

Memorandum of Understanding

**Memorandum of Understanding between
IDH - Sustainable Trade Initiative and
Private Sector Entities for the purposes
specified therein.**

IDH 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, who is represented by its Country Director for Brazil, **Daniela Martins Mariuzzo**, identified with Brazilian tax identification (CPF) No. 168.359.918-79, (hereinafter referred to as “IDH”);

and

The Entities of the Private Sector listed below (hereinafter referred as the “Private Sector”);

IDH and the Private Sector hereinafter collectively referred to as the “Parties”.

The 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 Sorriso region.

1. Term

The Parties strive to carry out the actions as stated in this Memorandum of Understanding within sixty (60) months as from date of signature thereof.

2. Considerations of the Parties

The Parties hereby recognize that, the launching of a 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 strategy 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 also recognize that the joint effort of the public and private sectors may bring positive results to the town of Sorriso, 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 Sorriso PCI Program in the town of Sorriso viable, by adopting the goals to be managed and implemented by the managing committee of the Sorriso Regional PCI Program as established by this Memorandum of Understandings, with external financial support and with responsibilities defined and validated by those involved.

In this respect, the Parties understand the Sorriso PCI Program (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.

3. The Pillars and their Goals

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

A. Produce:

- I. Foster the expansion of the production of alternative energy in the municipality, such as solar, biofuels (biodiesel and corn ethanol) and biomethane from swine manure;
- II. Encourage the development of soybean areas under the RTRS certification.
- III. Encourage the development of soybean areas under the conventional (Non-GM) production model.

- IV. Encourage the development of more areas of planted forest for biomass purposes.
- V. Support actions that promote the industrialization and local processing of primary products: increase the quantity of agricultural products processed or industrialized in Sorriso in order to add value to local production.
- VI. Value added to local meat production: support to the development of beef finishing projects and increase in poultry, pork and fish production, especially with the use of by-products of the local industry.

B. Conserve:

- I. Rural Environment Cadaster (CAR) validation / Advancing on Environmental Regularization Plans (PRA) Register 100% of the agricultural area in the CAR and accelerate the validation of the State Department of Environment (SEMA) in the verification of liabilities or surplus of native forest;
- II. Create options on financial mechanisms for legal reserve compensation: Viability of the Environmental Reserve Quotas (CRA) in the municipality, generating valorization of forest surpluses in those properties that have a positive balance, stimulating the maintenance of open productive areas and compensation in areas of lower agricultural ability and income over the standing forest.

C. Include:

- I. Expansion of technical assistance and rural extension on settlements: Expand free and scientifically proven technical assistance to small producers, with the aim of producing more and generating more income;
- II. Support for Agrarian Regularization: Accelerate with the Mato Grosso Program of Sustainable Municipalities (PMS) and Terra Limpo Program the land regularization of small producers who do not legally own land;
- III. Strengthening of municipal programs focused on family agriculture: Increase the reach of the four municipal agricultural programs (honey, milk, vegetables and fruits) to small producers and of relevance to the local activity;
- IV. Cocoa feasibility study for family agriculture: Evaluate in detail the entry of the cocoa crop into the municipality, so that it has volume for potential buyers and is economically, socially and environmentally balanced for local conditions

The following Goals were agreed with the local stakeholders under this Memorandum of Understanding 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:

Produce Pillar Goals:

- Increase corn ethanol production and boosting the use of its by-products in the regional development
- Increase solar energy up to 10 MWh by 2024
- Increase the soybean production area under RTRS certification up to 150 thousand hectares by 2024
- Increase the area of planted forests up to 50 thousand hectares by 2024
- Foster increased poultry and chicken meat production from the region
- Increase pig production by 40% by 2024, fostering the production of pork meat from the region
- Increase fish production by 100% by 2024, fostering the production of fish meat from the region

- **Conserve Pillar Goals:**

- Eliminate illegal deforestation by 2024
- Qualify 100% of the CAR for further validation of the SEMA-MT until 2019
- Register 100% of rural properties in SIMCAR by 2019
- Recover 100% degraded APP by 2024.
- Support the fish production chain in the processes of environmental licensing and regularization.

Include Goals:

- Increase ATER in family agriculture to 290 families by 2024
- Regularize 100% of family farming plots by 2024

- Increase milk production by 50% by 2024
- Increase honey production by 50% by 2024
- Increase fruit production by 100% 2024
- Increase horticultural production 50% by 2024

The goals described in this memorandum are collective and aim the sustainable development of the municipality, and do not translate into individual goals of the entities represented here.

4. 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 Memorandum of Understanding should be coordinated by the organization that incorporates the Sorriso PCI Program - 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 fails to complied 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 Sorriso PCI Program” will be set up for managing the Sorriso Regional PCI Program established by this Memorandum of Understanding, 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”.

5. Governance

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

Deliberation, Management and Articulation Instance – Management Committee of the Sorriso PCI Program, 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 Sorriso Fund. The Management Committee of the Sorriso PCI Program 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 Sorriso PCI Program.

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

6. 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.

No later than 120 days after this Memorandum of Understanding is signed, 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 Sorriso PCI Program.

The legal nature, structure, functioning and other organizational definitions of the Fund will be discussed and agreed upon by the Managing Committee of the Sorriso PCI Program.

7. Final Understandings

The Parties hereby agree to, no later than 120 days after this Memorandum of Understanding is signed, 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 Sorriso 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 Sorriso, of the State of Mato Grosso and the Federal Laws of Brazil.

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

Sorriso, Mato Grosso, April 24th, 2019


Daniela Mariuzzo
IDH – Sustainable Trade Initiative


Adenir Paiya
CAT Sorriso
Sorriso – MT


UNEM – Corn Ethanol National Union


Edenir Gonçalves
Rural Workers Syndicate
Sorriso – MT

Marecilda Ludwig
Associação dos Produtores Orgânicos de Sorriso (APOS)
Sorriso – MT

Soedi Vedoy Rossoni
PA Casulo
Sorriso – MT



the sustainable
trade initiative

Maria Boaventura de Souza Silva

Maria Boaventura de Souza Silva

Coopercel

Sorriso - MT

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COFCO

São Paulo - SP

Carrefour

São Paulo - SP

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Paulo Lucion

Nutribras

Sorriso - MT

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Tiago Saraiva Muniz

Delicious Fish

Sorriso - MT

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Andressa Ribeiro

Earth Innovation Institute

Cuiabá - MT

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Fernando Sampaio

Produce, Conserve and Include Strategy (PCI)

State of Mato Grosso



the sustainable
trade initiative

A large, handwritten signature in black ink, appearing to be 'Patrícia Lemos'. The signature is written over the printed name and title. It features several loops and a wavy line at the end.

Patrícia Lemos
Mato Grosso Sustainable Municipalities Program (PMS)
State of Mato Grosso