

MONITOR

March 2022



REPÓRTER
BRASIL

“MCDONALD’S: THE FOOTPRINTS OF A GIANT”



This issue of Monitor – a bulletin that presents Repórter Brasil’s sectorial and supply chain studies focuses on social and environmental problems linked to McDonald’s coffee, orange juice, beef and soy supplier network.

MONITOR #13

STAFF

"McDonald's: the footprints of a giant"

RESEARCH AND TEXT

André Campos e Poliana Dallabrida

PHOTOS

Juliana Amoringo (Cover)

Marcelo Camargo (Cover and p.15)

Andrew Hoang / Unsplash (p.03)

Boobook48 / Flickr (p.04)

João Laet (p.05)

Subsecretaria de Inspeção do Trabalho / Ministério da Economia (p.06)

Thabang / Unsplash (p.08)

Gerson Sifuentes / Unsplash (p.09)

Reginaldo (p.10)

Amornrat Sawatyam / Unsplash (p.11)

Kevin Lanceplaine / Unsplash (p.16)

Jason Yuen / Unsplash (p.23)

GRAPHIC DESIGN AND LAYOUT

Elaine Almeida

REPÓRTER BRASIL

ORGANIZATION OF COMMUNICATION AND SOCIAL PROJECTS

GENERAL COORDINATOR

Leonardo Sakamoto

EXECUTIVE SECRETARY

Marcel Gomes

FINANCIAL COORDINATOR

Marta Santana

ASSISTANT COORDINATOR

Marília Ramos

ADDRESS

Rua Amália de Noronha, 151

Conj. 605. São Paulo - SP

Brasil CEP 05410-010



**REPÓRTER
BRASIL**

CONTACTS



biobr@reporterbrasil.org.br



ONGReporterBrasil



@reporterb

(55 11) 2506-6570

(55 11) 2506-6562

(55 11) 2506-6576

(55 11) 2506-6574

CONTENTS

A GLOBAL GIANT	03
IMPACTS IN BRAZIL	04
BEEF: BURNED FORESTS AND SLAVE LABOUR	05
SATELLITE-MONITORED HAMBURGERS	05
INDIRECT SUPPLIERS' CRIMES	06
CATTLE LAUNDERING AND ENCROACHING ON INDIGENOUS LANDS	07
COFFEE: PESTICIDES AND LONG WORKING HOURS	07
MCDONALD'S BET ON CERTIFICATION	08
THE SEGAFREDO CASE	08
PESTICIDES AND LABOUR LAW VIOLATIONS	09
ORANGE: HARVESTING IN POOR WORKING CONDITIONS	10
AN ITEM IGNORED AMONG PRIORITY PRODUCTS	10
PRECARISATION, FINES AND SLAVE LABOUR	12
SOY: CERTIFIED DEFORESTERS	13
MCDONALD'S "SUSTAINABLE CREDITS"	13
THE CASE OF SLC AGRÍCOLA	13
DEFORESTATION IN THE CERRADO	14
THE OTHER SIDE	14
WHAT MCDONALD'S SAY	16
A LONG WAY AHEAD	17
NOTES	18

A GLOBAL GIANT

McDonald's serves more than 63 million consumers a day¹ at their 40,000 restaurants in 119 countries across the globe². The giant corporation started with a small drive-thru cafeteria in California, in 1948. Seven decades later, they employ more than 2.2 million people³ both as their own staff and franchise employees.

The size and scope of their operations place McDonald's in a prominent position in several global supply chains and make them an important influencer in food production policy. In 2021, the company and their franchises earned over US\$ 112 billion in sales⁴ – more than the Gross Domestic Product (GDP) of most countries in the world. McDonald's claims, for example, to be one of the biggest buyers of beef and fish on the planet⁵.

The United States is the cradle of the restaurant chain and continues to be, by far, its core market – 41% of its global revenues and more stores than the next 10 countries in the brand's ranking are in the US⁶. China and Japan are the company's main markets in Asia, while in Europe France is the country with the largest number of McDonald's restaurants, followed by Germany and the United Kingdom.

In 2021, 93% of McDonald's restaurants were franchised⁷, and their largest franchise chain is Arcos Dorados, which controls more than 2,000 restaurants in 20 countries in Latin America and the Caribbean⁸ – approximately half of which are located in Brazil⁹.

In addition to being an important consumer market, Brazil is also a relevant country of origin for the products sold by McDonald's, both locally and

globally. Beef, coffee and orange juice are examples of Brazilian items that are often present on the chain's menus. In addition, the country is an important producer of the soy used to feed the chickens sold at McDonald's restaurants.

These are agricultural sectors linked to a wide variety of issues, which include, for example, labour rights violations – and even slave labour, in the most serious cases – as well as environmental impacts, including deforestation and damage to traditional communities. In Brazil, this type of situation occurs even in certified properties, where a large part of the products considered as McDonald's priorities for social and environmental monitoring come from.



IMPACTS IN BRAZIL

McDonald's lists **beef, chicken** – and **soy** used in animal feed – **coffee, palm oil, fish and vegetable fibres** – for packaging – as priority products for social and environmental control purposes. In these sectors, they set a series of criteria and specific actions to monitor their supply chain.

Despite these policies, the company's supply chain is exposed to several risks of violations related to Brazil's

rural reality. Deforestation, slave labour, violations of labour laws, and damage to traditional communities are part of the risks directly or indirectly linked to the network that supplies their restaurants.

A considerable part of these impacts involves precisely products considered by McDonald's as priorities for social and environmental control purposes. But not only those. Other sectors

also face challenges to ensure fair and responsible agriculture.

In this report, **Repórter Brasil** lists concrete examples of risks of violations associated with three items on the fast-food chain's menus around the world: beef, coffee and orange juice. In addition, the investigation also addresses soy, used to make the feed given to McDonald's chickens.



BEEF: BURNED FORESTS AND SLAVE LABOUR

Cattle is one of the main drivers of fires and illegal deforestation in Brazil. According to the most recent data provided by the federal government, 65% of the land deforested in the Brazilian Amazon is occupied by pasture¹¹. Its advance is also one of the main drivers for the clearing of native vegetation in other Brazilian biomes affected by the rapid loss of forest cover, such as Cerrado and Pantanal.

This is a disturbing reality for McDonald's, which has made a public commitment to end deforestation in their global supply chain by 2030¹². In Brazil, the company sells locally produced hamburgers, which are exposed not only to the risk of contamination by deforestation but also to serious human rights violations. Cattle also leads with Brazil's highest rates of workers subjected to slavery. In the last 25 years, federal government inspectors rescued more than 17,000 people subjected to slave labour on cattle farms¹³.

SATELLITE- MONITORED HAMBURGERS

According to McDonald's, 85% of the beef used in their restaurants is supplied by just ten countries: the United States, Australia, Germany, Brazil, Ireland, Canada, France, New Zealand, United Kingdom and Poland¹⁴. As the raw material to manufacture hamburgers, beef is a core ingredient for the company's business.

In 2014, McDonald's set five sustainability criteria for product supply. They include sourcing beef only from companies that participate in initiatives aligned with the Global Roundtable for Sustainable Beef. Another principle announced is supporting deforestation-free supply chains¹⁵. While McDonald's considers they have the first

criterion fully, the second one is described as 99.4% fulfilled¹⁶.

The company sees Brazil as a region at high risk of deforestation, alongside Paraguay, Argentina and Australia. They demand that meat from these countries comply with the requirements of a policy for the sector – the Deforestation-Free Beef Procurement Policy – in addition to McDonald's Commitment on Forests, which provides for the elimination of deforestation from their supply chains by 2030¹⁷.

To advance in this goal, Arcos Dorados, which manages the network's franchises in Latin America, claims to monitor 100% of its direct suppliers' pasture areas – that is, the last farms or fattening corrals before slaughter. In 2020, according to the company, more than 7.5 million hectares in 6,741 farms were satellite-monitored. These properties supplied around 2,700 tons of meat to the chain's restaurants in the region¹⁸.



INDIRECT SUPPLIERS' CRIMES

However, direct suppliers – those that send their animals directly to slaughter – are only the last link in a long network of business in Brazil's livestock. On most farms dedicated to the activity, animals are raised only until a certain age and then they are transferred for final pre-slaughter fattening in other establishments, from where they will go to slaughterhouses.

McDonald's, as well as the meatpackers that supply it, have not implemented efficient mechanisms to identify and, consequently, monitor such farms of origin – the so-called indirect suppliers. And most cases of deforestation and slave labour are concentrated precisely in those farms.

For example, the problems affect JBS – Brazil's largest meatpacking company, with a long history of supplying McDonald's in the country¹⁹. The company has hamburger factories in Campo Grande (MS), Lins (SP) and Osasco (SP).

JBS's Campo Grande unit has been mentioned in articles about farms that used slave labour or were investigated for illegal use of fire in the Pantanal. A 2019 report by **Repórter Brasil** revealed that the company purchased livestock from the Copacabana Farm, where nine indigenous workers were rescued from degrading conditions, accommodated in precarious shacks with no access to drinking water²⁰. According to another report published by Greenpeace International, JBS's operations in the municipality also slaughtered cattle from a direct supplier that had previously purchased animals from the Bonsucesso Farm, where more than 17,200 hectares were set on fire in 2020²¹.

But the problems that affect hamburger processing units are not necessarily limited to cattle slaughtered locally. This is because these industries can also use raw material brought by trucks from other distant meatpacking facilities. JBS, for example, has more than 30 units across the country – most of which are located in the Amazon.

Another investigation conducted by **Repórter Brasil** revealed that, in 2018-2019, JBS units in Juína and Juara, in Mato Grosso's Amazon area, bought cattle from a rancher who owns areas interdicted by Ibama, the federal agency in charge of inspecting compliance with environmental laws and regulations. The animals were sold by a farm with a "clean record", to which thousands of animals raised on the illegally deforested farm had been sent before slaughter²². That is not an isolated case. Similar animal transfer strategies were used by two other ranchers who sent cattle to JBS in Confresa (MT) between 2017 and 2020²³.



The place where workers slept on the Copacabana farm, a supplier to JBS in Mato Grosso do Sul

CATTLE

LAUNDERING AND

ENCROACHING ON

INDIGENOUS LANDS

JBS' main competitor Marfrig is also qualified to supply McDonald's²⁴. In 2019, the company acquired a factory in Várzea Grande (MT) and has plans to open a new processing unit in Bataguassu (MS) in 2022.

In 2019, the Várzea Grande plant purchased hundreds of animals from a rancher who had been fined twice for illegal deforestation, according to another investigation published by **Repórter Brasil**²⁵. He transferred cattle from the Amor do Aripuanã Farm, in Aripuanã (MT), where the illegal practice took place, to the Rio Azul Farm, which had no record of

environmental liabilities. The latter, in turn, sent cattle to JBS.

The animals from Rio Azul were also purchased by a slaughterhouse that belongs to meatpacking company Minerva in Mirassol D'Oeste (MT)²⁶.

In 2019-2020, Minerva's unit in Araguaína (TO) slaughtered cattle from a property that used to purchase animals for fattening from the 4 de Outubro Farm, where slave labour had been found in 2017²⁷. The same meatpacker received cattle from another rancher who had areas interdicted for illegal deforestation. On land records, he "divided" his pastures as if they were separate farms bordering each other. The practice helps to circumvent purchase policies of meatpacking companies committed to not buy cattle from farms with interdicted areas²⁸.

In Tucumã, Pará, **Repórter Brasil** found that a Marfrig meatpacking plant had slaughtered animals from farmers with properties illegally located within

the Apyterewa Indigenous Land²⁹, the second most deforested indigenous territory in the Amazon in 2020. One of them, in addition to the farm located within the indigenous territory, had a smaller pasture area nearby. He recorded the sale of hundreds of livestock for slaughter from that "clean record" farm, even though its size was not compatible with such a large number of animals. The situation raises suspicions about possible document frauds to "launder" the cattle and mask their real origin.

On several occasions, JBS, Marfrig and Minerva have already been contacted by **Repórter Brasil** to provide their views on the numerous risks of violations found in their supply networks. The companies claim that, so far, there is no public information available to guarantee monitoring of indirect suppliers or even satisfactorily curb "cattle laundering" practices³⁰.

COFFEE: PESTICIDES AND LONG WORKING HOURS

Brazil is the world's largest coffee producer and exporter. In 2020, it was responsible for almost 40% of the world's production³¹. The figures make the country an essential player in the supply chains of global companies that sell the product – including McDonald's.

Despite being a world reference, Brazil's coffee industry is still pervaded by labour irregularities – especially du-

ring its labour-intensive harvest. Workers subjected to precarious conditions and even cases of slave labour are found virtually every year by federal government inspections.

From 2010 to September 2021, federal labour inspectors rescued 1,674 workers subjected to slave-like labour in coffee plantations³². Informality, in turn, is an even far-reaching issue in the

industry. There are no official statistics, but 2014 estimates indicated that 60% of coffee farm workers had no formal contracts³³. They are deprived of basic labour rights guaranteed by law, such as working hours limits, guaranteed payment of the minimum wage, and employer social security contributions for retirement.

MC DONALD'S

BET ON

CERTIFICATION

To face this scenario, McDonald's states that 98.1% of its green or ground coffee comes from sources considered sustainable by the company³⁴. This result would be achieved mainly by purchasing coffee certified by the best good practice labels in the industry³⁵.

Such certifications are intended to guarantee adoption of high standards of respect for the environment, labour laws and human rights at supplier farms. Periodic audits by independent certification companies in coffee plantations are the main tools to fulfil these principles.

In 2020, the chain's restaurants in countries such as the US³⁶, France³⁷, Canada³⁸, the UK³⁹, Brazil, Argentina, Chile, Uruguay, Costa Rica, Mexico, Colombia⁴⁰ and the autonomous region of Hong Kong⁴¹ sourced 100%

of their coffee from farms certified by Rainforest Alliance – which is currently the most comprehensive seal of good practices for the industry. In addition, McDonald's also has its own sustainability program – McCafé SIP – created in 2016. According to data from 2020, more than 6,000 coffee producers in South and Central America participate in the program⁴².

McDonald's has several coffee suppliers around the world, and sales of certified coffee are spread over the company's main markets. In France, for example, they inform that the coffee they sell is made with beans from Central America or Brazil – 100% from farms verified by Rainforest Alliance⁴³.

THE SEGAFREDO

CASE

In Europe, Italian multinational Segafredo is one of the main roasters responsible for the coffee sold by Mc-

Donald's, according to the corporation's websites in Germany⁴⁴, France⁴⁵, The Netherlands⁴⁶, Belgium⁴⁷ and Finland⁴⁸.

Segafredo, which belongs to Italian group Massimo Zanetti, has roasting plants in several European countries⁴⁹. In 2015, the group received an award from McDonald's in Germany for the work of three different subsidiaries – France, Germany and Italy – regarding the coffee that supply the chain's local stores⁵⁰. Several news in the European media report the partnership between Segafredo and McDonald's in at least 16 countries in the continent⁵¹.

In Brazil, Massimo Zanetti owns Nossa Senhora da Guia Exportadora de Café Ltda, a trading company that buys and sells green coffee and controls its own production area: the Nossa Senhora da Guia Farm, a 1,400-hectare property dedicated to coffee plantation in Pimenta (MG).



PESTICIDES AND LABOUR LAW VIOLATIONS

The Segafredo group's property was certified by Rainforest Alliance until mid-2020 but lost its seal after an internal audit in July of that year. According to a summary of the inspection report to which **Repórter Brasil** had access, the company did not comply with four criteria considered mandatory to hold the seal – the so-called “critical criteria.”

Non-compliance included application of “substances listed as posing risks to aquatic and wildlife” in banned areas and application of “pesticides in crops close to areas of human activity” without protective plant barriers. Furthermore, according to the audit, “it was not possible to verify that workers in general are treated with respect and under no circumstances are they subject to sexual harassment and abuse.”

Months earlier, a report published by **Repórter Brasil** had already warned

of the existence of labour problems on the farm⁵². In August 2019, it was fined twice by the federal government for breaching the limits on maximum working hours legal and minimum rest time. In addition, local sources told **Repórter Brasil** that employees had been fired that year for demanding raises and better working conditions – accusations refuted by the farm's management⁵³.

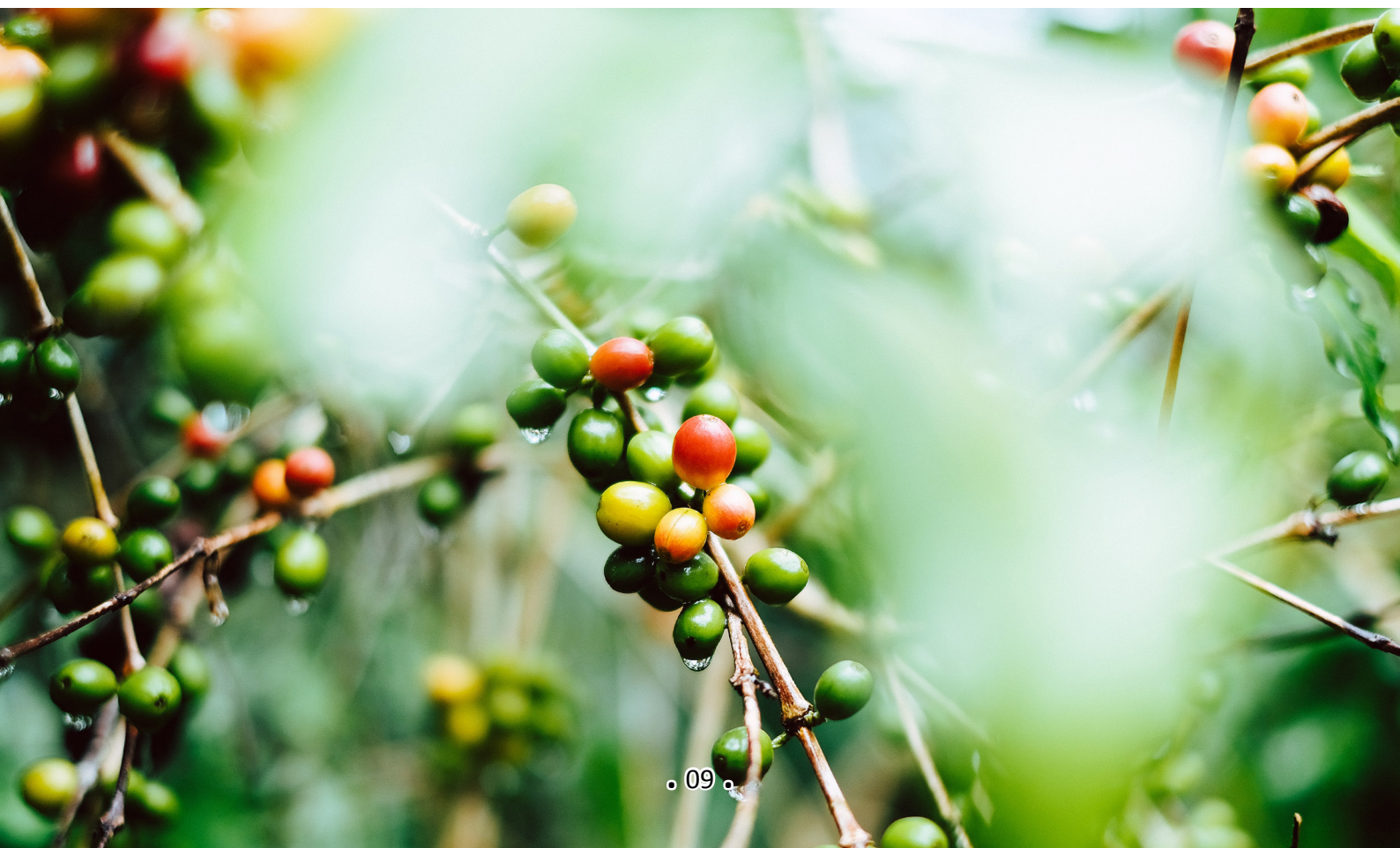
The Nossa Senhora da Guia Farm obtained the Rainforest Alliance certificate in 2017. At the time, an audit carried out by RA had already found that “working hours, rest periods within the workday and rest days” did not fully comply with certification requirements, and that the property did not have “policies and procedures regarding overtime legal rules” in compliance with RA's requirements. The problems, however, could be corrected for verification in future audits.

Currently, the farm is a defendant in at least 30 lawsuits – almost all of them in Labour Courts – and 16 of them were filed in the last five years. Most of them involve noncompliance with

working hour limits, non-payment of commuting time – related to workers' displacement to remote or hard-to-reach places – and payment of insalubrity premium due to pesticide handling.

Questioned by **Repórter Brasil**, the Rainforest Alliance did not provide further details on the process for removing the seal and only stated that “the Nossa Senhora da Guia farm has recently lost its certification after an annual audit, under the 2017 RA standard.”

The Massimo Zanetti group, owner of Segafredo, was also contacted. We asked if the coffee produced by Nossa Senhora da Guia had already supplied McDonald's stores in Europe, and when it had happened for the last time. The group only stated that “In the last three years the percentage of coffee from Fazenda Nossa Senhora da Guia (NSG) sold to McDonald's has been equal to zero” and that all coffee supplied by Segafredo to McDonald's is certified by Rainforest Alliance.



ORANGE: HARVESTING IN POOR WORKING CONDITIONS

As in coffee farms, the orange harvest is also the scene of frequent labour law violations in Brazil. Harvest after harvest, complaints about poor working conditions or even slave labour affect the sector.

Most orange pickers are internal migrants from regions far from plantations. They are hired on a per-season basis to harvest oranges on workdays characterized by strenuous physical effort. For example, they need to climb precarious stairs to reach the fruit in orchards while carrying 10-kilo bags of oranges already harvested on their backs for several hours.

This major effort often occurs under extreme weather conditions, including heavy rain or heat, sometimes with no clean water, proper places to eat or to store food to prevent it from spoiling.

At the end of the day, many workers are also subjected to unhealthy conditions in the accommodations provided by their employers. Common cases include crowded, dirty quarters and lack of bathrooms.

Brazil is the world's main exporter of oranges, but workers and small producers get less than 5% of what consumers in rich countries pay for these exports⁵⁴.

AN ITEM

IGNORED AMONG

PRIORITY PRODUCTS

McDonald's sells ready-to-drink, orange-based products such as juices

and soft drinks supplied by partner brands. Since it is not considered a priority product such as coffee, soy and beef, the company's reports do not mention any specific socio-environmental strategies to monitor orange. The company's sustainability report in Germany, for example, mentions only the purchase of 1,128 tonnes in 2020⁵⁵.

In several countries, the orange juice sold by McDonald's is manufactured by The Coca-Cola Company, owner of the Minute Maid juice brand, one of the most common in the chain's restaurants. Several sources confirm that Brazilian company Sucocitrico Cutrale is Coca-Cola's main global supplier of orange juice⁵⁶.





PRECARISATION, FINES AND SLAVE LABOUR

Em In August 2021, **Repórter Brasil** conducted interviews with Cutrale orange pickers in the Araraquara (SP) area. They described a series of cases of precarisation and labour violations that occurred on the company's farms.

Since 2019, as they reported, Cutrale has no longer provided workers with meal vouchers, which used to represent a R\$ 240-increase in their wages. As in the case of coffee, temporary workers hired between May and February are no longer paid for the hours they spend commuting to the farms.

Daniel, 52 years of age⁵⁷, has been working for three years on the company's farms in the Araraquara area. In this year's harvest, he reports having been paid R\$ 1,300 a month on average. Two years ago, when the two benefits were still in force, he earned R\$ 1,800 – a difference of almost 30%. Workers also reported lack of personal protective equipment (PPE) and toilets at the camps, as well as the dismissal of female harvest workers after they reported they were pregnant.

A mother of four, Maria⁵⁸ has not worked on Cutrale farms since August this year. After three months registered as a seasonal worker, she found out she was pregnant and informed the company. Brazilian legislation guarantees temporary employment stability for up to five months after employees give birth⁵⁹, and dismissal is only legal if there is just cause.

"I got pregnant while working there," says Maria. "I send them the test and they told me to stay at home because of the pandemic, and then I was fired." She says she was not the only one. "I know another colleague who

became pregnant and was fired when she was 7 months pregnant".

The workers' reports add to a long list of complaints about labour law violations on the company's farms. In February 2013, Cutrale was sentenced to pay R\$ 500,000 as collective moral damages for dismissing pregnant employees, which was considered a discriminatory act. At the time, the company denied the accusations and appealed the decision⁶⁰.

Coca-Cola's supplier was also convicted of carrying out illegal searches on industrial and farm employees. In 2018, the conviction in the Araraquara Labour Court resulted in a R\$ 2-million fine as compensation for collective moral damages. Cutrale appealed the decision and said in a statement that "in some cases, unfortunately, employees' belongings have to be visually checked at the end of the workday to protect the company's assets ⁶¹."

According to the workers, the practice remains. At the end of every workday, farm supervisors inspect all workers' belongings before they board the buses that will take them back home. "Every day you have to open your backpack and show the supervisor what's inside," says Daniel.

In 2013, even a case of slave labour was found at Cutrale⁶². The crime was found by federal labour inspectors at the Vale Verde and Pontal farms, in municipalities in Minas Gerais' Triângulo area. The 23 workers rescued in the orange harvest were housed in poor conditions, were not entitled to paid weekly rest and, in some cases, had to go into debt to buy food and hygiene items.

Since 2016, there have been 133 inspection operations on Cutrale's farms, according to a survey carried out by inspectors from the Ministry of Economy's Special Secretariat for Social Security and Labour at the request of

Repórter Brasil. The list of violations on the company's properties shows that, since 2015, most of the fines were related to non-compliance with NR-31 – the main Regulatory Standard for Safety and Health in Brazilian rural areas – with 71 records, and rules regarding rest periods and working hours, with 12 and 11 notices of violation, respectively.

In addition to planting oranges on its own farms to supply its factories, Cutrale also sources them from independent suppliers. Some of them also have a history involving poor working conditions. In 2019, the São Paulo State Federation of Rural Waged Workers (Feraesp) denounced several problems in a group of farms that supply Cutrale. They included, for example, workers paid below the minimum wage, harvesters without safety equipment, toilets or drinking water, and child labour⁶³.

For a month, **Repórter Brasil** contacted Cutrale's press office several times by phone and email to present the workers' complaints and to know the company's stance, but there was no response. The Coca-Cola Company, on the other hand, when questioned whether the labour violations denounced by Cutrale workers would not violate the company's codes of conduct and respect for human rights, only said that the contractual agreements established with suppliers included compliance with its Supplier Guiding Principles (SGP)⁶⁴: "We expect our suppliers to develop and implement appropriate internal business processes in compliance with the SGP."

The company also stated that it hires independent audits to assess its suppliers' compliance. "In 2020 we completed 2279 audits, and 87% of suppliers reached compliance with our Human Rights Policy and SGPs."

SOY: CERTIFIED DEFORESTERS

Soy is not directly consumed in large amounts but it is an essential component of human nutrition because, in several contexts and places, it has become a core ingredient in the diet of animals raised to produce beef, poultry, pork, eggs and dairy products.

About 80% of the soy produced worldwide is used to make animal feed⁶⁵. Brazil, together with the United States, is the world's main breadbasket for the product. Year after year, both countries consistently account for more than 70% of global exports⁶⁶.

The major increase in the area planted with soy in Brazil, intensified in recent decades, encouraged direct and indirect conversion of native forests into agricultural areas. To face this reality, large global food companies – including McDonald's – started to support initiatives such as the Soy Moratorium⁶⁷, which vetoes acquisition of grains planted in areas of the Amazon biome after 2008. The Cerrado, however, has suffered the highest impacts of soy expansion in Brazil. Several NGOs advocate applying the principles of the Soy Moratorium⁶⁸ to that biome but it has not happened so far.

MCDONALD'S "SUSTAINABLE CREDITS"

All the soy used by McDonald's to make chicken feed, says the company, supports deforestation-free supply chains. The main measure adopted in this context is the purchase of "sustainable credits" for soy.

That is a compensation mechanism similar to carbon credit sales. McDonald's is free to buy soy on the market and conducts an estimate of its "ecological footprint" in the industry – including the total area planted to supply its restaurants and the loss of forest cover associated with that area. Based on that calculation, it buys equivalent credits from producers certified by the Roundtable on Responsible Soy – RTRS.

RTRS-certified farms must comply with 106 mandatory and progressively implemented indicators. They are linked to adoption of good agricultural and business practices in addition to criteria on good environmental, labour and community relations governance.

According to McDonald's, 83% of the chain's soy purchases are offset through RTRS credits. The other 17% are associated with another certification – ProTerra – used specifically to supply the restaurant chain in Europe⁶⁹.

Differently from what happens in the purchases of "sustainable credits," in this case, McDonald's acquires chickens fed with soy specifically planted in certified areas. In addition to good social and environmental practices, planting non-transgenic soy is another mandatory criterion for ProTerra.

Both certifications – RTRS and ProTerra – have criteria banning expansion of soy plantations in areas of recent deforestation. In the case of the RTRS, certified farms cannot have any record on native forests converted after June 2016. Between May 2009 and now, deforestation is banned only in areas classified as "critical biodiversity hotspots" – territories that, according to RTRS maps, are mainly concentrated in

the Amazon biome, but leave out vast portions of the Brazilian Cerrado⁶⁸.

In the case of ProTerra, certified farms cannot have any area of native vegetation deforested or converted to agriculture after 2008⁷⁰.

THE CASE OF SLC AGRÍCOLA

In March 2018, the Panorama Farm, owned by SLC Agrícola in western Bahia, received a visit from McDonald's representatives, mediated by Cargill, according to information posted on SLC's social media⁷¹. According to the Brazilian agricultural company, the visit was related to purchase of RTRS soy by McDonald's. US-based trading company Cargill, a leading global food trade company, is one of the main commercial partners of McDonald's. In addition to being a soy supplier, the company produces chicken sold through the restaurant chain. In France, Cargill's Saint-Cyr-en-Val unit, located in the centre of the country, has been the main supplier of chicken to McDonald's since 1993. McDonald's France claims that 100% of soy used to feed chicken is certified by RTRS or ProTerra and is GMO-Free.

Cargill is also the top soy buyer of SLC Agrícola, one of the largest producers in Brazil⁷². Founded in 1977, SLC Agrícola is listed on the main Brazilian Stock Exchange (B3). It has 16 farms in six Brazilian states, which totalled 448,000 hectares in the 2019/20 harvest year –

125,000 of which are planted with cotton, 235,000 with soybeans, 82,000 with corn, and 5,000 with other crops⁷³.

According to information provided by SLC Agrícola to **Repórter Brasil**, seven of the group's 16 properties hold RTRS certifications: Planorte (MT), Paiaguás (MT), Planalto (MS), Pamplo-na (GO), Panorama (BA), Planeste (MA) and Parnaíba (MA). In the 2019/2020 harvest, the certification covered a planted area of around 30,000 hectares⁷⁴.

Until recently, the properties in Planorte, Paiaguás, Parnaíba and Planeste also held the ProTerra certification seal. The properties' certificates were not renewed, as ProTerra responded to **Repórter Brasil**. The dates when the certificates were cancelled and the reason for not renewing them, however, were not provided (more information below).

DEFORESTATION IN THE CERRADO

Over the past 15 years, SLC Agrícola has received several environmental violations notices, with fines totalling more than R\$10 million—approximately US\$ 2 million, according to current exchange rates. The problems include planting transgenic corn in lands bordering on environmental protection areas (2018), deforesting protected species (2017), planting soybeans in areas interdicted for environmental crimes (2015), and illegal deforestation (2007 and 2008)⁷⁵.

SLC Agrícola's farms are mostly located in the Brazilian Cerrado – the biome with the highest impact of deforestation driven by soy expansion. Reports produced by Chain Reaction Research point to high loss of forest cover in SLC Agrícola's areas in the last decade – 210 square kilometres between 2015 and 2020⁷⁶.

One of the areas deforested is located within the Palmeira Farm in Tasso Fragoso (MA). In the first half of 2020 alone, the company deforested 4,600 hectares on the property, where there were also fires in September 2019⁷⁷.

The Palmeira Farm was created in October 2018 by dividing the Parnaíba Farm, one of the properties with a history of both RTRS and ProTerra certification. According to Chain Reaction Research, the aim was to keep planned deforestation outside the scope of both certifications, which restrict plantation expansion in recently deforested areas⁷⁸.

The situation involving the division of the certified area was mentioned as an example of “greenwashing” in a report published in March by Greenpeace, questioning environmental certification practices⁷⁹.

According to local sources consulted by **Repórter Brasil**, deforestation at the Palmeira Farm affected communities close to the property. With the removal of the vegetation cover, the sludge generated after the rains on the Penitente mountain range, where the Palmeira and Parnaíba farms are located, came down and contaminated the river that bathes one of the local communities and which is the residents' main source of drinking water.

Local sources also reported SLC Agrícola's anti-union behaviour at the site. Managers of the company's properties in Maranhão, where the Planeste Farm is located, would have vetoed the presence of union representatives on the farms and discouraged their employees from being members of local unions. SLC Agrícola denies the charges.

In addition to the case involving the Palmeira and Parnaíba farms, Chain Reaction Research also mapped the deforestation of 5,200 hectares at the Parceiro Farm, another SLC

Agrícola property – located in western Bahia. Deforestation would have taken place in the first half of 2020⁸⁰. That is not, however, one of the company's certified properties.

But two other cases of deforestation on certified properties were found in a July 2019 audit that assessed compliance with the RTRS standard⁸¹. According to the audit report, in the leased areas of the Paiaguás and Parnaíba farms, both located in the Cerrado, clearings were made after 2009. However, these areas were not considered “critical biodiversity hotspots” – which allows, according to the certifier's criteria, deforestation on the date that it occurred (more details below).

THE OTHER SIDE

SLC Agrícola stressed that dividing the Palmeiras and Parnaíba farms was a managerial decision to improve production performance and that “clearing areas has always been done strictly in accordance with the law, under proper licenses and in compliance with Brazil's Forest Code.”

The company claims that operations in its areas “follow the best agricultural practices for soil conservation” and that it carries out its activities “by maintaining and monitoring licenses from relevant agencies and does not violate rules or cause damage to the biome.”

Regarding the impacts on communities mentioned above, the company stated that “SLC Agrícola's plantation and production practices end up having a positive impact on the areas surrounding its farms, through relevant social actions and projects, especially in the field of education” and that “it adopts open and transparent relations with all unions representing its employees.”

ProTerra informed that it “does not approve of any division of a certified property, for legal or illegal deforestation, this violates the rules and certification must be cancelled immediately upon such event ” and that the fact “violates the rules and the certification must be cancelled immediately after such event.” The organization, however, did not confirm whether the certifications of the four SLC Agrícola properties were not renewed as a result of the division of the Parnaíba and Palmeira farms and to the information made public about the deforestation that had taken place in the area.

Regarding the division of SLC Agrícola properties in southern

Maranhão, the RTRS explained that, since the Palmeira Farm has a different Rural Environmental Register (CAR) number, “it was possible to continue the certification of the Parnaíba Farm without including the Palmeira Farm’s area.” In practical terms, this means that a company can keep the certification by dividing up deforested farms into two different rural properties.

Regarding the deforestation found in inspections of the Paiaguás and Parnaíba farms, the RTRS clarified that it requires zero deforestation in any certified area – whether they are owned or leased areas –, but it has two deadlines for non-conversion of natural vegetation. The first is May 2009 for areas included in the standard’s

category 1 – also known as red areas, which represent territories classified by the RTRS as “critical biodiversity hotspots.” No deforestation of native forests is allowed after June 3, 2016, regardless of the category of the area in question.

“With regards to the specific case you are referring to (Parnaíba y Paiaguás), as per RTRS Production Standard and definitions, the producer proved that the leased areas that were cleared before 2016 were not red areas,” the organization replied.



WHAT MCDONALD'S SAY

Repórter Brasil submitted information to McDonald's about labour violations, cases of deforestation and other social and environmental impacts addressed in this report. We also asked the company for details about its business relations with companies and good practice labels cited in this investigation.

Regarding the beef sold by McDonald's, we asked which Brazilian meat-packing plants currently qualify as suppliers. In addition, given the examples described in this report, we asked what the company is doing to address cases of slave labour, illegal deforestation and other crimes that mainly involve the risk of contaminating the supply chain associated with their indirect suppliers.

Regarding the coffee sold by McDonald's, we asked whether the company has already purchased products grown on the Nossa Senhora da Guia Farm, owned by the same group as its supplier Segafredo. We also asked if the issues found on the property would violate of McDonald's Code of Conduct.

Similarly, we asked McDonald's whether SLC Agrícola's certified farms are or have been part of the company's supply chain and how its policies assess deforestation directly or indirectly linked to these certified properties.

McDonald's did not respond directly to the questions and just sent the following statement:

"While we disagree with some of these assertions, we are focused on conserving forests and supporting the people and communities around the world who depend on them. McDonald's expects strict compliance with our Supplier Code of Conduct and takes allegations of human rights violations very seriously. We have taken action to combat forced labor and support deforestation-free supply chains across our System by committing to eliminating deforestation from our global supply chain by 2030 and facilitating a supplier workplace accountability program that supports our partners in building capacities in these areas through training and audits."



A LONG WAY AHEAD

Formally committed to eliminating deforestation from its supply chains by 2030, McDonald's still has a long way to go to meet not only that goal, but also others announced to combat labour and human rights crimes in their business.

Sales of hamburgers made with Brazilian meat is certainly one of the main bottlenecks in this context. There are no comprehensive mechanisms in the company's supply chain to track – from birth to slaughter – the origin of cattle arriving at slaughterhouses. A problem that hits McDonald's local supplier network hard.

Even with the tools to monitor the farms from which they directly buy their cattle, meatpackers supplying McDonald's are still exposed to the risk of contaminating their slaughtering with various crimes, such as illegal deforestation, slave labour and encroachment on indigenous areas. These problems are mainly associated with the so-called "indirect suppliers," that is, ranchers who send young animals for final fattening on farms that directly supply slaughterhouses.

In 2020 JBS, Marfrig and Minerva – all with a recent history of supplying McDonald's – announced long-term goals to address the problem and advance towards full traceability. Concrete plans

to make this a reality, however, still lack detail. Let us not forget that the promise is not new. For over ten years, the three meatpackers have been signatories of a Public Commitment providing for the monitoring of indirect suppliers⁸².

For other sectors, such as soy and coffee, McDonald's adopts supplier certification as its main strategy to clear its business not only of deforestation in areas critical to biodiversity but also of other problems such as precarious rural work and human rights crimes at farms. The Brazilian supply chain of the company, once again, highlights the limitations of these policies.

When asked by **Repórter Brasil**, McDonald's did not respond objectively about the possible purchase of raw material from the Nossa Senhora da Guia Farm and SLC Agrícola, Nossa Senhora da Guia Farm and SLC Agrícola, which hold coffee and soy certifications, respectively, and are both linked to McDonald's supplier network. Labour violations, inappropriate practices when using pesticides and deforestation of native forests in the Cerrado are part of the reality documented on their farms by government inspections, private audits and civil society reports.

Regardless of whether or not there have been purchases from these specific enterprises, the cases illustrate

the persistence of serious problems in farms that hold the main good practice labels adopted by McDonald's.

In the case of coffee, there were even cases of slave labour in recent years on farms certified by the Rainforest Alliance⁸³ and UTZ⁸⁴, which have recently merged their operations. Soy, however, is the target of criticism associating both certifications to the practice of "greenwashing" and land record manipulation to allow deforestation in farms certified by RTRS and ProTerra.

Brazil also faces serious labour violations in supply chains that are not even considered by McDonald's as a priority to monitor the food it sells. This is the case of orange, of which Brazil is the world's main producer. Most of the orange juice consumed globally also comes from Brazil.

There are plenty of reasons for increasing concern about the sector, especially considering that the orange juice sold by McDonald's includes third party products by McDonald's includes brands supplied by Brazilian industries. Farms associated with them, in turn, have a recurring history of complaints related to abusive practices in orange harvesting.

NOTES

- 1 <https://corporate.mcdonalds.com/corpmcd/our-company/who-we-are.html>
- 2 <https://corporate.mcdonalds.com/content/dam/gwscorp/assets/investors/financial-information/Supplemental-Information/Restaurants%20by%20Country%202021.pdf>
- 3 <https://sec.report/Document/0000063908-22-000011/>
- 4 <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/FinancialNews.Q4-2021-earnings.html>
- 5 <https://corporate.mcdonalds.com/content/dam/gwscorp/assets/investors/financial-information/annual-reports/2020%20Annual%20Report.pdf>
- 6 <https://sec.report/Document/0000063908-22-000011/>
- 7 <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/FinancialNews.Q4-2021-results.html>
- 8 <https://ir.arcosdorados.com/company-overview/>
- 9 <https://www.worldatlas.com/articles/countries-with-the-most-mcdonald-s-restaurant.html>
- 10 <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/food-quality-and-sourcing/responsible-sourcing.html>
- 11 http://www.inpe.br/cra/projetos_pesquisas/terraclass2014.php
- 12 <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/our-planet/conserving-forests.html>
- 13 <https://sit.trabalho.gov.br/radar/>
- 14 <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/our-planet/sustainable-agriculture.html#footnoteOne>
- 15 Ibid.
- 16 <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/our-planet/conserving-forests.html>

- 17** <https://corporate.mcdonalds.com/content/dam/gwscorp/scale-for-good/McDonaldsCommitmentOnForests.pdf>
- 18** <https://www.arcosdorados.com/brasil-conheca-o-que-o-mcdonalds-faz-na-pratica-pela-protecao-das-florestas/>
- 19** <https://jbs.com.br/wp-content/uploads/2020/05/ras-jbs-2019-eng-final.pdf>
- 20** https://reporterbrasil.org.br/wp-content/uploads/2020/12/Monitor-8_Trabalho-escravo-na-ind%C3%BAstria-da-carne.pdf
- 21** https://www.greenpeace.org.br/hubfs/Relatorio_Fazendo_Picadinho_do_Pantanal_2021.pdf
- 22** <https://dadosabertos.ibama.gov.br/dataset/fiscalizacao-auto-de-infracao>
- 23** <https://reporterbrasil.org.br/wp-content/uploads/2021/02/fil%C3%A9-no-supermercado-PT-14-02.pdf>
- 24** <https://www.marfrig.com.br/pt/certificacoes/brasil>
- 25** <https://reporterbrasil.org.br/2020/09/como-a-morgan-stanley-esta-ligada-ao-desmatamento-na-amazonia/>
- 26** https://www.minervafoods.com/wp-content/uploads/2021/04/MinervaFoods_RS2020_EN.pdf
- 27** https://reporterbrasil.org.br/wp-content/uploads/2020/12/Monitor-8_Trabalho-escravo-na-ind%C3%BAstria-da-carne.pdf
- 28** <https://reporterbrasil.org.br/wp-content/uploads/2021/02/fil%C3%A9-no-supermercado-PT-14-02.pdf>
- 29** <https://reporterbrasil.org.br/2020/06/boi-pirata-criado-em-terra-indigena-e-a-conexao-com-frigorificos-marfrig-frigor-mercurio/>
- 30** Companies' stances on individual cases mentioned in this report can be read at specific links.
- 31** <https://www.cecafe.com.br/dados-estatisticos/producao-mundial/>
- 32** <https://sit.trabalho.gov.br/radar/>
- 33** Information from "A produção de café no Brasil", a conducted by the Inter Trade Union Department of Statistics and Socio-Economic Studies (Dieese).
- 34** <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/impact-strategy-and-reporting/performance-reports.html>
- 35** <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/food-quality-and-sourcing/responsible-sourcing.html>

- 36 <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/ourstories.coffee-sustainable.html>
- 37 <https://www.mcdonalds.fr/web/guest/restaurant/espaces-mccafe>
- 38 <https://www.comunicafe.com/mcdonalds-to-serve-rainforest-certified-coffee-in-its-canadian-mccafes/>
- 39 <https://www.mcdonalds.com/gb/en-gb/good-to-know/about-farming/coffee.html>
- 40 <https://www.rainforest-alliance.org/pt-br/acoes-cotidianas/a-receita-da-arcos-dorados-para-um-futuro-mais-sustentavel/>
- 41 <https://www.marketing-interactive.com/mcdonalds-hk-sources-rainforest-alliance-certified-coffee-beans>
- 42 <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/Forests.sustainable-coffee.html>
- 43 <https://m.mcdonalds.fr/web/guest/restaurant/espaces-mccafe>
- 44 <https://www.mcdonalds.com/de/de-de/unsere-verantwortung/qualitaet-lieferkette/lieferanten/portraet-segafredo.html>
- 45 <https://m.mcdonalds.fr/web/guest/restaurant/espaces-mccafe>
- 46 <https://web.archive.org/web/20200618173818/https://www.mcdonalds.nl/koffiebackup4>
- 47 <https://www.mcdonalds.be/fr/notre-menu/espresso>
- 48 <https://meira.fi/en/segafredo-coffee-to-be-served-in-mcdonalds-restaurants-in-finland/>
- 49 <http://www.mzb-group.com/en/activities/roasted-coffee-roasting-plants>
- 50 <http://www.mzb-group.com/en/news/communications/dettaglio/2015-02-18-mcdonalds-award-for-segafredo-zanetti-france-deutschland-and-italy>
- 51 <https://meira.fi/en/segafredo-coffee-to-be-served-in-mcdonalds-restaurants-in-finland/> / <https://www.mcdonalds-kinderhilfe.org/unternehmen-als-spender/segafredo-zanetti-kaffeepause-fuer-die-familien/>
- 52 <https://reporterbrasil.org.br/2019/12/fazenda-que-fornece-a-grupo-dono-da-segafredo-corta-cantina-e-pagamento-de-deslocamento-do-trabalhador/>
- 53 The detailed stance of the farm's management is available at:
<https://reporterbrasil.org.br/2019/12/fazenda-que-fornece-a-grupo-dono-da-segafredo-corta-cantina-e-pagamento-de-deslocamento-do-trabalhador/>

- 54 <https://reporterbrasil.org.br/wp-content/uploads/2021/03/Da-fazenda-brasileira-para-a-mesa-europeia-PT.pdf>
- 55 https://www.mcdonalds.com/content/dam/de/unsere-verantwortung/Nachhaltigkeitsbericht/PDFNachhaltigkeitsbericht_2020_Daten_Fakten.pdf
- 56 <https://www.coca-colacompany.com/content/dam/journey/us/en/reports/coca-cola-business-and-sustainability-report-2019.pdf> / <https://investors.coca-colacompany.com/filings-reports/all-sec-filings/content/0000021344-21-000008/0000021344-21-000008.pdf>
- 57 The name has been changed to protect the worker's identity.
- 58 Ibid.
- 59 https://www.senado.leg.br/atividade/const/con1988/ADC1988_08.09.2016/art_10_.asp
- 60 <http://g1.globo.com/sp/sao-carlos-regiao/noticia/2013/02/justica-condena-cutrale-pagar-r-500-mil-por-discriminar-gravidas-araraquara.html>
- 61 <https://g1.globo.com/sp/sao-carlos-regiao/noticia/2018/09/10/cutrale-e-condenada-a-pagar-r-2-milhoes-de-indenizacao-por-revistar-funcionarios.ghtml>
- 62 <https://reporterbrasil.org.br/2017/10/lista-da-escravidao-nao-divulgada-pelo-governo-contem-gigantes-da-agroindustria/>
- 63 <https://reporterbrasil.org.br/2019/03/convenio-que-fornecia-laranja-para-a-cutrale-e-denunciado-por-mas-condicoes-de-trabalho/>
- 64 <https://www.coca-colacompany.com/policies-and-practices/supplier-guiding-principles>
- 65 https://wwf.panda.org/discover/our_focus/food_practice/sustainable_production/soy/
- 66 <https://www.fas.usda.gov/data/oilseeds-world-markets-and-trade>
- 67 <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/our-planet/conserving-forests.html>
- 68 Ibid.

- 69 <https://responsiblesoy.org/mapas-rtrs?lang=pt-br>
- 70 https://www.proterrafoundation.org/wp-content/uploads/2020/11/ProTerra-Standard-V4.1_PT.pdf
- 71 <https://www.facebook.com/SLCAgricola/photos/dia-083-a-fazenda-panorama-ba-recebeu-a-visita-intermediada-pela-cargill-de-repr/1602141836567987/>
- 72 <https://api.mziq.com/mzfilemanager/v2/d/a975c39b-3eca-4ad8-9330-2c0a0b8d1060/884f8418-6622-9982-06bb-12ebf6cc16a3?origin=2>
- 73 <https://www.slcaagricola.com.br/quem-somos/>
- 74 https://www.slcaagricola.com.br/ri2020/pdf/slc_ri_2020.pdf
- 75 <http://dadosabertos.ibama.gov.br/dataset/fiscalizacao-infracao>
- 76 <https://unearthed.greenpeace.org/2020/11/25/brazil-fires-deforestation-tesco-nandos-mcdonalds/>
- 77 <https://seekingalpha.com/instablog/48299764-chain-reaction-research/5462495-pressure-grows-on-traders-investors-to-take-action-on-cerrado-deforestation-slc-agricola>
- 78 Ibid.
- 79 https://www.greenpeace.org/static/planet4-sweden-stateless/2021/03/f66b926f-destruction_certified_09_03_21.pdf
- 80 <https://chainreactionresearch.com/the-chain-slc-agricola-moves-forward-with-clearing-5200-hectares-of-native-vegetation/#:~:text=Home-,The%20Chain%3A%20SLC%20Agricola%20Moves%20Forward%20with,5%2C200%20Hectares%20of%20Native%20Vegetation&text=SLC%20Agricola%2C%20the%20largest%20listed,the%20first%20quarter%20of%202020>
- 81 https://1ilncn2ptox93ih9e41q8but-wpengine.netdna-ssl.com/media-library/wp-content/uploads/sites/24/2019/11/Relatorio-Resumo-Publico-RTRS_SLC_2019.pdf
- 82 <https://www.greenpeace.org/usa/wp-content/uploads/legacy/Global/usa/report/2010/1/minimum-criteria-for-i.pdf>
- 83 <https://reporterbrasil.org.br/2019/05/slave-labor-found-at-second-starbucks-certified-brazilian-coffee-farm/>
- 84 <https://reporterbrasil.org.br/2018/08/fazenda-de-cafe-certificada-pela-starbucks-e-flagrada-com-trabalho-escravo/>

