

# **POLICY ON RELATED PARTIES TRANSACTIONS AND CONFLICTS OF INTERESTS SITUATIONS**

## **1. Introduction**

### **1.1. Purpose**

This Policy on Related Parties Transactions and Conflicts of Interests Situations ("Policy") establishes the rules and procedures to be followed by Marfrig Global Foods S.A. ("Marfrig" or "Company"), its subsidiaries, all its employees, managers and shareholders in transactions involving related parties and conflicts of interest.

This Policy ensures transparency to shareholders, investors and the market and promotes fair treatment of suppliers and clients, in line with Corporate Governance best practices adopted by the market.

### **1.2. Scope**

This Policy is valid and applies to all the divisions and operations of the Marfrig group, as well as its employees, managers and shareholders.

### **1.3. Validity**

This Policy will take effect from the date of its approval by the Board of Directors of the Company. It will remain in force for indeterminate period and will be reviewed annually by the Board of Director.

### **1.4. Disclosure**

After approval by the Board of Directors, this Policy will be broadly disseminated within the Company and its Subsidiaries, with the adhesion and consent of managers and all employees of the Marfrig group and will be filed with capital market regulators and made available to shareholders, investors and the market through the Company's Investor Relations website.

The outcome of the actions highlighted in this Policy and evidence of discussions held must be periodically presented by the Statutory Audit Committee to the Board of Directors of the Company.

## **2. Definitions**

### **2.1. Transactions with related parties**

In accordance with Technical Pronouncement CPC 5 (R1) issued by the Brazilian Accounting Pronouncements Committee ("CPC") and approved by the Securities and Exchange Commission of Brazil ("CVM"), through CVM Resolution 94/22, as well as applicable laws and rules, "Related Party", for the purposes of this Policy, are individuals or legal entities that:

- a)** directly or indirectly, through only one or more intermediaries: i) exercise de facto or joint control, are controlled or are under joint control of the company; or ii) somehow have significant influence on the Company.
- b)** are affiliated companies of the Company, pursuant to Law 6,404/1976 – Brazilian Corporations Law.
- c)** are considered key people for the Company, that is, those who hold management positions at the Company, its subsidiaries or its controlling shareholders.
- d)** in relation to any person of items “a” to “c”: **i)** spouse or partner; **ii)** blood-related antecedents, such as parents, grandparents, great-grandparents, or antecedents by affinity, such as stepparents, fathers- or mothers-in-law; **iii)** blood-related descendants, such as children, grandchildren., or descendants by affinity, such as stepchildren, daughters- and sons-in-law etc.; and iv) collateral relatives up to second degree, related by blood or otherwise, such as siblings, brothers- or sisters- in-law etc.;
- e)** could exercise significant influence, that is, has authority and responsibility for planning, directing and controlling the operations of the Company, directly or indirectly, including any manager (Board of Directors; Advisory Committees to the Board of Directors; Executive Management; and other non-statutory Directors).
- f)** the Company may contract under conditions other than of autonomy that characterizes transactions with third parties not related to the Company.

The following are examples of related parties transactions:

- Purchase or sale of products and services.
- Purchase or sale of properties.
- Purchase and sale of cattle.
- Loan agreements, capital contributions or advances.
- Lease agreements.
- Agency or licensing agreements.
- Accommodation, suretyships and any other forms of guarantees.
- Research and technology transfers.
- Sharing of infrastructure or structure.
- Sponsorships and donations.
- Assumption of commitments, including execution agreements.
- Settlement of liabilities on behalf of related party.

## **2.2. Conflict of interests' situation**

A Conflict of interests is characterized when an individual or legal entity that has any form of business dealings with Marfrig or any of its subsidiaries is involved in a decision-making process in which they have the power to influence and/or guide the outcome of the decision, thereby obtaining any gain and/or benefit for themselves, any member of their family or any other third party with which they have any type of involvement, or still, are in a situation that may interfere in their capacity for impartial judgment.

## **2.3. Market conditions**

Market conditions are those that consider: **a)** prices and services compatible with those practiced by the market; **b)** that the services provided are compatible with Company's best practices, while respecting safety controls; **c)** that the operations are conducted with maximum transparency; **d)** compliance with the same principles and procedures that guide the Company's negotiations with independent or unrelated parties.

Therefore, the rules for related parties transactions must consider the following principles:

- Competitiveness (service prices and conditions compatible with those practiced by the market).
- Compliance (compliance of services provided with contractual terms and responsibilities practiced by the Company, and with adequate controls on information safety).
- Transparency (adequate disclosure of conditions agreed upon, with due allocation, as well as their effects on the Company's financial statements).
- Equity (establishment of mechanisms that impede discrimination or privileges and practices that ensure non-utilization of insider information or business opportunities for individual or third-party benefit).
- Quality in cases of purchase and sale of products (for example, purchase of cattle, fresh beef, beef- or poultry-based processed products), which must meet the quality standards required by regulatory agencies and quality certifications).

## **3. Rules for Related Parties Transactions**

### **3.1. Applicable to related parties transactions**

Each department that conducts related parties transactions must formalize, keep a record of and follow the criteria below:

- description of the purpose of the transaction and market benchmark:
- details on terms of the transaction (example: timeframes, rates and miscellaneous conditions).
- compliance with purchase standards and principles listed in item 2.3 above (standard of purchases with independent parties).

Examples of support to be observed by departments involved with regard to specific agreements involving related parties transactions:

**Loans: affiliated companies, subsidiaries, parent companies and consolidating companies**

The Company charges market interest rates and follows the rules for transfer prices related to each country involved in loans between related parties.

**Commercial transactions in contracting raw materials and services**

For any commercial transaction – especially the acquisition of raw material and services (E.g.: purchase of cattle) – the Company complies with the purchase rule that establishes the terms practiced with independent parties and provides evidence of them by obtaining quotations of similar transactions between independent parties.

**Transactions involving the purchase and sale of assets and ownership interest**

For any transaction involving the purchase and sale of assets, lease operations and the purchase and sale of ownership interest, the Company follows market parameters and provides evidence of them by obtaining reports from specialized companies and/or quotations of similar transactions between independent parties.

Issues related to related parties transactions must be sent to the Compliance Department, which must verify compliance with strictly formal and legal aspects related to the application of this policy. The department involved in the operation must verify the conditions of negotiation based on the provisions of this Policy.

**3.2. Applicable to conflicts of interests situations**

Any conflict of interest observed in related parties transactions shall be stated by one of the parties, or by any third party aware of it, as soon as the conflict is noticed or they are aware of it.

The parties in a position of conflict must stay away from discussions and abstain from voting on the subject. If requested by approving authorities, the parties may participate partially in the discussions in order to provide detailed information on the transaction and the parties involved. However, they must withdraw themselves from the final discussion, including from the voting process.

Issues related to conflict of interests situations must be sent to the Compliance Department, which must verify compliance with strictly formal and legal aspects related to the application of this policy. The department involved in the operation must verify the conditions of negotiation based on the provisions of this Policy. A formal statement of conflict of interest and the subsequent withdrawal of the parties involved from the discussions must be included in the minutes of the meeting in which the subject was discussed.

### **3.3. Prohibitions**

The following related party transactions are prohibited:

- a)** transactions that are not in the corporate purpose of the Company.
- b)** that do not comply with this Policy and whose conflict is not resolved.
- c)** that do not comply with the rules in the Code of Ethics and the Anticorruption Manual of the Company.
- d)** that do not comply with the shareholders' agreement.

### **3.4. Responsibilities**

#### **3.4.1. Departments responsible for the transactions**

- a)** Managers of business areas (CEO and CFO of businesses): to ensure full compliance with this policy and the market conditions in related parties transactions;
- b)** Corporate Controllershship: to disclose in the explanatory notes and the financial statements. It must provide clarifications on the purpose of the transaction and the expected impacts for each party; The Company must disclose the Related Parties Transactions, providing sufficient details to identify the Related Parties and any essential conditions, thereby enabling its shareholders to supervise and monitor the acts of the Company's management.
- c)** IR Department: to disclose to the market, subject to specific rules for this purpose.
- d)** Compliance Department: to ensure the legality and full compliance with the internal rules and procedures of the Company, the laws in force and regulatory procedures;
- e)** Internal Audit: to identify and evaluate the transactions and formalize its conclusions and present them to the Audit Board.

#### **3.4.2. Approval authority**

The Company will be represented exclusively by its Officers and Attorneys-in-Fact as per the approval limits established in its Bylaws. Acts and transactions

in amounts that exceed the Officers and Attorneys-in-Fact limits will require approval by the Board of Directors.

Pursuant to the minutes of the Board of Directors meeting held on December 19, 2016, it is incumbent upon the Company's Board of Directors to approve an operation, or set of operations, involving Transactions with Related Parties, with amounts greater than R\$500 million or US\$200 million.

It is incumbent upon the Company's General Meeting to approve a transaction, or set of related transactions, involving Transactions with Related Parties of the Company, pursuant to art. 122 of the Corporation Law, with an amount greater than 50% (fifty percent) of the value of the Company's total assets contained in the last approved balance sheet.

Ordinary transactions, of an operational and recurring nature, which are part of the Company's routine activities related to the structure developed for distribution in the foreign market or transactions inherent to financial aspects (cash management, among others) and which require a short-term decision to close the transaction, are considered authorized by the Company's governance bodies, namely: (1) purchase and sale of products, industrialization and cost sharing between the Company and its subsidiaries or among its subsidiaries; (2) financial operations of loan, loans and export prepayment between the Company and its subsidiaries or between its subsidiaries; (3) provision of guarantees to its subsidiaries for contracting financial transactions in compliance with applicable internal policies.

All information on related parties transactions must be submitted in detail by the Statutory Audit Committee according to CVM Resolution no 80/22.

The Company's representatives must respect the regular flow for conducting Related Party transactions, after duly analyzing the operations, and must not make any interventions that may influence the contracting of related parties.

### **3.4.3. Disclosure**

The disclosure of Related Party Transactions must be made clearly and accurately, pursuant to laws and regulations applicable to the jurisdictions to which the Company is subject, the Novo Mercado Listing Rules and the terms of regulatory entities.

Violations of this Policy must be analyzed by the Board of Directors of the Company, which must take appropriate measures.