

Minerva S.A.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent auditor's limited assurance report on the procedures established to comply with the public livestock commitment to adopt "Minimum criteria for conducting industrial-scale cattle and beef product operations in the Amazon biome"

From January 01 to December 31, 2018

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent auditor's limited assurance report

**Grant Thornton Auditores
Independentes**

Av. Eng. Luís Carlos Berrini, 105 - 12º
andar Itaim Bibi, São Paulo (SP) Brasil

T +55 11 3886-5100

Minerva S.A.
Barretos – SP

Introduction

We have been engaged to apply limited assurance procedures on the criteria and processes adopted by Minerva S.A. (“Minerva” or the “Company”) for compliance with the public livestock commitment made with Greenpeace with respect to the adoption of the “minimum criteria for conducting industrial-scale cattle and beef product operations in the Amazon biome” for the period from January 01 to December 31, 2018.

Management’s responsibility

The Company’s Management is responsible for implementing processes and procedures that meet the guidelines and criteria for conducting direct and indirect operations as defined in the public livestock commitment made with Greenpeace and for the internal controls Management determined as necessary to enable compliance with such procedures.

Auditor’s responsibilities

Our responsibility is to issue a limited assurance report on the matters described above based on the work performed. We conducted our limited assurance procedures in accordance with the NBC TO 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, issued by the Federal Accounting Council and approved by the Brazilian Institute of Independent Auditors (IBRACON), which is equivalent to international standard ISAE 3000, issued by the International Federation of Accountants (IFAC), applicable to historical non-financial information.

These standards require that we comply with the relevant ethical requirements and plan and perform the assurance engagement to obtain limited assurance that the procedures are not compliant, in all material respects, with the criteria established for adopting the minimum criteria for conducting industrial-scale cattle and beef product operations in the Amazon biome.

We have complied with the independence requirements and other ethical requirements set forth by CFC, which are based on ethical principles, namely integrity, objectivity, professional competence and due care, and professional behavior.

Scope and limitations

The purpose of our work was to apply limited assurance procedures on the criteria and processes adopted by the Company to meet the public livestock commitment, not including an evaluation of the adequacy of its policies, practices and sustainability performance beyond the scope of said commitment.

The procedures performed do not represent an examination in accordance with auditing standards applicable to an audit of financial statements. Additionally, our report does not provide any type of assurance about the extent of forward-looking information (such as, for example: goals, expectations, strategies and projections) and descriptive information that is subject to subjective evaluation.

Applicable criteria contained in the public livestock commitment

The Company has made the public commitment to not acquire cattle originating from properties:

- a) That were involved with deforestation activities in the Amazon Biome after October 2009;
- b) That are included in the list of areas embargoed by IBAMA (the Brazilian Environmental Agency) and/or properties settled in indigenous land and conservation units (protected areas);
- c) Caught using slave labor or degrading jobs, as defined in the list of Ministry of Labor and Employment (MTE) and, subsequently, obtained from the Information Access Act (Law No. 12.527/2012), made available by the National Pact for the Eradication of Slave Labor in Brazil ("InPACTO") due to the suspension of the publication, whichever is the latest;
- d) That are settled in illegally acquired land ("land grabbing") or that have been acquired using violence ("land conflicts").

In addition to the items described above, the public commitment still require that the company adopt the following:

- e) A monitorable, verifiable and reportable tracking system: A reliable tracking system designed to prove the origin of the cattle and beef products;
- f) Registration with the Rural Environmental Registry (CAR) and/or Rural Environmental Permit (LAR) or Provisional Authorization for Conducting Rural Activity (APF), according to the legislation prevailing in the State.
- g) Prove that the titles of ownership are legal;
- h) Supply chain commitment: The Company also undertakes to implement the public commitment across the whole supply chain. This means adopting systematic control actions, including with indirect suppliers;
- i) Disclosure and action plan: As part of the public commitment, the Company also undertakes to disclose the audit findings and continuously improve the system. This includes reporting the weaknesses found in the working plans and communication of actions and terms for complying with the criteria established in the commitment.

Procedures applied to meet the criteria in the public livestock commitment

The limited assurance procedures applied to meet the criteria in the public livestock commitment included the following:

- a) Plan our work, considering the relevance, coherence, volume of quantitative and qualitative information and define the scope of our work, as described below:
 - For assurance engagements for the period from January 01 to December 31, 2018, we selected for documental analyses all units that traded cattle originating from the Amazon biome, specifically four (04) out of eleven (11) meatpacking units belonging to the group in Brazil, considering branches and subsidiaries, and one (1) office trading live animals;
 - Regarding the documents selected for our procedures, we adopted the Federal Accounting Council (CFC) No. 1229/09, which approved NBC TA 530 – Audit Sampling, the objective of which is to provide a reasonable basis for the auditor to conclude as to the population from which the sample is selected, providing guidance on the use of statistical and non-statistical sampling in the definition and selection of the audit sampling, in testing details and in the evaluation of the results provided by the sample.

- b)** Gain an understanding of the Company's operating systems and internal controls by interviewing the individuals responsible for the processes followed to meet the commitments to adopt minimum criteria for conducting industrial-scale cattle operations in the Amazon biome.

Detailed below are the procedures and analyses performed in each stage of our work, in compliance with Greenpeace's guidelines that should be followed by external auditors ("Reference document for external auditors"):

Item 3 – General audit procedures

- 1)** Verify purchase records for completeness by monitoring the extraction of purchase reports by an information technology professional to ensure that the programming language does not have filters or biases that may influence the results of the transactions;
- 2)** For the "Monitorable, verifiable and reportable tracking system" criteria, we verified if there is an indirect supplier traceability system that covers the entirety of the Company's purchases of cattle originating from the Amazon biome, encompassing all preceding links (rearing and fattening) and if all criteria under the commitment are met by the indirect suppliers. Additionally, we verified the existence and operation of a direct supplier blocking system that includes compliant direct suppliers having noncompliant indirect suppliers;

However, we were unable to proceed with our analysis on a sampling basis, as required by Greenpeace's Reference Document for External Auditors, due to lack of tracking system across the supply chain, as discussed in the "Basis for qualified conclusion" paragraph".

Item 3.1 – Step 1 – Evaluation of the cattle purchasing and suppliers blocking system

Step 1 – Sampling selection

We generated a stratified and random sample of 10% of the purchases made by each industrial unit due to the fact that to the level of noncompliance (NC) recorded in the prior year was lower than 5% of the total purchases of cattle originating from the Amazon biome. The sampling stratification was:

- a)** Distributed among all units and supplied with raw material originating from the Amazon biome;
- b)** Distributed among purchases made in the period from January to December 2018, encompassing each of the twelve (12) months of the period under analysis.

Step 2 – Analysis of the cattle purchasing system

We traced the sample accounting for 10% of the purchases made in the 2018 period to lists made available by Ibama (updated and extracted on February 22, 2019), MTE (updated on January 17, 2019 and extracted on February 22, 2019) and geo-monitoring data.

Since the result was different from zero, we analyzed the date when the animals were purchased, considering the following:

- a)** If the date of inclusion of the property in the IBAMA, MTE and GEO data lists was later than the purchase date and, then, the noncompliance is not confirmed;
- b)** If the purchase was made on a date later than that of inclusion of the property in the lists, the purchase should be indicated as noncompliant with the commitment. In this case, the meatpacker should establish an action plan to correct subsequent errors in the system. This information is shown in **Appendix 2** (Cases of noncompliance identified during the period under audit).

Step 3 – Analysis of noncompliant supplier blocking system

We evaluated the blocking system simulating purchases from suppliers that are noncompliant with the commitment and were blocked by the Company in order to test its effectiveness. For each of the criteria listed below, we selected 10 blocked properties to analyze the purchasing process, with the analysis totaling 20 properties, as established in the reference audit document:

- a)** Deforestation - IBAMA;
- b)** GEO – Indigenous land (TI), Conservation Units (UC) and deforestation.

Since no child and slave labor conditions were identified in the period under analysis, no properties were selected for analysis of the MTE blocking criteria.

Item 3.2 – Step 2 – GPS firm retained

Step 1: Verification of procedures

We verified the procedures adopted by the outside GPS firm ensuring the integrity and transparency of the process performed to prepare and update the geographical information that feeds the meatpackers' purchasing systems, by conducting the following procedures:

- a) Verify if the firm is properly qualified to perform the activities described, considering: Corporate purpose, National Economic Activities Classification (CNAE), Technical Responsibility before the Regional Council of Engineering, Architecture and Agronomy (CREA), experienced professionals;
- b) Registration of the Statement of Technical Responsibility (ART) for the activities performed relating to the year under audit;
- c) Description of the scope performed by the 'Contracted party' as part of the monitoring process, identifying the 'products' generated;
- d) Description of the procedure used to receive data from suppliers, processing, checking and return of analysis to the meatpacker;
- e) Check if there is a procedures manual or documentation in place specifying the geographical analysis criteria that were contracted.

Step 2: Monitoring simulation

Each criterion of the public commitment should be made a simulation to check the functionality of the outside firm's geo-monitoring system. Greenpeace's requirements applicable to external auditors specify that 10 properties must be selected on a random basis from the GEO list, including both blocked and authorized suppliers to evaluate the operation of the geo-monitoring system for each one of the items below, totaling 30 properties simulated (deforestation, invasion of the UCs and invasion of IT systems).

The monitoring simulation should follow different criteria for each of the following situations:

a) Deforestation

We verified if the GPS firm meets the term of up to fifteen (15) days to update its database after officially disclosing data from the Real Time Deforestation Detection (DETER) or the Project "Estimated Amazon Deforestation" (PRODES) by INPE.

b) Overlapping of land rights in indigenous land and conservation units

In those cases where there was overlapping of Indigenous Land or Conservation Units, we matched the date to the Conservation Unit's creation date or Indigenous Land's official approval date.

Due to scale differences in the maps of supplying farms and the official maps of Conservation Units and Indigenous Land, a technical overlapping tolerance level of up to 10% of the total property area over the Indigenous Land or Conservation Unit was accepted.

Since there were not 10 properties overlapped to Indigenous Land, we used a sample as large as possible; 2 properties were selected for the GPS simulation in the period under analysis.

Item 3.3 – Step 3 – Supply chain's compliance with land, environmental and supply chain requirements

The direct supply chain's compliance with land, environmental and supply chain requirements was verified by checking the controls performed by the Company, analyzing the following documents:

- a) Environmental regularization of the supplying properties, according to the prevailing legislation and terms, based on the Rural Environmental Registry (CAR) or Rural Environmental Permit (LAR), Unique Environmental Permit (LAU) and Provisional Authorization for Conducting Rural Activity (APF);

- b) Supplying properties' compliance with land requirements based on any of the effective documents: Rural Property Registration Certificate (CCIR), or registry of deeds, or title of ownership, legal land or declaration of ownership ("sindicato") or detailed descriptions.

The analysis of the items above was performed on a sampling random basis, of 25 purchased made in the period under analysis.

The findings of the procedures applied are presented in item "Basis for qualified conclusion" paragraph and on Appendices I to IV in this report.

Basis for qualified conclusion

Traceability since the animal birth

The public livestock commitment requires that an environmental traceability system be in place in the cattle supply chain, from the animal birth to slaughtering, on a continuous basis. However, the Company understands that government grants would be necessary to develop this traceability system; the Company's procedures are in accordance with international traceability standards by means of the Brazilian System for Identification and Certification of Cattle and Buffaloes (SISBOV), whereby animals are traced from their weaning period or until they are 10 months old.

Because the Company does not have a traceability system as required in the public livestock commitment, this was considered a limitation in performing our procedures.

Management of indirect suppliers

The public livestock commitment determines that the Company adopt systematic actions to control, manage and evaluate the environmental and traceability criteria across the indirect and direct suppliers in the supply chain.

However, in performing our analyses and inquiries of Management, we verified that the Company does not perform procedures to analyze and manage its indirect suppliers, since it understands that government grants would be necessary to develop this tracking system. Therefore, we concluded that the criteria were not met.

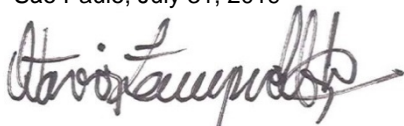
Qualified conclusion

Based on the procedures performed and evidence obtained, except for the effects of the matters described in the 'Basis for qualified conclusion' paragraph of our report, nothing has come to our attention that causes us to believe that the procedures adopted by the Company in the period from January 10 to December 31, 2018 were not compliant in all material respects with the criteria established in the public livestock commitment to adopt the "minimum criteria for conducting industrial-scale cattle and beef product operations in the Amazon biome".

Other matters

The Independent auditor's limited assurance report on the procedures established to comply with the public livestock commitment to adopt "Minimum criteria for conducting industrial-scale cattle and beef product operations in the Amazon biome", issued on July 31, 2019, has been restated due to the inclusion of the update and extraction dates information from the Ibama and MTE lists, mentioned in Step 2 - "Analysis of the cattle purchasing system", of the item 3.1 - "Step 1 - Evaluation of the cattle purchasing and suppliers blocking system" of aforementioned report.

São Paulo, July 31, 2019



Octavio Zampirolo Neto
Assurance Partner

Grant Thornton Auditores Independentes

Appendix I – Total purchases and sampling

1 – Total purchases and sampling

Total purchases of raw materials originating from the Amazon biome conducted by Minerva from January 1o to December 31, 2018	Total purchases of raw materials selected for analyses
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14,946	1,495
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Appendix 2 – Non-compliances identified in the period under analysis

2 – Non-compliances identified in 2018

Description	Total non-compliances	% of non-compliances to total purchases in 2018	% of non-compliances to total purchases included in the sample
Purchases of raw materials originating from properties in which deforestation activities were identified after October 2009	-	0%	0%
Purchases of raw materials originating from properties overlapping with indigenous land	-	0%	0%
Properties blocked due to presence in conservation units	-	0%	0%
Properties blocked due to inclusion in MTE list	-	0%	0%
Properties blocked due to other criteria established in the commitment not described above	-	0%	0%

Appendix III – Findings on our analysis of properties blocked

3 – Analysis of properties blocked

Description	Total number of items	Compliant	Noncompliant
IBAMA	10	10	-
MTE (a)	-	-	-
GEO - (PRODES, DETER, IT and UC)	10	10	-
Total	20	20	-

(a) During the period under analysis, we identified blocking activity related to child and slave labor (MTE).

Appendix IV – Findings on the geo-monitoring simulation

	Total number of items in the		
	geo-monitoring simulation	Compliant	
Properties with illegal deforestation after October 2009	10	10	-
Properties overlapping to indigenous land (a)	2	2	-
Properties overlapping to Conservation Units	10	10	-
Total	22	22	-

- (a)** Since there were not 10 properties overlapped to Indigenous Land, we used a sample as large as possible to perform the geo-monitoring simulation.

Appendix V – Event after the reporting period

Barter Agreement – Várzea Grande and Paranatinga plants (MT)

On January 24, 2019, the Company announced that a barter transaction was completed: **(i)** whereby the Company received (a) the Paranatinga plant, located in Paranatinga, State of Mato Grosso ("Paranatinga Plant"), (b) Paranatinga Plant's assets; and (c) other compensatory assets; **(ii)** through the transfer by the Company of the Várzea Grande Plant, located in Várzea Grande, State of Mato Grosso ("Várzea Grande Plant"), and (b) Várzea Grande Plant's assets, in the terms defined in Agreement for Barter of Assets and Other Covenants ("Barter of Assets Agreement"), entered into on that date between the Company, Marfrig, as parties, and BRF SA, as the intervening party.

On February 01, 2019, the Brazilian Antitrust Authority (CADE) approved the transaction and, on February 19, 2019, after the statutory term, this decision became final and unappealable, and the barter was actually completed on April 01, 2019.

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