



# **GUIDE FOR RETAILERS:**

## Developing an Effective Beef Procurement Policy





## Guide for Retailers: Developing an Effective Beef Procurement Policy

### General Coordination

Supervising Agricultural, Cattle-breeding and Forest Chains  
Beef on Track Program

### Authors:

Lisandro Inakake de Souza  
*Agronomist Engineer*  
*Project Coordinator at IMAFLORA*

Cecilia Korber Gonçalves  
*MSc in Materials Engineering*  
*Consultant*  
*Kultiva Consultoria em Sustentabilidade Ltda*

Carlos Rigolo Lopes  
*MSc in Public Policy Management*  
*Consultant*  
*CRL Governança Socioambiental LTDA*

### Co-developers:



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# SUMMARY



## 1.

**INTRODUCTION ..... 5**

**WHY CREATE A RESPONSIBLY-SOURCED BEEF PROCUREMENT POLICY ..... 6**

## 2.

*2.1. References of public commitments .....6*

## 3.

**WHAT SHOULD BE INCLUDED IN THE BEEF PROCUREMENT POLICY? ..... 8**

*3.1. Introduction .....8*  
*3.2. Commitments of the organisation ..... 11*  
*3.3. Implications for suppliers ..... 12*  
*3.4. Definition of responsibilities ..... 13*

**STEP-BY-STEP FOR THE CREATION AND IMPLEMENTATION OF THE POLICY ..... 14**

## 4.

*4.1. Policy development and approval ..... 14*  
*4.2. Policy implementation strategy ..... 14*  
*4.3. Beef Purchasing Procedure ..... 15*  
*4.4. Policy communication ..... 16*  
*4.5. Procurement policy training ..... 17*  
*4.6. Ongoing improvement ..... 18*

## 5.

**MAINTAINING TRANSPARENCY ABOUT THE RESULTS ACHIEVED ..... 19**

**GLOSSARY ..... 20**

## 6.

## 7.

**BEEF PROCUREMENT POLICY MODEL ..... 21**



# INTRODUCTION

The retail, cash-and-carry and wholesale sectors are an important link in the responsibly-sourced beef chain because it has a direct link to consumers and civil society, which demands transparency in product origin. The sector can exert enormous influence by sharing its concerns with its beef suppliers and requiring, for example, that the cattle sourcing farms be monitored from a social and environmental aspect.

In this context, the Beef on Track Program was established with the objective of bolstering the social and environmental commitments in the value chain of beef in the Amazon and boosting its implementation by improving the criteria and technical instruments used to monitor and verify the commitments undertaken.

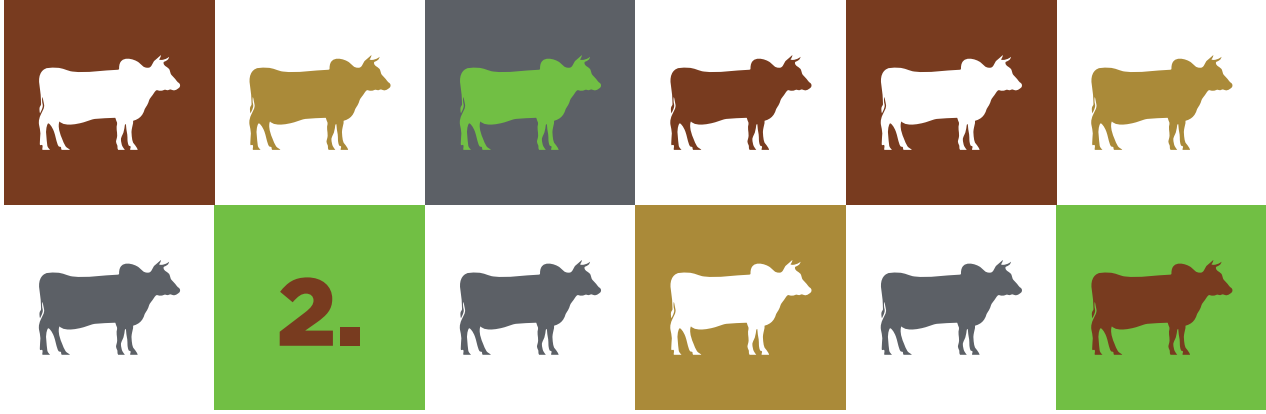
One of the first actions of the Program, on the Retail front, was for Imaflora, Abras and representatives of the sector to meet to develop and implement the **Guide for Retailers: Developing an Effective Beef Procurement Policy** with the support of public prosecutors, representatives of the beef companies and civil society organisations.

This document offers guidelines for organisations to create and implement their beef procurement policy, with commitments to monitor and evaluate their Amazon-based cattle suppliers, avoiding duplication of efforts and resources in the control and traceability of the beef sold, starting at the farm of origin of the cattle.

The policy of each company should be applicable to its entire area of operation where suppliers are located, and may include the Amazon, Cerrado, Pantanal, or any other biome. However, this Guide focuses on the Amazon, for full compliance with the **Monitoring Protocol for Cattle Suppliers in the Amazon (PMFGA)**, the main reference of this work and available on the Beef on Track Platform ([www.beefontrack.org](http://www.beefontrack.org)).

With the voluntary establishment of public commitments by the companies in the sector, we expect an evolution in the monitoring of beef suppliers that will consequently lead to more transparency in the origin of the beef offered to customers and consumers in alignment with national and international commitments to reduce deforestation.





# WHY CREATE A RESPONSIBLY SOURCED BEEF PROCUREMENT POLICY?

The establishment of a policy is the first step towards formalising the organisation's commitments to protecting forests, people, and the business from risk. That's why the organization should formalize it in the eyes of its internal and external audience. The organisation must consider that:

- The policy may be a public document that relates solely to the purchase of beef or its requirements may be part of another existing policy, such as the Sustainability Policy or the Procurement Policy.
- The policy can be corporate or related to a specific division or unit, depending on the structure of the organisation. In the case of corporate policies, especially in large organisations, there are several implementation challenges that need to be overcome to ensure consistency in practices, such as alignment of the various teams and bureaucratic procedures that may vary depending on location.
- The policy must contain all information needed for decision making involved in selecting, qualifying or eliminating beef suppliers. The policy defines all objectives and what should or not be acquired.

There is no definitive formula for developing a good policy but it is expected to include clear, measurable, achievable, time-bound and realistic objectives for each company. Very complex policies can become expensive and unsustainable in the long run, leading to the disqualification of many companies from the supplier base and make business impossible. A lack of robustness in the

policy may lead to a lack of transparency and may perpetuate socio-environmental harm (unseen deforestation, slave labour, etc.). It is important to strike a balance.

## 2.1 REFERENCES OF PUBLIC COMMITMENTS

The organisation may use some of the main public commitments related to the beef supply chain as a benchmark to set up the Beef Procurement Policy:

- The Term for Technical Cooperation for Sustainable Livestock signed by ABRAS in 2013 (more information in the table).
- The Legal Beef TAC , signed by several meatpacking companies and in effect since 2009.
- The Public Livestock Commitment, signed in 2009 by JBS, Marfrig, Minerva and Greenpeace<sup>1</sup>.
- Monitoring Protocol for Cattle Suppliers In the Amazon, developed under the Beef on Track Program and formalized by the the 4th Environmental Chamber of the public prosecutor's office in 2020 ([link](#)).

<sup>1</sup> Greenpeace withdrew from the agreement in 2017. (Source: After a series of scandals, Greenpeace withdrew from the Livestock Commitment. Accessed on: March 19, 2020. Available at: <https://www.greenpeace.org/brasil/blog/apos-escandalos-greenpeace-suspende-participacao-no-compromisso-da-pecuaria/>)



- Audit Protocol for Monitoring Cattle Suppliers in the Amazon, in development under the Beef on Track Program<sup>2</sup>.
- Working Group for Indirect Suppliers (GTFI), the main forum to discuss monitoring of indirect suppliers.

Other elements may be used as references, such as:

- National and international initiatives (UN's Sustainable Development Goals).
- The Sustainable Livestock Working Group (GTPS).
- The Working Group for Indirect Suppliers (GTFI).
- Global Roundtable for Sustainable Beef (GRSB) and their Global Sustainability Goals.
- Tools for implementing control over the beef production chain (DCF Regional Guidance and Accountability Framework Initiative).
- The corporate guidelines of the organisation (mission, vision, values, principles and ambition).
- Cases of role models in the sector that have implemented an effective beef procurement policy.

## TERM OF TECHNICAL COOPERATION FOR SUSTAINABLE LIVESTOCK

In 2013, the Brazilian Supermarket Association (ABRAS) agreed, along with the 4th Chamber of Environmental Coordination and Revision of the Public Prosecutor's Office, to create systems and practices to discourage the Brazilian supermarket sector from purchasing beef from deforested areas in the Amazon and others with environmental and social irregularities. The specific objectives of such Term of Cooperation is to inform, disclose and guide the Companies of the Brazilian Supermarket Sector in regard practices that:

- Boost national production
- Improve the image of the productive sector
- Increase the level of awareness of the Brazilian consumer
- Help to curb, with the goal of eradicating, slave labour in the beef chain
- Support and reduce deforestation and recover deforested areas
- Encourage an increase production in already cleared areas
- Support legal incentive policies and credit for producers
- Support the protection of indigenous rights, traditional populations and quilombolas
- Help to empower the local sector so that municipal and other entities are duly strengthened



<sup>2</sup> Under review and final approval (status: June, 2021).

link to GTFI: <http://gtfi.org.br/>

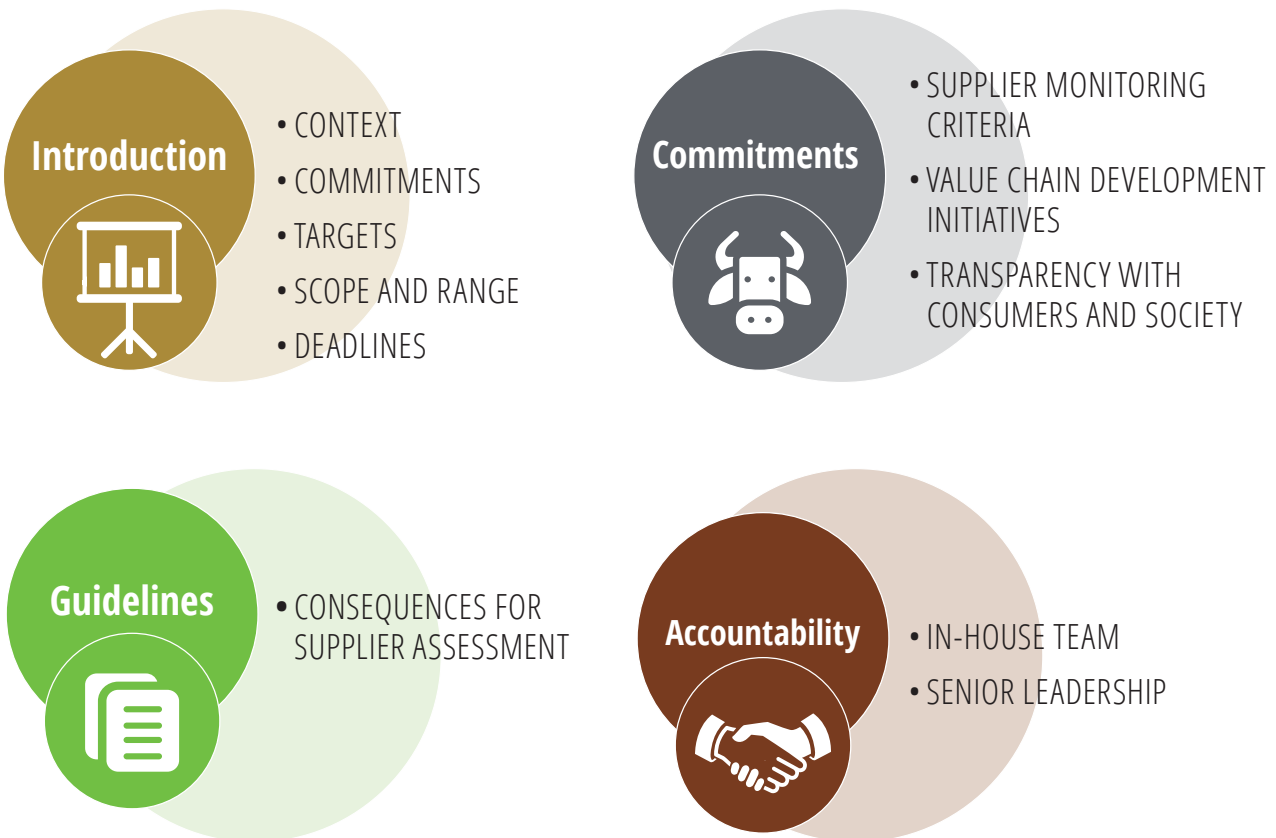
Link to GRSB: <https://grsbeef.org/>





# WHAT SHOULD BE INCLUDED IN THE BEEF PROCUREMENT POLICY?

The key elements of the procurement policy must be:



### 3.1. INTRODUCTION

#### Present the current context.

##### Details

In general terms, describe the scenario that led the organisation to create the beef procurement policy and how this is important to the company's strategy.

##### Example

This policy is part of a national and international scenario in which it has become increasingly more urgent to encourage the responsible production of goods and their sale. Our commitment is to value good socio-environmental practices of the beef chain and deliver top quality responsible products to the consumer, without harming people or the planet.

#### Describe the commitments that inspire the organisation and that it wishes to comply with or has undersigned.

##### Details

Refer to the policies, standards and commitments that help to define the criteria included in the company policy. References of commitments:

- Abras Cooperation Agreement with the Public Prosecutor's Office
- Legal Beef TAC of the Amazon
- Public Livestock Commitment
- Protocol to Monitor and Audit Cattle Suppliers in the Amazon
- Consumer Goods Forum (CGF)
- New York Declaration on Forests (NYDF)
- Working Group for Indirect Suppliers (GTFI)
- Accountability Framework Initiative (AFI)

##### Example

Our commitment is in line with the Term of Cooperation of the Public Prosecutor's Office and ABRAS, of which we are signatories, and the Monitoring and Auditing Protocols for Cattle Suppliers in the Amazon of the Beef on Track program. Our Mission is "to provide quality products at a fair price and contribute to the development of our country".

#### Describe the primary goal of the policy.

##### Details

Describe the primary goal of the policy and what it aims to achieve through its implementation.

In regard to the ABRAS Term of Technical Cooperation with the Public Prosecutor's Office, the primary goal may be to "avoid the purchase of beef from deforested areas in the Amazon and from others with environmental and social irregularities"<sup>3</sup>.

Other international agreements can be references, as:

- "halve the rate of loss of natural forests worldwide by 2020 and strive to end the loss of natural forests by 2030", in line with the New York Declaration on Forests<sup>4</sup>.

##### Example

The primary goal is to eliminate deforestation and other socio-environmental irregularities associated with the beef we purchase and sell in our stores.

<sup>3</sup> Term of Technical Cooperation for Sustainable Livestock, Clause One - General Objective, Item 1.1, 2013.

<sup>4</sup> New York Declaration on Forests. Available at: [https://www.nydfglobalplatform.org/wp-content/uploads/2018/11/New-York-Declaration-on-Forests\\_Declaration\\_2018\\_Portuguese.pdf](https://www.nydfglobalplatform.org/wp-content/uploads/2018/11/New-York-Declaration-on-Forests_Declaration_2018_Portuguese.pdf). Accessed on March 2021



### Establish specific goals that detail the primary goal.

#### Details

Breakdown the goal into more specific terms, such as pillars or lines of action.

In regard to the Protocols for Monitoring and Auditing Cattle Suppliers in the Amazon, the specific objectives may be related to beef traceability and transparency for consumer, increased monitoring in the supply chain, gradual sanctions placed on suppliers, etc.

#### Example

The specific goals are:

- Establish the traceability of beef batches in the supply chain, up to the farm of origin of the cattle
- Increase transparency by providing a QR code on all private label beef products specifying beef origin.
- By Year 1, ensure that beef processors monitor 40% of indirect suppliers. By Year 2, ensure that beef processors monitor 60%. By Year 4, ensure that beef processors monitor all indirect suppliers.
- Eliminate beef suppliers that do not monitor their cattle suppliers in the Amazon.

### Define the scope and range of the policy.

#### Details

Divisions that should follow the policy: companies and business units

- Product types: fresh, processed, frozen beef or by-products such as leather.
- Links in the value chain: direct and/or indirect beef suppliers;
- Types of suppliers: meatpackers, slaughterhouses, processors, distributors, wholesalers, and other ;
- Geographical regions: countries, states or biomes where beef suppliers operate:
- In regard to the Monitoring Protocol for Cattle Suppliers in the Amazon: define the Amazon as a region for monitoring the origin of cattle;
- For the TAC-PA, define the state of Pará;
- The scope of the Legal Beef TAC is the Legal Amazon;
- The Public Livestock Commitment has as its scope the Amazon biome.

Specific monitoring scopes can be defined for some criteria such as:

- deforestation in the Cerrado, Pantanal or Chaco regions<sup>5</sup>;
- slave labour in the country.

#### Example

The 'Supermercado Group' is committed to monitoring all of the direct and indirect fresh, processed and frozen beef processing plants that purchase cattle in the Amazon and supply all of our retail and wholesale units.

### Define deadlines for the implementation of the policy.

#### Details

- From what point on will beef suppliers be monitored in regard to the guidelines;
- A timeframe for implementing the consequences, if suppliers fall short of complying with the policy.
- A timeframe and frequency for the review of the beef procurement policy, according to the lessons learned and the evolution of the issue of traceability of beef origin and monitoring of livestock suppliers.

#### Example

The implementation of this policy will follow a schedule that will be available to all suppliers. This policy will be reviewed every 5 years and will become effective immediately.

<sup>5</sup> The Guide's main scope is the Amazon but other biomes should be considered by retailers if they have suppliers located in these regions.



## 3.2. COMMITMENTS OF THE ORGANISATION

**Describe the criteria that will be used by the organisation to assess beef suppliers.**

### Details

In regard to the Monitoring Protocol for Cattle Suppliers in the Amazon:

- Define all criteria, especially deforestation (illegal or zero) and the cut-off date<sup>6</sup>.

In relation to the management system of supplier:

- Implement a system to monitor direct and indirect livestock suppliers;
- Present the results of the annual audits conducted by third parties for the beef processors;
- Provide product traceability information (geographic coordinates, names of farms, etc.)

Other criteria may be defined for monitoring, such as:

- Monitor the Amazon Protege data;
- Monitor slave labour and environmental embargoes of Ibama nationwide.

### Example

The 'Supermercado Group' will have a trained team to set up an assessment system of our beef suppliers to ensure that they are monitoring livestock suppliers and agreeing to:

- Not produce in areas illegally deforested as of August 1, 2008, in line with Prodes Amazônia, and with an environmental embargo put in place by Ibama and Semas/PA;
- Not produce in Indigenous Lands and Conservation Units;
- Purchase from rural properties that have a CAR and have no unjustified changes within the boundaries of the CAR maps;
- Not trade with suppliers connected to slave-like labour (nationwide);
- Purchase from rural properties that have LAR (when they are located in Pará and are larger than 3,000 ha);
- Purchase cattle with GTA;
- Purchase from properties that have a Productivity Index that is compatible with their productive system.

Our beef suppliers must:

- Own a public commitment or a cattle procurement policy.
- Implement a system to monitor direct cattle suppliers and include indirect suppliers in the monitoring process.
- Report the results of annual audits conducted by a third party;
- Report product traceability information and compliance with the commitments

**The organisation can include other initiatives that are involved in the development of the beef supply chain<sup>7</sup>.**

### Details

- Foster sustainability projects in the cattle-breeding value chain;
- Support management, technology and technical skill-building for rural producers;
- Incentives for suppliers to support the development of small livestock producers;
- Create incentives to support deforestation-free production;
- Support for actions in the areas of education, conservation of natural resources, social well-being or economic development aimed at local communities;
- Industry alignment on criteria for the beef purchases at the retail, wholesale and cash-and-carry levels in national and state forums;
- Support initiatives aimed at reintegrating blocked farms and ensuring the supply of responsibly-sourced beef, such as supplier initiatives.

### Example

We agree to uphold initiatives that contribute to strengthening the beef supply chain. This includes the implementation of monitoring and traceability tools, and support projects to recover degraded areas at our suppliers.

<sup>6</sup> The cut-off date is the deadline. Refers to the date on which the commitment not to deforest became applicable. The Monitoring Protocol for Cattle Suppliers in the Amazon defines August 1, 2008 for illegal deforestation, in reference to the Forest Code, and October 5, 2009 for zero deforestation, in reference to the Public Livestock Commitment.

<sup>7</sup> Guide to Sustainable Livestock Indicators, vol. 6 - Retail and restaurants. VR, GTPS (Sustainable Livestock Working Group), 2018.



Describe how the organisation will increase transparency to its consumers and suppliers.

#### Details

- Offer traceability data of fresh beef batches up to the farm that sourced the cattle, in line with the LGPD (General Personal Data Protection Act, Law no. 13.709 of August 14, 2018);
- Publicly report on progress and provide information to consumers and society about the efforts and results achieved in the implementation of this policy and in monitoring suppliers;
- Provide information to suppliers about the criteria and the outcome of the assessments for the steady supply and development of their practices;

#### Example

Our policy will be available to all on our website and will be reported to key stakeholders.

We will provide transparency about the origin of the beef sold in these units through our website and will show the efforts made to implement this policy in the Annual Report.

All information will be collected with the help of our suppliers in accordance with the new General Personal Data Protection Act.

### PROTOCOL TO MONITOR CATTLE SUPPLIERS IN THE AMAZON

This protocol was approved on February 19, 2020 by the Public Prosecutor's Office and sets forth the guidelines for all companies that source cattle in the Brazilian Amazon to comply with the TAC (Terms of Adjustment of Conduct) in accordance with the Public Prosecutor's Office for Pará state and other states in the Amazon, or the Public Livestock Commitment (minimum criteria for cattle and beef product transactions on an industrial scale in the Amazon biome). The application of this protocol became mandatory for all beef companies that source cattle from the Amazon as of July 1, 2020. The monitored criteria is:

- Deforestation
- Indigenous land
- Protected Areas
- Environmental embargo due to deforestation of Ibama and Semas/PA
- Slave Labour
- CAR - Rural Environmental Registry and changes to the boundaries of the CAR maps
- LAR - Rural Environmental Licensing in the State of Pará
- GTA - Animal Transit Guide
- Productivity Index

Management System, Transparency and Communication Criteria are also checked with the Public Prosecutor's Office and consumers. More information: [www.beefontrack.org](http://www.beefontrack.org)

### 3.3. IMPLICATIONS FOR SUPPLIERS

The purpose of this area is to strengthen the beef supply chain, minimize non-compliance and the need for exclusion of suppliers with any possible irregularities or with less ability to implement, verify and track monitoring, encouraging them to comply with the criteria of the beef procurement policy. The organisation may adopt **gradual consequences** for suppliers who do not immediately comply with its policy.

Define the possible consequences to suppliers if the criteria are not met.

#### Details

The following consequences may be defined:

- Block or suspension: for criteria that are not complied with immediately, such as being associated with slave-like labour conditions.
- Need to draw up a remedial action plan: in the event of a non-compliance with a more complex criterion and that requires a deadline for changes.
- Establishment of objective and clear deadlines for full compliance with the criteria of the commitments.

The consequences for the supplier may be positive, as in the case of compliance with criteria related to supply chain development actions. In these cases, there may be a **differentiation of the supplier** in the registration or in the product purchase selection.

#### Example

The Group will assess the compliance of the criteria every year and will establish a gradual sanctioning tool, culminating in the suspension or exclusion of the supplier from the trade registry. The 'Supermercado Group' may occasionally conduct second-party audits to assess the effectiveness of the agreed improvement plans, so they can return to supplying as usual.

The Group will support the creation of robust remedial action plans, with the intention of becoming fully compliant as soon as possible.

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### 3.4. DEFINITION OF RESPONSIBILITIES

Set up an in-house team in charge of monitoring and evaluating the beef purchases.

#### Details

For the organisation to achieve the goals set by the policy, it is important for employees to manage the system for monitoring and assessing suppliers. Offer in-house training, align understandings, strategies and tools in relevant areas (procurement, compliance, sustainability, quality).

#### Example

The employees who are monitoring and assessing the beef suppliers will be trained to operate the system and help suppliers comply with the policy criteria.

Appoint a senior leadership to endorse the policy.

#### Details

To underline the organisation's commitment to the topic, the document must be approved by a leader, such as a Director, Owner, CEO and/or board member, with high-level context provided by the in-house team to show the importance of such a policy.

#### Example

CEO of the 'Supermercado Group'.





# STEP-BY-STEP FOR THE CREATION AND IMPLEMENTATION OF THE POLICY

The following steps have been established so the organisation can fully engage in creating and implementing the procurement policy throughout the cattle-breeding value chain.



## 4.1. POLICY DEVELOPMENT AND APPROVAL

It is recommended for the responsibly-sourced beef policy to be developed with the help of **employees from all levels** in the organisation, through individual and/or collective consultations, especially with the key players involved in the processes of beef purchasing, monitoring of suppliers and product traceability.

The policy must be endorsed by **senior management**, i.e. the document must be signed by the director, CEO and/or board of directors and the date of approval of the document must be included.

## 4.2. POLICY IMPLEMENTATION STRATEGY

The strategy for implementing the beef policy must include a **risk assessment of the supply chain** that maps the sourcing areas and signals those considered high risk.

It is recommended for the organisation to outline how the policy will be put into practice, i.e. the organisation will link gradual **goals and plans** (with actions, responsibilities and deadlines) to each of the specific targets of the policy.

The targets must be: specific (for each objective), measurable (with performance indicators), achievable (possible challenges), relevant (represent an important improvement), time-bound (within a predefined period of time).





#### EXAMPLE OF MEASURABLE TARGETS WITH DEADLINES:

- XX% of beef processors committed to the procurement policy by 2022.
- XX% of beef direct and indirect suppliers in the Amazon with a monitoring system in place by 2022.
- XX% of the volume of beef with full traceability by 2025.
- XX% of the volume of beef sold verified deforestation and conversion-free by 2030.

In the strategy for implementing the policy, the **engagement of suppliers** must be considered in order to ensure partnership in actions aimed at fighting deforestation and conversion in the chain of responsibly-sourced beef. A formal agreement between retailer and meatpacker should be formalized, in order to strengthen transparency throughout the value chain.

The retailer must implement internal procedures to achieve its goals of Monitoring and Traceability. The retailer must evaluate the performance of its suppliers to comply with the retailer's commitments, to continuously demonstrate the origin of the beef products.

The retailer receives in its systems the traceability of beef lots, with data on the origin of the cattle (such as region, county and/or farm) with the results of compliance analysis for the farm and lot level.

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### 4.3. BEEF PURCHASING PROCEDURE

The organisation must establish internal procedures to detail what will be included in the **beef suppliers' assessment**, how it will be carried out and the possible consequences if the criteria is not met, as stipulated in the beef procurement policy. It is important for this procedure to be aligned with the recommendations of the representatives of the sector to ensure equality in the market economy, even within the context of free competition.

The following may be analysed in the beef suppliers' assessment:

- Technical requirements to minimize deforestation and conversion in line with the company's commitment.
- Implementation of a direct supplier monitoring system and the criteria used in this monitoring
- Strategy to extend the monitoring to indirect livestock suppliers
- Traceability of beef batches, with data about the origin of the cattle (such as region, municipality and/or farm)



- Commitments entered into by the meatpacker that confirms its commitment to supplying responsibly-sourced beef
- Performance of yearly audits conducted by a third party
- Establishment of an annual work plan for ongoing improvement of the management system
- Publication of a public summary of the audit reports

This evaluation may be performed by:

- supplier self-assessment by filling out checklists
- analysis of third-party audit report linked to signed commitments
- request to send evidence that ensures product traceability and monitoring of livestock suppliers
- performance of second-party audits by the organisation at the supplier, checking the product traceability management system and the monitoring of livestock suppliers

The **consequences** for suppliers may involve a change in status to active, active-with-constraints and suspended or in the supplier's score (more or less points depending on the criteria met).

It is important to point out that the consequences for the supplier may be positive, such as a **differentiation in the supply selection**, if the supplier has, for example, actions and projects to increase the sustainability of the livestock value chain or the local communities, if these actions are aligned with the commitments of the organisation.

In order to gain credibility with consumers, society and even suppliers, it is important for the sanctions to be effectively enforced, as provided for in the policy, but a **suitable tolerance** level (neither too flexible nor too strict) must also be established based on the risks the organisation can take and the ability of suppliers to make the necessary adjustments.

Such tolerance may consist of:

- **Constraints:** the organisation must set restrictions on the supply of products to limit its risk of acquiring beef from an unknown origin or linked to socio-environmental problems;
- **Time:** the organisation must set deadlines for the resolution of the problems found, with adequate time and resources given to the supplier's needs.

The organisation must also establish internal **document management** procedures to store evidence of supplier assessments and maintain traceability data of beef batches in the supply chain up to the farm where the cattle was sourced and to ensure that its consumers are given **transparency about the origin of the sold beef**.

**People-in-charge** must be assigned in the procedures for:

- Implementation of policy and procedures (overall responsibility);
- The processes that ensure the traceability of beef batches in the supply chain up to the farm that sourced the cattle
- Assessment of the monitoring carried out by beef suppliers and follow-up of remedial action plans and second-party audits of beef suppliers, when necessary
- Training of employees, third parties and partners involved in beef purchase processes, supplier monitoring and product traceability
- Communication with suppliers, employees, third parties, partners, customers, consumers and other stakeholders
- Transparency regarding the origin of the beef sold to consumers

---

## 4.4. POLICY COMMUNICATION

The main objective behind disseminating the policy is to ensure that it is **widely available** and accessible to the public so that anyone interested can verify the organisation's commitment and the efforts being put in place towards a more responsible beef supply chain.

It is important for the policy to be communicated to:

- Employees and third parties
- Beef suppliers
- Customers and partners
- Shareholders
- Investors
- Regulatory and inspection agencies
- General public

Several **mechanisms** can be used for communication:

- Website and social networks
- Sustainability reports
- Intranet, procedures and work instructions
- Information and periodicals for suppliers, internal and external public in general
- Project Transparency Platform

It is important for all suppliers to sign an **Acknowledgement of Understanding of the Beef Procurement Policy and Procedure** showing that they are aware of the criteria needed to maintain the ongoing supply of their products to the organisation and the consequences of non-compliance, which may lead to temporary or permanent suspension. If the supplier refuses to sign the acknowledgement, it may be placed on a suspended status in the organisation's registry.

The company must assess the implementation of a structured plan for supplier engagement.

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## 4.5. PROCUREMENT POLICY TRAINING

The organisation must **train and qualify** all those involved in the main processes of this policy implementation, including employees and third parties involved in the purchase and traceability of the beef, in monitoring these suppliers for compliance with this policy, and in communicating with customers, consumers and society about the origin of the cattle.

The organisation may offer support to other organisations that conduct training with their partners and suppliers to broaden the scope of their actions. Such trainings could be documented/recorded with resources available to those involved in order to reference at their convenience.

The **language used** in the policy training may be **tailored** to fit the specific target audience to ensure their engagement and better understanding of the content. Definitions should be documented and defined clearly.



## CHANGE OF CULTURE

Formalizing the beef procurement policy should generate a change in culture and lead to an **alignment between the commitments** of senior management and the procurement area.



## 4.6. ONGOING IMPROVEMENT

The organisation needs to, from time to time, reassess its adherence to commitments, review goals and plans to ensure the organisation is moving forward in its commitments and policy.

An **ongoing assessment** of internal processes is recommended, with internal audits made to identify potential improvements and risk mitigation. Through a **third-party audit** in the beef purchasing processes, the organisation can show its commitment to the matter and can steadily improve the system and its transparency with society.





# MAINTAINING TRANSPARENCY ABOUT THE RESULTS ACHIEVED

One of the main outcomes that the organisation should strive for with its beef procurement policy is the establishment of actions that increase **transparency** in regard to the origin of the beef sold to consumers, i.e., ensure the availability of information that links the beef batches to the farm of origin of the cattle.

This information may be available on a proprietary platform, a supplier platform or even on a sector initiative platform, as applicable.

It is considered good practice to **publish annual reports** on the progress made in the beef purchasing strategy, the monitoring of beef suppliers and the traceability of beef origin.

This report can be sent to the main stakeholders or can be made available in the organisation's public media.



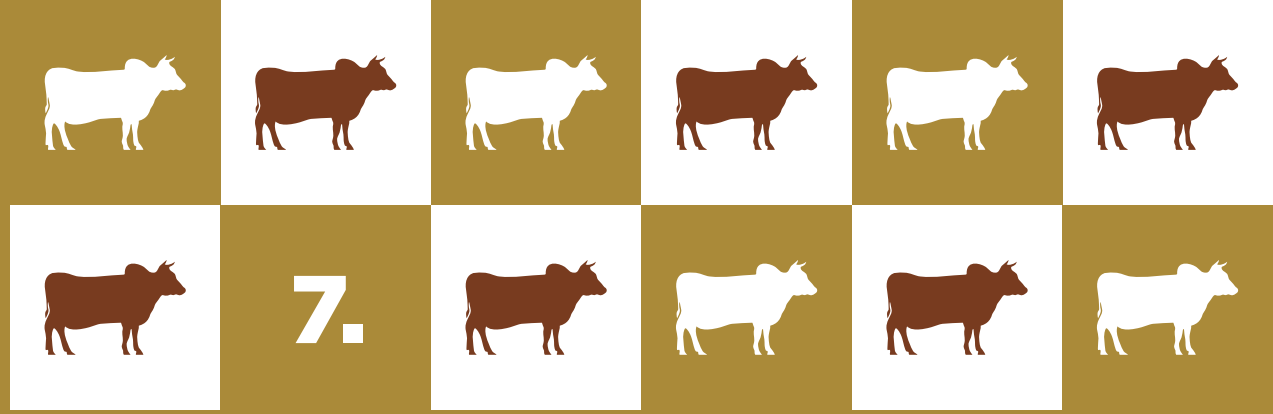


# GLOSSARY

- **Monitoring<sup>8</sup>:** an ongoing function that uses systematic data collection on specific metrics to assess and document the extent to which actions, progress, performance, and compliance are being performed or achieved.
- **Traceability:** the ability to track a product or its components through the stages of the supply chain (for example, production, processing, manufacturing and distribution).
- **Auditing<sup>9</sup>:** a systematic, independent and documented process to acquire audit evidence (records, statements of facts or other relevant and verifiable information) and objectively assess it to determine the extent to which the audit criteria (set of policies, procedures, or requirements) are met.
- **In-house audit:** performed by the company although it should be implemented by personnel not involved in managing the operations under assessment.
- **Second-party audit:** conducted by a related entity with interest in the company or operation under assessment, such as a commercial client of a production/processing operation or a contractor who also provides other services besides verification.
- **Third-party audit:** conducted by an independent entity that does not provide other services to the company.

<sup>8</sup> AFI Definitions. available at: [https://accountability-framework.org/definitions/?definition\\_category=42](https://accountability-framework.org/definitions/?definition_category=42) Accessed in March/20200

<sup>9</sup> ISO 19011: 2011 - Management systems audit guidelines



# BEEF PROCUREMENT POLICY MODEL

## Beef Procurement Policy of the 'Supermarket Group'

This policy is part of a national and international scenario in which it has become increasingly more urgent to encourage the responsible production of goods and their sale.

Our commitment is to value good socio-environmental practices of the beef chain and deliver top quality responsible products to the consumer, without harming people or the planet.

Our commitment is in line with the Term of Technical Cooperation of the Public Prosecutor's Office and ABRAS, of which we are signatories, with the Monitoring and Audit Protocols for Cattle Suppliers in the Amazon, the Beef on Track program, and with our mission, which is "to provide quality products at a fair price and contribute to the development of our country".

The primary goal is to eliminate deforestation and other socio-environmental irregularities associated with the beef we purchase and sell in our stores. **The specific goals are:**

1. Establish the traceability of beef batches in the supply chain up to the farm of origin of the cattle
2. Increase transparency by providing a QR code on all private label beef products specifying beef origin.
3. Help to steadily increase the monitoring of the origin of cattle By Year 1, ensure that beef processors monitor 40% of indirect suppliers. By Year 2, ensure that beef processors monitor 60%. By 2030, ensure that beef processors monitor all indirect suppliers.
4. Eliminate beef suppliers that do not monitor their cattle suppliers in the Amazon.

The 'Supermercado Group' is committed to monitoring all of the direct and indirect fresh, processed and frozen beef processing plants that purchase cattle in the Amazon and supply all of our retail and wholesale units.

The implementation of this policy will follow a schedule that will be provided to all suppliers who have signed an Acknowledgement of Understanding of the Beef Procurement Policy. This policy will be reviewed every 5 years and will become effective immediately.

The 'Supermercado Group' will have a trained team to set up an assessment system of our beef suppliers to ensure that they are **monitoring livestock suppliers and agreeing to:**

- Not produce in areas illegally deforested as of August 1, 2008, in line with Prodes Amazônia, and with an environmental embargo put in place by Ibama and Semas/PA
- Not produce in Indigenous Lands and Conservation Units
- Purchase from rural properties that have a CAR and have no unjustified changes within the boundaries of the CAR maps
- Not trade with suppliers connected to slave-like labour (nationwide)



- Purchase from rural properties that have LAR (when they are located in Pará and are larger than 3,000 ha)
- Purchase cattle with GTA;
- Purchase from properties that have a Productivity Index that is compatible with their productive system.

#### **Our beef suppliers must:**

- Own a public commitment or a cattle procurement policy.
- Implement a system to monitor direct cattle suppliers and include indirect suppliers in the monitoring process.
- Report the results of yearly audits conducted by a third party
- Report product traceability information and compliance with the commitments

We agree to uphold initiatives that contribute to strengthening the beef supply chain. This includes the implementation of monitoring and traceability tools, and support projects to recover degraded areas at our suppliers. Our policy will be available to all on our website and will be reported to key stakeholders.

We will provide transparency about the origin of the beef sold in these units through our website and will show the efforts made to implement this policy in the Annual Report. All information will be collected with the help of our suppliers in accordance with the new General Personal Data Protection Act.

The Group will assess the compliance of the criteria every year and will establish a gradual sanctioning tool, culminating in the suspension or exclusion of the supplier from the trade registry. The 'Supermercado Group' may occasionally conduct second-party audits to assess the effectiveness of the agreed improvement plans, so they can return to supplying as usual.

The Group will support the creation of robust remedial action plans, with the intention of becoming fully compliant as soon as possible. The employees monitoring and assessing the beef suppliers will be trained to operate the system and will assist suppliers in complying with the policy criteria.

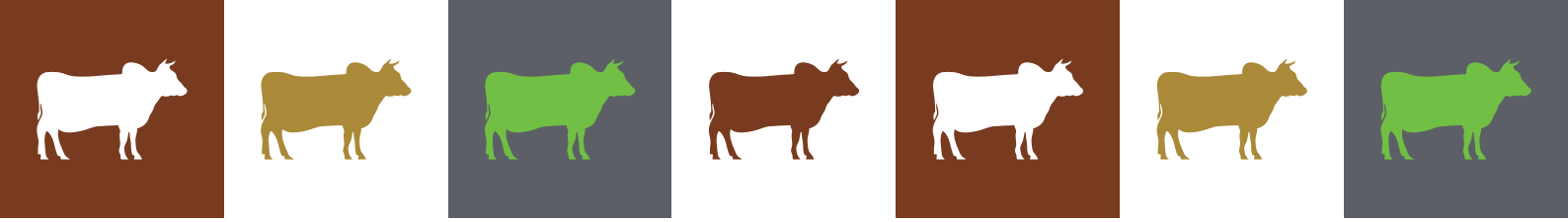
J. Silva

**CEO of the "Supermarket Group"**

**April 1, 2021**







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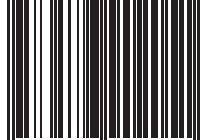
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