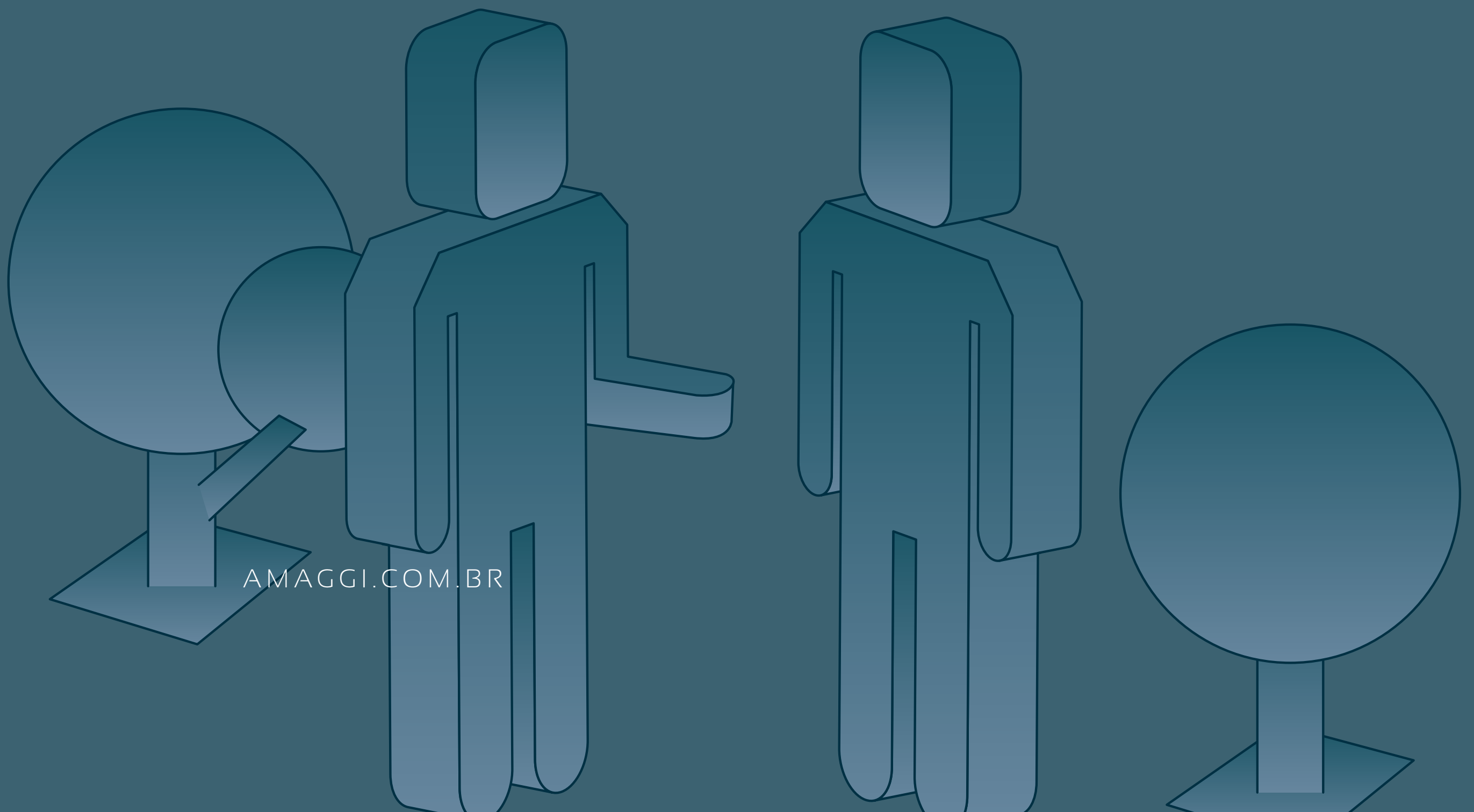




2018  
PROGRESS REPORT

*AMAGGI Global  
Sustainability  
Positioning:  
Commitment "Towards  
a Deforestation Free  
Grain Chain"*





## About this report

Following the launch of the Global Sustainability Positioning, AMAGGI launches its first progress report related to the commitment “Towards a Deforestation Free Grain Chain”, which reflects one of the main sustainability and agribusiness challenges, currently, for soy production and origination.

This report aims to demonstrate AMAGGI’s efforts and progress in its last harvest (2017/2018) in the search for a deforestation free chain, as a result of the company’s joint action with its partners - suppliers, clients, NGOs, civil society, governments , rural producers and communities; as well as discuss the main future challenges to ensure lasting results.

### **Our commitment towards a Deforestation Free Grain Chain**

In this commitment AMAGGI reaffirm its desire to reach a grain supply chain which is free from deforestation and declares that this position refers to deforestation and conversion of native vegetation to all biomes where AMAGGI operates, primarily, the Brazilian Amazon and the Cerrado biomes; and will work together with its suppliers, customers, civil society and governments to achieve this result in the shortest time possible

# Towards a deforestation free grain chain - Present and Future

## AMAGGI production areas environmental conservation

### RESULTS ACHIEVED

- AMAGGI owned farms deforestation free since 2008 and 100% certified
- Total environmental conservation area: 141 thousand hectares, of which approximately 28 thousand may be used to offset legal reserve
- 190 hectares of degraded areas in recovery
- Increasing investment in biological control experiments in order to reduce the use of pesticides in agriculture, in addition to crop and livestock integration systems, technology in the field, and in reforestation areas



### NEXT STEPS

- Maintenance of the expansion of its own production in already open areas
- Investment in techniques that increase crop productivity and intensify experiments, such as biological control, crop and livestock integration, and other initiatives that can reduce environmental impact

## Partnerships and initiatives for deforestation free sustainable agriculture

### RESULTS ACHIEVED

- Present in the most important sustainability forums related to agribusiness, such as the PCI - Mato Grosso Government's Producing, Preserving and Including Strategy, Cerrado Working Group (GTC), Soy Moratorium (GTS), Balikpapan Challenge, and the Brazil Climate, Forestry and Agriculture Alliance
- Partnerships with Amazon Environmental Research Institute (IPAM), The Nature Conservancy (TNC), and Earth Innovation Institute



### NEXT STEPS

- Maintain and become a signatory of sectoral agreements and initiatives that work towards sustainable agriculture
- Invest in scalable initiatives so that 100% of its current and future suppliers comply with the Forestry Code, in the fight against illegal deforestation
- Dialogue with other actors in the agribusiness value chain and sector to find balanced environmental, social and economic solutions in the short, medium and long-term to combat deforestation in the Cerrado Biome (23% of the company's origination), guarantee jurisdictions' sustainability, and enhance forests and native vegetation.

## Engagement and development of the grain supply chain

### RESULTS ACHIEVED

- Around 430 producers visited and received technical guidance
- More than 100 properties received specialized staff for full socio-environmental diagnosis, in addition to receiving internal and external audits
- 617 rural producers in the states of Mato Grosso and Rondônia received technical guidelines related to agricultural production, including topics on sustainability through the Technological Circuit promoted by AMAGGI



### NEXT STEPS

- Guarantee, through geospatial location technology, that 100% of its supply chain is not involved in illegal deforestation, is in compliance with the Forestry Code and AMAGGI marketing criteria
- Access to information so that its supply chain adopts the best available agricultural practices to increase productivity and lower environmental impact
- Maintain dialogue with producers in search of solutions that guarantee the valorization of native forests and vegetation, with the appropriate offset for their protection.

## Socio-environmental certifications

### RESULTS ACHIEVED

- 100% of AMAGGI owned production areas have socio-environmental certification
- About 22% of the total volume of soybeans traded by AMAGGI is certified, with 19% within zero deforestation standards
- 1st company in the world to obtain RTRS socio-environmental certification by certifying its own farms and chain of custody, in the credit and mass balance modalities
- In recent years, AMAGGI contributes the largest share of RTRS, RTRS EU RED and ProTerra certified soybean production in the world, certifications which are 100% deforestation clear
- 100% traceability of a total certified of more than 2 million and 300 thousand tons of soybean in company owned farms and suppliers (RTRS, ProTerra and A.R.S)



### NEXT STEPS

- Leadership of initiatives that aim to align market demand with certified product offers
- Increased producer certification in their supply chain, in line with market demand, especially zero deforestation clearing certifications
- Sharing benefits across the value chain, as well as ensuring stakeholder certified product credibility

## Supplier traceability

### RESULTS ACHIEVED

- More than 3,000 direct suppliers traced, accounting for 86% of the active supply chain that can annually provide to AMAGGI
- 100% of the supplier base that the company promotes agricultural production, through advances due to price (equivalent to 30% of the volume originated), is traced
- In the 2018 harvest, AMAGGI certified in its suppliers, in the A.R.S., RTRS and ProTerra more than 1,3 million thousand tons of soy, of which 100% are traced
- Minimum socio-environmental criteria for grain purchases applicable to 100% of its suppliers
- Significant evolution of the 'ORIGINAR' Platform database (originate) for monitoring, intelligence and management of the grain chain
- 31% of the volume from the 25 priority municipalities
- 85% of the volume originated by AMAGGI is direct and 15% indirect



### NEXT STEPS

- Investment in your ORIGINAR system for better supplier monitoring and risk analysis, including the implementation of deforestation detection alert
- Targeting partnerships, projects and initiatives for priority areas according to defined risk criteria, in order to reduce pressure on areas with native vegetation
- Mapping completion of the 14% of direct producers that are not yet registered in the database, in addition to the refinement of producer areas according to the Rural Environmental Registry until the end of the 2020 harvest.



# Who is AMAGGI?

For over four decades, AMAGGI has been working responsibly along its value chain. Through its four business areas - Agro, Commodities, Logistics and Operations, and Energy- the company is present in all stages of the agribusiness production chain, from the production and commercialization of soy, corn, cotton and seeds, to soybean and inputs processing, as well as generation of renewable electric energy, port operations, and water and road transportation.

## Mission

To contribute to the development of agribusiness, by adding value, respecting the environment and improving life in the communities.

## Vision

To be a reference in sustainable development.

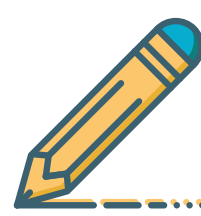
## Values



INTEGRITY



RESPECT FOR THE ENVIRONMENT



SIMPLICITY



HUMILITY



COMMITMENT



PARTICIPATORY MANAGEMENT



INNOVATION AND ENTREPRENEURSHIP



RESPECT FOR OUT PARTNERS

## Institutional Commitments



Soy Moratorium



Sustainable Development Goals



Business Pact for Integrity Against corruption



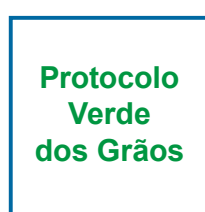
National Pact for the Eradication of Slave Labor



UN Global Compact



Food and Agriculture Business Principles



Green Grains Protocol



Child-Friendly Company Program



Business Pact Against the Sexual Exploitation of Children and Adolescents on Brazilian Highways - In the Right Direction Program

# Sustainability Governance

In order to respond to the society and stakeholder demands in a transparent way, AMAGGI adhered to public and voluntary commitments with sustainability and formalized policies that guide the development of its business, with emphasis on the Global Sustainability Positioning, detailed by the Sustainability Plan with Vision until 2025 - both launched in 2017 and covering all company operations, as well as its value chain.

These documents address the commitments, challenges and means for AMAGGI to achieve an increasingly sustainable agriculture, with business continuity, contributing to local development in the regions where the company operates, in an environment in equilibrium and towards a deforestation free chain.

In order to give greater clarity to our commitment towards a deforestation free grain chain, AMAGGI updates its Positioning in 2019 to a deforestation and conversion free grain chain.

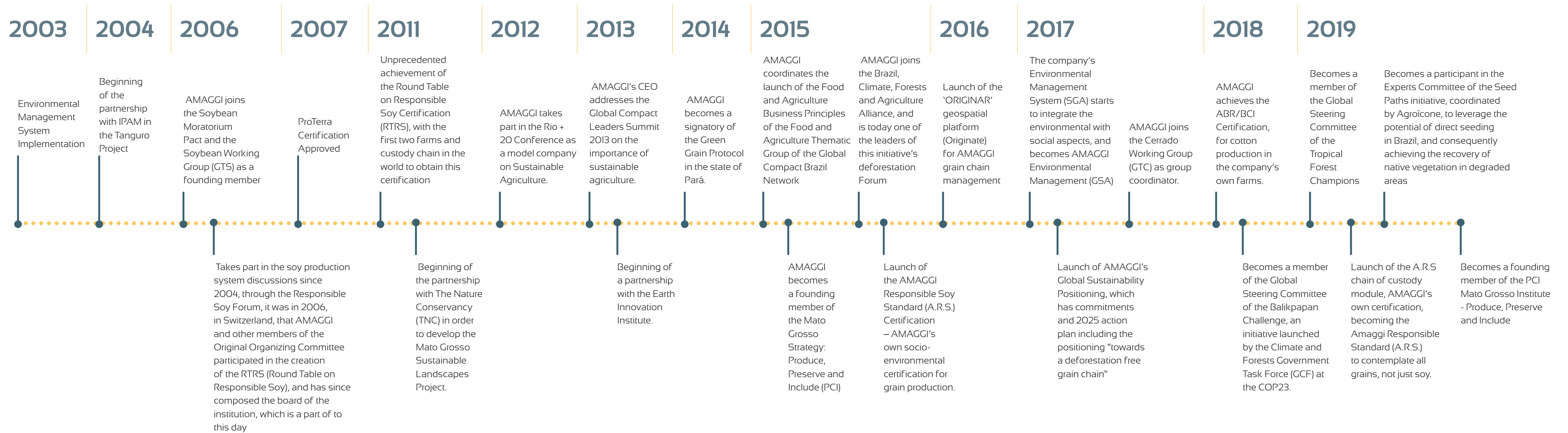
## Strategic blocks





# AMAGGI main milestones towards a deforestation free grain chain

AMAGGI's trajectory to reach a free deforestation chain is long, but also robust and with many results that demonstrate the seriousness of the company in working towards its positioning. The company also believes that many results have only been achieved by always working together with its suppliers, clients, partners, civil society and governments, prioritizing an action that alone it could not reach quickly.

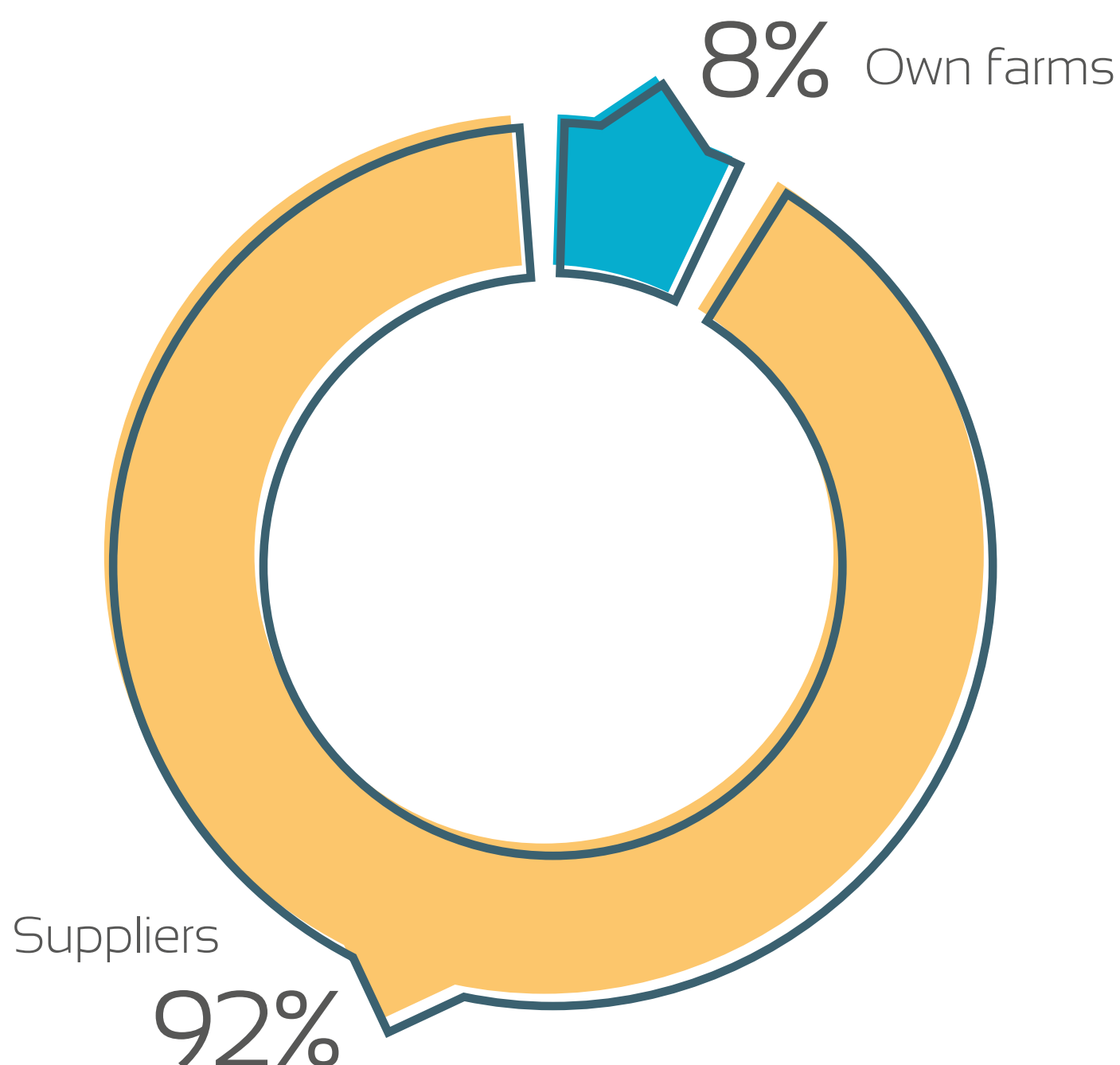




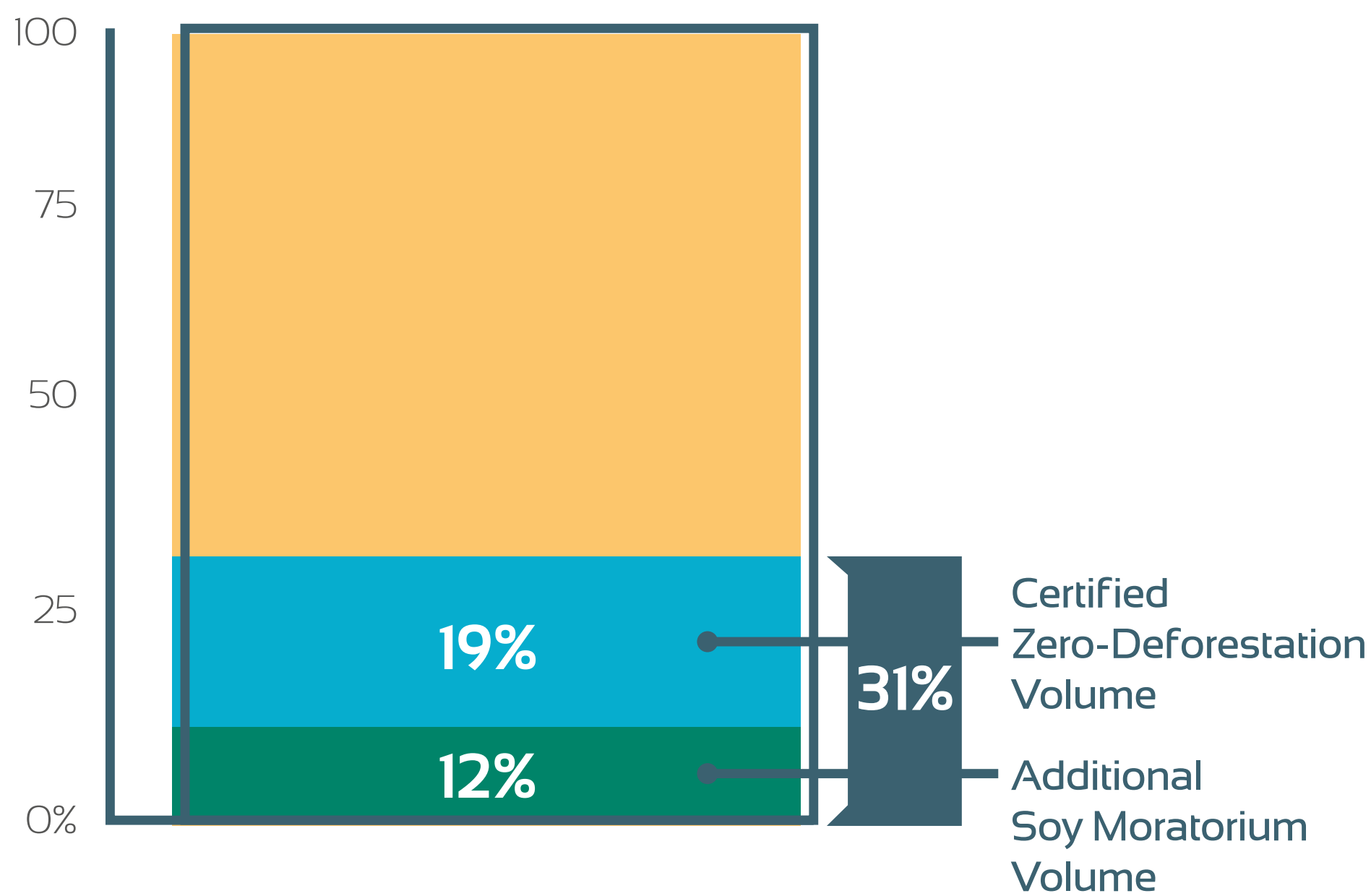
# Progress Towards a Deforestation Free Grain Chain: our progress

In order to understand the company's grain chain, the graph below shows the percentage of soybean volume traded by AMAGGI, both from its own farms and the supply chain.

## AMAGGI commercialization



Considering the volume AMAGGI owned farms (free from deforestation since 2008) plus audited and certified suppliers, 19% has a zero-deforestation guarantee. Including the volume traded under the Soy Moratorium criteria (which are no longer certified) for municipalities that are entirely within the Amazon, it counts for another 12% volume with zero-deforestation. The total zero-deforestation guaranteed volume of the company is even greater, since there is commercialization of the municipalities that are in the transition zone between the Amazonian and Cerrado biomes (also under the Soy Moratorium criteria), however, this will not be shown in this report, since we need first to allocate the exact volumes from each farm in these municipalities that are commercialized in the related biome, so as to guarantee information suitability and assertiveness. There is also a significant amount of suppliers (according to intern monitoring) which do not have recent deforestation in other biomes in Brazil, but as they are not certified or are not under monitoring according to zero deforestation sector, they do not find themselves reported in the graphic below.



In search of a deforestation free chain, AMAGGI has five main fronts of action - ranging from environmental conservation actions carried out in the production areas of the company, to working along its value chain, which includes grain supplying producers, society, community, partners and customers. These are:



**AMAGGI production areas environmental conservation**



**Partnerships and initiatives for deforestation free sustainable agriculture**



**Engagement and development of the grain supply chain**



**Socio-environmental Certifications**



**Supplier traceability**





## AMAGGI production areas environmental conservation

- *AMAGGI owned farms deforestation free since 2008 and 100% certified*
- *Total environmental conservation area: 141 thousand hectares, of which approximately 28 thousand may be used to offset legal reserve*
- *190 hectares of degraded areas in recovery. Increasing investment in biological control experiments in order to reduce the use of pesticides in agriculture, in addition to crop and livestock integration systems, technology in the field, and in reforestation areas*

AMAGGI maintains all of its farms in accordance with the Brazilian Forest Code and other national environmental legislations. To expand its areas, the company seeks to acquire vegetation properties already converted to agriculture or degraded areas, investing in its recovery and respecting local land use planning. All farms have been cleared of deforestation since 2008.

AMAGGI has more than 113,000 hectares of native vegetation in its productive farms, accounting for Permanent Protection Areas (APP), Legal Reserves (RL) and forest surpluses, which make up the company's environmental conservation areas; in addition to another 28 thousand hectares of conserved areas, only for this purpose, may be destined exclusively for legal reserve compensation.

AMAGGI still maintains all its production areas certified by recognized grain production socio-environmental standards, such as the Round Table on Responsible Soy (RTRS) and ProTerra - both with zero deforestation, in addition to the A.R.S. (AMAGGI Responsible Standard), the company's own socio-environmental certification, which will be mentioned in more detailed in the Social-environmental Certifications chapter.

The company has also invested in biological control experiments in order to reduce the use of pesticides in crops and has obtained better results each year. Techniques of crop and livestock integration are also present in the company owned farms, in addition to reforestation areas for use as biomass in production processes.

Considering thematic innovation, AMAGGI has increasingly promoted the use of technology in the field. The company is currently able to monitor and analyze the microclimate, including having fire alarm alerts, of its production area in the Sapezal region in real time, using the first meteorological radar dedicated to agriculture in the State of Mato Grosso.

The company has also invested in connectivity solutions in the field, obtaining information in real time via IoT solution, to automated processes of planting, cultivating and harvesting soybeans focused on increasing productivity. These solutions help with monitoring the crop, always aiming at better efficiency, allowing to produce more and more with less environmental impact and, consequently, with less pressure on deforestation.

**On this front, AMAGGI already has great advances, with excellent results achieved in its own farms which are already 100% free from deforestation. The challenge now is to maintain the expansion of its own production in already open areas, as well as increase crop productivity and intensify experiments and initiatives that reduce environmental impact, maintaining consistency and continuous improvement, as well as the results already achieved.**



## Partnerships and initiatives for deforestation free sustainable agriculture

• Present in the most important sustainability forums related to agribusiness, such as the PCI - Mato Grosso Government's Producing, Preserving and Including Strategy, Cerrado Working Group (GTC), Soy Moratorium (GTS), Balikpapan Challenge, and the Brazil Climate, Forestry and Agriculture Alliance

• Partnerships with Amazon Environmental Research Institute (IPAM), The Nature Conservancy (TNC), and Earth Innovation Institute

With dialogue, the joint construction of solutions, and the values cultivated by AMAGGI, the company maintains its commitment and engagement by participating actively in the most important forums and Working Groups to talk about sustainability that relate to food production and agribusiness, joining forces with leaderships, NGOs, civil society and the private sector in favor of sustainable agriculture, in Brazil and internationally.

### Acting in partnerships and initiatives



## **Tanguro Project with IPAM**

This partnership with the Amazonian Environmental Research Institute (IPAM), which began in 2004, brings together a group of scientists and students from different countries and has the initial objective of investigating the direct impacts of agriculture on biodiversity, forest health, aquatic environments and nutrient dynamics.

Recently, the project has gained even greater dimensions, as it was at the center of an international debate held by the IPAM to discuss how to reconcile food production, environmental integrity and climate change, especially in the Amazon biome.

## **Mato Grosso Sustainable Landscapes Project with TNC**

The Sustainable Landscapes project in Mato Grosso, in partnership with The Nature Conservancy (TNC), is dedicated to accelerating the environmental and productive adequacy of rural properties in priority regions for the conservation of biodiversity and water resources.

In its last phase, the initiative has focused mainly on strengthening the environmental regularization in the Alto Teles Pires region, in addition to working in the Environmental Regulation Program (PRA) in Lucas do Rio Verde and promote technical assistance in Nova Mutum.

## **Earth Innovation Institute**

AMAGGI was invited by the Earth Innovation Institute to form the Balikpapan Challenge Steering Committee initiative that aims to outline and structure the most aligned operations between governments and states through jurisdictional strategy. It focuses on the almost 30 jurisdictions with greater susceptibility relating to deforestation. AMAGGI was also invited by the Earth Innovation Institute to form the Tropical Forest Champion initiative, which emerged from a debate of the Climate and Forests Government Task Force on "Agricultural production and rainforest" culminating in the "Appeal for government collaboration in tropical rainforest regions". The objective of the initiative is to make it easier and safer for companies and investors to establish partnerships with tropical forest regions and states seeking intelligent forest, community and climate development with jurisdictional approach.

## **Agroícone + ISA + P4F (Seed Paths)**

AMAGGI was invited to become part of the Experts Committee of the Seed Paths initiative, whose main objective is to leverage the potential of direct seeding (muvuca technique) in Brazil. This initiative is being led by Agroícone, with the technical and financial support of the Partnerships for Forests (P4F) program and in partnership with the Socio-environmental Institute (ISA). The first phase of the project aims to raise the technical, regulatory, economic and cultural barriers and issues that explain the low adoption of direct seeding, as well as to define strategies and activities that can solve these barriers. The second phase will aim to implement the proposed actions, focusing on the states of São Paulo and Mato Grosso.

## **PCI (Mato Grosso Produce, Preserve and Include)**

AMAGGI is a member and private sector representative of the Mato Grosso Strategy: Producing, Preserving and Including from the state's government that gathers a Working Group, of companies, associations and NGOs, to discuss actions and methodologies for some of the initiative's objectives such as: to eliminate illegal deforestation in the state by 2020; to replace 6 million ha of degraded pasture by high productivity crops in the state by 2030; to recompose 1 million ha (100%) of degraded PPAs by 2030; to conserve the native area of the state, now estimated at 60% of its territory; and increase the share of family agriculture in the internal food market from 20% to 70%. AMAGGI

is also a founding member of the PCI Institute, created on March 15, 2019, whose main objective is to centralize the resources raised by the secretariats of Environment, Economic Development, Planning and Management and Family Agriculture in one place, facilitating the effective implementation, management and follow-up of PCI's goals in the State of Mato Grosso.

### **GTC (Cerrado Working Group)**

AMAGGI is a co-leader of the Cerrado Working Group (GTC), which, from the beginning of its formation, promotes discussions and technical meetings to define actions and strategies in order to eliminate, in the shortest time possible, deforestation in the Cerrado biome connected to the soybean chain, reconciling social, environmental and economic aspects, and finding opportunities for a long-term collective solution.

**AMAGGI believes that, in order to achieve satisfactory large-scale results, aiming at a deforestation free chain, working in partnership is fundamental. Thus, it has invested in dialogue searching for solutions to identified problems. As a signatory to the soybean moratorium, it has already made significant progress toward eliminating deforestation in the Amazon Biome within its value chain. The partnerships serve to raise awareness among producers about the importance of environmental regularization and compliance with the Forestry Code, which is one of the most important guidelines for combating illegal deforestation. In addition, initiatives have the main role of finding solutions to challenges that the company cannot solve on its own, such as the deforestation of the Cerrado biome (which represents 23% of the company's trading, considering the municipalities fully integrated in this biome) environmental and social development for jurisdictions and the enhancement of forests and native vegetation. To this ends, AMAGGI will continue to invest in partnerships and initiatives such as the Cerrado Working Group (GTC), Mato Grosso Produce, Preserve and Include Strategy (PCI), Brazil Climate, Forests and Agriculture Alliance and Tropical Forest Champions, which have the theme of eliminating deforestation as their main goal, in order to reach their commitment to a deforestation free chain in a balanced way.**

**To learn more about the partnerships and initiatives, visit the AMAGGI Sustainability Report at [www.amaggi.com.br](http://www.amaggi.com.br) and the timeline of this progress report.**



## Engagement and development of the grain supply chain

- *Around 430 producers visited and received technical guidance*
- *More than 100 properties received specialized staff for full socio-environmental diagnosis, in addition to receiving internal and external audits*
- *617 rural producers in the states of Mato Grosso and Rondônia received technical guidelines related to agricultural production, including topics on sustainability through the Technological Circuit promoted by AMAGGI*

AMAGGI encourages the development of a responsible and deforestation free grain chain, through technical guidance visits, where it seeks to assist producers in issues such as environmental and social adequacy, infrastructure, good agricultural practices, continuous improvement actions, labor legislation, forest code guidelines, and recovery of degraded areas, among others.

In the 2017/2018 harvest, about 430 producers were visited, and a further 100 properties received technical staff for full socio-environmental diagnosis, in addition to receiving guidance and internal and external audits on several certified farms.

These partner producers are traced over time and their evolution is monitored and recorded - with the results obtained, AMAGGI is able to customize and direct its actions to provide support in the best possible way.

As a way to reach an even bigger and more dynamic public, AMAGGI promotes the Technological Circuit, itinerant events also known as Field Days, which takes technology, information and guidance on disease and pest controls, clarification on sustainable management, sustainability and socio-environmental certifications to producers. **By 2018, more than 617 farmers were able to access this knowledge.**

AMAGGI believes that proximity to its grain suppliers is extremely important so that they can understand the company's values, expectations and requirements to remain partners. The dissemination of knowledge and information is essential for evolution and for obtaining a responsible chain. As a first step, AMAGGI has invested in guaranteeing the environmental regularity of its grain suppliers' rural properties. Therefore, it guides, inspects and audits suppliers. In addition, it has shared knowledge on good agricultural practices to increase productivity and encourage expansion over already open areas, reducing the pressure on deforestation. Thus, there are significant advances especially in combating deforestation. However, there are still challenges for the producer to accept the end of deforestation without there being financial offset on legally susceptible areas. This is a complex issue and one which AMAGGI cannot undertake alone. Therefore, it works along its value chain and the agribusiness sector in search of the valorization of forests and native vegetation.





## Socio-environmental Certifications

- **100% of AMAGGI owned production areas have socio-environmental certification**
- **About 22% of the total volume of soybeans traded by AMAGGI is certified, with 19% within zero deforestation standards**
- **1st company in the world to obtain RTRS socio-environmental certification by certifying its own farms and chain of custody, in the credit and mass balance modalities**
- **In recent years, AMAGGI contributes the largest share of RTRS, RTRS EU RED and ProTerra certified soybean production in the world, certifications which are 100% deforestation clear**
- **100% traceability of a total certified of more than 2 million and 300 thousand tons of soybean in company owned farms and suppliers (RTRS, ProTerra and A.R.S), that represent 29% of the total commercial volume, 23% being zero deforestation**

Aiming to produce and value the production of traceable and responsible soybeans, AMAGGI stimulates socio-environmental certifications in its farms and partner producers' properties.

Currently, AMAGGI provides the consumer markets with the RTRS, ProTerra, A.R.S. and BCI (Better Cotton Initiative), which guarantee the compliance with more restrictive socio-environmental criteria, offering options for marketing standards with zero deforestation, meeting the European Biofuels Directive (EU RED) and GMO-free products.

All farms owned by AMAGGI have socio-environmental certification, demonstrating the company's commitment to a sustainable and responsible production. In relation to the volume originated by the company of other rural products, of the total volume of soybeans traded by AMAGGI, roughly 20% is certified.



The Round Table on Responsible Soy (RTRS) is a civil society organization that promotes, through certification, responsible production, processing and marketing of soybeans globally. Its principles include environmental and social aspects, in addition to good agricultural practices.

Since 2006, AMAGGI has been a member and composes the Institution's board, in addition to being one of the RTRS founders. As part of the council, besides debating themes on sustainable soybean chain, the company participates in discussions and approvals of guidelines and work for the evolution of the certified

soybean market and improvements in the certification process. AMAGGI also makes up the RTRS Task Force Brazil, with the aim of developing projects dedicated to promoting and improving the market and the certification process itself in Brazil.

In 2018, AMAGGI certified 833 thousand tons of RTRS soybeans, in the forms of book and claim and mass balance, including the EU RED format, between its own units and supplier producers, where it can market soy, bran, degummed oil and bark.



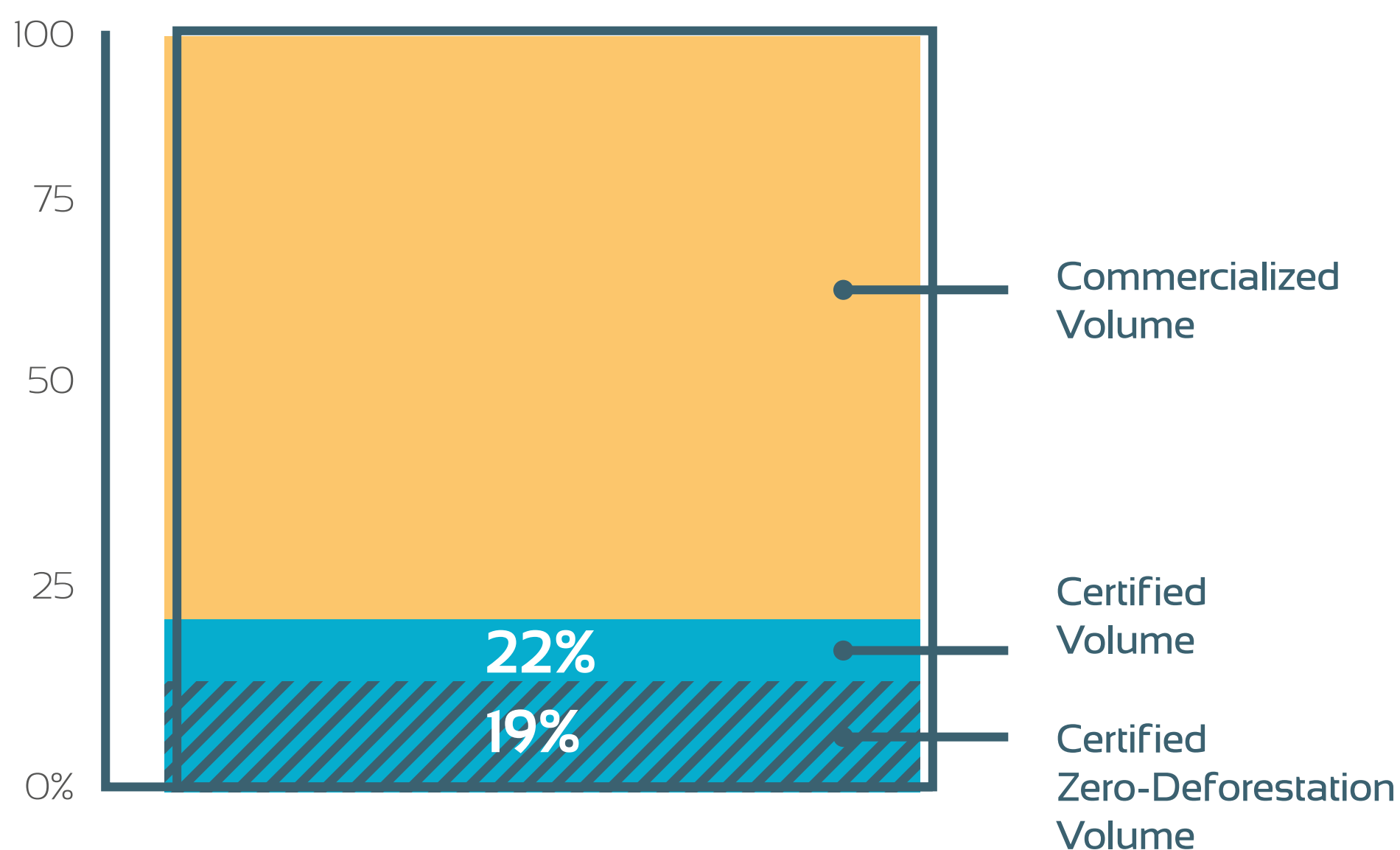
The ProTerra Standard seal ensures that the certified product meets environmental and social requirements - such as being sourced from deforestation free areas, and ensures that the grain and its by-products are not genetically modified (NON-GMO) and are properly segregated. In total AMAGGI, in its own areas and supply chain, certified 1.1 million tons of soybean as Proterra.

AMAGGI is also part of the PRO TERRA Stakeholder Council and Certification Governance Board, contributing to the improvement and evolution of the certification standard, in order to attend the most demanding markets.



Since 2016 AMAGGI holds its own certification standard, the A.R.S, recognized by the European Food Manufacturers Federation (FEFAC). The initiative aims to contribute to sustainable processes in the production chain. In 2019, the company expanded the certification scope to the entire custody chain and for all grains marketed by Amaggi, so its own certification was renamed AMAGGI Responsible Standard. The Company already certified several partner producer farms, now reaching 53 rural properties, thus guaranteeing sustainable standards to the market. Considering its own areas and grain producers, AMAGGI certified 415 thousand tons of soybeans.

Considering the volumes of its own farms and suppliers' production, the graph below shows that, of the total volume traded, 22% is certified in zero legal and illegal deforestation standards. The total certified within zero deforestation standards is 19%.



Since 2007, AMAGGI has been investing in socio-environmental certifications as a viable solution with shared benefits across the entire value chain, as well as ensuring environmental requirements (such as deforestation and greenhouse gas emissions control, protection of high conservation value and biodiversity, as well as compliance with legal requirements), it also ensures respect for traditional communities, human rights and good agricultural practices, with proof and verification by third parties. These requirements are in line with the company's Global Sustainability Positioning. In addition, when there is market demand, it makes it possible to financially compensate certified rural producers for the sustainability of their operations. Due to all this, AMAGGI believes that offering certified products to its customers is one of the best solutions in the short and medium-term to guarantee responsibility for the origin of its grains and the achievement of its commitment towards zero deforestation. But there are still challenges to make the market certification feasible, so AMAGGI leads many initiatives to align market demand with certified product offerings, as well as financial viability for the entire value chain. To this end, each year it has further prepared its supply chain for possible expansion of supply and demand for certified product. If it can further advance the connection of purpose across the entire value chain, AMAGGI believes it can leverage its certified supply chain volume, becoming even closer to a free deforestation chain. In addition, the company has been working to ensure that the social and environmental benefits of certifications are increasingly transparent, reliable, and seen and understood by the interested parties, also in response to the market demands received.

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## Supplier traceability

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- *100% of the supplier base that the company promotes agricultural production, through advances due to price (equivalent to 30% of the volume originated), is traced*
- *In the 2018 harvest, AMAGGI certified in its suppliers, in the A.R.S., RTRS and ProTerra more than 1 million and 300 thousand tons of soy, of which 100% are traced*
- *Minimum socio-environmental criteria for grain purchases applicable to 100% of its suppliers*
- *Significant evolution of the ORIGINAR Platform database (originate) for monitoring, market intelligence and management of the grain chain*
- *31% of the volume from the 25 priority municipalities*
- *85% of the volume originated by AMAGGI is direct and 15% indirect*

## Socio-environmental management of the grain chain

In order to ensure the responsible purchase of grains, AMAGGI evaluates 100% of its suppliers based on established Socio-environmental Criteria, which are minimum sustainability principles to be met.

The company is committed not to acquire grains originating from:

- Areas embargoed by the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama);
- Areas embargoed by the Mato Grosso State Environmental Department (Sema-MT);
- Indigenous Lands and Conservation Units;
- Areas that break the State of Pará Green Grain Protocol;
- Deforested areas in the Amazon biome after 2008, according to the Soy Moratorium premises;
- Producers and companies that are on the Federal Government's List of Slave Labor.

In 2016, AMAGGI invested in technology and innovation to monitor its grain chain and launched its 'ORIGINAR' Platform (Originate) - a geospatial analysis tool, developed exclusively for the company, that uses updated satellite imagery databases. The tool makes it possible to cross the data from grain suppliers' farms with AMAGGI's Socio-environmental Criteria, thus guaranteeing greater traceability of the chain.

All grain purchases are evaluated, and producers with restrictions are prevented from trading with AMAGGI until they are regularized. In 2018, 1,315 grain supplier registrations were automatically held back by the system due to some possible kind of socio-environmental restriction. All automatic vetoes undergo a more detailed social-environmental assessment in order to verify the regularity of a specific rural property belonging to the registered producer, and only when regularity is proven commercialization is then authorized.

In addition, this platform allows AMAGGI to better manage its supply chain, supporting the identification of active priority regions, from a socio-environmental point of view and to provide better partnerships in projects for the evolution of its chain.

**Having a system compatible with the chain management challenges is essential for the evolution of supplier monitoring and risk analysis. AMAGGI invested in its ORIGINAR system and already has a project for the next 2 years to improve system. One of the anticipated advances is to have better interactivity with the Rural Environmental Registry, as well as deforestation detection alert systems, fully in line with its commitment to a conversion free chain. In addition, these improvements are essential to ensure AMAGGI's minimum marketing requirements and even to monitor its supply chain in response to its Global Sustainability Positioning.**

## Identification of active priority municipalities for a deforestation free grain chain

Since 2017, when it launched its Global Sustainability Positioning, with commitments for a deforestation free grain chain, AMAGGI began to analyze more intensively the regions where it operates, in order to identify active priority municipalities.

The methodology for choosing these municipalities was developed considering the characteristics of each municipality, as well as questions related to the amounts originated by AMAGGI in each of these locations. The following criteria were considered:

- Volumes originated by AMAGGI in each municipality;
- Recent deforestation history, comprising the periods from 2015 to 2017;
- Size of the forest surpluses of Permanent Preservation Areas and Legal Reserves of each municipality;
- Hectares of private natural forests in a soybean area - which represent future risk;
- Existing hectares of pasture in a soybean area - which reduce the pressure of soybean expansion into forest areas.

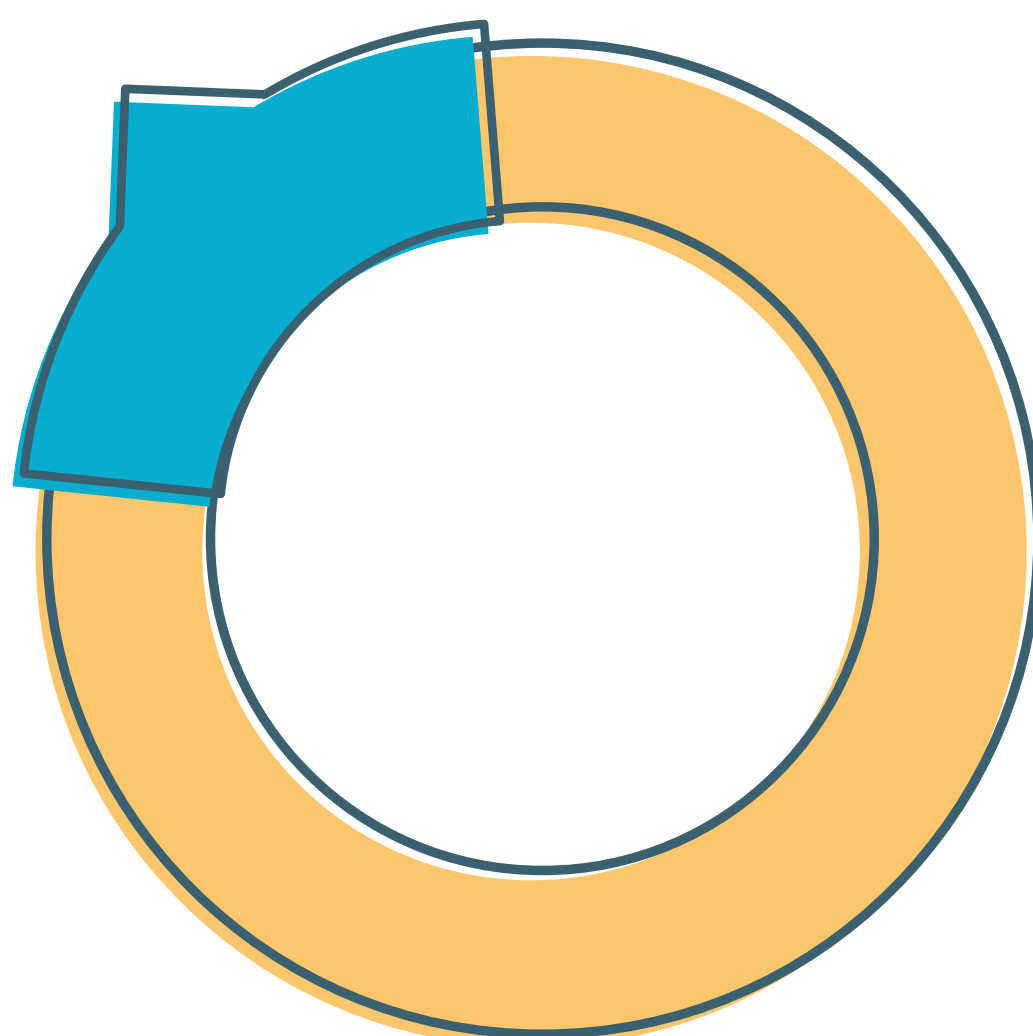
Each of these items received a grade and was classified within a matrix, so that it was

possible to arrive at a list that represents AMAGGI’s priority activity areas and that deserve immediate attention from the company to reduce deforestation, either legal or illegal. The prioritization of AMAGGI’s activities is concentrated in the Cerrado and Amazon biomes, in Brazil.

**Based on this diagnosis, AMAGGI will intensify its sustainable purchases management in these municipalities, with the top 25 representing 31% of the total volume originated by the company, thus increasing its traceability and directing projects and partnerships for local action in order to assist rural producers to increase productivity and expand to already open areas in order to reduce the pressure on advances to areas with native vegetation.**

## AMAGGI Origination

31% Priority municipalities origination



### Supply chain traceability indicators

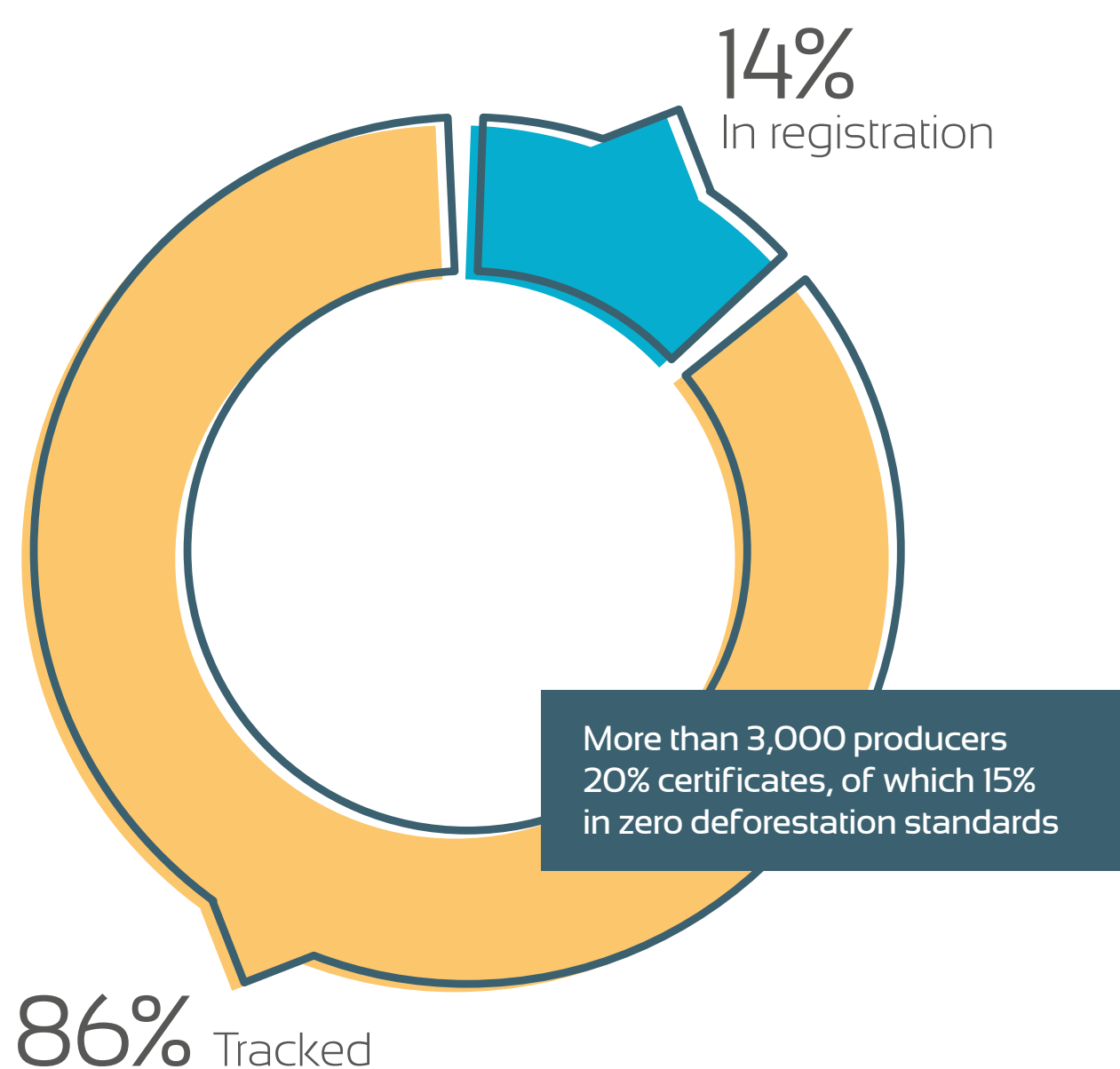
From the 'ORIGINAR' platform, AMAGGI is able to map and trace its grain suppliers, backed by the company’s business and origination areas. We consider traced those suppliers who we know precisely the location, based on geographical information.

Of its customer base for the 2017/2018 grain supply harvest, approximately 18% comes from the southern and southeastern states of the country, considered areas already consolidated and that do not represent a deforestation risk, the other 82% come from the Midwest and North regions and have the following configuration:

- 100% of agricultural production volumes fomented, with advances due to prices, were traced. In the 2017/2018 harvest, AMAGGI fomented about 30% of its total originated volume
- Over 3,000 direct suppliers traced, accounting for 86% of its active supply chain that can annually supply to Amaggi (we are working to reach 100%)
- 85% of the volume originated by AMAGGI is direct and 15% indirect

- In the 2018 harvest AMAGGI certified in A.R.S., RTRS and ProTerra more than 1 million and 300 thousand tons of soybeans, of which 100% are traced
- 100% of the purchases from the State of Pará are traced and comply with the state's Grain Protocol, of which AMAGGI is a signatory
- 100% of the Amazon Biome direct acquisitions are monitored and free from deforestation, as they fall within the Soy Moratorium of which AMAGGI is a signatory

## Producers tracked throughout the supply chain



With this information AMAGGI continuously improves its management to foster a grain deforestation free chain, legal or illegal, directing projects and partnerships aimed at increasing productivity, encouraging expansion to open and degraded areas, among other actions.

The next step is now to finalize the mapping of the 14% of producers that are not yet registered in the database, in addition to the refinement of producer areas according to the available Rural Environmental Registry. We still intend to invest in the ORIGINAR system so that there is a better interface between the marketing systems and the geospatial bases, thus guaranteeing a better traceability of the exact volume traded in the harvest by the grain supplying farm. AMAGGI's goal is to finalize this mapping within the 2019 harvest. The company is also already working with some indirect suppliers to arrive at a solution to map their suppliers and guarantee AMAGGI the knowledge of the grain origin. This is still a challenge, discussed in several initiatives that the company participates, thus, a definitive solution is yet to be reached. All this supply chain mapping work is essential for effective monitoring and to ensure a responsible chain. In addition, knowing the origin is the first step in understanding the regions of risks and priorities, as well as the chain's impact on deforestation.



# Transparency and Accountability

AMAGGI believes in the importance of providing transparency and accountability to all stakeholders on the origin of their grains, as well as all the mechanisms and procedures they have to ensure a responsible and sustainable origination, boosting their chain to become free from any legal or illegal deforestation.

To this end, the company releases information annually on recognized public access platforms, such as the Forests Policy Coherence for Development (CDP) and the GHG Protocol, in addition to AMAGGI's Annual Sustainability Report.

In addition, the purpose of this report was to concentrate information on AMAGGI's progress, actions and diagnosis of its grain supply chain on the point of view of deforestation, thus considering a complementary and more detailed report to the Sustainability Report, where we list the actions carried out by AMAGGI for all its material themes and strategic themes defined by its Global Sustainability Positioning.

## Future Challenges for a Deforestation Free Chain

AMAGGI's commitment to non-deforestation must be analyzed in an integrated manner with the company's institutional commitments and other policies. For a truly sustainable action it is essential to have a more comprehensive view of the chain, with deforestation being one of the priority points, however not the only one.

Furthermore, in order to give greater clarity to our commitment that integrates our Global Sustainability Positioning, launched in 2017, AMAGGI relaunches its commitment, "Towards a deforestation and conversion free grain chain", announcing the newest version of its commitment, in an attempt to meet even the most recent transparency recommendations identified in important sustainability publications.

This new document aims to clarify the scope of the commitment to combat deforestation, challenges and means for AMAGGI to achieve an increasingly sustainable agriculture, sharing values and benefits among all of the value chain; in a balanced and perennial manner, guaranteeing agribusiness expansion, while promoting local development and conservation of the environment. Access the full commitment "**Towards a deforestation and conversion free grain chain**" [here](#).

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