



# **Pilgrim's Sustainability-Linked Bond Framework**

**March 2021**



# Pilgrim’s Sustainability-Linked Bond Framework

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## Business Overview

Pilgrim's is a leading global provider of high-quality food products, including well-recognized brands and innovative value-added premium products. We are motivated by a shared vision to become the best and most respected company in our industry, creating the opportunity of a better future for our team members.

As one of the world's largest poultry producers and a fully integrated pork producer in the U.K., Pilgrim's has provided wholesome, high-quality products to customers and consumers for more than seven decades. Pilgrim's is the owner of Moy Park, a leading poultry and prepared foods company in the U.K. and Europe, and the owner of Pilgrim's UK, formerly Tulip Limited, a leading pork and prepared foods company in the United Kingdom.

Pilgrim's produces, processes, markets and distributes fresh, frozen and value-added chicken and pork products for sale to a diverse set of more than 6,100 customers in approximately 120 countries. The company's sales efforts are largely targeted towards the foodservice industry, including retail customers, chain restaurants, grocery store chains and wholesale clubs in the U.S., chain restaurants and grocery store chains in the U.K. and Europe, and grocery store chains in Mexico.

As a vertically integrated company, Pilgrim's manages every phase of the production process, which helps the company achieve high standards in food safety and quality, responsibly mitigate its environmental footprint and provide superior customer service. Pilgrim's has the capacity to provide more than 133 million high quality servings daily to consumers around the world.

## Sustainability Strategy and Performance

Given the trajectory of the global population, the demand for sustainable protein will experience tremendous growth, particularly in countries that lack sufficient production capacity to support their demand. Our unique global production platform, coupled with our diverse portfolio of sustainably-produced foods, will contribute to greater standards of living for millions of consumers who will seek to improve their lives through nutrition. Pilgrim's is positioned to sustainably meet rising global protein demand.

Pilgrim's recognizes climate change as the defining issue of our time. This challenge requires a new, transformative approach where business practices evolve to strengthen the resiliency of our natural resources and ecosystems. In order to meaningfully contribute to the global fight against climate change, Pilgrim's will:

- 1) Utilizing resources from the Science-Based Target Initiative as a guide, set scope 1 and scope 2 greenhouse gas emissions reduction goals that Pilgrim's views are in-line with limiting global temperature rise to well below 2.0°C above pre-industrial levels;
- 2) Ensure these reduction targets span Pilgrim's global operations across the U.S., Mexico, Europe and the UK;
- 3) Evaluate submittal of our targets for validation under the Science Based Targets initiative (SBTi) utilizing a sector-specific methodology if one becomes available for the food and agriculture sector, otherwise using the absolute contraction approach; and
- 4) Continue to advance its climate change journey, with an expectation to set SBTi-aligned target goals in line with the UN Global Compact "Business Ambition for 1.5°C" Pledge.

As part of our Sustainability Linked Bond Framework, Pilgrim’s is committing to reduce its global scope 1 and 2 emission intensity (in tCO2e per 100lbs of product) by 30% by 2030 with respect to a 2019 baseline. As we formalize the Science-Based Target process, Pilgrim’s emission targets may evolve, which may impact future sustainability-linked financings. Pilgrim’s does not expect to revise the SPTs of outstanding sustainability-linked financings based on SBTi progress made after the date of issuance.

**Materiality Assessment**

At Pilgrim’s, we believe sustainability involves improving short- and long-term profitability by managing economic, social and environmental factors. The foundation of Pilgrim’s sustainability program is based on the three traditional pillars of sustainability: 1) Social Responsibility; 2) Economic Viability; and 3) Environmental Stewardship.

In 2015, we performed an extensive corporate materiality analysis (CMA) that identified the material issues for our business. This analysis, while inclusive of Pilgrim’s internal perception of the company’s sustainability performance, relied heavily on the views and perceptions of outside stakeholders, including non-governmental organizations, community organizations, key customers, suppliers, financial institutions, government officials, academia, industry trade associations and other industry stakeholders.

The topics identified through this consultation process defined our key priority areas, five-year goals and annual reporting details.

We continuously gather feedback around our material issues from internal and external stakeholders through one-on-one conversations with customers, consumers, team members, subject matter experts and involvement in cross-collaborative supply chain sustainability initiatives. The Pilgrim’s Ethics Line, for example, is used for employee consultation. This ongoing feedback helps inform our process, progress toward our goals and annual performance which is, at minimum, annually provided to our board of directors for additional feedback and guidance.

**Our Key Priority Areas**



**Product Integrity**



**Team Member Health and Safety**



**Animal Welfare**



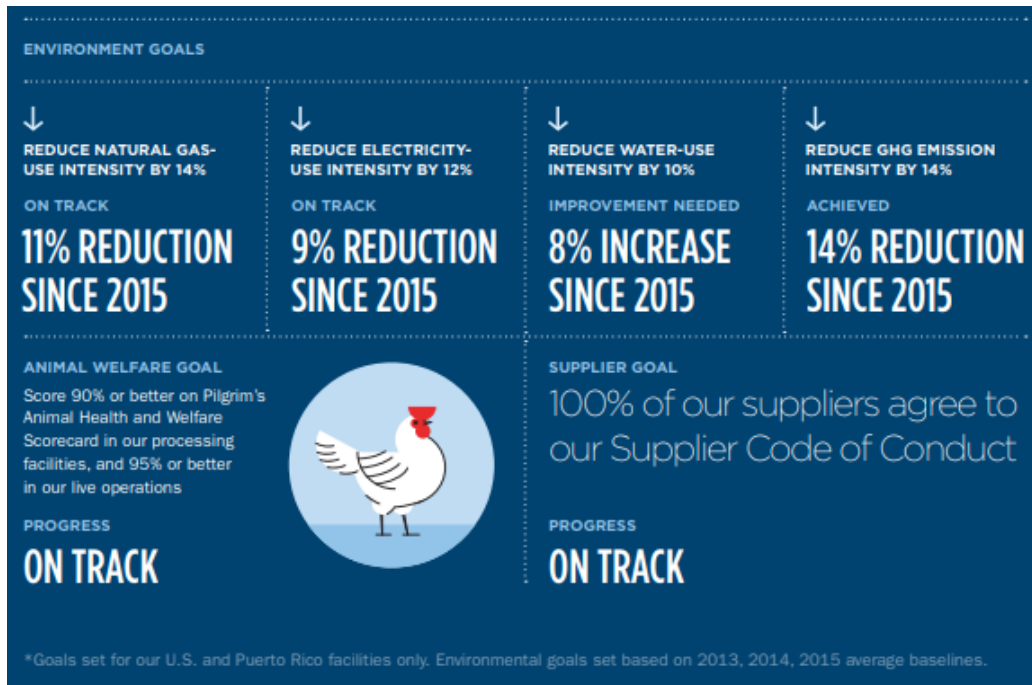
**Water**



**Energy and Climate Change**

## 2020 Goals and Progress to Date

To fully integrate our key priority areas as identified by our CMA and ensure we remain focused on continuous improvement, Pilgrim's set aggressive 2020 improvement goals based on our 2015 benchmarks.



**2020 Goal:** Improve Pilgrim's Safety Index Score – which measures team member health and safety – by 15% every year between 2015 and 2020

2019 Update: Pilgrim's exceeded this goal, with a 37% improvement from 2018 to 2019

**2020 Goal:** Reduce electricity-use intensity by 12%

2019 Update: Pilgrim's reduced electricity-use intensity by 9% since 2015

**2020 Goal:** Reduce natural gas-use intensity by 14%

2019 Update: Pilgrim's reduced natural gas-use intensity by 11% since 2015

**2020 Goal:** Reduce GHG emission intensity by 14%

2019 Update: Pilgrim's met this goal, with a 14% reduction of GHG emission intensity since 2015

**2020 Goal:** Reduce water-use intensity by 10%

2019 Update: Pilgrim's increased water-use intensity by 8% since 2015

**2020 Goal:** Score 90% or better on Pilgrim's Animal Health and Welfare Scorecard in our processing facilities, and 95% or better in our live operations

2019 Update: Pilgrim's is on track to meet this goal

**2020 Goal:** 100% of our suppliers agree to our Supplier Code of Conduct

Progress: Pilgrim's is on track to meet this goal

Pilgrim's plans to release an updated 2030 Vision as part of our 2020 Sustainability Report. Due to our recent acquisitions, our 2020 goals are only applicable to our U.S. business. We are currently instating our sustainability program across our Mexican and European operations and look forward to releasing aggressive goals for our global company as a part of our 2030 Vision.

### Governance & Risk Management

Our sustainability program is managed by regional directors of sustainability who report to the presidents of Pilgrim's U.S., Pilgrim's Mexico, Pilgrim's Moy Park and Pilgrim's U.K., with ultimate oversight from Pilgrim's Global CEO and the Pilgrim's Board of Directors. These regional leads partner with subject matter experts on our environmental, team member health and safety, animal welfare and food safety and quality assurance teams, who, in turn, are responsible for implementing and improving our sustainability performance on the ground. Our Pilgrim's sustainability program is also supported by our Corporate JBS USA Sustainability Department. Direct responsibility for decision making on the economic, environmental and social topics resides with the JBS USA Head of Corporate Affairs and Chief Sustainability Officer (CSO), who reports directly to the JBS USA CEO and the Pilgrim's Global CEO. The Pilgrim's sustainability program follows the same approach as our parent company, JBS USA.

Implicit in our corporate philosophy is the importance of sound corporate governance. The Pilgrim's board of directors sets high standards for our team members, officers and directors, and includes a number of independent members, ensuring that credible, expert voices help guide the direction of our business. The board is responsible for reviewing the overall operating, financial and strategic plans and performance of the company and the process by which financial and non-financial information about the company is provided to management, the board and the company's stockholders. In addition, the board also selects and evaluates senior executives and oversees appropriate policies of corporate conduct and compliance.

### Climate Strategy: Our Well Below 2.0° Commitment

Pilgrim's is committed to transforming its business to align with the Paris Agreement under the United Nations Framework Convention on Climate Change to help keep global warming well below 2.0°C by adopting science-based emission intensity reduction targets across scope 1 and 2 emissions. We are also committed to a 2°C trajectory for our scope 3 emissions. The company has utilized resources from the Science-Based Targets Initiative (SBTi) as a guide to develop GHG emission reduction targets across its global operations and expects to formalize its commitment to SBTi with verified goals for scopes 1, 2, and 3 in the future. Pilgrim's will communicate progress to stakeholders and the market on an annual basis.

Pilgrim's is committing to reduce its global scope 1 and 2 emission intensity by 30% by 2030, which we believe is aligned to a well below 2°C scenario based on annual reductions exceeding 2.5%. These efforts are already underway in several of the company's global operations, including in Europe and the UK, where Moy Park and Pilgrim's UK have committed to net zero emissions by 2040 and 2035, respectively. In the U.S. and Puerto Rico, this is a continuation of progress to date as Pilgrim's operations in those regions have already met their GHG emission intensity reduction goal of 14% by 2020.

As we continue our climate change journey, we expect to set SBTi-aligned target goals that will put us in alignment with the even more ambitious 1.5°C trajectory.

Scope 3 emissions are a majority of our total greenhouse gas emissions and a material issue for Pilgrim's and other protein-producing peers. While we acknowledge the importance of measuring and ultimately reducing scope 3 emissions, a widely-accepted method for measuring scope 3 emissions does not currently exist for our industry. Pilgrim's has taken steps toward understanding its own scope 3 footprint in some of its geographies and expects to introduce measurement and reduction strategies as part of its SBTi commitment, incorporating developments in sector-specific guidelines as they are refined. Pilgrim's initial commitment to scope 1 and scope 2 emissions is not a reflection of the importance of scope 3 in our broader fight against climate change but an acknowledgement that we must start with elements over which we have direct control and that have robust and trusted measurement guidelines. Going forward, we expect to examine and collaborate with our entire supply / value chain to ensure efficiency across scopes 1, 2, and 3.

### Strategies to Achieve Climate Goals

The Pilgrim's global network includes approximately 5,100 growers, 39 feed mills, 48 hatcheries, 39 processing plants, 27 prepared foods cook plants, 25 distribution centers, ten rendering facilities and four pet food plants in 14 U.S. states, the U.K., Puerto Rico, Mexico and Europe. The company's more than 58,000 team members take pride in providing consistent, high-quality, affordable products to retailers, foodservice providers, restaurants and consumers all around the world.

Air quality and greenhouse gases (GHG) are a top concern for our team and the communities in which we operate, and we are constantly looking for opportunities to improve our energy efficiency and reduce air emissions. Our environmental teams work to implement best practices for achieving these goals across our operations.

We continue to invest in energy efficient technologies including LED lighting, real-time measurement devices and predictive maintenance, equipment upgrades, electrification of heating systems and transportation and more efficient refrigeration systems.

We are currently looking at opportunities to use waste-to-energy processes. To date, one of our facilities uses biogas as a renewable energy source and 100% of the electricity that our Pilgrim's UK facilities source is renewable.

For our business units in the U.S. and Puerto Rico who participated in our 2020 goal-setting process, natural gas use intensity decreased by 11% and electricity use intensity decreased by 9% since 2015. Our teams will continue to stay focused on reducing energy use throughout our operations to meet our 14% reduction goal in natural gas and our 12% reduction goal in electricity by 2020.

We track direct GHG emissions from stationary and mobile sources (Scope 1), excluding manure emissions from our live animal operations, and energy indirect emissions (Scope 2). From 2018 to 2019, we reduced our GHG emission intensity by 5% across all Pilgrim's operations.



Progress to goals update, as of 2019,

*11% reduction in natural gas usage intensity.  
Working toward a goal of 14%.*

*9% reduction in electricity use intensity.  
Working toward a goal of 12%.*

*14% reduction in GHG emissions. Met our  
goal of 14%.*

\*Goals set based on 2013, 2014, 2015 average baselines for our U.S. facilities

In the U.S. and Puerto Rico, GHG emission intensity decreased 14% since 2015, successfully achieving our GHG emission reduction goal.

<b>Pilgrim's Global Absolute Scope 1&amp;2 GHG Emissions</b>				
<i>Metric Tonnes of CO2e</i>				
	2016	2017	2018	2019
Pilgrim's U.S. and Puerto Rico	1,137,304	1,053,488	1,083,841	1,044,918
Pilgrim's Mexico	165,871	173,529	170,587	177,608
Moy Park	169,994	151,322	134,341	126,852
Pilgrim's UK	-	-	-	56,954
<b>Pilgrim's Global</b>	<b>1,473,169</b>	<b>1,378,339</b>	<b>1,388,769</b>	<b>1,406,333</b>

<b>Pilgrim's Global Scope 1&amp;2 GHG Emissions Intensity</b>				
<i>Metric Tonnes of CO2e per 100 lbs of Finished Product</i>				
	2016	2017	2018	2019
Pilgrim's U.S. and Puerto Rico	0.0119	0.0106	0.0109	0.0102
Pilgrim's Mexico	0.0085	0.0087	0.0085	0.0089
Moy Park	0.0139	0.0114	0.0099	0.0094
Pilgrim's UK	-	-	-	0.0085
<b>Pilgrim's Global</b>	<b>0.01156</b>	<b>0.01038</b>	<b>0.01047</b>	<b>0.00988</b>

The data above may differ from previous publicly-available reports. In the above tables, we have updated our GHG emissions to include a modified accounting of purchased CO2 gas and dry ice, and refined location-based emission factors when calculating Scope 2 emissions. Additionally, to facilitate future reporting and align with the Company's long term GHG reduction strategies, the SLB Framework presents GHG emission history, goals and the GHG Baseline in Metric Tonnes, as opposed to US Tons.

## Sustainability-Linked Bond Framework

### Rationale for Sustainability-Linked Bond Framework

Pilgrim's sustainability-linked bond framework demonstrates its commitment to being a positive force in the fight against climate change and holds itself accountable to its public commitments and to society. The framework links our global sustainability strategy and GHG reduction efforts with our funding needs, enabling our key stakeholders to partner with us along our journey. Pilgrim's is committed to its long-term sustainability strategy, and sustainability-linked financing is a key element of increasing coordination throughout the entire organization.



## Sustainability-Linked Bond Framework

Pilgrim's created this Sustainability-Linked Bond Framework in accordance with ICMA's Sustainability-Linked Bond Principles (SLBP) 2020. This framework demonstrates how a Pilgrim's SLB aligns with Pilgrim's global sustainability strategy and continues our long-term commitment to reduce GHG emissions well below 2.0°C in line with the Paris Agreement under the United Nations Framework Convention on Climate Change.

The following five components form the basis of Pilgrim's framework:

- 1) selection of key performance indicators (KPIs);
- 2) calibration of sustainability performance targets (SPTs);
- 3) bond characteristics;
- 4) reporting on the above, and
- 5) independent verification.

### KPI Selection

Pilgrim's has selected the following KPI, which is core, relevant and material to our business. The associated Sustainability Performance Target ("SPT") is aligned with the company's 2.0°C commitment.

Key Performance Indicator	Rationale
<p><b>KPI:</b> Pilgrim's Global Greenhouse Gas (GHG) Emission Intensity (Scope 1 and 2, in tCO<sub>2</sub>e per 100 lbs of product).</p> <p><b>SPT:</b> Reduce Pilgrim's Global GHG Emission Intensity (Scope 1 and 2, in tCO<sub>2</sub>e per 100 lbs of product) by 30% by 2030 with respect to a 2019 baseline; linear progress expected, defining a series of SPTs Pilgrim's could utilize from years 2025 to 2030.</p> <p><b>Long-term goal:</b> Keep global warming to 1.5°C by 2050 through adoption of Science-Based emission intensity reduction targets across Scope 1 and 2 emissions, and 2°C across Scope 3 emissions.</p>	<p>Climate change is the most pressing issue facing society today and has the potential to negatively impact future generations if bold action is not taken immediately. This issue also poses significant risks to our business, our grower partners, customers and consumers. Our 2015 CMA identified climate change as one of our material issues.</p> <p>In response, Pilgrim's established GHG, energy and natural gas use intensity reduction goals to be achieved by 2020. We are on progress to meet all of these goals and are expanding our 2030 goals to include our Mexican and European-based operations.</p> <p>To accelerate our climate change strategy, Pilgrim's will commit to the aim of the Paris Agreement under the United Nations Framework Convention on Climate Change to help keep global warming well below 2.0°C by adopting science-based emission intensity reduction targets across scope 1 and 2 emissions. Pilgrim's is focusing on Scope 1 and 2 emissions for the purposes of this Framework given that we can have the most immediate impact by focusing on our own operations and what we can control as well as what we can accurately measure. Pilgrim's initial targets utilize resources from the Science-Based Targets Initiative as guidance to create a trajectory we believe is aligned with a well-below 2.0°C scenario. We expect to engage with SBTi as part of our longer term goal.</p> <p>As we undergo the SBTi process, Pilgrim's emissions targets may evolve, which may impact future sustainability-linked financings. Pilgrim's does not expect to revise SPTs of outstanding sustainability-linked financings based on SBTi progress made after the date of issuance.</p>

	<p>Pilgrim’s recognizes the importance of addressing Scope 3 emissions, but current data on supply chain emissions in our business and our industry is incomplete and less reliable. Scope 3 emission reductions are an integral part of our overall sustainability strategy and we are actively working with our suppliers to calculate and mitigate environmental impact, but they are not included within the scope of this Framework.</p>
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Efforts to reduce GHG emissions are aligned with Sustainable Development Goal 13: Climate Action.

<b>2019 Baseline (Metric Tonnes of CO2e):</b>				
<b>Business Unit</b>	<b>Scope 1, Tonnes</b>	<b>Scope 2, Tonnes</b>	<b>Total Tonnes</b>	<b>Intensity, MT/100lbs</b>
<b>PPC US &amp; PR</b>	487,875	557,043	1,044,918	0.01030
<b>PPC Mexico</b>	85,821	91,787	177,608	0.00889
<b>Moy Park</b>	67,412	59,440	126,852	0.00935
<b>PPC UK</b>	25,208	31,746	56,954	0.00854
<b>PPC Global</b>	<b>666,316</b>	<b>740,017</b>	<b>1,406,333</b>	<b>0.00988</b>

Scope 1 Emissions primarily result from fuels combusted, dry ice/gaseous CO2 used as a manufacturing aid, and wastewater treatment systems. PPC conservatively assumes that 100% of Dry Ice/CO2 gas is emitted as a fugitive source. I.e., 1 kg of dry ice purchased = 1 kg of CO2 emissions.

Scope 2 Emissions primarily result from electricity purchased. 2018 eGRID (March 2020) or similar location based emission factors were used.

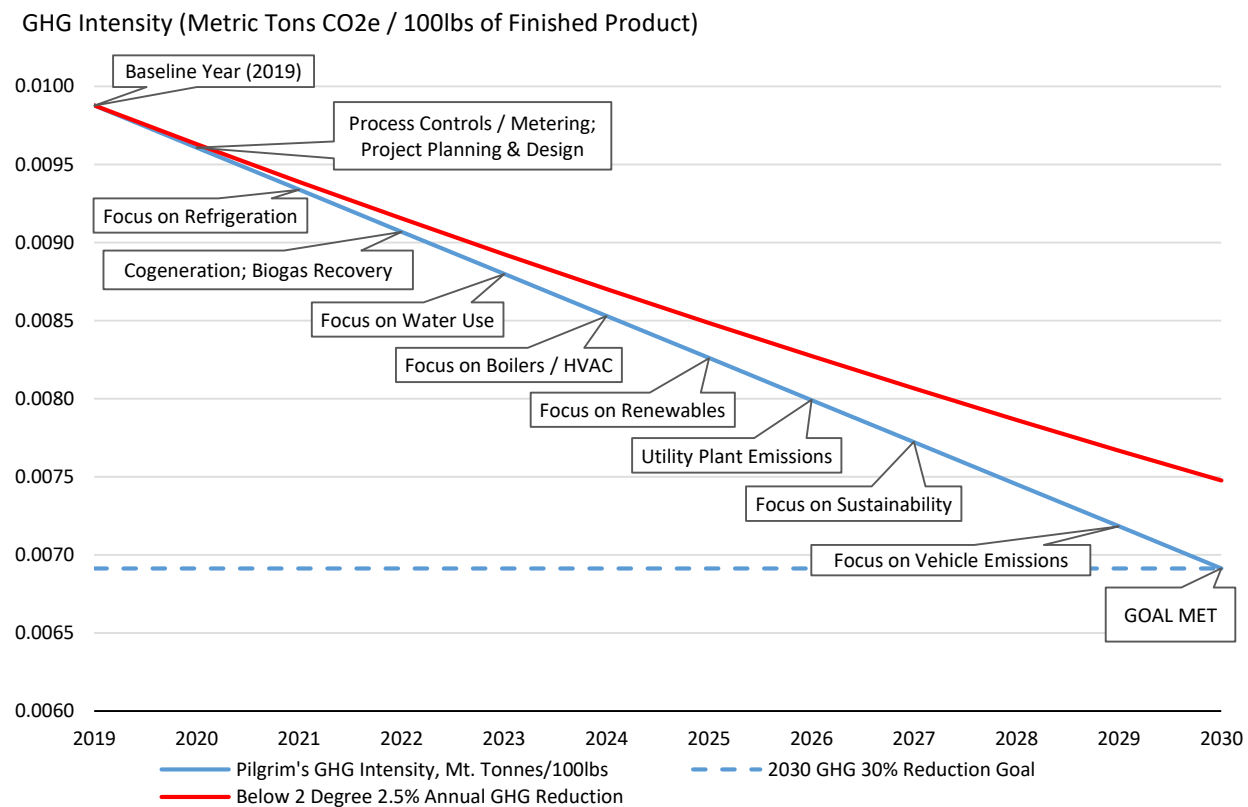
Sustainability Performance Targets Calibration

**SPT:** Reduce Pilgrim’s Global GHG Emission Intensity (Scope 1 and 2, in tCO2e per 100lbs of product) by 30% by 2030 with respect to a 2019 baseline, with progress expected to be linear. Targets selected for specific bonds will be based on linear progress required in years 2025 – 2030.

The Sustainability Performance Target has been created using resources from the Science-Based Targets Initiative and is meant to align with a well below 2° scenario by requiring annual reductions in excess of 2.5%. Strategies to achieve such emissions reductions can be found in the ‘Strategies to Achieve Climate Goals’ section of this framework. Pilgrim’s views the key risks associated with achieving emissions targets as largely tied to the timing of implementing various emissions reductions investments. Other risks include revenue growth in operations / products with higher tCO2e per production unit, shift in consumer preferences / demand, extreme events (like pandemics), availability / affordability of certain energy efficiency technologies, availability / affordability of renewable energy sources, and other operational disruptions that could impact our ability to implement our climate strategy. Given the urgency of addressing climate change, Pilgrim’s is firmly committed to doing its part to reduce global emissions and expects to navigate through challenges rather than use them as excuses to divert from our climate strategy.

Emissions data verification with respect to the 2019 baseline will be subjected to a to a post-issuance, third-party limited assurance audit. In the event that emissions data verification results in a restatement to the baseline, the SPT will remain as a % reduction relative to the baseline (i.e. the adjusted trajectory will be based on a 30% reduction in 2030 from the restated baseline. All post-issuance annual progress updates will be based on the verified baseline.

Instrument-specific SPTs will be defined in the instrument’s documentation but tied to the targets discussed above.



### Bond Characteristics

Pilgrim’s SLBs have a sustainability-linked feature that will result in a coupon adjustment, or a premium payment as the case may be, if the company’s performance does not achieve the stated SPTs. Timing for the adjustment will be defined.

The relevant KPI, SPT, coupon step-up amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant SLB).

The Issuer will notify the investors of the achievement or not of the SPT as soon as possible (as defined in the instrument’s documentation). If, for any reason, the KPI cannot be calculated, observed or reported in a timely manner (as defined in the instrument’s documentation), the defined bond characteristic change will be triggered as if the target was not met (with effective dates aligned with the original SPT).

## Reporting

Annually, and for any date/period relevant for assessing the trigger of the SPT performance, Pilgrim's will publish and make readily available and accessible on our website up-to-date information on KPI performance, including the baseline where relevant, a verification assurance report ("Limited Assurance") outlining the performance of the KPI against the SPT and any other relevant information that enables investors to monitor the progress of the selected KPI.

Information may also include (when feasible) a qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis, illustration of the positive sustainability impacts of the performance improvement, and/or any re-assessments of KPIs and/or restatement of the SPT and/or adjustments of baselines or KPI scope based on changes in calculation / approach as recommended by a qualified external reviewer.

## External Verification

### Pre-Issuance

Pilgrim's has obtained and made publicly available a Second Party Opinion ("SPO") from ISS ESG to provide an opinion on the sustainability benefit of this SLB Framework as well as the alignment to the SLBP 2020. The SPO will be available on Pilgrim's website.

### Post-Issuance

Annually, and for any date/period relevant for assessing the trigger of the SPT performance and until after the KPI trigger event of a bond has been reached, Pilgrim's will seek independent and external verification of the performance level for the stated KPI by a qualified external reviewer with relevant expertise. The verification will be in the form of a "Limited Assurance." The verification of the performance will be made publicly available on our website.

## Disclaimer

Legal disclaimer to be included

## Footnotes/Appendix

<b>2030 Sustainability Linked Bond</b>	
<b>Emission Reduction Targets</b>	<b>2019 Baseline</b>
Scope 1 GHG, Mt. Tonnes/yr	666,316
Scope 2 GHG, Mt. Tonnes/yr	740,017
Total GHG, Mt. Tonnes	1,406,333
GHG Intensity, Mt. Tonnes/100lbs product	0.00988
<b>2030 Goal Reduction, %</b>	<b>30.00%</b>
<b>2030 Intensity Goal, Mt. Tonnes/100lbs product</b>	<b>0.00691</b>