



MARFRIG
2013 ANNUAL REPORT



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MARFRIG

ANNUAL REPORT 2013

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ABOUT THE REPORT

THE REPORT PROVIDES AN ACCOUNT OF THE SOCIAL, ENVIRONMENTAL AND ECONOMIC PERFORMANCE OF THE GROUP'S OPERATIONS.

Marfrig Global Foods S.A. publishes its annual report for the eighth consecutive year; for the fourth year in accordance with GRI Sustainability Reporting Guidelines and for the first time in accordance with the G4 version. [G4-30](#), [G4-32](#)

This report includes performance indicators for the period from January 1 to December 31, 2013 for all of the Group's subsidiaries in the 16 countries where it operated during the period cited, except where stated otherwise. Note that the reporting of actions carried out extends to April 2014 whenever necessary and relevant to ensure the transparency of this report. [G4-28](#), [G4-29](#)

To facilitate understanding and enable data comparisons, the economic-financial, social and environmental information is presented on a consolidated basis and broken down by business unit. The Marfrig Group states that there are no significant changes from prior reporting periods with regard to the scope, reporting boundaries or measurement methods. [G4-22](#), [G4-23](#)

The integration of Marfrig's operations into three business units makes it possible to obtain detailed operational data on energy and water consumption, air emissions and other indicators. Therefore, progress was made in the collection, storage and monitoring of social and environmental data, which

also supported improvements in the understanding, management and communication of this information. Such data in this report have not been subjected to external verification. [G4-33](#)

As in the previous report, the economic and financial data were prepared in accordance with International Financial Reporting Standards (IFRS) and were audited by BDO RCS Auditores Independentes SS. [G4-17](#)

The selection of the topics covered in this publication took into consideration the information of particular interest to the Company, its stakeholders and the general market. [G4-18](#)

The topics covered include the profile of Marfrig Global Foods and its corporate governance guidelines, operating results, business strategy, financial performance, environmental preservation actions and social initiatives. [G4-17](#)

The preparation of this report, from planning to printing, was carbon neutral. Marfrig's Investor Relations Department was responsible for preparing this publication and for providing a transparent account to all of its stakeholders.

The Investor Relations Department was responsible for preparing this publication. For more information, please go to www.marfrig.com.br/ri or contact the department by telephone at + 55 (11) 3792-8650 or by e-mail at ri@marfrig.com.br [G4-31](#)

MESSAGE FROM THE CHAIRMAN G4-1, G4-2

“IN MY NEW ROLE AS CHAIRMAN OF THE BOARD AND CONTROLLING SHAREHOLDER, MY COMMITMENT TO MARFRIG DOES NOT CHANGE IN THE SLIGHTEST. TO THE CONTRARY, MY COMMITMENT WILL ONLY GROW, SINCE I WILL NOW HAVE MORE TIME TO FOCUS ON OUR STRATEGY, ON OUR RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS, AND ON MANAGING OUR TALENT ON A FULL-TIME BASIS”

I want to start by wishing all of you a 2014 of much health and success.

In my new role as chairman of the board and controlling shareholder, my commitment to Marfrig does not change in the slightest. To the contrary, my commitment will only grow, since I will now have more time to focus on our strategy, on our relationships with customers and suppliers, and on managing our talent on a full-time basis.

The young company we started in 2000 has matured and now has professional management in place at all business units and a robust level of corporate governance that is widely recognized by the market.

To emphasize its new profile and global footprint, the group changed its name to Marfrig Global Foods, which conveys more effectively our position as a global food company that is present in 16 countries, operates 78 commercial, production and distribution units and employs 43,000 people.

We appointed Sérgio Rial as our chief executive officer in January 2014. I have known Sergio for five years and since 2012 we've been working together on the transition and integration of Marfrig Global Foods.

The business segments received new logos with a common language, which further highlight the group's strengths and the alignment among them. Each segment has its own strategy for contributing to the success of our “Focus to Win” strategy.

We repositioned the group strategically in 2013 without losing our focus on capturing operational improvements in all of our businesses, while maintaining our commitment to high quality and continuing to drive innovation. I'd also like to take this opportunity to congratulate the entire team, which surmounted many challenges this year.



Given the diverse regional, cultural and portfolio characteristics of the activities of the Marfrig Group, each division has a customized management model to take maximum advantage of the experience and knowledge of each business when developing management systems and practices to meet the various needs of their customers and markets.

I would like to congratulate our Beef business for its leadership in sustainability and for its unwavering commitment to our customers. Moy Park and Keystone posted exemplary growth and operating performances and consolidated our strong international presence while working together with our South American units to drive growth and meet the targets established in the “Focus to Win” plan of Marfrig Global Foods.

We will continue to build a better company each year, guided always by the principles of simplicity, seriousness, innovation and a firm commitment to our partners. Together we will continue to promote sustainable and consistent growth and to build a company at which we will always be proud to work.

Marcos Antonio Molina dos Santos
Chairman of the Board

“

WE WILL CONTINUE TO BUILD A BETTER COMPANY EACH YEAR, GUIDED ALWAYS BY THE PRINCIPLES OF SIMPLICITY, SERIOUSNESS, INNOVATION AND A FIRM COMMITMENT TO OUR PARTNERS. TOGETHER WE WILL CONTINUE TO PROMOTE SUSTAINABLE AND CONSISTENT GROWTH AND TO BUILD A COMPANY AT WHICH WE WILL ALWAYS BE PROUD TO WORK”

MESSAGE FROM THE CEO G4-1, G4-2

WITH DIVERSIFIED OPERATIONS IN 16 COUNTRIES, THE GROUP IS GUIDED BY A LONG- TERM STRATEGY FOCUSED ON CREATING VALUE FOR ITS SHAREHOLDERS AND OTHER STAKEHOLDERS

The year 2013 marked an important milestone in the history of Marfrig Global Foods. To take more steps towards ensuring the Company's sustainability going forward, we reviewed our capital structure and reassessed our objectives.

Today our business is ready to meet the demands of global and national markets. With a better capital structure and a simpler and more focused business model, the Company can now strengthen its original values and create an organizational culture that is centered on the customer, driven by innovation and profitable growth, and supported by its solid expertise in the food service and retail segments and its commitment to the highest standards of food safety and quality and to industry leadership in sustainability.

Founded in 1986 and listed on the Brazilian Stock Exchange since 2007, Marfrig Global Foods S.A. is a relatively new Company, which does not exempt us from continuing to evolve to accommodate the market and the latest consumer trends. On this front, in 2013, we took an important step towards adjusting the Company's structure and

strategically positioning it to meet the world's growing demand for animal proteins. To attain this level of performance, we focused on maintaining operational excellence and offering a broad portfolio of products. [G4-7](#)

These characteristics served as the foundation that guided the creation of our five-year strategic plan called "Focus to Win," which establishes the guidelines of critical importance to ensuring that our operations are aligned with the strategies of the company and those of its stakeholders.

We are well positioned geographically, with operations spread around the world that include solid bases in Asia and the United States through our business unit Keystone Foods (processed foods for food service chains), in Europe through Moy Park (retail and food service) and in South America through Marfrig Beef (food service and exports).



With this positioning, we expect to generate better returns for our shareholders, who are concerned not just with financial results, but also with how we operate and the stability of our operations. Note that throughout this process, we never lost sight of our concern with social and environmental issues and maintained our industry leadership in sustainability. Marfrig has become more transparent and strengthened its communication with the market and instills the confidence and security that its shareholders and stakeholders expect in order to strengthen the group's credibility and foster an optimistic and positive climate for the future.

We still have much to do, but we believe that, with our 43,000 employees motivated and dedicated, we will create value in all of our operating segments.

I would like to thank all of the customers, suppliers, employees and shareholders of Marfrig Global Foods.

In this report you will learn about what the Company did in 2013 and will continue to do to make it better and better in years to come.

Thank you for your taking the time to read our 2013 Annual Report. We hope you enjoy it.

Sergio Rial
CEO of Marfrig Global Foods

“

**TODAY OUR BUSINESS
MODEL IS READY TO MEET
THE DEMANDS OF GLOBAL
AND LOCAL MARKETS”**

PROFILE
STRATEGY
CORPORATE
GOVERNANCE



ONE OF THE BIGGEST AND MOST DIVERSIFIED GLOBAL FOOD COMPANIES, MARFRIG MARKETS ITS PRODUCTS UNDER HIGHLY RECOGNIZED BRANDS IN OVER 110 COUNTRIES.

THE GROUP'S ACTIVITIES INCLUDE THE PRODUCTION, PRIMARY PROCESSING, FURTHER PROCESSING, SALE AND DISTRIBUTION OF FOOD PRODUCTS

Marfrig Global Foods S.A. is a global food company operating in the food service and retail segments that offers innovative, safe and healthy food solutions to its customers. With a diversified and comprehensive product portfolio, the Company is committed to excellence and quality and to ensuring the presence of its products in the largest restaurant chains and supermarkets, as well as consumers' homes, in over 110 countries. [G4-3, G4-4, G4-6, G4-8](#)

Its activities include the production, processing, further processing, sale and distribution of foods made from animal proteins, namely beef, lamb, poultry and fish, as well as a variety of other food products, such as breaded foods, ready-to-eat meals, frozen vegetables, desserts and other products.

With 43,000 employees, the Marfrig Group is the largest lamb producer in South America, the second largest poultry producer in the United Kingdom and the largest private company in Uruguay and Northern Ireland.

The Company has created an integrated and geographically diversified business model that is formed by 78 production units, distribution centers and offices located in 16 countries in South America, North America, Europe, Oceania and Asia. [G4-9](#)

The strategic location of its units, combined with its vast distribution network with access to key channels and consumer markets, forms a unique exposure mix in the industry that is well diversified in terms of production, origin of sales and profitability, as well as in terms of its footprint in both emerging and mature markets.

Marfrig has annual production capacity of 982,000 tons of processed products and annual processing capacity of 5.3 million head of cattle, 476.5 million chickens, 8.8 million turkeys and 3.0 million lambs. This production platform gives the Company a diversified industrial base to support its growth as well as the ability to mitigate certain risks inherent to the industry. [G4-9](#)

MISSION, VISION AND VALUES G4-S6

MISSION

To meet and exceed the expectations of our customers and partners by supplying products of exceptional quality using modern technologies and highly qualified people, while operating in a socially and environmentally responsible manner and creating value for our customers, partners, employees, shareholders and society.

VISION

To be recognized for excellence in the Brazilian and international markets in the processing and marketing of high-quality products in all segments and brands of the Marfrig group, while continuing to expand in

domestic and international markets driven by a commitment to continuous improvement of products, sustainable growth and profitability.

VALUES

- Commitment to customers and consumers
- Driven by innovation
- Respect for the environment
- Excellence and quality
- Social responsibility
- Safety
- Integrity

HISTORY

1986

Startup of operations with the distribution of special beef cuts to major restaurant chains in Brazil

1990s – 2000s

Beef operations strengthened by the opening of the first company-owned distribution center in Santo André, São Paulo

2000 – 2005

Diversification of beef primary processing into new regions of Brazil and launch of fresh and further processed meat exports

2005 – 2006

International expansion begins with the acquisition of companies in Argentina, Uruguay and Chile, accompanied by diversification into new regions of Brazil

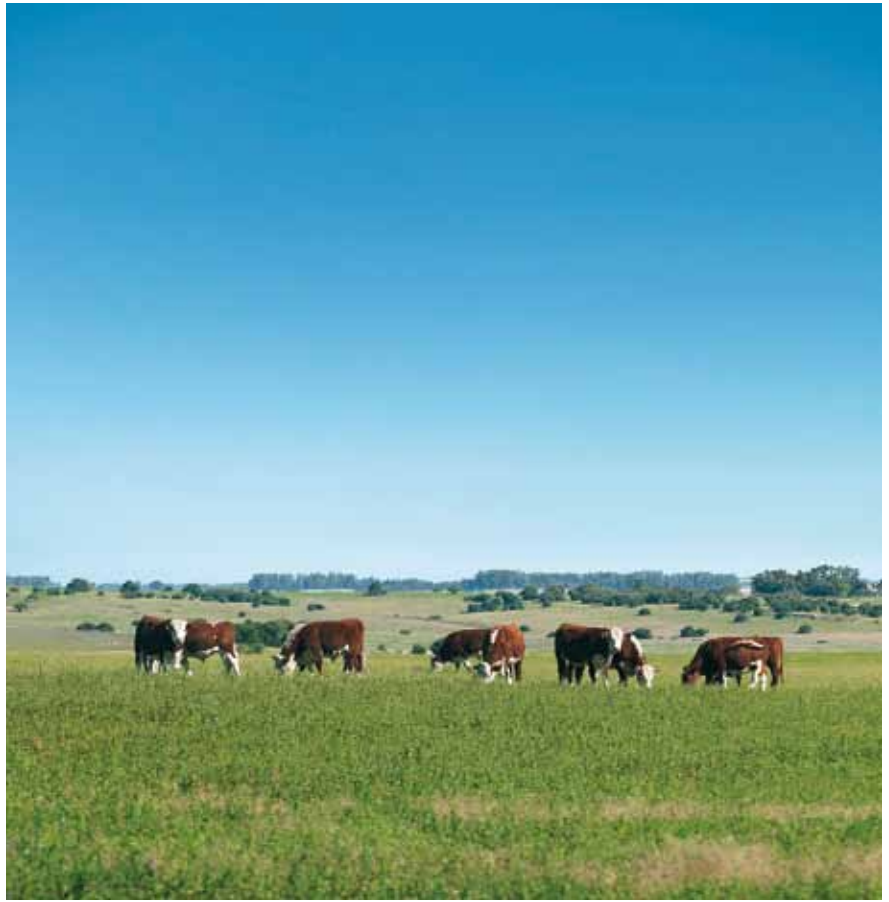
2007

Company listed on the Novo Mercado segment of the Brazilian Stock Exchange (BM&FBovespa) and continuation of the international expansion process in South America

2008

Acquisition of Moy Park, Northern Ireland's largest poultry producer and one of the 20 largest food companies in the United Kingdom

MARFRIG VALUES
DIFFERENCES AND
BELIEVES IN AN INQUISITIVE
CULTURE THAT VALUES THE
QUEST FOR INFORMATION
AND KNOWING HOW
TO LISTEN AND TO ASK
THE RIGHT QUESTIONS
TO OBTAIN USEFUL AND
OBJECTIVE RESPONSES



2009

Becomes the world's first food producer to sign a public commitment with Greenpeace to ensure the acquisition of cattle from legal sources and to combat deforestation in the Amazon biome

2010

Acquisition of Keystone Foods, one of the world's largest food suppliers to restaurant chains and quick service restaurants (QSRs), with operations in North America and Asia

2011

Creation of Marfrig Beef. Company conducts its first global inventory of greenhouse gases

2012

Keystone's focus is redirected to the production, processing and marketing of animal protein products through the divestment of its specialized logistics services business

2013

Capital restructuring with the divestment of the Seara and Zenda business units for R\$5.85 billion. Launch of the new organizational culture "Focus to Win."

BUSINESS UNITS WITH INDEPENDENT MANAGEMENT AND OPERATIONS IN KEY MARKETS, THE BUSINESS UNITS INVEST IN PORTFOLIO DIVERSIFICATION.

Marfrig Global Foods is formed by three business units: Marfrig Beef, in South America; Keystone Foods in the United States and Asia; and Moy Park in Europe. Each unit operates independently, but under the governance guidelines and values of the Group, which ensures standardized work methods in all of its operations around the world. The Group also seeks to identify common denominators in the cultures of the various different regions in which its subsidiaries are located and in its own corporate culture, while respecting local characteristics and reiterating its commitment to high standards of safety and food quality and to leadership in sustainability. It also has a unified Code of Ethics that permeates the corporation and is applied in all countries where it operates, which disseminates consistent values throughout the entire global culture.

MARFRIG BEEF

The world's third largest beef producer and Brazil's second largest beef operation, Marfrig Beef is the leading cattle processor in Uruguay and the largest beef importer in Chile.

It accounts for 46.2% of the group's sales, of which 21.5% comes from Brazil's domestic market, 13.8% from Brazilian exports and 10.8% from international operations.

Its main products are supplying fresh beef and lamb cuts (chilled and frozen) to restaurant and steakhouse chains, retail chains and export markets. To complement its portfolio, it also offers a variety of food products, such as frozen fish and vegetables, beef jerky, aged salted beef (Bresaola) and certified organic beef, as well as oils, desserts and other products. In Brazil, its leading brands are Bassi, Montana, Palatare, Pampeano and GJ, while in the international operations its leading brands are Tacuarembó, Patagonia, Meatex, Aberdeen Angus, La Morocha and Pemmican.

Supported by the values of environmental preservation, biodiversity and animal welfare, Marfrig Beef is recognized internationally for its programs to monitor and assess the production chain, promote sustainable production practices and ensure the highest levels of food safety for the final consumer.

In 2009, Marfrig Beef became the world's first food producer to sign a public commitment with Greenpeace to ensure the acquisition of cattle from

legal sources and to combat deforestation in the Amazon biome. To uphold this commitment, it adopts a cattle sourcing policy that ensures the animals it acquires do not come from suppliers that operate on deforested areas, indigenous lands, preservation areas or areas prohibited by the environmental protection agency Ibama or from suppliers on the slave labor blacklist published by the Ministry of Labor.

To accompany this effort, the company maintains an exclusive satellite monitoring system (*read more in the section Suppliers*).

An important recognition of this work came in the form of an endorsement by the Rainforest Alliance, which made Marfrig Beef the world's first beef producer to have one of its production units certified by the organization.

■ According to the NGO WWF, organic beef is produced using an environmentally correct, socially just and economically viable system.

MOY PARK

Focused on the European market, Moy Park is one of the 20 largest food companies in the United Kingdom and the largest poultry producer in Northern Ireland.

In addition to fresh chicken and turkey parts, it offers a portfolio of ready-to-eat and ready-to-cook chicken, coated products and frozen foods, as well as vegetarian products, all-beef hamburgers and desserts, which it supplies to restaurant and retail chains in the United Kingdom and continental Europe. Its leading brands are Moy Park, Castle Lea, O'Kane Poultry, Albert von Zoonen and Jamie Oliver:

Acquired by the Marfrig Group in 2008, Moy Park has a history that stretches back over 70 years and is marked by a steadfast commitment to production processes that prioritize animal welfare.

As early as the 1980s, it became a pioneer in adopting free range production systems in which the birds can roam freely outdoors. Later, in the 1990s, it developed an organic chicken production system.

Given its emphasis on local production, Moy Park works in partnership with over 800 rural producers in the United Kingdom, which ensures effective traceability in all production stages, including the type of feed used. This traceability and its strong commitment to the values of animal welfare and sustainability have secured for Moy Park important recognition, such as inclusion in the Corporate Responsibility Index (CR Index)², which is the UK's leading and most in-depth voluntary benchmark of corporate responsibility.

In addition to being recognized in the CR Index in 2013, marking a first for a poultry producer, in the first half of 2014, it received three stars in the new edition of the index, and was confirmed as one of the most improved companies in the index.

² The CR Index is sponsored by Business in the Community (BITC), an organization founded in 1982 by major British companies committed to improving their impact on society.



KEYSTONE FOODS

Keystone Foods is one of the world's largest animal protein suppliers with a customer base that includes more than 36,000 quick-service restaurants, major food service and industrial companies as well as retail outlets around the world.

Founded in 1956, it was acquired by the Marfrig Group in 2010, and is known for its strong focus on innovation, for which it maintains a research and development center located in West Chester, Pennsylvania (*read more in the section Customers and Consumers*).

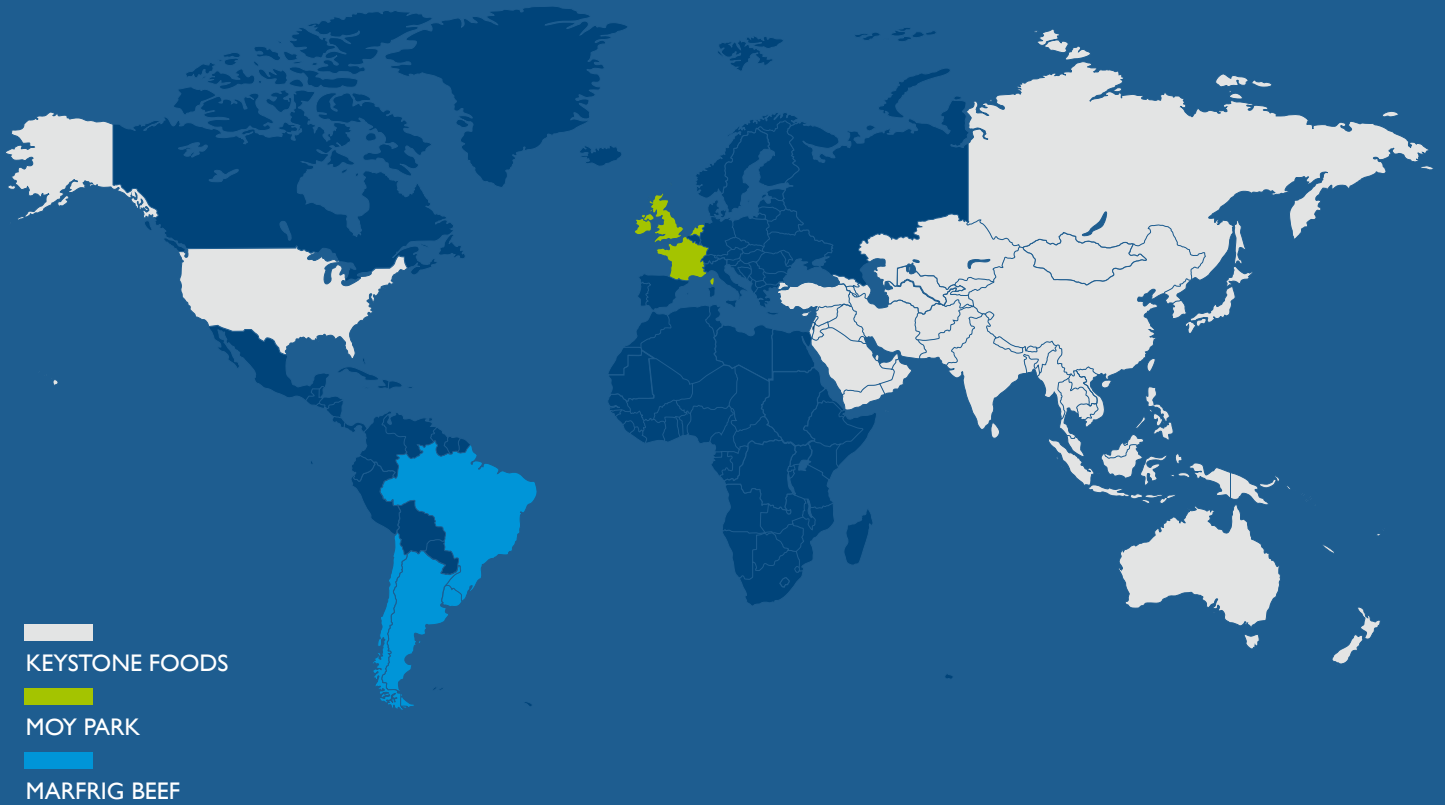
Some of its most notable creations are the development of chicken nuggets for the McDonald's chain and innovative processing techniques, such as the use of cryogenics for freezing food, which maintains the original nutrients and texture and increases storage life. Note that this technology was one of the factors that helped support the expansion of the quick service restaurant industry around the world.

It currently supplies 4,000 restaurants in Asia and the Middle East, most notably in China, Hong Kong, Japan and South Korea. To strengthen its operations in China, in 2011 formed two joint ventures in the country. The first was with

COFCO, a state-owned food company, for the development of logistics systems and distribution centers in the region's largest cities, such as Beijing, Shanghai, Shenzhen and Chengdu. The second joint venture with Chinwhiz Poultry Vertical Integration was for the construction of a vertical poultry production platform with processing capacity of 200,000 birds/day.

GROUP'S GEOGRAPHIC FOOTPRINT

G4-4, G4-8, G4-9



IN NUMBERS

982,000

TONS OF PROCESSED
FOODS PRODUCTION
CAPACITY

LEADERSHIP
LARGEST PRIVATE
COMPANY IN URUGUAY
AND NORTHERN
IRELAND

78

PRODUCTION UNITS
IN **16** COUNTRIES

43,000

EMPLOYEES

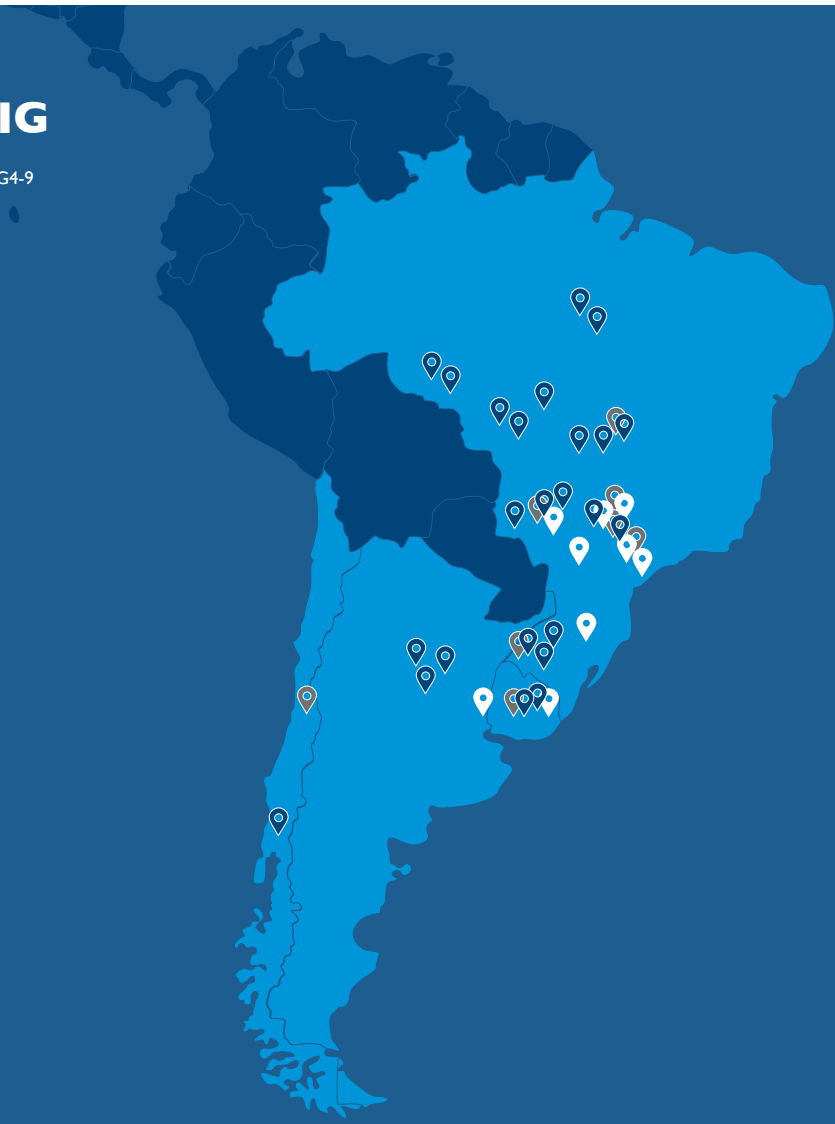
110




COUNTRIES SERVED
BY THE GROUP'S THREE
BUSINESS UNITS

LAMB
LARGEST PRODUCER
IN SOUTH AMERICA

MARFRIG BEEF

G4-8, G4-9



-  PRIMARY PROCESSING
-  PROCESSED PRODUCTS
-  OTHER



HEADQUARTERS
BRAZIL

EMPLOYEES
OVER 22,000

UNITS
45 PRODUCTION PLANTS,
DISTRIBUTION CENTERS AND OFFICES
(BRAZIL, ARGENTINA, CHILE AND
URUGUAY)

REVENUE
R\$8.7 BILLION
(46.2% OF THE GROUP'S TOTAL)

SALES CHANNEL
DIVERSIFIED

PRODUCTION STRUCTURE

29 PLANTS IN BRAZIL
16 PRIMARY PROCESSING PLANTS,
4 FURTHER PROCESSING PLANTS

3 PLANTS IN ARGENTINA
PRIMARY PROCESSING

5 PLANTS IN URUGUAY
PRIMARY AND FURTHER PROCESSING

2 PLANTS IN CHILE
PRIMARY PROCESSING

PRODUCTS

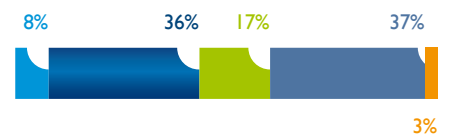
% of sales



-  LAMB, LEATHER AND OTHER
-  PROCESSED PRODUCTS
-  FRESH PRODUCTS

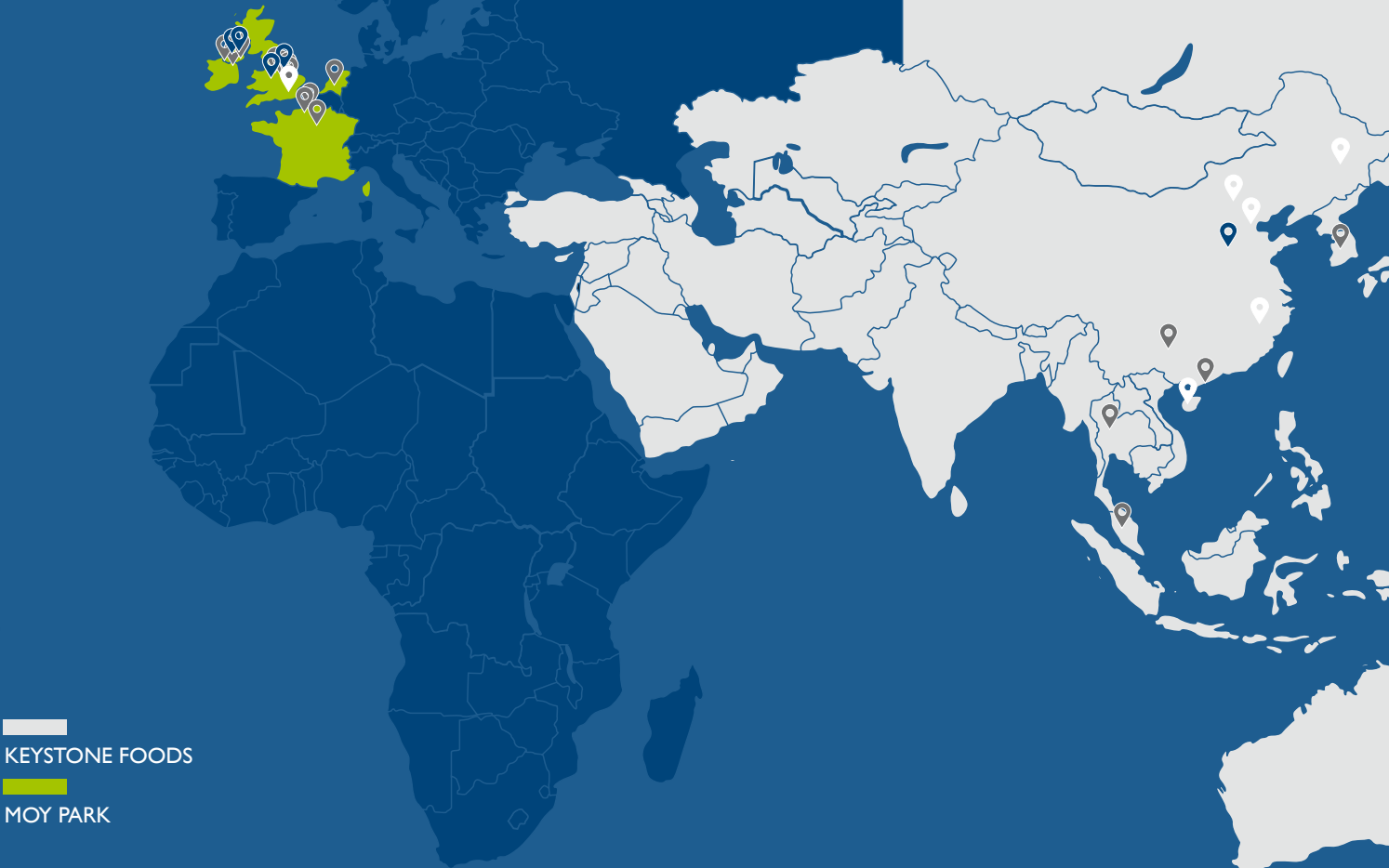
SALES CHANNEL

% of sales in brazil



-  FOOD SERVICE
-  EXPORTS
-  RETAIL
-  WHOLESALE
-  LEATHER

MOY PARK G4-8, G4-9



KEYSTONE FOODS
MOY PARK



HEADQUARTERS
NORTHERN IRELAND

EMPLOYEES
OVER 8,000

UNITS
14 PLANTS (NORTHERN IRELAND, ENGLAND, FRANCE, NETHERLANDS AND REPUBLIC OF IRELAND)

REVENUE
R\$ 4.7 BILLION
(25.2% OF THE GROUP'S TOTAL)

SALES CHANNEL
RETAIL AND FOOD SERVICE

PRODUCTION STRUCTURE

- 11 FURTHER PROCESSING PLANTS
- 3 PRIMARY PROCESSING PLANTS
- 3 FEED PLANTS
- 7 HATCHERIES
- 750 POULTRY FARMS

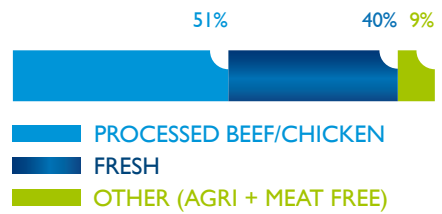
235 MILLION
BROILERS PER YEAR

1.5 MILLION
TURKEYS PER YEAR

250,000 TONS
OF PROCESSED FOOD PER YEAR

PRODUCTS

% of sales



SALES CHANNEL

% sales in brazil





HEADQUARTERS
USA

EMPLOYEES
OVER 11,000

UNITS
20 PLANTS (UNITED STATES, CHINA, MALAYSIA, HONG KONG, THAILAND, SOUTH KOREA AND AUSTRALIA)

REVENUE
R\$ 5.4 BILLION
(28.6% OF THE GROUP'S TOTAL)

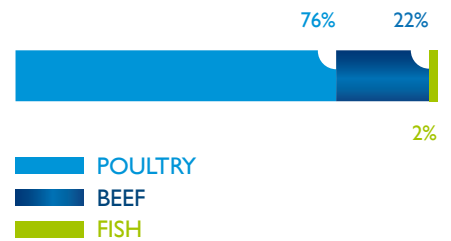
SALES CHANNEL
FOOD SERVICE

PRODUCTION STRUCTURE

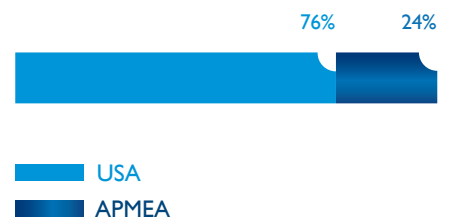
13 FURTHER PROCESSING PLANTS
3 VERTICALLY INTEGRATED POULTRY COMPLEXES
+ 1 GRAIN OPERATION
1 R&D CENTER

19 PULLET FARMS
+ 41 BREEDER FARMS
+ 326 BROILER FARMS

PRODUCTS
% of sales



SALES CHANNEL
% sales in brazil



STRATEGY

WITH A LONG-TERM STRATEGY AND REVISED CAPITAL STRUCTURE, THE GROUP HAS A BUSINESS MODEL THAT ENSURES ITS PERPETUITY.

The year 2013 was one of major transformations for Marfrig. The group strengthened its capital structure and began to operate under a new, simpler and more focused business model, which enabled it to reinforce its original values and its organizational culture centered on the customer.

With the implementation of its strategic plan "Focus to Win," the Company intensified its focus on operational excellence and innovation, while maintaining the highest standards of food safety and quality and leadership in sustainability, and putting the customer even more at the center of its decisions.

The goal is to establish the foundation for profitable growth that prioritizes the generation of financial returns for shareholders and social benefits for local communities.

PILLARS OF FOCUS TO WIN

Marfrig's strategy comprises six pillars that in essence reinforce the Group's commitments to its original values.

Focus on the customer

We are an organization that is focused on the customer, on strengthening relationships with commercial partners, on understanding and meeting their specific needs and on offering practical and high-quality food solutions to customers around the world.

Focus on innovation

We are driven by a focus on innovation that has always set Marfrig Global Foods apart among food producers.

Focus on profitability

Growth with profitability supported by a review of all processes and maintaining competitive costs.

Focus on the food service and retail channels

Our entire commercial strategy is supported by the solid experience we have amassed in both of these segments.

Focus on the highest food safety and quality standards

We are committed to the highest standards of food safety and quality to ensure our operational viability over the long term.

Focus on industry leadership in sustainability

We want to stay at the forefront in sustainability and responsibly manage our financial, social and environmental resources, which is critical to maintaining good relationships with environmental, governmental and social organizations as well as the respect of our stakeholders.

SEGMENTED STRATEGIES

Each Company in the group has its own strategic plan that together form the set of actions that will move Marfrig Global Foods closer to its vision of the future.

GUIDANCE ^{G4-2} 2013-2018

	2013	2014 GUIDANCE RANGE	2018 GUIDANCE RANGE
Revenue (R\$ billion) ¹	18.5	21.0 – 23.0	7.5 – 9.5 (CAGR2% 2012-18)
EBITDA Margin	7.5%	7.5% – 8.5%	8.5% – 9.5%
Free Cash Flow to Shareholders (R\$ million) ³	–	0 to 100	650 – 850
Investment (R\$ million)		600	–

¹ Revenue calculated in BRL based on the exchange rates of R\$/US\$=2.40 and R\$/£=3.80 in 2014 and stable going forward, with no projected inflation.

² Compound annual growth rate.

³ Operating cash flow after investments, variations in working capital, interest expenses and income tax.

MARFRIG BEEF

The Company is working to improve the efficiency of its working capital management and to optimize its plants and supply of raw materials. To achieve this, it plans to increase the capacity utilization rate of its production units to around 80% by 2018. It also plans to have plants dedicated to specific products and markets and to incorporate sustainability as an integral part of its business model.

The Company will also focus on improving the profitability of its distribution channels, for which it will explore opportunities that offer higher margins, such as small retailers and the food service segment in the Brazilian market, where the focus will be on marketing premium beef from prime cuts (*picanha*, tenderloin) or specific breeds (e.g., Angus).

TRADING DESK

To ensure the continuity of its stocks and consequently the stability of market prices, Marfrig Beef began to trade live cattle call options in the futures market.

Through its trading desk, which launched its operations in early 2014, the company uses strategic information to optimize the management of its cattle purchase prices and volumes for supplying its stocks and meeting demand while avoiding shortages or oversupply.

The Company also supports the development by offering purchase and liquidity guarantees to producers and by contributing to greater stability in beef market prices.

In addition to ensuring stronger relationships with producers, the trading desk also offers the knowledge needed to better manage the risks of the operation, improve operating efficiency and expand margins.

WHAT WE WANT ^{G4-2}

Improve cash conversion, capture efficiency gains and optimize assets

Revenue growth accompanied by profitability, with a focus on strategic distribution channels

Leverage the potential for supplying beef from South America to boost sales in the USA, Europe and Asia

Growth in higher value segments

HOW WE'LL DO IT ^{G4-2}

- Managing working capital more efficiently
- Optimizing plants and the supply of raw materials

- Improving our presence in more profitable distribution channels
- Streamlining distribution and expanding its coverage, with more efficient logistics and lower inventories

- Leveraging exports from Uruguay (producer of exceptional beef and lamb)
- Capturing long-term opportunities in Argentina
- Taking advantage of the connectivity with Moy Park and Keystone

- Increasing the penetration of our canned and beef products in industrial kitchens

Given the growing demand for premium meat products in international markets, the Company will also work to improve its commercial structure for export markets in order to boost export sales and use Uruguay as an export base for beef and lamb to priority markets, especially destinations that still have some type of restriction on Brazilian beef. In the long term, Argentina also offers opportunities. The country is an important beef production base due to the high-quality genetics of its grass-fed cattle, which is recognized internationally, and due to its high production volume.

POWER TRADING

With the objective of reducing its fixed production costs and mitigating risks, Marfrig works to optimize power purchases through its power trading house MFG Comercializadora de Energia, a company of the group.

Electricity is the third largest cost item in Marfrig's production processes and, through Marfrig, it negotiates power purchases in Brazil's wholesale market and resells it to a pool of customers at a margin that ensures profitability, though at a lower price than would have been proposed by the distributor.

Today, of the 70 power trading houses in Brazil, MFG ranks from 15th to 25th in the market. Since its creation through year-end 2013, the trading house has generated savings of R\$11.2 million for the Company.

MOY PARK

The United Kingdom's poultry market continues to expand, with consumers increasingly opting for white meat and producers substituting imported proteins with production from local farms.

In light of the outlook of this positive environment, Moy Park's strategy

focuses on growing its sales of fresh poultry and processed food products to the retail channel in order to capture market share in the United Kingdom. Another goal is to continue expanding its multi-protein retail sales in the United Kingdom, Ireland and continental Europe, while also expanding its presence

in the food service distribution channel in the same regions and consolidating its role as the distribution platform for the entire portfolio of Marfrig Global Foods on the European continent.

WHAT WE WANT G4-2

Increase sales of branded retail products in the United Kingdom and Ireland

Develop and expand sales of multi-protein products in the retail markets of the United Kingdom, Ireland and continental Europe

Expand the footprint of the food service distribution channel in the United Kingdom, Ireland and continental Europe

Become the global distribution platform for Marfrig products in Europe

HOW WE'LL DO IT G4-2

- Exploring the margin gap between branded and private-label products
- Exploring brands already available in the beef and chicken portfolios in the United Kingdom

- Developing the businesses through existing market channels
- Using the retail experience amassed in the United Kingdom to expand the retail footprint in continental Europe
- Integrating Marfrig's business units in Europe under the leadership of Moy Park

- Capitalizing on the good relations with major food service operators
- Integrating Keystone Europe while maintaining a strong connection with Keystone's global operations
- Operating with a food service mentality

- Leveraging Marfrig's diversified product base in Europe
- Developing and expanding processed beef sales in Europe
- Using Marfrig's global animal protein supply platform (poultry in Asia and beef in South America) to serve the European market

KEYSTONE FOODS

This business unit's strategy is to grow in the food service segment by expanding its capacity to produce chicken-based processed foods in the United States and Asia, with a focus on Key Accounts, such as restaurant and QSR chains with excellent growth potential.

The strategy for the coming years also includes expanding geographically in Asia, with the Middle East and Indonesia as potential markets.

Lastly, Keystone will seek to intensify synergies with Marfrig Beef in order to expand the supply of beef from the Group's South American beef operations to supply the production operations in Asia and the United States.

WHAT WE WANT <small>G4-2</small>	HOW WE'LL DO IT <small>G4-2</small>
<p>Make poultry the main focus of our growth strategy</p>	<p>US market</p> <ul style="list-style-type: none"> • Growing by processing larger broilers at existing plants • Ensuring a good balance between own and third-party supply to mitigate risks • Growing in other markets with chicken parts that are not sold in the USA <p>APMEA market¹</p> <ul style="list-style-type: none"> • Expanding production capacity in further processed products to meet the strong demand from customers • In China, supplying raw materials through joint ventures with local partners and other strategic alliances (limited number of chicken farms owned by Keystone)
<p>Growth in Key Accounts</p>	<p>US market</p> <ul style="list-style-type: none"> • Accelerating growth in the QSR and industrial kitchen segments • Selling whole broilers (processed – rotisserie) in business-to business markets to customers that value our commitment to protect their brand • Reinforcing our presence in the retail and club store segments <p>APMEA market¹</p> <ul style="list-style-type: none"> • Strengthening our presence in sales channels (food service, institutional, importers, retail) • Exploring new sales approach (domestic/export markets) • Implementing regional sales structures to complement the local sales teams already in place
<p>Expand geographically and increase production capacity in further processed products</p>	<ul style="list-style-type: none"> • Focusing on Indonesia (population of 240 million) and the Middle East (50 million potential consumers)
<p>Expanding and diversifying the beef business</p>	<ul style="list-style-type: none"> • By using the best supply chain in the category (excellent cattle procurement structure through Marfrig Beef's presence in South America; capacity to develop innovative new products; and world-class industrial units available in the USA and Australia) • Taking advantage of the brand's protection (food safety, quality and sustainability) • Leveraging relationships with Key Accounts (associating beef sales with the poultry portfolio in the USA and overall growth in the beef segment in APMEA)

¹ Asia Pacific, Middle East and Africa



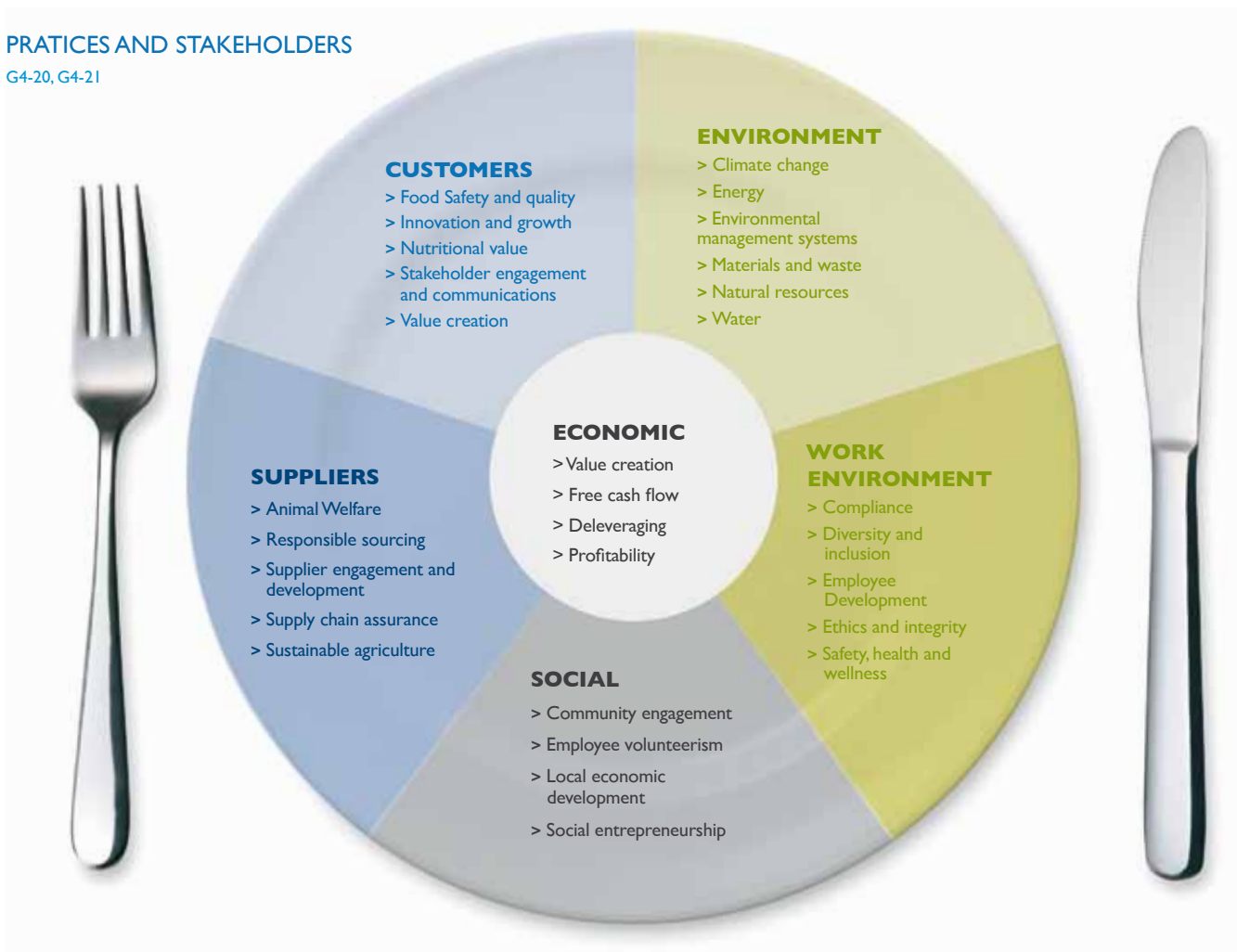
SUSTAINABILITY STRATEGY

The Group's recently revised sustainability strategy permeates the entire operation, supports six strategic pillars and engages strategic stakeholders. It will guide the development and implementation of innovative actions and comprehensive policies to ensure that social and environmental responsibility is adopted throughout the entire supply chain.

Each business division develops actions based on specific needs of the local operations, that combined, aim to ensure and promote sustainability throughout the production system.

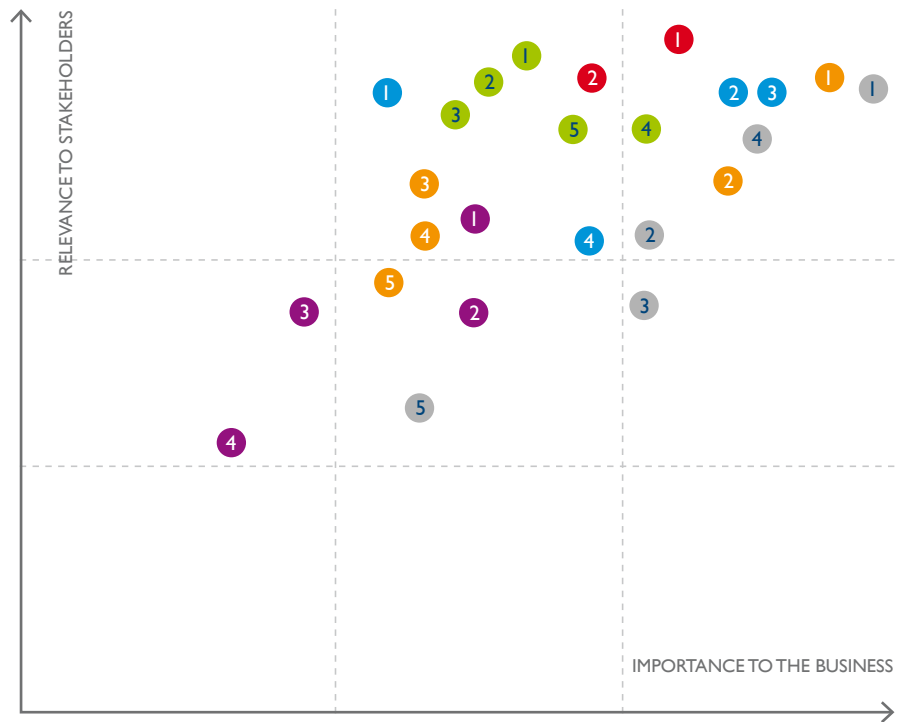
PRATICES AND STAKEHOLDERS

G4-20, G4-21



MATERIALITY MATRIX

DEVELOPED BASED ON THE CONSULTATIONS MADE OF THE GROUP'S INTERNAL AND EXTERNAL STAKEHOLDERS, THE MATERIALITY MATRIX INDICATES THE TOPICS OF RELEVANCE TO SOCIAL AND ENVIRONMENTAL MANAGEMENT



ETHICS

- 1 Integrity, bribery and corruption
- 2 Business conduct

EMPLOYEES

- 1 Health and safety
- 2 Human rights
- 3 Labor relations
- 4 Diversity and equality
- 5 Remuneration and benefits

SUPPLIERS

- 1 Biodiversity
- 2 Human rights
- 3 Working conditions
- 4 Responsible protein acquisition

SOCIAL

- 1 Productivity and food safety
- 2 Community engagement
- 3 Land/ property rights
- 4 Philanthropy / volunteerism

PRODUCTS

- 1 Food safety and quality
- 2 Labeling
- 3 Packaging
- 4 Animal welfare
- 5 GMO (genetically modified organism)

ENVIRONMENT – DIRECT OPERATIONS

- 1 Waste and emissions management
- 2 Energy management
- 3 Petrochemical consumption
- 4 Water consumption and management
- 5 Climate change

MATERIAL TOPICS G4-19

To guide the sustainable development strategy globally, the various teams of Marfrig Global Foods were consulted on the impacts, risks and opportunities that stakeholders consider material, taking into consideration the specific characteristics of each operational site.

Based on this consultation process, we created a materiality matrix that lists and the priority topics of stakeholders and the business and identifies the specific priorities.

Given the dynamic nature of topics related to sustainability, the matrix is reassessed on an ongoing basis to ensure its effective incorporation into the strategy. This makes it essential to maintain constant dialogue with stakeholders.

CORPORATE GOVERNANCE

ALIGNED WITH BEST PRACTICES, THE GROUP'S GOVERNANCE MODEL FOCUSES ON TRANSPARENCY, EQUITABLE TREATMENT AND ACCOUNTABILITY.

The guiding principles of the corporate governance of Marfrig Global Foods are based on best practices in the industry. The group is firmly committed to transparency, providing an accurate account of its activities and the equitable treatment of shareholders, partners and employees.

As a listed corporation, the Group complies with the rules of the Securities and Exchange Commission of Brazil (CVM) and the Novo Mercado Listing Regulations of the BM&FBovespa - Securities, Commodities and Futures Exchange, and also observes the recommendations issued by the Brazilian Code of Corporate Governance Best Practices published by the Brazilian Corporate Governance Institute (IBGC).

In 2013, Marfrig Global Foods placed first in the Corporate Governance Index (IGC), an unprecedented ranking published by the magazine *América Economia* and produced by Delta Economics & Finance.

The study analyzed the governance practices of the 100 companies with the highest trading volume on the

BM&FBovespa, focusing on criteria such as transparency; boards and the executive board; ownership and control; shareholders' rights; accounting and audits; and risk management. The main factor highlighted by the magazine was the fact that Marfrig has independent advisory boards formed by external consultants. The various different governance levels work to ensure the fulfillment of the Group's commitment to ethics and to ensure that the organization remains effectively aligned with its values, mission and vision.

NOVO MERCADO

To comply with the rules of the Novo Mercado segment of the BM&FBovespa, in January 2014, Marfrig concluded the succession process for the office of chief executive officer, which was filled by the executive Sérgio Rial, who replaced the company's founder and main shareholder, Marcos Molina. The transition process started in 2012. Until the new CEO takes office, Marcos Molina will perform the duties of the office together with those of chairman of the board of directors, a position in which he will continue to serve.

Also in accordance with the Novo Mercado Regulations, Marfrig's capital is formed only by common shares, all of which entitle equal rights regarding the transfer of the company's control (100% tag-along rights¹).

COMMITMENT G4-15

In 2009, the Group signed a public commitment known popularly as the "Cattle Agreement" or formally as the "Minimum Criteria for Industrial Scale Cattle Operations in the Brazilian Amazon Biome," through which it agrees to stop acquiring cattle from farms involved in deforestation or slave labor practices, that are banned by Brazil's environmental protection agency Ibama or that are situated on indigenous lands or on environmental conservation areas.

The commitment was a response by the industry to the report published by Greenpeace, which indicated the presence of violators in the cattle production chain. After signing the commitment, Marfrig banned cattle purchases from more than 1,600 farms.

¹ Requires the buyer of shares held by the controlling group to carry out a public tender offer for the shares held by non-controlling shareholders at 100% of the price paid for the shares of the controlling group.

GOVERNANCE LEVELS

THE BOARD OF DIRECTORS, AUDIT BOARD AND ADVISORY COMMITTEES ARE RESPONSIBLE FOR GUIDING THE BUSINESS AND MAKING DECISIONS.

The management support structure of Marfrig Global Foods comprises two boards and three committees. The Board of Directors is the main decision-making body and is responsible for formulating strategies and for implementing general business policies by designating and supervising the management activities of the executive officers and by hiring the independent auditors. At the end of 2013, the board was composed of nine members, of whom 33% are independent.

AUDIT BOARD

The Audit Board is an independent body that supports the work of the Board of Directors and conducts external audits of the accounting statements, reporting directly to the shareholders.

BOARD OF DIRECTORS ADVISORY COMMITTEES

G4-14, G4-34

The function of the committees is to support the work of the Board of Directors. They meet on a monthly basis and report their findings to the directors. They are formed by a minimum of three and a maximum of six members who may or may not be shareholders and are all elected by the Board of

Directors. The Company currently has the following committees in place.

Audit Committee

Advises the Board of Directors on the performance of its responsibilities related to analyzing and disclosing the financial statements, developing internal controls and overseeing and coordinating the work of the internal and external audits of the Company, especially on matters involving accounting, internal financial controls and other legal compliance controls.

Management Committee

Advises the Board of Directors on the performance of its responsibilities related to long-term strategies, planning and the budget, which includes legal matters; new business; investments; market and investor relations; and formulating corporate policies. It also formulates and drafts specific corporate policies in the areas of health, safety and the environment, and provides support for decision-making processes.

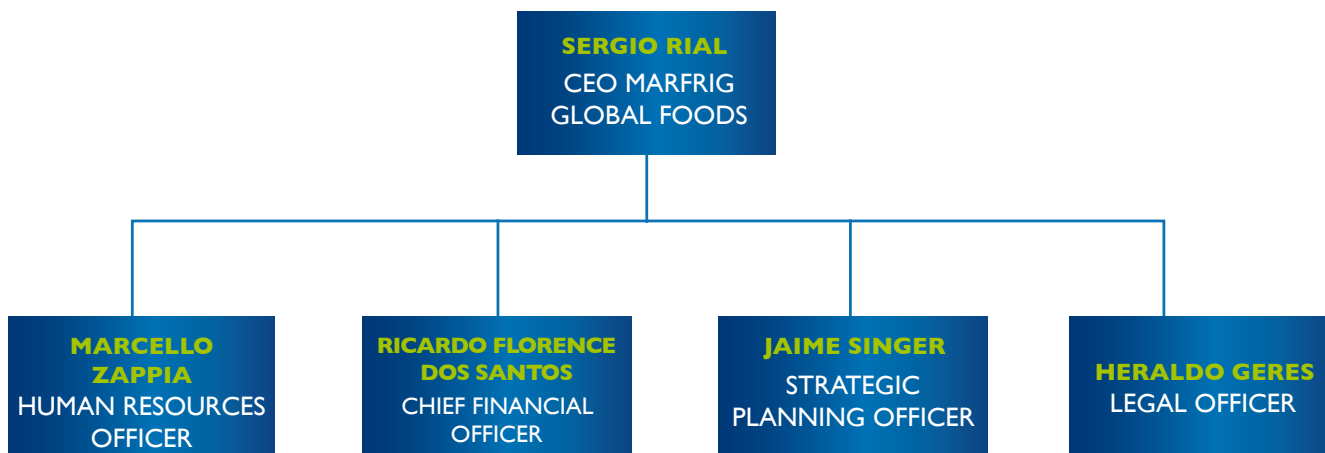
Financial and Risk Management Committee

Periodically examines the investment and financing plans and the impact of transactions that could affect the capital structure; determine the parameters for monitoring the integrity of pre-determined capital and liquidity structures; implement methodologies for managing risks inherent to the operations and monitor said risks; oversee the preparation of the Annual Sustainability Report.

Compensation, Human Resources and Corporate Governance Committee

Provides support to the Board of Directors for taking decisions related to strategies, policies and internal rules related to human resources; for determining the compensation and benefits offered to the managers and employees; for supporting the control and development of practices and the implementation of processes related to corporate governance; for fulfilling its responsibilities related to the management of talent; for monitoring the performance of the executives; for evaluating and approving any hiring or termination recommendations submitted to the Board of Directors involving members of the Executive Committee, Executive Board and senior manage-

CORPORATE STRUCTURE G4-34

BOARD OF DIRECTORS² G4-34

Marcos Antonio Molina dos Santos	Chairman
Alain Emilie Henry Martinet	Director
Antonio Maciel Neto	Independent director
Carlos Geraldo Langoni	Independent director
David G. McDonald	Director
Marcelo Maia de Azevedo Correa	Independent director
Maria A. P. Marçal dos Santos	Director
Rodrigo Marçal Filho	Director
Sergio Agapito Lires Rial ³	Director

² As of December 31, 2013, with term of office lasting until the Annual Shareholders Meeting of 2015.

³ On January 7, 2014, he was elected Chief Executive Officer of the Company (a position established in the bylaws), upon which act he resigned from his director position.

AUDIT BOARD⁴ G4-34

Walfredo Marinho ⁵	Member
Roberto Lamb	Member
Axel Erhard Brod	Member
Carlos Roberto de Albuquerque Sá	Alternate member
Marcello Frolidi Negro ⁵	Alternate member
Marcílio José da Silva ⁵	Alternate member

⁴ As of December 31, 2013, with term of office lasting until the Annual Shareholders Meeting of 2014.

⁵ After this date, the directors Walfredo Marinho, Marcello Frolidi Negro and Marcílio José da Silva vacated their seats and were replaced by Eduardo Augusto Rocha Pocetti, Christiano Ernesto Burmeister and Peter Vaz da Fonseca.

ment, as well as the hiring of head hunting consultancies to recruit senior executives; for validating the Internal Corporate Communication strategy.

MANAGEMENT SYSTEMS AND POLICIES

The management systems and policies work to standardize food safety and quality and guarantee the origin of products of all companies of Marfrig Global Foods. They also help manage risks by establishing risk prevention and mitigation practices. The management policies and systems seek to create a matrix that serves as the foundation for ethical corporate practices, especially those related to the main variables of the business, such as grain, cattle, energy and water.

The full version of all of the management policies and systems described below are available on Marfrig's Investor Relations website (www.marfrig.com.br/ri).

THE ACTIONS PERFORMED
TO ENSURE THE
TRANSPARENCY OF
OUR ACTIVITIES INCLUDE
MONITORING THE
SUPPLY CHAIN

SUPPLIER MONITORING

In 2013, to encourage best environmental practices in the industry, Brazil's three main animal protein producers, in partnership with Greenpeace, joined forces to improve their auditing process for evaluating this public commitment.

The results of the audits conducted of the control systems for purchasing cattle in the Amazon region were published on the Internet. According to Greenpeace, which supported the process, all of the companies presented effective systems for procuring cattle in the Amazon biome (*read more in the section Responsible Sourcing*). However, Marfrig was the company that presented the best monitoring system, with 98% of its suppliers georeferenced by a satellite monitoring system.

In addition to Greenpeace, Marfrig also subjected its report to third-party verification, which attested that, in 2013, no cattle purchase transactions were identified that violated the provisions of the public commitment. In 2013, the company banned 159 farms in the Amazon biome alone for not complying with the mandatory sustainability criteria.

Code of Ethics G4-56

Orients the actions and commitment of the company's professionals to uphold the integrity of the activities and processes conducted and consequently the group's reputation. Training and orientation initiatives on the code's use are conducted regularly.

Trading Policy

Establishes the rules and procedures for trading the securities issued by the Group to assure for all stakeholders ethical conduct by those with access to material information. It also prevents and punishes the improper use of privileged information by those with access to it to ensure equitable decision-making conditions for all shareholders.

Dividend Policy

In accordance with Brazilian Corporation Law and Marfrig's bylaws, an Annual Shareholders' Meeting must be held within the first four months of each year to decide on the distribution of annual dividends. Shareholders will be entitled to receive, each fiscal year, as dividends,

the minimum mandatory dividends equivalent to twenty-five percent (25%) of the net income for the year.

Disclosure Policy

Establishes the practices for disclosing and using information to be adopted by the controlling shareholder, directors, officers, audit board members and any other persons who may have access to information concerning a material fact or event of the Company. The Investor Relations Officer is responsible for disclosing the information in high-circulation newspapers and for making it immediately available to the Securities and Exchange Commission of Brazil (CVM) and the Brazilian Stock Exchange (BM&FBovespa) and on Marfrig's Investor Relations website, as well as for any other procedures that ensure broad access by the public to this information.

Climate Change and Natural Resources Policy G4-14

The purpose of this policy is to adapt Marfrig's industrial, commercial and service activities to a low-carbon economy. To achieve this, it promotes a culture of sustainability, which includes adopting practices that foster the rational use of natural resources and using instruments to assess the risks and opportunities associated with climate change.

Global Policy on Occupational Safety and Health

To ensure a safe workplace that complies with regulations and technical standards, this policy establishes the monitoring of performance indicators involving Occupational Safety and Health, the continuous assessment and identification of risks, the availability of the resources needed to ensure a safe work environment and the training and engagement of its employees, suppliers, partners and third-party service providers in the Group's safety programs.

Management of Product Quality and Safety G4-14

Adopts initiatives to develop suppliers and producers in the supply chain by motivating them to adopt social and environmental practices that guarantee food safety and quality and create added value for the entire value chain.

SUSTAINABILITY MANAGEMENT

In 2013, Marfrig Global Foods created the Corporate Social Responsibility (CSR) and Sustainability Global Group to support the long term development and implementation of its sustainability strategy and strengthen its communication approach, which should have positive effects on customer satisfaction and on value creation for stakeholders.

The group is charged with:

- developing and implementing the global sustainability strategy;
- providing a robust and structured process as well as a forum to promote continuous improvements in performance;
- identifying strengths and weaknesses and developing strategies to effectively deal with the areas requiring improvement identified, while capitalizing on the strengths;
- representing the CSR and sustainability interests of the business, regions and functions;

- measuring and managing performance using metrics;
- valuing and promoting continuous improvement in the area of CSR and sustainability;
- identifying and sharing good practices across the company.

The group is stewarded by the Vice-President of Corporate Social Responsibility and Engineering of Keystone Foods, Ed Delate. The team is formed by representatives from each operational subsidiary:

- Mathias Almeida, Sustainability Manager at Marfrig Beef
- Brian Moreland, Corporate Responsibility Manager at Moy Park
- Susan Lorenz-Fisher, Sustainability Director at Keystone Foods

IN 2013, A GLOBAL TEAM DEDICATED TO SUSTAINABILITY WAS FORMED TO IMPLEMENT THE GROUP'S SUSTAINABILITY STRATEGY

Management of Intangible Assets

Safeguards the assets that form the essence of the Company's credibility and that create value for the entire value chain. The main intangible assets are brands, human resources, customers experience and knowledge, research and development and management focused on sustainability.

Risk Management

Identifies, monitors and develops strategies to mitigate the risks to which the Company is exposed in order to minimize potential effects. Geographic diversification and meticulous analysis of credit and climate change are examples of the items included in its strategic planning that are used to mitigate any adverse scenarios and to ensure the sustainability of the business.

CERTIFICATIONS [G4-FP5](#), [G4-56](#)

To ensure product excellence, the management of quality at Marfrig Global Foods is always aligned with external requirements and strictly complies with the standards and regulations issued by the agencies and governments of the countries where the Company operates.

In addition to the national quality standards complied with by the operations in various countries, the Company also complies with global quality standards and regulations:

CERTIFICATION <small>G4-FP5</small>	DESCRIPTION	UNITS CERTIFIED
British Retail Consortium (BRC) / Global Standard for Food Safety (GFSI)	Requirement established by a British retail organization that determines standards for the safe production, packaging, storage and distribution of food products.	48
ISO 22000	Global standard for Food Safety Management Systems that sets standards for controlling risks in the food production chain to ensure that products are safe for human consumption.	29
ISO 9001	Global technical standard that establishes criteria for managing quality at companies in all industries.	5
FSSC 2000	Food Safety Certification system created by the Foundation for Food Safety Certification (FSSC) based on ISO 22000	2
ISO 14001	Global standard that establishes requirements for creating an Environmental Management System with the aim of balancing profitability with reductions in environmental impacts	26
OHSAS 18001	Set of internationally recognized standards for occupational health and safety management systems.	20
SA 8000	International certification for assessing social responsibility with a focus on the exercise of human rights by all employees.	19
ISO 17025	Establishes an international standard for attesting to the competence of laboratories that conduct testing and/or calibration.	3
Rainforest Alliance Certified (RAC)	Promotes and encourages environmental correct and economically viable forest stewardship and agricultural management with a view to preserving biodiversity and promoting social justice, based on employee certification and training and on encouraging the development and environmental public policy.	5
PAS 220	PAS 220 specifies the requirements for establishing, implementing and maintaining prerequisite programs to help control food safety risks in production processes in the food supplier chain.	1
Marine Stewardship Council (MSC)	Non-governmental organization that sets standards for sustainable fishing and the traceability of seafood and fish, which makes it possible to eliminate fish caught illegally from the supply chain.	1
International Food Standard (IFS)	Common food safety standard with a uniform evaluation system used to qualify and select suppliers. It helps distributors to guarantee the food safety of their products and monitor the level of quality of food producers under its brand.	1
USDA National Organic Program	Certification that indicates that food or any other agricultural product was produced in accordance with methods that incorporate agricultural, biological and mechanical practices that promote the balanced use of resources, ecological balance and the conservation of biodiversity. The use of synthetic fertilizers, sewage sludge and genetic engineering is prohibited.	1
National Standard for Organic & Biodynamic Produce	Provides consulting and verification services to exporters of organic and bio-dynamic products in Australia. The main goal of the program is to ensure that the products sourced in Australia comply with the import requirements of various other countries to ensure access to markets.	1

SOCIAL



TO FOSTER LOCAL DEVELOPMENT, MARFRIG MAINTAINS SOCIAL ASSISTANCE AND INCLUSION PROGRAMS IN LOCAL COMMUNITIES AROUND THE WORLD

To foster sustainable social development and help youth from 6 to 16 years old as well as the elderly in situations of social, economic and psychological risk, the **Marfrig Institute Fazer e Ser Feliz** benefits local communities by sponsoring social, cultural, educational, sports, food safety and health initiatives.

The institute is a nonprofit organization created in October 2011 that works through local offices known as Support Homes to provide assistance directly to around 500 youth and elderly people.

Supervised by qualified professionals, each Support Home offers to these priority groups workshops in areas such as art, theatre, singing, music, dance and labor skills. They also form partnerships with local clubs to offer classes in sports, such as football/soccer and the martial arts.

The institute also offers tutoring to children and teens to help them in their studies.

For the elderly, in addition to social activities, such as dance classes, dances and board games, the homes also promote wellness by offering physical

therapy sessions and orientations on health and safety with lectures given by physicians and dentists.

In 2014, the homes began to offer vocational programs designed to meet the needs of each unit, through which it works in partnership with the Social Service of Industry (Sesi) and the National Industrial Training Service (Senai) to develop young professionals to fill job openings at Marfrig. This not only supports the development of young professionals, but also fosters the development of the local community and creates jobs.

The institute currently has five Support Homes, which are located in Bataguassu, Mato Grosso do Sul; Itajaí, Santa Catarina; Amparo, São Paulo; and Promissão, São Paulo (two units). By the end of 2014, the institute plans to open another nine units in the states of Goiás, Rio Grande do Sul, Rondônia and Santa Catarina.

The institute has an expansion plan that seeks, by 2020, to have a unit in every city where the Group has industrial operations. [G4-SOI](#)



RECOGNITION
IN 2013, MOY PARK
RECEIVED THE “BIG
TICK” AWARD FOR ITS
EFFORTS TO SUPPORT
YOUTH AND PREPARE
THEM FOR JOBS IN THE
RURAL ECONOMY. THE
AWARD IS SPONSORED
BY BUSINESS IN THE
COMMUNITY (BITC),
AN ORGANIZATION
FOUNDED IN 1982
BY MAJOR BRITISH
COMPANIES COMMITTED
TO IMPROVING THEIR
IMPACT ON SOCIETY.

MOY PARK: YOUTH IN THE JOB
 MARKET G4-SO1, G4-EC8

In Europe, Moy Park focuses on helping youth enter the job market through programs that include “Get into Food Processing.” Targeting unemployed youth from 16 to 25 years old, the program offers vocational training and hands-on experience over a period of four weeks. The program is conducted in partnership with The Prince’s Trust.

Another partnership is with the College of Agriculture, Food and Rural Enterprise (CAFRE), the Moy Park Academy offers training programs for careers in the agri-food industry to students from the CAFRE’s Loughry campus, Northern Ireland. Launched in 2013, the Academy offers academic bursaries and scholarships. Moy Park participates by contributing content, participation by its professionals, work experiences and visits to production units in the region.

The Company also sponsors activities for school children in the region, such as a competition in partnership with Young

Enterprise, to stimulate their creativity and entrepreneurial inclinations. The challenge posed to the schools is to create a product: a healthy food item, including the packaging and logo.

The initiative also receives support from the employees of Moy Park, who work as volunteers. During the activity, the children learn more about the food industry and the processes of marketing development and product management.

THE PRIORITIES
 INCLUDE ENSURING
 YOUTH ARE READY
 TO COMPETE IN THE
 JOB MARKET AND
 SUPPORTING SOCIAL
 ORGANIZATIONS





KEYSTONE: SUPPORT FOR LOCAL COMMUNITIES [G4-SO1](#), [G4-EC8](#)

In the United States, Keystone supports various initiatives to raise funds for social organizations operating in local communities.

In Reidsville, North Carolina, it organizes cycling events, walks and runs to raise funds for the art department of the Rockingham County School. In 2013, the school received approximately US\$22,600.

In Eufaula, Alabama, where Keystone is the one of the largest employers, the Company helped raise more than US\$40,000 through events and drives held over the course of 2013, which were distributed to 79 organizations.

The unit also regularly supports a local nursing home and the Eufaula Boys and Girls Club through financial donations and volunteer work. Every year the unit participates in a walk called Relay for Life to raise funds for the American Cancer Society.

Keystone Australia, organized a raffle to raise funds for LifeStraw Australia, an NGO that distributes purification filters

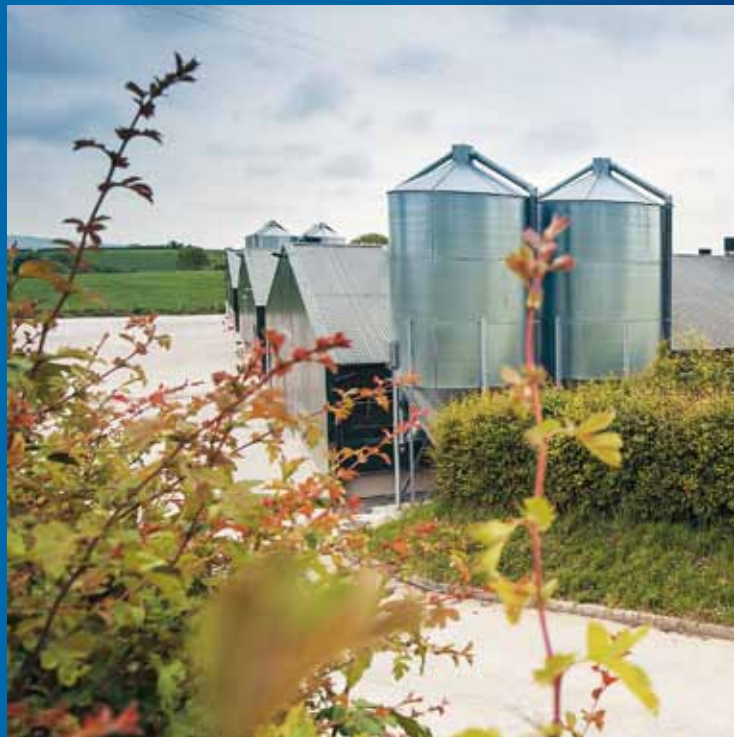
for drinking water. The equipment has proven very useful in the event of natural disasters and even for more disadvantaged regions where basic sanitation is lacking. The funds raised helped 300 families affected by the typhoon in the Philippines.

VOLUNTEERS IN THE MANGROVE

In late 2013, more than 200 employees at Keystone Thailand, joined employees from a commercial partner to plant trees in the mangrove and accelerate the natural regeneration of flora in the province of Samutprakarn, which is located 30 kilometers from Bangkok in the Gulf of Thailand.

Over 6,000 trees were planted over the course of three years, which help offset local greenhouse gas emissions and prevent erosion in coastal regions.

ENVIRONMENT



TOPICS SUCH AS WATER, BIODIVERSITY, GREENHOUSE GAS EMISSIONS AND WASTE GENERATION ARE AT THE CENTER OF THE GROUP'S ENVIRONMENTAL MANAGEMENT STRATEGY.

DIGITAL TOOL SUPPORTS THE MONITORING OF INDICATORS AT PRODUCTION UNITS

Reducing and mitigating the impacts of its operations on the environment is fundamental to the perpetuity of Marfrig's business and to the future of cattle and food production on a global scale. The group works to actively understand how to create more efficient ways to operate and ensure high quality and safe food products, while consuming fewer ecosystem services in the process.

The main tool employed in this effort is the Integrated Management System (IMS), which is a set of rules, systems and auditable processes that guide managers and employees on a path to excellence in protein production.

Implemented in 2010, the IMS monitors social and environmental impacts, employee health and well-being and continuous improvement in all of these processes.

In 2013, the tool was audited and certified at the production units and corporate offices of Marfrig Beef in Brazil.

In addition to the IMS, a globally integrated digital system was implemented that monitors 1,700 indicators at production units. The digital system can, for

example, automatically calculate the inventory of GHG emissions at each individual plant.

The monitoring system uses exclusive software that not only allows the information to be centralized, but also standardizes it by taking into account the specific metrics used in each country and the business practices of each unit. The system is employed by over 320 users.

COMMITMENTS

In addition to various initiatives conducted in partnership with important environmental organizations, such as The Nature Conservancy (*read more in the section Customers and Consumers*), Marfrig was the first animal protein producer to sign a commitment with the São Paulo State Environmental Department to set up recycling projects in Promissão, São Paulo, where we have a production unit. The goal is to expand the practice of recycling and offer training to cooperatives of recyclable material collectors while working in partnership with local governments.

CLIMATE CHANGE AND ENERGY

MONITORING SUPPLIERS AND INVESTMENTS IN ITS PRODUCTION PROCESSES ALLOWS THE COMPANY TO REDUCE ITS IMPACTS.

EVERY YEAR, MORE
THAN 90 MARFRIG
PROFESSIONALS
CONDUCT AN
EMISSIONS INVENTORY
OF BOTH OWN
AND THIRD-PARTY
PRODUCTION
PROCESSES

Greenhouse gas (GHG) emissions are an important concern for any company in the animal protein industry. According to a United Nations report published in 2013, cattle production accounts for 14.5% of the greenhouse gas emissions produced by human activity.

Marfrig works to mitigate its impacts by ensuring that the entire production chain complies with environmental legislation, which discourages deforestation. Its efforts on this front have been recognized internationally. In Brazil, the company made an important contribution to the fulfillment of the targets established by the federal government's National Climate Change Plan, which aims to reduce the country's emissions. In addition to making improvements to its production processes, Marfrig also contributes indirectly to reducing deforestation by banning from its system any suppliers with environmental practices that cause higher emissions and by providing assistance to and raising awareness among rural producers.

The group was elected "Disclosure Leader" in the CDP Brazil Climate Change Report published by the CDP, an NGO dedicated to developing and providing global systems for measuring, reporting, managing and sharing environmental information. The group

is in the list of ten companies selected by CDP as having demonstrated the highest level of transparency and detail in completing the CDP questionnaire used for calculating emissions. Marfrig was the only company in the food industry to place on the top ten list published by the CDP.

The transparency demonstrated by Marfrig on the questionnaire is the result of extensive efforts to control its GHG emissions and consequently its impact on climate change. Every year, Marfrig conducts an inventory of GHGs under scopes 1 (direct emissions from own processes), 2 (indirect emissions from the generation of purchased energy) and 3 (indirect emissions outside of the Company's direct control) that is inclusive of its entire supplier chain. More than 90 Marfrig professionals participated in the process to compile the data, which was a global effort conducted at all business units.

The 2013 inventory was conducted in accordance with the method of the Brazil GHG Protocol Program, ISO 14064-1 guidelines, the IPCC Guidelines for National Greenhouse Gas Inventories 2006, the Defra Voluntary Reporting Guidelines and ASHRAE Standard 34.

GOLD GHG SEAL

Marfrig's effort in controlling emissions in 2013 was recognized for the second consecutive year by the Gold Seal of the Brazil GHG Protocol Program for its Greenhouse Gas Emissions Report for 2013.

The seal is conferred to companies that are able to account for their emissions and submit their results to third-party verification. Since 2010, the Company has already reduced its GHG emissions by 9%. The reduction were made possible by improvements on various fronts, such as replacing boilers fired by fossil fuels for ones fueled by biomass. Marfrig Global Foods has established a target to reduce, by 2020, its relative (per ton of product) GHG emissions by 30%.

DIRECT GHG EMISSIONS G4-EN15, G4-EN16, G4-EN17tCO₂e

SCOPE 1	2011	2012	2013
Generation of electricity, heat or steam	266,366	293,625	283,384
Physical-chemical processing	114,754	81,814	132,736
Transport of materials, products, waste	99,517	77,288	43,562
Fugitive emissions	52,117	4,984	4,688
Waste disposal in own landfills	10,631	3,384	10,628
Wastewater treatment	144,545	181,950	66,352
Agricultural activities	110,677	109,632	92,771
Total (tCO₂eq)	798,606	752,675	634,121
Biogenic emissions (from the burning or biodegradation of biomass)	689,956	667,197	252,292

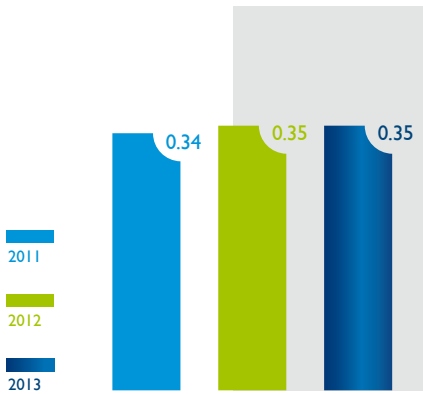
SCOPE 2	2011	2012	2013
Consumption of purchased electricity	370,001	425,262	310,820
Consumption of purchased steam	871	1,108	0
Total (tCO₂eq)	370,872	426,370	310,820
Biogenic emissions (from the burning or biodegradation of biomass)	19,683	15,836	0

SCOPE 3	2011	2012	2013
Purchased goods and services (poultry, pork, beef, lamb, meat, feed inputs)	21,550,463	25,672,401	18,843,075
Upstream transportation and distribution (both up and downstream, provided it is contracted by Marfrig)	528,190	472,229	130,153
Solid waste generated by operations (disposed of in landfills or allocated to composting)	465,491	78,859	255,193
Business travel	18,191	7,022	3,302
Employee commuting	0	19,194	6,092
Total (tCO₂eq)	22,562,336	26,249,705	19,237,815
Biogenic emissions (from the burning or biodegradation of biomass)	6,633	15,063	716

INTENSITY OF GHG EMISSIONS¹

G4-EN18

tCO₂e/ton produced



¹ The calculation of the rate for 2011 and 2012 excludes the emissions of Seara in order to provide a better comparison with the figures for 2013.

REUSE OF HEAT

At the Keystone plant in Malaysia, the unit noted that a certain compressor used in its operations generated an excessive amount of heat.

The same thing was observed in a chimney that, as it released emissions, accumulated too much heat. The unit then decided to create a project to enable the reuse of this heat in production processes. The same thing was observed since many areas of the Company demand hot water for both production and equipment-cleaning processes.

A system was developed to capture this energy and use it for heating purposes. The process was concluded in 2013 and saved 2,600 GJ of energy generating financial savings.

The inventory included the gases carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) and adopted an operational control approach. All of the Group's units were covered by the inventory.

The base year for calculation was changed from 2010 to 2012, since that was the first year in which our inventory was calculated using our global indicator management system. This system provides increased data accuracy, enables us to eliminate units that have been shut down and reduces the margin of error of calculations.

In general, scope 1 emissions decreased by 15.8%, due to the divestments in the period, which had a positive impact on the decline in emissions from wastewater treatment (reduction of 63%) and in biogenic emissions (62%). A reduction was also observed in emissions from transporting materials, products and waste. The higher emissions in physical-chemical processing was due to CO₂ emissions in processes at Keystone, while the higher emissions from the disposal of waste

in landfills was due to the increased volume at the Beef division in Brazil.

The Marfrig Group's emissions reduction target was based not on absolute emissions, but rather on the intensity of emissions per ton of product produced. The target is to reduce by 30% this relative rate of emissions by 2020 in comparison with the first year in which this rate was calculated, which is 2010.

Like direct emissions, indirect emissions (scope 2) and other indirect emissions (scope 3) decreased as a result of the Seara divestment, with positive impacts on electricity and steam consumption and on biogenic emissions in the case of scope 2 emissions, and on transportation and distribution, business travel and employee commuting in the case of scope 3 emissions.

The calculation of the group's emissions intensity was based on the tons produced by the Group, including scopes 1 and 2 emissions only for the gases listed in the Kyoto Protocol (excludes the gases listed in the Montreal Protocol and biogenic emissions).

MITIGATING ACTIONS

Marfrig works on various fronts to reduce its emissions. One of the most important of these was conducted in Keystone China, which last year concluded a multi-year project to replace the consumption of diesel oil at its plant with natural gas. In addition to saving energy, the change also reduced the level of GHG emissions. The unit had to build over 2 km of pipeline to connect the unit to the natural gas utility of Shenzhen, the city where the plant is located. Various pieces of equipment used at the unit had to be refurbished and various others had to be modified. The initiative is expected to generate financial savings, and to reduce CO₂ emissions.

THE ENERGY SOURCES
USED BY THE GROUP
INCLUDE BIODIESEL,
ETHANOL, WOOD CHIPS,
SUGARCANE BAGASSE
AND RICE HULLS

ENERGY CONSUMPTION

In 2013, direct energy consumption amounted to 12,103,831 GJ, or 6% more than in 2012. Despite the divestments made by the Company, production increased at the continuing operations, which resulted in organic growth in energy consumption. On the other hand, the use of renewable sources increased in the period.

The divestment of certain production divisions of the Group led to a reduction in the consumption of certain inputs, notably ethanol, biodiesel, biogas, briquettes, wood chips, native firewood, paraffin and pellets. Electricity consumption also decreased as a result of the divestments.

The consumption of sugarcane bagasse increased considerably, mainly due to the higher production at the beef division in Brazil. On the other hand, there was a significant reduction in the consumption of rice hulls due to lower production at the three main production units that consume the product in Brazil. In addition, the variation in the use of tallow and tallow acid is related to the economic equation most viable for the adoption of one or the other.

ENERGY CONSUMPTION ^{G4-EN3}

GJ

DIRECT	2012	2013
RENEWABLE		
Sugarcane bagasse	249,645	344,225
Biodiesel	36,211	0
Biogas	31,329	9,107
Briquettes	253,944	7,328
Rice hulls	295,332	96,528
Wood chips	120,410	0
Ethanol	1,756	0
Renewable firewood	5,087,357	8,243,750
Pellets	1,140,625	0
Tallow	269,566	15,613
Tallow acid	77,131	255,376
Sawdust	92,946	80,258
Total direct renewable	7,656,251	9,052,186
NON-RENEWABLE		
Acetylene	12	0
Heavy fuel oil	793,489	617,538

DIRECT	2012	2013
Diesel	285,991	188,570
LPG	105,335	267,361
Gasoline	94	0
Natural gas	1,729,503	1,853,914
Native firewood	563,424	107,579
Naphtha	21	50
Shale gas	194,086	5,798
Paraffin	8,591	0
Propane	2,792	10,834
Kerosene	0	0
Total direct non-renewable	3,683,338	3,051,645
Total direct energy	11,339,589	12,103,831

INDIRECT	2012	2013
Electricity ¹	7,252	2,881

¹ Reduction in the total consumption of indirect energy (renewable + non-renewable) in 2013, with this indicator impacted by the divestment of operations. Today only the Brazil Beef operation consumes indirect renewable energy.

SOLID WASTE

IN BRAZIL AND THE INTERNATIONAL UNITS, THE FOCUS IS ON SOLUTIONS WITH LOWER IMPACTS.

PARTNERSHIPS WORKING WITH EXPERT FIRMS HELPS THE GROUP DIRECT MORE WASTE TO COMPOSTING

99%

IS THE TOTAL REDUCTION IN SOLID WASTE SENT TO LANDFILLS AT MOY PARK OVER THE LAST THREE YEARS

When the subject is solid waste, reducing and recycling are the main catch phrases adopted at Marfrig Global Foods. One example of this effort was the working group created by Moy Park, which over the last three years was able to reduce by 99% the amount of waste disposed of in landfills to achieve zero waste sent to landfills in early 2014. In just four years, Moy Park reduced the amount of waste sent to landfills from 80% to 0%. The result was achieved through a series of behavioral and cultural changes. Other initiatives include the work conducted, for example, at the Anwick unit in England, which, in addition to eliminating the need to dispose of waste in landfills, also focused on continually reducing its solid waste generation.

In Brazil, the units in Promissão, São Paulo and Rolim de Moura, Roraima are working with private companies to send their organic waste for composting. In addition to reducing the amount of waste sent to landfills, the process is more economical and has a positive impact on the company's carbon footprint. The fertilizer produced from the compost is used by local agricultural producers. In Mineiros, Goiás, the unit created its own composting process, without partners, on the plant premises.

The Australian Food Corporation, a unit of Keystone, has worked actively on reducing the amount of solid waste sent to landfills. It conducted an inventory to understand the components of its solid waste and how to recycle each one. Morning meetings were held with employees to focus on changing habits and encouraging recycling, with new containers installed to facilitate the separation of recyclable materials. The efforts resulted in a reduction in the unit's solid waste.

During the process, the unit identified that the plastic packaging of its raw materials represented the main component of the waste that was being sent to the unit's landfills. However, because the plastic was contaminated with organic matter, there was no way to recycle this material. To achieve the target of no longer sending any waste to landfills, the plant had to find a different destination for this material and located a commercial partner specializing in hospital waste to provide an alternative destination. The plastic goes to an incinerator where recovered energy helps run the operations of the commercial partner: [G4-EN23](#)

WATER

THE PRIORITIES ARE TREATING WASTEWATER, OPTIMIZING THE USE OF WATER RESOURCES AND ADOPTING ECOEFFICIENT TECHNOLOGIES.

In 2013, the Group's water consumption decreased substantially by 46%, mainly due to the divestment of the chicken and pork operations in Brazil.

At Moy Park, although water consumption from the public supply network increased, the Company is working to encourage behavioral changes through initiatives such as training programs on water efficiency methods and reducing water pressure at the unit.

At Keystone, to reduce its water consumption by 12%, the North Carolina plant conducted a diagnosis that identified an opportunity to change the cooling system on a particular set of machines, which reduced water consumption per minute from 10 to 4 gallons (38 to 15 liters) with no impact on operations. The project was able to reduce annual consumption by 37 million gallons (or 140 million liters), which is equivalent to 28% of all the water consumed by the unit.

To comply with local legislation, the Keystone plant in Malaysia had to build its own wastewater treatment system to be able to deliver treated water to the municipal sewage system. The new treatment system was created on the premises of the unit. The project resulted in an opportunity to reuse the treated wastewater from the operation

WATER CONSUMPTION G4-EN8 m³

FONTES	2011	2012	2013
Surface	19,420,065	18,720,319	6,037,973
Ground	14,779,605	17,107,238	6,685,297
Third-party	11,541,075	11,712,656	9,655,412
Reuse	947,677	1,230,955	205,162
Public water system	0	16,024	579,847
Total	45,740,745	47,556,238.44	23,163,691
Percent recycled	2.0%	2.5%	0.9%
Proportion of surface water, third-party and public system withdrawals	68%	65%	71%
Proportion of ground water withdrawals	32%	35%	29%

**OVER 90%
IS THE EFFICIENCY IN
REMOVING POLLUTANTS
OF OUR WASTEWATER
TREATMENT SYSTEMS**

R\$ 30 MM

**APPROXIMATE SPENDING
ON WASTEWATER
TREATMENT BY MARFRIG**

for various maintenance activities. Given the project's success, city officials in Kuala Lumpur now use the unit's treatment station to train local technicians.

WASTEWATER

All of the group's industrial units have wastewater treatment systems in place, which ensure its reuse or discharge into the environment at adequate conditions, with over 90% efficiency in removing pollutants. The main destinations of discharges are bodies of water, followed by the public sewage system and the soil (fertigation).

The treatments adopted include physical and physical-chemical processes, the use of biodigesters, activated sludge and lagoons.

In 2013, spending on wastewater treatment amounted to approximately R\$30 million. The measurement of the volume of wastewater generated and discharged is accomplished using flow meters and gutters installed at all industrial plants.

A decrease in the volume of wastewater produced and released was also observed, due to the divestment of certain assets of the group.

No incidents of significant spills and/or leaks were recorded in the year. In the event of an emergency, the Company adopts a series of environmental monitoring procedures and activates specific contingency plans for each category of substance spilled. [G4-EN24](#)

VOLUME OF WASTEWATER DISCHARGE¹ [G4-EN22](#)

	2012	2013
Total wastewater (m ³)	39,500,580	25,445,290
Final COD (Kg)	10,884,317	4,954,138
Final Nitrogen (Kg)	1,943,461	551,804

¹ Reduction in volume in 2013, impacted by the divestment of operations



BIODIVERSITY

G4-EN12, G4-EN13

CONTROL OVER THE ENTIRE PRODUCTION PROCESS, INCLUDING THE SUPPLY CHAIN, IS CRITICAL TO EFFECTIVELY CONTROLLING OUR ENVIRONMENTAL FOOTPRINT.

ARMED WITH A PROPRIETARY SYSTEM TO MONITOR CATTLE SUPPLIERS IN AMAZONIA, MARFRIG IS COMMITTED TO CONSERVING BIODIVERSITY

To monitor the properties of cattle suppliers located in the Amazon biome, Marfrig uses a satellite control system. The use of this monitoring is expressly stated in the Marfrig Club program and in the many public commitments signed with commercial partners, NGOs and civil society organizations (*read more on page 21*).

The system evaluates daily over 7,920 rural properties (total of 25,489,328.14 hectares) to look for new signs of deforestation by overlapping images of indigenous lands and conservation units, based on information provided by the Project for Monitoring Deforestation in the Legal Amazon (Prodes) and the Real-Time Deforestation Detection System (Deter) (with the data made available by National Space Research Institute, or INPE).

The work consists of conducting a nationwide check of areas banned due to issues at the environmental protection agency Ibama and to the existence of labor practices analogous to slavery based on the list published by the Ministry of Labor and Employment.

In addition to satellite monitoring, the Group remains in constant contact with the National Foundation for Indigenous Peoples (FUNAI), the Chico Mendes Institute for Biodiversity Conservation

(ICMBIO) and the National Institute of Rural Settlement and Agrarian Reform (INCRA) to remain always up to date on any conflicts between indigenous populations and rural producers, the legal status and location of conservation units and any problems related to cattle raising and land ownership in the region.

The Company also regularly consults the State Prosecution Office in each of the states from which it acquires animals for information on any convictions or penalties related to areas used for cattle raising involving rural violence, illegal land appropriation, conflicts with indigenous peoples, slave labor or any other illegal practices.

BIODIVERSITY CONSERVATION INITIATIVES G4-15

Marfrig Global Foods is a signatory to various pacts and initiatives to conserve biodiversity in the Amazon and supports environmental projects with the same mission.

Sustainable Beef from Farm to Table Project

A joint effort between the Marfrig Group, Walmart Brasil and the NGO The Nature Conservancy, the project aims to increase awareness on the need to conserve the Amazon biome; to provide technical assistance to help



cattle producers in the São Félix do Xingu and Tucumã regions of southeastern Pará state normalize their properties in accordance with environmental regulations and expand the adoption of sustainable production practices; and to offer to Brazilian consumers beef with a guarantee of origin and sustainable production processes through an enhanced beef tracking system.

Southeastern Pará was chosen for its combination of environmental richness and large-scale cattle production within the Amazon biome. With vast protected areas and rivers that are essential to the biome's irrigation, the region is one of the world's most dynamic agricultural frontiers and concentrates a large number of the country's cattle, according to the Brazilian Geography and Statistics Institute (IBGE).

The activities planned include support for cattle farmers to encourage their adoption of sustainable practices, the monitoring of production and the track-

INTERNATIONAL PIONEER

The Tangará da Serra unit in the state of Mato Grosso became the world's first animal protein producer to track its entire beef production cycle in accordance with the standards developed by the Agriculture and Forest Management and Certification Institute (Imaflora) and the Rainforest Alliance, a global pioneer in drafting forest protection protocols that was created 25 years ago in the United States.

In addition to enabling the use of the Rainforest Alliance Certified (RAC) seal on its packaging, the certification ensures that the Company's products meet the highest standards in social and environmental management in the beef value chain.

Since June 2012, the unit has been producing and exporting beef bearing the "green seal," which is the world's only certification to verify 136 social and environmental criteria of cattle farms, which range from reducing greenhouse gas emissions to implementing animal welfare practices and assuring good social conditions for employees and their families.

In 2013, the processing plants Tangará da Serra in Mato Grosso and Promissão I and Promissão II in São Paulo, as well as the further processing plant Pampeano - Hulha Negra in Rio Grande do Sul, were either certified or had their certification renewed.

7,920

RURAL PROPERTIES
IN AMAZONIA ARE
MONITORED BY THE
COMPANY VIA SATELLITE



ing of beef until it reaches the final consumer. In 2013, the Group supported efforts on 18 properties that involved the restoration and conservation of a total area of 10,231 hectares of Permanent Preservation Areas (APP).

Pact for Sustainable Cattle Raising in the State of Mato Grosso

In 2010, the Marfrig Group signed a commitment to promote sustainable cattle production practices in Mato Grosso during a meeting organized by the state's Prosecution Office. The Conduct Adjustment Agreement (TAC) represents a legal commitment to adopt the criteria established to help ensure that the state's entire beef production chain operates in accordance with legal requirements.

Under the agreement, food companies may not purchase animals whose production base is associated with slave labor, illegal land appropriation, agrarian violence and illegal deforestation.

The animals must also not be sourced from indigenous lands, conservation units, areas belonging to *quilombo* communities or idle federal or municipal lands.

All cattle purchases by the Marfrig Group in Mato Grosso are made from properties that already hold or are in the process of obtaining their environmental licensing. This measure enables greater control of the supply chain and encourages compliance with environmental laws.

ARMED WITH A
PROPRIETARY SYSTEM
TO MONITOR CATTLE
SUPPLIERS IN AMAZONIA,
MARFRIG IS COMMITTED
TO CONSERVING
BIODIVERSITY

Walmart Brasil Sustainability Pact

Walmart establishes with its suppliers a commitment to the sustainable development of the Amazon region, to reducing packaging and to developing sustainable production chains.

Global Roundtable on Sustainable Beef (GRSB) G4-16

The GRSB is a global, multi-stakeholder initiative developed to advance continuous improvement in the sustainability of the global beef value chain through leadership, science and multi-stakeholder engagement and collaboration.

Sustainable Cattle Raising Work Group (GTPS) G4-16

Marfrig is a member of the Board of Directors and founder of the GTPS, which works transparently to discuss and create the principles, standards and best practices to be adopted by players in Brazil's beef supply chain, while promoting socially just, environmentally sound and economically viable production.

Minimum Criteria for Beef Cattle and Product Operations on an Industrial Scale in the Brazilian Amazon Biome

Marfrig is a signatory to the public commitment "Minimum Criteria for Beef Cattle and Product Operations on an Industrial Scale in the Brazilian Amazon Biome" with the non-governmental organization Greenpeace, which works to promote zero deforestation in the supply chain, prohibit invasions of indigenous lands, protect areas and eliminate

the practice of slave labor; illegal land appropriation and agrarian violence. On April 1, 2014, the audit report was published for all of our stakeholders along with a work plan for routine activities as well as for the activities to be implemented to ensure full compliance with the criteria.

Sustainable Connections Corporate Pact

Marfrig is signatory to the Sustainable Connections Corporate Pact, which promotes the financing, production, use, distribution, sale and sustainable consumption of beef products originating from the Amazon region.

SOCIAL AND ENVIRONMENTAL PROJECTS IN RORAIMA

Two social and environmental projects in the state of Rondonia merit special mention.

In the city of Rolim de Moura, a local vegetable garden was created to supply the unit's cafeteria and employees, which currently produces 87kg of fresh and organic vegetables produce per week. The initiative aims to improve the quality of employees' diet.

In São Pedrinho, a project to recover degraded soil determined the areas to be recovered and the number of seedlings to be produced.

The project started in 2010 with a social and environmental diagnosis of certain properties. In 2012, a nursery was installed to produce native tree seedlings to recover the stream Igarapé São Pedrinho that supplies the unit.

The goal is to assist the 21 properties by recovering 10 hectares of riparian vegetation every year, for a total of 50 hectares. To date, a total of 16.1 hectares have been recovered on nine properties.

The group supports land owners by providing seedlings, preparing the areas, planting the seedlings and replanting seedlings in the second year.



REFORESTATION AND PRESERVATION

Marfrig encourages the production of legal timber through reforestation projects by forging partnerships with rural producers. In addition to preserving forests, the initiative generates income for local communities and ensures regular supply to industrial units. Marfrig ensures that all firewood used in its industrial operations comes from trees that were either produced or managed legally and in accordance with sustainable production standards.

LAND OWNERS BENEFITTED	AREA RECOVERED (HA)	NUMBER OF SEEDLINGS
José Geraldo Amorim	2.2	7,864
Benevides de Amorim	1.6	1,859
Irenio Brum	1.5	6,033
José Carlos Gonçalves	2.6	3,911
Oswaldo Antonio Venturoso	0.3	170
Ademar Kloos	2.9	1,574
Saul Nandi	0.6	1,650
Elias Estauffer de Almeida	3.8	4,360
Maria Joana Lopes	0.6	975
Total	16.1	28,396

WORKPLACE



WITH PRODUCTION UNITS IN 16 COUNTRIES, THE GROUP OPERATES UNDER INTEGRATED PRINCIPLES TO ENSURE ITS PROFESSIONALS REMAIN EFFECTIVELY ENGAGED.

GUIDED BY THE CODE OF ETHICS, FROM THE DAY THEY JOIN THE COMPANY, MARFRIG EMPLOYEES HAVE AVAILABLE TO THEM VARIOUS CHANNELS FOR REGISTERING COMPLAINTS AND WHISTLEBLOWING

Marfrig Global Foods has 43,069 employees. To ensure that, despite the long distances involved, each of the Group's professionals adheres to the same values and practices, people management principles are used to motivate them, develop their skills and create a structure that ensures corporate values are aligned at the global level.

The Group's values are disseminated through internal actions to ensure continuous improvement in processes.

The behaviors expected by the Group from its professionals in all relationships with customers, consumers, shareholders, suppliers, government representatives, society and other employees and partners are formalized in the Code of Ethics. The document guides employees both individually and collectively on the behaviors and commitments expected of them to achieve excellence in internal and external relationships and ensure that the group's integrity and

reputation are upheld when conducting business or executing processes.

The Group requires all of its employees to comply with the Code of Ethics. A copy of the Code is handed out during the new employee integration process, and a digital version of the Code is also available on the Intranet as well as on the Marfrig Group website www.marfrig.com.br/marfrig/codigo-etica/pdf/codigo-etica.pdf.

All complaints or denouncements related to matters involving ethics may be submitted to the channels described in the printed copy of the code. The same contact information is made available on the Group's Intranet and Internet as well as on the banners distributed throughout the operational units and the head office, which includes a telephone and e-mail for whistle blowing. [G4-56](#)

NUMBER OF EMPLOYEES G4-10

2013

FUNCTIONAL LEVEL	MEN	WOMEN
Senior executives	46	5
Managers	384	114
Area heads/coordinators	766	246
Technical/supervisors	1,062	402
Administrative	2,291	1,858
Operational	21,832	13,066
Trainees	1	3
Outsourced partners	434	245
Apprentices	105	127
Interns	48	34
Total by gender	26,969 (63%)	16,100 (37%)
Total	43,069	

BY REGION	MEN	WOMEN
Keystone	5,820	5,830
Moy Park	5,587	3,260
Argentina	1,360	143
Uruguay	2,500	788
Chile	51	18
Beef Brasil	11,653	6,059

TYPE OF CONTRACT	MEN	WOMEN
Definite period	588	409
Indefinite period	26,381	15,691

TYPE OF SHIFT	MEN	WOMEN
Full-time	26,381	15,691
Part-time	588	409

ATTRACTING AND VALUING PROFESSIONALS

PARTNERSHIPS WITH INSTITUTIONS AND THE INCLUSION OF APPRENTICES SUPPORTS CONTINUOUS IMPROVEMENT IN THE COMPANY'S TEAM.

To attract talent to its team, Marfrig Beef has signed partnerships with consulting firms and job systems, with municipal governments where it has operational units located far from major urban centers, and with the Ministry of Labor.

Another important tool for attracting talent is the youth apprenticeship programs. The apprentices are selected while still in high school and support the work of managing the Company's industrial operations.

Today, Marfrig Beef has 416 youth apprentices at 18 production units in Brazil. This number complies with the Law of Apprentices of 2000, which mandates all mid-sized and large companies to hire a number of apprentices equivalent to a minimum of 5% and a maximum of 15% of their employees who require formal training or education.

Over the course of their development, the Company sponsors the youth and assesses the possibility of formally hiring

them. Marfrig Beef is currently working on developing a trainee and internship program that is aligned with its expected hiring needs over the coming years.

Other business units, such as Moy Park, have already implemented similar projects. In 2013, it launched a graduate trainee program to attract talent from the market. In the program's first session, 22 youth were selected.

The program, which lasts two years, involves a series of rotations through which the youth acquire experience throughout the organization. Each trainee is supported by a mentor, who is a senior executive at the Company.

BENEFITS G4-LA2

In general, the benefits granted to employees include food vouchers, transportation vouchers, maternity/paternity leave, life insurance and a health plan. Benefits may vary from one country to another.

Employees in production areas and distribution centers can use the cafeterias located on the premises of units, while administrative staff and executives receive meal vouchers. At its production facilities, Marfrig offers out-patient medical assistance for employees administered by nursing technicians. The out-patient clinics also offer on-site health, clinical and occupational care as well as medication with a physician's prescription.

The clinical team at operational units includes physical therapists who implement routines that incorporate good health practices and muscular relaxation, monitor compliance with workplace ergonomics regulations and organize workplace exercises.

COMPENSATION

An important factor in attracting and retaining talent is the compensation policy that includes, in addition to a monthly salary, variable compensation programs, long-term incentives and a competitive benefits package.

Salaries are determined based on benchmarking surveys of median salaries in the general market at Brazilian national and multinational companies and at listed companies or that have human resources practices similar to those of Marfrig. The comparisons take into account the scope and complexity of functions. The Company also monitors annual market growth through economic indicators and consulting firms specializing in the field.

Marfrig's compensation policy is supported by parameters for determining fixed or variable compensation that ensure efficient management of salaries and alignment with the organization's objectives and strategies, while helping to maintain a well balanced team and a competitive market.

Variable compensation consists of the profit sharing program in which all employees participate, with the exception of managerial positions and sales representatives, provided that the targets, which are set each fiscal year and aligned with the area's financial targets, are met. The program is managed locally with the backing of local trade unions. The purpose of the program is to promote greater engagement by workers and boost their productivity, while also helping to keep absenteeism and workplace accident rates at low levels.

For leadership positions (managerial level and higher), Marfrig offers the Corporate Local Profit Sharing Program, which like the program just described, links compensation to the meeting of specific targets defined at the start of the fiscal year. Management executives, senior managers and executive officers also receive an incentive based on their individual performance. For the sales team, Marfrig has a special program with monthly or quarterly evaluations to accompany the progress made on meeting targets, which are established in accordance with the commercial strategy of each business.

IN STEP WITH
THE MARKET AND
INDUSTRY, MARFRIG'S
COMPENSATION
POLICY ENCOURAGES
EMPLOYEES TO MEET
TARGETS AND PURSUE
STRONGER RESULTS



LABOR RELATIONS ARE BASED ON LEGAL COMPLIANCE AND RESPECT FOR FREEDOM OF ASSOCIATION



To accompany the targets, the Company has a Performance and Potential Management Plan, which consists of performance evaluations conducted regularly over the course of the year using a tool called 9Box, which helps align the individual targets with the global strategies of the business. This evaluation features the involvement of the immediate supervisor, who also meets in a committee with the human resources team to calibrate the evaluation and subsequently provide feedback at the end of the period along with the results of the targets.

TRADE UNIONS [G4-I1](#), [G4-LA4](#)

All administrative and operational employees are covered by collective bargaining agreements, which are conducted in accordance with the standards and limits determined by local legisla-

tion. Marfrig organizes formal meetings or trade union federations with union representatives in the industry to discuss topics of particular importance. The meetings to discuss collective bargaining agreements are announced ahead of time to ensure an open discussion on the issues involved.

The rules for announcing significant operational changes vary from country to country and depend on the existence of labor unions and/or the labor laws in force. In Brazil, the Group organizes formal meetings with the trade unions representing workers in its industry to discuss with representatives topics that are scheduled in advance. Whenever there are any changes, it announces the collective bargaining agreements in advance to support open discussion on the matter. The prior notification period is generally from two to four weeks,

with announcements made through internal notices, the trade union newspaper and access to meetings.

MOTIVATION

To effectively maintain low absenteeism among operational workers, the Attendance Rewards Project was launched, which values and recognizes employees without any absences during the period. The Company also honors employees with birthdays in the month. Lunches attended by the management of each unit are also held to identify areas in the production environment that require improvement, especially in relations between managers and subordinates and in processes.

EMPLOYEE DEVELOPMENT

SPECIFIC TRAINING COURSES AND LEADERSHIP PROGRAMS IMPROVE THE QUALIFICATIONS OF INTERNAL STAKEHOLDERS.

Marfrig invests in developing its employees through a training program that maps specific competencies. **The Leadership Model** program involves a survey of the competencies and values required by employees in leadership positions, taking into account the peculiarities of each function.

The effort to develop professionals focuses on various fronts, such as the acquisition of new competencies and identifying any gaps to be filled in the management performance programs and, in the future, the leadership succession pipeline. The operation in Brazil is working to formalize its employee development program, which should be finalized by year-end 2014.

In 2013, Moy Park announced a new development initiative for its employees that required investment of £6 million, or around US\$10 million. The resources will be invested in leadership training programs that focus on competencies management and development, group projects, innovation, productivity and IT systems. A portion of the funds invested came from Invest Northern Ireland, the development agency of Northern Ireland.

The objective of the training program is to boost the Company's competitiveness and productivity through innovative processes and high-performance teams while also promoting Moy Park products in local and global markets.

Moy Park also has the EDGE Management Development Programme to support leadership development and the performance of its front line managers. The training program gives managers greater autonomy and clarifies the responsibilities inherent to each position. Through the program Moy Park hopes to better prepare its professionals to make faster and better decisions and to improve its productivity and results.

Through eight modules conducted in partnership with the external consulting firm Instep UK, the program focuses on areas such as personal development

and leadership. Since its creation in the second half of 2012, more than 200 managers have graduated from the training program. Today, 158 managers are participating in the program. The program's eight modules are:

- 1 Leadership at Moy Park
- 2 Effective Communication
- 3 Excellence in Health and Safety
- 4 Continuous Improvement at Moy Park
- 5 Building and Managing Winning Teams
- 6 Commercial Knowledge and Decision Making
- 7 Personal Effectiveness
- 8 Final Presentation

INCLUSION

Marfrig maintains a partnership with Brazil's Social Security Institute (INSS) to facilitate the reintroduction into the job market of individuals with disabilities.

When hired, professionals with disabilities are accompanied by a "leader" who ensures they can access various locations in the workplace, such as the cafeteria, bathroom, out-patient clinic, office, and who analyzes if they have the potential to perform other functions at the unit. The leader also verifies if the employee with a disability understands all of the unit's safety protocols. If external accompaniment is required, a request is made to the human resources area. Marfrig works with local partners at its operational units to help with the task of hiring persons with disabilities.

DIVERSITY G4-LA12

The Group strives to create a stimulating work environment for its employees and ensure that everyone is duly valued, trained and supported to perform their roles in an environment that offers them equal opportunity.

In 2013, the highlight on this front was the appointment of the first woman CEO of a company in the Group: Janet McCollum at Moy Park, who is also a member of the Group's Executive Committee.

At Australian Food Corporation, the Australian unit of Keystone Foods, women make nearly 60% of the workforce. With the needs of its employees in mind, the unit created a program to help them manage their household budget and present opportunities for investing in their future. Through lectures given by partner organizations, employees had an opportunity to learn more about these topics. Also considering the needs of its female employees and the fact that the plant is located in a rural area, the unit decided to organize a meeting to talk about the risks involved while the women commute to and from the plant as well

as the safety measures to be adopted. With the help of the local police department and other local partners, such as mechanics and car dealerships, the unit developed a training module to help women deal with automotive problems, such as changing a flat tire and regularly changing the motor oil. The police also gave them safety tips, especially for the women who use public transportation at night.

To ensure a healthy and pleasant workplace for expecting mothers, in 2010, Marfrig Beef created the Maternity Project, which offers the support of a health professional over the course of their pregnancy.

The assistance for future mothers includes orientation from the nutritionists who work in the unit's cafeteria, monthly meetings with psychologists, nurses and physical therapists to provide information on health in the workplace, and even a dowry.

In 2013, over 190 women at the Group's 18 production units in Brazil benefitted from this program.

IN 2013, THE GROUP APPOINTED ITS FIRST FEMALE CEO: JANET MCCOLLUM AT MOY PARK



SUPPORTING WOMEN

Keystone Asia Pacific, which has operations in China, Thailand, South Korea, Malaysia, Hong Kong and Australia, created the Keystone Foods Women Inclusion Network (K-WIN), which supports the development of women within the Company.

The K-WIN program works to educate women to help them gain greater confidence in their career choices while fostering and disseminating the importance of diversity in the Company. It also offers leadership and networking opportunities to promote the career advancement of women. And it organizes special training programs to support the career development of mid-level managers in the Company. The program has resulted in higher levels of employee satisfaction and retention. Participation in K-WIN is completely voluntary, which helps inspire the women to take command of their own professional development.

In practice, the program operates under a satellite model, with the regional K-WIN teams formed by local leaders who support the regional platform. The program's three main priorities are: communication and networking; professional development; and social contribution and community support. An important part of the program's work is to provide assistance

on social issues in the local communities. A series of volunteer activities are organized, which range from toy and food drives to remodeling community centers and cleaning parks.

Promoting the engagement of other women in the program is another role of fundamental importance to K-WIN's sustainability. The training programs developed by the program also seek to provide employees with more information on the companies, the general market and the challenges faced by the unit. The training programs currently offered by K-WIN are:

- Mentoring
- Balancing your Professional and Personal Life
- Conflict Resolution
- Creativity and Problem Solving
- Managing People's Emotions
- Communicating in English
- Computer Skills

The program was launched in 2009 and today has more than 200 people across Keystone Asia Pacific. Besides its continued growth, the project's next step is to meet the Company's needs and expand its reach beyond the plant's premises to help more and more women develop as professionals.

HEALTH AND SAFETY

TO GUARANTEE GOOD WORKING CONDITIONS, THE COMPANY INVESTS IN MAPPING AND MANAGING THE RISKS IN ITS OPERATIONS.

IN 2013, THE MAIN DEVELOPMENTS WERE THE IMPLEMENTATION OF ERGONOMIC BREAKS AND A SPECIFIC ANALYSIS OF RISKS RELATED TO MACHINERY AND EQUIPMENT

Safety is one of the fundamental pillars of Marfrig Global Foods. As part of its investment in process standardization, the Group drafted its Occupational Health and Safety Policy and implemented its Occupational Health and Safety Guidance Manual, which defines the minimum health and safety criteria to be observed at each business unit.

These guidelines were disseminated through Occupational Safety programs led by a multidisciplinary team, which expands the scope of implementation in all phases of the process and involves employees in Occupational Health and Safety actions ranging from the mapping of risks to the implementation of control measures.

The team maps all the potential health risks and controls these aspects by working jointly with the business units. Then it develops a training and orientation process for employees that draws on the use of special management tools.

This year's highlights include the preparation of the Analysis of Risks on Machinery and Equipment at our units, the implementation of ergonomic breaks for employees and investments in developing new equipment to ensure safer processes, such as those involving bandsaws.

The objective of these health and safety programs is to ensure compliance with all applicable laws and rules, effectively manage risks and promote and maintain a safe and healthy workplace for all employees and third-party service providers.

The safety indicators Occupational Safety Index and Occupational Health Index expand the scope of our monitoring of this effort by accompanying the performance of actions, programs and activities concerning the topic. The management of these indicators is performed by the Integrated Management System (*read more in the section Environment*).

SHARED RESPONSIBILITY

All employees are responsible for working together through the Environmental Risks Prevention Programs and the Occupational Health Programs to ensure safe operations at all business units.

All communication involving safety issues is made via video or audio conference calls on a weekly, monthly and bimonthly basis in conjunction with the technical team and with the involvement of managers and senior management in order to define the strategies to be adopted. Monitoring these indicators on a monthly basis permits a faster

response for changing the Company's safety controls and more effectively correcting the problem so as to avoid new accidents.

PERFORMANCE

In 2013, the Marfrig Group registered reductions of 26.17% in the number of total accidents and of 64.65% in reportable illnesses as a result of the regular investments it makes in Occupational Health and Safety. The result guides the safety actions carried out by the Group and ensures that the established objectives and targets will continue to be met.

In the event of any incident, Marfrig monitors the professional on leave and ensures that they have an adequate financial and social situation to ensure their full recovery. The Company visits the professionals at home to evaluate their immediate needs and if benefits will cover the family's needs.

HEALTH AND SAFETY INDICATORS

	2011	2012	2013
TOTAL INJURIES	6,442	4,833	3,568
Fatal Injuries	4	5	1
Lost-time Injury Frequency Rate	18.87	12	15.72
TOTAL INJURY FREQUENCY RATE	8.93	5.22	7.43
Lost Days Due to Injury ¹	50,284	37,871	25,142
Lost-time Illness Frequency Rate	5.03	3.87	3.85
Reportable Illness Frequency Rate	3.23	3.04	1.8
Lost Days Due to Occupational Illness	32,073	30,897	18,539

Note: For this indicator, the Group does not provide a break down by region because it adopts a global management and reporting system, as is the case of other indicators in this report. Figures by gender are not yet provided by the system, although the units maintain this information for each injury by generating a report for the incident. The absentee rate is managed by the units; however, each division and country adopts its own reporting criteria, which does not allow for consolidated accounting.

¹ The legal criterion for accounting is adopted (i.e., calendar days).

SAFETY MODULES

The occupational safety program consists of various different modules:

- Safe behavior program
- Hand protection
- Working with knives and cutting tools
- Sanitation and industrial cleaning tasks
- Control of hazardous energy (lockout/tagout)
- Operation of forklifts and other mobile cargo equipment
- Forklift operation program
- Truck loading and unloading program
- Operation of cranes and muncks
- Electrical safety
- Installation of machinery and equipment
- Fall prevention
- Working at heights
- Entering confined spaces
- Hot work, personal protective equipment
- Pressure vessels
- Emergency preparedness, assistance and response plan
- Fire suppression system
- Flammable and combustible materials
- Passenger and freight elevators and pantograph platforms
- Critical safety devices
- Dust control
- Traffic safety



IMPROVEMENT
NUMBER OF REPORTABLE
ILLNESSES FELL 64.65% IN
THE YEAR

26.17%
TOTAL REDUCTION IN THE
NUMBER OF INCIDENTS
REGISTERED BY THE
GROUP IN 2013

ERGONOMIC MANAGEMENT PROGRAM

Injuries caused by repetitive movements in operating activities represent a critical risk factor to occupational health. The Ergonomic Management Program, whose primary goal is prevention, monitors employee ergonomics supported by the Occupational Repetitive Assessment (OCRA) method to neutralize the risks identified in each position.

Initiatives to provide guidance to and raise awareness among employees are conducted, which include educational campaigns that follow the national health calendar. Medical care and physiotherapy treatments are provided to employees and outsourced partners when needed.

Employees also receive training on the proper handling of heavy loads and the postures to be adopted during their shift, which can also be extended to outsourced partners, family members and members of the community.

PROMOTING WELLNESS

The business units work to promote the well-being of their employees at the regional level in order to take into account the cultural considerations specific to each country. For example, every year, Moy Park factories organize a Wellbeing Week for their employees, inviting various specialists to give advice on a variety of topics, such as smoking, diabetes, alcohol and drugs and healthy eating. The week also includes lectures on managing stress and maintaining a balanced lifestyle and relaxation sessions.

Keystone, through its K-WIN project, offers to employees at its plants exercise classes as well as football/soccer and table tennis tournaments. Meanwhile, Marfrig Beef organizes an annual program called "Health and Quality of Life Weeks," which features special campaigns on vaccinations, donating blood and combating dengue fever as well as special events.

SUPPLIERS



IMPROVING QUALIFICATIONS AND MONITORING ACTIVITIES IN THE CATTLE INDUSTRY ARE SOME OF THE WAYS IN WHICH THE GROUP EXERTS A POSITIVE INFLUENCE ON ITS VALUE CHAIN.

To positively influence its value chain, Marfrig Global Foods works to convey the group's values directly to its suppliers in order to foster a new way of operating that takes into account social and environmental aspects that in turn contribute to its economic aspects.

Around the world, Marfrig actively participates in forums and study groups on good cattle production practices in the market. For example, it participates in the Global Roundtable for Sustainable Beef (GRSB), which is a global, multi-stakeholder initiative developed to advance continuous improvement in the sustainability of the global beef value chain (*read more in the section Consumers*).

At the local level, the initiatives are coordinated by the various business units:

MOY PARK

Moy Park formed a dedicated team to work together with its suppliers to make them more productive and efficient by adopting processes that have lower environmental impacts and foster growth and social development. The effort is guided by a benchmarking process to assess best practices in the industry.

In 2013, the Company presented the advantages of using cleaner energy sources, such as solar, wind and biomass. Around 70% of suppliers in the Dungannon region of Northern Ireland participated in the initiative.

The effort is guided by a benchmarking process to assess best practices in the industry.

KEYSTONE

In 2013, Keystone audited select suppliers with regard to criteria related to good animal welfare practices. The Company disseminates among its suppliers the knowledge acquired through training with world renowned professionals, who have helped revolutionize the practices for the treatment of livestock on farms and in processing units. For 2014, the Company set the goal of

expanding access to the training program and conducting workshops with its suppliers to promote the exchange of experiences and best practices (*read more in the section Animal Welfare*).

MARFRIG BEEF

In Brazil, Marfrig Beef works to engage its suppliers by encouraging them to make their activities cleaner, more efficient and more productive, while also verifying compliance with the precepts established in the commercial partnership. Marfrig Beef regularly visits its suppliers to evaluate if they comply with labor laws and observe the social actions of each commercial partner.

If any nonconformance is identified, the partner must sign a corrective action agreement. More than 14,000 suppliers already have been subjected to the evaluation, which is part of standard SA8000 (*read more in the section Environment*). [G4-12](#)

MARFRIG CLUB

G4-EC8, G4-LA15

PROGRAM THAT ENCOURAGES AND REWARDS FARMERS WHO ADOPT GOOD SOCIAL AND ENVIRONMENTAL PRACTICES.

Launched in 2010 to address the lack of information on food safety and help disseminate good agricultural practices in the value chain, the Marfrig Club rewards farmers who adopt good social and environmental practices. Through collaborative development efforts, the club works to train cattle farmers and enrich the production chain to ensure more efficient and safer production with the lowest environmental impacts, for which it focuses on areas such as traceability, guarantee of origin and compliance with labor standards.

The program is based on three principles: respect for animals, respect for the environment and respect for social practices. Each of these principles is supported by a code of practices developed by the Company based on international law and global criteria and written in a language that is more accessible to Brazilian producers.

A team of 23 employees regularly visits producers and assesses them based on a checklist of criteria. The data gathered are audited and the supplier is classified within one of the compliance levels,

which range from platinum (the highest), gold and silver to bronze.

Suppliers achieving the platinum category receive a premium on the cattle price paid. For other producers, Marfrig offers commercial partnerships with certifying organizations to help them eventually achieve platinum.

During visits, Marfrig creates action plan together with suppliers to help them achieve platinum. Marfrig also offers consulting services to these suppliers until this goal is reached. In the case of suppliers not interested in joining Marfrig Club, the Company continues to monitor their operations, but does not assess production processes.

Since 2013, 14,136 suppliers and service providers at 18 of the Group's units have been assessed. Of these, more than 2,000 fall into one of the categories, 118 of which in the platinum level. The Company expects to have 5% of its suppliers in this category by 2018, by when it expects to have assessed 100% of its commercial partners.

All suppliers and service providers assessed have met the minimum requirements and there have been no incidents of suspension.



OVER 14,000 SUPPLIERS AND SERVICE PROVIDERS HAVE BEEN ASSESSED SINCE 2013, OF WHICH 2,000 WERE CLASSIFIED IN ONE OF THE MARFRIG CLUB CATEGORIES

ASSESSMENT STEPS

The first step of the certification process is the signing by the supplier of a declaration of commitment to social and labor aspects that include compliance with labor regulations; combating child, forced or compulsory labor; health and safety; discrimination; disciplinary practices; compensation; work hours; freedom of association; and right to collective bargaining.

After signing the declaration, the type of audit is determined based on the criticality criteria of the supplier. The group defined as socially critical – cattle producers (due to risks related to child and slave labor) and service providers (employees working in the industrial facilities of the Marfrig Group) – is subjected to on-site audits, while non-critical suppliers complete a checklist that is assessed by the human resources team at each unit.

Cattle suppliers are not only visited by field technicians from the Sustainable Cattle Farming Program, but also must be authorized by the Cattle Purchasing area, which checks to see if they appear on the list of properties involved in compulsory or forced labor published on the website of the Ministry of Labor. If the supplier is not approved based on these criteria, the cattle purchase is not authorized and the supplier is suspended or excluded from the group's supply chain.

RESULTS

The results to date show that the Marfrig Club has made a positive impact on the value chain. Because of the demands specified on the program's checklist, regulatory agencies in the Amazon region have observed an increase in the number of farms filing requests to normalize their operations. The number of animals that reach processing units with injuries has decreased as well, which demonstrates improvement also in the actions to promote animal welfare (*read more in the section Animal Welfare*).

MARFRIG CLUB FARMS G4-EC8

UNIT	FARM	%	SLAUGHTER
Bataguassu (MS), Paranaíba (MS)	152	7.9%	78,496
Mineiros (GO), Rio Verde (GO)	519	22.5%	77,950
Promissão 1 (SP), Promissão 2 (SP)	193	15.0%	45,876
Alegrete (RS), Bagé (RS), São Gabriel (RS)	580	16.4%	18,610
Tangará (MT), Paranatinga (MT)	383	10.8%	199,688

RETAIL AND INDUSTRIAL SECTORS

The desire to have a positive influence on the cattle production value chain and promote good social and environmental practices were the common denominators of a partnership signed in 2013 between The Nature Conservancy (TNC), one of the world's largest environmental NGOs, Walmart Brasil, a subsidiary of the world's largest retailer, and Marfrig. Also participating in the project were the Moore Foundation, the world's largest donor to environmental causes, and the Rural Trade Union of São Félix do Xingú. Together they created the program "From Field to Table" to provide technical resources for complying with environmental regulations and for expanding production responsibly to cattle farmers in the São Félix do Xingu and Tucumã regions of southeastern Pará. In this way, the three parties involved hope to ensure an increase in the supply of beef of guaranteed origin while promoting conservation of the region's forests, soil and rivers.

The region adopted by the program was chosen because of its high potential for conservation and for its growing economic importance. The project lasts three years and seeks to support rural producers by providing them with technical knowledge for complying with environmental regulations and optimizing their production processes with a view to reducing their environmental

THE ASSESSMENT PROCESS ENCOURAGES CONTINUOUS IMPROVEMENT, RESPECT FOR ANIMAL WELFARE AND THE ENVIRONMENT AND BETTER CONTROL OF PRODUCTION QUALITY

impacts while increasing their productivity. To improve control, the project also seeks to generate continuous advances in the system for satellite monitoring of production areas in order to track the beef produced in the region and ensure that the cattle comes from producers with responsible activities and does not come from properties that violate environmental regulations.

ENVIRONMENTAL FOOTPRINT

The incentive to adopt best practices also covers the environmental footprint of suppliers throughout the chain. To compile information on the status of its supply chain, the Company submitted a questionnaire on social responsibility and sustainability practices to its main commercial partners, which are the ones with the greatest potential impact on the value chain. The application of

the questionnaires will be expanded gradually to cover all continents where the Company has operations. In 2010, the questionnaires were submitted to suppliers in the United States. In the following year, it was the turn of suppliers in the European Union, with the help of Moy Park. And next year it will be the turn of suppliers in the Asia Pacific, Middle East and Africa (APMEA) region.

All responses were analyzed by a team dedicated to engaging the supply chain through a tool called the Corporate Social Responsibility Scorecard, which quantifies and standardizes each company in the areas of social responsibility and sustainability. Based on the data compiled, the team worked to understand how it could help commercial partners and developed workshops to teach them technical aspects and help them improve their social and environ-

mental performance. Since the project was first launched three years ago, more than 15 workshops have already been held.

The initiative has generated various benefits throughout the entire chain. For those partners without corporate social responsibility programs, Keystone helps them develop one. The project is ongoing and each year a new continent receives questionnaires to maintain the levels of engagement and incentives.



ANIMAL WELFARE

G4-FP2, G4-FP11, G4-FP12

THE INDUSTRY LEADER IN ANIMAL WELFARE, THE GROUP INVESTS IN TECHNOLOGIES AND SYSTEMS TO GUARANTEE BEST PRACTICES DURING RAISING AND SLAUGHTER.

One of the main differentiators of Marfrig Global Foods is its animal welfare practices, which certifies the treatment of animals starting in the process of purchasing the animal from the supplier through a series of management, systems, processes and indicators.

The market recognizes the Group as the leader in this effort, according to the report "Business Benchmark on Farm Animal Welfare 2013" prepared by the international NGOs World Society for the Protection of Animals (WSPA) and Compassion in World Farming. Marfrig rose two levels in the report's overall classification, going from the status "in progress" to "integral," in accordance with the methodology adopted in the study on which the report was based. Today, Marfrig Global Foods is the third-highest-ranking company of the total of 70 evaluated.

Since 2004, the Company has been intensifying its efforts to improve animal welfare practices that included going beyond the minimum requirements established by Brazilian law. Today, Marfrig Beef is the only animal protein producer in Brazil to have a department exclusively dedicated to the animal welfare, with at least one professional at each plant with expertise on this topic.

Marfrig Beef included in its classification the verification of bruises so that

it could trace back where in its production cycle problems may be occurring, such as the lack of training in animal handling or problems in transport. Animal welfare practices are also included in the contracts signed with suppliers and logistics operators.

INNOVATION AND TECHNOLOGY

Keystone Foods maintains a team dedicated to implementing programs to ensure that every animal under its care is treated in accordance with industry best practices, its customers' expectations and the Company's internal standards. This effort includes regular meetings with producers and training programs for partners responsible for transporting the animals so that its employees can identify any risks to the health and well-being of the animals.

Keystone has brought to bear its technical knowledge to achieve this objective. Efficiency in the production of broilers is guided by two key performance indicators (KPIs): feed conversion ratio (FCR), which assesses the efficiency with which the animals are transformed into food; and livability. The US operation developed a program to improve these KPIs by focusing especially on animal welfare. In partnership with a supplier, the Company selected a parent stock to grow more efficiently with more desirable health traits, such

as greater cardiovascular strength and more robust immunological systems.

In parallel to the selection of the parent stock, the Company also implemented a project to capture efficiency and productivity gains in its production processes. It also worked together with local broiler farmers by focusing on their internal management processes and encouraging them to upgrade their facilities to make them more energy efficient.

The project resulted in improvements in the FCR and livability indicators of the broilers produced. As a result of these improvements, today the Company has increased its annual broiler production by over 1.35 million birds. In addition to the improvements in production, the changes made to feed and the improvement in livability has reduced the level of CO₂ emissions by 7,500 tons annually.

The Keystone units in Camilla, Georgia and Eufaula, Alabama joined forces with a supplier to collaborate on an animal welfare project. Equipment used to move chicks through the hatchery historically has been designed with efficiency as a primary consideration. Keystone worked with the supplier to improve the design of the system to also incorporate animal welfare as a primary consideration. Still in the initial phase, the project could

result in significant improvements not just for Keystone, but also for the industry as a whole, by creating a new best practice to serve as a benchmark for all broiler producers.

The unit in Albany, Kentucky uses images captured by computers in real time to assess the effectiveness of their stunning process. In partnership with the Georgia Institute of Technology, the plant is using this system to detect birds that have not been properly stunned. The projects may also help identify birds' whose wings are damaged in the process. The system is being subjected to more testing to assess its costs and its potential for implementation at more plants in the future.

FREEDOM AND LIVABILITY

Caring for the welfare of the birds is one of the pillars that sustains the operations of Moy Park, which is recognized internationally for its culture of care in the treatment of the main input in its animal protein production activities. This concern has been recognized internationally by NGOs focused on the topic, such as Compassion in World Farming. Moy Park's welfare program is based on five principles that seek to improve quality of life for the animals and that must be adopted by all of its commercial partners. All of its 800 poultry farmers in the United Kingdom had to complete an online course that presented all of these principles before signing a commercial agreement with the Company. The principles are:

- Freedom to express natural behavior
- Freedom from injury and disease
- Freedom from discomfort
- Freedom from thirst and hunger
- Freedom from fear and distress

A pioneer in higher welfare farming, Moy Park is the largest producer of organic and free range chicken. The Company has a dedicated and sophisticated infrastructure of company-owned hatcheries and feed mills. The birds receive a natural diet of 60% cereal grains, such as corn, wheat and soy, and other proteins from oilseeds, without any ad-

dition of antibiotics or growth promoters. The chickens are raised in spaces with windows that lets in natural light and with low occupancy rates, which allows them to move around freely and more naturally.

Moy Park is the first Company in the United Kingdom to be approved by the government to train professionals in Watok, the acronym for the Welfare of Animals at Time of Killing. The qualification certificate is a European Union regulation that has just come into force in Northern Ireland and England. Many employees have already been trained and can now certify other employees in the principles of Watok.

PREVENTIVE ACTIONS

In 2013, 9.9% of the animals slaughtered at all Marfrig Beef plants in Brazil came from feedlots. All other animals acquired were raised in the field and grass-fed.

The Company works to prevent problems related to beef production by training and qualifying its suppliers. The efforts on this front began with industrial suppliers and then expanded to include logistics operators, and today focus on cattle farmers, who receive technical assistance on proper animal handling and disseminating best practices. Training is also administered to all employees who have contact with live animals during their processing at Marfrig.

The Company also works to develop tools for identifying where any problems may be occurring. The focus is not only on locating the problem, but on creating ways to prevent and minimize potential animal distress. The welfare team supports all slaughter and production processes to ensure the animals are treated with care. The Company created four manuals that focus on the topic to help cattle farmers improve their processes in this area.

All training programs for cattle producers are conducted locally together with the team that conducts regular inspections as part of the Marfrig Club (*read more in Engagement and Development*).

A PIONEER IN POULTRY WELFARE, MOY PARK IS THE LARGEST PRODUCER OF ORGANIC AND FREE RANGE CHICKEN

Eighty visits are made each month to talk about animal welfare. The results of this effort have been enormous: after providing orientation to cattle farmers, more than 90% registered improvement in their results in this area.

To ensure even greater progress, at the end of 2013, the team developed indicators that are monitored by Marfrig's management system (*read more in the section Environment*) to better accompany this process and identify if the problem exists and, if so, where in the production process it is occurring.

With regard to the care adopted in the use of antibiotics, anti-inflammatories and hormones, all animals received at the processing plants are accompanied by a declaration by the rural producer attesting to the fact that no hormones, growth promoters or antibiotics were used. Furthermore, the Federal Inspection Service (SIF) has a program called the National Plan to Control Residues in Beef (PNCRC) that randomly samples all meatpackers to ensure the declaration made by cattle producers is accurate.

Through its Marfrig Club program and a mandatory component of its supplier compliance checklist, the Company also organizes visits to raise awareness on the use of medications and their waiting periods, as well as information on substances prohibited in beef production. If any medications are detected in the samples collected by the SIF, the Company notifies the supplier; sends the official report containing the parameters that were verified and conducts a technical orientation visit focusing on the proper application of medications, the legal status of their use and the respective waiting periods.

Another of its commitments and out of its deep respect for the consumer, Marfrig requests a letter of guarantee from each producer supplying animals to its processing plants that states the date(s) on which medication(s) were applied in the previous 6 months as well as the active ingredient(s) to verify if the waiting period and legal requirements were respected.



INDICATORS

SINCE LATE-2013, THE MARFRIG MANAGEMENT SYSTEM MONITORS DATA ON ANIMAL PRACTICES

OVER 90%
OF CATTLE PRODUCERS WHO RECEIVED ANIMAL WELFARE ORIENTATIONS REGISTERED IMPROVEMENT IN THE TOPIC DURING THE YEAR

CUSTOMERS AND CONSUMERS



THE PRIORITIES OF BUSINESS UNITS INCLUDE INNOVATION, TECHNOLOGY AND RESPONSIBILITY THROUGHOUT THE ENTIRE PRODUCTION CHAIN.

WITH A FIRM COMMITMENT TO COMPLIANCE AND QUALITY, MARFRIG INVESTS IN CONTROLLING THE ORIGIN OF ITS PRODUCTS, FROM FIELD TO TABLE

Marfrig Global Foods works to guarantee high standards of quality and safety to ensure for its Customers and Consumers a product that meets and, whenever possible, exceeds their expectations. This effort occurs throughout the entire process, from guaranteeing responsible suppliers to concern with innovation to ensure continuous advances in the animal protein industry.

Today, 23% of the planet's total area dedicated to agriculture is located in South America, according to the report "Organic Agriculture World" published by the International Federation of Organic Agriculture Movements (Ifoam), which makes the continent responsible for supplying a significant portion of the world that is unable to obtain food from their own land due to soil characteristics. This puts even more responsibility on South American agricultural producers to supply food that comes with a guarantee of origin and safety.

SATELLITE MONITORING

The first step in guaranteeing a safe and high quality product is to ensure that the raw materials come from farmers and properties that respect environmental regulations, are not involved in deforestation or child or slave labor practices and are not located on indigenous lands. To provide these guarantees to its customers, Marfrig Beef has developed a modern and safe field monitoring system based on the producer's geographic information compiled using satellite imagery.

All information is obtained through visits to suppliers and/or by the sales team during the initial phase of the livestock negotiation process. Data on the location of the farms is crosschecked with data from the Project for Monitoring Deforestation in the Legal Amazon by Satellite (Prodes) conducted by the National Space Research Institute (Inpe). This makes it possible to guarantee that no cattle are purchased from regions suspected of deforestation practices. The Company also relies on the Real-Time Deforestation Detection System (Deter) of the Ministry of the Environment, which fell by 19 over the last six months of 2013 in comparison with the same period of the previous year.

To ensure its suppliers adopt good labor practices, Marfrig analyzes the “Slave Labor Black List” published by the Ministry of Labor and Employment (MTE), which lists employers that have subjected their workers to conditions analogous to slavery. Lastly, the geo-location data on supplier farms is also crosschecked with data from the National Foundation for Indigenous Peoples (Funai) to ensure that cattle does not originate from indigenous lands; from the Brazilian Institute of the Environment and Renewable Resources (Ibama), which publishes a Banned Areas List, to ensure that cattle does not originate from lands banned for violating environmental regulations; and from the Chico Mendes Institute for Biodiversity Conservation (ICMBiod), which compiles information on environmental conservation areas. This system monitors over 20 million hectares in the states of Mato Grosso, Rondônia and Pará. Of the more than 7,200 suppliers in the monitored area, over 1,677 have been banned due to irregularities.

Over the years, Marfrig Beef has implemented improvements to its monitoring system, such as including the Request

for Information (RFI) tool, through which cattle farmers that supply animals acquired from third parties (indirect suppliers) must include information on the origin of the animals, including the property, municipality, state, owner and individual and corporate taxpayer numbers. This data is then crosschecked against the lists published by Ibama and the MTE for any irregularities in the indirect supplier chain.

The monitoring system began this effort in 2009, after the Company signed a public commitment known as the “Cattle Agreement,” through which it committed to not acquire cattle from farms that are involved in new deforestation or slave labor practices, banned by Ibama or located on indigenous lands or conservation areas (*read more in the section Governance*). In addition to the monitoring system, an independent audit conducted by DNV certifies that controls are functioning effectively in preventing the acquisition of illegitimate cattle. According to a conclusive report issued in early 2014, not a single purchase was identified that did not fulfill all aspects of the public commitment.

MONITORING REQUEST FOR INFORMATION (RFI) TOOL COLLECTS INFORMATION ON CATTLE RAISING AT INDIRECT SUPPLIERS



INNOVATION

INVESTMENTS IN RESEARCH AND NEXT-GENERATION TECHNOLOGY AIM TO CREATE HEALTHIER, MORE FLAVORFUL AND MORE COMPETITIVE PRODUCTS.

Innovation is essential to remaining at the forefront of a competitive industry. Over the course of its history, Marfrig Global Foods has amassed a series of milestones that have changed the history of the global Food Service industry. Some of these innovations were developed by Research and Development (R&D) Center of Keystone Foods located in West Chester, Pennsylvania. This laboratory with 50,000 square meters of floor space conducts sensorial research and analysis for the implementation of new technologies aimed at increasing production and capturing efficiency gains. Keystone's R&D team, for example, developed in 1970 the cryogenic technique for freezing food that retains the original nutrients and texture of the food while increasing its storage life, which revolutionized the fast food industry. The famous chicken nugget, which today is found in all corners of the planet, was another innovation developed by the group.

Many of the demands received by the research center come from customers, which present Keystone with their need for using a certain ingredient or idea. In addition to meeting the demands of its customers, the R&D division also works to implement new products developed at its plants, working not only to create, but also to produce and supply the market with the new food product. The center also works to improve its current processes and products by making

them more nutritional and reducing the need for production inputs.

The value of innovation is an inherent part of the principles of Marfrig Global Foods, which seeks to provide its customers and consumers with the best and most modern solutions, such as a new packaging system that better preserves the color, aroma and freshness of food products. To achieve this, Marfrig adopted a technology known as modified atmosphere (ATM), in which the air inside the packaging is replaced with a mixture of gases such as oxygen, carbon dioxide and nitrogen. This system also helps to maintain stocking temperatures, which increases storage life from nine to 12 weeks for fresh meat. Carrefour hypermarkets have already begun to adopt this system for its meat packaging.

INVESTMENT MARFRIG AND ITS SUPPLIERS AROUND THE WORLD WORK TO PRODUCE HIGH-QUALITY BEEF FOR THE PREMIUM SEGMENT

In addition to innovating production processes, Marfrig has also focused on offering more flavorful meats due not just to the cut, but also the breed, including Aberdeen Angus from the Aberdeenshire and Angus regions of Scotland. Prime quality and flavorful beef is characterized by what many would call the perfect distribution of fat and marbling, i.e., the intramuscular fat that interlaces and balances the texture of the meat. Extensive work is involved in achieving this level of flavor. As part of this effort, Marfrig monitors the artificial insemination processes of farmers who work with Angus stock to ensure the best possible results in the final product (*read more in the section Suppliers*).

Another breed considered a delicacy is Wagyu beef, which originally comes from Japan (*Wa* means Japanese and *gyu* means cattle). This breed is internationally renowned as the “caviar” of beef and is the most sought-after and expensive in the world. Its flavor comes from marbling with high quality oleaginous unsaturated fat, which gives it more flavor. Marfrig has been investing in breeds with higher added value to serve the premium market, which is growing in Brazil as well as around

the world. However, merely having the meat is not enough. The Company has been investing in raising these animals using special technologies, genetics and management techniques and a balanced diet to arrive at a product marked by excellence. The development of these products was accompanied by publicity efforts to ensure that the product had the liquidity needed to generate demand and investments (*read more in the section Stakeholder Engagement and Communication*).

Last year, the product Bassi Wagyu began to be marketed in butcher shops and retailers focused on the premium market. Also in 2013, Marfrig Beef launched a new line with 33 new packaged beef cuts for the retail market (large supermarket chains and butcher shops). In addition to guaranteeing the origin and traceability of the beef, the line offers flavorful meats with Marfrig quality.



SAFETY AND QUALITY G4-I4

INGREDIENTS, ADDITIVES,
RAW MATERIALS AND
SANITARY ASPECTS ARE
CONTINUOUSLY ASSESSED
AT ALL BUSINESS UNITS.

The safety and quality of its products is a priority for Marfrig Global Foods, which uses specific research and development methods to certify that these two requirements have been met. The method analyzes aspects such as the use of ingredients and additives approved for food use by competent authorities; the use of company-supplied raw materials or those from qualified third parties that hold sanitary certifications issued by supervisory agencies; the use of specialized laboratories to validate products before they are marketed; and the execution of periodic sensorial analyses to approve products in terms of their appearance, texture, aroma and flavor. All products are also tested before sale and all packaging carries guidelines on how to best store and prepare the product.

Keystone Foods plants undergo audits to guarantee their safety and quality. Facilities are also certified by the Global Food Safety Initiative, which promotes continuous improvement in food safety management systems to ensure greater trust in the food supplied to consumers around the world. The Company also created the Food Safety and Quality Council, which acts as a forum for internal discussions on the topic and for sharing best practices from around the world.

Moy Park signed a partnership with the Institute for Global Food Security (IGFS), an initiative of Queen's University in Belfast, Northern Ireland that conducts research in the field. Moy Park also participates in various other international food safety forums to research and develop new ways to promote continuous improvement in this area. By participating in research groups focusing on the topic, the Company always stays up-to-date on new tests and processes that can be used to ensure the highest levels of food quality and safety.

Moy Park's concern goes far beyond mere testing. It also seeks to create more nutritious food with lower sodium and fat content as part of a movement led by its New Product Development Innovation team. All nutritional information can be found on the product packaging in a simple and easy to understand form, which makes life easier for consumers seeking flavorful, as well as healthy and nutritious, foods.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

G4-24, G4-25, G4-26, G4-27

DEBATES FOCUSING ON INDUSTRY ISSUES HELP THE GROUP STRENGTHEN ITS SUPPORT OF BEST PRACTICES.

To disseminate new ways to improve the industry and make it more responsible and aligned with its economic and environmental needs, Marfrig actively participates in a number of working groups that discuss good cattle management and production practices in Brazil and the world. Marfrig is a member of the Working Group for Sustainable Cattle Raising (GTPS). Through monthly meetings, the group discusses relevant topics that could affect the segment. In previous years, Marfrig served as the chair of the GTPS, but now a member. Its work with the group strengthened its participation in the Farmer Support Programme (FSP Program) coordinated by the NGO Solidaridad in partnership with the NGO Imaflora, which works to offer technical assistance to rural producers in the Rolim de Moura region of the state of Rondônia.

At the international level, Marfrig also participates in the Global Roundtable for Sustainable Beef (GRSB), an organization that works to establish principles and criteria for a sustainable beef value chain. Marfrig participates via monthly meetings by audio or video conferencing and occasionally through in-person meetings in the United States via Keystone Foods. The GRSB hopes to finalize and validate its work by the end of 2014 to be able to publish it during the year. In both working groups, the forums are formed by stakeholders that make up different parts of the value chain, such as producers, input suppliers, banks and NGOs. This multi-stakeholder public encourages a rich discussion and

helps disseminate good practices to Marfrig's stakeholders.

Another project of the Company to promote its best practices among are its efforts to create a stronger relationship with the chain of premium products of Marfrig Beef under the Bassi and Montana brands and its cuts of Angus and Wagyu cattle. Most customers lack information on the production processes. To solve this, Marfrig Beef holds meetings with its customers that include visits to plants to show first-hand the care that goes into the production of its meats. This effort helps leverage the work of the sales team by comple-

menting the technical knowledge sought by customers. The goal is to base all sales negotiations on more than just financial data by expanding the scope of discussions to include sustainability, traceability and quality.

The work to strengthen relationships in Brazil is conducted along two main lines. The first is customers visits to the Promissão II plant in the state of São Paulo, which presents the production process and Marfrig's concern for the environment, animal welfare and safety. This visit enables customers to identify at the plants ideas on how to improve their own business based on Marfrig's

CONTACT

The Group maintains various different channels of communication with its consumers through its Consumer Service Center (SAC), which receives suggestions, criticism, and complaints and provides information:

MARFRIG

Tel: 0800-47-2527

email: sac@marfrig.com.br

KEYSTONE FOODS

Tel: +001 610-667-6700

www.keystonefoods.com/contact-us

MOY PARK

Tel: +44 (0) 28 3835 2233

email: enquiries@moypark.com

experiences. It also serves as a positive influence on the supply chain by presenting recycling methods to reduce the amount of waste sent to landfills and how to recycle water from operations, for example. These visits are conducted on a bimonthly basis and are primarily for retail and butcher shop customers.

The second visit conducted by Marfrig Beef is to present its farm in Jequitibá, São Paulo. On these visits, customers learn about the entire process behind the meat, from the moment the animal reaches the farm, while demonstrating its concern for the animal's welfare, employee safety, sustainability and guarantee of origin. All of these aspects show why Marfrig meats impart greater value, which facilitates the negotiation process. These visits are held on a monthly basis and target Food Service customers and chefs of restaurants, including fine dining establishments. More than 120 customers have already visited the farm as part of this project, which was launched in January 2013. In addition to these visits, the entire commercial team undergoes training to recognize the advantages of Marfrig's production process and attribute greater value to the initiatives adopted by the Company to always offer its customers and consumers the very best.

SPONSORSHIPS AND RELATIONS

Marfrig Global Goods is a sponsor of the FIFA World Cup in the category World Cup Sponsor. This opportunity gave the Company a chance to expand its brand internationally, strengthen the Keystone and Moy Park brands at the regional level and strengthen the Marfrig Global Foods brand at the global level. At the local level, Marfrig has opted in certain regions to use brand names that are better known locally, such as the case of Hamby in Uruguay.

The sponsorship of the World Cup, which in 2014 will be hosted by Brazil, presented a unique relations opportunity for Marfrig, since it receives a series of invitations to watch matches as well as visits to stadiums after games and the chance to watch the players arrive



at the stadiums. The sponsorship also includes the right to use the actual cup from the Confederations Cup that was also held in Brazil in 2013, which was showcased extensively during national and international trade fairs throughout the year. In addition to relationship actions with customers, the Company is using the tickets that it received for World Cup matches as incentives and bonuses for its employees as part of a sales campaign with set targets.

In 2013, Marfrig launched the corporate magazine "Taste the World," which is available in Portuguese as a print magazine or online and in English in the digital version. The quarterly magazine with circulation of 3,000 copies seeks to publicize the group's actions and strengthen the Marfrig Global Foods brand in Brazil and the rest of the world. To support this mission, Marfrig redesigned its brand logos as part of its reorganization carried out in 2013. The new logos represent an improvement on the brand's initial concept and visual identity for all of the business units, which helped consolidate and strengthen the Marfrig Global Foods Group.

SUPPORTING LARGE EVENTS ENABLES THE GROUP TO POSITION ITS BRAND IN VARIOUS MARKETS AND REGIONS

ECONOMIC PERFORMANCE



IN 2013, THE COMPANY
POSTED NET REVENUE OF
R\$18.75 BILLION, UP 14% ON
THE PREVIOUS YEAR.

**INTERNATIONAL
OPERATIONS
OUTSIDE OF
BRAZIL ACCOUNT
FOR OVER 50% OF
REVENUES**

46 %

**SHARE OF MARFRIG
BEEF'S REVENUE
CONTRIBUTION**

The year 2013 was marked by major changes at Marfrig Global Foods, which began to adopt a structure formed by the business units Keystone, Moy Park and Marfrig Beef. The Company's net revenue amounted to R\$18.75 billion in 2013, growing by 14% from R\$16.52 billion in 2012, excluding the assets divested over the course of last year. Net revenue growth was driven by the 14% increase in the average sales price combined with stability in sales volume in relation to 2012. Marfrig Beef accounted for 46% of consolidated net revenue in the period, which is the same contribution made by the unit in 2012. Meanwhile, Keystone accounted for 29% of revenue, compared to 30% in 2012, and Moy Park accounted for 25% of the total, compared to 24% in 2012. It is important to note that, in this scenario, the international operations represent more than half of the Group's revenue.

Moy Park posted 18% growth in its sales in the Food Service segment in the United Kingdom and continental Europe. Marfrig Beef increased its sales by 14%, driven by growth in its exports from Brazil and in its sales in the Food Service channel in the domestic market. Keystone's sales were adversely affected by the cases of avian influenza reported in China, which led to a reduction in sales volume in the country's domestic market. However, the division was able to grow its sales in 2013 by 10%, supported by its geographic diversification and higher sales to Key Accounts. Lastly, the growth in revenue was driven by currency translation effects caused by the appreciation in the U.S. dollar against the Brazilian real.



MARFRIG BEEF

URUGUAY OPERATION RETURNS TO PROFITABILITY IN LATE 2013

The largest portion of the revenue earned by Marfrig Beef comes from Brazil's domestic market, which accounts for 21.5% of the group's consolidated net revenue. The unit's domestic sales in Brazil grew 13% in 2013 to R\$4,029 million, compared to R\$3,561 million in 2012. This performance reflects the 7% growth in sales volume and the 5% increase in the average sales price.

Meanwhile, the unit's export sales grew 35% in 2013 to R\$2,597 million (13.8% of total revenue), compared to R\$1,930 million in 2012. This performance reflects the 25% growth in sales volume and the 8% increase in the average sales price.

The international operations of Marfrig Beef, which is represented by the units located in Argentina, Uruguay and Chile, accounted for 10.8% of the revenue earned by the business unit and decreased by 5% to R\$2,031 million in

2013, compared to R\$2,137 million in 2012. This performance was due to the 14% decrease in sales volume, which was mitigated by the 11% increase in the average sales price practiced in the period. In view of the growing challenges and uncertainties in the Argentine market, the Company opted to reduce its exposure to the country and temporarily shut down two production units at the start of the year, which contributed to the reduction in sales volume compared to 2012. In Uruguay, after the year began with cattle prices under pressure and supply at lower levels, gradual signs of recovery emerged, with an increase in the average export sales price.

13%

SALES GROWTH IN BRAZIL IN 2013



MOY PARK

EUROPEAN OPERATIONS POST SALES GROWTH COMBINED WITH A HIGHER AVERAGE PRICE

The United Kingdom's domestic market accounted for 21.8% of the group's consolidated net revenue in 2013, increasing by 18% to R\$4,089 million, compared to R\$3,472 million in 2012. This performance reflects the 4% growth in sales volume and the 13% increase in the average sales price. Meanwhile, Moy Park's exports accounted for 3.4% of consolidated net revenue and grew by 19% to R\$634 million, from R\$534 million in 2012. This performance reflects the 3% growth in sales volume and the 16% increase in the average sales price.

R\$ 4,089 MM
CONSOLIDATED
NET REVENUE
IN 2013

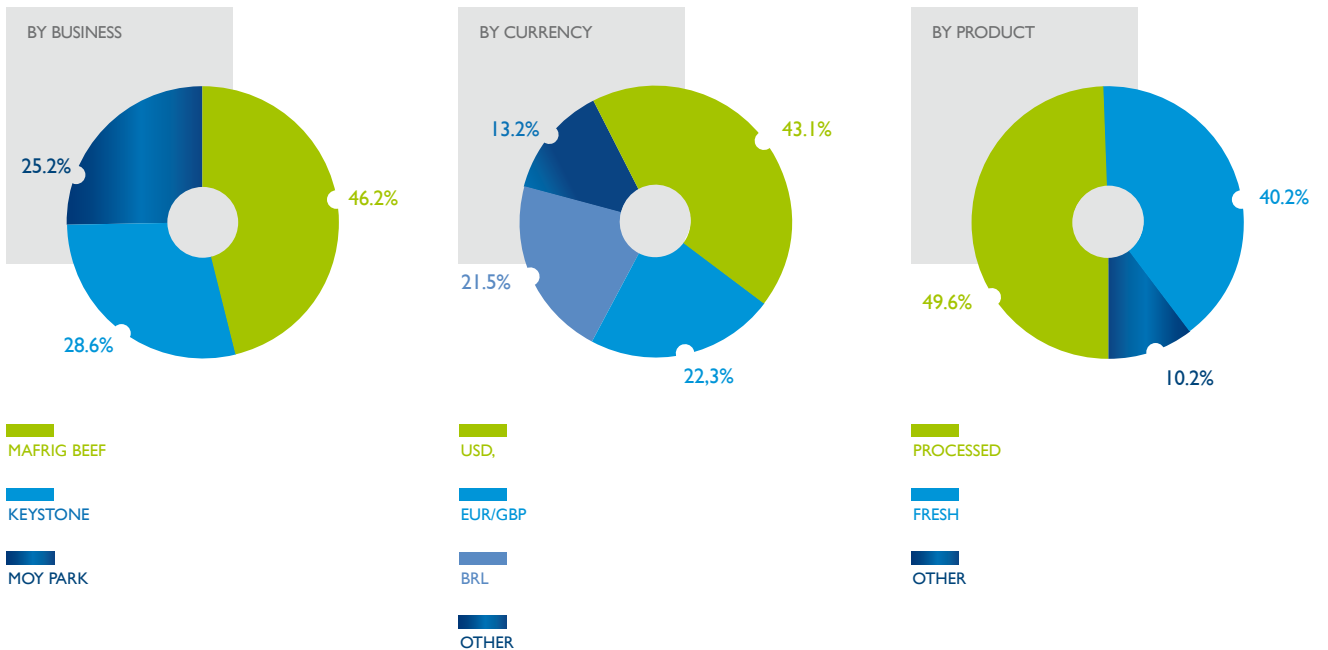


KEYSTONE FOODS OPERATIONAL FOCUS ON US DOMESTIC MARKET, MIDDLE EAST AND ASIA

The US domestic market accounted for 21.7% of the group's consolidated net revenue in 2013, with this market's net revenue growing by 11% to R\$4,060 million, compared to R\$3,650 million in 2012. This performance was due to the 6% decrease in sales volume, which was mitigated by the 18% increase in the average sales price practiced in the period. Keystone's operations in the Middle East and Asia accounted for 7% of consolidated net revenue in 2013, or R\$1,311 million. Due to the accounting adjust-

ment implemented to comply with IFRS 11 – Joint Arrangements (CPC 19 – R2), the joint venture established in China (Shandong McKey Chinwhiz Foods Co. Ltd.), which previously was accounted based on proportionate consolidation, began, in 2013, to be accounted using the equity method. Although this change is irrelevant at the consolidated level of the group, the comparisons of volumes and revenues in Keystone's operations in Asia and the Middle East suffered distortions and therefore are not comparable with 2012.

NET REVENUE 2013



COST OF GOODS SOLD

Cost of Goods Sold increased 16% to R\$16.44 billion in 2013, compared to R\$14.15 billion in 2012, which is in line with the Company's organic growth (14% increase in net revenue). The increases of 19% in expenses with raw materials (grain, livestock and other inputs), 11% in labor costs and 5% in

production costs (energy, packaging, indirect costs and other) also contributed to the higher COGS in the period.

The Marfrig Beef business segment increased its share of consolidated COGS from 42% to 44% in 2013, while Moy Park's share remained stable at 26% and Keystone reduced its share from 32% to 30%. The higher share in COGS of the Marfrig Beef operation is explained

by the increase in cattle costs in 2013, as well as increases in other cost lines. The item raw materials was the main component of COGS in 2013, accounting for 74% of the total, compared to 72% in 2012.

COGS

in R\$ million

	2013	SHARE (%)	2012	SHARE (%)	VAR. (%)
Raw Materials	12,104	74%	10,133	72%	+19%
Labor	2,192	13%	1,968	14%	+11%
Production costs	2,148	13%	2,053	15%	+5%
TOTAL	16,443	100%	14,154	100%	+16%
Marfrig Beef	7,180	44%	5,969	42%	+20%
Moy Park	4,256	26%	3,657	26%	+16%
Keystone Foods	5,006	30%	4,528	32%	+11%

GROSS INCOME

In 2013, Gross Income amounted to R\$2.31 billion, down slightly from R\$2.36 billion in 2012. The Marfrig Beef segment accounted for 64% of total gross income the period (70% in 2012), while Moy Park accounted for 20% (vs. 15% in 2012) and Keystone for 16% (vs. 15% in 2012). Gross Margin contracted by 200 bps, from 14.3% in 2012 to 12.3% in 2013, explained by the decreases in gross margin of 460 bps in the Marfrig Beef segment and 50 bps in the Keystone segment, which were partially offset by the gross margin expansion of 120 bps in the Moy Park segment.



SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In 2013, SG&A expenses amounted to R\$1.37 billion, increasing 5% on the prior year and lagging the net revenue growth in the period of 13.5%. The Marfrig Beef segment accounted for 59% of total SG&A expenses in the period (63% in 2012), while Moy Park accounted for 27% (vs. 22% in 2012) and Keystone for 14% (vs. 15% in 2012).

The higher expenses with selling, logistics and marketing required to support the organic growth of the business were offset by the higher sales and the rigorous control of expenses, which supported a 60 bps reduction in SG&A expenses as a ratio of net revenue, from 7.9% in 2012 to 7.3% in 2013.

Selling expenses amounted to R\$805 million and accounted for 4.3% of NOR, with this ratio remaining virtually stable in relation to 2012 (4.2%).

Meanwhile, general and administrative expenses amounted to R\$563 million, representing 3.0% of NOR, or 70 bps lower than in 2012.

SG&A EXPENSES in R\$ million

	2013	2012	CHANGE (%)
Selling Expenses	805.3	699.0	15.2%
% of Net Revenue	4.3%	4.2%	+10 bps
General and Administrative Expenses	563.5	606.2	-7.0%
% of Net Revenue	3.0%	3.7%	-70 bps
TOTAL SG&A	1.368.8	1.305.2	4.9%
% of Net Revenue	7.3%	7.9%	-60 bps
Marfrig Beef (%)	9.4%	10.8%	-140 bps
Moy Park (%)	7.8%	7.2%	+ 60 bps
Keystone Foods (%)	3.5%	3.9%	- 40 bps

NET FINANCIAL RESULT

In 2013, consolidated Adjusted EBITDA (earnings before interest tax, depreciation and amortization) amounted to R\$1,446 million, compared to R\$1,505 million in 2012. Adjusted EBITDA Margin stood at 7.7%, compared to 9.1% in 2012. The Marfrig Beef segment accounted for 55% of period Adjusted EBITDA (64% in 2012), Keystone for 24% (20% in 2012) and Moy Park for 21% (16% in 2012).

RECONCILIATION OF ADJUSTED EBITDA in R\$ million

	2013	2012	VAR.
Adjusted EBITDA	1,446.2	1,505.2	-4%
(+) Other Operating Income/Expenses:	(65.0)	372.8	N/A
EBITDA	1,381.2	1,878.0	-26%
(+) Equity Income	(9.1)	0	N/A
(+) Depreciation/Amortization	(505.4)	(448.5)	13%
(+) Net Financial Charges	(1,441.1)	(1,068.4)	35%
(+) Net Exchange Variation	(589.9)	(349.9)	69%
(+) Non-controlling interest	(12.9)	(13.9)	-7%
(+) Provision for income and social contribution taxes	361.3	266.2	36%
NET INCOME	(815.9)	263.5	N/A

RECONCILIATION OF DISCONTINUED OPERATIONS in R\$ million

	2013	2012
EBITDA from continuing and discontinued operations	2,373.8	2,134.0
(-) Effect from discontinued operations	992.6	256.0
EBITDA from continuing operations	1,381.2	1,878.0

NET FINANCIAL RESULT

In the year, the financial result excluding the effects from exchange variation was an expense of R\$1.44 billion, increasing 35% from the R\$1.07 billion expense recorded in 2012, which is explained by the increase in interest expenses on borrowings, the net loss from derivative instruments and the higher financial discounts offered. Exchange variation in the year, which has no cash impact, was a loss of R\$590 million, compared to a loss of R\$350 million in 2012, which is explained by the average appreciation in the U.S. dollar against the Brazilian real in the period of 15.9%.

NET INCOME (LOSS)

The Company posted a net loss for the year of R\$816 million, compared to net income of R\$264 million in 2012. The net loss in 2013 was due to the exchange variation loss caused by the depreciation in the Brazilian real against the U.S. dollar and by the nonrecurring loss from derivative operations, which, although transferred when the Seara and Zenda operations were divested, still impacted the result in 2013. [G4-13](#)

**NET INCOME/LOSS
PERFORMANCE WAS
IMPACTED BY THE
EXCHANGE VARIATION
LOSS IN THE YEAR**

**R\$ 810.6
MILLION**

**GROUP'S TOTAL
INVESTMENTS IN 2013**

**7%
GROWTH IN TOTAL
INVESTMENTS
COMPARED TO 2012**

NET FINANCIAL RESULT

in R\$ million

	2013	2012	VAR
FINANCIAL INCOME	365	340	8%
Interest Income	178	213	-16%
Financial income (loss) from derivatives	180	108	67%
Other	7	18	-61%
FINANCIAL EXPENSES	(1,806)	(1,407)	28%
Interest Expenses / Debentures / Leasing	(1,272)	(1,166)	9%
Financial income (loss) from derivatives	(302)	(108)	180%
Bank fees, commissions, financial discounts and other	(232)	(133)	74%
NET EXCHANGE VARIATION	(590)	(350)	69%
NET FINANCIAL RESULT	(2,031)	(1,418)	43%

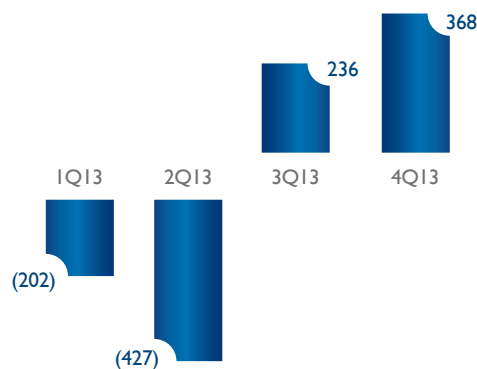


OPERATING CASH FLOW

Cash flow (before interest expenses and capital expenditure) improved gradually over the last few quarters to end 2013 at negative R\$25 million. The improvement represents the sum of the joint efforts by all business units, with the highlight the Marfrig Beef segment, where the total focus on profitability and managing working capital led to significant improvement in the lines inventory, trade payables and receivables. We continue to focus on delivering our guidance for 2014 of Free Cash Flow (after Capex and Interest) of between R\$0.0 and R\$100 million.

OPERATING CASH FLOW

in R\$ million



INVESTMENTS

Capital expenditure increased by 7% to R\$810.6 million in 2013, compared to R\$754.9 million in 2012. During the period, R\$650.6 million was invested in maintaining and expanding production units, while R\$151.5 million was invested in renewing parent stocks.

CAPITAL EXPENDITURE

in R\$ million

	2013	2012	VAR
Fixed Assets	650.6	603.5	8%
Breeding stock	151.1	142.7	6%
Intangible Assets	8.8	9.0	-2%
Total	810.6	754.9	7%

CAPITAL STRUCTURE

Gross Debt

The Company ended the year with consolidated gross debt of R\$8.9 billion, compared to R\$11.6 billion at the end of 2012. Considering the figures reported in 2012 (R\$12.4 billion), which still included the discontinued operations of Seara and Zenda, gross debt decreased by over R\$3.5 billion. Of the total debt, only 13% matures in the short term while 87% is due in the long term. Of the total debt, 4% is denominated in Brazilian real and 96% in other currencies, while 21% of the Group's revenues are generated in Brazilian real and 79%

in foreign currencies. The weighted average cost of our consolidated bank debt stood at 8.0% per annum.

Net Debt and Leverage

After the transfer of 100% of the debt involved in the Seara divestment, the leverage ratio (net debt/EBITDA) stood at 3.0x, compared to 4.3x at year-end 2012.

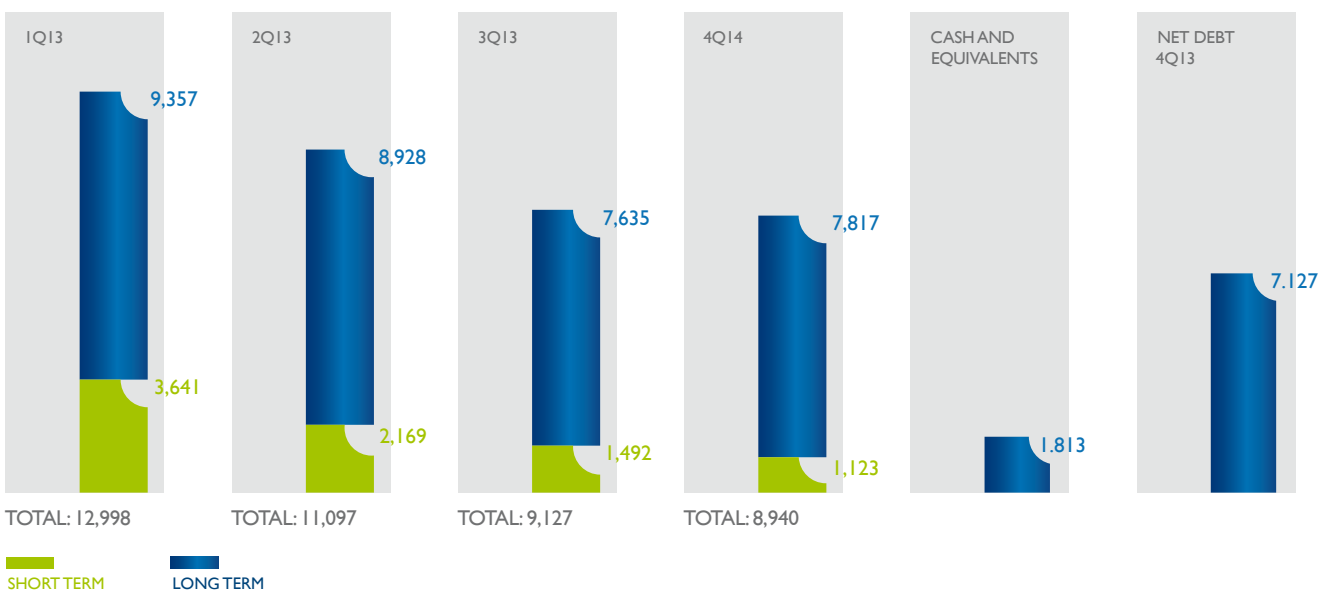
Credit Risk Rating – Global Scale

The three credit risk rating agencies now have either stable or positive outlooks on the international ratings they have assigned to the Company (Moody's B2, Fitch B, S&P B).

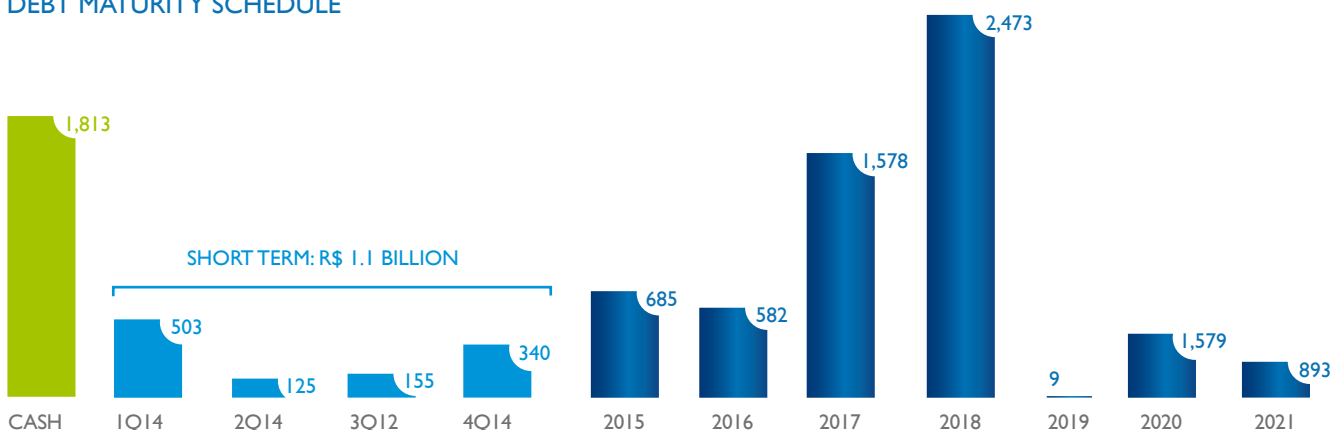
DEBT
COMPANY FOCUSED
ON LOWERING ITS
DEBT COST

3.0x
LEVERAGE RATIO
REACHED BY YEAR-
END AFTER THE SEARA
DIVESTMENT

DEBT (R\$ MILLION)



DEBT MATURITY SCHEDULE

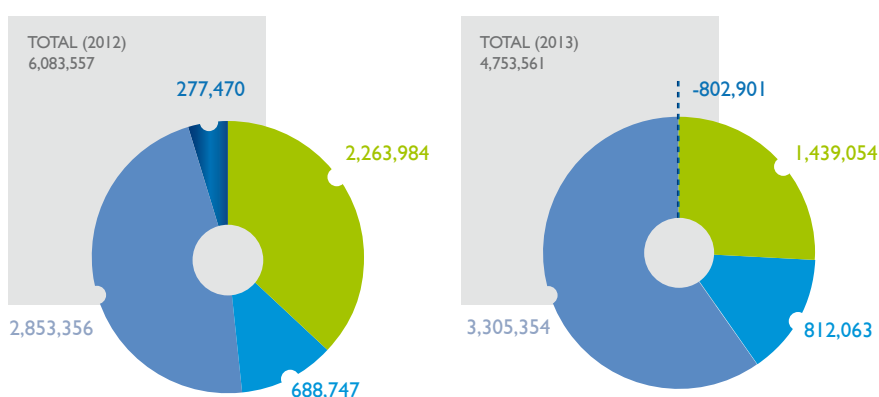


STATEMENT OF VALUE ADDED G4-EC1

in R\$ million

	2012	2013
1 – REVENUE	16,962,245	18,757,765
Sales of goods and services	16,516,366	18,752,376
Other revenues	513,327	35,073
Allowance for doubtful accounts – Reversal / Accrual	-67,448	-29,684
2 – SUPPLIES PURCHASED FROM THIRD PARTIES (INCLUDES ICMS AND IPI TAXES)	11,070,826.00	14,632,942.00
Cost of goods sold and services rendered	5,914,259	11,020,510
Material, energy, outsourced services and other	4,255,501	3,572,204
Loss / Recovery of assets	901,066	40,228
3 - GROSS VALUE ADDED	5,891,419	4,124,823
4 - RETAINED AMOUNTS	458,042	505,369
Depreciation, amortization and depletion	458,042	505,369
5 - NET VALUE CREATED BY COMPANY	5,433,377	3,619,454
6 - VALUE ADDED RECEIVED THROUGH TRANSFER	650,180	1,134,107
Equity in earnings (losses) of subsidiaries	0	-9,109
Financial income	650,180	1,143,216
7 – TOTAL VALUE ADDED TO BE DISTRIBUTED	6,083,557	4,753,561

DISTRIBUTION OF VALUE ADDED



VALUE DISTRIBUTED TO PROVIDERS OF CAPITAL

PAYROLL AND RELATED CHARGES

TAXES PAYABLE

VALUE DISTRIBUTED TO SHAREHOLDERS

R\$ 4.7
BILLION

TOTAL VALUE ADDED TO
BE DISTRIBUTED TO THE
GROUP AT YEAR-END

GRI INDEX

THE 2013 ANNUAL REPORT OF MARFRIG GLOBAL FOODS PRESENTS THE STANDARD DISCLOSURES OF THE GRI SUSTAINABILITY REPORTING GUIDELINES, VERSION G4.

GENERAL DISCLOSURES

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSIONS	
STRATEGY AND ANALYSIS	G4-1 Message from the CEO	6, 7, 8, 9		
	G4-2 Description of key impacts, risks, and opportunities	6, 7, 8, 9, 21, 23		
ORGANIZATIONAL PROFILE	G4-3 Name of the organization	11		
	G4-4 Primary brands, products, and/or services	11		
	G4-5 Location of the organization's headquarters	11		
	G4-6 Countries where the organization has significant operations or that are specifically relevant to the sustainability topics covered in this report	16		
	G4-7 Nature of ownership and legal form	8		
	G4-8 Markets served by the organization	11		
	G4-9 Scale of the organization	16, 17, 18, 19		
	G4-10 Profile of employees	52		
	G4-11 Percentage of employees covered by collective bargaining agreements	55		
	G4-12 Description of the organization's supply chain	63		
	G4-13 Significant changes regarding the organization's size, structure, ownership or supply chain	84		
	G4-14 Description of how the precautionary approach or principle is addressed by the organization	27, 29, 76		
	G4-15 Externally developed charters, principles, or other initiatives	26, 46, 47, 48, 49		
	G4-16 Memberships in associations and organizations	48		
	IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	G4-17 Entities included in the organization's consolidated financial statements and entities not covered by the report	5	
		G4-18 Process for defining the report content	5	
G4-19 List of material aspects		25		
G4-20 Boundary within the organization of each material aspect		24		
G4-21 Boundary outside the organization of each material aspect		24		
G4-22 Restatements of information provided in previous reports		5		
G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries		5		
STAKEHOLDER ENGAGEMENT	G4-24 List of stakeholder groups engaged by the organization	76, 77		
	G4-25 Basis for identification and selection of stakeholders with whom to engage	76, 77		

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSIONS
STAKEHOLDER ENGAGEMENT	G4-26 Organization's approach to stakeholder engagement	76, 77	
	G4-27 Key topics and concerns that have been raised through stakeholder engagement	76, 77	
REPORT PROFILE	G4-28 Reporting period	5	
	G4-29 Date of most recent previous report	5	
	G4-30 Reporting cycle	5	
	G4-31 Contact point for questions regarding the report or its contents	5	
	G4-32 Guidelines application option and GRI content index	5, 88	
	G4-33 Policy and current practice with regard to seeking external assurance for the report	5	
GOVERNANCE	G4-34 Organization's governance structure	27, 28	
ETHICS AND INTEGRITY	G4-56 Organization's values, principles, standards and norms of behavior	12, 29, 30, 51	

ECONOMIC CATEGORY

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSION
ECONOMIC PERFORMANCE	G4-DMA Management method	75, 76, 77	
	G4-EC1 Direct economic value generated and distributed	83	
INDIRECT ECONOMIC IMPACTS	G4-DMA Management method	30, 60, 61	
	G4-EC8 Description of significant indirect economic impacts	30, 60, 61	

ENVIRONMENTAL CATEGORY

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSION
ENERGY	G4-DMA Management method	41	
	G4-EN3 Energy consumption within the organization	41	
WATER	G4-DMA Management method	43	
	G4-EN8 Total water withdrawal by source	43	
BIODIVERSITY	G4-DMA Management method	45, 46, 47, 48, 49	
	G4-EN12 Significant impacts of activities, products, and services on biodiversity	45, 46, 47, 48, 49	
	G4-EN13 Habitats protected or restored	45, 46, 47, 48, 49	
EMISSIONS	G4-DMA Management method	38, 39, 40	
	G4-EN15 Direct greenhouse gas emissions	39	
	G4-EN16 Energy indirect greenhouse gas emissions	39	
	G4-EN17 Other indirect greenhouse gas emissions	39	
	G4-EN18 Greenhouse gas emissions intensity	40	
EFFLUENTS AND WASTE	G4-DMA Management method	42, 44	
	G4-EN22 Total water discharge by quality and destination	44	
	G4-EN23 Total weight of waste by type and disposal method	42	
	G4-EN24 Total number and volume of significant spills	44	

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSION
PRODUCTS AND SERVICES	G4-DMA Management method		
	G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category	Marfrig started to develop a reverse logistics program to minimize the impacts of the post-consumer solid waste generated by its product packaging. Since the program is still under development, there is no information on the volume of packaging to be recovered. The concern with minimizing the environmental impacts arising from its product packaging is reflected not only by the adoption of Forest Stewardship Council (FSC) certified materials, which attest to the origin of the wood used to make paperboard, paper and byproducts, but also by actions to reduce the amount of packaging and facilitate its recycling. Some of the initiatives include adopting thinner protection films and labels that are more easily removed and substituting materials in production processes.	
SUPPLIER ENVIRONMENTAL ASSESSMENT	G4-DMA Management method	45, 46, 47, 48, 49	
	G4-EN33 Significant actual and potential negative environmental impacts in the supply chain	45	

SOCIAL CATEGORY – LABOR PRACTICES AND DECENT WORK

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSION
EMPLOYMENT	G4-DMA Management method	52, 53	
	G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	52, 53	
LABOR RELATIONS	G4-DMA Management method	55	
	G4-LA4 Minimum notice periods regarding operational changes	55	
OCCUPATIONAL HEALTH AND SAFETY	G4-DMA Management method	59, 60, 61	
	G4-LA6 Rates of injury, occupational diseases and lost days	60	
	G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	61	
DIVERSITY AND EQUAL OPPORTUNITY	G4-DMA Management method	56, 57, 58	
	G4-LA12 Composition of corporate governance bodies and breakdown of employees per employee category	57	
SUPPLIER ASSESSMENT FOR LABOR PRACTICES	G4-DMA Management method	64, 65	
	G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain	64, 65	

SOCIAL CATEGORY – HUMAN RIGHTS

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSION
CHILD LABOR	G4-DMA Management method	62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77	
	G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labor; and measures taken	The code of ethics establishes the Company's commitment to comply with labor laws and eradicate child labor and is aligned with the Ethos Institute pact for eradicating slave and child labor. The operations mapped as posing significant risk are addressed by programs to monitor the supply chain, the Marfrig Club and certifications, including SA 8000. The programs ensure their assessment through the completion of a checklist and the monitoring of the social and environmental conditions of critical (third-party and cattle suppliers) and non-critical suppliers.	
FORCED OR COMPULSORY LABOR	G4-DMA Management method	62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77	
	G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken	The code of ethics establishes the Company's commitment to comply with labor laws and eradicate child labor and is aligned with the Ethos Institute pact for eradicating slave and child labor. The operations mapped as posing significant risk are addressed by programs to monitor the supply chain, the Marfrig Club and certifications, including SA 8000. The programs ensure their assessment through the completion of a checklist and the monitoring of the social and environmental conditions of critical (third-party and cattle suppliers) and non-critical suppliers.	

SOCIAL CATEGORY – SOCIETY

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSION
LOCAL COMMUNITIES	G4-DMA Management method	33, 34, 35	
	G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	33	
ANTI-CORRUPTION	G4-DMA Management method	93	
	G4-SO5 Confirmed incidents of corruption and actions taken	In 2013, there were no incidents of corruption reported in the organization. The code of ethics provides guidelines for commercial relationships and any interactions with government representatives, with any breach considered very serious, notwithstanding the punishments provided for by the laws of Brazil or of any other country in which the Group operates.	
ANTI-COMPETITIVE BEHAVIOR	G4-DMA Management method	93	
	G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices	No lawsuits were registered in 2013 involving unfair competition, antitrust or monopoly practices.	

SOCIAL CATEGORY – PRODUCT RESPONSIBILITY

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSION
CUSTOMER HEALTH AND SAFETY	G4-DMA Management method	75	
	G4-PRI Product and service categories for which health and safety impacts are assessed for improvement	Due to the nature of the business, 100% of products in all categories are subjected to an assessment of their impact on the health and safety of consumers. All operating units have procedures in place to assess food safety and shelf life procedures, for which tests are conducted every two years, as well as the tests conducted of every new packaging or product.	
PRODUCT AND SERVICE LABELING	G4-DMA Management method	71, 72, 73, 74, 75	
	G4-PR3 Type of product and service information required by labeling procedures	Marfrig complies with all food labeling regulations for the products it markets in various regions. All products require labeling authorized by the federal inspection service as well as compliance with the requirements of various importing countries. The units have duly implemented Product Labeling approval and registration procedures.	

CATEGORY – FOOD INDUSTRY

ASPECT	DESCRIPTION	PAGE/RESPONSE	OMISSION
PROCUREMENT PRACTICES	G4-DMA Management method	64, 65, 67, 68, 69	
	FP2 Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	67, 68, 69	
CONSUMER HEALTH AND SAFETY	G4-DMA Management method	30, 31	
	FP5 Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	30, 31	
	FP6 Percentage of total sales volume of consumer products, by product category, that are low in saturated fat, trans fats, sodium and added sugars	Due to the nature of the business, 100% of products in all categories are subjected to an assessment of their impacts on consumer health and safety. All operating units have procedures in place to assess food safety and shelf life procedures, for which tests are conducted every two years, with tests also conducted of every new packaging or product.	
ANIMAL WELFARE	G4-DMA Management method	67, 68, 69	
	FP11 Percentage and total of animals raised and/or processed, by species and breed type (how the Company's animals are raised)	67, 68, 69	
	FP12 Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	67, 68, 69	

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