



1ST UNIFIED CYCLE OF AUDITS: MAIN RESULTS, CHALLENGES AND OPPORTUNITIES

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Key messages:

- The 1st Unified Cycle of Audits is a major advance in fulfilling livestock commitments in the Legal Amazon. It ensures greater transparency through the standardization of processes and schedules and simultaneously reports audits by the states participating in the TAC Legal Meat.
- The 1st Unified Cycle of Audits brings an innovation called Automatic Audits, implemented by the bases of Animal Transit Guides (GTAs) and Rural Environmental Registries (CAR) from the states. It allows the visibility of the compliance of those meatpackers that did not contract 3rd party audits.
- Full access to the public databases of rural properties and the movements of animals destined for slaughter is needed for the broad transparency of the implementation of the Legal Meat TAC.



HOW THE AUDIT CYCLE WAS ORGANIZED

In October 2023, the results of the 1st Unified Cycle of Audits of meatpacking companies that signed the Conduct Adjustment Terms (TACs) in the Legal Amazon were presented at an official event of the Federal Public Prosecutor's Office. Subsequently, in March 2024, the public summaries of the results of the companies participating in that cycle were released, marking a significant advance in transparency and strengthening the socio-environmental commitments in the livestock chain in the Legal Amazon.

In addition to harmonizing the audit criteria and other procedures established in the Audit Protocol launched in 2021, the unified cycle of audits has guidelines, structure, and schedule common to all states with companies that are signatories to the TACs of the Legal Meat Program. Thus, the conduct of the processes within common rites and the standardized publication of the results is ensured, which allows the comparison of the performance of the audited companies and increases the level of transparency between state public agencies. It also provides a better view and understanding of the evolution in compliance with the agreements, allowing continuous improvement for the next cycles.

In addition, the results promote visibility and appreciation of companies committed to monitoring their chain, highlighting those that did not adhere to the audit process or presented unsatisfactory performance to encourage them to achieve better results in the following cycles. It also demonstrates the interest of the states in the regularization of the livestock production chain since the process depends on the availability of public databases of the supplier properties.

In this cycle, 60 meatpacking companies from Acre, Amazonas, Mato Grosso, Rondônia and Pará were summoned. The criterion for the invitation was based on the company's relevance, which considers its representativeness in relation to the total volume of slaughter in the respective state. In Pará, companies considered relevant participated, whether they were signatories to

the Legal Meat TAC, while in the other states, only companies considered relevant and signatories of the commitment participated. Purchases referring to the period from July 2020 to December 2021 were evaluated.

Of the total summoned, only 19 companies submitted an Audit Report. Low adherence indicates that signing the TAC does not guarantee compliance and that an essential part of the process – the demonstration of compliance via reporting of data and verification of results – does not happen proactively by the signatories. At this stage, assessing which criteria are being respected and the effectiveness of the companies' social and environmental risk management systems is possible.

However, the 1st Unified Cycle introduced a novelty to reinforce transparency in the meat chain. Those meatpackers that did not present third-party audits had their purchases evaluated by automatic audits. The automatic analyses were carried out within the Technical Chamber supporting the TAC, based on data from Animal Transit Guides (GTAs) and Rural Environmental Registries (CARs) made available by the states of Acre, Amazonas and Pará. Mato Grosso and Rondônia did not participate in this process due to state agencies' unavailability of databases.

The automatic analyses do not consider the potential unblocking of purchases made appropriately by meatpackers, called justifications, and based on the rules defined by the Amazon Cattle Supplier Monitoring Protocol (Beef on Track Protocol), since they are carried out via public data and without direct interaction with the meatpacker because these companies did not respond to the MPF's call for the audit process. Therefore, hiring a third-party audit is more interesting for demonstrating performance and compliance with the TAC Carne Legal. Thus, the automatic process can incentivise companies to adhere to the verification and reporting process.



AUDIT RESULTS

According to the results of the contracted audits, Acre had the highest percentage of non-conformities. However, this information does not represent the reality in the field since only the JBS company presented the Audit Report in this state. Compared to the results of the automatic audits, Acre had the lowest number of non-conformities, represented by two meatpackers (Fricarnes and Modelo).

The state of Pará presented a performance in third-party audits considered satisfactory by the Technical Chamber (2.1% of non-conformities), which classifies results with up to 5% of non-conformities. Thus, this cycle marked two relevant advances: the highest percentage of participation in the volume of cattle audited and the lowest percentage of non-conformities since the beginning of audits in the state. However, the results of the automatic analyses showed a high percentage of non-conformities - 17.73%. Unlike audits performed by third parties, automatic audits do not consider unblocking justified by the Beef on Track Protocol rules. Thus, the absence of a third-party audit does not prevent the exposure of the meatpacker; while hiring, it allows the meatpackers that monitor its chain to demonstrate their work with greater accuracy.

In addition, Pará's automatic audits include relevant meatpackers who slaughter a significant volume of cattle and meatpackers who are non-signatories to the TAC, which impacted the high percentage of non-conformities. These results indicate that companies without commitment are potential cattle buyers from irregular properties and can, therefore, be considered agents of cattle triangulation mechanisms. For these meatpackers, we highlight the importance of adhering to the TAC, implementing a monitoring system in their supply chain and hiring third-party audits, thus establishing a complete cycle of Monitoring, Reporting and Verification (MRV).

In Rondônia, due to the lack of information from the state, the audits were carried out from the

database provided by the audited companies themselves, which highlights the lack of transparency in the state for this cycle. The companies JBS and Minerva were summoned and presented their reports. The non-conformities registered in the state (7.1%) are related to JBS purchases since Minerva demonstrated 100% compliance.





AUDIT RESULTS

The results of Mato Grosso are represented by the companies Marfrig, Minerva and JBS, with the first two showing 100% compliance in their purchases. Another nine meatpackers hired a third-party audit but still needed to complete the process, failing to deliver the audit report. The process was conducted in the state based on the audited companies' databases, also due to the unavailability of state data. For this same reason, the companies in Mato Grosso that did not submit a report were not subjected to automatic audits.

In Amazonas, none of the meatpackers summoned presented an audit report despite all being signatories to the TAC. Therefore, the

results presented were all analyzed automatically.

The automatic audits did not evaluate the criteria for changes in CAR, Rural Environmental Licensing (LAR) limits in Pará and the Productivity Index, which can be considered for the subsequent cycles.

The following graphs show the performance of meatpacking companies that hired third-party audits and delivered reports (Figure 1) and the performance of companies that did not contract audits and, therefore, went through the automatic analysis process (Figure 2).

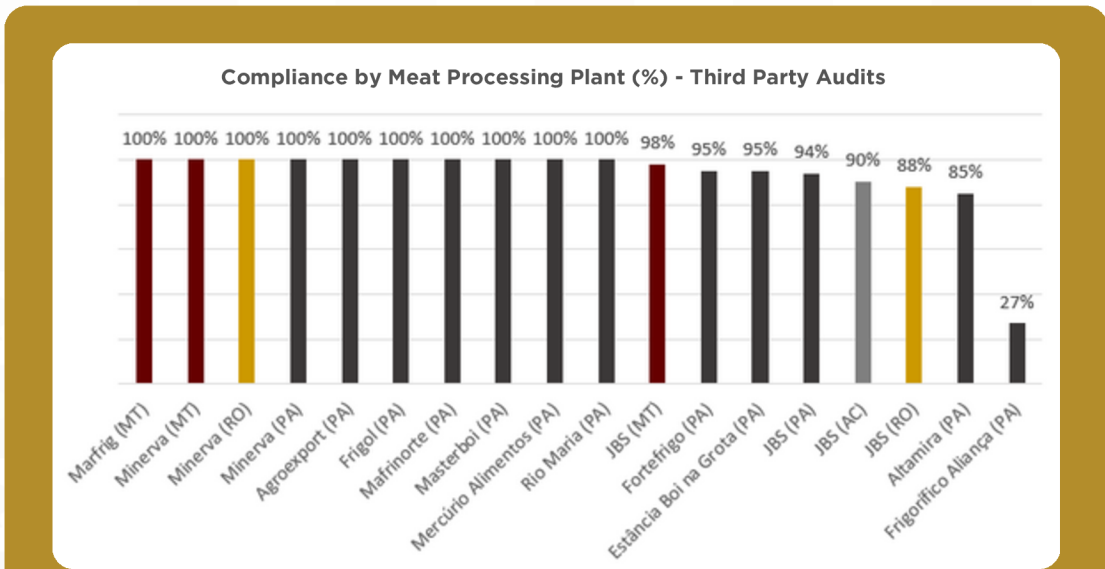


Figure 1: Percentage of non-conformities presented by the meatpackers that hired a third-party audit.

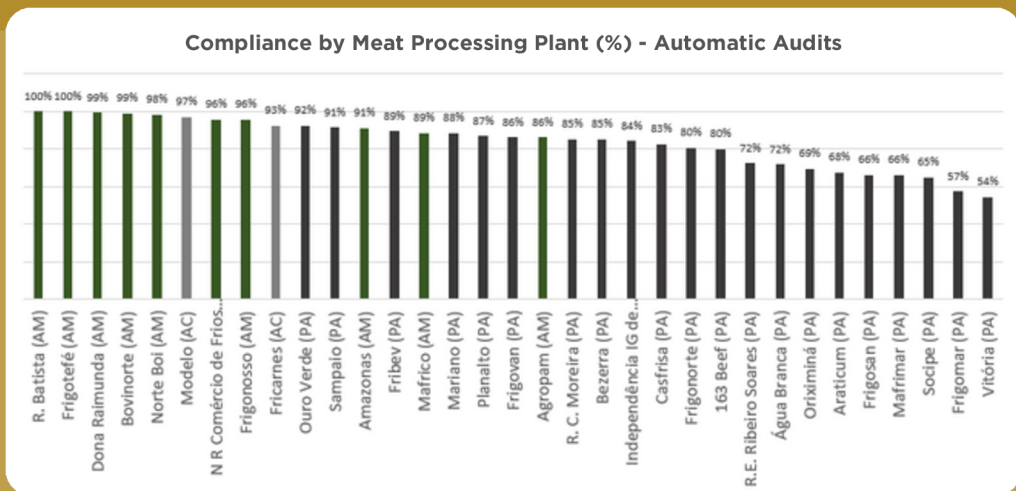


Figure 2: Percentage of non-conformities presented by the meatpackers that went through the automatic audit process.



When analyzing the categories of non-conformities, it is observed that the criterion with the highest incidence of irregularities is Illegal Deforestation after August 1, 2008, in both audit modalities. According to the results of the contracted audits, in the state of Rondônia, 99.70% of the non-conformities identified are related to this criterion, while in Mato Grosso, this figure is 72% and in Acre, 70%. In Pará, this number is lower, representing 27.40% of non-conformities. Compared to automatic audits, Pará has 88% of irregularities related to this criterion, while Amazonas registers 80%. On the other hand, Acre shows a slight reduction, with 61% - corresponding to only two meatpackers.

The criterion lack of CAR or invalid CAR was the second most recurrent irregularity in the contracted analyses. In Pará, it was the first, with 56.63%, mainly due to the results of two meatpackers: Frigorífico Aliança, which demonstrated a lack of control of its production chain, and Frigorífico Altamira, which faces a logistical problem because they only provide slaughter services, not buying cattle, and therefore depends on intermediaries for clarification on the farms of origin. The same criterion was not counted as non-compliance in automatic audits due to unavailability or inconsistencies in self-declaratory data, without prejudice of being considered non-compliance in future automatic audits.

Regarding the criterion of overlapping properties with Indigenous Lands, we observed that this irregularity was not found in the contracted audits. In contrast, it was found in 6 meatpackers in the automatic audits in the State of Pará, four of which are signatories to the TAC.

All meatpackers, even those that did not present this non-compliance, should be aware of the problem: the supply chain monitoring has a significant gap since indirect suppliers and new cases of illegal cattle ranching in Indigenous Lands continue to be evidenced. Given this scenario, the risk management of meatpackers in these territories must be developed and improved, and the meatpackers must know their risk exposure, identify the most vulnerable regions and adopt prevention and safeguard measures.

No cases of labour analogous to slavery were identified in the automatic audits. In contrast, in the third-party audits, a meatpacker in Pará presented irregular purchases due to this criterion. No similar occurrences were observed in the other audited states.

It is essential to highlight that both audit modalities evaluate direct purchases from meatpacking companies, so these analyzes are limited to direct suppliers and do not consider the occurrence of non-conformities in the indirect links of the chain.

Despite companies' difficulty adhering to it, the 1st Unified Audit Cycle was essential to building a responsible chain. It also brought a series of lessons that will be incorporated into the 2nd Cycle, which is underway in 2024 and will evaluate the purchases of meatpacking companies for 2022. The results are expected to be published by December 2024.

Thus, more companies are expected to be summoned to participate in this cycle, including those not signatories to the TAC from other states, in addition to Pará. Automatic audits are also expected to be carried out for all companies considered relevant in the states of the TAC Legal Meat, with expansion to Mato Grosso, Rondônia, and Tocantins. These companies will receive the results of the automatic analyses and can use them to decide whether to hire a third-party audit.



BEEF ON TRACK

Created in 2019 by Imaflora in partnership with the Federal Public Prosecutor's Office, Beef on Track guides and qualifies actors in the meat and leather value chain to promote transparent livestock farming free from deforestation, slave labour and invasion of protected areas.

With a priority focus on the Legal Amazon and Cerrado, the program seeks to demonstrate the social, economic and environmental advantages of acting within the law and with socioenvironmental responsibility.



Since 1995, Imaflora has worked to promote sustainable and inclusive use of natural resources. Their projects balance environmental conservation and economic development, addressing forestry, agriculture, sociobiodiversity and climate needs. They conduct fieldwork, provide technical assistance, ESG services and certifications, as well as research and data development. (www.imaflora.org)

Thanks

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