



# NAVIGATION INSTRUCTIONS

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NAVIGATION BY CHAPTER

**ESTRUTURA DE NEGÓCIOS** em 644.644.644

**MARFRIG BEEF**  
 Com mais de 22 mil colaboradores e participa com 40% da receita total do grupo sendo que 80% da receita advém da operação no Brasil. Possui regiões das áreas no Chile e no Uruguai e 80% na Argentina.

A divisão reúne 37 unidades produtivas, centros de distribuição e escritórios no Brasil e na América do Sul.

Seus produtos são reconhecidos mundialmente pela qualidade, reflexo de um modelo de produção que respeita aspectos legais, ambientais e de bem-estar animal, consolidado por programas de monitoramento e acompanhamento de cadeia produtiva, que envolve práticas sustentáveis de produção e maior segurança para o consumidor final.

Dentre esses programas destaca-se o Marfrig Club, por meio do qual a Empresa beneficia produtores que adotam boas práticas socioambientais. O programa visa profissionalizar o pecarista e enriquecer a cadeia atacadista, com foco em uma produção mais eficiente, segura e com menor impacto por meio do fortalecimento de bases como rastreabilidade, garantia de origem e adequação às normas trabalhistas.

Outro diferencial é a política de compras, que garante que o gado adquirido não provenha de regiões de desmatamento de terra indígena e de preservação de fornecedores que constam na lista dos que adotam trabalho escravo, publicado pelo Ministério do Trabalho, ou de suas empresas, pelo Instituto Brasileiro de Meio Ambiente e dos Recursos Naturais Renováveis (Ibama).

**ABATE**  
**PROCESSADOS**  
**OUTROS**

**OS PRODUTOS DA MARFRIG BEEF SÃO RECONHECIDOS MUNDIALMENTE PELA QUALIDADE**

Por suas práticas, a Marfrig Beef foi a primeira empresa de alimentos do mundo a assinar compromisso público com o Greenpeace para assegurar a compra de gado legal e combater o desmatamento no Boma Amambay, além de ter sido a primeira empresa produtora de carne do mundo a ter uma unidade produtiva certificada pela Rainforest Alliance Certified™.

A divisão também é parceira de diversas associações de pecaristas, com as quais busca disseminar informações e promover iniciativas para estimular a melhoria de rebanhos em todas as regiões onde atua. Essa forma de atuar resulta em produtos mais seguros para milhões de consumidores em mais de 80 países.

**MARFRIG BEEF - URUGUAI**  
 As operações da Marfrig Beef no Uruguai são conduzidas a partir de estruturas compostas por cinco unidades produtivas (em Colonia, Fray Bentos, Salto, San José e Tacuarembó).

Uma das principais plataformas exportadoras do Grupo, a unidade possui seis regiões no bem-estar animal e em programas de carnes ecológicas certificadas – livre de hormônios e estimulantes de crescimento e a partir de animais criados a pasto.

Em conformidade com os padrões internacionais e sujeitos a ações de monitoramento e rastreabilidade, os produtos desta certificação que incorporam diversos programas de segurança alimentar exigidos por mercados da União Europeia, do Tratado Norte-Americano de Livre Comércio (NAFTA, na sigla em inglês), da Rússia, dos países do Mercosul, da Ásia e do Oriente Médio, dentre os quais se destacam Angus e Wagyu.

**MARFRIG BEEF - ARGENTINA**  
 Na Argentina, a Companhia conta com duas unidades de processamento de bovinos, localizadas no distrito de Hughes (Província de Santa Fé) e Vila Mercedes (Província de San Luis).

Além das práticas de responsabilidade social corporativa da Marfrig Beef, todos os colaboradores passam por treinamento e participam de apresentações instrucionais antes de serem admitidos, tendo ciência e se comprometendo com as políticas de recursos humanos, de práticas sustentáveis e de meio ambiente, saúde, segurança e qualidade do Grupo.

**Produtos e marcas em 644.644.644**  
 Entre os principais produtos comercializados pela Marfrig Beef estão cortes de carne bovina e ovina direcionados a cadastros de restaurantes e churrascarias, rede de varejo e exportação, peixes e vegetais congelados, carne desidratada (beef jerky), biscoitos e carne orgânica certificada, além de sucos e sobremesas. Estes produtos são comercializados sob as seguintes marcas:

**Brasil:** Basi, Montana, Pampasno, GJ, Marfrig, Marfrig Angus e Raça Brindada.

**Argentina:** La Morocha, Gaucho Beef, Tacuarembó, Aberdeen Angus.

**Chile:** Patagonia Fish and Crabs e Patagonia Premium Lamb.

**Uruguai:** Tacuarembó, Angus Beef, La Morocha, Viva, Berini, Secco, Montebello, Hamby, Frigorífico Burgerbeef e Sat Lamb.

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NAVIGATION BY CHAPTER







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**PG. 90** Recognition

**PG. 94** GRI G4 Content  
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# ABOUT THIS REPORT

This ninth edition of the Sustainability Report of Marfrig Global Foods was prepared for the fifth consecutive year in accordance with the guidelines of the Global Reporting Initiative (GRI) and marked the second year of adoption of the G4 version, core application criteria. [GRI G4-32](#)

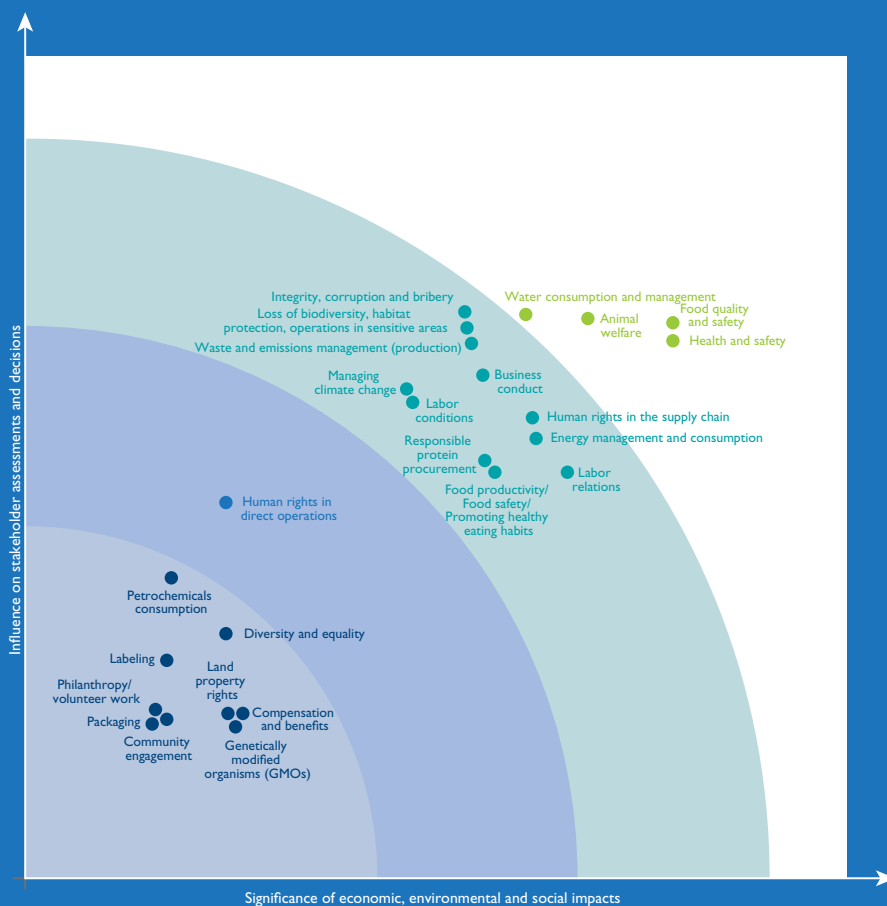
This annual document presents the evolution in the management of the subsidiaries that form the Group in the economic, social and environmental dimensions, their initiatives and their performance in the period from January 1 to December 31, 2014. Whenever possible, all data for the operations in the 16 countries where Marfrig Global Foods is present are compared with those of prior fiscal years, in particular 2013, the period covered in the previous report. [GRI G4-17, G4-28, G4-29, G4-30](#)

The content of this document was defined based on internal consultations of the officers, employees and external stakeholders, which resulted in the reporting of 15 material topics. [GRI G4-18](#)

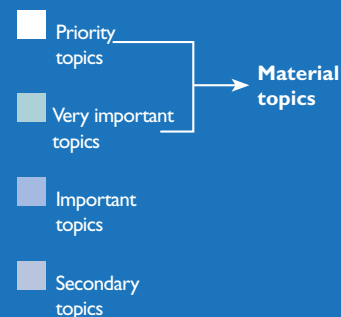
The reporting of actions may extend until April 2015, in an effort to ensure up-to-date information and transparency. There were no changes in scope, boundaries or measurement methods in relation to prior years. There was also no need to revise data or information from prior periods. [GRI G4-22, G4-23](#)

The social and environmental information reported herein was not submitted to third-party verification. However, the economic and financial data were prepared in accordance with International Financial Reporting Standards (IFRS) and were audited by BDO RCS Auditores Independentes SS. [GRI G4-33](#)

Any comments, suggestions, questions or criticism regarding this document may be submitted to the following channels for contacting the Investor Relations Area: website [www.marfrig.com.br/ri](http://www.marfrig.com.br/ri), telephone +55 (11) 3792-8994 and e-mail [ri@marfrig.com.br](mailto:ri@marfrig.com.br). [GRI G4-31](#)



## RESULTS OF THE MATERIALITY TEST



## MATERIALITY MATRIX GRI G4-18

In 2013, a materiality process was conducted with the broad involvement of stakeholders (customers, suppliers, investors, NGOs, employees and government representative) via interviews.

To better align the report with G4 guidelines, in 2014, Marfrig opted to evaluate its materiality process and reorganized the results obtained in 2013 within the current sustainability context, which was guaranteed verified by including analyses of industry documents and improving alignment with the strategy based on the evaluations of Influence and Impact conducted by the Sustainability and Investor Relations teams and validated by the Global Corporate Social Responsibility and Sustainability Group and Sustainability Committee, made up of representatives of Marfrig Beef, Moy Park and Keystone Foods.

To form the Influence component, the evaluations and decisions of stakeholders were guided by the following factors:

- A) Perception/alignment with external studies;
- B) Relevance to stakeholders (excluding employees); and
- C) Media survey (impact on Group's image and/or reputation).

To form the Impact aspect (importance of economic, social and environmental impacts), the following were considered:

- A) Relevance to employees;
- B) Risk analysis; and
- C) Alignment with the Group's strategy.

This process resulted in 15 priority topics, which are covered in this publication. **GRI G4-19**

Material topic	Related G4/industry supplement (FP) aspects	Related GRI G4 indicator
Food quality and safety	Consumer health and safety	PR1   FP5   FP6   FP7
Health and safety	Occupational health and safety	G4-LA5   G4-LA6   G4-LA7   G4-LA8
	Animal breeding and genetics	FP9
Animal welfare	Cattle production	FP11   FP12
	Transportation, handling and slaughter	FP13
Water consumption and management	Water	G4-EN8   G4-EN9
Integrity, corruption and bribery	Anti-corruption	G4-SO3   G4-SO4   G4-SO5
Loss of biodiversity, habitat protection, operations in sensitive areas	Biodiversity	G4-EN12   G4-EN13
Waste and emissions management (production)	Wastewater and waste	G4-EN22   G4-EN23   G4-EN25   G4-EN26
	Child labor	G4-HRS
Human rights in the supply chain	Forced or compulsory labor	G4-HR6
	Labor relations	G4-LA4
Energy management and consumption	Energy	G4-EN3   G4-EN5   G4-EN6
Business conduct	Anti-competitive behavior	G4-SO7
Climate change management	Emissions	G4-EN15   G4-EN16   G4-EN17   G4-EN18
Responsible protein procurement	-	-
Food productivity/Food safety/Increasing healthy eating habits	Indirect economic impacts	G4-EC8
	Procurement practices	FP1   FP2
	Consumer health and safety	FP6   FP7
Labor conditions	Labor practices grievance mechanisms	G4-LA15

# MESSAGE FROM THE CHAIRMAN

GRI G4-I

OUR  
COMMITMENT  
TO QUALITY  
IN EVERYTHING  
WE DO HAS  
NEVER BEEN  
STRONGER

**Marcos Antonio  
Molina dos Santos**

Chairman of the  
Board of Directors



I want to start by wishing all of you a 2015 of much health and peace. We closed 2014 with many accomplishments. We invested in the production of high-quality cattle with the launch of the Marfrig+ Program, an innovative initiative to achieve a leap forward in the genetics of Brazil's cattle herd while simultaneously accelerating growth in the country's beef production. The program integrates various fundamental links in the chain and could lead the way to a new path for improving productivity in beef cattle production. We created a Technical Committee to accompany production from end to end, which is formed by producers, feedlot operators, trade associations, Marfrig as a manufacturer and Brazilian and international customers.

Our commitment to quality in all that we do has never been so strong or assimilated by the group's culture. We believe in partnerships, because we are only strong when we work together with our partners across the various chains in which we operate, whether through the over 700 poultry farms in the United Kingdom that supply Moy Park or our partners in the various joint ventures in Asia. Working with partners is a key asset that we strive to preserve and that sets us apart.

Our brands also offer us enormous opportunities. Bassi, one of Brazil's finest beef brands, still has plenty of room to grow in the domestic market. And thanks to the confidence of our customers, we enjoy an excellent reputation in the food service channel.

During 2014, we met the needs of thousands of customers in over 60 countries by focusing on innovation and guaranteed on-time delivery, without foregoing improvement in the profitability of our business. The Board of Directors played a very active role throughout the year by supporting and closely monitoring the execution of our "Focus to Win" strategy. On behalf of the board, I can say that 2014 was a year marked by the delivery of results and stronger alignment between the company's executive team and board of directors.

Today we can say that the excellence of our team permeates all levels of the group. The efforts made in recent years to attract new talent and groom talent in-house have yielded results, but we believe the best is yet to come. To all our employees, customers, and shareholders, as well as the members of our various boards and committees, I extend my deepest appreciation.

# MESSAGE FROM THE CEO

GRI G4-I

MESSAGE FROM  
THE CHAIRMAN

MESSAGE  
FROM THE CEO

I am delighted to be able to contribute even more decisively and extensively to the Company's business as the CEO of Marfrig Global Foods and, most importantly, as the leader of the strategic plan "Focus to Win," which focuses on organic growth, margin expansion and cash generation.

As a Marfrig executive for the past eight years, most of which as the CEO of Marfrig Beef Southern Cone – which consists of the operations in the Brazilian state of Rio Grande do Sul and in Uruguay, Argentina and Chile – I have actively participated, from conception to implementation, as one of the leaders of "Focus to Win." Therefore, I am very confident in undertaking the responsibility of ensuring the continuation of this strategic plan, together with the board of directors, the CEOs of the business units and the VPs of the strategic departments (Financial, Strategic Planning, Human Resources and Legal Affairs & Compliance).

The commitments we assumed under "Focus to Win" will continue to guide Marfrig's day-to-day operations, as will the importance of cost management, high productivity and operational efficiency. My priorities will also include strengthening the role of the team, adding value to the businesses and contributing to results.

As the market could see during 2014, with Marfrig the best performing agribusiness stock on the São Paulo Stock Exchange (BM&FBovespa) and the second-best performing stock in the Bovespa Index (Ibovespa), the "Focus to Win" strategy has undeniably supported consistent advances. And my choice of the word "consistent" is deliberate, given our renewed commitment for 2015 to deliver an even better company for our shareholders.

COMMITMENTS  
WITHIN FOCUS  
TO WIN WILL  
CONTINUE  
GUIDING MARFRIG'S  
DAILY ACTIVITIES

**Martin Secco Arias**

CEO of  
Marfrig Global Foods





# ORGANIZATIONAL PROFILE



## **MARFRIG BEEF**

THIRD LARGEST BEEF PRODUCER IN THE WORLD,  
SECOND LARGEST BEEF OPERATION IN BRAZIL,  
LEADING CATTLE PROCESSOR IN URUGUAY  
AND LARGEST BEEF IMPORTER IN CHILE

Recognized internationally for its ethical and responsible processes and operations that comply with the strictest standards of food quality and safety, workers' safety and animal welfare, Marfrig Global Foods is one of the world's largest producers of beef, pork, poultry and fish, and also makes a number of other products, such as coated products, ready-to-eat meals, frozen vegetables and desserts. With a diversified and comprehensive portfolio, its products are sold to large restaurant and supermarket chains and can be found on the tables of consumers in more than 110 countries. [GRI G4-3](#) and [G4-4](#)

The Group is formed by three business units – Marfrig Beef, Moy Park and Keystone Foods – that operate under an integrated and geographically diversified business model. This structure is formed by 78 production units, distribution centers and offices located in 16 countries in South America, North America, Europe, Oceania and Asia. The Group is headquartered in Brazil, in the city of São Paulo. [GRI G4-5](#), [G4-6](#), [G4-8](#)

With over 45,000 employees, Marfrig Global Foods has annual production capacity of 900,000 tons of processed foods and annual processing capacity of over 5 million head of cattle, 400 million chickens, 6 million turkeys and 3 million lambs. This production platform gives the Group significant potential for growth and the ability to hedge against certain risks inherent to the industry.

[GRI G4-9](#) and [G4-13](#)

## VISION, MISSION AND VALUES

[GRI G4-56](#)

### MISSION

To meet and exceed the expectations of our customers and partners by supplying safe and exceptional products through the use of modern technology and highly qualified personnel, while operating with social and environmental responsibility and creating value for our customers, partners, employees, shareholders and society.

### VISION

To be recognized on the Brazilian and international markets for processing and marketing high-quality products in all segments and brands and to continue expanding its operations in the domestic and international markets, while maintaining a firm commitment to the continuous improvement of its products, sustainable growth and the profitability of its business.

### VALUES

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



## KEYSTONE FOODS

ONE OF THE LARGEST SUPPLIERS OF PROCESSED FOODS TO THE WORLD'S MAJOR RESTAURANT CHAINS



## MOY PARK

SECOND LARGEST POULTRY PRODUCER IN THE UNITED KINGDOM, ONE OF THE 15 LARGEST FOOD COMPANIES IN THE UNITED KINGDOM AND ONE OF THE LARGEST PROCESSED POULTRY PRODUCT SUPPLIERS TO THE UNITED KINGDOM AND CONTINENTAL EUROPE

# TIMELINE

Marfrig launches its activities supplying special beef cuts to major restaurant chains in Brazil.

1986

Begins operating beef processing units in Bataguassu (MS), Promissão (SP), Paranatinga (MT) and Tangará da Serra (MT) and launches beef exports.

2000  
to 2005

Goes public on the Novo Mercado listing segment of the São Paulo Stock Exchange and advances its international expansion via acquisitions in Chile, Argentina and Uruguay.

2007

1998

Inaugurates its first Distribution Center in Santo André (SP).

2006

Expands its beef processing capacity in Mineiros (GO), Chupinguaia (RO), São Gabriel (RS), Porto Murinho (RS) and Promissão (SP), and launches operations in Argentina, Uruguay and Chile.

2008

Acquires Moy Park.

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.

**2009**

Creates Marfrig Beef, a division encompassing the beef and lamb operations in Brazil, Argentina and Uruguay. Marfrig conducts its first global greenhouse gas inventory.

**2011**

Carries out a capital restructuring that includes the divestment of assets. Launches its new global visual identity and begins implementing its new organizational culture based on its "Focus to Win" strategy

**2013**

**2010**

Acquires O'Kane Poultry, a turkey and poultry producer, and Keystone Foods, a leading global food supplier to restaurant chains and quick service restaurants.

**2012**

Becomes the world's first beef producer to have a production unit with the Rainforest Alliance Certified™ seal.

**2014**

Changes its corporate name to Marfrig Global Foods S.A. Becomes the world's first company to achieve A+ grade certification from BRC (British Retail Consortium) Global Standards.

# GLOBAL PRESENCE

GRI G4-8, G4-9



**78**

COMMERCIAL DIVISIONS  
FOR PRODUCTION AND  
DISTRIBUTION

**More than 45,000**

**employees**

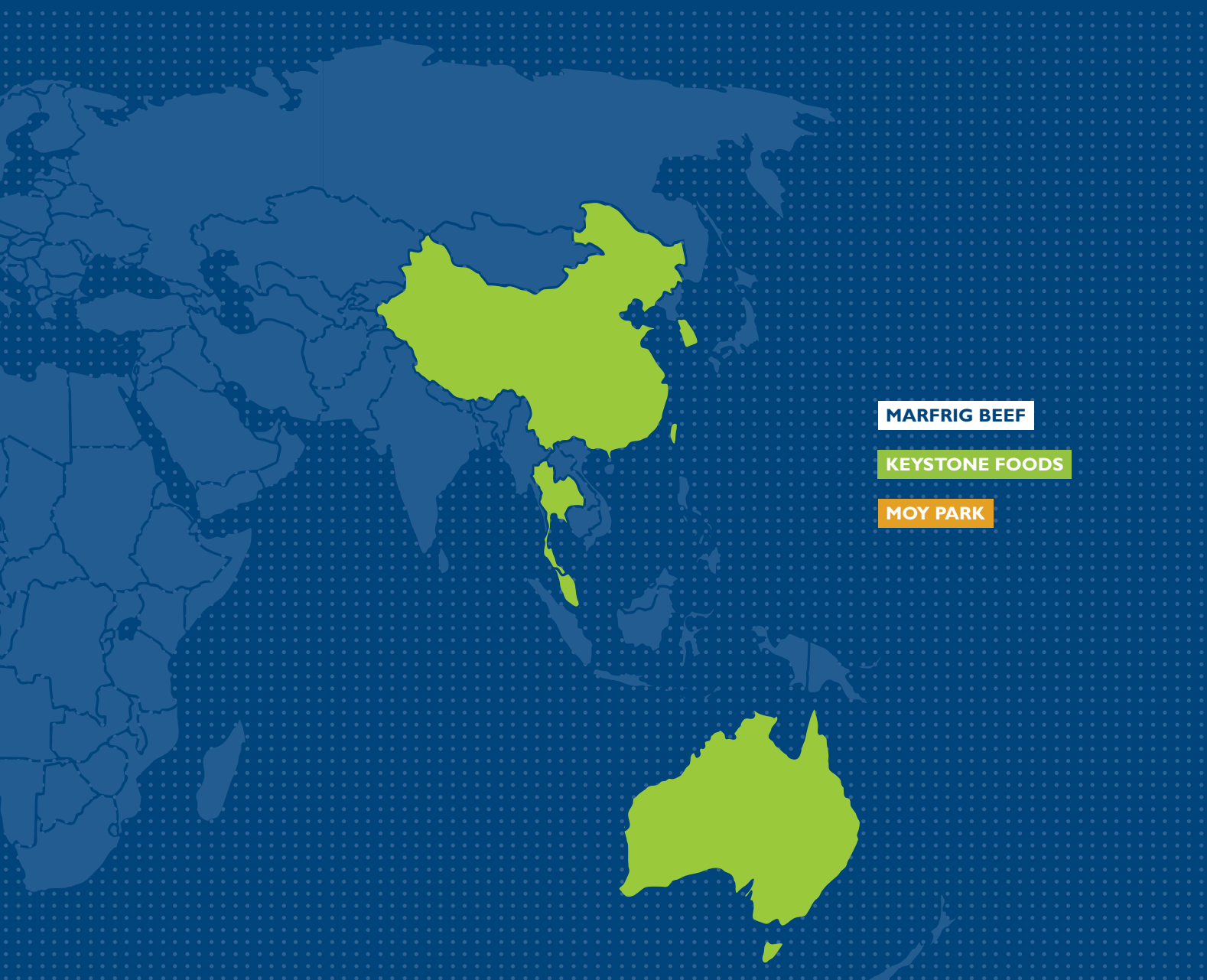
COMMITTED TO THE  
COMPANY'S ETHICAL  
PRINCIPLES

**MARFRIG GLOBAL FOODS**

ONE OF THE WORLD'S LARGEST  
FOOD COMPANIES PRODUCING BEEF,  
LAMB, POULTRY AND FISH PRODUCTS

**PRESENT ON  
4 CONTINENTS**

MARFRIG HAS  
PRODUCTION, SALES  
AND DISTRIBUTION  
UNITS IN 16 COUNTRIES



MARFRIG BEEF

KEYSTONE FOODS

MOY PARK

GRI G4-8, G4-9

**110**

NUMBER OF  
COUNTRIES COVERED  
BY RESTAURANT AND  
SUPERMARKET CHAINS  
TO WHICH MARFRIG  
SUPPLIES PRODUCTS

**3**

BUSINESS UNITS  
THAT OPERATE  
INDEPENDENTLY  
IN DIFFERENT  
REGIONS OF  
THE WORLD

**900,000**

**TONS**

IS MARFRIG'S ANNUAL  
PROCESSED FOODS  
PRODUCTION  
CAPACITY



**BUSINESS STRUCTURE** GRI [G4-4](#), [G4-8](#), [G4-9](#)

**MARFRIG BEEF**

Marfrig Beef employs over 22,000 people and accounts for 46% of the group's total sales, with 80% of the total revenue coming from operations in Brazil, 14% from the branch offices in Chile and Uruguay, and 6% from Argentina.

The division has 37 production units, distribution centers and offices in Brazil and South America.

Marfrig's products are recognized internationally for their quality, reflecting a production model based on respect for legal, environmental and animal-welfare standards and supported by programs to monitor the production chain based on sustainable production practices and the highest level of food safety for consumers.

These programs include the Marfrig Club, through which the Company offers bonuses to producers that adopt good social and environmental practices. This program works to professionalize cattle farmers and enrich the production chain to ensure more efficient and safer production with the lowest environmental impact, by focusing on areas such as traceability, guarantee of origin and compliance with labor standards.

Another advantage of Marfrig Beef is its cattle sourcing policy, which ensures that the animals it acquires do not come from suppliers that operate on deforested areas, indigenous lands, preservation areas or those included on the slave labor blacklist published by the Ministry of Labor; or from areas banned by the Brazilian Institute of the Environment and Renewable Resources (Ibama).

- PRIMARY PROCESSING
- FURTHER PROCESSING
- OTHER

# MARFRIG BEEF PRODUCTS ENJOY GLOBAL RECOGNITION FOR THEIR QUALITY

As a result of these practices, Marfrig Beef was the first food company in the world to sign a public agreement with Greenpeace committing to purchase cattle from legal sources and combat deforestation in the Amazon Biome. It also was the world's first beef producer to have a production unit certified by the Rainforest Alliance Certified™.

The division is also a partner in a number of cattle producer associations, working together to disseminate information and promote initiatives to foster improvements in herd quality in all regions where it operates. Initiatives such as these result in safer products for millions of consumers in more than 80 countries.

## MARFRIG BEEF – URUGUAY

Marfrig Beef's operations in Uruguay are based on a structure formed by five production units (in Colonia, Fray Bentos, Salto, San José and Tacuarembó).

One of the Group's main export platforms, the unit's business model has a strong focus on animal welfare and ecologically certified meat programs, which are free of growth hormones and stimulants and based on grass-fed animals.

Complying with international standards and subjected to monitoring and tracking actions, each product carries certifications accepted by various food safety programs required by markets in the European Union, North American Free Trade Agreement (Nafta), Russia, Mercosur, Asia and the Middle East, in which the Angus and Wagyu breeds figure prominently.

## MARFRIG BEEF – ARGENTINA

In Argentina, the Company operates two beef processing units, located in the cities of Hughes (Santa Fé Province) and Vila Mercedes (San Luis Province).

In keeping with the corporate social responsibility practices implemented by Marfrig Beef, all employees participate in training programs and corporate presentations before being admitted to ensure they are aware of and committed to the Group's policies regarding human resources, sustainable practices and the environment, health, safety and quality.

## Products and brands GRI G4-4, G4-8, G4-9

The main products sold by Marfrig Beef are beef and lamb cuts to restaurant and steakhouse chains and retail chains and for export, frozen fish and vegetables, beef jerky, aged salted beef and certified organic beef, as well as olive oil and desserts. These products are marketed under the following brands:

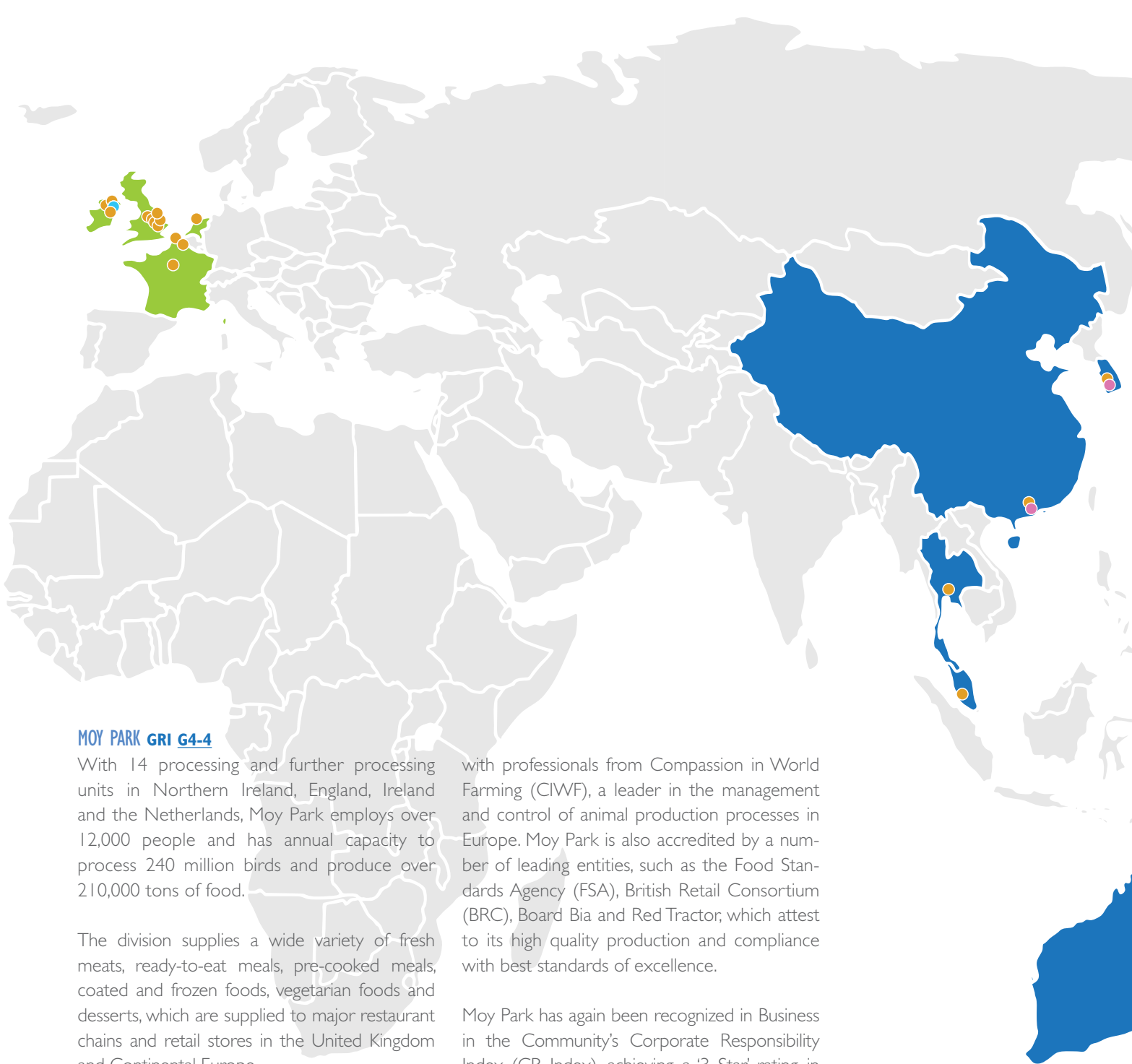
**Brazil:** Bassi, Montana, Pampeano, GJ, Marfrig, Marfrig Angus and Raças Britânicas.

**Argentina:** La Morocha, Gauchos Beef, Tacuarembó, Aberdeen Angus.

**Chile:** Patagonia Fish and Crabs and Patagonia Premium Lamb.

**Uruguay:** Tacuarembó, Angus Beef, La Morocha, Viva, Bernina, Secco, Montevideo, Hamby, Friburguer, Burgerbeef and Salt Lamb.





#### MOY PARK GRI G4-4

With 14 processing and further processing units in Northern Ireland, England, Ireland and the Netherlands, Moy Park employs over 12,000 people and has annual capacity to process 240 million birds and produce over 210,000 tons of food.

The division supplies a wide variety of fresh meats, ready-to-eat meals, pre-cooked meals, coated and frozen foods, vegetarian foods and desserts, which are supplied to major restaurant chains and retail stores in the United Kingdom and Continental Europe.

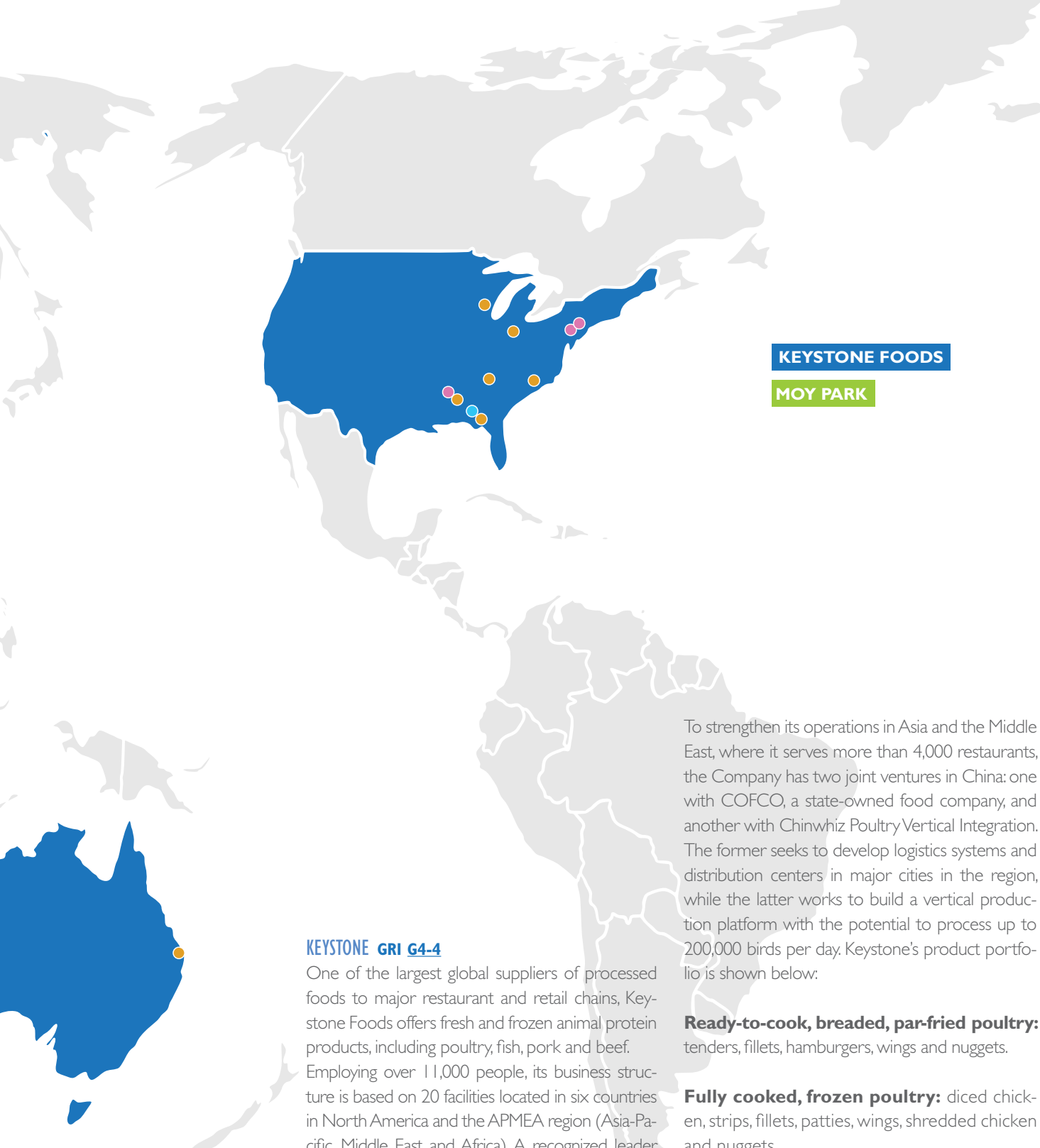
With its production operations based on the highest animal welfare and biosafety standards, Moy Park works with more than 800 poultry farmers in the United Kingdom and Ireland, exercising control over quality and guaranteeing the traceability of inputs in all production stages

The company was a pioneer in adopting a free range production system, in which birds are raised in the field, and in developing an organic poultry production system. Moy Park does not use antibiotics as growth promoters and has focused on the responsible use and reduction of antibiotics through its Antibiotic Stewardship Forum. In a proactive stance, Moy Park adopts animal welfare actions through a partnership

with professionals from Compassion in World Farming (CIWF), a leader in the management and control of animal production processes in Europe. Moy Park is also accredited by a number of leading entities, such as the Food Standards Agency (FSA), British Retail Consortium (BRC), Board Bia and Red Tractor, which attest to its high quality production and compliance with best standards of excellence.

Moy Park has again been recognized in Business in the Community's Corporate Responsibility Index (CR Index), achieving a '3 Star' rating in the UK's leading and most in-depth voluntary benchmark of corporate responsibility. In 2013 Moy Park was the first company in the poultry industry and the first business from Northern Ireland to be recognized in the CR Index. 2014 results show that Moy Park has secured a '3 Star' rating for the second successive year. Moy Park also continued the partnership with renowned chef and restaurateur Jamie Oliver; to produce a convenient range of ready-to-cook higher welfare chicken products.

The company markets its products under the following brands: O'Kane, Castle Lea, Jamie Oliver, Kitchen Range Foods, Albert Van Zoonen, McKey and Moy Park.



**KEYSTONE FOODS**

**MOY PARK**

**KEYSTONE GRI G4-4**

One of the largest global suppliers of processed foods to major restaurant and retail chains, Keystone Foods offers fresh and frozen animal protein products, including poultry, fish, pork and beef.

Employing over 11,000 people, its business structure is based on 20 facilities located in six countries in North America and the APMEA region (Asia-Pacific, Middle East and Africa). A recognized leader in sustainability, food safety & quality, animal welfare and product quality, Keystone is well positioned to maintain solid growth as a leading global brand.

Keystone has developed a number of innovative solutions, such as cryogenic freezing techniques to increase storage life while preserving the food's original nutrients and texture and the creation of chicken nuggets and boneless molded fillets, which have become staples in restaurants and frozen meal lines throughout the world.

To strengthen its operations in Asia and the Middle East, where it serves more than 4,000 restaurants, the Company has two joint ventures in China: one with COFCO, a state-owned food company, and another with Chinwhiz Poultry Vertical Integration. The former seeks to develop logistics systems and distribution centers in major cities in the region, while the latter works to build a vertical production platform with the potential to process up to 200,000 birds per day. Keystone's product portfolio is shown below:

**Ready-to-cook, breaded, par-fried poultry:** tenders, fillets, hamburgers, wings and nuggets.

**Fully cooked, frozen poultry:** diced chicken, strips, fillets, patties, wings, shredded chicken and nuggets.

**Fresh Poultry, Deli Rotisserie:** whole chickens without giblets and cut-up chicken.

**Protein products:** beef patties, fish, sausage and pork patties, fish fillet, bakery items [cheesecakes and chocolate cakes (APMEA)] and processed vegetables (APMEA).

- PRIMARY PROCESSING
- FURTHER PROCESSING
- OTHER



**BUSINESS**

**MANAGEMENT**

**650 to 850** MILLION

REAS OF PROJECTED FREE CASH FLOW IN 2018

## STRATEGY

The year 2014 was marked by the continued implementation of the “Focus to Win” business strategy, which seeks to guide Marfrig Global Foods on a path to operational excellence so that it can generate benefits for society and financial returns for investors.

To lend greater visibility to its new profile and highlight the scope of its businesses, the group changed its name to Marfrig Global Foods. The business segments received new logos to emphasize their mutual alignment as well as the organization's strength and solidity. Each division has its own strategy and objectives for successfully executing the Focus to Win strategy, whose results will be captured over a five-

year period (2013-18) and should ultimately result in free cash flow of between R\$650 million and R\$850 million.

The strategic plan is formed by six pillars that reinforce the Group's commitments to its original values. These are:

- Focus on the customer
- Focus on innovation
- Focus on profitability
- Focus on the Food Service and Retail channels
- Focus on high food safety and quality standards
- Focus on industry leadership in sustainability

Marfrig Beef – Strategic goals	Moy Park – Strategic goals	Keystone Foods – Strategic goals
Grow volume and average prices	Grow core UK & Ireland retail fresh poultry ahead of the market	Leverage growth via global poultry demand
Maintain the strong focus on cash generation	Expand multi-protein retail convenience sales	Increase penetration in Key Accounts
Maximize the export platform in South America	Boost presence in Food Service segment	Expand geographically
Capture operating efficiency gains	Strengthen Marfrig's global distribution platform in Europe	

## PATH

TO OPERATIONAL EXCELLENCE  
MAINTAINED TO PROVIDE SOCIAL  
BENEFITS AND ECONOMIC  
RETURNS FOR INVESTORS



PILLARS FORM MARFRIG'S  
STRATEGIC PLAN  
TO STRENGTHEN  
COMMITMENTS TO THE  
GROUP'S VALUES



**THE CORPORATE  
SUSTAINABILITY  
STRATEGY WAS  
REFORMULATED IN 2014**

### MANAGEMENT SYSTEMS AND POLICIES

**GRI G4-DMA** [Economic performance](#), **G4-DMA** [Energy](#), **G4-DMA** [Water](#), **G4-DMA** [Biodiversity](#), **G4-DMA** [Emissions](#), **G4-DMA** [Labor/management relations](#), **G4-DMA** [Occupational health and safety](#), **G4-DMA** [Effluents and waste](#)

Each division of Marfrig Global Foods executes a individualized management model that respects regional and cultural diversity and differences in portfolios and works to standardize food safety and quality and guarantee the origin of products.

Engagement in industry initiatives and more effective dialogue with stakeholders serve as the foundation for sustainable value creation over the long term and supports the Group in its objective of becoming a global food company.

The management model adopted is based on 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. This matrix includes the following management systems:

**Risk management** | The Group identifies, monitors and develops strategies to mitigate the risks to which it is exposed in order to minimize their potential effects on its operations and results. Geographic diversification, 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.

**Management of intangible assets** | Marfrig understands that intangible assets serve as a basis for its credibility and as such are fundamental to generating sustainable value throughout the entire chain. Therefore, it continuously manages its five main intangible assets: brands, Human Resources, customer experience and knowledge, research and development and management focused on sustainability.

**GRI G4-DMA Procurement practices**

**Supply chain management** | Marfrig Global Foods invests in programs and projects to monitor its suppliers of goods and services that involve everything from the traceability of the meat supplied to guaranteeing the origin of the cattle. This ensures that no animal comes from deforested areas in the Amazon biome and eliminates the use of slave labor on farms supplying raw materials to the Group. The Group also works to improve its logistics processes to reduce costs and optimize performance by using modern and more environmental friendly equipment. **GRI G4-12**

**SUSTAINABILITY STRATEGY**

Reformulated in 2014, the Corporate Sustainability Strategy of Marfrig Global Foods is comprised of six pillars that permeate all of its divisions and encompass all of its stakeholders and associated aspects. These pillars are: (1) customers; (2) suppliers; (3) the environment; (4) workplace; (5) economic; and (6) social (see the following illustration). Each business division develops actions based on their specific operational needs that work together to promote and ensure the sustainability of the production system.

The most visible aspect of the Company's commitment to best sustainability practices are the working groups it leads or participates in and its public commitments undertaken in partnership with the largest global organizations engaged in promoting sustainable production and preserving biodiversity, as well as the social and environmental projects and the development program it carries out.

**PRACTICES AND STAKEHOLDERS**

**GRI G4-24, G4-25**



## STAKEHOLDER ENGAGEMENT AND COMMUNICATION **GRI G4-24, G4-25, G4-26**

Marfrig Global Foods' main stakeholders are its customers, consumers, investors, suppliers, employees and society, and the group maintains direct relationships with all stakeholders due to its belief that any impact on these groups can have a significant influence on its business.

The Organization's Code of Ethics establishes all of the values and behaviors expected in the stakeholder relations conducted in its day-to-day business activities. The first and most important value laid out by the document is respect, which should be established through dialogue to foster a relationship built on trust and focused on mutual benefits. To achieve this, the Company makes available the following communication channels.

Channels available	Stakeholder					
	Customers	Consumers	Investors	Suppliers	Employees	Society
<a href="http://www.marfrig.com.br">Website www.marfrig.com.br</a>	X	X	X	X	X	X
<a href="http://www.marfrig.com.br/ri">Website www.marfrig.com.br/ri</a>	X	X	X	X	X	X
<a href="mailto:ri@marfrig.com.br">E-mail ri@marfrig.com.br</a>	X		X		X	
<a href="mailto:marfrig@marfrig.com.br">E-mail marfrig@marfrig.com.br</a>	X	X		X	X	X
Sustainability Report	X	X	X	X	X	X
Magazine <i>saboreando o mundo</i>	X			X	X	
<a href="http://Keystonefoods.com">Keystonefoods.com</a>	X	X	X	X	X	X
<a href="http://Moypark.com">Moypark.com</a>	X	X	X	X	X	X
Facebook/Marfrig Global Foods	X	X	X	X	X	X
Facebook/Moy Park	X	X	X	X	X	X
LinkedIn – Marfrig Global Foods	X	X	X	X	X	X
YouTube – Marfrig Alimentos	X	X	X	X	X	X
Site da Tacuarembó – <a href="http://www.ft.com.uy">www.ft.com.uy</a>	X	X	X	X	X	X
<a href="http://www.marfrig.com.br/sustentabilidade">www.marfrig.com.br/sustentabilidade</a>	X	X	X	X	X	X
<a href="http://www.marfrig.com.br/fomento">www.marfrig.com.br/fomento</a>				X		X
Moy Magazine					X	
Keystar	X			X	X	X

**VARIOUS RELATIONSHIP CHANNELS  
ARE MAINTAINED TO ENSURE  
THE QUALITY OF INFORMATION  
PROVIDED TO STAKEHOLDERS**



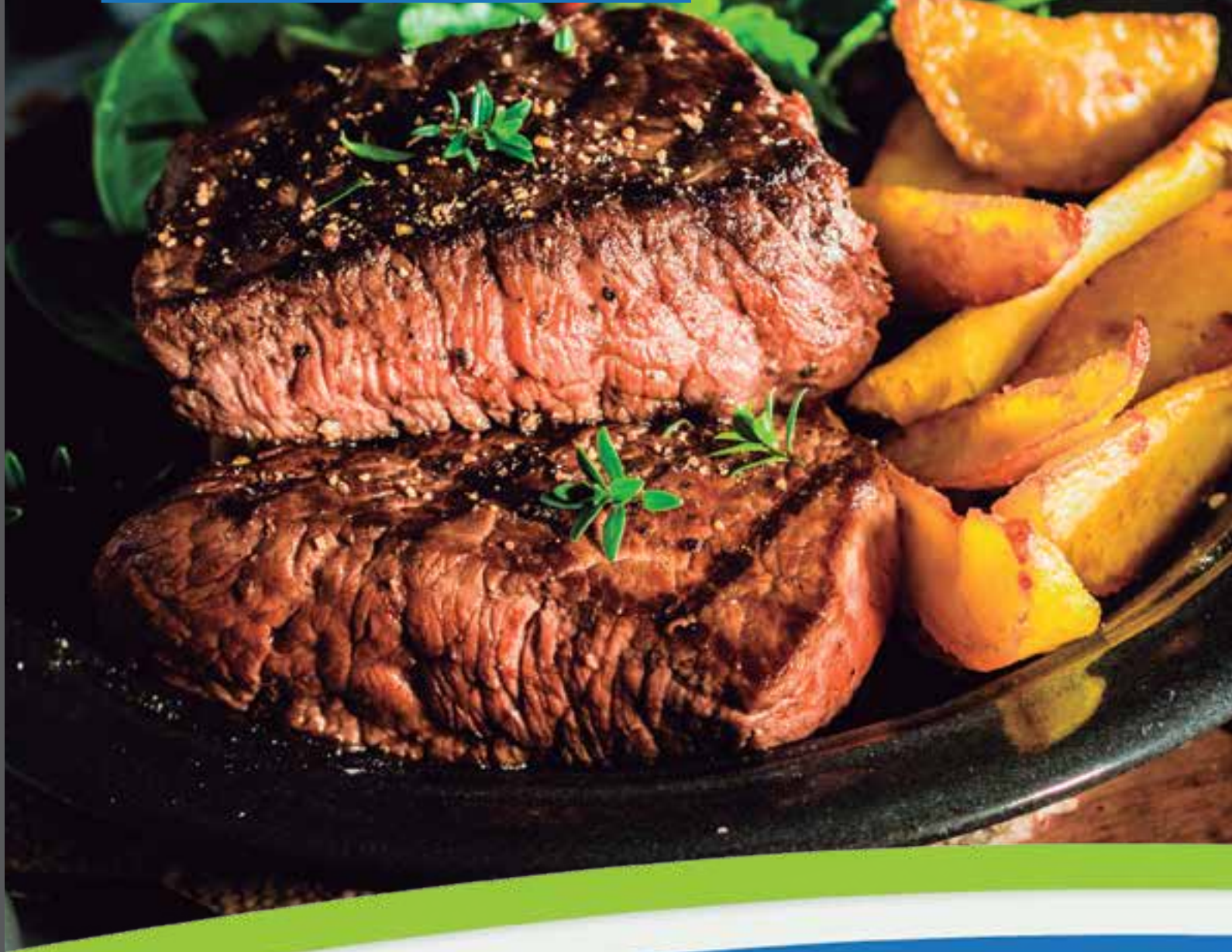
THE VALUES  
AND BEHAVIORS  
EXPECTED OF  
EMPLOYEES ARE  
DISSEMINATED  
THROUGH THE CODE  
OF ETHICS AND  
CONDUCT

TO ENCOURAGE TRANSPARENT  
DIALOGUE AMONG ALL  
EMPLOYEES TO STRENGTHEN  
THEIR COMMITMENT TO  
RESPECTING AND ENTRUSTING  
THE CORPORATE STRUCTURE

TO CAPTURE ONGOING  
OPERATIONAL IMPROVEMENTS  
AND POSITIVELY INFLUENCE  
STAKEHOLDERS, MARFRIG  
MAINTAINS CORPORATE  
PROGRAMS AND DIGITAL AND  
PRINT COMMUNICATION MEANS



# CORPORATE GOVERNANCE



## REGULATIONS

OF THE SECURITIES AND EXCHANGE COMMISSION OF BRAZIL (CVM) AND THE NOVO MERCADO LISTING SEGMENT ARE RIGOROUSLY COMPLIED WITH BY MARFRIG, WHOSE STOCK IS FORMED EXCLUSIVELY BY COMMON SHARES

The corporate governance model adopted by Marfrig Global Foods is built on best market practices and is guided by the principles of transparency, accountability, corporate responsibility and equitable treatment of shareholders, partners and employees, in accordance with the Brazilian Code of Corporate Governance Best Practices published by the Brazilian Corporate Governance Institute (IBGC).

As a listed corporation, Marfrig also complies with all rules of the Securities and Exchange Commission of Brazil (CVM) and all regulations for listing on the Novo Mercado segment of the São Paulo Stock Exchange (BM&FBovespa). As such, its capital comprises only common shares, with all attributed equal rights with regard to the transfer of the company's control. Furthermore, in accordance with the special listing segment's regulations, in 2014, the Group concluded the process for separating the roles of its Chief Executive Officer and Chairman of the Board of Directors. [GRI G4-7](#)

**COMMITMENTS** [GRI G4-S05](#), [G4-DMA](#) *Anti-corruption*, [G4-DMA](#) *Anti-competitive behavior*

Marfrig Global Foods' Code of Ethics formalizes its relationships with customers, consumers, employees, shareholders, suppliers, government authorities and society and is adopted by all employees in the 16 countries where it maintains offices and industrial operations. All locations conduct continuous training and orientation actions to further instill the guidelines of the code, independent of the employee's level in the corporate hierarchy.

The document is representative of a large part of the identity of Marfrig Global Foods. In this way, compliance with the code strengthens the organization's relations with society, political entities, trade associations, suppliers, customers, consumers, shareholders and the employees themselves, all of whom, supported by the same ethical foundation, effectively build the corporate culture through the performance of their day-to-day activities.

The Company also maintains a number of policies that attest to its commitment to ethics and transparency. The Securities Trading Policy establishes the rules and procedures to be adopted both internally and by related persons in the trading of securities issued by Marfrig Global Foods to ensure ethical conduct by anyone with access to material information. Meanwhile, the Dividends Policy establishes that the annual distribution of dividends be decided by the Annual Shareholders' Meeting and that shareholders are entitled to receive in the form of dividends a minimum mandatory percentage of 25% of net income for the fiscal year. Lastly, the Disclosure Policy is based on the reporting of complete information to shareholders and investors to ensure broad and immediate disclosure of material acts or facts in order to guarantee equitable access to public information about the Company. The Stock Option Policy underlines the conditions for managers, employees and service providers to acquire Marfrig shares. [GRI G4-S03](#)

**25%**

IS THE MINIMUM PERCENTAGE RECEIVED BY SHAREHOLDERS IN THE FORM OF DIVIDENDS



**ETHICS AND TRANSPARENCY**

ARE COMMITMENTS UNDERTAKEN BY THE COMPANY AND EXPRESSED IN ITS INTERNAL POLICIES GOVERNING CORPORATE CONDUCT

## STOCK MARKET

Since going public in 2007, Marfrig has been listed on the Novo Mercado, which is a special listing segment of the Brazilian Stock Exchange (BM&FBovespa) exclusively for companies that comply with differentiated corporate governance requirements.

At the end of 2014, the Company's stock, which is traded under the symbol MRFG3, was quoted at R\$6.10, a gain of 52.5% compared to 2013. Over the same period, the Bovespa Index (Ibovespa) decreased by 2.9%.

## GOVERNANCE STRUCTURE **GRI G4-34**

The governance structure of Marfrig Global Foods features a Board of Directors, which is supported by the Audit Board and the advisory committees, and a Board of Executive Officers.

### BOARD OF DIRECTORS

The Company's main decision-making body, the Board of Directors is formed by eight members, who are elected by the Shareholders' Meeting to terms of two years and are eligible for reelection. The directors are responsible for formulating strategies and implementing the general business policies, designating and supervising the management activities of the executive officers and hiring independent auditors, among other responsibilities. At the close of 2014, the body was formed by the following executives, whose résumés can be found at [www.marfrig.com.br](http://www.marfrig.com.br) under the link Investors.

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

### BOARD OF EXECUTIVE OFFICERS

Formed by a chief executive officer and four executive officers (see below), who are elected by the Board of Directors top terms of three years, are eligible for reelection and may be removed at any time. The officers are responsible for executing the policies and guidelines defined by the Board of Directors. The résumés of the officers can be found at [www.marfrig.com.br](http://www.marfrig.com.br) under the link Investors.

Martin Secco Arias	Chief Executive Officer <sup>1</sup>
Ricardo Florence dos Santos	Chief Financial and Investor Relations Officer
Heraldo Geres	Chief Legal Officer
Tang David	Officer with no specific portfolio
Rodrigo Marçal Filho	Officer with no specific portfolio

<sup>1</sup> On February 16, 2015, Martin Secco Arias became the new chief executive officer of Marfrig Global Foods.

THE CORPORATE  
GOVERNANCE MODEL  
OF MARFRIG GLOBAL  
FOODS IS BASED ON BEST  
MARKET PRACTICES

## 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. The body is formed by the following members and their alternates, who serve terms of one year and are eligible for reelection.

Axel Erhard Brod	Member
Eduardo Augusto Rocha Pocetti	Member
Roberto Lamb	Member
Carlos Roberto de Albuquerque Sá	Alternate member
Christiano Ernesto Burmeister	Alternate member
Peter Vaz da Fonseca	Alternate member

## ADVISORY COMMITTEES [GRI G4-14](#), [G4-DMA Anti-corruption](#), [G4-DMA Anti-competitive behavior](#)

### AUDIT COMMITTEE

Responsible for advising the Board of Directors in the fulfilment of its responsibilities related to the analysis and disclosure of the financial statements, the development of internal controls and the oversight and coordination of the work of the Company's internal and external audits, particularly on matters involving accounting, internal financial controls and any other legal compliance controls.

### COMPENSATION, CORPORATE GOVERNANCE AND HUMAN RESOURCES COMMITTEE

Supports the decision-making process related to strategies, policies and internal rules involving human resources, including determining the compensation and benefits offered to the managers, employees and outsourced service providers. Also supports the execution of processes and the control and development of corporate governance practices.



SINCE ITS IPO IN 2007,  
MARFRIG IS RECOGNIZED  
FOR MEETING  
DIFFERENTIATED  
CORPORATE  
GOVERNANCE  
REQUIREMENTS

THE BOARD OF  
DIRECTORS IS THE  
COMPANY'S MAIN  
DECISION-MAKING BODY

ADVISORY  
COMMITTEES  
ARE MAINTAINED TO  
OPTIMIZE STRATEGIES  
AND MANAGEMENT  
WITH A VIEW TO  
GENERATING VALUE  
FOR THE BUSINESSES

GRI G4-DMA Anti-corruption,  
G4-DMA Anti-competitive behavior

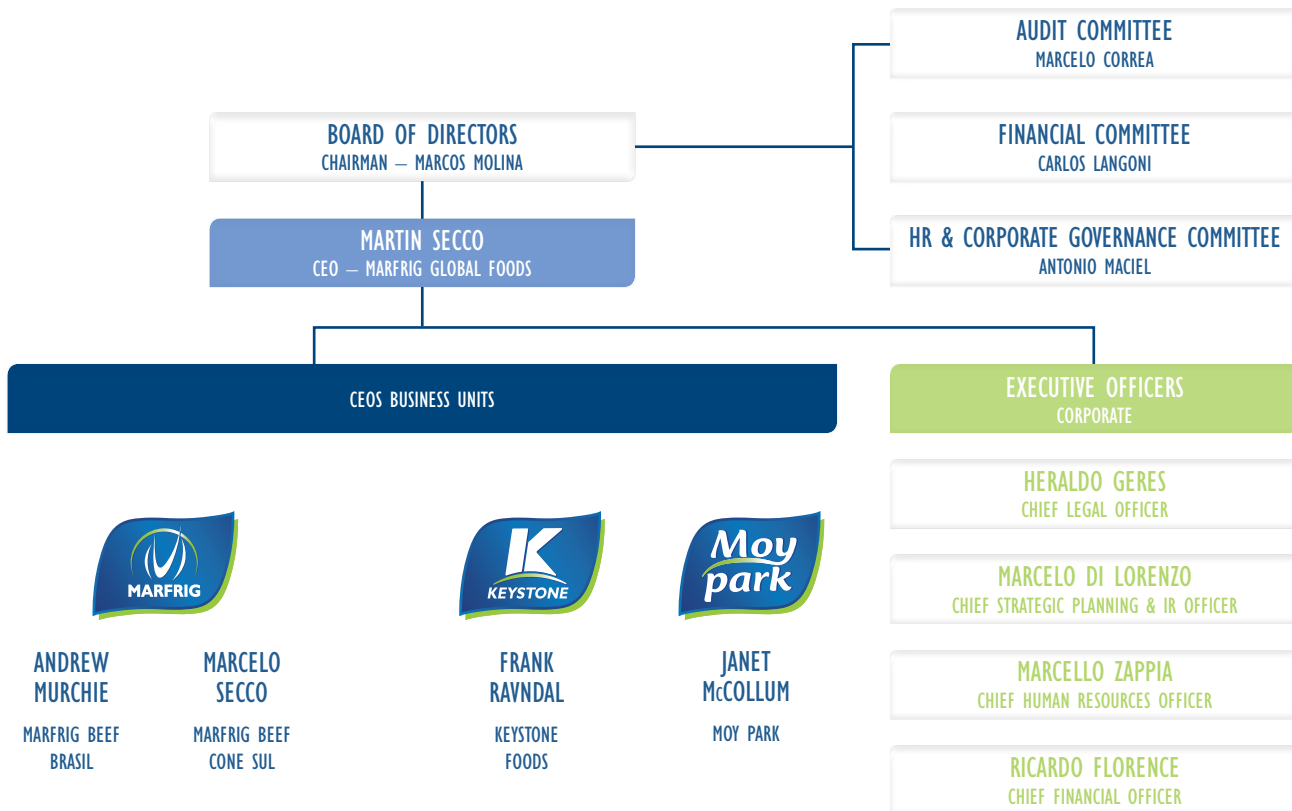
### FINANCIAL AND RISK MANAGEMENT COMMITTEE

Periodically examines the investment and borrowing plans and their impacts on the Corporation's capital structure and monitors the maintenance of the predetermined liquidity and capital structures.

### MANAGEMENT COMMITTEE

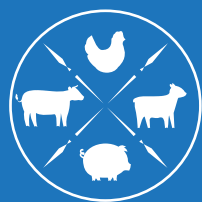
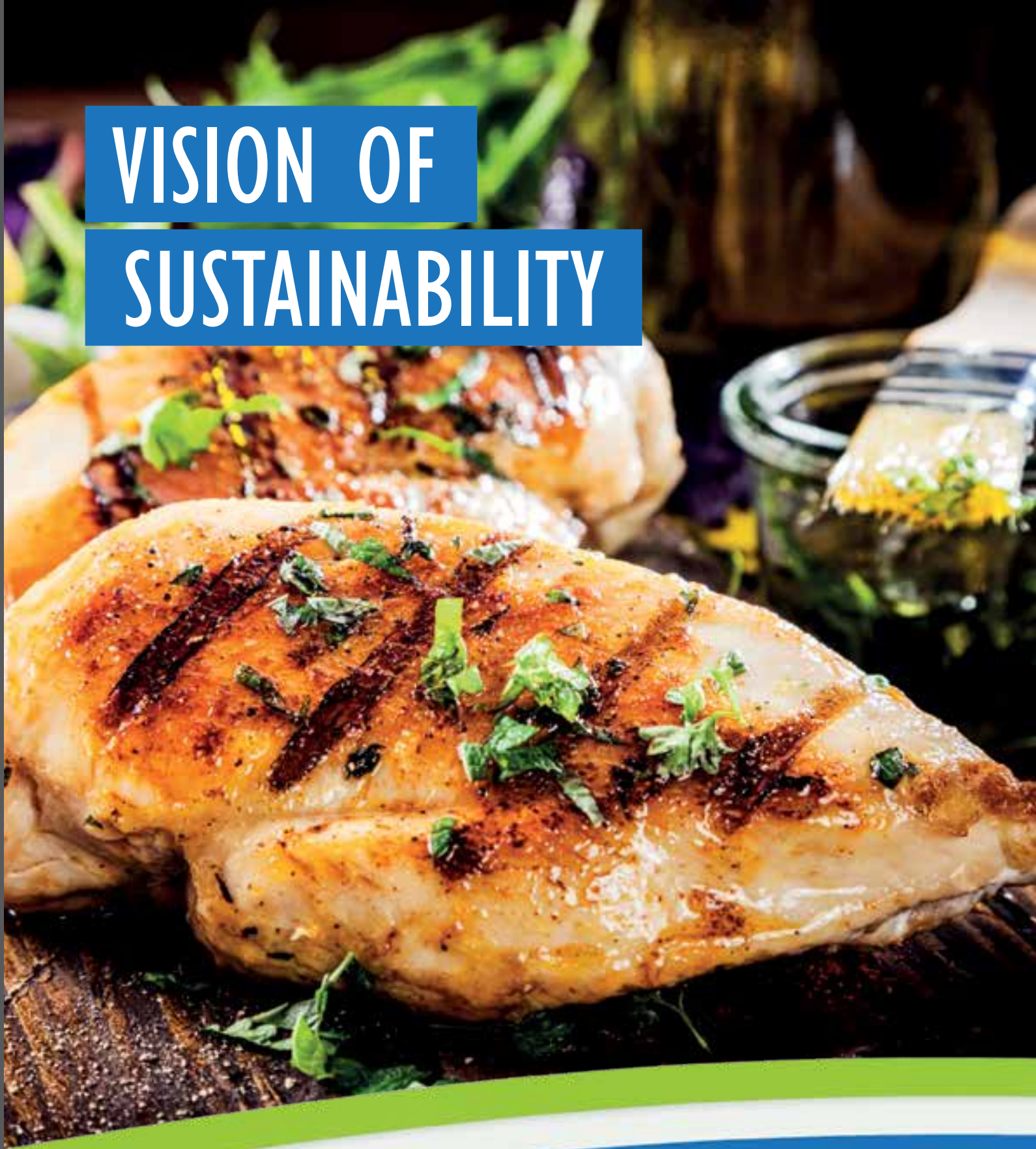
Examines and votes on actions and transactions that fall under the scope of its operations, in addition to advising the Board of Directors in fulfilling its responsibilities related to (i) budget and control; (ii) legal affairs and its responsibilities involving new business; (iii) investments and relations with the market and investors; (iv) formulating corporate policies; and (v) the long-term strategy and its planning.

## ORGANIZATIONAL STRUCTURE GRI G4-34



Note: On February 16, 2015, Martin Secco Arias became the chief executive officer of Marfrig Global Foods and Marcelo Secco became the chief executive officer of Marfrig Beef Southern Cone.

# VISION OF SUSTAINABILITY



NEW DISTRIBUTION CENTER  
IN ITUPEVA (SP) AS PART  
OF THE STRATEGY TO BE  
CLOSER TO CUSTOMERS

**GRI G4-DMA** Indirect economic impacts

The Marfrig's CSR & Sustainability Committee embodies its concern with the issue, which is considered one of the pillars of its business activities.

All practices adopted are guided by the Group's social responsibility with regard to its employees, local communities and society. The Company prioritizes the occupational health and safety of its employees and supports the development of the team. The commitment to health and safety can be seen in the Company's adoption of sustainable production, processing and distribution practices, which are based on the principles of monitoring and traceability, animal welfare and food and nutritional safety.

The relationships with local communities are mediated by the Marfrig Institute and are supported by social and environmental programs that contribute to local development.

The Company considers certifications and the adoption of internationally recognized standards as important tools for optimizing its business

management. The Company also is subject to an internal environmental audit to validate its level of commitment to sustainable development. The internal environmental management policy includes guidelines for controlling energy use, managing water resources, recycling programs, actions to promote sustainable agriculture, animal welfare, reforestation and environmental education and awareness, among other practices.

The Company has also assumed a number of public commitments in partnership with major global organizations that work to promote sustainable production and the preservation of biodiversity, including:

**Greenpeace Pact** | Higher exports to the European market and sales of canned meat at Tesco

**Rainforest Alliance Certified™** | Sales of beef bearing the social and environmental responsibility seal to Carrefour and of sustainable leather to Gucci

**The Nature Conservancy** | Participation on the organization's Latin America Conservation Council **GRI G4-16**

**100%**  
OF PRODUCTS IN ALL  
CATEGORIES ARE SUBJECTED  
TO ASSESSMENTS OF THEIR  
IMPACTS ON CONSUMER  
HEALTH AND SAFETY



MARFRIG UNDERTOOK  
A COMMITMENT  
WITH RAINFOREST  
ALLIANCE CERTIFIED™  
FOR THE SALE OF BEEF  
BEARING ITS SOCIAL  
RESPONSIBILITY SEAL



# FIRST BRAZILIAN COMPANY CERTIFIED GRADE A+ BY THE BRC GLOBAL STANDARDS

The plant of Pampeano Alimentos S.A. located in Hulha Negra, Rio Grande do Sul was the first in Brazil to receive Grade A+ certification from the British Retail Consortium (BRC) Global Standards, a food safety standard recognized by the Global Food Safety Initiative (GFSI) and required by major retail chains throughout the world.

BRC Global Standards is the world's leading organization in quality and safety certification programs. Its certification attests that this Marfrig Global Foods unit complies with international standards for quality, safety and operations as well as with all legal obligations and also provides protection for final consumers.

Marfrig Global Foods holds 48 certifications from BRC Global Standards.

## **CUSTOMERS** [GRI G4-FP6](#), [G4-26](#), [G4-27](#), [G4-DMA](#) [Customer health and safety](#)

Proximity to its customers was the main factor that motivated Marfrig Beef to inaugurate its new Distribution Center in Itupeva, a city located in the inland region of São Paulo state. With easy access to the Anhanguera and Bandeirantes highways and situated near the Campinas and Jundiaí airports, the project has become the logistics hub for the regions surrounding the cities of São Paulo, Campinas and Sorocaba in São Paulo state and in southern Minas Gerais state. The center meets the demand for storing frozen and chilled foods and for shipping products to retail and food service customers.

The new center will support the growth projected for the coming years – in line with the targets of the Focus to Win strategy – and obtained Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Point (HACCP) certifications, which assure food safety and quality. Marfrig Beef also has Distribution Centers in Santo André (SP), Bebedouro (SP), Rio de Janeiro (RJ) and Santa Rita (RS). [GRI G4-PR1](#)

To improve relations with its customers, the Company adopts a policy of sponsoring important events. In 2014, the Company sponsored the FIFA World Cup in Brazil, which registered the second highest attendance ever and the highest goal average since the 1970 edition. Marfrig took the field to promote its global food platform, the variety of its portfolio and its excellent brands. As part of this effort, it welcomed Brazilian and foreign customers during the event and offered them unique organization, planning and hospitality experiences.

Just like the superlative numbers marked the Cup of Cups, the Group obtained an excellent performance, selling high-quality meats with guaranteed origin during the competition. On the night before the final between Germany and Argentina, the Company hosted an exclusive dinner for customers in Rio de Janeiro that was attended by leading British Chef Jamie Oliver, who partners with Moy Park to produce a range of higher welfare chicken products.

Marfrig also presented – before each game, during half time and after each game – the video “Marfrig é show” on the stadium big screens. The video is based on a version of the song “País do Futebol,” written by Mc Guimê and highlights the quality of the Company’s products.

Another noteworthy action in 2014 was the construction of new channels for communication and relations with customers, suppliers and consumers. One of these was social media, which included updates and launches of new corporate sites based on the integration of the corporate logos, as well as communication actions on LinkedIn, Facebook and YouTube.

These channels helped promote strategic actions, such as sponsorship of the World Cup and the first Trainee Program 2015, which received its own website.

Due to the nature of the business, 100% of products in all categories are subjected to assessments of their impacts on consumer health and safety. All operating units have procedures in place to assess food safety and shelf life procedures (microbiological changes), for which tests are conducted every two years, as well as tests for each new packaging or product.

**GRI G4-PR1**

IN THE YEAR, THE  
COMPANY IMPROVED  
ITS RELATIONS WITH  
CUSTOMERS THROUGH  
COMMUNICATION  
ACTIONS ON LINKEDIN,  
FACEBOOK AND  
YOUTUBE



## RESEARCH AND INNOVATION

To guarantee the quality and safety of its products, Marfrig continually invests in research and development to drive innovation and be the leader in its markets.

One initiative in this area is the Marfrig+ Program, which was launched in 2014 to increase the efficiency and yields of Brazilian beef cattle. This program was the country's first initiative to use sexed male embryos of exceptional genetic quality at feasible costs on an industrial scale.

Created in partnership with In Vitro Brasil, the program collected eggs from TOP cows and sexed semen from TOP bulls for in vitro fertilization, resulting in embryos with 100% top quality genes. This technique allows for calves to gain more weight after weaning, which shortens the period from weaning to slaughter from the current average of 30 months to a mere 16 months.

The Marfrig+ program is backed by a technical committee formed by Marfrig technicians, renowned researchers, Brazilian and international customers, cattle producers, feedlot operators and breeder associations. Genetic mapping is monitored by independent companies in an effort to achieve end-to-end excellence in the production chain.

## FOOD SAFETY [GRI G4-PRI](#), [G4-DMA Customer health and safety](#), [G4-DMA Breeding and genetics](#), [G4-DMA Breeding](#), [G4-DMA Transportation, handling, and/or slaughter practices](#)

To guarantee food safety, all Marfrig Beef canned product production units are certified by BRC, International Food Standard (IFS), ISO 14001, ISO 22000, OHSAS18001 and SA 8000. In 2014, the Pampeano unit in Hulha Negra, Rio Grande do Sul was certified to produce products bearing the Rainforest Alliance Certified™ seal, which attests to the origin of the raw materials and to the plant's sustainable production processes, as well as to the practices of suppliers with regard to environmental conservation, respect for workers and local communities and animal welfare.

The company also adopts self-control procedures (e.g., HACCP, BPF, PPHO, PSO, POP, MER), which are used to evaluate food safety. Its units also adopt shelf life procedures (measurement of microbiological changes using tests conducted every two years). Shelf life tests are conducted by the Research and Development Department in conjunction with the quality sector whenever an innovative product or new packaging is launched.

IN 2014, THE RESEARCH AND DEVELOPMENT TEAM AT KEYSTONE FOODS IN THE ASIA-PACIFIC REGION DEVELOPED MORE THAN 100 INNOVATIVE PRODUCTS TO SERVE THE SPECIFIC NEEDS OF A WIDE RANGE OF FAST FOOD RESTAURANTS AND RETAIL CHAINS, WITH THE HIGHLIGHT THE NEW PRODUCTS DEVELOPED FOR STRATEGIC CUSTOMERS

**GRI G4-DMA Breeding and genetics, G4-DMA Breeding, G4-DMA Transportation, handling, and/or slaughter practices**

To improve conditions for the distribution of high-quality foods, the company has been investing in a new packaging system that conserves color, aroma and freshness of foods. This system is known as modified atmosphere packaging (MAP), in which the air inside the package is replaced by a mixture of gases such as oxygen (O<sub>2</sub>), carbon dioxide (CO<sub>2</sub>) and nitrogen (N<sub>2</sub>). MAP also allows for better control of stocking temperatures and extends the storage life of dried meats to between 9 and 12 weeks. Around 50 tons of ground beef are already packaged per month using this technology, as is also the case of all products from the Angus line.

As a leader in food safety, Keystone Foods is committed to the safety and quality standards of the foods it produces and markets around the world. All of the Company's production facilities are certified independently by the standard ISO 22000 or by standards compatible with the Global Food Safety Initiative.

Recognized the world over for research, development and innovation in the food industry, all products are tested and evaluated in an analysis laboratory and by a multidisciplinary group of scientists and chefs. Keystone's innovations in food technologies include techniques for cryogenic freezing, which increase storage life, and the development of chicken nuggets and boneless molded fillets for the global market.

At Moy Park, a culture of food safety permeates all agricultural and production activities, as well as the supply and food distribution chain, which follow the most rigorous quality and compliance standards required by European health and nutrition authorities.

A team of independent auditors periodically evaluates all of the Company's production units, supported by in-house laboratories, which provide a complete range of microbiological tests.



# HEAVYWEIGHTS

Two Uruguayan families watched the football/soccer match between Uruguay and England at Arena Corinthians in São Paulo. They were the winners of the promotion “Hambynarazo – fueling family achievements” sponsored by the Uruguayan unit Tacuarembó, which sought to strengthen the Hamby brand (hamburgers, empanadas, meatballs and coated chicken products).

Meanwhile, Moy Park launched the Kickin’ Chicken campaign, which featured the Goujon, Kiev, Escalope, Nugget and Mini Fillet poultry promo packs sporting the colors green and yellow, alluding to Brazil’s national football/soccer team. The promotion included a drawing for a trip to the World Cup with tickets to watch the semifinal matches.

“Official Cookout” was the slogan of the campaign launched by the Marfrig team for Brazilian consumers, who registered for a drawing for 70 pairs of tickets to one of the matches. Sponsored by the brands Bassi and Montana, the promotion was carried out in more than 400 stores. Meanwhile, the company’s customers were targeted by the campaigns “Chegou, ganhou” (Buy and win) and “Cresça mais, venda mais” (Grow more, sell more). Food service and retail customers were invited to participate in the experience, which not only awarded match tickets, but also created more value for their businesses.

# ORGANIC MEAT

The Tacuarembó unit's organic meat program was launched in 2000 in response to demands from European consumers. With support from Uruguay's National Agricultural Research Institute (INIA) and Germany's International Cooperation Agency (GTZ), the Company selected producers to participate in the integrated development of this supply chain.

Organic meat is free of synthetic fertilizers, anabolic hormones or growth promoters and has lower levels of intramuscular fat and cholesterol.

The Tacuarembó unit is certified by Control Union Certifications from the Netherlands, which guarantees compliance with the standards required by markets in Europe and the United States.

## NUTRITIONAL VALUE [GRI G4-FP6, G4-FP7](#)

The new habits of consumers, which are placing a greater priority on health and convenience services to gain more free time, have led Marfrig Global Foods to expand its portfolio with healthier, low-calorie products free of trans fats but rich in nutrients.

One example is organic meat, which has been produced for nearly 10 years by the Tacuarembó unit in Uruguay on cattle farms that comply with the strictest organic certification standards, which involve environmentally-friendly production systems. The meat is free of all residual chemicals and animals are treated using herbal or homeopathic medication, vaccinated and fed on pastures free of synthetic fertilizers and pesticides. This unique production process ensures that consumers are eating a safe and healthy product.

Aligned with global movements to raise health and nutrition awareness among consumers, Moy Park has systematically reduced salt content in its product lines. At the same time, it has increased its focus on nutritional communication and guidelines on its product packaging and labels, a measure that helps consumers make the best choices for maintaining a healthy lifestyle. The new labeling and nutritional value system complies with the standards of the United Kingdom's Department of Health.

Meanwhile, Keystone Foods implemented a series of projects over the course of 2014 that led to changes in its products with a view to incorporating real health benefits. These measures included reducing sodium and fat levels, removing artificial conservatives and artificial flavorings and using ingredients both recognized and accepted by consumers.

Marfrig Beef Brasil has the Marfrig Nelore product line, which offers final consumers a healthier product for their daily lives, since the animals are free range and raised in accordance with the Nelore Natural Quality Program of the Brazilian Association of Nelore Breeders (ACNB). The product line is produced at seven units in the states of Mato Grosso do Sul, Goiás, Mato Grosso and Rondônia. [GRI G4-FP7](#)

## SUPPLIERS

**GRI G4-12, G4-13, G4-27, G4-FP2**

**G4-DMA Child labor, G4-DMA Forced or compulsory labor, G4-DMA Supplier assessment for labor practices**

Marfrig adopts a series of initiatives to improve its relations with suppliers, qualify the operations of these partners and in turn improve the quality of products reaching consumers' tables.

In this effort, technology is an important ally. To improve the transparency of the meat processing process, for example, the Company has provided cattle producers with a tool to monitor beef slaughter operations online. This gives them real time information on weight, carcass quality, fat traits and age in a quick and easy manner. To access the system, suppliers need only complete their registration information and obtain a user-name and password.

To strengthen its system for monitoring and managing cattle in the Amazon Biome and comply with the Minimum Criteria for Beef Cattle and Product Operations on an Industrial Scale in the Brazilian Amazon Biome – Greenpeace, Marfrig became the first company in the industry to implement the Request for Information (RFI) tool. By using it, cattle producers supplying cattle acquired from third parties (indirect suppliers) can provide information on the animals' origins. This enables the Company's technicians to consult the lists published by the Brazilian Institute of the Environment and Renewable Resources (Ibama) and the Federal Prosecution Office to ensure that these indirect suppliers do not figure among those which adopt destructive social and environmental practices.



THE PORTFOLIO WAS  
EXPANDED WITH HEALTHIER  
PRODUCTS TO MEET  
CONSUMER DEMANDS

Another action is the Trading Desk, which completed its first year in 2014, and with positive results. To consolidate all of the Company's cattle procurement processes, producers can choose from alternative contract options. One of these options, and one that imparts greater visibility to the process, is the forward or future contract, through which Marfrig and the suppliers agree on the price of a herd to be delivered within a few months.

The price can be pegged to the indexes of the Center for Advanced Studies on Applied Economics (CEPEA) or the São Paulo Stock Exchange (BM&FBovespa), among others, and the parties can contract insurance to guarantee a minimum price for the cattle, which means that even if the cattle price falls below the amount stipulated in contract, the company guarantees the amount.

In 2014, new contract options were adopted by Marfrig's operations in the states of São Paulo and Mato Grosso and helped mitigate risks and ensure the profitability and perpetuity of its suppliers' businesses.

As a result of these actions, 100% of the volumes purchased from agricultural suppliers complies with the company's procurement policy, compared to 95% in the procurement area. Approximately 9.9% of animals processed at Marfrig Beef plants comes from feedlots, with the remainder grass-fed. **GRI G4-I3, G4-FPI**

**MARFRIG CLUB** **GRI G4-12, G4-EN12, G4-DMA Procurement practices, G4-DMA Supplier assessment for labor practices**

A pioneer in encouraging good cattle production practices in Brazil, the Marfrig Club is one of the ways in which the Company promotes the development of rural supplier farms. Through regular technical visits, Marfrig works to disseminate good cattle raising practices throughout the value chain by providing guidance and training to professionals to ensure safer, more efficient production processes with lower environmental impacts.

These guidelines are guaranteed by conducting verifications in three areas: respect for animals (animal welfare, traceability, guarantee of origin and age), respect for society (labor regulations, housing, education and incentives) and respect for the environment (preservation of vegetation, soil, water and waste). Producers receive bonuses based on how their farms perform in these metrics. In addition to these three areas, points are awarded based on compliance with requirements, with each farm ranked in the Start, Bronze, Silver, Gold or Platinum categories.

# MARFRIG CLUB 2014

**3,525**  
FARMS  
ACCREDITED

**1,198,677**  
ANIMALS

# MARFRIG CLUB: A VERITABLE GROWTH VITAMIN

GRI [G4-12](#)

“We joined the Marfrig Club at the end of 2014 as a way to add value to our cattle raising and social and environmental practices by adopting the measures developed by Marfrig, which today is a reference in the market.” The statement comes from Victor Campanelli, CEO of Agro Pastoril Paschoal Campanelli S.A., who is responsible for managing the Santa Rosa Farm, an enterprise that includes a feedlot operation with around 55,000 head of cattle located in Altair, a city in the interior of São Paulo state.

Agro-Pastoril Paschoal Campanelli is recognized for its excellence and optimal use of its farms by developing in-house an integration model that features the planting of corn on sugarcane fields in the process of replanting, with the corn then harvested and stored in silos. This corn is then used to fatten the cattle held in the company’s feedlots, while the manure produced by the animals is applied to the fields, in a process based on the principles of sustainability and respect for the environment.

“We already sell 100% of our production to Marfrig and so we analyzed the potential for synergies between our sustainable practices and those of the Company. We concluded that they were complementary and would definitely generate greater value for our operations. So much so that our classification in the Marfrig Club is the highest possible level of Platinum,” he said.

The criteria required by Marfrig for a producer to reach this classification level include specific procedures related to animal welfare (handling, feed, biosafety, traceability, origin and age), social responsibility (labor standards, housing, education and incentives) and environmental responsibility (vegetation, waste, soil and water), as well as not appearing on the list of banned areas published by the environmental agency Ibama and on the list of companies engaged in slave labor practices published by the Ministry of Labor. [GRI G4-LA15](#), [G4-HR5](#) and [G4-HR6](#)

“We have adopted all these practices in our business for quite some time and, by qualifying for the Platinum category, we also were accredited for export markets, which means that our participation in the program earns us a premium,” said Campanelli.

According to Campanelli, the idea behind participating in the Marfrig Club was to profit and grow together. “I would say that this is an extra vitamin to promote our growth and transform us into a better supplier. Marfrig is very proactive and has clear production standards. I would say that Marfrig sets itself apart in the market by forging partnerships, rather than just buying cattle on a daily basis,” he explains.

Another important factor cited by Campanelli is the integration that Marfrig seeks between all links in the cattle production chain, effectively bringing together farmers with feedlot owners and the meatpacker. “This initiative is very important and I think that Marfrig is planting one of the most important seeds in the industry,” he said.



Since 2010, Marfrig Club technicians have evaluated the farms supplying the company and to date all of them (suppliers and service providers) comply with social requirements and not a single one was suspended from the program, which conducts evaluations every three years. In 2014, 46,65 % of slaughtered cattle by Marfrig, were part of Marfrig Club. **GRI G4-EC9, G4-LA15, G4-HR5 and G4-HR6**

In 2014, 3,525 suppliers of cattle effectively processed at one of our units during the period were classified in at least one of the levels of the Marfrig Club. Of the total, 1,632 suppliers were classified in the Start category, 1,333 in the Bronze category, 245 in the Silver category, 192 in the Gold category and 123 in the Platinum category.

### ANGUS PROGRAMS **GRI G4-12**

Another initiative to foster production quality is the Marfrig Angus Development Program, which works to strengthen, intensify and value commercial relationships with cattle producers.

By offering bonuses over the quoted fed cattle price, Marfrig guarantees the purchase of Angus and Angus-cross animals (males and females). These contracts benefit producers by giving them advances based on an efficiency index that analyzes, among other factors, the adoption of advanced technology and the hiring of technical support. This discount is applied to the amount paid in advance, which increases in line with the ratio of animals returned to the total number of animals purchased.



**THE ANIMAL WELFARE PROGRAM  
IS IN KEEPING WITH OUR BELIEF  
THAT IT IS OUR DUTY TO AVOID  
UNNECESSARY SUFFERING**

## ANIMAL WELFARE

Marfrig Global Foods considers it a moral duty to spare animals from unnecessary suffering. The Group's animal welfare program works to guarantee the safety and humane treatment through regularly audited internal rules and procedures, as well as regular investments in new technologies, advanced equipment and new raising and logistics methods.

To facilitate the exchange of best animal welfare practices, Marfrig Global Foods has a Council that meets on a monthly basis and includes representatives from all of the Group's operational divisions. In 2014, the council focused its efforts on standardizing the global animal welfare standards for beef and poultry. [GRI G4-FP9](#) and [G4-FP11](#)

Moy Park continues to operate to the highest standards of animal welfare, assured by our staff, customers & audited to external standards. Moy Park has fully trained Poultry Welfare Officers on each processing site who are responsible for farm animal welfare. They track and monitor Poultry Welfare key performance indicators (KPIs). These welfare KPIs are determined and agreed in consultation with our customers, setting objectives and targets for the management of farm animal welfare. The standards are established using Red Tractor (ACP), Bord Bia or equivalent requirements. [GRI G4-FP13](#)

## POLICIES AND PRACTICES FOR ANTIBIOTICS

[GRI G4-FP12](#)

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. Additionally, 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. [GRI G4-FP9](#) and [G4-FP11](#)

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.

# TRAINING IN CHINA

In 2013, Keystone Foods brought together the most renowned global specialists in animal welfare for a seminar held in China. This meeting's objective was to develop standards and good practices for the Chinese poultry industry, one of the world's largest. During the week, technicians, specialists and researchers presented studies and had an opportunity to analyze local operations by visiting poultry farms and production centers. The experience enabled them to identify best practices.

Keystone Foods is committed to humane treatment of animals and works with industry specialists to adopt animal welfare standards accepted around the globe. The Company has developed comprehensive management which address all production stages and processes. Compliance is verified by first-, second- and third-party audits. In the U.S., Keystone Foods also meets or exceeds the animal health and welfare standards established by National Chicken Council. The Company continuously evaluates new and emerging technologies for which could potentially improve the welfare condition of the animals in its care.

## **SUPPLIER ENGAGEMENT** [GRI G4-26, G4-27, G4-DMA](#) [Child labor, GRI G4-DMA Forced or compulsory labor](#)

The dissemination of best social and environmental practices in cattle production in the Amazon has led Marfrig to join forces with The Nature Conservancy (TNC) and Walmart in the São Félix do Xingu Project. The organizations provide the technical resources for complying with environmental regulations and expanding responsible production to cattle farmers in the São Félix do Xingu and Tucumã regions of southeastern Pará state. In this way they work to enhance sustainability from end to end in the beef value chain and to create a responsible business model that can be replicated in other regions of the country and in different agribusiness segments.

The project, which is planned to last three years, is based on offering technical support to 20 rural producers to increase cattle production through pasture management in order to expand production without the need to deforest new areas. Implemented in pilot areas, these sustainable models can be replicated by producers throughout the region, making possible change on a large scale.



## THE SÃO FÉLIX DO XINGU PROJECT WORKS TO DISSEMINATE BEST SOCIAL AND ENVIRONMENTAL PRACTICES IN THE AMAZON REGION

The initiative includes satellite monitoring of production areas to constantly update a geographic database of the region. Armed with this information, Marfrig will be able to see which producers are working responsibly and maintain its commitment to avoid acquiring cattle from properties that do not comply with environmental regulations.

Another action is to trace beef from the field all the way to consumers' tables. Walmart and Marfrig already actively use meat tracking systems; however, working jointly with the TNC, they will exchange information and crosscheck data to further improve their ability to monitor products from end to end. Consumers are also informed of the origin of the meat produced in this region, providing yet another opportunity for responsible consumerism.

Keystone Foods involves, engages and encourages its suppliers to adopt practices based on social and environmental responsibility and responsible procurement. One of these actions began in 2010, when Keystone brought together a select group of suppliers for training supported by sustainability questionnaires addressing relevant topics, such as human rights, ethics, business practices, safety, social well-being and sustainable supply chain.

These results are regularly analyzed to enable comparisons of the differences and conformities among the governance models adopted by suppliers. By establishing a baseline for best practices in its supply chain, Keystone is able to identify a select number of suppliers for further engagement. Through individual, on-site meetings involving a detailed review of the main points raised by the questionnaires, Keystone seeks to continuously improve processes to ensure best sustainability and environmental practices.

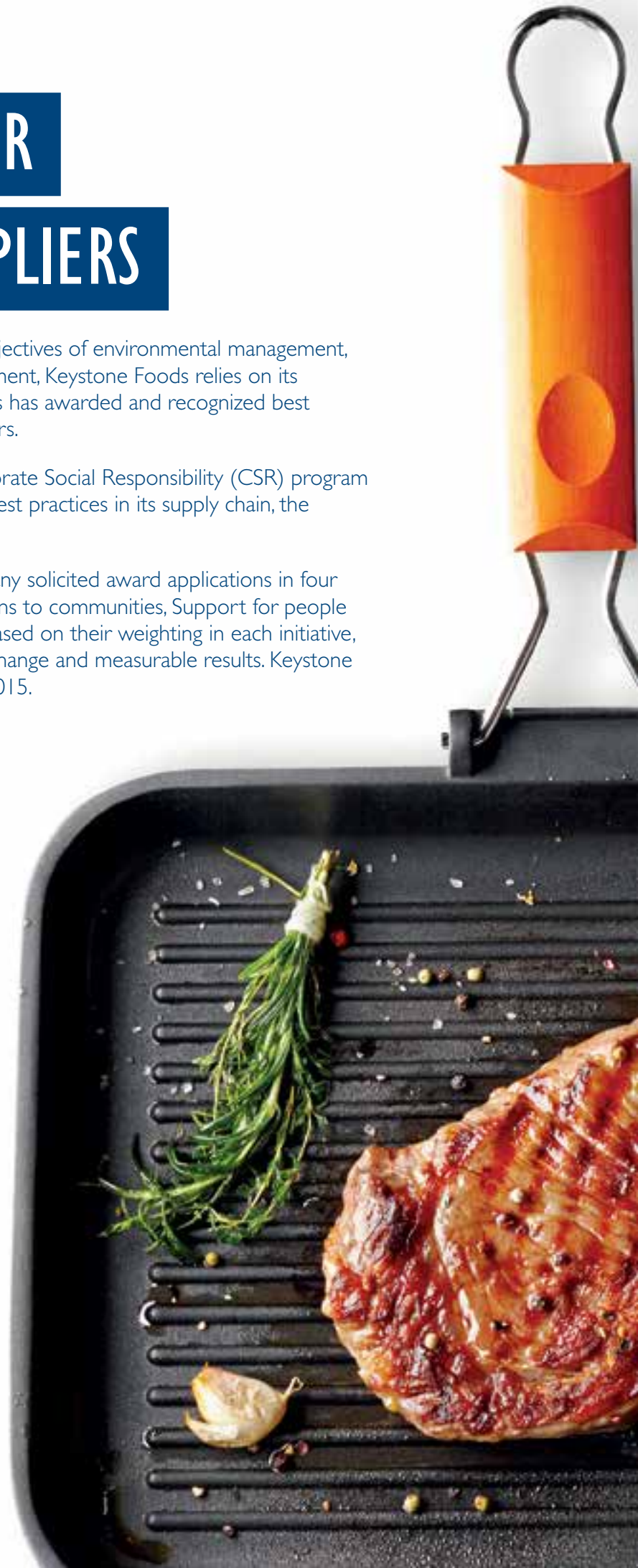
# CASE STUDY FOR KEYSTONE SUPPLIERS

To guide and promote the principles and objectives of environmental management, social responsibility and sustainable development, Keystone Foods relies on its KEYSTAR® program, which for over six years has awarded and recognized best practices adopted by employees and suppliers.

KEYSTAR® is a part of the company's Corporate Social Responsibility (CSR) program and in 2014 conferred the first awards for best practices in its supply chain, the Supplier CSR Awards.

Through the KEYSTAR® Awards, the Company solicited award applications in four categories: Sustaining the Planet, Contributions to communities, Support for people and Value creation. The cases were judged based on their weighting in each initiative, including originality, innovation, capacity for change and measurable results. Keystone looks forward to continue this program in 2015.

THE KEYSTAR®  
PROGRAM OF  
KEYSTONE FOODS  
FOSTERS THE  
PRINCIPLES OF  
ENVIRONMENTAL  
MANAGEMENT,  
SOCIAL  
RESPONSIBILITY  
AND SUSTAINABLE  
GROWTH



# JOINT EFFORT

# FOR PRESERVATION

GRI G4-15, G4-27

The São Félix do Xingu Project was created in 2012 by The Nature Conservancy (TNC), which develops in the region the initiative Sustainable Beef: from Farm to Table, working together with Marfrig Global Foods and the supermarket chain Walmart.

With 84,000 square kilometers, 73% of remaining forests and 50% of indigenous reservations, São Félix do Xingu is home to more than 2.4 million head of cattle, making it one of the country's top cities in terms of cattle herd size. Figuring since 2008 on the list of banned areas published by the Ministry of the Environment due to its high levels of deforestation, the

region is now a champion in reducing this practice, an achievement that is the fruit precisely of this joint effort by TNC, Walmart and Marfrig. Between 2008 and 2013, the region's deforestation index fell 70%.

Initially applied on 20 pilot properties – ten in São Félix do Xingu and ten in Tucumã – some of the initiatives of the working group are described below:

**Support for rural producers** – involves compliance with environmental legislation, such as the Rural Environmental Register (CAR) and Rural Environmental License (LAR), and improvement in pasture management practices to reduce impacts on soils and increase productivity; best practices for water and soil use; alternative income generation based on standing forests, such as practices to enrich forests with economically interesting species; construction of forest recovery models; and higher cattle production via pasture management to guarantee that local producers are able to expand their production without deforesting new land.

**Production monitoring** – works to improve the system for monitoring production areas by analyzing satellite imagery and updating the region's geographic database.

**Tracking of meat to the final consumer** – includes the exchange of information and the crosschecking of data between the meat tracking systems of Walmart and Marfrig to further refine the ability to track meat from end to end in the chain. Walmart and Marfrig will also provide their consumers with information on the origin of the beef produced in this region. This process will provide new opportunities for responsible consumption by consumers, who will be able to strengthen responsible production in the Amazon Region through their purchase choices.



# HARMONY TO BENEFIT THE CONSUMER

The São Félix do Xingu project is considered strategic to Walmart Brasil, according to the supermarket chain's Sustainability coordinator, Natália Tendeiro. "The company maintains the More Sustainable Cattle Farming Platform, which is aligned with the Sustainable Farming Global Platform, in which Brazil is responsible for one of the group's global targets: not buying meat whose origin contributes to the deforestation of the Amazon," she said.

Guided by these concepts and the principles of Developing the Cattle Production Chain, Natália said that the São Félix do Xingu project is the chain's flagship project in Brazil, given its model of working directly with cattle farmers to encourage them to adopt environmentally and socially responsible operations with the added benefit of improving their profitability. "The project also encompasses animal welfare and traceability issues, concepts shared by Walmart and Marfrig Global Foods, which form the retail and industrial links of the chain, respectively, and play distinct roles in the project, but must work in harmony to ensure that beef reaches final consumers," she added.

According to the Sustainability coordinator, in the project's current stage, the companies are working together to evaluate the quality of animals originating from the farms covered by the project, the quality of the beef obtained and, commercially, which cuts can be sold, as well as all other aspects involved in the sales process. Beef sales under the project will begin in the first quarter of 2015 through the traditional process: Walmart will purchase products from Marfrig, which will be responsible for processing and packaging.

GRI **G4-DMA** [Supplier assessment for labor practices](#)

## PROACTIVE AND INNOVATIVE BEHAVIOR

GRI **G4-15, G4-26**

Responsible for the Legal Meat program aimed at combating deforestation caused by the predatory exploration of cattle production in the Amazon, the Attorney General of the Federal Prosecution Office in the State of Pará, Daniel César Azeredo Avelino, sees as positive the initiatives adopted by Marfrig Global Foods. According to him, the Company is always open to dialogue and acts proactively to anticipate challenges that arise and make the decisions needed.

Avelino remembers that, even without having been issued recommendations, Marfrig signed a commitment to not purchase cattle from farms engaged in deforestation in the Amazon. The Legal Meat Program was launched in 2009 and involved the signing of a Settlement (TAC) with the Federal Prosecution Office by meat packers, tanneries and footwear manufacturers, which undertook to comply with a series of environmental and social requirements for suppliers of raw materials sourced from the Amazon Biome.

In April 2014, the Company published a report of the actions taken in the previous year focused on herd procurement processes, in which it did not identify a single cattle purchase transaction that breached the public commitment Minimum Criteria for Operations with Cattle and Beef Products on an Industrial Scale in the Amazon Biome, which was also signed in 2009, with the organization Greenpeace.

Marfrig monitors 7,195 properties in the Amazon Biome, of which 5,516 are approved to supply cattle to the Company's five production units in the region, which are located in Tangará da Serra and Paranatinga in the state of Minas Gerais, Rolim de Moura and Chupinguaia



MARFRIG WAS THE  
FIRST COMPANY  
IN THE INDUSTRY  
TO LAUNCH  
A TOOL THAT  
ENABLES FARMERS  
TO PROVIDE  
INFORMATION ON  
THEIR SUPPLIERS

in the state of Roraima and Tucumã in the state of Pará. "The report is valid, but the role of the Prosecution Office is to always want more and, given the opportunity that Marfrig is providing, of hearing from stakeholders on the topic, I believe you can always seek more enhancements to encourage more verification and sampling points that focus on the issue of deforestation, but also strengthen the validity of the Rural Environmental Register (CAR) and the control of suppliers. Marfrig's monitoring system is very good, but we need to advance even more in the control of indirect suppliers, which doesn't depend solely on the company, but rather on a joint effort between the Prosecution Office and the other entities working to resolve this issue," he said.

With regard to the control and monitoring of indirect suppliers, Marfrig was the first company in the industry to launch the Request for Information (RFI) tool, through which cattle producers inform who are their third-party cattle suppliers. "This is an example that demonstrates Marfrig's proactive and innovative approach. The tool must integrate the CAR with the Animal Transit Guide, for example, but is valid in that it provides an opening for solutions to the problem," said Daniel César.



# ALIGNED WITH GREENPEACE

GRI G4-DMA Child labor, G4-DMA Forced or compulsory labor

“We salute Marfrig’s initiative to listen to its stakeholders about its actions in the Amazon Biome,” said Adriana Charoux, from Greenpeace’s Amazon Campaign, who is responsible for Greenpeace Brazil’s agribusiness campaign.

According to her, there is a gap between the practices of companies that signed the public commitment, such as Marfrig Global Foods, and the remainder of the sector. Of the more than 2,000 meatpackers, only three have signed the public commitment and nearly 100 the Settlement with the Federal Prosecution Office.

The Company’s relationship with the organization began in 2009, when it signed the public commitment “Minimum criteria for beef cattle and product operation in an industrial scale in the Brazilian Amazon Biome,” through which it committed to purchase cattle from authorized farms and exclude suppliers involved in deforestation.

“Since 2014, the company has conducted independent audits of its sourcing system to verify the level of efficiency in blocking suppliers involved in deforestation, slave labor, conflicts on indigenous lands and protection areas. The Company’s actions have been in compliance with the settlement, prepared together with Greenpeace and other companies that signed the public commitment, in which they agreed to reduce the sample size to 10% if the previous year’s non-compliance rate was less than 5%. The effectiveness of the actions led Marfrig to reduce its sample size,” said Adriana.

While results have been positive, controlling indirect suppliers is an enormous challenge. Furthermore, we must pay close attention to farms abutting indigenous lands to prevent purchases from farms that invade these territories. Marfrig has contributed to improving the settlement and has been signaling its willingness to

make a difference. The professional also adds that the next report to be presented by meatpackers will incorporate an audit of the companies that provide them with georeferencing services.

“In Marfrig’s case, the company promoted a contract between Greenpeace and Agrottools, to ensure that the NGO’s professionals could access more detailed georeferenced maps prepared upon request by Marfrig, to serve as a basis for controlling supplier farms.

Adriana Charoux points out the need for supermarkets and consumers to value the actions of the signatories to the public cattle commitment. “Marfrig is one of the three pioneers, bringing a great deal of credibility to the process, and its commitment to these challenges could encourage other companies to do the same. I think it’s only fair to echo a demand of these meatpackers that signed the public commitment promoted by Greenpeace that it’s important for supermarkets to really look at actions and give priority to those committed to zero deforestation,” she argued. “Our relationship with Marfrig is very good, transparent and efficient. There are differences in how sustainability is comprehended at each company. Marfrig has already managed to grasp that sustainability is a strategic issue and can represent a competitive advantage in the market.”

“We are seeing new efforts by meatpackers and the stock market to communicate with consumers. This is already quite common internationally, but I think that Marfrig can advance even more in this sense on the domestic market. Here in Brazil, the consumer needs more information on what they are eating. They also need more access to products that are free of violations of human and forest rights. This will be a competitive advantage in the future.”

# MARFRIG COMPLIES WITH 100% OF THE TARGETS AGREED UPON WITH GREENPEACE

GRI G4-EC9

Today 100% of the suppliers\* of Marfrig Global Foods have mapped their properties and the Company did not acquire any irregular meat from the Amazon Biome in 2014.

These results are part of the survey conducted by the independent auditor Det Norske Veritas (DNV-GL), which is responsible for verifying compliance with the public commitment “Minimum criteria for beef cattle and product operations on an industrial scale in the Brazilian Amazon Biome” that the Company undertook with Greenpeace, which is known as the “Cattle Agreement.”

The audit process was divided into three parts (corporate sustainability audit, on-site audit of units located in the Amazon Biome and finally an audit of the company using geospatial monitoring) covering animals purchased from January 1 to December 31, 2014.

DNV-GL pointed out the following:

- No suppliers of animals processed in 2014 delivered animals from properties banned by the environmental agency IBAMA;
- No suppliers of animals processed in 2014 appeared on the “black list” maintained by the Ministry of Labor (MTE);
- All suppliers were compliant with the geospatial monitoring criteria based on systems of the Project for Monitoring Deforestation in the Legal Amazon (Prodes) and the Real-Time Deforestation Detection System (Deter), which measure, among other aspects, the new areas of deforestation and other criteria such as encroachment on indigenous lands or conservation areas.

The work of the independent auditor also simulated purchase situations within the supplier universe classified as failing to comply with social and environmental criteria. In all cases, the system implemented by Marfrig Global Goods was activated and blocked any commercial relations with suppliers that, within the simulation, had operations on areas banned by IBAMA, appeared on MTE’s “black list” or had irregularities detected via geospatial monitoring.

DNV-GL also stated that Marfrig Global Foods conducted the necessary efforts to comply fully with the “Cattle Agreement” established with Greenpeace, in accordance with the targets published for the base year 2014.

\* Number portrays the universe of the company's supplier measured by DNV-GL in the Amazon biome.

**AMAZON BIOME** GRI G4-DMA Procurement practices, G4-EC9

Marfrig maintains a satellite control system to monitor the properties of its suppliers and prevent new areas of deforestation, labor practices analogous to slavery and destructive social or environmental practices. Every day it evaluates nearly 8,000 rural properties on more than 25 million hectares, guided by the following work plan. 100% of cattle purchases from the Amazon biome meet the minimal criteria for cattle operations and cattle products, being these criteria established by Marfrig, other sector's companies and Greenpeace.

**MONITORING OF THE AMAZON BIOME: ACTION PLAN**

Goal	Results achieved
Zero deforestation in the supply chain	No new deforestation for cattle production was accepted after October 9, 2009.
Rejection of the invasion of indigenous lands and protected areas	Companies and their products must be free from involvement in invasions of indigenous lands and areas protected by federal, state and municipal legislation.
Rejection of slave labor	The company must sign and strictly comply with the National Pact to Eradicate Slave Labor in Brazil.
Rejection of land grabbing and agrarian conflict	The company must remove from its list of direct or indirect suppliers, based on unequivocal knowledge, any producer accused by the Prosecution Office or by federal or state Land Institutes to be involved in land grabbing, or that are denounced by the Prosecution Office to be involved in incidents of inciting agrarian conflict. Supply may resume once again if the company signs a conduct adjustment settlement or the accusation is dropped.
Production traceability system that can be monitored, verified and reported	Cattle and beef products may only be supplied by farms or groups that have formally undertaken to adopt a reliable traceability system that, in addition to current requirements, includes clear environmental requirements to eliminate deforestation.
Implementation of commitments in the production chain	The company must inform its suppliers of all the aforementioned requirements and make clear that any producers in violation of the criteria will no longer be accepted as suppliers. A commission will be created to monitor and accompany the commitment undertaken in order to analyze, study and correct the industry's paths with the goal of zero deforestation. The commission will meet on a monthly basis with industry representatives, NGOs, customers, the financial industry and government authorities.



**EFFORTS TO REDUCE  
DEFORESTATION  
ASSOCIATED WITH  
THE PRODUCTION  
OF COMMODITIES  
LED MARFRIG TO  
SIGN A PARTNERSHIP  
WITH THE TROPICAL  
FOREST ALLIANCE**

**PROTECTED AREAS AND HABITATS RESTORED GRI G4-EN12, G4-EN13**

Project	Size of Permanent Preservation Area (APP) to be restored (hectares)	Location	Situation	If restored, were the results approved by external specialists?	Partnerships (for protection or restoration)
São Felix do Xingu – Sustainable Beef Project: from Field to Table	1,005.30	13 farms	First, the animals located on the APPs <sup>1</sup> are removed. Then the area is isolated from the production area to subsequently begin pasture recovery. As an alternative, artesian wells and reservoirs are built to provide drinking water for the animals.	Once the area has been improved, given the local resilience factors, natural restoration processes should occur. This phase is monitored by specialized technicians from TNC and Marfrig.	Producer/ TNC /Pará State Forestry and Biodiversity Development Institute (Ideflor-Bio)
Tucumã – Restoration of Permanent Preservation Area (APP)	167.82	9 farms	First the APPs are isolated. The project also involves the construction of nurseries for native tree species with economic or energetic potential to be planted on approximately 1 hectare of agroforestry systems.	Once the area has been improved, given the local resilience factors, natural restoration processes should occur. This phase is monitored by specialized technicians from TNC and Marfrig.	Farmer/ TNC/ Ideflor-Bio/ CEPLAC/ Municipal government

<sup>1</sup> The interventions were made to Permanent Preservation Areas (APPs) with natural springs and waterways.

**Tropical Forest Alliance 2020 GRI G4-I5**

The Marfrig Global Foods Group has formed a partnership with the Tropical Forest Alliance 2020 (TFA 2020), a movement that seeks to mobilize actions by the government, the private sector and civil society to reduce the practice of deforestation associated with the production of essential global commodities, such as soy, beef, palm oil and pulp and paper. The objectives of TFA 2020 include:

- Improving planning and management practices related to the conservation of tropical forests, agricultural soil use and land ownership;
- Generating experience and knowledge to support the development of raw materials and processed commodity markets that promote the conservation of tropical forests; and
- Sharing best practices for tropical forests, conserving ecosystems and producing commodities, including actions with small farmers and other producers to intensify the adoption of sustainable agricultural practices and promote the use of degraded lands and reforestation;
- Improving the monitoring of tropical deforestation and forest degradation to measure the progress made.

Through working groups, TFA 2020 focuses on regional activities in South America, particularly in Brazil and Colombia, Central America, Asia (Indonesia) and West Africa.

# ALASKAN POLLOCK

The Keystone Foods unit located in Jefferson, Wisconsin supplies fried fish patties to a large fast food chain. The patties are made from Alaskan Pollock, which is fished in the Bering Strait in accordance with a sustainable model that is based on ecosystem management and certified by the Marine Stewardship Council (MSC) and the Alaska Responsible Fisheries Management Systems. MSC certification also encompasses the fast food chain and ensures that only Alaskan Pollock is used as an ingredient in the chain's sandwich. The Keystone team in Wisconsin played a fundamental role in working with fish suppliers and customers during the certification process, including by facilitating visits to the plants and ships of suppliers in Alaska and Washington.

## SUSTAINABLE AGRICULTURE [GRI G4-16](#)

Committed to encouraging the adoption of best sustainability practices throughout the entire beef production chain, the Company maps and organizes its cattle suppliers based on social and environmental criteria. The procurement system only allows cattle to be acquired after verifying environmental licenses and checking to see if the producer appears on the blacklist published by the environmental agency Ibama or on the list of farms involved in slave labor published by the Ministry of Labor.

In partnership with Carrefour, Marfrig Beef was the first company to market beef carrying social and environmental certification identified by the Rainforest Alliance Certified™ seal, which attests that the meat comes from farms that comply with strict international standards for environmental conservation, respect for workers and local communities and animal welfare standards.

All Moy Park units are certified by Red Tractor, an independent institution that has assured over 88,000 farming enterprises in the United Kingdom, whose standards safeguard animal health and welfare.

The Company is also certified by Bord Bia, an Irish entity that evaluates the quality of food produced by over 36,000 producers and 122 processors in the country based on health, animal welfare, traceability, animal water and feed, pasture management, environmental management and food safety.

The Company works with more than 800 local producers and all purchases are based on a Supply Chain Assurance policy and contracted from suppliers approved by Red Tractor or holding equivalent certification.

Sustainable agriculture is an intrinsic part of the Company's relations with local producers. As such, it offers programs to guarantee high levels of quality of agricultural management.

Keystone works with industry groups to establish sustainable commodity standards and with suppliers to develop continuous improvement actions. The Company is a signatory to and a member of the Poultry Sustainability Working Group, an inaugural working group of the U.S. Egg & Poultry Association and National Chicken Council, which is responsible for defining sustainable poultry production metrics and standards for the industry in the United States.

**Global Roundtable  
for Sustainable Beef (GRSB) GRI 64-16**

GRSB is a multi-stakeholder initiative developed to promote continuous improvement with a focus on sustainability in the beef value chain. It also works to engage stakeholders, which include cattle producers, farmers, producer representatives, traders and meatpackers, retailers and NGOs, and ensure their participation in regional round table discussions.

A member of GRSB, Keystone Foods and Marfrig Beef have participated in various working groups to support the formulation of global principles and criteria for sustainable beef. In 2014, the Company's representatives participated in and led a number of round table discussions to draft the framework for a project with global principles and criteria related to the topic.

Marfrig also recently participated in the Global Conference on Sustainable Beef in São Paulo (BR). To support the implementation of the principles and criteria of the Global Roundtable for Sustainable Beef, the Company participates in regional roundtables in Brazil, Australia and the United States.

## LINDE LLC

Seeking solutions that ensure the feasibility of good sustainability practices, Keystone Foods worked with Linde LLC, a supplier of industrial gases to the Camila unit in the U.S. state of Georgia, to develop an action that generated significant benefits for the operation.

The companies reconfigured the logistics demands for liquid nitrogen to reduce the number of deliveries made by truck. The solution found was gravity feeding of the feedstock at production lines, which led to a 10% decrease in consumption and a 70% decrease in the number of deliveries by truck. The action reduced by 35,000 miles the distance traveled by the trucks every year, generating substantial gains by reducing both fuel consumption and greenhouse gas emissions.



MARFRIG SHARES ITS  
CULTURE, PRINCIPLES  
AND VALUES WITH  
MORE THAN 45,000  
EMPLOYEES, WHICH ARE  
GOVERNED BY A SINGLE  
CODE OF ETHICS

## WORKPLACE

The Human Resources area has come to play a critical role in consolidating the Focus to Win strategy. In Marfrig Beef's value chain, the area identified new challenges and sought to align roles and duties by creating a new model for services, positions, functions, compensation and benefits as part of the project to restructure the Human Resources area with short-term actions with quick returns. In Brazil, the Company also began to work with an internal Human Resources consultant to support people management (giving special attention to actions, goals and results), performance management, recruiting, developing corporate programs and organizational climate.

As a large employer in the United Kingdom, Moy Park is committed to creating a stimulating and harmonious workplace for its employees by offering training programs and opportunities for career advancement. All of this in a safe environment that complies with internationally recognized standards and rules for occupational health and safety.

Meanwhile, at Keystone Foods, employees are an essential part of its pillars of excellence, which drive continuous improvement, competitive costs, innovation, global resources, social corporate responsibility, food safety, quality assurance and focus on the customer. To Keystone, employees are its most valuable asset and the source of its success, and through them it works to meet and surpass the expectations and needs of its customers.

## PROFILE

At the global level, Marfrig Global Foods ended 2014 with 45,666 employees, which represents a decrease of 6.03% from 2013. [GRI G4-10](#)

The Company works to exchange its culture, principles and values in its relationships with professionals. Upon admission, newly hired employees receive a copy of the Code of Ethics and undertake to uphold its guidelines. This document establishes the behaviors expected and is available on the Group's intranet and website. This effort is further complemented by channels for whistleblowing and lodging complaints. [GRI G4-56](#)

In 2014, the Company strengthened its mechanisms for attracting talent by launching the Marfrig Trainee Program 2015. The selection process lasted two months and attracted 7,545 candidates, of eight whom were approved after evaluation by panels in which executives participated. In January 2015, they began working in the eight-month program, and the most exceptional trainee will be awarded a 30-day internship at Keystone Foods in the United States.

Dedicated to developing specific skills, the program focuses on corporate experiences that effectively contribute to professional development through projects developed in the Commercial/Sales, Financial, New Business, Planning and Operations, Supply Chain/Logistics, Industrial, Information Technology and Legal areas.

Marfrig also has a Young Apprentice Program (see the case study) to offer youth age 16 years and over an opportunity for their first professional experience. To train this public, the Company launched the Education for Life program, which offers lectures and other development activities. Historically, 90% of young apprentices who join the program go on to work at the Company after finishing the program.

The Company is also concerned with fostering diversity and ensuring respect for diversity among its professionals. One example of this commitment is the Haiti Project (see the case study), which was developed to provide work opportunities to Haitian immigrants. By the end of 2014, the program had hired 66 immigrants at the units located in Paranatinga (MT) and Chupinguaia (RO). All of the Haitians were hired as industrial production assistants, working 40 hours a week and receiving a salary and benefits compatible with the position (transportation vouchers, meal vouchers and bonuses for achieving targets), in addition to housing assistance for a period of six months.

To aid in their adaptation to the country, Marfrig offers the Haitians support through a mentor program, in which they are monitored and trained by more experienced employees over the course of three months. Furthermore, all workplaces were equipped with signs in French, the immigrants' official language, to facilitate their integration.

## NUMBER OF EMPLOYEES PER UNIT



**22,374**  
2014



**11,009**  
2014



**12,283**  
2014

\*Includes the branch offices in Argentina, Chile and Uruguay.



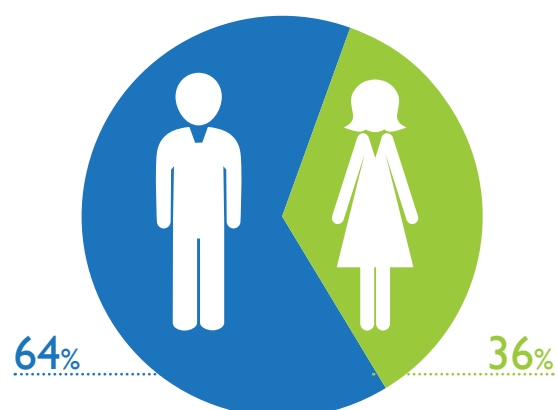
# K-WIN

Keystone Foods maintains K-WIN, an inclusion program for women that supports career development and advancement for women at all of its units in China, Thailand, South Korea, Malaysia and Australia. This initiative inspires and gives women the tools to achieve their professional objectives through a network of relationships structured to promote career advancement as well as contributions to society and local communities. Given the significant growth in members and the consequent expansion in tutoring courses and leadership programs, Keystone has been expanding the number of training programs and the opportunities offered.

## LEADERSHIP

The Company also has a leadership development program in the Asia-Pacific Region, where key employees undergo training. Future leaders are identified and supported to assume new opportunities in-house. The leadership development program is conducted in partnership with a specialized organization and seeks to support the career advancement of these professionals.

## TOTAL BY GENDER



## GRI G4-10

UNIT	MEN	% MEN	WOMEN	% WOMEN	TOTAL
Keystone	3,240	54.3	2,731	45.7	5,971
Apmea	2,807	55.7	2,231	44.3	5,038
Moy Park	7,748	63.1	4,535	36.9	12,283
Argentina	827	91.3	79	8.7	906
Uruguay	2,458	75.7	787	24.3	3,245
Chile	110	67.9	52	32.1	162
Brazil	11,847	65.6	6,214	34.4	18,061
Total	29,037	63.6	16,629	36.4	45,666

**GRI G4-10**

**NUMBER OF EMPLOYEES PER EMPLOYMENT CATEGORY 2014**

	Men	Women
Directors	11	1
Officers	53	14
Senior managers	391	132
Managers/coordinators	1,150	438
Technicians/supervisors	644	276
Administrative	2,112	1,599
Operational	22,247	12,789
Partners	2,202	1,174
Apprentices	155	205
Interns	72	1
Total by gender	29,037	16,629
Total	45,666	

**NUMBER OF EMPLOYEES BY TYPE OF CONTRACT 2014**

	Men	Women
Fixed-term	3,341	2,207
Indefinite	25,696	14,422
Total by gender	29,037	16,629
Total	45,666	

**NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT 2014**

	Men	Women
Full-time	28,811	16,183
Part-time	226	446
Total by gender	29,037	16,629
Total	45,666	

**MARFRIG STRIVES TO FOSTER  
DIVERSITY AND THE VALUE  
ATTRIBUTED TO THIS ASPECT TO  
ENSURE A HEALTHY WORKPLACE**

# YOUNG APPRENTICE PROGRAM

“The program isn’t just about the salary we receive or the job we do. We will carry with us the lessons we learn for the rest of our lives. When I hear the story of Ademir Conrado\*, who started off at Marfrig as an apprentice and is now manager of the industrial unit in Promissão, São Paulo, I say, ‘Wow, if he can do it, so can I.’”

The testimonial is from Douglas Martins Rodrigues Soares, age 16, who is an administrative assistant at the Marfrig Beef unit in Promissão and joined the company through the Young Apprentice Program in August 2014. He is one of 67 talented young people who perform administrative and operational functions at the unit.

“I learned about the program from the NGO Legião Mirim, which provides teens with social and educational support. I signed up, took part in the selection process and can stay until 2017, when I turn 18,” Douglas explained. “I’ve had a job before, but never a formal job with vacation time, a Christmas bonus and all the things that every worker receives. Today I can say that I have a real job, my first job,” he added.

Every 30 days, Marfrig Beef conducts group dynamics with the unit’s young apprentices as part of the Educating for Life program. The goal of the project is to provide the youth with guidelines on professional posture and ethics, as well as on health and citizenship. “To me the program is a life school. It gets us off the street and gives us opportunities to grow and develop. We see in the professionals that work here experiences and models to be followed, so that we can be as successful as them. Ever since I got this job, my friends and society have seen me in a different light. People have started to respect me more.”

The opportunity Marfrig Beef gave Douglas is helping the young apprentice to make his dream come true. “I want to go to college to study Mechatronic Engineering. I’m investing my salary in preparing for college entrance exams, and when I do get in, I’ll use the money I’ve saved to pay the tuition,” said the young man, who goes to school in the morning and works in the afternoon.

\*The professional cited by Douglas gave a lecture on his career experience as part of the Educating for Life program. Ademir Conrado joined Marfrig Beef through the NGO Legião Mirim and is now manager of the industrial unit.





# OPPORTUNITIES

# WITHOUT BORDERS

“Since our arrival in Brazil, Marfrig was the first company to give my friends and me a real job opportunity, and I’m very grateful.” The words come from Francis Morency, 42, originally from Guinare, who for the last four months has worked as a production assistant at the further processing unit in Paranatinga, Mato Grosso, along with another 44 workers from Haiti. In all, Marfrig Beef employees 65 Haitians, with 45 in Paranatinga and 20 in Chupinguaia, Roraima.

Considered one of the group’s leaders and spokespersons at the company, Morency points out the importance of being formally employed and receiving prompt payment of salaries. “Marfrig is very good to us and has helped us meet our needs, and we are hoping to reach new positions with better salaries, allowing us to build our lives here and, at the same time, help our families that stayed behind in Haiti,” he said.

The initial contract signed with Marfrig lasts six months, during which the Company ensures the rights of all professionals as established under Brazil’s Consolidated Labor Laws, while also offering housing, meals (including on Sundays), transportation and a development and training program that should allow for promotions within a short span of time.

This training process starts shortly after the employee joins the company. All are monitored by a mentor, which is fundamental to ensure integration with their other work colleagues. Morency’s mentor is Angenícia Rodrigues Lopes, a scale operator at the beef processing plant. “The Haitians arrived here in Brazil very determined. They were looking to improve their lives and dedicated themselves intensely to their jobs. There are no communication problems; to the contrary, we’ve learned a lot from them, they’re interested and focused and do everything with drive, determination and love. This is an important differential for their integration and adaptation to the rules and culture of the company and the local community. And this is something that goes beyond work. The Haitians have even joined local community football/ soccer teams. Morency, for example, plays on my husband’s team,” she said.

Within this mentor methodology, Marfrig Beef has already promoted seven Haitians – from production assistants to positions such as knife handlers, deboners, butchers and leaders – and is studying specific cases like that of Morency, a graduate in automotive mechanics, who hopes to find a position in this area at his unit.

According to Ivan Carlos Feijó, coordinator of the Cold Area at Marfrig and Morency’s boss, the foreign workers enjoy excellent possibilities for promotion. “They’re productive, punctual, focused and hungry to learn and develop, and I think they’ll be successful in the ongoing evaluation processes,” said Feijó.

## COMPENSATION AND BENEFITS

Marfrig Global Foods seeks to attract, motivate, reward and retain employees who contribute to its results. It works in partnership with its managers to provide career guidance in the form of compensation policies that are aligned with internal objectives and strategies and guided by best practices and trends in the market. In addition to their salaries, these professionals participate in variable compensation programs, long-term incentives and competitive benefits, whose values are mapped periodically based on market research, economic indicators and information from specialized consultants.

The Company also offers Local and Corporate Profit Sharing Programs. All employees, except managers, are eligible to participate in the former. At the managerial level, participation is determined based on a Management Incentive Plan and, similar to the Local program, the targets are defined at the outset of each fiscal year. The program rewards individual performance. Meanwhile, the sales representatives, in addition to the Profit Sharing Program, receive a Sales Team Variable Compensation Program based on monthly or quarterly targets established in accordance with the commercial strategy for each business.

For senior management and the executive officers, Marfrig Global Foods offers long-term incentives based on individual performance.

The Company also offers a benefits package that is competitive in relation to market practices and includes health and dental plans, life insurance, school materials for dependents, transportation, a credit cooperative and a private pension plan. The Company also offers retired employees assistance plans and a post-career program.

## DEVELOPMENT AND EDUCATION

Marfrig Global Foods makes available to its employees formal mechanisms to encourage and support their development as professionals. This process is based on the Marfrig Global Foods Leadership Model, which defines the skills and values the employees must hold to become leaders in the many different areas in which they work, complemented by support from their managers. The Company also provides a Performance Management Plan (Nine Box), created to align global business strategies with individual targets.

MARFRIG ENCOURAGES  
ITS EMPLOYEES'  
PROFESSIONAL  
DEVELOPMENT  
THROUGH A SERIES OF  
FORMAL MECHANISMS



# LIVE CATTLE TRANSPORTATION

Marfrig also has a talent allocation and mobility process for relocating employees throughout the group's business units around the world. Today, it has nearly 30 expatriate professionals that are accompanied by the local corporate HR departments.

The Company also created a draft process for professionals considered essential, which paved the way for greater mobility and integration of the workforce among the Company's operating units around the world.

All of these tools are the foundation of the operational training programs, which are conducted in parallel with specific training actions targeting topics considered essential by the Company. One example of this was the animal welfare training course for drivers administered at Marfrig Beef at its Promissão II Unit in São Paulo. The course sought to raise awareness among these professionals to ensure more humane transportation and slaughter using best handling practices (see the case study).

To support quality control practices that seek to improve processes, products and services with the aim of ensuring customer satisfaction, Keystone Foods works with employees to develop the Six Sigma model, which establishes practices to identify and enhance production systems.

Through this model, Keystone standardized its way of doing business around the world and obtains significant advances in process simplification, approaches for new markets, product research and development, innovation and cost reduction. Certifying employees in Six Sigma has generated more opportunities for progress, leadership and growth throughout the organization, with a significant impact on increasing efficiency and productivity.

To develop leaders for its operational teams, Marfrig Beef set a target for 2015 of implementing a training program focusing on the Group's first leadership level: supervisors. The training program will cover: the role of the leader; basic concepts in people management, recruitment and selection; effective communication and interpersonal skills; management of routines; conflict management based on behavioral profiles; and feedback focused on development.

“Over the last seven years, things have changed a lot. Before the farmer and worked used to strike the cattle. They didn't know that by doing this they were losing a lot of money when the cattle went to the packing plant and the injured areas were discarded. Today that's all history. Marfrig's team has taught us how to treat the cattle.” The story comes from driver Adriano Santiago da Silva from Araraquara, São Paulo, who has worked as a driver at Marfrig Beef for five years.

“Before I joined Marfrig I was an outsourced operator and only made a commission; now I have a salary, health plan and benefits,” he said. “When I watch lectures and do the training programs offered by Marfrig, I see lots of what they say that's really being adopted by farms in their routines.”

Adriano said it makes him “happy” to see how the cattle are treated, which includes a balanced diet and animal nutritionists in the feedlots, among other benefits. “One thing we learned to value was the animal's well-being. Another thing is the cattle in the truck. Now we break our trips into legs with more stops so that the cattle aren't confined for too long. These are all things we've learned and keep learning from Marfrig,” he said.

Adriano da Silva was one of the 90 drivers at Marfrig Beef that took part in animal welfare training on live cargo transportation at the Promissão II Unit in São Paulo. The course sought to raise awareness among drivers on the care to be taken during loading, transportation and offloading related to economic and commercial factors and the ethical principles related to animal welfare.

# SUPPORT FOR DEVELOPING YOUNG TALENT

Moy Park's ongoing actions to foster job creation and the importance of the rural economy to youth in Northern Ireland and the United Kingdom was recognized for the second consecutive year by Business in the Community (BITC), an entity that has worked for over 30 years to encourage training actions for hundreds of companies in the United Kingdom.

The actions implemented by Moy Park, and which led to it being awarded Big Tick award in 2014, include engaging young talent in education and training programs at educational organizations, such as Young Enterprise NI, CAFRE and Loughry College, as well as working together with the Feeding Britain's Future program in the United Kingdom and the partnership with the Young Farmers' Clubs of Ulster.

According to BITC, Moy Park makes important contributions to local rural communities and encourages the professional development of youth, developing in them the skills required for a career in one of the United Kingdom's most important industries.

## COMPETENCY DEVELOPMENT

Keystone Foods provides its employees at the Keystone Shenzhen (China) unit with three months of English language training. Classes are taught by foreign and Chinese teachers who adopt teaching tools based on practical models. In evaluation surveys of the trained employees, the company found that their English pronunciation improved markedly. All of the students must take a final (oral) exam and receive diplomas in recognition of their training.

For Keystone, the action furthers professional qualifications to give employees a better understanding of global markets and improves visibility in countries where English is the dominant language.

## HEALTH AND SAFETY GRI [G4-LA5](#), [G4-DMA](#)

### Occupational health and safety

Marfrig Global Foods maintains the Occupational Health and Safety Guidelines Program, which sets down the fundamental commitments to be observed in its day-to-day activities to ensure a workplace that is safe and complies with the technical regulations and standards in force. The guidelines establish the monitoring of performance indicators in Occupational Safety and Health, continuous risk assessment and mapping, 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. [GRI G4-LA5](#)

The exposures of certain work positions to ergonomic risks that could eventually cause an occupational disease are mapped and monitored, followed by the development of prevention actions such as ergonomic management, ergonomic report management, ergonomic breaks and the provision of more ergonomic chairs and furniture. [GRI G4-LA7](#)

With the objective of "Focus to Win," in 2014, the Company began to restructure and revise its entire Health and Safety documentation system which was supported by the creation of the Corporate Occupational Health and Safety Guideline Program (PDSSTC), seeking to centralize all Health and Safety procedures under a single guideline. The program compiles all Technical Instructions (ITs), of which 46 focus on Occupational Safety and 13 on Occupational Health.

Assistance programs for serious diseases **GRI G4-LA7**

Covered by the program	Education and Training		Advice		Risk Prevention and Control		Treatment	
	Yes	No	Yes	No	Yes	No	Yes	No
Employees	X		X		X		X	
Family members of employees		X		X		X		X
Partners		X		X		X		X
Family members of partners		X		X		X		X
Members of the community		X		X		X		X

- **Education and training** – The business units provide training to employees during their contract on the proper way to handle loads and on correct posture;
- **Advice** – Prevention campaigns are conducted, which include: Internal Workplace Accident Prevention Week (SIPAT), recycling, videos and pamphlets;
- **Risk prevention and control** – Units receive investments to update ergonomic and structural programs;
- **Treatment** – The company offers complete medical treatment to employees suffering from an occupational illness.

Each Marfrig business unit has Safety Committees, which include: Internal Accident Prevention Commission (CIPA), Occupational Safety and Medicine Engineering Services (SESMT), Occupational Safety and Health Committee, and Ergonomic Committee. The Company also employs 18 occupational physicians, 17 occupational safety engineers, 65 occupational safety technicians, 35 nursing technicians, three physical therapists and 257 CIPA members. **GRI G4-LA5**

In accordance with the planning for 2014, in January 2015, the Company held a meeting between the Human Resources Department and the Occupational Safety and Medicine Engineering Services (SESMT) to present and discuss the new guidelines and Technical Instructions to be adopted by the Company. The event is part of Marfrig Beef's accident prevention planning.

**395**  
TOTAL NUMBER OF  
EMPLOYEES ON OCCUPATIONAL  
HEALTH AND SAFETY  
COMMITTEES IN 2014<sup>1</sup>

**2.28%**  
EMPLOYEES ON OCCUPATIONAL  
HEALTH AND SAFETY  
COMMITTEES IN 2014<sup>2</sup>

<sup>1</sup> Data for Marfrig Beef  
<sup>2</sup> Considered only active employees



At Marfrig Beef, this topic was further advanced in 2014 by the structuring of an Occupational Health and Safety Division (DSST), whose activities focus on:

- Creating, implementing and training leadership at operational units.
- Developing sensor and protection warning lights on machinery at units.
- Creating a communication plan to promote a culture of safety (through videos and brochures).
- Creating an Occupational Health and Safety Division (DSST) with checkpoint and self-evaluation items for each unit.
- Defining occupational safety targets.

Aligning, at the annual meeting of the Specialized Services in Safety Engineering and Occupational Health (SESMT), the occupational safety guidelines and challenges, among other relevant matters. The SESMT is responsible for caring for people and creating systemic tools to engage and evaluate leadership in the pursuit of excellence in Occupational Health and Safety, always in accordance with the law and regulations.

**GRI G4-DMA Occupational health and safety**

**MARFRIG GLOBAL FOODS GRI G4-LA6**

Health and Safety Indicators	2012	2013	2014
Fatal accidents	5	1	0
Frequency of lost-time accidents	12	15.72	14.34
Total accidents	4,833	3,568	2,884
Lost days due to accident	37,871	25,142	19,134
Lost-time illness frequency rate	3.87	3.85	3.62
Lost days due to occupational illness	30,897	18,539	23,942



**OCCUPATIONAL  
 HEALTH AND  
 SAFETY GUIDELINES  
 PROGRAM  
 EXPRESSES THE  
 COMMITMENTS  
 UNDERTAKEN  
 IN DAY-TO-DAY  
 ROUTINES**

#### **GRI G4-DMA Occupational health and safety**

The objectives for 2015 – which were formulated based on the various innovations implemented in 2014 – include creating a Corporate Occupational Health and Safety Guidelines Program (rollout in 2015) and reviewing and creating instructions for health and safety activities that support these new guidelines.

In parallel, the Company will maintain its planned actions aimed at ensuring occupational health and safety. Highlights from some of the Company's units follow.

#### **Tangará da Serra**

- Internal Workplace Accident Prevention Week (SIPAT) with more intense and longer involvement by all employees;
- Development of fire brigades;
- Training of new emergency vehicle drivers;
- Investments in risk analysis in accordance with NRI 2;
- Installing an overhead crane (rendering plant) for safer truck loading.

#### **Mineiros**

- Conducting hydrostatic testing of hoses;
- Improving the hydrant network and obtaining a temporary Fire Department Inspection Certificate (AVCD);
- Building protection platforms in the processing area;
- Participating in and training on the Mutual Assistance Plan (PAM) organized by the city's fire department;
- Installing protection devices on moving parts, especially on worm threads on machinery.

#### **Pirenópolis**

- Installing fire suppression and emergency systems;
- Use a 50-cm steel glove on the deboner;
- Installing benches in the deboning and warm-up break areas;
- Providing protection against inclement weather in the corral.

#### **Paranaíba**

- Installing a safety system on hide pullers;
- Installing a safety system on head splitters;
- Installing overhead conveyors for leather loading;
- Installing emergency exits in the packaging storage area.

#### **Rio Verde**

- Installing ammonia detectors;
- Implementing, complying with and executing the Daily Excellence Dialogue (DDE) with leadership;
- Implementing formal and regular ergonomic and warm-up breaks;
- Installing railing and handrails on platforms and stairs;
- Participation by all leaders and employees in Internal Workplace Accident Prevention Week (SIPAT), especially in the lectures.

#### **São Paulo Region**

- Installing a system for automating processes to reduce risks (rendering plant, pallet transporter in the deboning sector; head elevator in the offal sector);
- Installing HVAC systems in hot areas;
- Installing ammonia detection systems with online software/alarms;
- Initial installation of anchor points and life lines (NR35);
- Management initiative to maintain deboning areas above 12° C.

# SAFETY CENTER OF EXCELLENCE

In 2012, Keystone Foods developed a Safety Center of Excellence (CoE) to strengthen its communication with a view to sharing best safety practices and reviewing and strengthening employee training, always in synergy and alignment with the metrics of Marfrig Global Foods. At quarterly meetings, the CoE classifies the actions with the safety teams and representatives designated by the management of each operational unit, which include professionals from Moy Park and Marfrig Beef. Keystone's Safety Center of Excellence works to continuously improve the program in order to make the company a leader in occupational health and safety. Based on a global data collection action that standardizes information and audit processes, Keystone identified significant advances in the goals and challenges established by its units, in accordance with the business divisions of Marfrig Global Foods. The program does not merely make comparisons between the divisions, but extends these comparisons to its competitors to share best practices and seek opportunities for continuous improvement in the industry. The CoE has proven to be a privileged forum for delivering more efficient standards and more positive results through a more efficient and effective process.

## **GRI G4-DMA Occupational health and safety**

Keystone Foods is committed to conducting its business in a way that protects the health and safety of its employees, visitors and local communities. In 2014, safety performance stood at around 70%, below the industry average based on the occupational health and safety standards established by OSHA. In the Asia-Pacific, Middle East and Africa (APMEA), the Company organized Safety Awareness Week, an action involving six local plants that worked to emphasize the importance of workplace safety and generate positive feelings associated with working in a healthy and safe environment.

With the theme "Safety is doing the right thing even when no one is looking, because safety starts with me," Awareness Week included a number of activities and training in first aid, driving forklifts, fighting fires, evacuations and rescue operations. Topics in the instructions for best workplace practices include electrical safety, use of personal protective equipment (PPEs), occupational health and safety and handling chemical products. Personal health and asset security were also part of the training programs, which were supported by lectures and site inspections.

## **QUALITY OF LIFE**

One of the initiatives carried out to ensure a better quality of life for employees is Marfrig Beef's Ergonomic Management Program, based on the Occupational Repetitive Actions (OCRA) method, which describes risk factors inherent to repetitive actions in the workplace and seeks to neutralize the risks.

This is a preventive program and guidance and training are provided through educational campaigns focused on the proper handling of cargo and correct posture during the workday.

# PREGNANCY PROGRAM

Another initiative is the Pregnancy Program, which benefits future mothers by providing important guidelines on health and well-being (learn more in the case study).

In its mission to provide orientation to its male employees and better care for their health, in 2014 Marfrig participated in the Blue November Campaign, an initiative of the Side by Side for Life Institute that organized 2,400 actions throughout Brazil and generated important results: 4.7 million flyers distributed, 512 supporting companies, 75 million people impacted and 1,500 lectures.

One of the actions conducted by the Company was to distribute material about the campaign at all of its production units, calling employees' attention to men's health issues and providing information on symptoms, prevention and possible diagnoses.

Another annual action conducted by the Group at the global level is held on December 1, a symbolic date created by the World Health Organization (WHO) as World AIDS Day. Through internal notices, the Company provides to age groups with the highest incidence rates information on prevention and recommends that all pregnant employees undergo pre-natal HIV tests. If a pregnant employee is found to have the virus, they receive specialized follow-up, treatment and the information needed to prevent vertical transmission from mother to baby.

In addition to these actions, Moy Park also adopts a well-being program focused on employee health and well-being. The action is held twice a year at each of the Company's production units and is backed by a number of initiatives to develop talent management, excellence in the workplace, best sustainable work practices and engaging and preparing the workforce for innovations in processes and products, in keeping with animal welfare principles.

Edna Ferreira Xavier, 34, is a Marfrig Beef employee in Promissão, São Paulo. An employee in the packaging area for eight years, she is four months pregnant "with a girl," she says, excited about the results of her first ultrasound. Edna is one of the women benefitted by the Pregnancy Program, a Marfrig Global Foods initiative that supports its expecting mothers with information on health (both mother and baby) and special care for a smooth pregnancy. "The program is great. It helps clarify doubts and supports us future mothers during this very important moment.

Here in Promissão there are 12 pregnant women who participate in lectures and receive special assistance, such as prenatal care provided by social workers and physicians, which isn't available in the public healthcare system SUS," she said.

She goes on to add that "I already have a 15 year old son, but there are a number of first-time moms that are receiving very important information. I'm even surprised with things I never knew before that would have been nice to know when I had my first child."

According to Edna, Marfrig gives special attention to its pregnant employees from the moment the day begins. "The day begins with a special breakfast (well-balanced foods) from 6:00 am to 7:00 am and another meal between 9:00 am and 9:30 am, respecting our need to eat every three hours," she said. Another action that she pointed out were the lectures that covered important questions such as how to breastfeed and hold and bathe the baby. "We leave the lectures and when we get home we tell our husbands and the entire family about everything we learned," she said excitedly.

# ZERO LTI

Over the course of 2014, Keystone Malaysia executed a comprehensive program to increase safety awareness among its employees, which focused on reaching zero lost time incidents (Zero LTI). To reach this goal, the Occupational Health and Safety Committee prepared a series of courses and training programs on firefighting, monitoring noises and protection against radiation, among other initiatives. Morning briefings for all employees reinforce the safety messages. At the end of 2014, the organization celebrated the achievement of ambitious targets with an impressive result: over 600 days without an incident.

## RELATIONS WITH TRADE UNIONS

**GRI G4-I1, G4-LA4, G4-LA8, G4-DMA** [Labor/management relations](#)

Marfrig Global Foods has a new structure for conducting its relations with the 12 trade unions representing its workers across Brazil. Given the scope of its business, the Company meets on a monthly basis to discuss base dates and negotiate collective bargaining agreements that encompass all of its administrative and operational employees.

The collective bargaining negotiations comply with standards and limits set out by law and all meetings to discuss collective bargaining agreements are announced ahead of time to ensure an open discussion on the issues involved.

Given the Company's broad footprint, with 78 production units in 16 different countries, the rules for notification vary by location and depending on the existence of trade unions and/or local labor laws.

In Brazil, the Group organizes formal meetings with trade unions to discuss the topics that have been scheduled in advance. In general, the notification period is from two to four weeks, with the announcements made through internal notices, the trade union newspaper and access to meetings.

## ENVIRONMENT

**GRI G4-DMA** [Effluents and waste](#), **G4-DMA** [Emissions](#), **G4-DMA** [Energy](#)

Marfrig Global Foods maintains a Climate Change and Natural Resource Policy that is aligned with one of its main objectives: moving its industrial, commercial and service activities towards a low-carbon economy. To achieve this, it promotes a culture of sustainable development at all units, including the adoption of practices to foster the rational use of natural resources and the use of instruments to assess the risks and opportunities associated with climate change.

On this front and in alignment with one of the pillars of its Focus to Win strategy, the Environment, since 2010, Marfrig Global Foods has conducted an annual greenhouse gas (GHG) inventory covering Scopes 1 (direct emissions from the company's processes), 2 (indirect emissions from energy acquired) and 3 (emissions outside of direct control). The Company was the first in its industry to consider scope 3 emissions. For its actions and initiatives to control and manage its GHG emissions, the Company has twice received the Gold seal from the Brazilian GHG Protocol Program.

#### GRI G4-DMA Emissions

Furthermore, the Company's stock is a component of the Carbon Efficient Index (ICO2), which was created by the São Paulo Stock Exchange (BM&FBovespa) and the Brazilian Development Bank (BNDES) to foster the management of climate change by listed corporations, and is signatory to the Forest Footprint Disclosure (FFD), which works to identify the impacts of operations in the production chain on forestry resources.

#### Methodology

The greenhouse gas (GHG) emissions inventory conducted by the company in 2014 was based on the methodology of the Brazil GHG Protocol Program, which is used globally by companies and governments to conduct GHG inventories and is compatible with ISO 14.064-1 and with the quantification methods of the Intergovernmental Panel on Climate Change (IPCC Guidelines for National Greenhouse Gas Inventories 2006), in addition to guidelines of Defra Voluntary Reporting Guidelines and ASHRAE Standard 34.

#### DIRECT GHG EMISSIONS (tCO<sub>2</sub>e) GRI G4-EN15, G4-EN16, G4-EN17

SCOPE 1*	2014
Generation of electricity, heat or steam	235,528
Physical-chemical processing	77,246
Transportation of materials, products, waste, employees and passengers	21,502
Fugitive emissions	6,071
Waste disposal in own landfills	3,947
Wastewater treatment	108,494
Agricultural activities	45,820
<b>Total (tCO<sub>2</sub>eq)</b>	<b>498,606</b>
Biogenic emissions (from the burning or bio-refrigeration of biomass)	280,298.6

SCOPE 2*	2014
Consumption of purchased electricity	350,173
Consumption of purchased steam	0
<b>Total (tCO<sub>2</sub>eq)</b>	<b>350,173</b>
Biogenic emissions (from the burning or bio-refrigeration of biomass)	02

SCOPE 3*	2014
Purchased goods and services (birds, pigs, cattle, sheep, meat, feed inputs)	26,121,359.65
Upstream transportation and distribution (both inbound and outbound, provided it is contracted by Marfrig)	73,144.05
Solid waste generated by operations (disposal in landfills or composting)	485,762.65
Business travel	3,746.78
Employee commuting	8,491.02
<b>Total (tCO<sub>2</sub>eq)</b>	<b>26,692,504</b>
Biogenic emissions (from the burning or biodegradation of biomass)	533.5

\*All of the Group's units were included in the inventory calculation.

# KEYSTONE FOODS CERTIFICATIONS

GRI G4-FP2,

G4-DMA Water, G4-DMA Energy

Production facilities of Keystone Foods located in Australia, Korea, Malaysia, Thailand, China and North Baltimore, Ohio, are certified in environmental management by the standard ISO 14001. This means that the units meet the established standards for minimizing the effects of operations and production processes on the environment and are focused on actions to continuously improve performance. All Keystone Foods in the United States facilities are equipped with Environmental Management Systems (SGA), which are based on the principles of the International Organization for Standardization (ISO), have been recognized by the North American Meat Institute.

To the Company, the efficient use of natural resources is fundamental to its business and sustainable growth. As such, it maintains clear goals and objectives for managing each of its production units.

**Energy:** The management policy guides all actions at its plants around the world. The Company has implemented monitoring systems that work to maximize the proper use and reduce the environmental impact of its actions, including significant investments in renewable sources of energy generation.

**Water:** The Company monitors the proper and efficient use of water and has conducted an overall analysis to minimize the risk of water shortages at its industrial plants.

## GRI G4-DMA Emissions, G4-DMA Effluents and waste

To calculate the intensity of its emissions, Marfrig Global Foods measures the number of tons produced by the Group. This calculation includes Scope 1 and 2 emissions. These emissions include only the gases listed in the Kyoto Protocol and exclude the gases listed in the Montreal Protocol and biogenic CO<sub>2</sub> emissions. In 2014, the intensity of GHG emissions was 0.28 tCO<sub>2</sub>e/t, down from the rate in the previous two years, of 0.35. [GRI G4-EN18](#)

Moy Park adopts the same principle and achieved the ambitious goal of sending zero waste to landfills at all of its plants and in its agricultural base in the United Kingdom and continental Europe. In just four years, Moy Park has reduced the percentage of its waste deposited in landfills from 80% to 0%. This is a notable achievement for the company and further demonstrates its commitment to best sustainability practices.

Moy Park is also a signatory to the Courtauld Commitment 3, which was created by WRAP, an organization that encourages reducing solid waste generation and food waste and minimizing the use of packaging in supermarkets.

Moy Park monitors the management of its environmental impacts using an Environmental Management System (EMS), which is reviewed, enhanced and audited on a regular basis. The EMS covers three main areas:

- **Solid Waste** | In 2014, having achieved its goal of zero waste sent to landfills, the Company continues to focus on recycling and re-using the solid waste it generates.
- **Energy** | Moy Park reduces the consumption of energy resources by continually reducing their environmental impact from its energy consumption at production units.
- **Water** | The water management program monitors and measures consumption in a effort to reduce water use.

**Feed conversion ratio GRI G4-FP7**

Keystone Foods has achieved important success in actions to improve its feed conversion ratio (indicator that measures the level of efficiency with which an animal converts feed into meat) at its units in Georgia and Kentucky, in the United States. In a partnership with a supplier, the Company selected a chicken strain with the desired characteristics from its portfolio and saw an 18% improvement in the feed conversion ratio over the previous year. This performance corresponds to a decrease of 67,500 tons in feed consumption, or 28,000 hectares of corn and soy production, which leads to annual savings of 30 million liters of water and 9,800 tons less in greenhouse gas emissions.





## ENERGY **GRI G4-EN5, G4-DMA** Energy

Marfrig Global Foods reduced its daily energy consumption by 3.62% in 2014, to 5,626,558 GJ. This reduction was made possible by increased energy efficiency and the use of renewable fuels such as peanut hulls, wood shavings and sawdust, in addition to briquettes, sugarcane bagasse, renewable firewood, etc. It also decreased its consumption of non-renewable fuels (LPG, heavy fuel oil, natural gas, naphtha, shale gas) by 21,602,309.98 kWh in comparison with 2013. **GRI G4-EN6**

### GRI G4-EN3

#### ENERGY CONSUMPTION (GJ)

	2013	2014
<b>Total direct energy consumption</b>	5,838,102	5,626,558
Total non-renewable	3,480,855	3,091,190
Total renewable	2,357,247	2,535,368
<b>Total indirect energy consumption</b>	3,074,883	3,117,638
Total non-renewable	2,789,740	2,755,466
Total renewable	285,144	362,172

#### CONSUMPTION OF DIRECT RENEWABLE ENERGY (GJ)

	2013	2014
Sugarcane bagasse	344,225	149,378 <sup>1</sup>
Biogas	9,107	24,837
Briquettes	7,328	11,437
Rice hulls	96,528	134,744 <sup>2</sup>
Wood chips	0	23,635 <sup>3</sup>
Renewable firewood	1,548,811 <sup>4</sup>	1,623,243
Tallow	15,613	12,288
Tallow acid	255,376	264,680
Sawdust	80,258	291,126 <sup>3</sup>
<b>Total</b>	<b>2,357,247</b>	<b>2,535,368</b>

1. The decrease in consumption at the Brazil Beef division resulted from the use of other fuels (peanut hulls, wood shavings and sawdust). 2. The increase in consumption at the Brazil Beef division, more specifically at the Alegrete unit in Rio Grande do Sul, was due to boiler incrustation, which affected efficiency and increased fuel requirements. 3. Increased consumption of this fuel at the Brazil Beef division due to its replacement of sugarcane bagasse. 4. Data revised in 2014.

#### CONSUMPTION OF DIRECT NON-RENEWABLE ENERGY (GJ)

	2013	2014
Acetylene	0	3.9
Heavy fuel oil	616,331	516,418
Diesel	188,570	317,489
LPG	267,356	272,457
Gasoline	0	394
Natural gas	2,284,336	1,969,962
Native firewood	107,579	1,357 <sup>1</sup>
Naphtha	50	0
Shale gas	5,798	0
Paraffin	0	0
Propane	10,834	13,111
Kerosene	0	0
<b>Total</b>	<b>3,480,855</b>	<b>3,091,190</b>

1. Decrease in consumption reported due to the use of renewable firewood.

Marfrig Beef operates MFG Comercializadora de Energia, an independent company that provides strategic services for purchasing energy from clean, low-cost sources and then distributing it more rationally and without waste to the Company's units.

Registered with the Brazilian Electric Power Agency (Aneel) and the Electricity Trading Chamber (CEEE), MFG defines and supplies short and long-term volumes in accordance with the needs of production units.

In 2014, around 10% of all energy consumed was purchased in the free market, with the remainder coming from distributors in the regulated market. Over 12% comes from alternative sources, such as small hydroelectric plants. MFG also provides services for planning purchases from the CEEE to the Company's external customers and sells energy to consumers and partner traders.

Moy Park is currently prioritizing biomass technology as an alternative source of energy for its heating systems throughout its farm base. The company already has 105 biomass boilers that power 280 heating systems at poultry houses in Northern Ireland and England. The Company hopes to install 86 more systems during 2015.

The use of this renewable source of energy ensures more sustainable production while also providing additional benefits to local communities and for poultry processing methods. Furthermore, the replacement of LPG with biomass will reduce its CO<sub>2</sub> emissions by nearly 18,500 tons per year.

**THE USE OF RENEWABLE  
FUELS AND HIGHER ENERGY  
EFFICIENCY SUPPORTED A  
3.62% DECREASE IN ENERGY  
CONSUMPTION IN THE YEAR**

# RENEWABLE ENERGY

GRI G4-DMA Energy

The Keystone Foods unit in Shandong, China, implemented a comprehensive system for renewable energy generation using solar panels, which led to an annual reduction in coal burning of 295 tons, generating significant financial savings and avoiding 465 tons in CO<sub>2</sub> emissions. The project, which included the installation of 80 solar panel groups, guarantees a constant supply of hot water for use in the unit's operations.

**SOLID WASTE** [GRI G4-EN25](#),

[G4-DMA Effluents and waste](#)

In 2014, Moy Park announced the completion of its project to eliminate the solid waste sent to landfills from 14 plants and agricultural bases in the United Kingdom and Europe. Keystone Foods is working to reduce the amount of solid waste sent to landfills to zero by 2020. Since 2008, it has reduced the amount by 50%. To reach this target, it began recycling a large amount of solid waste generated in its global operations, including paperboard, aluminum, scrap metal, biological solids, bakery goods and residual water sludge. This action allowed Keystone Thailand, for example, to reach its target of sending zero solid waste to landfills already in 2014.

Marfrig's operating units discharges any wastewater generated that is not reused in its operational activities in compliance with the applicable legal requirements and any other local environmental regulations.

The level of the monitoring programs and environmental impact assessments developed during the project and licensing stages assure knowledge of local biodiversity and development of control systems, in addition to the characteristics of the wastewater generated

[GRI G4-EN22](#)

**WASTEWATER**

**DISCHARGE**

**MARFRIG GLOBAL FOODS**

**2014**

**19,256,954.90m<sup>3</sup>**

**TOTAL VOLUME –**

**WASTEWATER DISPOSAL**

**27,965,921.43 (R\$)**

**TOTAL COST OF**

**TREATING WASTEWATER**

and subsequent identification of the technology required for its treatment and discharge into bodies of water. [GRI G4-EN26](#)

<b>WASTE GENERATED – MARFRIG GLOBAL FOODS (t) <a href="#">GRI G4-EN23, G4-EN25</a></b>		<b>2014 (%)</b>	<b>2014</b>
Landfill	Non-hazardous	19.3	34,162
	Hazardous	0.2	437
Composting		21.4	37,811
Incineration		7.8	13,774
Recycling		32.5	57,473
Other destinations*		18.9	33,384
<b>Total volume of non-hazardous waste</b>		<b>99.8</b>	<b>176,603</b>
<b>Total volume of hazardous waste</b>		<b>0.2</b>	<b>437</b>
<b>Total volume of waste</b>		<b>100.0</b>	<b>177,041</b>

\*Mineral oil (Argentina), mixture of fuel oil and water; used motor oil, boiler ash and nylon.

**GRI G4-DMA Effluents and waste, G4-DMA Water**

No incidents of significant spills and/or leaks were recorded in 2014. In the case of an emergency, Marfrig Global Foods has specific contingency plans for each type of incident and substance spilled and executes environmental monitoring procedures.

Marfrig maintains responsible practices throughout its production processes, including during the storage, transportation and disposal of hazardous products, which is preceded by an evaluation to identify significant risks and propose mitigating and preventive actions to ensure they remain at tolerable levels. All incidents are recorded and undergo an extensive evaluation of their causes to establish corrective actions and reevaluate any procedures adopted.

This process is applied to inputs, raw materials and final products in accordance with all applicable legal requirements. The total volume of hazardous waste sent for treatment accounts for 0.25% of all waste generated. **GRI G4-EN25**

The withdrawal of water from natural sources by Marfrig Global Foods' operating units is done in accordance with all applicable legal requirements with a view to preserving water resources. **GRI G4-EN8, G4-EN9**

**WATER CONSUMPTION – BY SOURCE**

	2014
	m <sup>3</sup>
Surface	6,190,282.00
Ground	6,891,616.83
Partners	9,864,268.57
Reuse	441,052.00
Other sources	33,691.08
Total volume of water withdrawn	22,979,858.48

MARFRIG'S  
RESPONSIBLE  
POSTURE  
PERMEATES  
ITS ENTIRE  
PRODUCTION  
PROCESS



# WATER AND WASTEWATER MANAGEMENT

**GRI G4-EN22, G4-EN26, G4-DMA** *Water*

The Keystone Foods Albany unit in Kentucky updated its water management plan to protect and conserve local natural sources. This measure includes analysis of soil, vegetation and irrigation models for local farms to determine the ideal balance between use and environmental conservation. One form of protection was the creation of a preservation area composed of thicker vegetation, including grass, plants and trees bordering natural springs, waterways and streams. This dense vegetation acts as a filter for nutrients, while also providing a perfect habitat for wildlife. In Albany, Keystone allocated an area of 40 hectares to preservation, helping to ensure the sustainable development of the environment and local community.

Another action of Keystone Foods was at its Camilla plant in the state of Georgia. Breeding particles generated by operations on the production line led to the implementation of a wastewater treatment station. Already operational, the collection system has the capacity to treat and extract 2,617 kilograms (5,770 pounds) of material from the air. The waste generated by this process is sold to an independent company that is responsible for the proper destination of the material. The action also improved safety for employees and the local community and substantially reduced the operation's environmental impacts.

As part of its energy efficiency and water conservation efforts, Keystone Foods also places a greater emphasis on reusing water at its industrial units, in synergy with similar actions implemented by the beef division of Marfrig Beef.

In 2014, Moy Park announced the completion of its project to eliminate the sending of solid waste sent to landfills at 16 14 plants and agricultural bases in the United Kingdom and Europe.

Meanwhile, Keystone Foods has an operational target of reducing to zero the amount of solid waste it sends to landfills by 2020. Since 2008, it has reduced the amount of waste by 50%. To achieve this, it began recycling a large amount of the solid waste generated in its operations around the world, including paperboard, plastic, aluminum, scrap metal, biosolids, bakery products and wastewater sludge. This action enabled Keystone Thailand, for example, to reach the goal of zero solid waste sent to landfills already in 2014.

## **SOCIAL** **GRI G4-DMA** *Indirect economic impacts*

In 2014, Marfrig Beef further strengthened the activities to promote sustainable social development carried out by the Fazer e Ser Feliz Institute. Providing assistance to children and teens from 6 to 16 years of age and the elderly in situations of social, economic and psychological risk, the institution more than doubled the number of its Support Homes, the centers at which it provides social services to the local community.

The number of units jumped from five in 2013 to 13, with each capable of serving 50 youth. The initial actions with the community will begin in 2015, and include tutoring for public school students, computer literacy courses, sports and recreational activities and actions to promote citizenship, sustainability practices and respect for the environment.

During 2014, the institute worked to set up the Support Houses, which are strategically concentrated in cities where Marfrig Beef has production units. The institute also worked to register the youth and elderly at each of its locations, as well as the volunteer team to provide the social services, which includes doctors, dentists, social workers and teachers, with some of them coming from the local community and some from Marfrig.

The Institute's target for 2015 is to strengthen the structure and activities of the Support Homes, which will start operating in February.

Moy Park is also extensively involved in rural communities where it operates across the areas of local development; sustainable development; educational development; employability; application of health and wellbeing policies and career opportunities. The Company contributes to the betterment of these communities by supporting The Prince's Countryside Fund, which assists more than 120 projects benefitting around 100,000 people in the United Kingdom.

Keystone Foods believes that local communities and assistance organizations should be supported by its operational and business units, as assured by the principles governing the Corporate Social Responsibility (CSR) program and by the pillars of its KEYSTAR® social responsibility program. In mid-2015, Keystone will launch a new initiative in this area: Keystone Cares, which will support philanthropic actions and efforts at the local level.

## VOLUNTEER ACTIONS

Solidarity is also a value the Group holds in high regard. While it does not have a formal volunteer program, Marfrig Beef mobilizes its professionals for special and emergency actions. This was the case when, in 2014, heavy rain and flooding affected the Company's units in Brazil's South, with the Company mobilizing to create a volunteer team, coordinated by the Human Resources area, to provide assistance to affected families.

Moy Park employees in the United Kingdom and Europe are also encouraged to take part in the Company's volunteer actions, which include education programs, career guidance at local schools and communities, in partnership with organizations such as Young Enterprise and Business in the Community.

## COMMUNITY ENGAGEMENT **GRI G4-27,**

### **G4-DMA** *Indirect economic impacts*

In keeping with the principles of animal welfare and protection, in 2014, Marfrig Global Foods conducted a number of actions with its customers, suppliers, employees and youth at the Marfrig Institute, with around 3,000 people receiving training through the Animal Welfare Program.

One of these initiatives brought together the Marfrig Beef units located in Chupinguaia (RO), Paranatinga (MT), Promissão (SP), Bagé (RS) and São Gabriel (RS) to commemorate World Animal Day. At the event, employees could learn more about the program and its importance and objectives, as well as the consequences of animal welfare management and the ethical questions related to respect for animals.

The effort was also attended by 50 children age 6 to 14 who are supported by the Marfrig Institute and helped to plant native tree seedlings on areas near animal receiving areas. The idea is provide the animals with shade, while also benefiting drivers and the environment.

A member of the National Pact to Eradicate Slave Labor since 2005 and committed to the Greenpeace Criteria for Industrial Scale Cattle and Beef Product Operations in the Amazon Biome, which seeks to mitigate labor conditions analogous to slavery, in 2014, Marfrig Global Foods also became a member of the National Pact to Eradicate Slave Labor Institute (InPACTO).

The institute already has 400 member companies that combined account for 35% of Brazil's Gross Domestic Product (GDP), and has determined a set of ten commitments that companies must follow to combat slave labor in their production chains. Compliance with these commitments is verified annually and, depending on a member's level of commitment, they may be maintained, suspended or removed from the Pact.

#### **Race against cancer**

A team formed by 43 employees (including family members and friends) from Keystone Foods Ohio participated in the second annual Susan G. Komen for the Cure race, which was held in Findlay, Ohio. Raising funds for the fight against breast cancer, the event is the largest of its kind in the world, bringing together over 100,000 volunteers every year and more than 1.6 million participants in over 100 races throughout the United States and countries such as Italy, Germany and Greece.

#### **St. Jude's Ranch for Children**

Employees at the Keystone Gadsden unit in Alabama participated in actions to raise funds and donations for the St. Jude's Ranch for Children, a non-profit organization that cares for victims of abuse and abandoned or neglected children, preparing them for new opportunities in a solidary community. The action involves the collection of holiday cards, which can be recycled and resold. The initiative helps St. Jude's Ranch to raise funds while encouraging the collection and proper disposal of waste.


#### **ECONOMIC AND SOCIAL DEVELOPMENT**

##### **GRI G4-EC8, G4-DMA Indirect economic impacts**

Supported by the principles of Corporate Social Responsibility, Marfrig units maintain important programs to benefit local communities that include:

**Cultivating Hope** | Involving over 45,000 children from 40 public schools throughout the country, it focuses on developing the rural business activity by offering theoretical and practical training in soil preparation, cultivation, healthy eating and sustainable environmental production.

**Agricultural Impulse** | Provides support for initiatives to improve and create techniques for the sustainable development of agriculture, focusing on topics such as animal feed, inputs and equipment, as well as training producers on new intensive meat produc-



**MORE THAN 45,000 CHILDREN  
FROM 40 SCHOOLS BENEFITTED  
FROM THE CULTIVATING HOPE  
PROGRAM IN 2014**

tion techniques. The program is supported by local companies, universities and the local government.

**Valuing Lives** | Marfrig units support the Procladis Program, which was developed by the Uruguayan government to support professionals with disabilities. The Tacuarembó Unit has been successful in integrating ten people who working in different areas of the plant.

**Children's Day** | The units commemorate this date with the school-aged children of its employees by holding social gatherings and games at all production units, supported by entertainers and social workers. In 2014, the event brought together 1,300 children for a day outside that featured entertainment, lunch and free school materials.

**Recognition Day** | One of the most traditional dates at the Tacuarembó Unit, this event allows the Company to recognize individual professionals for their dedication, years of service and zero accidents, with the winners receiving awards. Over recent years, the Company has given 358 awards, with 4 recognizing 10 years of service with zero absences and 13 recognizing the commitments undertaken by more than 40 years of service at the unit.

**Our Family** | The units organize open houses on specific dates when employees' family members get a chance to learn about and explore the Company's facilities and share in their work experience.

**My Home** | The dream of owning a home is a desire of many. To help make this dream possible, workers at Marfrig Uruguay organized Mutual Support Cooperatives through which they may acquire property and work together to build homes. Marfrig Uruguay supports the initiative by providing financing for the acquisitions. The amounts are discounted from their wages in accessible and previously agreed upon installments. The project has already benefitted 130 employees.

**Student Residence – Study in the Capital** | The units support the children of employees who wish to study in universities in Montevideo, Uruguay's capital, by providing guaranteed housing through an agreement with the organization Sagrada Família for the first few years of their studies. The program offers 13 openings per year to interested students.

**Rural Family** | Involves cash donations to rural schools and educational projects that support the development of children in need.

**Volunteer Work** | Groups of employees meet to help with renovations and on projects requested by the principals of the public schools requiring assistance. In addition to these efforts, Moy Park also supports social institutions by providing financial assistance. In 2014, it strengthened the actions carried out by Yellow Ribbon Suicide Prevention, a charity organization that provides suicide awareness and support to the local community.

## UNEMPLOYED YOUTH

GRI G4-DMA Indirect economic impacts

The Moy Park sites in Grantham and Anwick participate in and support the Feeding Britain's Future, which is created and managed by the IGD and dedicated to providing training to youth seeking career opportunities in the UK food industry.

One of the program's fundamental concepts is training programs and visits to production units. Through guidance and training workshops, the youth receive the skills they need to build a career in the industry. The food industry is the United Kingdom's largest employer, with more than 3.7 million employees, and the IGD program plays a fundamental role in combating unemployment among youth.

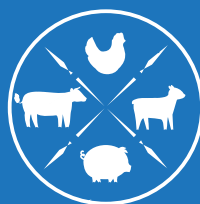


# ECONOMIC- FINANCIAL PERFORMANCE



**R\$21 BILLION**

NET REVENUE IN 2014,  
UP 12.4% ON THE  
PREVIOUS YEAR



MOY PARK POSTED A  
16.6% INCREASE IN NET  
OPERATING REVENUE, WHILE  
KEYSTONE AND MARFRIG  
BEEF POSTED ADVANCES OF  
9.7% AND 11.7%

**GRI G4-DMA Economic performance**

The year 2014 marked an important milestone for Marfrig Global Foods. The Focus to Win strategy has guided the group on a singular path of growth. All operating and financial targets set for 2014 were reached.

	Target Range 2014 <sup>(1)</sup>	2014 Result
😊 Net Revenue	R\$21 to 23 billion	R\$21 billion
😊 Adjusted EBITDA margin <sup>(2)</sup>	7.5% – 8.5%	8.5%
😊 Capital Expenditure	R\$600 million	R\$639 million
😊 Free Cash Flow to shareholders <sup>(3)</sup>	Neutral to R\$100 million	R\$56 million

Note: (1) Calculated in Brazilian real based on exchange rates of R\$2.40/US\$1.00 and R\$3.80/£1.00. (2) Excludes non-recurring items. (3) Operating cash flow after investments, changes in working capital, interest expenses and income tax.

**NET REVENUE**

Net operating revenue increased by 12.4%, from R\$18,752.4 million in 2013 to R\$21,073.3 million in 2014, driven by double-digit growth across all business units.



**15.4%**

PERCENTAGE OF GROSS INCOME GROWTH IN 2014 COMPARED TO 2013



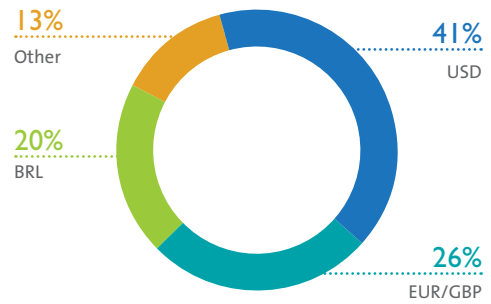
NET OPERATING REVENUE GROWTH AT MARFRIG BEEF WAS DRIVEN BY THE 13.6% GROWTH IN EXPORTS FROM BRAZIL ON 2013

Net operating revenue growth was driven mainly by stronger sales at all business units, including:

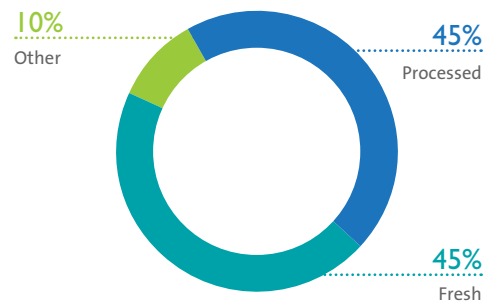
- the increase of 16.6% in net operating revenue at Moy Park, which is attributed to (i) strong sales volume growth in fresh poultry and convenience coated products across the Retail & Food Service channels in the United Kingdom and Ireland, which is a very positive performance in the challenging UK retail market; (ii) the consolidation into Moy Park of Marfrig's European beef business; and (iii) the positive impact from the exchange variation of 14.6%. On the other hand, the results were partially affected by: (i) lower sales prices for international exports of poultry products and offal due to export restrictions in both Russia and South Africa; (ii) the lower sales volume in the food service channel in Europe; (iii) commodity input cost deflation; and (iv) the stronger sterling pound relative to the Euro reducing the GBP value of European revenues;
- the increase of 9.7% in net operating revenue at Keystone, reflecting the higher sales volume at the operations in APMEA (up 10.1% on 2013) fueled by (i) the higher purchasing power of the region's middle class driven by wage growth, which supported higher consumption at restaurants and fast food chains; and (ii) the greater diversification of the local customer base;
- the increase of 11.7% in net operating revenue at Marfrig Beef, driven by higher exports from Brazil (up 13.6% on 2013), by the excellent result posted by the operations in Uruguay, which offset most of the adverse conditions impacting the operations in Argentina, and by the improvement in fresh meat sales volume to the food service segment in the domestic market.

## BREAKDOWN OF NET REVENUE IN 2014

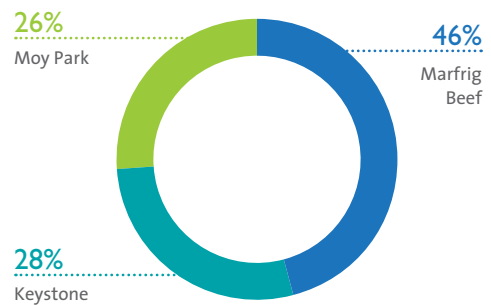
By currency



By product



By business



## COST OF GOODS SOLD

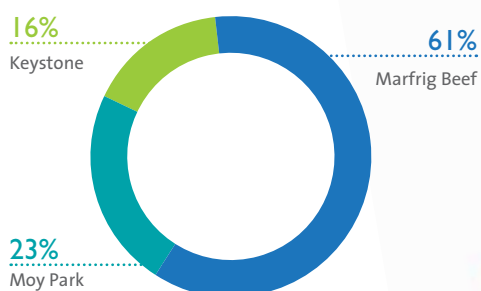
Cost of goods sold increased by 12%, practically in line with revenue growth, from R\$16,442.7 million in 2013, R\$18,408.2 million in 2014. The increase is explained mainly by: (i) the 9.1% increase in expenses related to raw materials (finished and live cattle), with the fed cattle price increasing by almost 25%, according to the ESALQ index (index that measures the fluctuation of cattle prices in the state of São Paulo, Brazil); (ii) the 8.9% increase in labor costs; and (iii) the 9.7% increase in production costs, such as electricity, packaging and other indirect costs.

COGS (IN R\$ MILLION)	2014	Share (%)	2013	Share (%)	Change (%)
Raw Materials	12,549.7	68.2	11,499.7	69.9	9.1
Labor	2,271.4	12.3	2,096.5	12.8	8.3
Production costs	2,786.6	15.2	2,541.3	15.5	9.7
Other Costs	800.4	4.3	305.2	1.9	162.2
<b>TOTAL</b>	<b>18,408.2</b>	<b>100</b>	<b>16,442.7</b>	<b>100</b>	<b>12.0</b>
Marfrig Beef	8,042.2	43.7	7,180.5	43.7	12.0
Moy Park	4,886.6	26.5	4,256.0	25.8	14.8
Keystone Foods	5,479.4	29.8	5,006.2	30.5	9.4

## GROSS INCOME AND GROSS MARGIN

Gross income increased by 15.4%, from R\$2,309.7 million in 2013 to R\$2,665.2 million in 2014.

### BREAKDOWN BY BUSINESS



## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

Selling, general and administrative (SG&A) expenses amounted to R\$1,464.5 million in 2014 (6.9% of net operating revenue), compared to R\$1,368.8 million in 2013 (7.3% of net operating revenue).

The result is explained by (i) the depreciation in the Brazilian *real* against the U.S. dollar and Pound sterling; and (ii) higher selling expenses. Both effects were partially offset by the more rigorous control of the line administrative expenses.

The 16.1% increase in selling expenses was driven mainly by the line selling and marketing expenses, which was impacted by higher commissions to the sales team due to sales volume growth and promotional costs during the 2014 World Cup sponsored by Marfrig.

General and administrative expenses decreased by 6.1%, explained by the initiatives to control expenses, such as downsizing of administrative staff and reduction in travel, office and third-party service expenses.

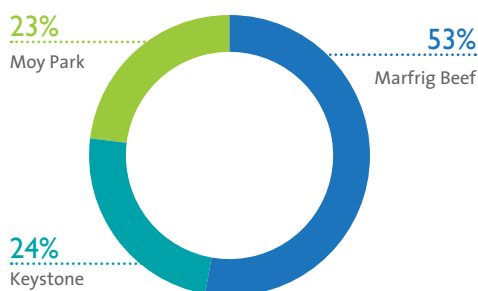
SG&A EXPENSES (IN R\$ MILLION)	2014	2013	Change (%)
<b>Selling Expenses</b>	<b>935.4</b>	<b>805.3</b>	<b>16.1</b>
% of Net Revenue	4.4	4.3	
<b>General and administrative expenses</b>	<b>529.1</b>	<b>563.5</b>	<b>(6.1)</b>
% of Net Revenue	2.5	3.0	
<b>TOTAL SG&amp;A</b>	<b>1,464.5</b>	<b>1,368.8</b>	<b>7.0</b>
% of Net Revenue	6.9	7.3	
Marfrig Beef (% NOR)	8.8	9.4	
Moy Park (%NOR)	8.4	7.8	
Keystone Foods (%NOR)	2.5	3.5	

**GENERAL AND  
ADMINISTRATIVE EXPENSES  
DECREASED 6.1% DUE TO  
CONTROL ACTIONS**

## ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

In 2014, consolidated Adjusted Ebitda (earnings before interest, tax, depreciation and amortization) amounted to R\$1,784.3 million, compared to R\$1,446.2 million in 2013. Adjusted Ebitda Margin stood at 8.5%, compared to 7.7% in 2013.

### BREAKDOWN BY BUSINESS



ADJUSTED EBITDA RECONCILIATION (R\$ MILLION)	2014	2013	Change (%)
<b>Adjusted Ebitda</b>	<b>1,784.3</b>	<b>1,446.2</b>	<b>23.4</b>
(+) Other Operating Income/Expenses	(98.4)	(65.0)	(51.5)
<b>Ebitda</b>	<b>1,685.9</b>	<b>1,381.2</b>	<b>22.1</b>
(+) Equity Income	(17.8)	(9.1)	(95.4)
(+) Depreciation/Amortization	(583.7)	(505.4)	(15.5)
(+) Net Financial Charges	(1,676.0)	(1,441.1)	(16.3)
(+) Net Exchange Variation	(450.8)	(589.9)	23.6
(+) Non-controlling interest	(19.2)	(12.9)	(49.2)
(+) Provision for income and social contribution taxes	322.0	361.3	(10.9)
<b>Net Income/Loss</b>	<b>(739.5)</b>	<b>(815.8)</b>	<b>9.4</b>

## FINANCIAL INCOME (EXPENSES)

The net financial result in 2014 was a net expense of R\$2,126.8 million, compared to a net expense of R\$2,031.0 million in 2013. The 4.7% increase in the financial result was primarily due to the Company participating in the REFIS tax amnesty program in August, which led to the payment of accumulated interest expenses through the close of the year of R\$117.4 million, followed by the deferral of costs with issues made to reduce borrowing costs, which, on the other hand, supported a reduction of R\$98.2 million in interest expenses compared to the prior year.

NET FINANCIAL RESULT (IN R\$ MILLION)	2014	2013	Change (%)
<b>Financial Income</b>	<b>294.7</b>	<b>365.0</b>	<b>(19.3)</b>
Interest Income	98.4	179.4	(45.2)
Derivative income	173.1	178.8	(3.2)
Other	23.2	6.7	246.3
<b>Financial Expenses</b>	<b>(1,970.7)</b>	<b>(1,806.0)</b>	<b>(9.1)</b>
Interest expenses/debentures/leasing	(1,173.8)	(1,272.0)	7.7
Derivative expenses	(288.1)	(292.4)	1.5
Bank fees, commissions, financial discounts and other	(508.8)	(241.6)	(110.6)
<b>Net Exchange Variation</b>	<b>(450.8)</b>	<b>(589.9)</b>	<b>23.6</b>
<b>Net Financial Result</b>	<b>(2,126.8)</b>	<b>(2,031.0)</b>	<b>(4.7)</b>

## NET INCOME GRI G4-13, G4-DMA Economic performance

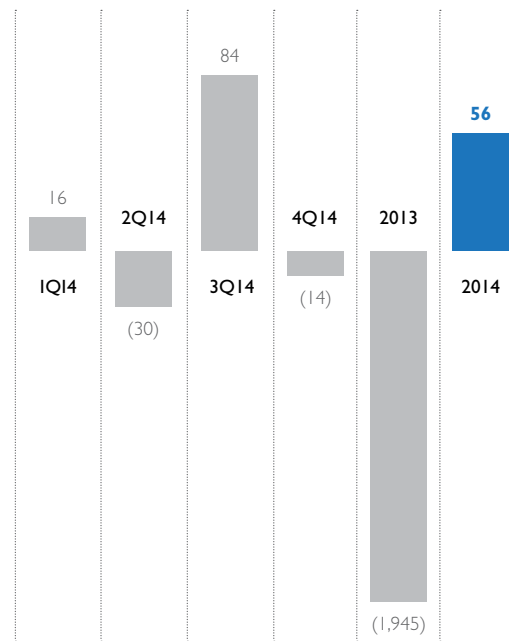
Net income in the year ended December 31, 2014 came to R\$739.5 million, compared to a net loss of R\$815.8 million in the year ended December 31, 2013. The decrease was mainly driven by the depreciation in the Brazilian *real* against the U.S. dollar and the Pound sterling during the period.

## CASH FLOW

Cash flow (before interest expenses and capital expenditure) has been improving gradually over the last few quarters, ending 2014 at R\$1,684.3 million. The results of the strategy outlined in our Focus to Win program attest to the joint efforts made by all business units, especially the Marfrig Beef segment, where the Productivity Agenda combined with the focus on profitability, controlling expenses and working capital led to significant improvement in the lines trade payables and receivables.

## FREE CASH FLOW

(R\$ million)



MARFRIG ENDED  
2014 WITH FREE  
CASH FLOW  
OF R\$56 MILLION

## INVESTMENT

Capital expenditure amounted to R\$639.3 million in 2014, down 21.1% from the R\$810.6 million invested in 2013. During the year, R\$435.8 million was invested in maintaining and expanding production units, while R\$186.2 million was invested in renewing parent stocks.

INVESTMENTS – CAPEX (R\$ MILLION)	2014	2013	Var. (%)
Fixed assets	435.8	650.6	(33.0)
Parent stocks	186.2	151.1	23.2
Intangibles	17.3	8.8	96.6
<b>TOTAL</b>	<b>639.3</b>	<b>810.6</b>	<b>(21.1)</b>

## CAPITAL STRUCTURE

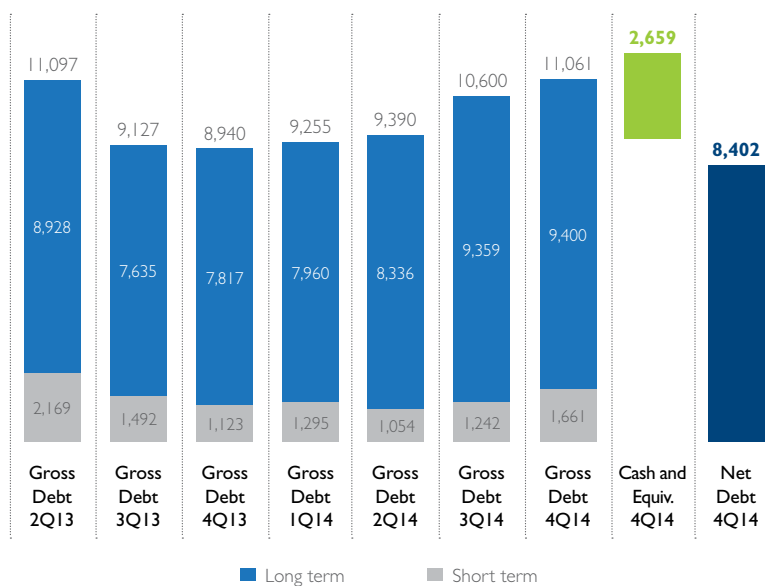
### GROSS DEBT

The Corporation ended the year with consolidated gross debt of R\$11 billion, compared to R\$8.9 billion in December 2013.

Of the total debt, 15% is short-term and 85% is long-term, and 8.4% is denominated in Brazilian

*real* and 91.6% in other currencies. In comparison with, 19.5% of the Group's revenues are generated in Brazilian *real* and 80.5% in other currencies.

The weighted average cost of our consolidated bank debt stood at 7.7%.







## MARFRIG GLOBAL FOODS ATTAINED AN UPGRADE IN ITS CORPORATE CREDIT RATING IN 2014

### LIQUIDITY AND DEBT

The leverage ratio (net debt/Ebitda LTM) stood at 4.98 times, solely due to the noncash effect from exchange variation during the year.

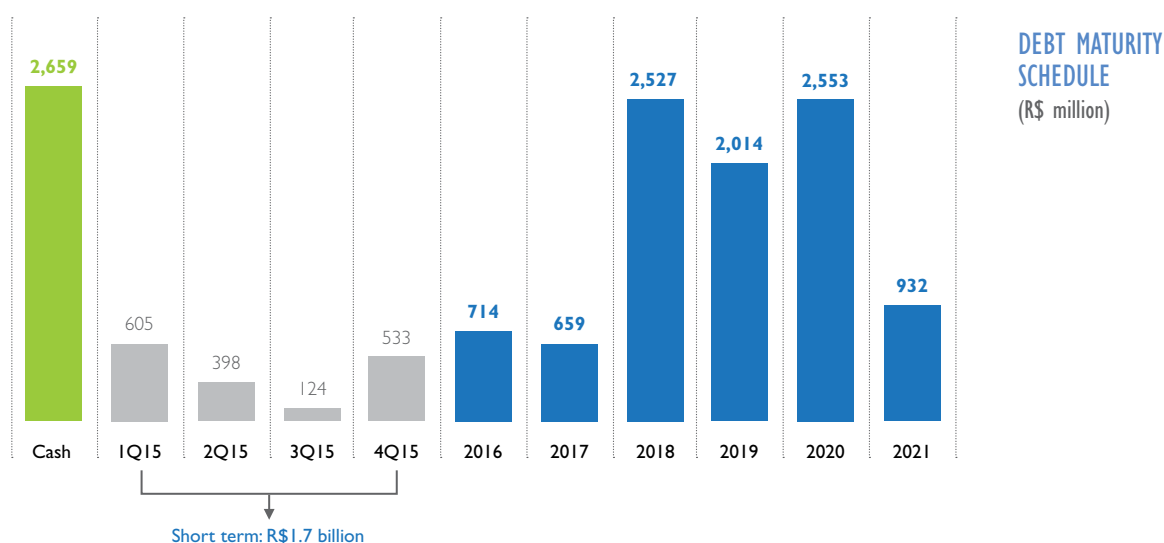
It is important to note that the contracts of bank and market financing transactions include provisions that allow for excluding the effects of exchange variation from the calculation of the leverage ratio, which thus reached 3.42 times at the end of 4Q14. For more information, see Note 32.6 to the financial statements.

We believe the leverage ratio calculated on an LTM basis reflects a situation in which Ebitda growth has yet to fully capture the depreciation in the *real*. In the last 12 months, the average exchange rate was R\$2.35/US\$, compared to the end-of-period exchange rate of R\$2.66/US\$ at the close of 4Q14 used in the debt calculation.

Therefore, in addition to the leverage ratio based on Ebitda LTM, we believe it is important to evaluate projected annualized adjusted Ebitda for 4Q14, which indicates a significantly lower leverage ratio of 3.83 times (compared to 4.98 times), closer to the current levels of the business.

Another no less important aspect in this analysis is the Company's debt maturity profile, which today is structurally longer, with the first large maturity due only in 2018.

The operating result has yet to fully capture the continuous weakening in the Brazilian *real* during the year, especially in the fourth quarter, when the average exchange rate in the period was R\$2.55/US\$, or 4% lower than the exchange rate at end of period of R\$2.66/US\$.



### CREDIT RISK RATING – GLOBAL SCALE

The credit rating agencies Standard and Poor's and Fitch Ratings upgraded Marfrig's credit rating on a global scale in 2014, reflecting the efforts of the Corporation to improve financial and operational management.

Agency	National Scale	International Scale	Outlook
Standard and Poor's	br BBB	B+	Stable
Fitch Ratings	BBB+bra	B+	Stable
Moody's	-	B2	Stable

### STATEMENT OF VALUE ADDED G4-EC1

Statement of Value Added	2012	2013	2014
1 – REVENUES	16,962,245	18,757,765	21,805,722
Sales of goods and services	16,516,366	18,752,376	21,805,722
Other revenues	513,327	35,073	35,397
Allowance for doubtful accounts – Reversal/Accrual	-67,448	-29,684	-5,462
2 – SUPPLIES PURCHASED FROM THIRD PARTIES (includes ICMS and IPI taxes)	11,070,826	14,632,942	15,891,792
Cost of goods sold and services rendered	5,914,259	11,020,510	12,781,936
Materials, energy, outsourced services and other	4,255,501	3,572,204	3,080,407
Loss/Recovery of assets	901,066	40,228	29,449
3 – GROSS VALUE ADDED	5,891,419	4,124,823	5,913,930
4 – WITHHOLDINGS	458,042	505,369	583,651
Depreciation, amortization and depletion	458,042	505,369	583,651
5 – NET VALUE CREATED BY COMPANY	5,433,377	3,619,454	5,330,279
6 – VALUE ADDED RECEIVED THROUGH TRANSFER	650,180	1,134,107	1,058,013
Equity in earnings (losses) of subsidiaries	0	-9,109	-17,795
Financial income	650,180	1,143,216	1,075,808
7 – TOTAL VALUE ADDED TO BE DISTRIBUTED	6,083,557	4,753,561	6,388,292

### VALUE ADDED DISTRIBUTION

	2012	2013	2014
Payroll and related charges	2,263,984	1,439,054	2,170,395
Taxes payable	688,747	812,063	140,956
Amount distributed to providers of capital	2,853,356	3,305,354	4,797,234
Amount distributed to shareholders	277,470	-802,910	-720,293

# RECOGNITION



## **PACT**

FOR SUSTAINABILITY, ORGANIZED BY WALMART, IS ONE OF THE EXTERNAL INITIATIVES IN WHICH MARFRIG PARTICIPATES AS A PIONEER AND FORCE FOR INNOVATION

## MARFRIG GLOBAL FOODS

**Walmart Pact for Sustainability** | Sponsored by the Walmart Group, the Pact for Sustainability award recognizes the pioneering work being done by the Marfrig Club, especially its leadership and efforts to engage rural producers. In five years, the Walmart Pact for Sustainability has engaged over 160 companies, which reported on their achievements, strategies and indicators in three areas: Amazonia, Responsible Procurement and Waste Reduction.

**Reference in animal welfare** | The coordinator of Marfrig's Animal Welfare team, Stavros Platon Tseimazides, won the BeefPoint Animal Welfare Award 2014 in the category Professional Reference in Animal Welfare. The award, which was created to recognize people who make a difference in Brazil's beef industry, was given in May at a ceremony during the Animal Welfare Beef Summit in Ribeirão Preto, São Paulo.

## **The Business Benchmark on Farm Animal Welfare (BBFAW)**

| This report, prepared by international NGOs, such as Compassion in World Farming (CIWF) and the World Society for the Protection of Animals (WSPA) selected Marfrig Global Foods as a complete company in the area of animal welfare.

## OUTBACK SUPPLIER OF THE DECADE

The Outback Brazil restaurant chain awarded the Marfrig Beef Brazil the title of supplier of the decade. The recognition was made at the Outback Suppliers' Night 2014, which recognizes Outback's entire operational chain and its partnerships with major suppliers. In addition to distinguishing the excellent relationship with Marfrig, the award effectively strengthens the partnership and the supply of quality products and services.

THE OUTBACK  
RESTAURANT CHAIN  
AWARDED MARFRIG BEEF  
BRAZIL THE TITLE OF  
SUPPLIER OF THE DECADE

COORDINATOR  
OF THE ANIMAL WELFARE TEAM  
WON THE BEEFPPOINT ANIMAL  
WELFARE AWARD 2014 IN  
THE CATEGORY BENCHMARK  
PROFESSIONAL IN ANIMAL WELFARE

## MOY PARK

**Institute of Directors (IOD)** | Leadership in Corporate Responsibility Award 2014.

**Ulster Bank Business Achievers Award** | Judges' Special Recognition award.

**BPC, Mid-Career Service Award 2014 – Women in Business N.I. Outstanding Business Woman of the Year – Platinum by the Arena Network** | Awarded for environmental management practices by the Arena Network, a representative of leading business organizations in Northern Ireland that every year evaluate the country's best environmental practices. Moy Park was recognized for the results it achieved in reducing waste generation, improving water use management and reducing energy consumption.

**Ulster Bank Business Achievers Award; Women Led Business, Ulster Winner**

**Top Results Achieved by Moy Park team at Aviagen Breeder School**

**Water Champion Award, The Consumer Council**

## KEYSTONE FOODS

**North American Meat Institute** – The Keystone Reidsville unit in North Carolina received third place in the Social and Economic Sustainability category of the awards given by the North American Meat Institute (NAMI).

**Big Tick' in Dairy Crest Rural Action category of Business in the Community's 2013 Responsible Business Awards** | re-accredited

**Pig & Poultry Marketing Awards, Highly Commended Processor of the Year**

**Best Marketing Campaign for Hello! We're the Chicken People, Ulster Grocer, Highly Commended**

**British Safety Council** | Recognized in the International Safety Awards 2014.

**Belfat Telegraph Top 100 Companies #1**

**Ulster Business Magazine Top 100 | #1**

**CR Index 2014** | Created by Business in the Community, the Corporate Responsibility Index measures the corporate strategies adopted by companies, how they organize, manage and integrate social responsibility, manage employee performance and engagement, and report sustainability actions to stakeholders. Moy Park was the first company in the poultry industry to be recognized by the Corporate Responsibility Index, receiving three out of a maximum of five stars.

**Green Industry Certification** – Keystone Thailand received the Green Industry Certification, which attests to its compliance with all guidelines for reducing greenhouse gas emissions, using natural resources sustainably, mitigating climate change and protecting and recovering the environment.

**Sustainability Excellence Award** – The Keystone Georgia unit received the award for operational innovation and excellence from PMMI's 2-14 AIOE Sustainability Excellence in Manufacturing Awards.

KEYSTONE THAILAND  
RECEIVED THE GREEN  
INDUSTRY CERTIFICATION  
IN RECOGNITION OF  
ITS ENVIRONMENTAL  
PROTECTION ACTIONS

## CERTIFICATIONS GRI G4-FP2, G4-FP5

Certifications	Description	Units certified
British Retail Consortium (BRC)/ Global Standard for Food Safety (GFSI)	Defines standards for the safe production, packaging, storage and distribution of food products.	48
ISO 22000	Defines standards for controlling risks in the food production chain to ensure that products are safe for human consumption.	29
ISO 9001	Global technical standards that establish criteria for managing quality at companies in all industries.	5
FSSC 2000 – Foundation for Food Safety Certification	Food Safety System Certification.	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	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.	03
Rainforest Alliance Certified (RAC) – Sustainable Agriculture Network	Works to promote productive and efficient agricultural systems, biodiversity conservation and the humane development of Sustainable Agricultural Standards, which include social, environmental and production topics.	05
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.	01
Marine Stewardship Council (MSC)	NGO establishing standards for sustainable fishing and traceability for shellfish and fish; allowing for keeping any fish caught illegally out of the supply chain.	01
International Food Standard (IFS)	Common food safety standard with a uniform evaluation system used to qualify and select suppliers and to help distributors guarantee the safety of their products and monitor the quality of food producers using their brand.	01
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; without the use of synthetic fertilizer; sewage sludge and genetic engineering.	01
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 from Australia comply with the import requirements of various other countries to ensure access to markets.	01



# GRI G4 CONTENT INDEX

GRI G4-32



Content Index  
Marfrig Global Foods



## “IN ACCORDANCE” OPTION – CORE

The Annual Report 2014 of Marfrig Global Foods presents the standard disclosures of the GRI Sustainability Reporting Guidelines, version G4, in accordance with the core reporting option.

GENERAL STANDARD DISCLOSURES			
General Standard Disclosures	Pages	External Assurance	Global Compact
<b>Strategy And Analysis</b>			
G4-1	<a href="#">6</a> and <a href="#">7</a>	No	
<b>Organizational Profile</b>			
G4-3	<a href="#">9</a>	No	
G4-4	<a href="#">9</a> , <a href="#">14</a> a <a href="#">17</a>	No	
G4-5	<a href="#">9</a> and <a href="#">98</a>	No	
G4-6	<a href="#">9</a>	No	
G4-7	<a href="#">25</a>	No	
G4-8	<a href="#">9</a> , <a href="#">12</a> to <a href="#">15</a>	No	
G4-9	<a href="#">9</a> , <a href="#">12</a> to <a href="#">15</a>	No	
G4-10	<a href="#">55</a> to <a href="#">57</a>	No	6
G4-11	<a href="#">68</a>	No	3
G4-12	<a href="#">21</a> , <a href="#">37</a> to <a href="#">40</a>	No	
G4-13	<a href="#">9</a> , <a href="#">37</a> , <a href="#">38</a> and <a href="#">86</a>	No	
G4-14	<a href="#">27</a>	No	
G4-15	<a href="#">45</a> , <a href="#">46</a> and <a href="#">51</a>	No	
G4-16	<a href="#">31</a> , <a href="#">52</a> and <a href="#">53</a>	No	

GENERAL STANDARD DISCLOSURES			
General Standard Disclosures	Pages	External Assurance	Global Compact
<b>Identified Material Aspects And Boundaries</b>			
G4-17	<a href="#">4</a>	No	
G4-18	<a href="#">4</a> and <a href="#">5</a>	No	
G4-19	<a href="#">5</a>	No	
G4-20	<a href="#">96</a> and <a href="#">97</a>	No	
G4-21	<a href="#">96</a> and <a href="#">97</a>	No	
G4-22	<a href="#">4</a>	No	
G4-23	<a href="#">4</a>	No	
<b>Stakeholder Engagement</b>			
G4-24	<a href="#">21</a> and <a href="#">22</a>	No	
G4-25	<a href="#">21</a> and <a href="#">22</a>	No	
G4-26	<a href="#">22</a> , <a href="#">32</a> , <a href="#">42</a> and <a href="#">46</a>	No	
G4-27	<a href="#">32</a> , <a href="#">37</a> , <a href="#">42</a> , <a href="#">45</a> and <a href="#">77</a>	No	
<b>Report Profile</b>			
G4-28	<a href="#">4</a>	No	
G4-29	<a href="#">4</a>	No	
G4-30	<a href="#">4</a>	No	
G4-31	<a href="#">4</a>	No	
G4-32	<a href="#">4</a> and <a href="#">94</a>	No	
G4-33	<a href="#">4</a>	No	
<b>Governance</b>			
G4-34	<a href="#">26</a> and <a href="#">29</a>	No	
<b>Ethics And Integrity</b>			
G4-56	<a href="#">9</a> and <a href="#">55</a>	No	10



## GRI G4-20, G4-21

### SPECIFIC STANDARD DISCLOSURES

Material Aspects	DMA and Indicators	Pages	Omissions	External Assurance	Global Compact	Aspect limit	
						In	Out
<b>CATEGORY: Economic</b>							
Economic Performance	<b>G4-DMA</b>	<a href="#">20, 81, 85, 86 and 89</a>		No		X	X
	G4-EC1	<a href="#">89</a>		No		X	X
Indirect Economic Impacts	<b>G4-DMA</b>	<a href="#">31, 76 to 79</a>		No		X	X
	G4-EC8	<a href="#">78</a>		No			X
Procurement Practices	<b>G4-DMA</b>	<a href="#">21, 38 and 50</a>		No		X	X
	G4-EC9	<a href="#">40, 49 and 50</a>		No		X	X
	FP1	<a href="#">38</a>		No		X	X
	FP2	<a href="#">37, 70 and 93</a>		No		X	X
<b>CATEGORY: Environmental</b>							
Energy	<b>G4-DMA</b>	<a href="#">20, 68, 70, 72 and 73</a>		No		X	
	G4-EN3	<a href="#">72</a>		No	7   8	X	
	G4-EN5	<a href="#">72</a>		No	8	X	
	G4-EN6	<a href="#">72</a>		No	8   9	X	
Water	<b>G4-DMA</b>	<a href="#">20, 70, 75 and 76</a>		No		X	X
	G4-EN8	<a href="#">75</a>		No	7   8	X	X
	G4-EN9	<a href="#">75</a>		No	8	X	X
Biodiversity	<b>G4-DMA</b>	<a href="#">20</a>		No		X	
	G4-EN12	<a href="#">38 and 51</a>		No	8		X
	G4-EN13	<a href="#">51</a>		No	8		X
Emissions	<b>G4-DMA</b>	<a href="#">20, 68 to 70</a>		No		X	X
	G4-EN15	<a href="#">69</a>		No	7   8	X	X
	G4-EN16	<a href="#">69</a>		No	8	X	X
	G4-EN17	<a href="#">69</a>		No	8	X	X
	G4-EN18	<a href="#">70</a>		No	8	X	X
Effluents and Waste	<b>G4-DMA</b>	<a href="#">20, 68, 70, 74 and 75</a>		No		X	X
	G4-EN22	<a href="#">74 and 76</a>		No	8	X	X
	G4-EN23	<a href="#">74</a>		No	8	X	
	G4-EN25	<a href="#">74 and 75</a>		No	8	X	X
	G4-EN26	<a href="#">74 and 76</a>		No	8	X	X
<b>CATEGORY: Social</b>							
<b>SUBCATEGORY: Labor Practices and Decent Work</b>							
Labor/Management Relations	<b>G4-DMA</b>	<a href="#">20 and 68</a>		No		X	
	G4-LA4	<a href="#">68</a>		No	3	X	
Occupational Health and Safety	<b>G4-DMA</b>	<a href="#">20, 62, 64 to 66</a>		No		X	
	G4-LA5	<a href="#">62 and 63</a>		No		X	
	G4-LA6	<a href="#">64</a>		No		X	
	G4-LA7	<a href="#">62 and 63</a>		No		X	
	G4-LA8	<a href="#">68</a>		No		X	
Supplier Assessment for Labor Practices	<b>G4-DMA</b>	<a href="#">37, 38 and 46</a>		No			X
	G4-LA15	<a href="#">39 and 40</a>		No			X

**GRI G4-20, G4-21**

**SPECIFIC STANDARD DISCLOSURES**

Material Aspects	DMA and Indicators	Pages	Omissions	External Assurance	Global Compact	Aspect limit	
						In	Out
<b>SUBCATEGORY: Human Rights</b>							
Child Labor	G4-DMA	<a href="#">37</a> , <a href="#">42</a> and <a href="#">48</a>		No			X
	G4-HR5	<a href="#">39</a> and <a href="#">40</a>		No	5		X
Forced or Compulsory Labor	G4-DMA	<a href="#">37</a> , <a href="#">42</a> and <a href="#">48</a>		No			X
	G4-HR6	<a href="#">39</a> and <a href="#">40</a>		No	4		X
<b>SUBCATEGORY: Society</b>							
Anti-corruption	G4-DMA	<a href="#">25</a> , <a href="#">27</a> and <a href="#">29</a>		No		X	X
	G4-SO3	<a href="#">25</a>		No	10	X	
	G4-SO4	No training programs on anti-corruption were conducted in 2014.		No	10	X	
	G4-SO5	<a href="#">25</a>		No	10	X	X
Anti-competitive Behavior	G4-SO7	There are no records of any significant pending or resolved legal actions for anti-competitive behavior, antitrust and monopoly practices		No		X	
<b>SUB-CATEGORY: Product Responsibility</b>							
Customer Health and Safety	G4-DMA	<a href="#">32</a> and <a href="#">34</a>		No		X	X
	G4-PR1	<a href="#">32 to 34</a>		No		X	
	FP5	<a href="#">93</a>		No		X	
	FP6	<a href="#">32</a> and <a href="#">36</a>	Percentage of total sales volume (confidential information)	No		X	X
	FP7	<a href="#">36</a> and <a href="#">71</a>	Percentage of total sales volume (confidential information)	No		X	X
<b>Sector Supplement – Animal Welfare</b>							
Breeding and genetics	G4-DMA	<a href="#">34</a> and <a href="#">35</a>		No			
	FP9	<a href="#">41</a> According to the Brazilian Angus Association, 107,000 animals were slaughtered and certified in 2014. This volume refers to animals slaughtered at the RS, SP, MS GO and MT units.		No		X	
Breeding	G4-DMA	<a href="#">34</a> and <a href="#">35</a>		No		X	X
	FP11	<a href="#">41</a>		No		X	X
	FP12	<a href="#">41</a>		No		X	X
Transportation, Handling, and/or Slaughter Practices	FP13	<a href="#">41</a> In 2014, we recorded no incidents during the handling and slaughter of animals that resulted in fines, penalties or warnings (Data for Brazil Beef units)		No		X	X

# CORPORATE INFORMATION

GRI G4-5

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## CREDITS

### **Investor Relations**

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### **Corporate Sustainability**

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### **Content and graphic design consulting**

TheMediaGroup

### **Photographs**

Marfrig Archive  
Shutterstock