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Fremtiden i våre hender

Date:	Our reference:	Your reference:
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Clarification of DNV GL's assessment reports according to the protocol "Public Livestock Commitment" protocol

Assessments to the "Public Livestock Commitment" Protocol were done annually for JBS between 2017-2019. The last assessment in 2019 covered purchasing processes from 2018. JBS has since then terminated the contract with DNV GL and no new assessment for 2020 is scheduled.

It has been brought to our attention that JBS is using the report as proof that its total cattle sourcing practices are deforestation free. DNV GL therefore sees it necessary to issue a disclaimer, clarifying the technical content of the latest assessment report issued to JBS in 2019.

1. Indirect suppliers have not been assessed and declared deforestation free by DNV GL. JBS did not have systems in place to trace the indirect supply chain; thus indirect suppliers were not assessed during the audit. The Public Livestock Commitment does cover the indirect supply chain, but JBS had not implemented systems to meet this requirement. This has been recorded as a non-conformity by DNV GL during every audit. In the 2019 assessment report, this is noted on page 10.
2. The assessment report does not state the ratio of cattle sourced from direct vs. indirect suppliers. This is not information that DNV GL has been privileged to through the assessment process. However, given the fact that there was no tracking of indirect suppliers, JBS cannot use the assessment report as evidence of good practices throughout their total supply chain. This is underscored by estimations from external sources that the volume of indirect suppliers is not insignificant.
3. The assessment scope covered the purchasing process for direct suppliers, the robustness of the system to block a purchase when requirements are not met. The assessment was conducted as a desk-top review applying a sampling principle. This means that the purchasing records for every direct supplier were not assessed, nor were farms physically visited or farmers interviewed. The sample for the 2019 audit covered 10% of the total cattle transactions with direct suppliers stored in the JBS database. Sampling methodologies are common, often done randomly, and build on the principle that all parties welcome

gaps/discrepancies/non-conformities to be uncovered in order to be corrected and improvements achieved.

4. Each purchase was not followed throughout the entire value chain. Official governmental databases (e.g. IBAMA) were used to check the legal status of the farms to check that purchases from farms with known legal issues had been blocked and confirm that actual purchase operations were conducted with farms with no legal claims. Legal claims in this context refers to official demands related to deforestations, indigenous invasion and social aspects. Moreover, while the satellite systems used by the companies to block suppliers with legal claims was not audited, we tested if these systems were set up correctly to perform said job.
5. The scope of the assessment did not include checking whether misuse or manipulation of CAR or GTA data had occurred. Checking for accredited CAR numbers to uncover cattle laundering was not part of scope either. CAR is a national electronic public register where information is populated by farms. GTA holds the official information used for animal transportation. The results in the assessment report were based upon the data extracted from JBS' database and a desktop review of the purchasing process for direct suppliers, only. Additional comparisons with other external data sources was not part of the assessment scope.
6. Enlargement of an assessment scope is possible but would have to be agreed upon beforehand since DNV GL is an independent assurance provider and not a governmental authoritative body or similar.

Based upon the clarifications above, the assessment reports issued by DNV GL to JBS prior to and including the 2019 report should be interpreted within the above context and scope. The assessment reports do not cover the entire cattle sourcing supply chain. It is only the purchasing practices in the direct supply chain that have been covered, using a sampling methodology and desk-top review based upon JBS database. As such, the assessment report cannot under any circumstances be used as evidence of the JBS being completely deforestation free.

Sincerely

for DNV GL Business Assurance Avaliações e Certificações Brasil Ltda.


Adriano Duarte
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