughterhouses, fattening farms and eucalyptus plantations), considering the direct impact of operations on the physical, biological, and socioeconomic environments of the immediate areas surrounding the units. The DAA includes an assessment of atmospheric emissions, noise, and other direct impacts stemming from Frigol's activities at these sites. Appendix B contains the DAA map.

The Direct Influence Area (DIA) for Frigol's study is defined as a 5 km buffer zone surrounding the direct operations of Frigol in the municipalities of São Félix do Xingu and Água Azul do Norte, in the State of Pará. This buffer was defined based on the environmental and socio-economic context of the urban areas of São Félix do Xingu and Água Azul do Norte, since there were no environmental impact studies prior to the installation of the Frigol plants.

The Indirect Influence Area (IIA) for this study was defined as the State of Pará, including Frigol's entire supply chain in this state, covering not only areas close to direct operations but also the regions from which the company sources its raw materials, such as cattle and biomass. This encompasses a broad network of suppliers spread across various regions of Pará, with potential impacts on conservation areas, legal reserves, and other environmentally sensitive zones. Unlike previous studies that focused only on areas near the industrial, this study considers the supply chain as an integral part of the IIA, acknowledging that the management practices and conditions of these areas significantly influence the environmental and socioeconomic impacts associated with Frigol's operations.

## **2. LANDSCAPE CHARACTERISTICS**

The project's landscape includes Frigol's direct operations (the slaughterhouses, fattening farms and eucalyptus plantation), and the full supply chain in Pará State, with direct and indirect suppliers, including both cattle and biomass. Para State is an approved jurisdiction for &Green Investments since December 2020 and was re-assessed in 2023.

According to IBGE (2018), Pará is the second largest state in Brazil in terms of area, covering 1,247,955.24 km<sup>2</sup> and known for the diversity of its climatic, geological, geomorphological and edaphic conditions, in addition to housing a rich and varied flora and fauna. The state is found in the northern region of Brazil, has a history of settlement closely tied to the economic cycles that have shaped the Amazon since the colonial period. At the beginning of Portuguese colonization, the exploitation of brazilwood and products such as cocoa, clove, vanilla, and other Amazonian forest spices attracted the first colonizers to Pará. Settlement was sparse and concentrated along the rivers, with the







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creation of villages and towns on the banks of the Tocantins and Amazon rivers during the 16th and 17th centuries. In the 18th century, the discovery of gold in regions such as the Guaporé Valley, on the border with Mato Grosso, and other areas encouraged larger migratory movements. From the late 19th to the early 20th century, the rubber boom (1879-1912) brought an intense wave of settlement to Pará. However, this cycle declined with the onset of competitive rubber production in Asia. After the decline of the rubber industry, Pará experienced new economic cycles based on logging and mining.

Starting in the 1950s, with the expansion of the agricultural frontier and the construction of federal highways like the BR-010 (Belém-Brasília), logging and mining activities (particularly of iron, bauxite, and gold) intensified. Mining companies established operations in the state, boosting the local economy and attracting workers from various parts of Brazil. During the 1970s, the National Integration Policy, promoted by the military government, sought to integrate the Amazonian territory with the rest of the country and encourage population settlement in these areas. The National Integration Plan (PIN), launched in 1970, included the construction of strategic highways, such as the BR-158, which played a crucial role in the region's economic development, facilitating the transportation of agricultural and mineral products and promoting the colonization of the territories along its route. The opening of roads and the national integration policy contributed to the intensification of settlement and population growth in both Água Azul do Norte and São Félix do Xingu. The municipality of Água Azul do Norte was officially established on December 13, 1991, by State Law No. 5,698. The municipality of São Félix do Xingu was created earlier, on December 29, 1961, by State Law No. 2,460.

### **2.1 Legal land classification**

Historically, deforestation rates in the Amazon remained high, although fluctuating, until 2004, when public policies coordinated by the Action Program for the Prevention and Control of Deforestation in the Amazon (PPCDAm) were established. In this context, several planning, control, monitoring, and sustainable development actions were important to reduce deforestation by ≈80% between 2004 (27,772 km<sup>2</sup>) and 2012 (4,571 km<sup>2</sup>). In 2012, it was the new Brazilian Forest Code (Law 12651/2012) was approved as an essential tool for ensuring a high standard agribusiness and for achieving sustainable development in Brazil. It established criteria for land use and conservation of native vegetation in rural properties.

The Brazilian Forest Code establishes that each rural property must conserve a minimum share of native vegetation, under the Permanent Preservation Area and Legal Reserve categories. Permanent Preservation Areas (APPs, Áreas de Preservação Permanente in Portuguese) are protected areas, covered or not by native vegetation, with the environmental role of preserving water resources, landscapes, geological stability, biodiversity, genetic flows for fauna and flora, protecting soil and safeguarding the wellbeing of human populations. Examples of APPs are riparian zones, springs, hilltops, steep slopes and mangroves. Legal Reserves (LRs) are the areas located in a rural property to protect vegetation and ensure the sustainable economic use of the property's natural resources, support the conservation and rehabilitation of ecological processes, promote biodiversity conservation, and provide shelter and protection to wildlife and native flora. The size of a Legal Reserve varies according to the biome in which the property is located, as well as its



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Ecological- Economic Zoning (ZEE), if the property is located within the Legal Amazon, reaching 80% of the total farm area.

The state of Pará has an agrarian reform program with 398 settlement projects recognized by the National Institute of Colonization and Agrarian Reform (INCRA), covering a total area of 4,201,377 ha and housing 107,647 settled families, according to the list of settlements released by the Ministry of Agriculture, Livestock, and Supply (MAPA) on August 21, 2024. The municipality of Água Azul do Norte has 13 settlements that collectively cover an area of 49,372 ha and house 783 settled families. Among the largest settlements in the municipality are PA Montepio, with 7,973 ha and 148 families, and PA Jerônimo Nunes Lacerda, with 10,469 ha and 145 families. In São Félix do Xingu, there are 19 settlements occupying a significantly larger area of 374,300 ha and housing 3,982 settled families. Notable among these are PA Colônia S. José do Xingu, with 68,633 ha and 850 families, and PA Pombal, which, at 120,000 hectares, is the largest settlement in the region, accommodating 448 families. The concentration of settlements in both municipalities highlights the federal government's efforts to promote agrarian reform in the region, aiming to provide access to land, reduce social inequality, and foster local economic development through the sustainable use of natural resources.

Pará State is demonstrating a consistent reduction in deforestation rates for the last 4 years, going from 5,238 km<sup>2</sup> in 19/20 monitoring period to 2,362 km<sup>2</sup> in 23/24, according to PRODES.

## **2.2 Topography and soils**

The geology of Pará, Brazil, is characterized by ancient cratonic basement rocks, primarily the Amazonian Craton, which dates to the Precambrian era and has been largely unaffected by tectonic activity since its formation (Brito Neves, 2003; Brazil, 2006). Overlying these basement rocks are various sedimentary formations, such as the iron formations and low-grade metamorphism of the Grão-Pará Group, which are covered by the sedimentary rocks of the Rio Fresco Formation (Oliveira et al., 2014). The Serra dos Carajás region, located in the southeastern portion of Pará, is known for its significant metallogenic potential and volcanic activity, with formations are similar to the Parauapebas and Igarapé Cigarra, which are believed to have formed in an intraplate continental environment influenced by subduction zones (Vasconcelos & Klein, 2015).

Considering Frigol's site located in São Félix do Xingu, the local geological domain classified under the code D19.2, is composed of late to post-tectonic granitoid complexes composed of minimally or undeformed granites. As for the Frigol's site located in Água Azul do Norte, the geological characteristics fall within the domain D23.8 of Granito-gneiss-migmatite complexes and granulite, representing deep-seated and complex portions of the lower crust (Brazil, 2006).





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Regarding the soil characteristic in Para State, Latosols<sup>1</sup> and Argisols<sup>2</sup> are the predominant soil classes in quantitative terms, covering more than 80% of its surface, including the Project area. The state's main agricultural and livestock activities are concentrated in these areas. The main limitations of these two classes of soils are chemical, highlighted by high acidity, high aluminium saturation and low nutrient availability (EMBRAPA, 2020). The portion of DAA and DIA's Project located in the municipality of São Félix do Xingu is mostly covered by Latosols, while the part located in Água Azul do Norte is entirely covered by Argisols.

During Due Diligence to the Project, minor erosion processes were identified within the DAA and DIA and more advanced processes were observed adjacent to highways and roads. It is worth noting that these small erosions are the result of natural processes, for example, small erosions on slopes close to effluent treatment ponds, and are not related to constant activities, but rather to the contours of the relief. Additionally, the frequent occurrence of fires in the region intensifies erosion as the removal of vegetation exposes the soil to climatic conditions.

Regarding the geomorphology, the State of Pará is characterized by continental geomorphological environments, with terrain shaped over time. The relief includes hills, dissected hills, mountain ranges under litho-structural control and river plains with sedimentary deposits associated with local hydrography (CERN, 2023).

The Project's DIA is mostly associated with the Depression Region of the Southern Amazon, which is characterized by an extensive flattened surface, subtly dissected, with heights that vary from 100 to 300m, and which are cut by drainages with a dendritic pattern, where residual reliefs are observed, prominently in the landscape, in the form of isolated hills and mountain ranges. In São Felix do Xingu, for example, there is a predominance of flat land with altitudes below 300 meters and slopes generally below 8% (IBGE, 2009; CERN, 2023).

Another occurrence in the Project's DIA is the Residual Mountains Region of the Southern Amazon, associated with Água Azul do Norte site and marked by the presence of topographic projections that establish abrupt contacts with the Middle Xingu Depression, which surrounds the residual massifs. With a greater amplitude of relief compared to the Depression Region of the Southern Amazon, the surface formations associated with the Residual Mountains are characterized by the predominance of litholic soils with the occurrence of rocky outcrops and talus deposits at their bases (IBGE, 2009; CERN, 2023).

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<sup>1</sup> Latosols are highly evolved soils, characterized by an advanced stage of weathering due to energetic transformations in the material that composes them. These soils range from strongly to well drained and are generally strongly acidic, low in base saturation, dystrophic or containing aluminium (EMBRAPA, 2020).

<sup>2</sup> Argisols are soils composed of mineral material, presenting a textural Horizon B immediately below A or E, with low activity clay or high activity clay combined with low base saturation and/or alithic character in most of the B horizon (EMBRAPA, 2006).



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### **2.3 Climate and Hydrology**

The state of Pará is characterized by an extensive network of rivers. Among the most prominent rivers is the Amazon River, the largest in the world by discharge, which traverses Pará and serves as a vital waterway for transportation, fishing, and agriculture. The Tocantins River is one of Brazil's largest rivers, flowing through Pará and supporting hydroelectric power generation. The Tapajós River is known for its clear waters and rich biodiversity, and the Xingu River flows through the eastern part of the state, supporting unique ecosystems and local communities. Pará's major basins include the Tocantins-Araguaia Basin, which is the largest watershed located entirely within Brazilian territory, and the Amazon Basin, the largest river basin in the world. The Tapajós Basin is another significant watershed in the state, supporting diverse ecosystems and local communities.

According to the National Water Agency (Agência Nacional das Águas - ANA), the Rio Água Azul or Itacaiúnas (river), located 4.5 km from the site Água Azul do Norte, is categorized as having low frequency, impact, and vulnerability. The Rio Xingu (river) faces low to moderate environmental risks, with high frequency and vulnerability to disturbances and a medium impact from these events. Rio Xingu is located 2.6 km from the site São Félix do Xingu. This suggests that these flooding-associated risks or environmental concerns are considered minimal in this context.

The Water Safety Index (Índice de Segurança Hídrica - ISH) for the municipality of Água Azul do Norte, Pará, indicates that the water source for this area is classified as having low vulnerability, suggesting a relatively stable and resilient water supply. The ISH rating for this area is considered medium, which means that while there are moderate risks, the overall water security is manageable. The water source is exclusively subterranean, and the system is operated by a municipal authority, functioning within an isolated system. The manancial (water source) covers an area of 0.58 km<sup>2</sup> and has a length of 4.63 km, reflecting a localized water management system (ANA, 2024).

The São Félix do Xingu ISH is rated as low, having water supply comes predominantly from shallow groundwater and surface sources. Although the water source is not classified as immediately vulnerable, the reliance on surface water and operational limitations contribute to the city's low water security, especially during dry periods or spikes in demand (ANA, 2024).

Frigol's sites located in the state of Pará are supplied by surface water, and all the water permits are in place (outorgas). Wastewater permits are also in place. Wastewater from the SFX unit is discharged in the Xingu River and from AAN in the Pium River.

Frigol sites in the state of Pará are located in an adjacent aquifer system, named the Xingu Complex Aquifer (Brazil, 2006). In São Félix do Xingu the groundwater is stored and flows in granitic rocks through fissures, related to faults and fractures, i.e. they are fissure aquifers with a very irregular local hydrogeologic potential that depends on the existence, distribution, size, density, and interlinking of the faults and fractures and on the local climatic conditions. These rocks alter to clay-rich soils whose permeability varies from moderate to low, therefore the alteration mantle is unfavourable for the groundwater recharge. In areas with residual soils of granites, especially when thick and with a little evolved pedogenesis, superficial aquifers tend to be good (Brazil, 2006).



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In relation to the Água Azul do Norte, the groundwater is stored and flows in granitic-gneissic- migmatite rocks with open fissures related to faults, fractures and other hydraulic discontinuities. Based on the information available, they are associated with an irregular hydrogeologic potential, also depending on the existence, distribution, size, density and interlinking of the fissures and on the local climatic conditions. The permeability ranges from poor in the little-evolved soils to moderate in the well-evolved ones (Brazil, 2006).

It is worth mentioning that in São Félix do Xingu and Água Azul do Norte municipalities, groundwater sources are vital due to the region's dependence on agriculture and livestock (FAPESPA, 2023). Aquifers in these areas provide water for irrigation and consumption, with varying productivity levels depending on the depth and geological characteristics. Studies on these specific aquifers suggest that the water quality is generally good, with low contamination levels, making it suitable for drinking and irrigation. However, the region's increasing agricultural activities have raised concerns about the potential for future over-extraction and contamination from agrochemicals, emphasizing the need for careful monitoring and sustainable management of these water resources (Silva & Furtado, 2020).

Detailed information on the productivity and specific characteristics of aquifers in São Félix do Xingu and Água Azul do Norte is limited. Most assessments suggest that water availability is sufficient to meet current demands, but long-term sustainability requires further research, especially considering the growing environmental pressures (Ambiental Engenharia, 2020; FAPESPA, 2023).

According to the Ambiental Engenharia (2020), the municipality of São Félix do Xingu had only 1,413 households supplied by a water distribution network, of which 77.92% were in urban areas. Of the total households, 82.69% were supplied by wells or springs on the property, with 50.76% in urban areas and 49.24% in rural areas. Moreover, 101 urban households were supplied by water trucks or rainwater (Ambiental Engenharia, 2020). Related statistics regarding Água Azul do Norte were not available for ERM review.

Considering radius within 2 km from São Felix do Xingu site, Due Diligence identified three groundwater abstraction wells for domestic and industrial purposes, one being located inside the Frigol's boundaries. For the Água Azul do Norte site, one well was identified in the surroundings properties. It is worth highlighting that in the interviews conducted during the Due Diligence, all employees used groundwater through wells without water permits as a source of supply in their residences, which infers a registration lag in the national groundwater abstraction well database, that is, since these wells are not permitted and the state government database is outdated, there is no concrete mapping of these wells used by the population.

## **2.4 Ecological features**

Regarding biological and ecological components, most of the state of Pará is part of the Amazon Biome, while it also includes portions of the Cerrado Biome on the southeast, these sections of Cerrado are ecotones, a transition with mixed characteristics of both biomes. A map with biomes of the IIA is presented in Appendix E of this document. An overview and an ecological key features evaluation of the natural communities was carried out aiming to



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characterize the current conditions of the biodiversity components in the Areas of Influence of Frigol in Pará.

As an initial step, the land use information was obtained from MapBiomas (MAPBIOMAS, 2023<sup>13</sup>) within the IIA, shown in section 5.2.1. After that, a report was prepared using the Integrated Biodiversity Assessment Tool (IBAT, 2008) for the Project's DAA, DIA and partially IIA. The IBAT reports provide a set of biodiversity values with conservation concerns (e.g., threatened species, protected and sensitive areas) sourced from global datasets, which possibly occurs within a 50 km radius from the Project Areas. The main goal of this analysis is to check if the selected areas for the Project overlap any ecologically sensitive habitat, such as legally protected areas (e.g., National Parks) and sites internationally recognized for having relevance for Conservation (e.g., Ramsar sites, Key Biodiversity Areas, Important Plant Areas, Important Bird Areas, and Important Biodiversity Areas).

Considering that no environmental impact studies were requested during the licensing phase of the projects, or prepared internally by Frigol, official data for the State of Pará (ICMBIO, 2024) and data obtained by IBAT (2008) were used to evaluate priority species.

The fauna of the Amazon biome in Pará is incredibly diverse, due to the enormous extension and variety of habitats that the state offers. 141 priority species were identified in the IIA, either by degree of threat or/and endemism (Appendix J). Of these, 18 were recorded in the IBAT reports (2024), therefore, these species can be registered in natural habitats in the project DIA.

As no environmental impact study was carried out by Frigol at its units in the state of Pará to date, only secondary data was used as a baseline.

### **2.5 Socio-economic features**

The main characteristics of the social and economic components analysed<sup>3</sup> during the Due Diligence process were population, economic activities, service infrastructure, local vulnerabilities, settlements/occupations, indigenous peoples and traditional communities, and cultural heritage.

Pará state is the 9th most populous in Brazil (IBGE, 2022), responsible for the concentration of approximately 4% of the Brazilian population in 2022. Census data from the IBGE surveys conducted in 2000, 2010, and 2022 showed that the state of Pará experienced consistent population growth, increasing from 6,195,965 inhabitants in 2000 to 8,120,131 in 2022, a population increase of 24% over 22 years.

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<sup>3</sup> Its characterization was based on secondary data available from official sources regarding Pará State, such as the Brazilian Institute of Geography and Statistics (IBGE) and the Brazilian federal government's institutions responsible for Indigenous peoples and traditional communities' affairs.



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In the municipality of Água Azul do Norte, there was a population increase of 2,973 inhabitants between 2000 and 2010, which represented an increase of 12%. However, in 2022, a decline of about 6,977 inhabitants was observed compared to the previous census, resulting in a negative growth rate of 2.68%.

In São Félix do Xingu, there was a significant increase from 34,621 inhabitants in 2000 to 91,340 in 2010, representing a growth of approximately 164%. However, between 2010 and 2022, the municipality registered a decrease to 65,418 inhabitants, a reduction of about 28.4%, resulting in a negative growth rate of 2.74%. This demographic fluctuation may be associated with variations in the local economy, particularly related to agribusiness, internal migration, the search for housing in urban centres, and challenges related to infrastructure and public services.

Also, in 2022, Água Azul do Norte and São Félix do Xingu had a population density of 2.54 and 0.78 inhabitants/km<sup>2</sup>, mostly distributed in a rural context.

Based on data from the Municipal Livestock Survey (PPM) and the Municipal Agricultural Production Survey (PAM) (IBGE, 2022), the predominant economic activities in São Félix do Xingu, Água Azul do Norte, and the state of Pará were cattle ranching and agriculture.

At the state level, Pará had approximately 24.8 million head of cattle, positioning it as the second-largest state in terms of cattle herd in Brazil. Pará ranked behind only Mato Grosso, which had 34.2 million heads, and ahead of Goiás, which had a herd of 24.4 million heads during the same period.

According to the PPM (IBGE, 2022), the municipality of São Félix do Xingu had the largest cattle herd in Brazil, with approximately 2.5 million head, consolidating its position as a significant center for national livestock production. On the other hand, Água Azul do Norte had a smaller cattle herd, with 712,897 head.

Agriculture, though on a smaller scale, also contributed to the local economy, particularly through subsistence crops. The PAM (IBGE, 2022) indicated that the crops generating the highest production values in the state of Pará included soybeans, with a production value of BRL 7,483,979, followed by açaí (BRL 5,927,144), manioc (BRL 3,174,826), cocoa (BRL 1,896,303), and corn (BRL 1,559,459).

Despite the significance of agricultural activity, data on per capita income in Água Azul do Norte and São Félix do Xingu show that, between 1991 and 2010, both municipalities generally performed below the national and state averages.

In Água Azul do Norte, the per capita income was BRL 167.45 in 1991, below the average for the state of Pará (BRL 273.22) and the national average (BRL 447.56). Between 1991 and 2000, there was an increase of 61% (BRL 269.22), but it remained below the state average (BRL 335.76), followed by a decrease of about 2% in 2010 (BRL 266.02).

In 1991, the per capita income in São Félix do Xingu was BRL 256.58, lower than the state and national averages, but 53% higher than that of Água Azul do Norte. Between 1991 and 2000, the per capita income saw a significant jump of about 94% (BRL 496.39), surpassing the state average (BRL 335.76) and approaching the national average (BRL 592.46). However, between 2000 and 2010, the per capita income decreased by about 15% (BRL 423.85). This scenario suggests a limited economic structure characterized by dependence on economic activities with a low capacity for generating employment and income.



#### *Annex 4 of CA for Frigol S.A.*

The United Nations Development Program (UNPD) in Brazil developed an index known as Municipal Human Development Index (MHDI). The Brazilian MHDI follows the same three dimensions as the original HDI: i. Longevity, ii. Education, and iii. Income; and adapts the global methodology to the Brazilian context, considering the availability of national indicators. The MHDI ranges from 0 to 1, and the values closer to 1 represent a more significant human development in the municipality.

As per the 'The Human Development Atlas in Brazil/UNPD, there has been a significant improvement in the indicators for both the state of Pará and the municipalities of Água Azul do Norte and São Félix do Xingu over the past decades. In 1991, the Human Development Index (HDI) of Água Azul do Norte was 0.208, considered very low. This value increased to 0.376 in 2000 and reached 0.564 in 2010, representing substantial progress, although the municipality still ranked 4,965th among the 5,565 Brazilian municipalities. São Félix do Xingu also showed significant progress, with its HDI rising from 0.315 in 1991 to 0.435 in 2000 and 0.594 in 2010, placing it at the 4,284th position in the national ranking.

The state of Pará showed a more consistent evolution, with its HDI increasing from 0.413 in 1991 to 0.518 in 2000 and reaching 0.646 in 2010, placing it in the 24th position among Brazilian states. These data indicate improvements in access to health services, education, and living conditions but also reflect persistent challenges, especially in rural and remote areas like Água Azul do Norte and São Félix do Xingu, which still have HDIs below the national average.

### **3. DEFORESTATION AND RELATED PRACTICES**

#### **3.1 Deforestation trends in the landscape**

Most of the land within IIA is covered by natural habitats (80,65% by forest and 6% by non-forest natural vegetation), and 19,35% is used by farming, mainly for pastures, soy, and rice.

All the Frigol's facilities (slaughterhouse and farms) are located on modified habitat, in areas used for farming activities before the Frigol's operations, thus there is no requirement concerning no net loss or net gain for biodiversity according to IFC PS6.

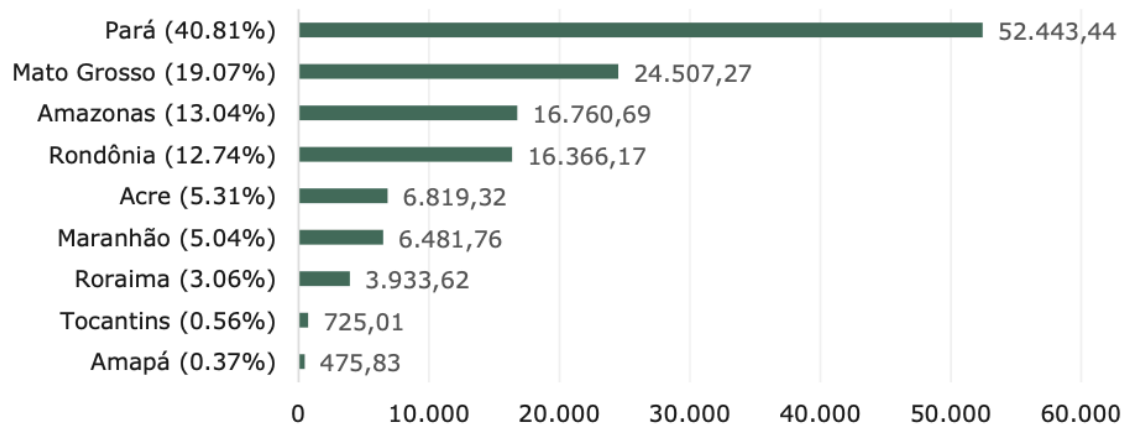
This bar graph depicts the accumulated deforestation rates (in km<sup>2</sup>) across the states of the Legal Amazon, with Pará leading by a significant margin, contributing to 40.81% of the total deforestation, amounting to 52,443.44 km<sup>2</sup>. Mato Grosso follows, with 19.07% or 24,507.27 km<sup>2</sup> of deforested area, while Amazonas and Rondônia show similar figures of 13.04% and 12.74%, with 16,760.69 km<sup>2</sup> and 16,366.17 km<sup>2</sup>, respectively.





#### Annex 4 of CA for Frigol S.A.

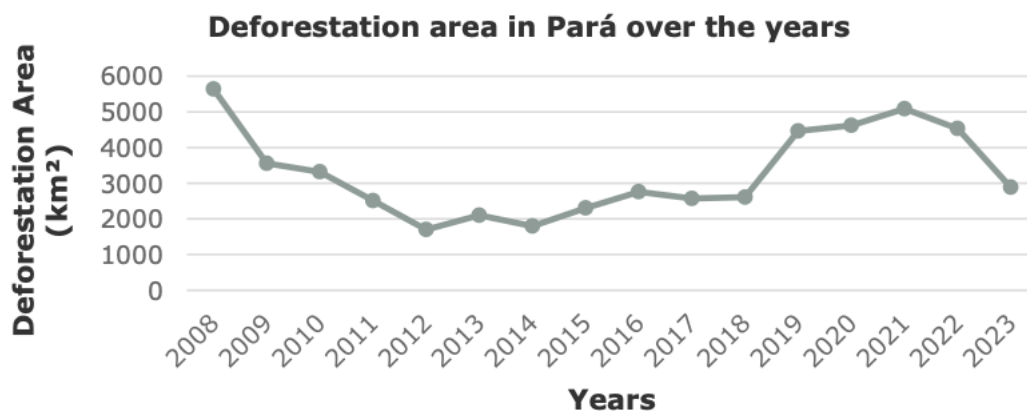
### Accumulated Deforestation Area in Legal Amazon States (km<sup>2</sup>)



Source: Adapted by ERM from TerraBrasilis (PRODES), 2024.

These data highlight the vast deforestation disparities between states, with Pará alone contributing more than the combined total of several others, underlining its critical role in deforestation within the Legal Amazon. The relatively low deforestation rates in states like Amapá and Tocantins may be attributed to differing levels of agricultural expansion, conservation efforts, or geographical constraints. Pará (IIA) holds the first-highest deforestation rates within the Legal Amazon states. From 2009 to 2018, Pará has been showing certain stability in deforestation area, with an increase between 2018 and 2022, and decrease in 2023.

The deforestation area in the state of Pará over the years demonstrate significant fluctuations. In 2008, deforestation reached a peak of 5,635.63 km<sup>2</sup> but saw a considerable decrease in the following years, dropping to 3,556.18 km<sup>2</sup> in 2009 and 3,317.49 km<sup>2</sup> in 2010. The downward trend continued through 2012, with the lowest figure recorded during this period being 1,698.44 km<sup>2</sup>.



Source: Adapted by ERM from TerraBrasilis (PRODES), 2024.



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Starting in 2013, deforestation began to gradually increase again, reaching 2,100.53 km<sup>2</sup>, and fluctuated between 1,796.77 km<sup>2</sup> in 2014 and 2,760.27 km<sup>2</sup> in 2016. There was a sharp increase in 2019, with deforestation rising to 4,463.32 km<sup>2</sup>, followed by another increase in 2020 to 4,618.11 km<sup>2</sup> and peaking at 5,086.18 km<sup>2</sup> in 2021, almost returning to the 2008 level.

After a peak in 2021, deforestation began to decrease again, reaching 4,530.62 km<sup>2</sup> in 2022 and 2,884.81 km<sup>2</sup> in 2023. Within the scope of the IIA, 52,443.44 km<sup>2</sup> were deforested between 2008 and 2023, and between 2019 and 2022 alone, 33,745.19 km<sup>2</sup> were deforested, therefore, 64% of the deforestation in the last 15 years occurred in 3 years.

Between 2008 and 2023, the municipality of SFX deforested approximately 5,836 km<sup>2</sup>, making it the second municipality in the Legal Amazon that deforested the most. In AAN, in the same period, deforestation was 136 km<sup>2</sup>.

Regarding the trend of deforestation for the future, according to the Deforestation Detection System in Real-Time (Deter) of the National Institute for Space Research (Inpe), from January 2022 to December 2022, in Pará, there were deforestation alerts in approximately 8,621 km<sup>2</sup>, while in the following year there were 8,232 km<sup>2</sup>. These values, although still very significant, indicate a 4.51% reduction in deforestation alerts. Between January 2024 and August 2024, there were 7,989 km<sup>2</sup> of deforestation alerts.

### 3.2 Current land use practices in the commodity's sector

Brazil has one of the largest cattle herds globally (approx. 230 million head) of which Pará has the third largest herd. Because ranching is often the “first crop” after deforestation, it is often associated with land clearing (legal and illegal) as well as land grabbing.

Different to many agricultural crops, where economies of scale play a huge role in efficiency, cattle ranching tends to be more fragmented in ranch-size and value-chain-breakdown (i.e. cattle can be bred, reared and fattened on 3 different farms), as demonstrated in Figure 3. This makes managing the supply chain, to ensure a deforestation free value chain, a huge challenge for the meatpackers. To date no meatpacker active in Pará has publicly committed to achieving a deforestation-free supply chain. Having a low barrier to entry, cattle ranching is often the first “crop” after forest clearing, especially when cleared illegally.

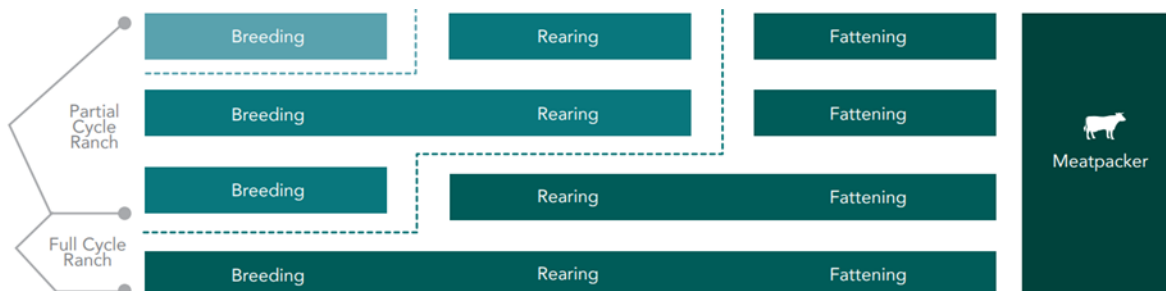


Figure 3. Cattle value chain breakdown in Brazil.



#### *Annex 4 of CA for Frigol S.A.*

Whilst ear-tagging as a traceability tool would be an obvious technical solution, it is culturally difficult to implement because breeding, which is where tagging must start, is extremely fragmented and many of these ranchers are subsistence -a social segment where implementing technological solutions (e.g. GPS-ear tagging and reporting) is difficult.

The challenge is to find a solution of cattle traceability which is compatible with the reality of rural Brazil, especially in the Amazon and native-forest frontier regions, where deforestation pressure is largest.

According to the NGO Observatorio doCodigo Florestal, the beef sector in Brazil, following a campaign led by Greenpeace, the three largest meatpacking plants operating in the Legal Amazon signed the Public Livestock Commitment (CPP) in 2009, a voluntary commitment that established minimum operating criteria in the region. Starting that same year, several companies began to sign Conduct Adjustment Terms (TACs da Carne) with the Federal Public Prosecutor's Office (MPF) in different states of the Legal Amazon. In 2020, the Beef on Track Platform, a partnership between the Institute of Forest and Agricultural Management and Certification (IMAFLOA) and the Federal Public Prosecutor Office (MPF), published a reference document with technical definitions of monitoring parameters, seeking to harmonize protocols and facilitate the implementation of good monitoring practices in the direct cattle supply chain and provide transparency to society about efforts to reduce deforestation in the Amazon. The Voluntary Monitoring Protocol for Cattle Suppliers in the Cerrado (Cerrado Protocol) made available, launched in 2024, the purchasing criteria and parameters aimed at ensuring that the supply of meat is not linked to socio-environmental problems in this biome.

Important to note that traceability alone is not a solution; it is key to keep suppliers away from deforestation and offer remediation opportunities for those that have been excluded. Frigol's ambition is that by 2030 a large share of the beef supply chain in the state of Pará is transparent, legally compliant and deforestation-free. Ultimately, this will benefit forest protection given the role livestock currently plays in driving tropical agriculture deforestation of the Amazon.

With the above actions, Frigol will be able to better formulate and operationalize its traceability ambitions and make this public. Further, Frigol will be explicit in its ambition of be deforestation-free (not only illegal deforestation). As a non "BIG-3" meatpacker, this may bring about further pressure to other meatpackers.

The investment in Frigol will add to &Green's experience and blueprints from former investments in Marfrig and Roncador, as Frigol's presence in Pará State brings additional impact generation capacity in the Amazon biome.

## **4. COMPANY'S PRACTICES**

### **4.1 History of company's land assets (if own production assets)**

The Company's Head Office is located in the Municipality and District of Lençóis Paulista, State of São Paulo, which is intended for administrative activities. There are two production plants in Lençóis Paulista - SP, one for slaughtering cattle and a grease factory responsible for supplying foreign trade and the entire interior of the state of São Paulo and its capital.



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The Bauru DC is located at Rodovia Marechal Rondon and is used for storage and distribution to the domestic market with a focus on retail distribution in the interior of the state of São Paulo. The Jandira ED is located on the Joao de Góes access road, used for warehousing and distribution to the domestic market focused on retail distribution in the Capital of São Paulo, the North and South Coasts and the Interior.

Frigol's direct operations in the State of Pará are concentrated in the municipalities of São Félix do Xingu and Água Azul do Norte, it encompasses the industrial and operational activities of Frigol in these locations (slaughterhouses, fattening farms and eucalyptus plantations).

The Company has two plants in the state of Para in the municipalities of Água Azul do Norte and São Félix do Xingu for slaughtering cattle and is responsible for supplying the northeast and southeast regions of Brazil, as well as the foreign market. It also has outsourced operations in Distribution Centers in the cities of Bauru and Jandira, in the state of São Paulo. It also carries out farming activities on the properties known as the Maguari farm and the Sao Félix do Xingu farm located in the municipality of Sao Félix do Xingu - PA, and also on the Santo Expedito farm located in the municipality of Água Azul do Norte - PA, which are used for breeding, rearing and fattening cattle, as well as confinement and semi-confinement activities

#### **4.2 Historical land use change**

The construction and operation of the Frigol's units, farms, and areas with planted eucalyptus have not directly affected natural habitats, considering that the areas were acquired already open, and no deforestation was necessary, to date, historical images of Frigol's units were evaluated, where it is possible to observe that the location where the infrastructure was installed was already pasture before its installation. Frigol's units and farms are located in modified habitats, but do not intersect areas of importance for biodiversity, such as conservation units, biosphere reserves or internationally recognized areas.

The acquisition of properties for the company's operation did not generate any physical or economic displacement. The company presented the respective registrations of the properties in the name of Frigol, and the property lease contracts and amendments. Frigol's operations in the state of Pará are all located at more than 10 km from traditional and indigenous territories, respectively, in compliance with Brazilian legislation.

#### **4.3 Production features**

Frigol's São Félix do Xingu unit is a beef slaughterhouse with a slaughter capacity of 700 animals per day. It has a total land area of 710,600.00 m<sup>2</sup> and a built area of 17,720 m<sup>2</sup>, with a production capacity of 285 tons/day, with a storage capacity of 1,470 tons. This unit currently has 677 employees, working in two 8-hour shifts. Near this unit there is a beef cattle farm (semi-confinement) with a capacity to raise 10,500 animals per year. The main products produced by this unit are beef cuts and offal, in addition to the by-products blood, offal and cow hide. The logistics for shipping these products is via road to be sold in other



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parts of the country and to nearby ports and airports for export. The unit's main energy sources are electricity supplied by the concessionaire Equatorial Pará Distribuidora de Energia S.A., diesel generators and eucalyptus and teak generators, which supply the unit's steam generation boilers. The main raw material used in this unit is cattle, while the main production inputs are chemical products, such as liquid alkalizing agent, coagulant, detergents, chlorinated bleach, among others. The unit's main environmental aspects are the generation of liquid effluents, solid waste, atmospheric emissions and environmental noise. The unit has environmental operating permit no. 10534/2017 issued by the State Secretariat for the Environment and Sustainability (SEMAS) of the State of Pará and with an expiration date of March 28, 2022. Although expired, the renewal process took place within the period stipulated by law, therefore it is still valid.

Frigol's Água Azul do Norte unit began operations in 2004 and is a beef slaughterhouse with a slaughter capacity of 1,200 animals per day. It has a total land area of 301,479.81 m<sup>2</sup> and a built area of 19,618 m<sup>2</sup>, with a production capacity of 490 tons/day, with a storage capacity of 1,370 tons. This unit currently has 1,235 employees, working in two 8-hour shifts. Near this unit there is a beef cattle farm (confinement) with a capacity to raise 12,600 animals per year. The main products and by-products produced by this unit, the logistics, the unit's main energy sources, main raw material and inputs, including the unit's main environmental aspects are the same as the SFX unit. The unit has environmental operating permit no. 14609/2024 issued by SEMAS and with an expiration date of November 23, 2024.

#### **4.4 Supply chain management**

The cattle supply chain in Brazil is made up of a complex network of producers, covering the three primary production phases (breeding, rearing and, fattening), followed by slaughterhouses, meatpackers, and retailers. Traceability and monitoring are challenging, especially for indirect suppliers, due to the fragmentation of the sector and trade relations based on spot market. Transfers and movement of cattle can occur throughout every phase, including ranch-to-ranch transfers (formally or informally), auctions, through traders and middlemen. One of the biggest challenges is therefore identifying indirect suppliers of cattle to meatpackers.

There are three decisive factors causing deforestation in Pará: the land market, agricultural technologies, and institutional organization. Speculation on 'grabbing' and selling land is considered a major factor.

In addition to cattle, Frigol has a small supply chain of wood biomass, to serve their water vapor needs in their industrial units. They source this wood exclusively from certified plantations, but this means they sometimes must transport the timber over large distances, up to 700km. To limit cost and emissions, they have now planted their own eucalyptus plantations (280ha) on two of their production units. These plantations should become productive within the coming years and will be able to meet the full demand of the productive units in 2028.

Frigol has implemented a Sustainability Policy - Social and Environmental Responsibility for the Supply and Sales Chain, last revised in August 2023, to establish ethical and responsible relationships with suppliers and customers. This policy includes guidelines, responsibilities,



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a detailed verification process, and complementary procedures aimed at mitigating risks and promoting social and environmental compliance in the cattle and biomass supply chains. Although it is not included in the policy, Frigol reported that it carries out socio-environmental consultations on all inputs intended for confinement, if these are purchased from rural producers. Currently, Frigol acquires large quantities of corn and grains in bulk to feed confined cattle. According to Frigol's Sustainability Policy, each farm must undergo a traceability process before being approved as a supplier. The process starts with the registration of the supplier/property in Frigol's purchasing department, which involves the submission and evaluation of self-declaratory documents and data from the supplier, including Rural Environmental Registration System (SICAR – with CAR Code), georeferenced property deeds, and other relevant documents. Properties are then uploaded into Frigol's traceability system, which utilizes geospatial analysis tools. Reportedly, Frigol's traceability system verifies the following factors:

1. Free from illegal deforestation, regardless of the BIOMA where they originate.
2. Free from invasion of indigenous lands, quilombos or conservation units.
3. Free from IBAMA Embargoes, and/or Illegal Deforestation published by the Environment Secretariats.
4. Free from Forced and/or Slave Labor.
5. Free from Child Labor.
6. With CAR in good standing.
7. No changes to CAR limits.
8. With presentation of the LAR (Rural Environmental Licensing) for properties over 3,000 hectares (mandatory for the State of Pará).
9. With GTA issued (Animal Transit Guide) corresponding to purchase operations.
10. That the animal productivity index per hectare does not exceed 3 heads/ha<sup>4</sup>, and/or another future index published in the Amazon Cattle Supplier Monitoring Protocol prepared by Imaflora.

Concerning the cut-off date, the company use the Brazilian Forest Code (July 22, 2008) - Federal Decree 6,514/2008. If any non-compliance with Frigol's commitments or guidelines is detected, the Geo-monitoring System returns the query with the Status of the Blocked Property and the Sustainability team from Frigol blocks it in the System. Only the Sustainability team blocks and releases in case of environmental regularization. All supplier information and status are maintained in the company's Sensatta system.

The suppliers that can comply with Frigol's commitments and guidelines are classified as 'Qualified Suppliers' and are the ones from which the company is effectively acquiring cattle for slaughter. The Due Diligence conducted by &Green has analysed the direct supply chain qualified in Frigol's system for the period between August 2023 to July 2024. The direct

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<sup>4</sup> It is worth noting that if the property operates under a confinement and/or semi-confinement regime, it may have higher productivity accepted as long as it issues a self-declaration with photos with evidence, geographic coordinates and the owner's signature





#### *Annex 4 of CA for Frigol S.A.*

suppliers comply with the Boi na Linha protocol, which is audited and validated by the Federal Public Ministry in the State of Pará. In this audit and validation, the company has 100% compliance in its operations. In this list, there are 956 qualified direct suppliers for the Água Azul do Norte plant and 450 for the São Félix do Xingu plant. The qualified direct suppliers for the Água Azul do Norte plant, which account for 50% of the total production volume, comprise 36 suppliers delivering 153,903 head of cattle. In São Félix do Xingu, 25 qualified suppliers contribute 64,111 head of cattle, also representing 50% of the facility's production volume. provided for ERM a list with an established

Frigol is under development and approval process for a new program that will offer technical assistance for blocked livestock suppliers to become compliant with Frigol's commitments and guidelines. Additionally, the State of Pará recently implemented the Sirflor system. This system was developed by Acipará and had the financial support of Frigol. This is currently the first environmental recovery system approved by the MPF and the Brazilian Environment Secretariat. The idea of this program is to encourage regularization among blocked suppliers. Frigol's sustainability initiatives also extend to managing risks associated with biodiversity and deforestation. According to Frigol's Sustainability Report (2023), the company monitors 100% of the beef direct supply chain originating from all biomes where it operates. Current traceability is lot traceability, which is audited and validated by the MPF/PA. Regarding individual traceability, Frigol has already slaughtered approximately 4,000 heads of cattle, tracked by identification tags with socio-environmental traceability through the PRIMI protocol (<https://www.primiprotocol.com/>), and all slaughters were carried out at the Água Azul do Norte unit.

Pará State government has launched in September 2024, the Pará Individual Bovine Traceability System, with the goal identify all cattle and buffaloes in the state by 2026. Whilst individual traceability can be an obvious technical solution, it faces some technical and cultural barriers on the ground, for example, the breeding stage, which is where tagging must start, is extremely fragmented and many of these ranchers are smallholders with poor access to technical knowledge and infrastructure. Once the state program is fully implemented, Frigol and other slaughterhouses will be able to rely on public data and animal availability to source fully traceable animals, however, considering that the life cycle of an animal around 30-36 months and that this program is still on early stages of implementation, it is expected that the timeframe for having a fully traceable cattle in Para state will be around 5 years.

- Control the movement of each animal in the state.
- Preserve the cattle production and marketing chain.
- Ensure the quality of the herd and the development of the chain.
- Promote sustainability and increase the income of producers.
- Maintain the sanitary preservation of the herd; and
- Check for environmental and social irregularities on the farms where the animals originate.

SRBIPA is one of the three pillars of the Cattle and Buffalo Production Chain Integrity and Development Program, launched by Pará's Governor in 2023. The program also includes a system for retraining producers and strategies for intensifying livestock production, aiming to add value to the state's beef. The goals of the Pará government include identifying 100%



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of animals in transit by December 2025 and 100% of the herd by the end of 2026; validating 75% of Rural Environmental Registries (CARs) by 2025 and 100% by 2026; and recovering 20% of degraded pastures.

The full traceability, however, is just a part of the solution, as in the first instance it will exclude uncompliant producers from formal value chains, pushing them to a marginal market. From the inclusion perspective, it is then very important to provide technical assistance and knowledge to bring these farmers back to compliance, what is key to keep suppliers away from deforestation and offer remediation opportunities.

#### **4.5 Overview of company's current management of environmental and social impacts**

The Due Diligence process carried out by ERM to the &Green Fund identified that the governance in Frigol comprises the Board of Directors, Committees, Chief Executive Officer, and Directors. Frigol has four Directors, one of which heads the Administration and Sustainability Department. This Director, Carlos Correa, reports directly to the CEO. In Carlos' department, there is a sustainability manager, internal audit manager and supply chain manager. In addition to this corporate-level team, there are E&S officers based at each of the productive units. At the Board of Directors level, Frigol has the People and Sustainability Committee, which is responsible for evaluating and proposing corporate goals and objectives relevant to the performance evaluation, submitting them to the Board of Directors for deliberation, for evaluating compliance with the sustainability policy, analysing proposed changes; and periodically assessing sustainability reports, suggesting structural changes as needed.

Additionally, according to information obtained during visits to the Project, the organizational structure seemed adequate, including the demonstration of knowledge and experience during the interviews. The Due Diligence process concluded that Frigol's workforce is currently sufficient to address sustainability demands, except in the operation of wastewater treatment plants (WWTPs), for which the number of employees responsible for this area must be reevaluated and increased in case of identification of non-sufficient full-time employees.

Although key environmental and social responsibilities are well defined and communicated to the relevant personnel and to the rest of the client's organization through day-to-day activities at the plants, the Due Diligence pointed to the need for a specialist professional responsible for implementing and managing a social responsibility management system, including stakeholder mapping and engagement, nor for biodiversity demands, as they are not legally required, to align with IFC Performance Standards.

Frigol has a comprehensive set of operational, social and environmental management policies and procedures that guide its compliance with Business Ethics issues and labour regulations. They cover topics like ethics, sustainability, occupational health and safety, supply chain, socio-environmental monitoring, harassment prevention, personal development, data privacy and anti-bribery/anti-corruption. Frigol shares these policies with employees during integration/hiring and provides training on the code of ethics and onboarding. Frigol keeps a record of employee attendance lists. Additionally, Frigol's policies



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and procedures are widely disseminated to employees through physical bulletin boards at workstations and common areas.

## **5. COMPANY'S LANDSCAPE PROTECTION STRATEGY**

### **5.1 &Green's Vision for the cattle sector and Frigol's commitments**

With the support of &Green loan, Frigol will reach a fully traceable, farm-level, and NDPE compliant supply chain in Pará State by 2030, including direct and indirect suppliers. To achieve this ambitious transition blueprint, Frigol will concentrate its efforts in 2 areas: (1) For the direct suppliers and the first level of indirect suppliers, Frigol will implement robust traceability solutions, establishing monitoring and verification mechanisms, and supporting farmers to adapt to the socio-environmental criteria for herd monitoring; and (2) For the second and third levels of indirect suppliers, Frigol will promote a set of actions to support the Para State Program (SRIBA) in reaching the individual traceability of the entire herd in the state.

The sustainability transition plan is founded on three pillars:

- **Implementation of NDPE Policy:** Ensuring the adoption and enforcement of a No Deforestation, No Peat, No Exploitation (NDPE) policy across the entire supply chain in Pará.
- **Inclusive Supply Chain Transition:** Driving an inclusive transition through the FriGol Farm Program, fostering collaboration and support for all stakeholders involved.
- **Enhancement of Environmental and Social Management System (ESMS):** Strengthening the environmental and stakeholder management processes, as well as integrating NDPE protocols into the overall ESMS.

### **5.2 Implementation of NDPE policy in the entire supply chain in Pará**

&Green's mission is to invests in commercial projects in agricultural production value chains to protect and restore tropical forests and peatlands and make agriculture more sustainable and inclusive. To do so, &Green finances inclusive, sustainable and deforestation-free commodity production that can be commercially viable and replicable. &Green therefore requires clients to make an unconditional written organisational policy commitment to no deforestation, no development of peatlands, and no exploitation (NDPE).

Considering the complexity around the beef supply chain in Brazil, and the challenges associated with the full implementation of a NDPE policy for the whole supply chain, Frigol will adopt a stepwise approach for full compliance with &Green NDPE policy. The mainstream change consists of the adaptation of the current policies to adopt a public commitment to no-deforestation production and/or sourcing, applicable to its own operations, all its subsidiaries, joint ventures, any productive asset they own, manage, or invest in; to all suppliers; globally.

For Frigol, the full adoption of a NDPE policy depends primarily on the full traceability of the livestock supply chain. The company has achieved full traceability of its direct suppliers and



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is making significant progress in mapping the first level of indirect suppliers. Traceability of second and third levels of indirect suppliers remains a significant challenge for the entire sector in Brazil. To address this, Frigol will leverage a combination of company-level systems, strategic partnerships with direct suppliers, and landscape-level initiatives to achieve full traceability of all suppliers, following the timeline outlined below.

<i>Supply chain level</i>	<i>Commitment</i>	<i>Deadline</i>
<i>Own farms</i>	Implement individual traceability systems	31/12/2025
<i>Direct suppliers</i>	Require all animals acquired by Frigol to have individual traceability	31/12/2026
<i>Indirect suppliers – Level 1</i>	Block direct suppliers with identified non-compliances in the indirect suppliers level1, following the criteria from Frigol Monitoring policy	31/12/2027
<i>Indirect suppliers Levels 2/3</i>	100% of cattle acquisition with individual traceability and in compliance with Frigol's Monitoring policy	31/12/2028 <sup>(1)</sup>

- (1) The Deadline for the full traceability and compliance of indirect suppliers levels 2 and 3, depends strongly on the implementation of the Pará State individual traceability program (SRBIPA), which is focused on producers, not on slaughterhouses. Once the Pará government can reach its target of having all the cattle in state under this program until the end of 2026, the animals can take up to 24 months to reach the slaughtering stage, thus Frigol expects to be able to achieve the full traceability in 2028, starting to block its direct suppliers buying cattle from non-compliant producers.

To contribute for the implementation of the Pará state program SRBIPA, Frigol will:

- 1 – Promote the communication and awareness among livestock farmers about the Para State Individual traceability program (SRBIPA).
- 2 – Provide capacity building and technical support to livestock farmers in Frigol's supply chain on the implementation of Para State Individual traceability program (SRBIPA), through the FriGol Farm program.
- 3 – Stop the purchasing of animals without individual traceability by December 2026<sup>5</sup>

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<sup>5</sup> This action is conditioned to the State of Para being able to comply with the requirements set forth in Decree 3533 of 11/27/2023 and Adepará Ordinances 3879, 3913 and 3914 of 2024 and the individual traceability process is in operation throughout the Pará herd



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As a result of the implementing the NDPE policy, Frigol will contribute to the conservation of at least 420,000 ha of forest areas among its supply chain.

### **5.3 Inclusive supply-chain transition through FriGol Farm Program**

To support its supply chain to become compliant with the company's Monitoring Protocol and Supplier Management, to the Company's NDPE commitment, Frigol will offer guidance and technical support through the FriGol Farm Program in close collaboration with the state-level and sector-level programs for environmental regularization. The purpose of the FriGol Farm program is to achieve NDPE compliance for the full supply chain minimizing the needs exclusion of irregular farmers by providing them with technical assistance and feasible timeline for a transition towards a more sustainable production.

For Direct Suppliers, where Frigol will provide socio-environmental training, so that they can also apply the same supply criteria to their suppliers and stop purchasing from properties with irregularities until December 2025, taking effect until December 2027, as effectively on that date we will be able to see the effects of monitoring on animals that will be made available for slaughter, considering the average age at which animals are slaughtered in Brazil. The program will also incentivize individual traceability to direct suppliers through the PRIMI protocol. For indirect suppliers with deforestation and land regularization issues, the FriGol FARM Program will work in partnership with the association of producers, the public sector and civil society organizations through the promotion of the SIRFLOR program.

As the result of this inclusive process, Frigol is committed to maintaining a minimum share of 12% of small and medium-sized farmers as part of its direct supply chain<sup>6</sup>.

### **5.4 Enhancement of overall Environmental and Social Management System (ESMS)**

Frigol has a comprehensive set of operational, social and environmental management policies and procedures that constitutes several elements within its Environmental and Social Management System (ESMS) following the IFC PS 1 requirements. As Frigol's E&S and monitoring frameworks demonstrated to be partially aligned with IFC PS on a broader scale, the company will invest in enhancing the ESMS covering the advance in traceability and NDPE compliance in indirect suppliers, improving the impact assessment for company's direct operations in Para state and formalizing stakeholders mapping and engagement policies.

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<sup>6</sup> For the purpose of this commitment, the definition of small and medium farmers will follow the Rural Credit Manual, from the Brazilian Central Bank <https://www3.bcb.gov.br/mcr>



#### *Annex 4 of CA for Frigol S.A.*

Considering that no formal environmental and social impact studies were required from Frigol during the implementation phase of current operations in Para state, Frigol will conduct baselines studies and develop appropriate management strategies, covering environmental noise; air quality; soil and groundwater quality; water sources, availability and future water conflict; local terrestrial fauna and roadkill wildlife; traffic assessment and stakeholder mapping.

Frigol will report annually over the progress against IFC PS Conformance, achieving 90% of compliance with all criteria by 2028.

## **6. MONITORING, REPORTING AND VERIFICATION**

The summary of all of the Frigol's actions and targets specified in section 4 are summarised in the ESAP agreed between &Green and Frigol, included as Annex 4.1 of the document. Additionally, all the supporting indicators related to &Green's investment are included in Annex 4.2.

Frigol's reporting and verification framework with respect to &Green's LPP and E&S Action Plan (ESAP) will be built with the objective to report on activity-based progress against the defined E&S Action Plan activities. To support monitoring of Frigol's progress, &Green will rely on a three-level MRV framework:

First, through Frigol's self-reported progress reports: Progress achieved against the agreed upon milestones will be monitored and self-reported on a 6-monthly basis during the first two years of the transaction, and annually for the remaining tenor of the &Green loan, until 2030. Templates for the E&S (self-reported) progress report will be agreed during the contracting phase of the transaction. Templates might be updated during the loan period to ensure relevancy against progress achieved and recommended actions.

Secondly, through additional third-party verification reports, by an independent consultant to be indicated by &Green, to supplement Frigol's self-reported progress reports and to further clarify the Company's progress on priority items included in the ESAP.

Lastly, third party external audits will be carried out annually to review the overall progress of Company against the targets defined in the ESAP, linked to IFC PS compliance, NDPE implementation, ER/SI targets and E&S governance. An annual report should be prepared to document annual progress towards completion of ESAP items, supported by an updated version of the IFC PS matrix. The later should be treated as "living documents" and serve the purpose of supporting Company in achieving its compliance objectives (i.e., adding, omitting, modifying recommendations) as appropriate. The audit period should be defined as the standard calendar year from 1 January to 31 December of each year. Review/audit of ESAP items should therefore be performed in January of each year, corresponding to ESAP activities accomplished in the previous calendar year. At this time (April 2025), it would be appropriate for the next review/audit to take place in January 2026 and cover the 2025 calendar year. Lastly, all annual third-party audits will be disclosed on &Green's website.





*Annex 4 of CA for Frigol S.A.*

#### **ANNEX 4.1: ESAP**

Use the standard template of the E&S Action Plan.



*Annex 4 of CA for Frigol S.A.*

## **ANNEX 4.2: KEY PERFORMANCE INDICATORS AND DEFINITIONS**

Use the standard template of the KPI framework and include any definitions of concepts that are essential to understand for the implementation of the ESAP.