

Memorandum of Understanding No 004 /2018)

Memorandum of Understanding between the Municipality of Cotriguaçu, State of Mato Grosso - Brazil, IDH - Sustainable Trade Initiative, and Private Sector Entities for the purposes specified therein.

The **City Council of Cotriguaçu, State of Mato Grosso**, legal entity of public law, enrolled with the CNPJ [National Registry of Legal Entities] under No. 24.950.461/0001-93, with main office in the municipality of Cotriguaçu – MT- Brazil, at Rua Principal S/N, herein represented by the City Mayor , **Jair Klasner**, Brazilian, single, bearer of Identity Card RG nº 0966945 TJ/MT and enrolled with CPF [Taxpayer Registry] under nº 862.690.381-20 resident and domiciled in Cotriguaçu/ MT, and **IDH, The Sustainable Trade Initiative**, a foundation under the laws of the Netherlands, registered with the Dutch Chamber of Commerce under number 53521129, having its registered office and its place of business at Arthur van Schendelstraat 500, 3511 MH Utrecht, the Netherlands, in this matter duly represented by Mr. Joost Oorthuizen, and by its manager **Daan Wensing, married, passport No. BT3FDJRD8, resident in Arthur van Schendelstraat 500 (3511 MH) Utrecht, Netherlands**, and the Private Sector Entities listed below, herein referred to as Private Sector, have decided to execute this Memorandum of Understanding, according to the following conditions:

This subject matter of this Memorandum of Understanding is the agreement of an interinstitutional initiative aimed at establishing cooperation and exerting the efforts required to promote actions that contribute to the sustainable economic development of the Municipality of Cotriguaçu by means of the PCI Municipal Pact in Cotriguaçu.

2. Term

The actions that are stated in the Memorandum of Understanding shall be carried out within sixty (60)months as from date of execution hereof.

3. Considerations of the Parties

The parties hereby recognize that, the launching of PCI strategy – Produce Conserve and Include in Mato Grosso, especially the goals relating to sustainable production, conservation and social inclusion shall contribute toward promoting, encouraging and implementing a sub-regional municipal model of the PCI, which will contribute toward social and economic development in the region and toward building a strong connection between protecting natural resources and sustainable production activities in the region;

They also recognize that the PCI shall be able to contribute with the Brazilian National Goals that are stated in the NDC (National Declared Contribution) and that were declared at the United Nations under the Paris Agreement, which expressly mentions restoring degraded pastureland, reducing deforestation and encouraging low-carbon agriculture as relevant topics for enabling the country to reach the desired standard for reducing the gas emissions of the greenhouse effect.

They also recognize that the PCI strategy has a direct relationship with the Low-Carbon-Emission Agriculture Plan (Plano ABC in Portuguese) and with implementing the Forestry Code, both of which are Federal Government policies that have pillar strategies for the sustainable development of agriculture and the environmental regularization of properties in rural Brazil.

The parties herein recognize the interests of the public and private sectors in the municipality of Cotriguaçu in the state of Mato Grosso in moving forward the joint discussions for carrying out the objectives, goals and actions, with the aim of putting into operation the PCI Municipal Pact (Produce, Conserve and Include) and implementing the objectives and instruments of the Forestry Code in the town of Cotriguaçu.

The parties also recognize that the joint effort of the public and private sectors may bring positive results to the town of Cotriguaçu, which contributes toward developing a productive and low-carbon-emission economy in the town, encourages conservation and increases the sustainable production of the small family properties, encourages the recuperation of degraded areas, increases and qualifies technical assistance and rural extension (ATER in Portuguese) and contributes toward implementing the objectives of the Forestry Code and of the Family Farming Plan in the State of Mato Grosso.

In the light of the foregoing, the Parties hereby agree to execute, in addition to this Memorandum of Understanding, the legal instruments necessary for making the process of implementing the PCI Municipal Pact in the town of Cotriguaçu viable, by adopting the goals to be managed and implemented by the managing committee of the PCI Pact, with external financial support and with responsibilities defined and validated by those involved.

In this respect, the Parties understand the PCI Municipal Pact (Produce, Conserve and Include), an institutional agreement herein established with goals of a voluntary nature and formed by a model of governance that aggregates a set of public, private and civil society institutions aiming at achieving the objective of this Memorandum of Understanding.

4. The Pillars and their Goals

The PCI Municipal Pact of Cotriguaçu shall be performed without prejudice to others that might be added, the strategy pillars of the State PCI. Namely: Produce, Conserve and Include, which considers – among other things - voluntarily in the municipal sphere – the following lines of strategic action:

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- **Produce:** To promote Technical Assistance (ATER in Portuguese) for beef cattle and dairy cattle for family farming, as well as for medium and large properties; to promote the recuperation of degraded areas and to make production viable depending on the suitability of the soil; to increase areas of timber and non-timber forestry management through incentives for making the legal processes less bureaucratic depending on the regional specifics; setting up regions that have product origin certification (sustainable production activities for small, medium and large family farming)
- **Conserve:** To stimulate the reduction of deforestation, to go forward in validation of the CAR and in implementing the PRA; To spread information regarding the environmental requirements; To promote compensation for legal reservation and to set up incentives for the standing forests;

Include: To expand Technical Assistance and Rural Extension (ATER in Portuguese) in rural settlements and to promote regularization of the ownership of the land; Operational, strategic and commercial support for products from family farms; to define the use of small areas in accordance with the best production plans.

The Goals agreed with the local stakeholders will constitute the reference base for defining a set of policies, strategies, actions, activities and resources, including financial ones, which can be voluntarily reached by all parties, as featured in this Memorandum of Understanding:

Goals of Produce Pillar:

- To recuperate 121,608 hectares of low-productivity pastureland by 2023
- To increase livestock production by 20% by 2023
- To increase the planting of grain in degraded pastureland for 2000 hectares by 2023
- To increase grain production (soybean/rice/corn) by 150% by 2020
- To increase areas under forestry management by 10% by 2023

Goals of Conserve Pillar:

- To maintain 78% of forest vegetation in accordance to the rights and duties of the Forest Code
- To eliminate illegal deforestation by 2023
- To register 100% of rural properties on SIMCAR [Rural Environmental Register System] by 2019
- To validate 100% of the CAR by 2020

Include Goals:

- To increase ATER in family farming to 3000 families by 2023.
- To regularize 100% of family farming plots of land by 2023

- To increase milk production by 10% by 2023
- To increase coffee production by 300% by 2023
- To increase cocoa production by 1000% by 2023
- To increase urucum production by 300% by 2023
- To increase brazil nut production by 30% by 2023

5. Means of implementation

In order to define and implement the voluntary targets, the parties should carry out the necessary technical, scientific, legal and economic studies required.

The policies, strategies, actions, activities and resources for reaching the goals presented in this document should be coordinated by the organization that incorporates the Municipal PCI - among others by the local committee - with considerable support from the public and private sectors and in line with the State PCI actions.

The targets agreed herein are of a voluntary nature and are dependent on the effective availability of human, technical, institutional and financial resources for the performance thereof, and they do not determine any sanctions or penalties in case the participating parties fail to comply with them, whether in total or in partial, without prejudice to any definition to the contrary in legal provision or through a contractual agreement that has been agreed between the parties involved under donations and/or financing with national or international entities.

As a way of making the implementation of the policies, measures, targets and actions viable, "the mechanisms of Institutional Governance of the Municipal PCI" will be set up for managing the pact, as well as a formal structure for searching for, receiving and investing the financial resources necessary for the actions, "the financial mechanism for fostering, investing and distributing benefits".

6. Governance

Within 60 days, a structure of governance should be formed following the arrangement below:

Deliberation, Management and Articulation Instance – Management Committee of the Cotriguaçu PCI, which will be comprised of the signatory parties on this memorandum, as well as by some other institutions, including ones from civil society, whose entry into this committee will depend on showing interest through being added to the memorandum and being approved by the majority of the committee. One of the component institutions will be in charge of the secretary duties of this committee. The objectives of this Committee will be, among other things, to accompany, articulate, integrate actions and promote the monitoring of actions, including those of the Sustainable Cotriguaçu Fund. The Management Committee of the

Cotriguaçu PCI will exert every effort with the aim of strengthening the environment and agriculture municipal councils, if these exist.

Executing Body - An executive body will be created, which will include nominated and/or appointed representatives of institutions and organizations of the public power, private initiative and civil society with duties and responsibilities to carry out strategies, policies, projects, actions and activities with a view to implementing and achieving the objectives and goals of the Cotriguaçu Municipal PCI.

The Regulation and/or rules of the structures that make up the Municipal PCI shall be either timely or immediately prepared by the parties, subsequent to the setting up of such structures.

7. Financial Sustainability Mechanism and Fund Raising

Initially, the implementation of strategies, policies, projects, actions and activities will be carried out by the very institutions that voluntarily sign this memorandum, based on and in accordance with their budgetary and financial resources.

On prior to 60 days, a plan must be drawn up and a financial sustainability mechanism must be created for raising/managing the financial resources required to implement the strategies, policies, projects, actions and activities of the Cotriguaçu Municipal PCI, pursuant to the following lines of action and structural principles: :

- Cotriguaçu Sustainable Fund - is the Sustainability Mechanism for funding and management of financial resources of the Municipal Municipality of Cotriguaçu, the purpose of which is aims to mobilize and raise repayable and non-reimbursable public or private funds to support the execution of strategies, policies, projects, actions and activities to achieve the Goals established herein.
- The Fund will be governed by the Managing Committee of the Cotriguaçu Municipal PCI, which will be responsible for establishing the guidelines and eligibility requirements for the use of the resources of the Fund, as well as for monitoring, evaluating and approving the documents related to the management of the Fund. The Committee may delegate specific assignments to a Sustainability and Fundraising Chamber or other institutional structure that the parties deem appropriate to fulfil of the said goals.
- Sustainability Chamber will be the body responsible for managing, raising and analysing projects and actions, as well as for contracting and monitoring the projects and actions.
- Executors - PCI and its Instances to the extent of their competencies, as well as public, private and civil society institutions supported with resources from the Fund to implement actions and projects linked to the Cotriguaçu Municipal PCI.

The legal nature, structure, functioning and other organizational definitions of the Fund will be discussed and agreed upon by the Managing Committee of the Municipal Municipality of Cotriguaçu.

7. Final Understandings

The parties hereby agree to, on prior to 90 days, execute all legal instruments required to establish the activities and/or conditions to carry out the cooperation among the parties to achieve the voluntary goals and to implement the Pillars of the Cotriguaçu Municipal PCI and others to be defined among the parties within the limits and rules of conformity of the legal framework applicable in Brazil.

The Parties hereby agree to act in good faith and to comply with all the state laws and regulations of the Municipality of Cotriguaçu, of the State of Mato Grosso and the Federal Laws of Brazil.

With nothing further, the undersigned parties have executed this Memorandum:

Cotriguaçu, Mato Grosso, 10 May, 2018



Jair Klasner

Cotriguaçu City Mayor
Mato Grosso State

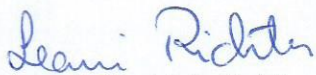


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Damião Carlos de Lima

Rural Syndicate

Cotriguaçu – Mato Grosso State



Lucemir Possebom

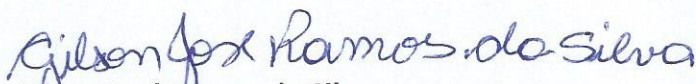
Nova Cotriguaçu Settlement

Cotriguaçu – Mato Grosso State

Ilson Dias Flores

Cederes Settlement

Cotriguaçu – Mato Grosso State



Gilson José Ramos da Silva

Juruena Settlement

Cotriguaçu – Mato Grosso State



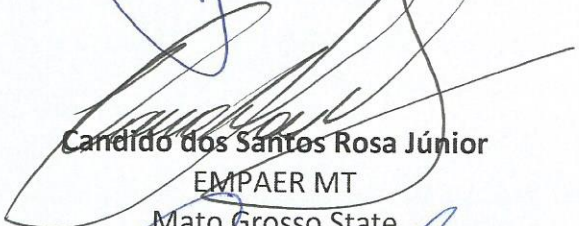
Estelle Dugachard

ONF Brasil Gestão Florestal Ltda

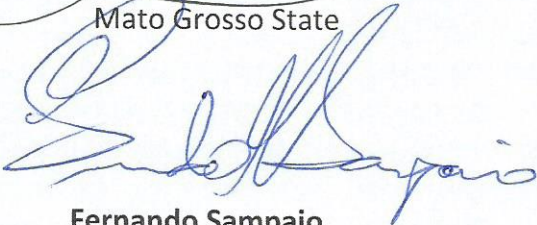
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