



Complaint to the United States Securities and Exchange Commission (SEC) requesting the cancellation of JBS' IPO due to wide ranging reports of unacceptable company conduct, potentially misleading statements and lack of disclosure of material risks to investors.

Thursday 17th August, 2023

Rainforest Action Network (RAN) is writing to the SEC to request an investigation into allegations that JBS does not operate to acceptable business standards, has filed potentially misleading statements and has omitted material information for investors (outlined below) in its F-4 Registration Statement with the Securities and Exchange Commission (SEC) dated 12 July 2023.¹ We ask you to investigate these allegations and engage with JBS in a fully transparent manner to enable much needed public scrutiny. The investigation should consider whether the proposed IPO should receive SEC approval to proceed in light of concerns that it exposes investors to material risk.

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Summary

JBS is the largest meat processing company in the world.² Concerns about the company's business practices and supply chain have been well documented and raised repeatedly over the

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http://archive.fast-edgar.com/20230712/A82Z822DZZ2R8JZK22ZK2ZYRT8K9ZZ22ZS5G/#rom419054_7

² JBS prospectus, p2.

http://archive.fast-edgar.com/20230712/A82Z822DZZ2R8JZK22ZK2ZYRT8K9ZZ22ZS5G/#rom419054_7

last 15 years.^{3 4 5} These include: illegality; deforestation; invasion and land grabbing of indigenous and traditional territories; land conflicts and violence against rights defenders, slavery and labor abuses in its supply chain; lack of traceability; corruption; and greenwashing. JBS has failed to deliver on many of its commitments to address these issues⁶ and continues to be embroiled in scandals that call the governance and management of the company into serious question. These scandals demonstrate poor corporate governance and include several major settlements in the US as recently as 2022 related to bribery and price-fixing (see Legal risks: Fraud and Corruption). Despite a high-profile net-zero pledge in 2021, JBS is estimated to have increased its Greenhouse Gas (GHG) emissions by 51% in five years.⁷

We would like to bring your attention to several serious investor risks that the SEC ought to investigate. The SEC should consider whether these matters have been adequately addressed in the prospectus, since a failure to do so could affect investors' ability to make an informed decision about this company.

Legal Risks

The involvement of JBS in illegal activities poses a serious risk to investors as the company may be held accountable in a court of law and be requested to pay fines and compensation, for which the company may not have made necessary provision. It may also have members of senior management held accountable, and potentially be convicted to do jail time, as has already happened with the Batista brothers, which may negatively impact the performance of the company.

Despite reports of illegality from 2009 to 2022, we question whether the articulation in the prospectus appropriately reflects the risks associated with the company's high-risk business model. The company states in the prospectus (p43) that: *"The raising of cattle and other livestock is at times associated with deforestation, invasion of indigenous lands and protected areas and other environmental and human rights concerns."* These practices do not only constitute environmental and human rights concerns; they are illegal and therefore, their presence in JBS' business model poses an ongoing material legal risk. Below we have detailed numerous links the company has had to illegal practices over the last 15 years.

Deforestation

JBS has been repeatedly linked to deforestation over the past 15 years. In 2009, Greenpeace published the report "Slaughtering the Amazon"⁸ which documents in detail a number of cases where JBS was involved in illegal deforestation.

³ <https://www.banktrack.org/company/jbs>

⁴ <https://www.greenpeace.org/usa/research/slaughtering-the-amazon/>

⁵ <https://www.thebureauinvestigates.com/stories/2019-07-02/jbs-brazilian-butchers-took-over-the-world>

⁶ <https://www.greenpeace.org/international/publication/44522/how-jbs-is-still-slaughtering-amazon/>

⁷ <https://www.iatp.org/jbs-emissions-rising-despite-net-zero-pledge>

⁸ <https://www.greenpeace.org/usa/research/slaughtering-the-amazon/>

Since then, a long list of additional reports have been published (see some below). It is estimated that between 2008 and 2020, JBS' total deforestation footprint is as high as 200,000 hectares in its direct supply chain and 1.5 million hectares in its indirect supply chain.⁹

Below is an overview of some of the investigations and reports that documented illegal deforestation in JBS's supply chain. A more comprehensive overview can be found on BankTrack's page on JBS.¹⁰

- Reporter Brasil (2015), found that JBS has bought cattle from the mother of Ezequiel Antônio Castanha, who is accused of being the largest deforester of the Amazon ever.¹¹
- Operation "Carne Fria" (Cold Meat) (2017), fined JBS with BRL 25 million (around USD 5 million) for illegal deforestation.¹²
- Reporter Brasil, The Guardian and The Bureau of Investigative Journalism (2019), found that even after a 25-million-real fine, JBS still sources livestock from Amazon-deforesting companies¹³
- Greenpeace (2020), How JBS is still slaughtering the Amazon¹⁴
- Amnesty International (2020), From Forest to Farmland¹⁵
- Global Witness (2020), Cash Cow¹⁶
- Global Witness (2020), Beef, Banks and the Brazilian Amazon¹⁷, which showed that between 2017 and 2019, JBS bought cattle from 327 ranches in Pará containing over 20,000 football fields-worth of illegal deforestation.
- Repórter Brasil (2022), Gado criado ilegalmente em terra indígena no Pará abastece JBS e Frigo¹⁸, which shows that 55,000ha of the indigenous land Apyterewa have been deforested, that 98% of the deforested land was turned into pasture, and that there are strong indications of JBS sourcing from this area.
- The official audit by Brazil's Federal Public Prosecutor's Office, the MPF (2022), found that from mid-2019 to mid-2020, more than one in six cows – almost 94,000 head of cattle – of JBS' audited purchases were not compliant with their legal obligations, mostly

⁹ <https://chainreactionresearch.com/wp-content/uploads/2020/08/JBS-CRR-Report-1.pdf>

¹⁰ <https://www.banktrack.org/search#search=JBS>

¹¹ <http://da-floresta-a-mesa.webflow.io/>

¹²

<https://reporterbrasil.org.br/2017/03/jbs-compra-gado-de-areas-desmatadas-ilegalmente-e-leva-multa-de-r24-milhoes/>

¹³

<https://reporterbrasil.org.br/2019/10/even-after-a-25-million-real-fine-jbs-still-sources-livestock-from-amazon-deforesting-companies/>

¹⁴ <https://www.greenpeace.org/international/publication/44522/how-jbs-is-still-slaughtering-amazon/>

¹⁵

<https://www.amnesty.org/en/wp-content/uploads/2021/05/AMR1926572020BRAZILIAN-PORTUGUESE.pdf>

¹⁶ <https://www.globalwitness.org/en/campaigns/forests/cash-cow/>

¹⁷ <https://www.globalwitness.org/en/campaigns/forests/beef-banks-and-brazilian-amazon/>

¹⁸

<https://reporterbrasil.org.br/2022/09/gado-criado-ilegalmente-em-terra-indigena-no-para-abastece-jbs-e-frigo/>

due to deforestation caused by their direct suppliers, according to the official audit.¹⁹ And while JBS is not the only beef company working in this part of the Amazon, the audit found it was responsible for nearly 69% of the ‘irregular’ cattle purchases²⁰ made by over a dozen companies audited in Pará.

Slavery and labor abuses

JBS has been repeatedly linked to slave labor through its suppliers despite claiming to have established monitoring mechanisms to prevent sourcing from ranchers that use slaves.²¹ This illegal practice has been reported in JBS’ supply chain repeatedly and poses a material legal risk to the company which has been omitted from the prospectus. Below are two examples:

- In 2022, JBS was found to have sourced thousands of cattle from Chaules Pozzebon ranches²². Pozzebon is currently serving a 99-year sentence for leading a criminal gang and has been convicted for using slave labor.²³
- JBS was also exposed for sourcing from the Seronni family of ranches where workers were rescued in 2006 and in 2018, and during an inspection in 2021, slave labor was found again.²⁴

JBS has been linked to extremely poor working conditions in Brazil and the US which contravene basic workers’ rights. The prospectus does not adequately recognize the risks that poor working conditions expose the company to and may mislead investors. Below are three examples:

- Since 2000, JBS’ US subsidiaries have been fined \$34 million for employment-related offenses.²⁵
- Serious abuses and high rates of injuries in JBS’ US operations - including Pilgrim’s Pride - were reported in 2019 by both Oxfam-US²⁶ and Human Rights Watch.²⁷
- Most recently, JBS was found to use a sanitation service to clean its slaughterhouses which employed children in hazardous jobs in the US.²⁸

¹⁹ <https://www.mpf.mp.br/pa/sala-de-imprensa/noticias-pa/resultados-4o-ciclo-auditorias-tac-pecuaria-pa>

²⁰ <https://www.reuters.com/business/environment/brazil-audit-finds-17-cattle-bought-by-jbs-came-irregular-ranches-2022-12-15/>

²¹ <https://reporterbrasil.org.br/wp-content/uploads/2021/01/Monitor-8-Slave-labor-in-Brazils-meat-industry.pdf>

²² <https://unearthed.greenpeace.org/2022/11/11/jbs-cattle-brazils-biggest-deforester-amazon/>

²³ <https://noticias.uol.com.br/ultimas-noticias/agencia-publica/2019/11/25/o-maior-desmatador-do-brasil-pos-sui-120-madeireiras-em-rondonia-chaules-volban-pozzebon.htm>

²⁴ <https://www.globalwitness.org/en/campaigns/forests/cash-cow/>

²⁵ https://violationtracker.goodjobsfirst.org/?parent=jbs&order=primary_offense&sort=

²⁶ https://s3.amazonaws.com/oxfam-us/www/static/media/files/No_Relief_Embargo.pdf

²⁷ https://www.hrw.org/report/2019/09/04/when-were-dead-and-buried-our-bones-will-keep-hurting/workers-rights-under-threat#_ftn62

²⁸ <https://www.dol.gov/newsroom/releases/whd/whd20230217-1>

The prospectus (p53) states that “Efforts to comply with immigration laws and/or the introduction of new immigration legislation could make it more difficult or costly for us to hire Employees”. We have concerns that the company may have risky employment practices without meaningful plans to ensure full legal compliance. Given the failure of JBS to deliver on promises to eliminate slavery from its supply chain we urge the SEC to investigate the potential material legal risks.

Land grabbing of Indigenous territories

JBS has been accused several times of sourcing cattle that was illegally grazed on Indigenous Lands (TI) in the Brazilian Amazon. Below are three examples:

- **TI Uru-Eu-Wau-Wau**

In 2020, Amnesty reported that JBS had purchased cattle from a farmer who illegally grazes cattle in the Uru-Eu-Wau-Wau Indigenous Land, in Rondônia, on five occasions, in 2019²⁹. In 2023, an analysis by the Laboratório InfoAmazonia de Geojornalismo, in partnership with CCCA – Center for Climate Crime Analysis, found that JBS was still sourcing cattle from these indigenous lands, after 2021.^{30 31} The Uru-Eu-Wau-Wau are an indigenous people of recent contact, who are facing strong pressures from land invaders.^{32 33}

- **TI Naruvôtu Pequizal**

That same year, Repórter Brasil exposed JBS sourced, on several occasions, cattle from a farmer who IBAMA (the environmental agency) had been found to raise thousands of animals within the Naruvôtu Pequizal Indigenous Land.³⁴

- **TI Apyterewa**

In 2022, an investigation by Reporter Brasil showed evidence that JBS sourced from farmers who grazed cattle inside the Indigenous Land Apyterewa.³⁵ Apyterewa is the most deforested indigenous land in the Brazilian Amazon.³⁶ Part of the Parakanã people that live in Apyterewa, are also of recent contact.³⁷

²⁹ <https://www.amnesty.org/en/documents/amr19/2657/2020/en/>

³⁰

<https://infoamazonia.org/2023/06/29/grupo-casino-continua-vendendo-carne-proveniente-da-terra-indigena-uru-eu-wau-wau-apesar-de-processo-judicial-na-franca/>

³¹

<https://infoamazonia.org/en/2023/06/29/despite-lawsuit-casino-group-still-sells-beef-from-an-amazonian-indigenous-land/>

³² <https://pib.socioambiental.org/en/Povo:Uru-Eu-Wau-Wau>

³³ <https://films.nationalgeographic.com/the-territory>

³⁴

<https://reporterbrasil.org.br/wp-content/uploads/2020/11/Monitor-Grana-e-Pecu%C3%A1ria-2020-EN.pdf>

³⁵

<https://reporterbrasil.org.br/2022/09/gado-criado-ilegalmente-em-terra-indigena-no-para-abastece-jbs-e-fri-gol/>

³⁶

<https://g1.globo.com/pa/para/noticia/2023/02/03/terra-indigena-com-maior-desmatamento-por-4-anos-segundos-ti-apyterewa-no-para-perdeu-area-maior-do-que-fortaleza-diz-estudo.ghtml>

³⁷ <https://pib.socioambiental.org/en/Povo:Parakan%C3%A3>

Fraud and corruption

JBS has been involved in many cases of fraud and corruption which we think warrant enhanced scrutiny by the SEC. Although these cases have been disclosed in the prospectus (p47-48), we would highlight a few pieces for additional context. Firstly, the scale of the corruption scandals was so large that it warranted a record-breaking fine of \$3.2 billion which settled five separate investigations into JBS' extensive corrupt and fraudulent business practices (outlined below). Secondly, JBS states (p47) that *"Since 2017, JBS S.A. and J&F have implemented numerous and material changes to their anti-corruption compliance policies intended to detect and prevent illicit payments and conduct throughout their operations, including the introduction of new policies and practices and the hiring of experienced professionals who have a track record of building effective compliance programs"*. However, the recent settlements (outlined below) in the US suggest that the company continues to operate in a legally risky manner which they have failed to meaningfully reform, despite stating (p47) that *"the SEC and the DOJ provide strong disincentives to any violation of their terms."*

- **Record fine for corruption scandals**

In 2017, JBS' controlling shareholders J&F Investimentos owned by the Batista brothers, was exposed for its role in a multi-year bribery scheme which involved thousands of politicians and Brazilian meat inspectors, facilitating the acquisition spree in the US.³⁸ They agreed to pay a record-breaking 10.3 billion real (\$3.2 billion) fine in a leniency agreement with the Brazilian government for its role in corruption scandals.³⁹ This deal also temporarily prevented the brothers from rejoining JBS or its holding company J&F Investimentos as managers or on the board of directors.⁴⁰ This was the world's largest leniency fine ever levied. The settlement followed testimony from J&F's owners Joesley and Wesley Batista that they had spent 600 million reais to bribe nearly 1,900 politicians in previous years.⁴¹ The settlement covered the results of Operations Greenfield, Sepsis, Cui Bono, Bullish and Carne Fraca.^{42 43}

- **Operation Greenfield**

³⁸ <https://apnews.com/article/brazil-sao-paulo-colombia-courts-7cd768536da09ae6fde0e5df6f293997>

³⁹

<https://www.wsj.com/articles/jbs-parent-to-pay-3-16-billion-to-settle-corruption-charges-in-brazil-1496232139>

⁴⁰

<https://www.forbes.com/sites/chloesorvino/2021/03/25/with-a-banner-2020-behind-it-meat-giant-jbs-sets-sights-on-us-ipo/?sh=1d5eb34e69d8>

⁴¹ <https://www.reuters.com/article/us-brazil-corruption-jbs-idUSKBN18R1HE>

⁴² https://brasil.elpais.com/brasil/2017/05/31/politica/1496247279_854999.html

⁴³

<https://www.mpf.mp.br/df/sala-de-imprensa/noticias-df/acordo-de-leniencia-forca-tarefa-greenfield-e-procuradores-do-mpf-fecham-acordo-com-j-f>

Operation Greenfield investigated irregularities in pension fund applications at Eldorado, the group's pulp company.^{44 45} Operations Sepsis and Cui Bono were part of Operation Greenfield.⁴⁶

- **Operation Bullish**

In 2017, this operation investigated potential frauds in the BRL 8 billion financial support provided by BNDES to JBS.^{47 48 49}

- **Operation “Carne Fraca”**

Also in 2017, the Federal Police’s operation “Carne Fraca” (Weak Meat), accused JBS of committing fraud by trying to change the validity date on the package of the meat they sell. It also accused JBS of being involved in a corruption scheme between slaughterhouses inspectors, to speed up the approval of products.⁵⁰

- **Major US settlements**

There have been a series of major settlements in the US in 2020, 2021 and 2022 as a result of JBS and the Batista brothers’ fraudulent and corrupt corporate practices which are mentioned in the prospectus (p121-127). As these settlements are recent and demonstrate questionable business practices within the company over several years, we would urge the SEC to investigate whether the company has adequately disclosed the ongoing legal risks to investors. The settlements include three in 2020: a settlement of \$256 million between the Department of Justice and the Batista’s and J&F Investimentos for foreign corrupt practices;⁵¹ a settlement between JBS and the SEC of \$26 million for bribery;⁵² and a settlement of \$110.5 million between the Department of Justice and Pilgrim’s Pride for price-fixing.⁵³ In 2021 there were two more: Pilgrim’s Pride settled for a poultry price-fixing case for \$75 million;⁵⁴ and JBS USA settled a class action with pork purchasers for \$24.5 million for price-fixing.⁵⁵⁵⁶ Most recently in 2022, JBS USA settled a case with beef purchasers for \$52.5 million for price-fixing.⁵⁷

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<https://g1.globo.com/economia/negocios/noticia/veja-8-situacoes-em-que-os-donos-da-jbs-usaram-a-corrupcao-para-obter-vantagens.ghtml>

45 <https://www.wsj.com/articles/brazils-federal-police-raid-j-f-headquarters-as-part-of-probe-1467377360>

46 https://www.mpf.mp.br/df/sala-de-imprensa/docs/00-pet-inicial-aia-sepsis-ass_tarjado-1.pdf

47

<https://istoe.com.br/pf-deflagra-operacao-bullish-acao-que-investiga-fraudes-em-emprestimos-do-bndes/>

48 <https://www.metropoles.com/brasil/relatorio-do-tcu-aponta-favorecimento-do-bndes-a-jbs>

49 https://brasil.elpais.com/brasil/2017/05/27/economia/1495837922_279258.html#?rel=mas

50 https://brasil.elpais.com/brasil/2017/03/20/politica/1490036745_907943.html

51 <https://apnews.com/article/brazil-sao-paulo-colombia-courts-7cd768536da09ae6fde0e5df6f293997>

52 <https://www.sec.gov/news/press-release/2020-254>

53 <https://www.reuters.com/article/us-usa-pilgrims-pride-charges-idUSKBN26Z0H0>

54

<https://www.forbes.com/sites/jordanstrickler/2021/01/12/pilgrims-pride-agrees-to-75-million-settlement-for-price-fixing-claims/?sh=582e7435a611>

55 <https://news.bloomberglaw.com/antitrust/jbs-24-5-million-pork-price-fixing-settlement-gets-early-ok>

56 <https://www.meatpoultry.com/articles/24407-judge-approves-jbs-price-fixing-pork-settlement>

57 <https://thecounter.org/jbs-price-fixing-settlement-meatpackers-52-million-antitrust/>

Market and Reputational Risks

JBS has repeatedly failed to deliver on public commitments (see below under ‘Broken Promises’) yet continues to make new sustainability claims to attract investors and secure finance (outlined in ‘Greenwashing’ below). We would urge the SEC to investigate all statements made by the company given the company’s track record of broken promises, alleged greenwashing (outlined below) and history of illegal practices (outlined in “Legal Risks”) to obtain a competitive advantage.

JBS’ track record of supply chain links to illegal deforestation and human rights violations exposes investors to a high risk of the company becoming party to liability proceedings. As noted in the prospectus, the Brazilian Environmental Policy Act, outlined in Federal Law No. 6,938/1981, regulates civil liability for damages caused to the environment and sets forth strict liability on the subject matter. We are concerned that the company has still not published a credible plan of action to address outstanding issues in their supply chain and this will expose investors to these risks in the future.

Broken Promises

In 2009, JBS signed a commitment with both the Public Prosecutor in Brazil⁵⁸ and with Greenpeace,⁵⁹ committing to clean up its supply chain. But 14 years on, it has still not done so.⁶⁰

- **TAC da Carne Agreement with the Public Prosecutor’s Office**

On July 7, 2009, Bertin, which is now JBS, signed a “Behaviour Adjustment Commitment” (TAC) with the Public Prosecutor’s Office of Pará, in which it committed to clean its supply chain and, among others, to refrain from sourcing cattle from Indigenous lands and from farms where illegal deforestation occurred after the signing of the TAC.⁶¹ In 2013, JBS signed an additional TAC with validity in all other Amazonia states.⁶²

- **Public Cattle Agreement, articulated by Greenpeace**

In October 2009, JBS also signed the ‘Minimum Criteria for Industrial Scale Cattle Operations in the Brazilian Amazon Biome’ agreement with Greenpeace and other civil society organizations.^{63 64} In this, JBS publicly committed to, amongst other criteria, addressing deforestation in their supply chain and ensuring their company’s and

⁵⁸ <https://www.boinalinha.org/wp-content/uploads/2022/08/TAC-MT-JBS.pdf>

⁵⁹ <https://www.greenpeace.org/usa/wp-content/uploads/legacy/Global/usa/report/2010/1/minimum-criteria-for-i.pdf>

⁶⁰ <https://www.greenpeace.org/international/publication/44522/how-jbs-is-still-slaughtering-amazon/>

⁶¹ https://www.mpf.mp.br/pa/sala-de-imprensa/documentos/2009/para_divulgar_termo_ajuste_condutas_ber_tin_assinado.pdf

⁶² <https://www.boinalinha.org/wp-content/uploads/2022/08/TAC-MT-JBS.pdf>

⁶³ <https://www.greenpeace.org/usa/wp-content/uploads/legacy/Global/usa/report/2010/1/minimum-criteria-for-i.pdf>

⁶⁴ <https://news.mongabay.com/2009/10/brazilian-beef-giants-agree-to-moratorium-on-amazon-deforestation/>

suppliers' products are free from involvement in the invasion of Indigenous lands and protected areas, or the use of slave labor.⁶⁵

JBS has still not delivered on the key commitments in the agreements which included no deforestation after the October 2009 cut off date, for the Amazon, as well as traceability. Despite claiming it does not source from farms involved in deforestation or forced labor in the Amazon after the cut off date,⁶⁶ several investigations have found this to be false. These include civil society reports⁶⁷ which have been corroborated by official audits.^{68 69} JBS has continually moved the target dates for eliminating deforestation in its supply chain. Currently, the target to eliminate deforestation in its global supply chain is 2030,⁷⁰ which is out of step with the scale of the climate crisis and 10 years later than the UN Sustainable Development Goals target to half deforestation by 2020.⁷¹

The implementation of a transparent traceability system is a key element in cleaning up the supply chain and would enable monitoring and verification across the full supply chain.⁷² The implementation of such a system is something that is both expected and feasible for a company the size of JBS.⁷³ However it has still failed to implement this system, breaking its commitments from 2009 and demonstrating that delivering on this commitment is not a priority for the management.

- The company states in the prospectus (p180) it has the target to map all its *direct* suppliers by the end of 2025. However, mapping direct suppliers is not sufficient to ensure the company's supply chain is clean, because, as JBS state in the prospectus (p43), "*the majority of cattle processed by us [JBS] are bred by third parties and subcontractors*".

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<https://www.greenpeace.org/usa/wp-content/uploads/legacy/Global/usa/report/2010/1/minimum-criteria-for-i.pdf>

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https://mz-filemanager.s3.amazonaws.com/043a77e1-0127-4502-bc5b-21427b991b22/investidores-esgs-ustentabilidade/c4cf9fce39937d0c9413e8a88a084bbf4b67b69529fbac5cdaa057f7d0eac5a6/sustainability_presentation.pdf

67 <https://www.globalwitness.org/en/campaigns/forests/beef-banks-and-brazilian-amazon/>

68 <https://www.mpf.mp.br/pa/sala-de-imprensa/noticias-pa/resultados-4o-ciclo-auditorias-tac-pecuaria-pa>

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<https://www.reuters.com/business/environment/brazil-audit-finds-17-cattle-bought-by-jbs-came-irregular-ranches-2022-12-15/>

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<https://unearthed.greenpeace.org/2022/07/04/analysis-do-the-meat-industrys-promises-on-deforestation-add-up/>

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https://www.undp.org/sustainable-development-goals/life-on-land?gclid=CjwKCAjw8symBhAqEiwAaTANjQHlxy0_JGb9CPe_WenZzOSljDFvZzITHrRG0glgzsdHfO4H1ITxoC0MMQAvD_BwE

72

<https://forestsandfinance.org/news/beefing-up-risk-the-exposure-of-jbs-financiers-to-financial-regulatory-and-reputational-risks/>

73

<https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>

- The company’s plans to map indirect suppliers by asking direct suppliers to voluntarily provide that information and ensuring compliance based on Terms of Use that “*suppliers are required when registering (...) that provides for independent sample audits to verify transaction data for declared animals*” indicates that the company will still not have a full control over its supply chain.
- There is still no indication that JBS will deliver on its 2009 to a transparent traceability system. In the prospectus (p180) they state their intention to use their own, “privately-funded blockchain platform, the Transparent Livestock Platform”, without clarifying if that will be transparent and publicly accessible and auditable.

Greenwashing

Green bonds linked to sustainability pledges

In 2021, JBS sold \$3.2 billion worth of ‘green bonds’ which are linked to the company’s sustainability goals. These sustainability commitments include a pledge to achieve net-zero by 2040.⁷⁴ However, independent researchers found they lack any credible decarbonisation plan.⁷⁵

Civil society groups have raised concerns about these bonds due to the negligible impact they are designed to have due to the limited scope of their sustainability KPIs.⁷⁶ Despite the bulk (over 90%) of JBS’ emissions coming from their Scope 3 (supply chain) emissions, the sustainability-linked bonds exclusively focus on Scope 1 and Scope 2 emissions, less than 10% of the company’s total.⁷⁷ Civil society groups have also raised a complaint⁷⁸ to the SEC asserting that the JBS misled investors and failed to disclose the full scope of the company’s environmental impact.⁷⁹

JBS’ net zero plan falls short with regards to its commitment on deforestation. Its plans allow the company to continue to source cattle linked to illegal deforestation in the Amazon and other biomes until 2025⁸⁰ and it has not committed to eliminate all deforestation from its entire supply

⁷⁴ <https://jbs.com.br/netzero/en/>

⁷⁵

https://newclimate.org/sites/default/files/2023-02/NewClimate_CorporateClimateResponsibilityMonitor2023_Feb23.pdf

⁷⁶

https://www.banktrack.org/download/open_letter_of_concerns_on_the_issuance_of_usd_1_billion_in_sustainabilitylinked_bond_slb_by_jbs/letter_on_jbs_slb.pdf

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<https://api.mziq.com/mzfilemanager/v2/d/043a77e1-0127-4502-bc5b-21427b991b22/af313c51-0d16-63ce-e999-e6a31cf27f83?origin=1>

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<https://www.mightyearth.org/whistleblower-complaint-to-the-securities-and-exchange-commission-against-jbs/>

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<https://www.washingtonpost.com/climate-environment/2023/01/18/jbs-food-giant-brazil-bonds/>

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<https://jbsfoodsgroup.com/articles/jbs-usa-announces-new-global-sustainability-targets-and-shares-2020-accomplishments>

chain until 2035.⁸¹ Given the JBS' track record of broken promises on historical commitments, there are serious concerns that these new commitments will also not be met.

Unverified sustainability claims

JBS lost a recent appeal against the National Advertising Division's ruling requiring JBS to discontinue five of its net-zero emissions claims because they were misleading.⁸² This included a statement about the Science Based Target Initiative (SBTi) recognising JBS' net-zero commitment. While JBS took the first of five steps to get an SBTi target in June 2021⁸³ by establishing its 'intent to set a science-based target', it has not met the 24 month timeframe to get its net-zero plans approved.⁸⁴ Even so, JBS has used SBTi to convey its sustainability credentials and raise capital.^{85 86} The SBTi process has been questioned several times by civil society as it does not have strong enough verification processes or restrictions on the use of its name and logo for unvalidated or expired targets.^{87 88 89}

Transition Risks

JBS is exposed to several material transition risks which have not been adequately addressed in the prospectus. The prospectus is limited on any mention of climate and biodiversity risks which its business has a significant impact on, and which pose material risks to its business.⁹⁰

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We were concerned by the only mention of biodiversity in the prospectus being in the unaudited interim financial report (F58 and F185) which could be missed by investors. It states that: *"regulation and legislation arising from Brazilian and/or international authorities that encourage the transition to a low-carbon economy and/or with greater biodiversity and that increase the risk*

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<https://jbsfoodsgroup.com/articles/jbs-makes-global-commitment-to-achieve-net-zero-greenhouse-gas-emissions-by-2040>

82 <https://bbbprograms.org/media-center/dd/narb-jbs-net-zero-emissions>

83 <https://sciencebasedtargets.org/companies-taking-action#dashboard>

84 <https://www.edie.net/ngos-call-on-flawed-sbti-to-increase-standards-for-corporate-climate-targets/>

85 <https://jbs.com.br/netzero/en/strategies/>

86

<https://api.mziq.com/mzfilemanager/v2/d/043a77e1-0127-4502-bc5b-21427b991b22/132dcca0-1229-2079-d213-f7e1536c7f7e?origin=1>

87 <https://forestsandfinance.org/news/major-risks-of-self-reporting-under-science-based-targets-initiative/>

88 <https://forestsandfinance.org/wp-content/uploads/2022/10/Scientist-letter-to-SBTi-2.pdf>

89 <https://www.edie.net/ngos-call-on-flawed-sbti-to-increase-standards-for-corporate-climate-targets/>

90 <https://www.ipbes.net/assessment-reports/ldr>

91 <https://www.ipcc.ch/sr15/>

92 <https://www.ipbes.net/global-assessment>

93 <https://www.ipcc.ch/srccl-report-download-page/>

94 <https://www.thelancet.com/commissions/EAT>

95 <https://www.ipbes.net/pandemics>

96 <http://www.fao.org/3/ca5602en/ca5602en.pdf>

97

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957292/Dasgupta_Review_-_Abridged_Version.pdf

98 <https://www.chathamhouse.org/2021/02/food-system-impacts-biodiversity-loss>

99 <https://www.unep.org/resources/making-peace-nature>

of litigation and/or commercial restrictions related to the alleged contribution, even if indirect, for the intensification of climate change.”

The prospectus does not report on JBS’ contribution to climate change and the use of the word “alleged”, in the quote above, is misleading as the contribution of the sector to the intensification of climate change is well established. There is scientific consensus that the sector’s contributions to global GHG emissions range from 11.2%¹⁰⁰ to 19.6%^{101 102} and accounts for one third of anthropogenic methane (CH₄) emissions.^{103 104} Reducing livestock emissions is critical to limiting global warming to 1.5°C.^{105 106 107}

Estimates of JBS’ methane emissions far outpace all other livestock companies and compare to 55% of US livestock methane.¹⁰⁸ The report also estimated JBS’ total CO₂ equivalent emissions rise at 287.9 million tonnes using GWP100 and 540.6 million tonnes using GWP20 methodologies. Although climate or biodiversity litigation risk is briefly mentioned, the potential impact or likelihood of this type of litigation is downplayed. The prospectus does not mention that one of its clients, the supermarket chain Casino, is already being sued in France for buying

¹⁰⁰ https://foodandagricultureorganization.shinyapps.io/GLEAMV3_Public/

¹⁰¹ <https://www.fao.org/3/cb7033en/cb7033en.pdf>

¹⁰² Food and Agriculture Organizations of the United Nations. (FAO, 2022). Global Livestock Environmental Assessment Model (GLEAM) 3.0. https://foodandagricultureorganization.shinyapps.io/GLEAMV3_Public/. IPCC. (2014). Agriculture, Forestry and Other Land Use (AFOLU). In: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter11.pdf; Twine, Richard, “Emissions from Animal Agriculture—16.5% Is the New Minimum Figure,” Sustainability 2021, 13(11), 6276. <https://www.mdpi.com/2071-1050/13/11/6276>; The Breakthrough Institute. (2023). Livestock Don’t Contribute 14.5% of Global Greenhouse Gas Emissions. <https://thebreakthrough.org/issues/food-agriculture-environment/livestock-dont-contribute-14-5-of-global-greenhouse-gas-emissions#fn-1>; Xu, X., Sharma, P., et al. (2021). Global greenhouse gas emissions from animal-based foods are twice those of plant-based foods. Nature Food. V. 2, pp. 724–732. DOI: <https://doi.org/10.1038/s43016-021-00358-x>. Note: 19.6% estimate based 7,318 ± 1,675 TgCO₂eq yr⁻¹ food system emissions, 57% of which originate in animal-based foods.

¹⁰³ https://wedocs.unep.org/bitstream/handle/20.500.11822/41108/methane_2030_SPM.pdf?sequence=1&isAllowed=y

¹⁰⁴ <https://www.unep.org/resources/emissions-gap-report-2022>

¹⁰⁵ <https://www.science.org/doi/10.1126/science.aba7357>

¹⁰⁶ IPCC. (2014). Agriculture, Forestry and Other Land Use (AFOLU). In: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter11.pdf; Twine, Richard, “Emissions from Animal

Agriculture—16.5% Is the New Minimum Figure,” Sustainability 2021, 13(11), 6276.

¹⁰⁷ <https://foe.org/resources/climate-misalignment/>

¹⁰⁸ <https://www.iatp.org/emissions-impossible-methane-edition>

meat from JBS that was linked to the deforestation of 50,000 ha and from indigenous rights violations.¹⁰⁹

Another risk related to biodiversity loss and intensive livestock farming, core to JBS' business model, is the heightened risk of pandemics. UNEP has warned that intensive livestock farming is a key driver of the emergence of zoonotic diseases, and has recommended phasing out unsustainable agricultural practices¹¹⁰ which disrupt ecosystem balances.¹¹¹ JBS has been ranked as 'High Risk' on the FAIRR Initiative's Emerging Disease Risk Ranking,¹¹² meaning they score poorly across a set of seven criteria vital to preventing future zoonotic pandemics such as welfare conditions for both animals and workers.

Although JBS recognizes the impact pandemics could have on its business results, it fails to acknowledge that it is a major contributor to pandemic risk, and that as such, it is a major liability for society. This lack of double materiality analysis is also not in line with international best practices on reporting.

Deforestation regulations

In efforts to align with global goals to address climate change and biodiversity loss, regulations that restrict the import of commodities which have embedded deforestation in their supply chain are emerging. These regulations would require JBS to substantially and rapidly reform its business practices in order to comply with new regulations. The prospectus omits material information about the increasingly restrictive regulatory landscape (outlined below) which would pose transition risks to the business.

- **EU Deforestation Regulation (EUDR)**

This regulation requires companies to prove, through geolocation coordinates, that products sold in the EU are not sourced from land deforested after the end of 2020. The law entered into force in June 2023 and analysis suggests JBS is unlikely to be compliant with the law,¹¹³ which will severely restrict its ability to export to the EU.

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<https://brasil.elpais.com/economia/2021-03-03/indigenas-da-colombia-e-do-brasil-processam-rede-de-sup-ermercados-casino-por-desmatar-amazonia.html>

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<https://www.unenvironment.org/resources/report/preventing-future-zoonotic-disease-outbreaks-protecting-environment-animals-and>

¹¹¹ <https://www.pnas.org/doi/pdf/10.1073/pnas.2002324118>

¹¹² <https://www.fairr.org/article/industry-reinfected/>

¹¹³

https://www.banktrack.org/download/jbs_marfrig_and_minerva_unlikely_compliant_with_upcoming_eu_deforestation_law/jbsmarfrigandminervaunlikelycompliantwithupcomingeudeforestationlaw1.pdf

- **US Forest Act**

This “Forest Act”^{114 115} regulation is proposed to combat illegal deforestation by prohibiting the import of products made wholly or in part of certain commodities produced on land undergoing illegal deforestation, and for other purposes. If this Act is approved, there is a strong likelihood that JBS will be barred from exporting to the USA.

- **US Congressional Hearing**

It is notable that JBS argued against the Forest Act in a recent Congressional hearing. They stated that: 1) Brazil has already committed to zero deforestation by 2030; 2) the company is already sorting out its supply chain and 3) that the US does not import enough beef for such an Act to have any impact, and therefore *“restrictive U.S. trade barriers would not be the most effective tool to influence on-the-ground decisions by landowners in Brazil.”*

This may suggest that JBS does not expect to be compliant with the terms (zero illegal deforestation) of the Forest Act and that it is lobbying against the Act rather than welcoming regulation to level the playing field for companies that are deforestation-free.

Governance risks

We would urge the SEC to carefully evaluate the proposal to restructure the company outlined in the prospectus. In our view, the plans outlined in the prospectus (p46) to significantly increase the influence of the controlling shareholders from 48% to 85% of the votes pose material governance risks which have not been meaningfully addressed. The controlling shareholders are the two Batista brothers, Joesley and Wesly Mendonça Batista, who have reputations of concern and have both been involved in the corruption scandals outlined above (in “Legal Risks: Fraud and Corruption”). This includes them both being held in custody for several months whilst awaiting trial.¹¹⁶

Although the minority investors are warned (p46) that they will have no influence over the company and that *“the ultimate controlling shareholders (the Batista brothers) are expected to have influence over the conduct of our business and may have interests that are different from yours.”*, we urge the SEC to consider the suitability of the Batista brothers in this crucial governance role. They have both been sanctioned for their role in a major bribery and corruption case.¹¹⁷

¹¹⁴ <https://www.congress.gov/bill/117th-congress/house-bill/5508>

¹¹⁵ <https://www.congress.gov/bill/117th-congress/senate-bill/2950/text?r=2&s=2>

¹¹⁶

<https://www.theguardian.com/australia-news/2021/aug/29/meet-the-batistas-the-global-beef-barons-battling-for-control-of-australias-meat>

¹¹⁷

<https://www.forbes.com/sites/chloesorvino/2021/03/25/with-a-banner-2020-behind-it-meat-giant-jbs-sets-sights-on-us-ipo/?sh=1d5eb34e69d8>

We refer you to the SEC summary of the “respondents” in its 2020 Cease and Desist Order which shows the Batista brothers have held a series of leadership, management and governance positions over many years.¹¹⁸

“Joesley Batista, age 48, is a Brazilian national who owned J&F and held multiple positions in J&F entities, including the roles of CEO and board member of J&F, CEO of JBS from 2006 through 2011, Chairman of the Board of Directors for JBS between 2011 and 2017, Director of JBS USA through 2017, and Director of Pilgrims from December 2009 through May 25, 2017. 7.

Wesley Batista, age 50, is a Brazilian national who owned J&F and held multiple positions in J&F entities, including the roles of Director for J&F, CEO of JBS from 2011 to 2017, CEO of JBS USA from 2007 to 2011, board member of JBS and JBS USA until 2017, and Chairman of Pilgrims’ board of directors and compensation committee between December 2009 and June 14, 2017.”

Another concern we would like to raise with the SEC is that the proposed restructuring of the company will enable the company to avoid several aspects of corporate governance through exemption clauses that may pose a governance risk. Outlined below are the key exemptions which would make it very difficult for investors to access material information about the company, and given the history of questionable governance by the majority shareholders (the Batista brothers) constitutes serious governance risk.

“As a foreign private issuer under NYSE rules, we are exempt from the NYSE requirement to have a majority independent board, among other exemptions.” (p186)

“We will also be exempt from the provisions of Regulation FD, which prohibits the selective disclosure of material nonpublic information to, among others, broker-dealers and holders of a company’s securities under circumstances in which it is reasonably foreseeable that the holder will trade in such company’s securities on the basis of the information. These exemptions and leniencies will reduce the frequency and scope of information and protections to which you are entitled as an investor.” (p33)

“ a “controlled company” [...] may elect not to comply with certain NYSE corporate governance standards, including the requirements that (1) a majority of the board of directors consist of independent directors, (2) the board of directors have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities and (3) the board of directors have a nominating and corporate governance committee that is comprised entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.” (p187)

¹¹⁸ <https://www.sec.gov/files/litigation/admin/2020/34-90170.pdf>

Recommendations

We hope the SEC will consider these concerns and take the necessary steps to investigate the allegations in a fully transparent manner. It is crucial that any engagement with the company can be publicly scrutinized. We strongly recommend that the SEC should cancel JBS' proposed IPO due to unacceptable company conduct and a lack of material risk disclosure to investors.
