

## **Third Party Audit Report to meet undertaking to adopt “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”**

To  
**JBS S.A. ('JBS')**  
São Paulo - SP  
Att.: Mr. Márcio Nappo (Director of Sustainability - JBS Brazil)

### **I) Introduction**

The Non-Governmental Organization Greenpeace has been studying the behavior of the production chain for cattle-raising in the Amazon region since 2007. In 2009, after a long investigation, the organization published its report “Slaughtering the Amazon”, which highlighted the relationship between the processing companies and their cattle suppliers involved with forest clearance and slave labor, and the products offered for sale in the market. Subsequently, the processing companies JBS, Marfrig and Minerva have made a public commitment not to purchase cattle from ranches responsible for deforestation inside the Amazon Biome region after October 2009, as well as those that use labor analogous to slavery or that are located in indigenous lands or environmental conservation areas. The public agreement that establishes criteria for cattle purchases from properties located in the Amazon Biome region is entitled “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”.

### **II) Purpose**

BDO RCS Auditores Independentes ('BDO') has been engaged, in terms of Proposal No. 0463/15, to carry out predetermined procedures, which appear in italics in this report, for an independent assessment, by means of an audit of JBS data and procedures, of whether the Company has met the criteria assumed in the above-mentioned public agreement, for the period from January 1 to December 31, 2014.

BDO is an audit partnership organized according to Brazilian law, member of BDO International Limited, a UK company limited by guarantee, and part of the international BDO network of independent member firms. Featured in national and international market with offices in major Brazilian cities and the global support of BDO in more than 144 countries.

### III) Audit period

The audit was performed in the period between March 26 and May 08, 2015.

### IV) Description of the Company and of the cattle purchasing process in respect to the Public Commitment with Greenpeace

*Describe in detail the scope of the audit, giving the number of units of the company that receive animals from the Amazon Biome region.*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

Incorporated in 1953, JBS is today the largest producer of animal proteins in the world, processing meat from cattle, pigs, sheep and chickens and producing leather. It also sells hygiene and cleaning products, collagen, metal packaging, biodiesel and other products.

Within the Company universe, this audit covers only the purchases of cattle made between January 1 and December 31, 2014, by the slaughterhouse units that were supplied with raw materials sourced from the Amazon Biome region.

During the year 2014, JBS had forty-six (46) active slaughterhouse units, of which twenty-eight (28) purchased cattle from properties located in the following municipalities in the Amazon Biome region:

- State of Acre:
  - Rio Branco II;
- State of Goiás:
  - Mozarlândia;
- State of Maranhão:
  - Açailândia;
- State of Mato Grosso:
  - Alta Floresta;

- Água Boa;
- Araputanga;
- Barra do Garças;
- Colíder II;
- Confresa;
- Cuiabá;
- Diamantino;
- Juara;
- Juína;
- Matupá;
- Pedra Preta;
- Pontes e Lacerda;
- São José dos Quatro Marcos;
  
- State of Pará:
  - Marabá;
  - Redenção;
  - Santana do Araguaia;
  - Tucumã;
  
- State of Rondônia:
  - Ariquemes;
  - Pimenta Bueno;
  - Porto Velho;
  - Rolim de Moura;
  - São Miguel do Guaporé;
  - Vilhena;
  
- State of São Paulo:
  - Santa Fé do Sul.

Vila Rica (State of Mato Grosso) and Anápolis (State of Goiás) units acquired cattle from properties located in the Amazon Biome region in 2014, but had their activities paralyzed during the year and were not considered in the analysis because of the impossibility of checking the necessary documentation for the tests to be performed.

For the auditing procedures, according to the Third Party Audit Reference Term 2015 (base year 2014), the assessment was made on the analysis of 10% of cattle purchases made by JBS in 2014 from properties located in the Amazon Biome region. This sample included every month in 2014 and proportionately every twenty-eight (28) slaughterhouse units supplied with raw materials from the Amazon Biome region.

Before presenting the tests performed and their results, it is important to demonstrate the meaning of the following acronyms, which will be used throughout the report:

- CAR: Rural Environmental Registry;
- CCIR: Certificate of Registration of Rural Property;
- CNPJ: Corporate Taxpayers Register;
- CPF: Individual Taxpayers Register;
- DETER: Real-time Detection of Deforestation;
- FUNAI: National Foundation for Indigenous People;
- GTA: Animal Transit Form;
- IBAMA: Brazilian Environment and Natural Resources Institute;
- ICMBio: Chico Mendes Institute of Biodiversity Conservation;
- INCRA: National Institute for Settlement and Agrarian Reform;
- INPE: National Institute for Space Research;
- LAR: Rural Environmental License;
- LAU: Single Environmental License;
- MPF: Federal Public Prosecution Office;
- MTE: Ministry of Labor and Employment;

- PRODES: Brazilian Amazon Deforestation Monitoring Project;
- SEMA: State Department of Environment;
- SIF: Federal Animal Sanitary Inspection Service;
- SNUC: Brazilian System of Environmental Conservation Areas;
- TI: Indigenous Land;
- UC: Environmental Conservation Area.

*Describe in detail the company systems, procedures and records used to control cattle purchases, and the traceability system of the origin of the cattle.*

*Describe the cattle purchase blocking system used by the company, how it is updated in accordance with the public lists and with those received by the specialist company in Geographic Information System (GIS), and the corrective measures employed in the event of system errors.*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

For raw material purchases made from properties within the perimeter of the Brazilian Legal Amazon, i.e. from an area larger than that marked out in the public agreement “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”, JBS has established mechanisms and procedures to monitor their cattle purchasing intended to ensure that the Company does not acquire cattle from properties that: have cleared native forest inside the Amazon Biome region after October 2009; are in the public list of areas embargoed by IBAMA; are located within Indigenous Lands or Environmental Conservation Areas; use labor analogous to slavery or degrading labor, according to the MTE public list; or that are in illegally occupied areas, or on land acquired by means of violence.

These mechanisms and procedures compound the JBS’ System for Social and Environmental Monitoring of Cattle Suppliers. The system is being developed and improved by the Company since 2010 and is run from two process of analysis that work in an integrated way: analysis from information provided by public bodies and geographical assessment of the ranches undertaken by a geomonitoring company hired by JBS named AgroTools. In addition to these processes, there is a complementary procedure of the documentation and geographic information analysis running by JBS’ Sustainability team when needed.

The first process involves the daily download of the public lists issued by MTE and by IBAMA (from their official websites), to compare the information from these lists with the cattle suppliers' data (Individual and Corporate Taxpayers' Registration Numbers - CPF/CNPJ) in the register of suppliers of the Company. Suppliers whose CPF/CNPJ are in the public list of IBAMA or MTE have all farms linked to this CPF/CNPJ automatically blocked for purchasing raw material to JBS in Company's Enterprise Resource Planning (ERP) system.

In the case of registered suppliers whose CPF/CNPJ is in the IBAMA public list, and that own more than one property bound to this CPF/CNPJ, it is possible to unblock the property without embargo manually in the Company's ERP system. This manual unblocking in the system can only be done by staff of JBS' Sustainability team (directly involved with the monitoring activities), if requested by the Company cattle purchase team to acquire cattle from the property without environmental embargo.

The manual release is only effected if the property embargoed and farm livestock that is negotiating with JBS, both linked to the same CPF/CNPJ contained in the public list of IBAMA, are in different cities, or the name of the embargoed property and farm in question, as indicated in the "Property Location" information in the public list of IBAMA, are distinct. After the purchase of cattle operation from the farm that has no environmental embargo is done, all the supplier's properties linked to the same CPF/CNPJ are again locked in the Company's ERP system, through the daily update of the automatic locking system process.

There are also cases that it is required to the cattle supplier additional documentation of the property to technical analysis of JBS' Sustainability team. From this documentation is assessed the legal situation of the property before the environmental agency and for cases where analysis confirms the environmental compliance of the property, the manual release of the farm in the ERP system is authorized by the Company.

For cases in which the CPF/CNPJ of the cattle supplier is in the public list of MTE, the manual release of properties is not made, i.e., all properties linked to the same CPF/CNPJ remain locked in JBS purchasing system.

The second analysis process consists of the geospatial monitoring, which performs the digital overlay of geographical coordinates and georeferenced maps of the Company's cattle suppliers properties with the official geographic databases for verification of the criteria on deforestation in the Amazon Biome region after October 2009 and invasion of protected areas such as Indigenous Lands and Environmental Conservation Areas.

To carry out the geospatial monitoring, AgroTools, geomonitoring firm hired by JBS, uses official data from the deforestation released by INPE (PRODES and DETER database), official maps of FUNAI (for Indigenous Lands areas definition) and the official maps of the Ministry of Environment (for Environmental Conservation Areas definition) - which are systematically consulted at its sources to verify the data updating - to confront them with the geographic coordinates or georeferenced maps of supplier farms cattle provided by JBS.

When AgroTools receives the JBS' supplier farms data, the validation steps of the geometries of the properties and their classification by the level of accuracy of the geographic information are performed, as shown below:

- "N0" - When the pair of geographic coordinates of the property is not validated. In this case, the centroid (center of a geometric shape) of the city where the supplier farm is located is used until the correct geographic coordinates are sent;
- "N1" - When the location of the property is due to a pair of geographic coordinates, previously validated, and the farm area is determined from a "buffer zone" of 10 km radius and 31,400 hectares (or 77,591 acres);
- "N3" - When the location of the property is due to a pair of geographic coordinates, previously validated, and there is the knowledge of the size of the property, the farm area is determined by a "buffer zone" that considers the total property area, be it larger or smaller than 10 km radius;
- "N5" - When the location of the property and all its limits are known, through the georeferenced map of the farm.

Daily, AgroTools, the geomonitoring company hired by JBS, prepares and sends to the Company (around 5pm - Brasília time) a worksheet (called "Geomonitoring Report") with the results and details of the analysis of each of the monitored suppliers located in the Brazilian Legal Amazon, classifying them as "blocked", "released" or "alert", and indicating the reason for blocking: invasion of an Environmental Conservation Area, invasion of Indigenous Land, deforestation inside the Amazon Biome after October 2009 according to data from DETER and/or PRODES (for the years 2009 to 2014).

The properties classified as “blocked” by AgroTools analysis are blocked for cattle purchases on the JBS ERP system. The properties classified as “alert” by AgroTools analysis are not blocked for purchases on the JBS ERP system. The “alert” classification corresponds to properties that are monitored by a “buffer zone” strategy of ten (10) km radius around a single georeferenced point located inside the property on which is established a circle with an approximate area of 31,400 hectares or 77,591 acres (according JBS, this equates to an area 15 times larger than the average size of livestock farms supplying Company), to be used in farm geomonitoring.

For cases in which, in addition to a pair of geographic coordinates, there is data on the total area of the property, AgroTools calculates an adjusted buffer size for the property to be analyzed. This adjusted buffer size is calculated from a mathematical algorithm that results in a radius more accurate for the size of property, be it larger or smaller than 10km.

Some technical issues (previously agreed between JBS and AgroTools) are considered for the geospatial monitoring of the properties, as it is the case with the properties that present a partial overlap with Indigenous Territory or Environmental Conservation Areas, in which the analysis of AgroTools considers as “released” the farm presenting a technical tolerance level of 10% overlap of its total area on any Environmental Conservation Area or Indigenous Land. This practical rule was developed due to possible differences of geographical scales between the official maps of Environmental Conservation Areas and Indigenous Lands, and the georeferenced maps of cattle supplier farms, and is provided in the Third Party Audit Reference Term 2015 (base year 2014).

In addition, the analysis of AgroTools considers as “released” the property that is located wholly or partially in Environmental Conservation Areas classified as of “sustainable use” and which allow livestock production, since these protected areas are previously identified and approved in JBS and AgroTools project protocol.

For the assessment of the criterium on deforestation inside the Amazon Biome region after October 2009, the analysis of AgroTools considers as “released” the properties where overlap with DETER polygon is less than 25 hectares and more than 50% of the DETER polygon is outside the supplier farm area. For PRODES detection, the rule is that the PRODES polygon is less than 6.25 hectares and more than 50% of PRODES polygon is outside the supplier property area.

Under the procedures established by JBS, AgroTools has fifteen (15) days to update its geomonitoring data base from the date of publication of the DETER/PRODES official data by INPE.

Still regarding the INPE data, in the case of “false positives” of deforestation (satellites images identified as forest clearance, but which in fact are areas of pasture cleaning to recovery of grazing land, natural fires, rocky outcrop or dry riverbeds of intermittent rivers), the property is blocked and the JBS’ Sustainability team asks the supplier for supplementary documents and reviews the property classification. In these cases, usually the farm owners submit to JBS documents from the State Department of the Environment (SEMA) or technical reports from consultancy firms which after being validated by the JBS’ Sustainability team are forwarded to AgroTools, releasing the property for business.

The analysis protocol of JBS’ cattle supplier farms considers valid for the release of a farm that has its status as “blocked” in a first analysis by AgroTools, supplementary documents supporting such release. In this protocol AgroTools considers as “released” the properties that have the following documents submitted by JBS: Declaration from SEMA; False-positive self-declaration issued by the farmer; Conduct Adjustment Agreement (TAC); LAR; LAU; Technical Report of Land Use Dynamic with paid ART (Technical Responsibility Note); Pasture Cleaning Authorization; Police Reports on natural fire and Degraded Areas Recovery Projects (PRAD). Other documents showing that there was no irregularity on the property are evaluated by the JBS’ Sustainability Team and if proven the veracity and integrity thereof, unlocking is done and the documentation is sent for storage in AgroTools database, thus the status of the property is changed to “released”.

There are extraordinary situations in case of blocked properties in which the farm owner has submitted to JBS other kind of documentation, other than those mentioned in the previous paragraph, which JBS’ Sustainability team will review and, if there is support to ensure environmental compliance of the property in question and to change its status, the documentation is sent to AgroTools and requested to be included in the geomonitoring protocol, so that AgroTools stores the document in its digital database and changes the status of the farm to “released”.

Additionally, JBS meets the requirement of the Ministry of Agriculture, Livestock and Supply which provides in Decree No. 5741 of March 30, 2006 the surveillance of animal transit, for acquiring only animals (cattle) that have the Animal Transit Form (GTA) issued, that is, to both the transit of cattle interstate and intrastate. The Company requires the issuance of GTAs regarding the cattle transit from the suppliers farms to the slaughterhouse units, in order to promote cattle traceability and allowing the Brazilian agricultural defense services to track the transit of animals.

## V) Procedures

*Describe the audit strategy (audit trail) and procedures used to demonstrate that the Minimum Criteria have been met, according to Third Party Audit Reference Term 2015 (base year 2014), as established by the Reference Document for each stage of the audit process. Explain how these procedures are applied to analyze direct purchases. If it is necessary to make a sample calculation to define the number of purchases analyzed, it is important that details of the calculation and the figures used should be provided.*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

The procedures adopted consisted in the analysis of documents and information referring to purchases of cattle by JBS within the Amazon Biome region areas during the period from January 1 to December 31, 2014, in accordance with NBC TSC Standard 4400 - Agreed-upon procedures engagement on accounting information, approved by Federal Association of Accountants (CFC) Resolution No. 1.277/10.

The audit process was carried out based on the Third Party Audit Reference Term 2015 (base year 2014), previously agreed between the companies signatories to the public commitment and the NGO Greenpeace and on the related documents submitted by JBS to evidence compliance with the “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”.

The information collected through inspection of documents, was triangulated with questions posed in interviews with the employees of the Company that operate the System for Social and Environmental Monitoring of Cattle Suppliers and the Information Technology, and simulations of the existing tools in the Company ERP system. JBS supplied the following documents for this purpose:

- Working Plan regarding the public commitment, with the objectives accomplished and deadlines for completing the remaining objectives;
- Records of cattle purchases from properties located in the Amazon Biome region during the period from January 1 to December 31, 2014;
- Evidence that the Company is a signatory to the National Pact for the Eradication of Slave Labor and a member of the Institute National Pact for the Eradication of Slave Labor (InPACTO);
- Examples of notices sent by the Company to its cattle suppliers, informing them of its current and future requirements in relation to forest clearance, invasion of protected areas, areas with environmental embargoes and slave labor practices.

- Invoice and GTAs from twenty-five (25) cattle purchases randomly selected in the sample;
- CAR Document from twenty-five (25) randomly selected properties in the sample;
- LAR Document or LAR protocol from twenty-five (25) randomly selected properties in the sample;
- CCIR Document from twenty-three (23) randomly selected properties in the sample.

The geomonitoring company AgroTools also directly supplied the following:

- A list of blocked suppliers (considering the status of the properties at December 31, 2014) generated from analysis of satellite images and the Geographical Information System (the "Geo list" - geospatial monitoring list), with the name of the owner and of the property, the owner and property code, the municipality and state, reason for blocking (which criterion was not met), and the date of the last change in the records for the property in question.
- Geomonitoring Protocol with the criteria for classification ("released", "blocked" or "alert") agreed between AgroTools and JBS;
- Part of the articles of organization and bylaws of AgroTools with definition of its purpose;
- Register Certificate and Register Status on IRS
- Technical Responsibility Note - ART.

The testing was carried out according to the Third Party Audit Reference Term 2015 (base year 2014), after selecting a sample of 10% of cattle purchases made by JBS between January from 1 to December 31, 2014, including every month of the year and proportionally all the JBS processing units supplied with raw material from the Amazon Biome region.

## **Stage 1 - Sampling process, testing of cattle purchases and testing of blocking system.**

### **Step 1 - Selecting the sample**

*Give a brief description of the criteria and procedures for selecting a sample of cattle purchases by the companies in the Amazon Biome region.*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

BDO monitored the preparation of the list of cattle purchases made for all the currently active JBS slaughterhouse units during the period from January 1 to December 31, 2014. The extraction of this database was made directly from the Company's ERP system and included the total cattle purchases made by JBS in Brazil in 2014. A member of the BDO IT staff was also present to ensure the integrity of the information in the database.

After receiving the database for all cattle purchases made by JBS in 2014, the purchases from Vila Rica (State of Mato Grosso) and Anápolis (State of Goiás) units were excluded once these units had their activities interrupted since 2014. Then, only the cattle purchases made by the Company from properties located in the Amazon Biome region were selected. This selection was made by cross-referencing all the Company's purchases during the year with the list of municipalities located in the Amazon Biome region, according to Ordinance No. 96/08 of the Ministry of the Environment (MMA).

From this total of purchases from properties located in the Amazon Biome region between January and December 2014, a 10% sample was taken according to the Third Party Audit Reference Term 2015 (base year 2014), as agreed between the companies and Greenpeace, resulting in a total of twelve thousand two hundred twenty-one (12,221) cattle purchase transactions held by JBS in that period.

The selection method for the sample was determined by BDO, taking each of the twelve (12) months of the sample period and including proportionally all the twenty-eight (28) JBS slaughterhouse units supplied by raw material from the Amazon Biome region. The selection was made by statistical software, applying a 10% sample to each JBS processing unit, thus ensuring a representative proportion of purchases from the various slaughterhouses.

## Step 2 - Testing of cattle purchases

*Give a brief description of how the public lists (IBAMA and MTE) and the Geo list were compared with the samples of cattle purchases, indicating where they coincided and where they did not.*

*If a cattle purchase was identified from a property appearing in any of the lists, give an estimate of the volume of irregular purchases as a percentage of the total sample, and how checking was done of any cattle purchases from irregular suppliers.*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

In order to conduct the cattle purchase testing, the audit team of BDO downloaded on April, 06, 2015 the public list of IBAMA's embargoed areas. For the verification of the public list from MTE, officially called "Register of Employers Fined for Exploitation of Slave Labor", it was used the latest available official list published on July 01, 2014 with an extraordinary update on December 26, 2014. Also in 2014, the public list of MTE was removed from the official website pursuant to an injunction issued in the Direct Unconstitutional Action 5209 of the Federal District transcribed by the Minister President of the Supreme Court Ricardo Lewandowski, proposed by the Brazilian Association of Developers Real Estate (ABRAINCA). As a consequence, there was no new publication of the public list of MTE in December 31, 2014, as at every six months.

In addition, BDO received on April 8, 2015 from the hired company of geomonitoring AgroTools, the list of cattle supplier properties with the status "blocked" due to deforestation inside the Amazon Biome region after October 2009 (PRODES and/or DETER) or because of full or partial area overlap with Indigenous Lands or Environmental Conservation Areas regarding the status of the property on December 31, 2014 ("Geo List").

The IBAMA's public list was crosschecked against the 10% sample of JBS' cattle purchases from the Amazon Biome region, through the common information between the spreadsheets that is the CPF/CNPJ of the suppliers. In this confrontation were identified four hundred and eighty-five (485) cases where there was agreement between the CPFs/CNPJs of the suppliers from the JBS' purchase sampling with those in the public list of IBAMA.

The four hundred and eighty-five (485) cattle purchases were related to one hundred fifty-four (154) CPFs/CNPJs that have environmental embargoes in IBAMA and represented 3.97% of the total sample of purchase transactions. On the other hand, these one hundred fifty-four (154) CPFs/CNPJs represent one hundred eighty-six (186) cattle supplier properties of JBS, or 3.01% of the properties in the sample.

For all purchases made by JBS in which there was the match of CPFs/CNPJs when crosschecking the sample and IBAMA's public list of embargoed areas, the Company was requested to justify these purchases. Below are the details on these cattle purchases and the justifications presented by JBS:

- Twenty-eight (28) cases where the date of the last purchase made in 2014 by JBS is earlier than the date of inclusion of the property in the public list of IBAMA;
- Two hundred ninety-one (291) cases where the embargoed property is located in a different city from JBS' supplier property where the cattle purchase was made;
- One hundred and twenty-seven (127) cases where the name of the JBS' supplier property is different from the name of the property described in the public list of IBAMA, considering the specific IBAMA list's information denominated "Property Location";
- Twenty three (23) cases where the public list of IBAMA does not have the date of the inclusion of the CPF/CNPJ in the embargo list, and JBS presented the Embargo Certificate issued on the IBAMA webpage where is informed the date when the embargo was carried out, enabling to verify that the last purchase from the property in question occurred on a date prior to the date of the embargo;
- Four (4) cases where the IBAMA website does not display the name of the embargoed property, and in the same city of the supplier property where JBS made the purchase. In such cases, JBS presented the Embargo Certificate issued on the IBAMA webpage, where there is information showing that the embargoed property is different from the JBS' supplier property;
- Two (2) cases which do not carry the name of the property in the public list of IBAMA, but which were checked through the geographical coordinates in the Notice of Violation issued by IBAMA, showing that it is the same property. Thus, to justify the purchase of cattle made from the property JBS presented the following documents on the current legal status of the property: Letter of Desembargo issued by IBAMA and an Environmental TAC where is established a commitment to environmental compliance of the property and its respective CAR and LAR;

- One (1) case in which the slaughter of animals was carried out on the same day of the supplier's insertion in the public list of IBAMA. The purchase was justified by the Company with the evidence presented proving that the farmer was not blocked at the moment of execution of the purchase order and preparation of the "slaughter scale", and that the embargo was found only at the moment of billing and issuance of the invoice, i.e., after the slaughter of the animals. The entire process of cattle commercialization comprises the acquisition of cattle, the animal slaughter and billing, nevertheless for this case, the existence of the blockade at the moment of billing was only verified after the animals were slaughtered. It is important to stress that the Third Party Audit Reference Term 2015 (base year 2014) points out that the commitment of slaughterhouse companies refers to the moment of cattle purchase, and although there is a delay between the detection in the public list of IBAMA and the complete process of cattle commercialization, for this case JBS at the moment of slaughter of the animals did not have information on the property's embargo for the system make the blocking;
- One (1) case in which the owner's CPF was included in the public list of areas embargoed by IBAMA downloaded on April 06,2015, with confirmation that it was the same property but JBS showed the public lists of IBAMA's embargoes downloaded in the moment of the purchase demonstrating the absence of that CPF at the period of purchase and that the inclusion occurred only after purchase order was processed.

To eight (8) other cases, due the fact that the names of the properties were not included in IBAMA's public list and because the embargoed properties' city was the same as the JBS' property supplier the Company internally performed the following analysis:

- Reproduction of the geographical coordinates of the embargoed property contained in IBAMA's Notice of Violation;
- Reproduction of the geographical coordinates of the supplier property registered in the supplier farm register of JBS' ERP system;
- Checking the boundaries of the polygon property (georeferenced map) registered in JBS' System for Social and Environmental Monitoring of Cattle Suppliers.

For these cases JBS concluded that the geographical coordinates listed in IBAMA's Notice of Violation are located outside the polygon boundaries of the property included in the JBS's System for Social and Environmental Monitoring of Cattle Suppliers. Therefore, the Company concluded that it was not the same property and generating evidence that support compliance of the purchase.

Therefore, were no purchases of cattle identified in violation of the Third Party Audit Reference Term 2015 (base year 2014) for the purchase testing related to the public list of areas embargoed by IBAMA.

The public list of MTE was also crosschecked against the sample of purchases through the CPF/CNPJ. In this comparison, seven (7) cattle purchases transactions referring to three (3) CPFs included in MTE public list were identified. The purchases from these CPFs represented 0.06% of the total sample of purchases and as can be seen in detail below these cases were not confirmed as non-conformities.

In all cases analyzed the last purchase made by JBS was before the entry of the CPF/CNPJ of these suppliers in the MTE public list. So it was not identified any cattle purchase in violation with the Third Party Audit Reference Term 2015 (base year 2014) to the criterion of slave labor.

When crosschecking the "Geo List", the common field between the "Geo List", made available by the geomonitoring firm hired (AgroTools), and the sample of purchases was the supplier property code. Two hundred and sixty-nine (269) purchases related to one hundred and eight (108) supplier properties were then identified, which have been classified by AgroTools' analysis as "blocked" on December 31, 2014, and from which JBS has made purchases in 2014. These two hundred and sixty-nine (269) cases of purchases represent 2.20% of the total sample of purchase operations.

From the total purchases classified as "blocked", in two hundred fifty-four (254) cases it was found that the date of cattle purchase from the supplier property was earlier than the date on which the analysis of AgroTools ranked the status of the property as "blocked", thus proving the compliance of the purchase.

For all other cases, it was requested to JBS justifications for these purchases made from supplier properties classified by AgroTools analysis as "blocked" on December 31, 2014. The Company then presented the following justifications:

- In three (3) cases it was verified partial overlap of the supplier property with the Indigenous Land Vale do Guaporé. As justification, JBS presented to BDO's auditors an official statement from FUNAI, dated from October 31, 2008, delivered by the farmer to JBS, in which the public agency recognizes the boundaries of the supplier property and the Indigenous Land, demonstrating that there is no dispute or disagreement on the common boundaries between the JBS' supplier property and the Indigenous Land Vale do Guaporé. Based on FUNAI's Declaration, there was the manual release of the property block in the Company's purchasing system (ERP system), by JBS' Sustainability team. Later, because it was an extraordinary event, not foreseen in the protocol established between JBS and AgroTools, this document was sent and stored in the database by AgroTools, which considered the decision plausible and coherent;
- In two (2) cases, the history of classification of the supplying property was sent by AgroTools to BDO's auditors, showing that the property was classified with the status of "released" on the date that the cattle purchase was conducted by JBS. In this case, the classification of property as "blocked", by AgroTools analysis, was recorded at a later date from the purchase by JBS, due to a review of geomonitoring after receipt of changes in the farm polygon boundaries;
- In two (2) cases the slaughter of animals was carried out on the same day of the change in the property status in AgroTools list. The fact was justified by the Company with the evidences presented proving that the property was not blocked at the moment of execution of the purchase order and preparation of the "slaughter scale", and that the change in the status of the supplier property to "blocked", according to AgroTools' analysis, was found at the moment of billing and issuance of the invoice, i.e. after the slaughter of the animals. The entire process of cattle commercialization comprises the cattle acquisition, the animal slaughter, and billing, nevertheless, for this case it was only verified the existence of the blockade at the moment of billing, after the slaughter of the animals . It is important to stress that the Third Party Audit Reference Term 2015 (base year 2014) points out that the commitment of slaughterhouse companies refers to the moment of cattle purchase, and although there is a delay between checking the "Geo List" and the complete process of cattle commercialization, for this case, JBS at the time of slaughter of the animals, did not have information on the property's blocking by AgroTools, to make the block in its system;

- In one (1) case the history of classification of the supplying property was sent by AgroTools to BDO's auditors, showing that the property was classified with the status of "released" on the date that the purchase was conducted. In this case, the blockade was registered at a later date from the date of purchase, due to a review of the monitoring after publication of DETER's data;
- In one (1) case it was presented by JBS a farmer's self-declaration of False-positive Deforestation, containing the data of the property, data of the owner and signature of the supplier notarized in notary's office, indicating that there was improper appointment of PRODES on the property. For this case, at the request of JBS, it was carried out by AgroTools a process of Advanced Analysis of the property (multi-temporal analysis of different satellite images), in order to generate a support element and evidence to the decision to release the farm. This analysis showed a favorable result to false-positive deforestation note on the property;
- In one (1) case, the property was classified as "blocked" for PRODES 2010, according to analysis of AgroTools, but JBS presented to BDO's auditors an Authorization for Forestry issued by SEMA of the State of Mato Grosso, for the year 2010, and there was the manual release of the property by the JBS' Sustainability team. Later, because it is an extraordinary event, not foreseen in the protocol established between JBS and AgroTools, this document was sent and stored in the database by AgroTools, which considered the decision plausible and coherent;
- In one (01) case was received from JBS a declaration from SEMA of the State of Mato Grosso exempting the property from any liability of deforestation or intentional fire in vegetation. This SEMA's declaration is registered in JBS protocol of geomonitoring conducted by AgroTools, which ranks as "released" the properties that have such a statement from SEMA, and therefore after receiving the document from JBS, AgroTools made the change in status and classified the property as "released".

For the four (4) following cases, representing 0.03% of the sample of purchase operations, BDO considered the purchases as not in compliance with the public commitment:

- In two (2) cases, corresponding to one (1) cattle supplier property, was presented by JBS to the BDO's auditors the LAR protocol of the property, which proves the progress of the process of environmental licensing of the property. For these cases, JBS believes that the supplier property has entered into an agreement with the environmental agency for environmental regularity, thus, although AgroTools classifies the property as "blocked" for PRODES 2011, the Company performed manually released the block of the property for cattle purchase. For these cases, BDO believes that the environmental licensing process in progress does not ensure the ability of farmers to correct environmental violations practiced, and therefore, evaluated these cases as non-compliant in relation to the Third Party Audit Reference Term 2015 (base year 2014);
- In two (02) cases corresponding to 01 (one) supplier property, it was found through AgroTools' analysis, the partial overlap of the property area with the Environmental Conservation Area, "Parque Estadual Serra de Santa Bárbara". However, JBS made the manual release of the property blocked in the Company's system. The justification for the release of the purchase was the existence of a condition of land use in the Management Plan for the Environmental Conservation Area, which allows for extensive cattle ranching in its buffer area. However, it was found that the overlap occurs beyond the area allowed by the Management Plan. JBS also submitted the protocol of Rural Environmental License (LAR) of the property, which proves the progress of the environmental licensing process of the supplier property for its environmental compliance with the environmental agency. For these cases, JBS believes that the property has entered into an agreement for environmental regularity. However, BDO believes that the environmental licensing process in progress does not ensure the ability of the owner to correct the environmental violations practiced. Thus, BDO considered these cases as non-compliant in relation to the Third Party Audit Reference Term 2015 (base year 2014).

The evidence presented by JBS, generated by AgroTools, used images from the "Geo List", searching for the history of properties since the beginning of geomonitoring analyses carried out by AgroTools (April 2013), thus identifying any change in the status of the property. Based on JBS claim that although it appears with the "blocked" status, the property might be "released" if any additional document supports such release, as shown in chapter "IV) Description of the Company and of the cattle purchasing process in respect to the Public Commitment with Greenpeace".

The results of these analyzes can be found in the appendices of this Report, in Table 2 - Non-conformities found.

### **Step 3 - Testing of blocking system**

*Give a brief description of how the monitoring system for cattle purchases in the Amazon Biome region was assessed, how purchase blocking is fulfilled (automatic or manual, unblocking mechanism if applicable), and what checks were made to identify any failures to block purchases of cattle from irregular suppliers.*

*If unblocking of a supplier is permitted, describe the criteria applied.  
(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

In order to evaluate the effectiveness of the Company's blocking system, the Terms of Reference points out that testing should be performed in the blocking system from the totality of irregular suppliers obtained when crosschecking the samples against the lists (IBAMA, MTE and Geo).

In this procedure, agreed on the Third Party Audit Reference Term 2015 (base year 2014), the methodology of BDO indicates for population size, a minimum amount of cases to be assessed in a sample. This process has indicated the analysis of fourteen (14) cases for each criterion (IBAMA, MTE and Geo), however, for the criteria MTE and "Geo List" there were no irregular cases in sufficient number to carry out the tests with the number of samples indicated by BDO methodology. Thus, the purchasing process was simulated for ten (10) properties under the MTE criterion, ten (10) properties under the "Geo List" and fourteen (14) properties under IBAMA, totaling thirty four (34) properties in the sample for conducting of the purchase of cattle testing in the computerized system of the Company (ERP System).

For irregular cases of slavery or degrading labor (MTE criterion), only three (3) owners were identified when crosschecking the lists, considering the sample, thus not reaching the minimum number required by the Third Party Audit Reference Term 2015 (base year 2014) of ten (10) properties to be tested. As the crosschecking of MTE public list was made by the CPF/CNPJ, additionally other farms of the same owner were consulted (linked to the same CPF/CNPJ), thus completing the minimum ten (10) cases necessary for the blocking test of this criterion.

After the thirty four (34) properties were selected, the blocking simulations of suppliers were performed on April 16, 2015 in computers of the cattle purchase staff of JBS of the units Marabá (State of Pará) and São Miguel do Guaporé (State of Rondônia) (randomly selected units), via remote access and conference call, using the tool TeamViewer, with access by ID and password. JBS unit of Alta Floresta (State of Mato Grosso) was also randomly selected to participate in the verification of blocking test, but the unit had a TeamViewer software version incompatible with the equipment used in the head office in which the tests were being carried out, and the remote access was not possible. Thus, the unit was disregarded in the examinations and the tests were all performed in the other two (2) selected units.

As a result of the blocking tests of JBS' supplier farms present in the public list of IBAMA, we found that twelve (12) properties were blocked for purchase at JBS ERP system, so when trying to complete the purchase, the ERP system introduced a blocking message and stop recording (inclusion) the purchase order, i.e. the automatic block did not allow the realization of the purchase of cattle from non-compliant properties in this criterion. During the tests, two (2) farms were released in the Company's ERP system at the moment of the analysis. JBS presented evidence that those properties were released for purchase because they were not the same property embargoed by IBAMA, one located in a different city from that included in the public list of IBAMA, and one with different name. So, the two (2) properties that were released for purchase in the ERP system were in line with the social and environmental criteria of the Company and with the Third Party Audit Reference Term 2015 (base year 2014).

In the purchase simulations of JBS suppliers present in the public list of MTE, all operations were blocked in ERP system and it was not possible to proceed with the recording system (inclusion) of the purchase order, i.e., the automatic block did not allow the purchase of cattle from non-compliant properties with this criterion.

Finally, in the purchase testing of the properties in the "Geo List", seven (7) farms were blocked and other three (03) were released. For the latter cases, JBS presented the following justifications:

- In one (1) case the farmer presented to JBS an official statement from FUNAI, dated from October 31, 2008, in which the public agency recognizes the boundaries of the supplier property and the Indigenous Land, demonstrating that there is no dispute or disagreement on the common boundaries between the JBS' supplier property and the Indigenous Land. Based on FUNAI's Declaration, there was the manual release of the property block in the Company's purchasing system (ERP system), by JBS' Sustainability team. Later, because it was an extraordinary event, not foreseen in the protocol established between JBS and AgroTools, this document was sent and stored in the database by AgroTools, which considered the decision plausible and coherent;
- In one (1) case, it was presented by JBS one self-declaration of False-positive Deforestation, containing the data of the farm, the data of the owner and signature of the supplier recognized in the notary's office, indicating that there was improper appointment of PRODES on the property. For this case, at the request of JBS, it was carried out by AgroTools a process of Advanced Analysis of the property (multi-temporal analysis of different satellite images), in order to generate a support element and evidence to the decision to release the farm. This analysis showed a favorable result to the false-positive deforestation pointed in the property. Because the situation has been examined by AgroTools in 2015, and due to change in the status of the property to "released", the property was released on the Company's computer system. The "Geo List" of December 31, 2014 received by BDO had this supplier farm with the status "blocked";
- In one (1) case, JBS delivered to BDO' auditors a self-declaration of False-positive Deforestation dated from January 15, 2015 of the property in question, containing the data of the property, the data of the owner and signature of the supplier recognized in the notary's office, indicating that an accidental or natural fire occurred on the property in 2011. Therefore, as JBS considers self-declarations of farmers claiming false-positive in the geomonitoring protocol, upon receipt of the document, the property had its status changed to "released", and therefore it was released in the Company's computer system at the moment of the blocking test and it was possible to record a purchase order for that supplier property. The "Geo List" of December 31, 2014 received by BDO had this farm with the status of "blocked".

After examination of the justifications, it can be concluded that the JBS purchase blocking system is effective.

The results of these analyses can be found in the appendices of this Report, in Table 3 - Blocking test results.

## Stage 2 - Hired geomonitoring company (AgroTools)

### Step 1 - Verification procedures

To execute this step of the work, the Third Party Audit Reference Term 2015 (base year 2014) demands that the auditing firm review the procedures adopted by the hired geomonitoring company, ensuring the integrity and transparency of the process of preparing and updating geographical information feeding the systems of purchase and blocking of cattle supplier properties of the Companies.

Therefore, it was requested for the audit to verify whether the contracted party is duly empowered to carry out the activities, considering the Corporate Purpose, CNAE (Brazilian Classification of Economic Activities), Technical Responsibility at CREA (Regional Council of Engineering, Architecture and Agronomy), and checking the experience of the professionals involved.

To this end, the following documents indicating the integrity and competence of AgroTools were delivered:

- Part of the articles of organization and bylaws of AgroTools with definition of its purpose;
- Geomonitoring Protocol with the classification criteria ("released", "blocked" or "alert") agreed between AgroTools and JBS;
- Proof of Enrollment and Registration Status on IRS issued on March 30, 2015;
- Technical Responsibility Note (ART) from two (2) AgroTools' professionals issued by CREA-SP).

In addition, the Third Party Audit Reference Term 2015 (base year 2014) calls for a simulated case of each of the geomonitoring criteria that the geomonitoring company applies to JBS.

To carry out this phase of the work, the team of BDO visited the sales office of AgroTools and met with the staff of the company that provide services to JBS. The team of AgroTools made a presentation to the audit team, describing and demonstrating the steps of geomonitoring, which have already been exposed in this Report. In addition, they simulated cases of JBS supplier farms with the status of "blocked", previously selected by BDO.

For the simulation, it was selected a case of supplier farm with status "blocked" due to deforestation in the Amazon Biome region after October 2009, a case of overlapping of Indigenous Land and one case of overlapping of Environmental Conservation Area. All these properties were selected from the list of JBS supplier farms with the status "blocked" by the analysis of AgroTools on December 31, 2014.

In this simulation, the AgroTools's team showed what was the analysis that led to the decision to classify the supplier farm as "blocked" by following the procedures already described in this Report, in item "IV) Description of the Company and of the cattle purchasing process in respect to the Public Commitment with Greenpeace".

## **Step 2 - Evaluation of monitoring criteria**

The geomonitoring protocol describing all the classification criteria ("released", "blocked" or "alert") agreed between AgroTools and JBS are described in "IV) Description of the Company and of the cattle purchasing process in respect to the Public Commitment with Greenpeace", in which is detailed the purchase blocking system used by the Company, and how its updating is carried out according to the "Geo List" received from the company specialized in geomonitoring. This information was collected in a visit to AgroTools' office with those responsible for the JBS monitoring project and by interviews with employees of JBS involved with environmental monitoring stages of the cattle purchase.

## **VI) Results of the audit process**

*On the basis of the procedures applied, state whether any purchase transaction was identified that does not meet all the points of the public undertaking, indicating the root cause of non-compliance with the Minimum Criteria.*

*Include a "Working Plan" table, when applicable*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

In order to ensure compliance with the Minimum Criteria, tests were performed already mentioned in the previous items and additional analyses were undertaken. These were: an analysis of the environmental legal compliance documents CAR and LAR or LAU (and/or protocol), and an analysis of property title deeds - CCIR, invoices and GTAs.

Considering the environmental and title documents, below is the percentage of suppliers within the 10% sample of purchases from the Amazon Biome region considered in this analysis, for which JBS records have information on CAR, LAR/LAU and Protocols and CCIR:

- CAR: 19.58%;
- LAR/LAU and LAR/LAU Protocol: 3.79%;
- CCIR: 0.16%;

In order to check the environmental and property title documents (CAR, LAR/LAU and CCIR) on the official websites of the corresponding SEMAs and INCRA, and to confirm the legality of the documents as agreed in the Third Party Audit Reference Term 2015 (base year 2014), considering the high number of purchases from the sample of 10%, and the time constraints related to the analysis and verification of these documents with the official agencies, it was considered a sample of twenty-five (25) cases (cattle purchases) randomly selected for each type of document (CAR, LAR/LAU/protocol) from the 10% of purchases from the Amazon Biome region. For cases of CCIR twenty three (23) cases were selected, due to the number of documents in JBS supplier register for the sampling selected.

From the twenty-five (25) CAR documents requested, JBS supplied us with twenty-four (24). Twenty-two (22) of these were shown as “registered” or “active” on the respective SEMA website. In addition, in one (1) case was given a CAR document which did not correspond with the same number recorded in the register of suppliers. JBS claimed that there was an error in the supplier's registration and reported that it was settled. In another case, CAR documents on behalf of another owner were received along with a land lease agreement, but this had expired due date.

JBS supplied us with the twenty-five (25) LAR/LAU documents (or LAR/LAU Protocols) requested for sampling. Of all delivered documents, twenty-one (21) were complete, existing or in progress phase and could be accessed at the website of the respective SEMA. From the other four (4) cases and documents delivered, two (2) had an outdated processing history they did not match the protocol number recorded in the supplier register, in one case the LAR document was expired and the owner filed a new application that is under review, but this does not appear registered in the register of the supplier and requires updating. In the latter case, the LAR received had a different owner name from the one recorded in JBS supplier register, and along with it a lease agreement ended in 2012.

As for the analysis of the CCIR, within the 10% sample of purchases from the Amazon Biome region, only twenty-three (23) properties had their CCIRs registered in the system. The documents were therefore requested from and supplied by JBS. On consulting the INCRA website, we found eleven (11) CCIRs, in two (2) CCIRs it was not possible to check the website due to lack of access to more information about the CNPJ the INCRA website requires, five (05) showed data divergent from the registration and the update in INCRA units is required, one (01) could not be issued because the property is not updated in INCRA's base systems, and for four (04) of the documents consulted the property was considered impeded to issue the CCIR.

For the analysis of twenty-five (25) invoices randomly selected and their GTAs, complete documentation was found in eighteen (18) cases. In one (01) case, the number of animals in the invoice did not match the number of animals registered in the GTA and other six (06) were not presented by JBS.

The results presented above represent the analyses of the documents sent by JBS and received by BDO within the period agreed to by both parties. Documents sent after the agreed time were not considered in the analysis.

Another requirement of the "MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME" is for the National Pact for the Eradication of Slave Labor to be signed. The association of JBS with InPACTO (Institute National Pact for the Eradication of Slave Labor) can be confirmed on the official website ([www.pactonacional.com.br](http://www.pactonacional.com.br)), which contains all the signatories of the National Pact and by the companies' association terms to InPACTO and commitment to the National Pact for the Eradication of Slave Labor presented by JBS.

Regarding the criteria for rejection of land grabbing and violence in the countryside, there are no public information allowing the identification of irregular suppliers to implement the blocking procedure in the Company's purchase system, in addition, JBS said it has received no statement/report of prosecutor or by Institutes of Federal Land or state with information about these cases.

To the issue of traceability of production, in addition to aspects already described in the section on bovine cattle purchase process of this report and the fact that JBS has at least one pair of geographic coordinates of the supplier properties with which negotiated in 2014, it is important to stress that the Company has made every effort to increase the number of suppliers who possess digital maps of their properties. A highlight of these efforts is the Company's recent initiative called "Easy Map", a tool developed by JBS, which will give every cattle supplier of the Company that does not have a digital map of the property, the opportunity to develop one, free of charge, at any of the JBS slaughterhouse units in the Brazilian Legal Amazon region.

To take part in the "Easy Map" project, the JBS supplier must present at least one document, such as a Property Descriptive Memorandum, Property Registration, Title Deeds, LAR/LAU or CCIR, for example. Afterwards the Company's Sustainability team verifies the information presented in the new digital map with the information presented in the legal documents. If the information matches, the map is validated and included in JBS' System for Social and Environmental Monitoring of Cattle Suppliers.

Still, in order to demonstrate compliance with the requirements of the Minimum Criteria agreed with Greenpeace regarding the implementation of the commitments in its supply chain, JBS recently created the "Legal Supplier Program", which assists the cattle suppliers of the Company and offers partnership with a network of specialized environmental consulting companies, in all regions of Brazil, to guide and conduct the environmental regularization of rural properties. This project is being circulated in several vehicles, highlighting the importance of environmental regularization of property for ranchers.

At the same time, there are also other Company communications activities with its suppliers, in order to inform the social and environmental criteria adopted when purchasing their raw material and clarifying that the cattle suppliers that do not comply with their demands will have their commercial records locked.

The main forms of communication of JBS with its suppliers on this topic are: its Annual and Sustainability Report, its official website, specialized magazines of the sector and the TV program "Giro do Boi" in the Rural Channel, which broadcasts various information about the Company and news on the world of agriculture for all farmers.

Complementing the efforts to fulfill the Minimum Criteria, JBS announced its "Working Plan" which was published in 2012 and is annually updated by the Company to monitor the progress of actions already initiated. The Working Plan of JBS can be found on the official website of the Company ([www.jbs.com.br](http://www.jbs.com.br)). The document demonstrates the advances made to date and its proposed initiatives. It is noteworthy that the Working Plan is not part of BDO team check scope, in accordance with the Third Party Audit Reference Term 2015 (base year 2014). Therefore, the audit team did not conduct any analysis or verification of its content.

### **1. Access to information**

*Give a brief description of the conditions of access to information essential for proving the company's compliance with the Minimum Criteria. Complete Table 1, identifying all the documents analyzed and giving references (date or code and version).  
(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

JBS made available all the documents and information requested by the BDO team to enable us to check compliance with the Minimum Criteria.

It was possible to gain access to the computer system of the Company's purchases (ERP System), cattle purchases report made in 2014, information from the System for Social and Environmental Monitoring of Cattle Suppliers of JBS cattle supplier farms, and all requested documents relating to the purchases of the selected sample.

Additionally, the people responsible for the information needed to understand the procedures were available to answer BDO team's queries.

Table 1 shows below the principal documents used in carrying out our analysis, and their references (date or code and version).

Table 1. Checklist of documents analyzed

Document name	Date of coverage/code and version	Checked (Y/N)
Working Plan	Available at: ( <a href="http://www.jbs.com.br">www.jbs.com.br</a> ) - Version of May, 2015	N
Procedures	For the period from January 1 to December 31, 2014	Y
Registers	For the period from January 1 to December 31, 2014	Y
Monitoring System	For the period from January 1 to December 31, 2014	Y
Blocking System	For the period from January 1 to December 31, 2014	Y
List of Suppliers	All suppliers located in the Amazon Biome region, for the period from January 1 to December 31, 2014	Y
Public list of embargoed properties - IBAMA	List downloaded on April 6, 2015 ( <a href="http://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php">http://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php</a> )	Y
Public list of individuals / companies - slave labor - MTE	The list is not available for download from the MTE website. For this reason, we used the public list of biannual update of 07.01.2014, with extraordinary update on 12.26.2014	Y
List of Blocked Suppliers - Geo	List received by email direct from AgroTools on April 8, 2015	Y

## 2. Exceptions

*The audit company must show clear evidence of exceptions, describing the problem and taking concrete facts into account, so that the report may serve as a tool for continuing improvement in the company's purchase system.*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

There was no exception (non-compliant cases) found in the tests of cattle purchases related to IBAMA and MTE public lists and of JBS' blocking system. The questions and doubt points raised by the auditors were justified by JBS.

In the tests of cattle purchases regarding the "Geo List", four (4) purchases that did not comply were identified, representing 0.03% of the sample tested.

Details of these cases are given in the body of this Report.

## VII) Audit limitations

*If the auditor met any difficulties or restrictions, this should be noted in the report.*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

The scope of our work was defined to permit us to obtain an adequate degree of certainty, and includes the assessment of compliance regarding the adoption of the “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”, according to the Terms of Reference agreed between the signing Companies and the NGO Greenpeace, for the period from January 1 to December 31, 2014.

Our report is intended solely for this purpose, and should not be used for any other ends, nor may it be passed on to third parties who have not assumed responsibility for its sufficiency or agreed with these procedures. This report is related exclusively to the items specified in the “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”, and does not cover the financial statements of JBS.

More details are given in our report on Agreed-upon Procedures, in accordance with NBC TSC Standard 4400, approved by CFC Resolution No. 1.277/10, which will be delivered to JBS. Only JBS may pass it on to other parties as it deems necessary.

In accordance with NBC TSC Standard 4400, applied in this assurance procedures, which set the methodology for Agreed-upon Procedures Reports, the procedures mentioned throughout the report do not constitute an audit or a review carried out in accordance with standards applicable in Brazil, not allowing us to express any assurance on the livestock purchases for the period from January 1 to December 31, 2014 or on the effectiveness of JBS internal controls relating to such processes.

If we had applied additional procedures or carried out an audit or review of the financial statements according to the audit and review standards applicable in Brazil (NBC TAs or NBC TRs), other matters might have come to light for inclusion in our report.

## VIII) Conclusions

*Give your conclusion on the results shown, identifying any evidence found that the undertakings assumed have not been fulfilled. The conclusion should contain an annual assessment of direct cattle purchases, according to the undertaking.*

*(Extract from Third Party Audit Reference Term 2015 (base year 2014))*

On the basis of our work, as described in this Report, our analysis indicated that from a sample of 12,221 cattle purchase transactions made by JBS in the region of the Amazon Biome, for the period from January 1 to December 31, 2014, there was no non-compliance confirmed for the tests of cattle purchase related to IBAMA and MTE public lists, and to JBS' blocking system. In the purchase test related to the "Geo List", 4 (four) non-compliant cattle purchase transactions were identified that could not be justified by JBS, representing 0.03% of the total purchases analyzed in this test.

Further information will be arranged in the Report on Agreed-upon Procedures, held by JBS.

São Paulo, May 18, 2015.



**BDO RCS Auditores Independentes SS**  
CRC 2 SP 013846/O-1

  
**Mauro de Almeida Ambrósio**  
Accountant CRC 1 SP 199692/O-5

  
**Vivieni Alves Bauer**  
Accountant CRC 1 SP 253472/O-2

APPENDIX

**Table 1 - Total purchases and sampling in base year 2014**

1 - Total purchases and sampling (base year 2014)	
Total cattle purchase operations originally from the Amazon Biome region conducted by JBS from January 1 to December 31, 2014.	Total cattle purchase transactions sampled (10% of the total) to perform the presented analyses.
122,056	12,221 <sup>1</sup>

<sup>1</sup> The total number of cattle purchased operations sampled was higher than 10% of 122,056 due to numerical rounding when calculating the sample from each unit.

**Table 2 - Non-conformities found**

2 - Non-conformities (base year 2014)			
Cattle purchases originating from:	Total purchases in non-compliance	% of purchases in non-compliance in relation to the totality of cattle purchases in the year in the Amazon Biome region	% of purchases in non-compliance in relation to the totality of cattle purchases sampled
Properties where deforestation was identified after October/2009	2	0.002%	0.02%
Properties blocked for being located in Indigenous Land	0	0%	0%
Properties blocked for being located in Environmental Conservation Area	2	0.002%	0.02%
Property blocked for being included in the public list of MTE (slave labor)	0	0%	0%
Property blocked for being included in the public list of IBAMA (embargoed area)	0	0%	0%

**ACTIONS TO MITIGATE NON-COMPLIANCE IDENTIFIED \***

\* Text provided by JBS

**1- UPDATE OF THE PROCEDURE MANUAL**

The cases identified as non-compliant by the audit are due to situations that constitute environmental compliance of the property and that were not provided in the procedures agreed between JBS and AgroTools. Because of this, a review and update of the procedures will be made and its formalization in the Procedure Manual of the JBS' System for Social and Environmental Monitoring of Cattle Suppliers will be performed.

**2- PROCESS OF INTERNAL AUDIT OF LIVESTOCK PURCHASES**

In 2014 JBS implemented an internal audit process of the Company's purchases of cattle, with daily surveys to improve the JBS' System for Social and Environmental Monitoring of Cattle Suppliers. This process aims to identify possible weaknesses in procedures and system failures, to promote the necessary corrections in order to maintain the process integrity.

**Table 3 - Results of the blocking test**

3 - Blocking Test <sup>2</sup>			
	Total number of simulation tests of cattle purchase in the system of the Company (ERP System)	In accordance	Not in accordance
IBAMA	14	14	0
MTE	10	10	0
Geo (PRODES, DETER, TI and UC)	10	10	0

<sup>2</sup> Purchase simulation held in the computerized system of cattle purchases of the Company, in order to verify whether the System for Social and Environmental Monitoring of Cattle Suppliers shows failures when blocking properties not in accordance with the criteria established by the organization and detailed in this report.