



## Responsible Beef Sourcing Policy

### 2017 first semester results

On March 31<sup>st</sup> 2016, GPA launched its Responsible Beef Sourcing Policy, established in partnership with the NGO **The Forest Trust (TFT)**. The Policy formalizes the commitment of GPA to fight deforestation of the Amazonian Forest and its related negative social impacts, while considering the complexity of the beef chain in Brazil. Through its engagement in several working groups and partnerships with recognized actors in supply chains, GPA gained maturity in its understanding of the deforestation problem, fostering its ambition to build a valuable proposition based on existing systems.

After 2016, that officially witnessed the net return of deforestation and the limits of current solutions, 2017 has continued to be a challenging year. Public investigations and NGO studies unveiled sector practices that jeopardized the proper control of the purchased cattle's origin and the proper control of the deforestation linked to the cattle farming. Furthermore, public bodies' decisions are promoting the increase of arable lands without necessarily considering criteria of sustainable development<sup>1</sup>, possibly undermining the international undertakings Brazil made in relation to climate change<sup>2</sup>.

In this context, GPA reaffirms its Commitment and seeks to contribute to fight forced labour and deforestation, to respect indigenous lands, to prevent any type of deforestation and to foster the recovery of degraded lands. Our recent experience and results from the 1<sup>st</sup> semester 2017 have reinforced the principles of our Policy:

- Set up a **cost-effective and replicable** program,
- **Involve and empower all actors of the Beef supply chain**, from the farm to the consumer,
- **Actively take part in the discussions** with governmental bodies, private sector and NGOs working in this supply chain to find shared and effective solutions for the sector.

In accordance with its commitment to transparency, GPA presents below its last results, the main completed actions during the 1<sup>st</sup> semester 2017 as well as the next steps of its strategy.

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<sup>1</sup> <https://www.theguardian.com/environment/2017/jun/22/norway-issues-1bn-threat-brazil-rising-amazon-destruction>

<sup>2</sup> <https://oglobo.globo.com/opiniao/desmatamento-afasta-brasil-do-acordo-de-paris-20414753>;  
<http://blogs.edf.org/climatetalks/2017/08/21/temers-rollback-of-brazils-environmental-and-indigenous-protections-threatens-livelihoods-and-worlds-climate-goals/>

## GPA'S PARTNERS



**Safe Trace:** Leader in traceability for beef and other food commodity supply chain. [www.safetrace.com.br](http://www.safetrace.com.br)



**The Forest Trust:** NGO dedicated to the management of socioenvironmental risks in supply chains. [www.tft-earth.org](http://www.tft-earth.org)



**Aliança da Terra:** NGO created by producers, researchers and agribusiness entrepreneurs to find innovative solutions that integrate good production practices in regards to people and natural resources, generating trust in new business opportunities in supply chains. [www.aliancadaterra.org](http://www.aliancadaterra.org)

## SUPPLY CHAIN MAPPING

We progressed in the supply chain mapping of our suppliers. The retail sector shows complex beef supply chains that encompass 3 types of industry suppliers:

- **Type 1: direct slaughterhouses**, which buy cattle, proceed to the slaughtering and cutting, and sell to GPA,
- **Type 2: processors and meat retailers**, which purchase from “indirect” slaughterhouses, and then sell to GPA,
- **Type 3: processors** which buy cattle and subcontract the slaughtering to external slaughterhouses.

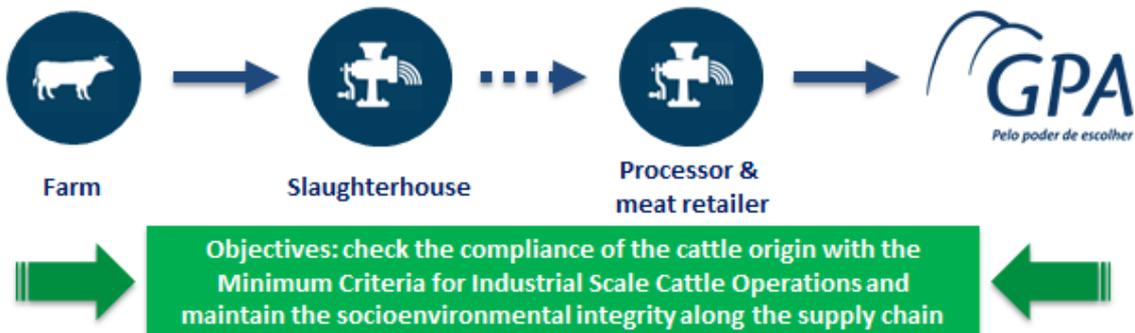


Figure 1: Simplified view of GPA's meat supply chain

The beginning of the year was marked by the implementation of the Policy at GPA's business unit **Assai Atacadista**: suppliers were invited to adhere to the Policy and to comply with the requirements to send information and to monitor their supply chains, like all Multivarejo's suppliers.

In total, GPA buys fresh or frozen meat from 43 small and medium suppliers, besides the three big slaughterhouses (JBS, Marfrig, Minerva). From these 43 suppliers, 27 adhered to the Policy and the Traceability and Quality Management system, Safe Trace. They are comprised of 14 direct slaughterhouses (Type 1), 5 processors with direct cattle purchases (Type 3) e, 1 distributor and 7 processors (Type 2) which buy



carcasses or meat from indirect slaughterhouses (representing 23 indirect slaughterhouses mapped until now).

Considering volumes, small and medium suppliers and the 3G which adhered to the Policy represent 98.12% of the meat bought over the 1<sup>st</sup> semester 2017 by GPA. The other 16 suppliers are very small suppliers who entered in 2017 and need to adhere to the Policy to continue selling for GPA during the 2<sup>nd</sup> semester.

From the beginning of the program, 7 suppliers refused to commit to the Policy and hence, were suspended and cannot supply the group anymore.

## **MONITORING**

Based on the supply chain mapping performed, GPA will focus on the 12 direct slaughtering plants which buy cattle bred in the Amazonia Forest in order for these slaughterhouses to fully integrate traceability and geomonitoring solutions as soon as possible.

Safe Trace closed out partnership with companies specialized in geomonitoring in Brazil in order to simplify the implementation of GPA's Policy. Suppliers can use a single tool that includes two solutions: the management system that gathers information about 100% purchases of the cattle (origin of purchase, slaughterhouse production), and geomonitoring systems that bring socioenvironmental analyses. With these systems implemented, the supplier internalizes the monitoring of its cattle purchases. In the same tool, the supplier is required to identify GPA's purchases to allow GPA to receive information about the origin and the socioenvironmental analyses of the cattle whose meat is sold in its stores.

In exchange, our suppliers receive information about the controls performed by GPA's Quality department on their deliveries.

If some slaughterhouses are used to working with a geomonitoring system, for many others, it is a long-term learning process. In fact, the geomonitoring system reframes the way slaughterhouses buy cattle.

For these suppliers which have not mapped their supplying farms, GPA established a partnership with Aliança da Terra, and BovControl offered its support through the app "Producing Right". This app allows slaughterhouses to collect the coordinates and to obtain a first analysis of the socioenvironmental situation of these farms.

From the beginning of the program, at least 7,451 direct farms supplied cattle for GPA's suppliers, whose 3,785 already count with one geographical coordinate and 1,825 were identified in the Amazonian Forest. Of the producers' list, 97 of them were identified in the list of areas embargoed by IBAMA (1.2%) and were suspended. 4 producers were found in the Transparency list published by the Ministry of Labour and Employment (MTE) and were also suspended from GPA's supply chains. GPA is working



so that all the farms have their coordinates in the system and be monitored by a geomonitoring system.

#### **REMEDIATION**

As intended in our Policy, one producer, suspended for any non-conformity, can return supplying GPA's suppliers if the non-conformity is corrected. In the last 6 months, 101 producers were suspended. For this reason, GPA extended its partnership with Aliança da Terra to offer to these producers a technical support, necessary for the remediation of the non-conformities.

## Action Plan – Main actions carried out during the first semester 2017

Pillars	Goals	Actions and objectives	Status
<p><b>1. PARTICIPATORY LEADERSHIP</b></p> <p>GPA actively takes part in the sector discussions and regularly publishes results.</p>	<p><b>1.1 – Engaging other actors in responsible Beef supply chain</b></p>	<ul style="list-style-type: none"> <li>The implementation of GPA’s policy seeks to engage producers, slaughterhouses, processors and retailers involved in the Brazilian beef supply chain. During the 1<sup>st</sup> semester, 20 meetings were carried out with GPA’s suppliers.</li> <li>The internal stakeholders (Commercials, Quality and IT departments) are actively engaged to implement the Policy.</li> </ul>	
	<p><b>1.2 – Transparent results</b></p>	<ul style="list-style-type: none"> <li>Since the release of the Policy in March 2016, GPA reports each semester on its activities and the results achieved.</li> </ul>	
	<p><b>1.3 – Participation in discussions in favour of responsible sourcing</b></p>	<ul style="list-style-type: none"> <li>Discussions with public bodies about the transparency processes and monitoring tools.</li> <li>Participation in Working groups (Grupo de Trabalho da Pecuária Sustentável, GTPS, and Grupo de Trabalho dos Fornecedores Indiretos, GTFI)</li> <li>Meetings with NGOs dedicated to Zero Deforestation and to the promotion of sustainable production methods for responsible beef supply chain (Greenpeace, CFA Colaboração para Florestas e Agricultura, WWF, Imazon, TNC)</li> <li>Discussions with other players of the supply chain to share good practices and efforts for the implementation of Policy’s criteria and efficient solutions.</li> </ul>	
<p><b>2. SUPPLIER MONITORING</b></p> <p>GPA informs its suppliers about the guidelines of its Policy and seeks to develop and make available tools to its slaughterhouses and processors to allow supply chain monitoring.</p>	<p><b>2.1 – Supply chain mapping</b></p>	<ul style="list-style-type: none"> <li>Formalization of the tool “Beef Supply Chain Analysis” that helps suppliers to report on their supply chain to Safe Trace and to receive a specific Action plan due to the specificity of each supply chain. This form will be systematically made available in Safe Trace for any new supplier at the registration stage.</li> <li>Multivarejo suppliers’ mapping was performed, bringing the results above.</li> <li>Regarding Assaí, the suppliers’ supply chain is being mapped.</li> </ul>	 
	<p><b>2.2 – Visits to the slaughterhouses</b></p>	<ul style="list-style-type: none"> <li>All the active suppliers – and respective plants – that adhered to the Policy were visited <i>in loco</i> in order to assess the level of traceability and check the capacity of the slaughterhouse to follow batches of purchased cattle throughout the production process. All the suppliers received a training to use Safe Trace.</li> <li>All the plants producing for Multivarejo were visited.</li> <li>Before the end of the year, all the suppliers of Assai will be visited and assessed.</li> </ul>	 
	<p><b>2.3 – Purchasing data integration</b></p>	<ul style="list-style-type: none"> <li>Safe Trace is connected to Multivarejo’s commercial and quality systems in order to receive automatically information about the meat purchases and deliveries and compare it with the data inserted by the suppliers.</li> <li>During the second semester of 2017, Safe Trace will be connected to Assai’s systems.</li> <li>The system Safe Trace enables slaughterhouses to transmit 100% of the information about the batches of cattle purchases and meat production. GPA will see only what it buys. When possible, Safe Trace seeks system integration as it guarantees the completeness and integrity of the data sent. Otherwise, Safe Trace monitors the inputs from the purchasing technicians.</li> </ul>	 

Pillars	Goals	Actions and objectives	Status
		<ul style="list-style-type: none"> <li>• Safe Trace system allows direct slaughterhouses (Type 1) and processors that buy cattle (Type 3) to insert and analyse 100% of the information about the cattle entering their supply chain and the meat volume that goes out to be marketed. GPA has access to the data of its purchases through Safe Trace too.</li> </ul>	●
		<ul style="list-style-type: none"> <li>• Processors (Type 2) need to provide the information about the cattle purchases of the slaughterhouses they buy from. These indirect slaughterhouses are being contacted to adhere to GPA's Policy too. However, we face challenges to engage these slaughterhouses indirect of GPA.</li> </ul>	●
	<p><b>2.4 – Socioenvironmental dashboard</b></p>	<ul style="list-style-type: none"> <li>• Safetrace set up a socioenvironmental dashboard to allow slaughterhouses to monitor the situation of each of its supplying farms. GPA will also have an internal dashboard.</li> </ul>	●
	<p><b>2.5 – Data integration of geomonitring systems</b></p>	<ul style="list-style-type: none"> <li>• Safe Trace concluded partnerships with some geomonitring companies (Apoio, Geoflorestas, Terras) in order to make available the socioenvironmental analyses for any purchase made from the slaughterhouses that already use these systems.</li> <li>• GPA is organizing meetings with its suppliers that buy meat or cattle slaughtered in the Amazonia region. These suppliers are made aware of the importance of geomonitring and need to implement this type of system to meet the requirements of GPA's Policy.</li> <li>• GPA concluded a partnership with the geomonitring solution Agrottools to receive the socioenvironmental analyses carried out by Agrottools for the suppliers that already use this system.</li> </ul>	●
<p><b>3. CAPACITY-BUILDING OF THE SUPPLY CHAIN</b></p> <p>Suppliers receive trainings, consulting and support to implement a more responsible beef supply chain.</p>	<p><b>3.1 – Capacity-building program for farmers</b></p>	<ul style="list-style-type: none"> <li>• GPA partnered with Aliança da Terra and BovControl, which created the app “Producing Right” (<a href="#">link</a> to the App Store) in order to engage producers and to promote capacity-building. This tool will enable the producers to understand measure and monitor their socioenvironmental progress.</li> </ul>	●
	<p><b>3.2 – Replicability of the program</b></p>	<ul style="list-style-type: none"> <li>• GPA is elaborating the Supplier Development Manual, built on the experience of our teams and partners the last two years considering our 2-year. It will be given to any new supplier in order to raise awareness and explain in practical terms the program and its objectives. It will consider the step-by-step approach of this development and will be made publicly-available so that any potential supplier can voluntarily commit to GPA's Policy.</li> </ul>	●
<p><b>4. CONSUMER EDUCATION</b></p> <p>GPA communicates completed actions and achieved results to consumers to raise awareness about challenges and product impacts.</p>	<p><b>4.1 – Consumer awareness campaigns</b></p>	<ul style="list-style-type: none"> <li>• In the banner <i>Pão de Açúcar</i>, the consumer gets explanations in store about the challenges and impacts of meat consumption. The “Conscious Consumption” campaign performed in January 2017 in the banner <i>Pão de Açúcar</i> featured our public commitment.</li> <li>• Also, the brand “Rubia Gallega”, developed since 2015 through a direct partnership of GPA with a group of 20 producers, is highlighted.</li> </ul>	●

Pillars	Goals	Actions and objectives	Status
<p><b>5. SUSTAINABLE PRODUCT INNOVATION</b></p> <p>GPA innovates through its private-label range to improve the sustainability of the offer.</p>	<p><b>5.1 – Increase the offer of 100% sustainable meat</b></p>	<ul style="list-style-type: none"> <li>GPA owns a private-label range produced with the Rubia Gallega breed, which has attributes of responsible meat. This brand is being highlighted to our consumers throughout 2017. In 2017, Aliança da Terra entered in the Program partnership and will provide consultancy to the producers with whom GPA has an exclusive partnership, with the objective of improving the socioenvironmental management of their farms.</li> </ul>	

 Implemented
  In progress