



2017

SUSTAINABILITY REPORT



2017

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MISSION Provide globally the best protein through long term relationship with our consumers, creating high quality products and safety, motivated to offer the best to our customers.

VISION Be recognized as the best global protein company. This will happen in four ways:

- growing with our customers, suppliers, partners through innovative products and acting in the best markets;
- providing the company's development and creating shareholder value;
- maintaining a team of motivated employees, committed to serve the entire production chain with operational excellence, in a sustainable way; and
- respecting the society where we are inserted.



COMMITMENT to sustainability

(GRI 102-11)
Sustainability is part of Marfrig Global Foods' business strategy. To be sustainable, a company must balance its economic, social and environmental performance. In order to meet this objective, the Company maintains the continuous strengthening of the pillars it has established. They permeate all divisions and units and are a reference for the development of actions, which, together, promote and ensure the sustainability of the entire productive system.

Marfrig's commitment to sustainability is reflected in its business strategy and in the partnerships and commitments assumed by the Company with renowned and recognized organizations in the social and environmental areas.

In 2017 Marfrig Global Foods defined strategic themes related to sustainable performance: financial stabilization, followed by reduction of indebtedness; transparency; compliance; efficiency in processes; and sustainable production. This management approach translates into pioneering actions in the sector, aimed at promoting socially and environmentally fair, inclusive and ethical growth. It also encompasses the care of the quality and safety of food, which are essential to the success of the business and its continuity.

The Company's corporate governance principles, which are based on best practices in relation to transparency, accountability and fairness in the treatment of all shareholders, as well as complying with the requirements set forth in the BM & FBOVESPA New Market (Novo Mercado da BM&FBOVESPA) regulation, are also fundamental.

STRATEGIC PILLARS of sustainability

Work Environment:
compliance, diversity and inclusion, employee development, ethics and integrity, safety and health and well-being.



Customers:
food safety, innovation and growth, engagement and communication with stakeholders, nutritional value and value generation.



Economic:
value creation, free cash flow, reduction of leverage and profitability.



Suppliers:
animal welfare, responsible supply, engagement and development supplier, supply chain assurance and sustainable cattle raising.



Environment:
climate change, energy, environmental management systems, materials and waste, natural resources, water.

Social:
social engagement, volunteering among employees, social economic development and social entrepreneurship.



2017 in numbers

MARFRIG GLOBAL FOODS HIGHLIGHTS

	2017	2016	2015	2014	2013
Economic-financial (R\$ billion)					
Net Revenue	18.6	18.8	18.9	15.2	18.8
Cost of goods sold	16.4	16.7	16.6	13.2	16.4
Gross profit	2.2	2.2	2.3	2.0	2.3
Gross margin	12.0%	11.5%	12.2%	13.0%	12.3%
Adjusted EBITDA	1.7	1.6	1.8	1.4	1.4
Adjusted EBITDA Margin	9.2%	8.6%	9.5%	8.9%	7.7%
Net debt	8.0	5.9	7.1	11.0	8.9
Leverage ratio (Net Debt / EBITDA UDM Adj.)*	4.6x	3.7x	2.3x	5.0x	3.0x
Net worth	2.4	0.9	0.7	2.0	3.0
Operational					
Number of employees	32,846	28,761**	30,276	32,935	46,069
Women	36%	36%	38%	37%	37%
Men	64%	64%	62%	63%	63%
Revenue per employee (thousand R\$)	566.0	672.0	624.0	461.8	435.3
Socio-environmental					
Social and environmental investments (R\$ million)	57.94	11.1	29.5	23.2	31.5
Water consumption (million m3)	20.1	18.7	19.9	23.0	23.0
Energy consumption (million GJ)	5.9	6.5	6.2	17.5	12.1
Emissions of greenhouse gases (million tCO2e)***	17.1	14.7	17.0	25.0	19.2
Waste (thousand tons)****	375.69	388.39	480.64	177.0	191.9
Health and safety at Work					
Total accidents	773	2,205	2,476	2,884	3,568
Days of work lost by accident*****	14,375	20,309	8,728	19,134	25,142
Fatal accidents	0	0	1	0	1
<p>* From 2016 on, Marfrig started to consider the result EBITDA UDM Adj. of operations because this index better reflects the current leverage of the Company.</p> <p>** 2016 numbers were reclassified due to the discontinuation of operations in Argentina.</p> <p>*** The emissions were recalculated to suit the updated values of the emission factors and changes in the company's production structure. The results of the years 2016 and 2015 have also been recalculated within this new reality, however the previously published values were maintained as a history for consultation on p. 59.</p> <p>**** The reduction in waste volume in relation to previous years was due to the lower number of open plants and the sale of the containment plants previously maintained by Marfrig.</p> <p>***** According to the NBR 14280:2001 – The concept of Days of work lost by accident are considered every day (of each employee) lost where there was absence from work, except for the day of the event and the day of return to work.</p>					

MESSAGE FROM THE CHAIRMAN

of the Management Board

(GRI 102-14)

Marfrig Global Foods ends 2017 as a highly internationalized company with presence in 12 countries, being one of the most diversified and largest organizations in the global protein market. The business model was, during this period, composed of 50 production units, distribution centers and offices, located in South America, North America, Europe, Oceania and Asia. We execute, in this structure, activities of production, processing, industrialization, sale and distribution of animal protein-based foods, as well as other assorted food products such as frozen vegetables and desserts. With a diversified and comprehensive portfolio, Marfrig products are present in the largest restaurant and supermarket chains, reaching millions of consumers in approximately 100 countries.

As a result, Marfrig was able to overcome adversities quickly and adapt to the scenario presented in 2017, with the view that its actions will lead to the formation of a more solid base of growth.

The Operação Carne Fraca (Weak Flesh Operation), triggered at the beginning of the year, temporarily shook domestic consumption and Brazilian exports, but these resumed their normal trajectory in the middle of the second quarter. This scenario, though troubled, accentuated the opportunities of an already expected optimistic cycle for Brazil. Marfrig was able to adjust and capture the positive aspects generated during the second half of the year, when we decided to readjust the manufacturing plant of the Brazilian operation of the Beef Division, with the reopening of plants that had been temporarily closed.

Keystone, since its acquisition in 2010, was an asset that presented successive increases in margin and solid cash generation. However, with the strategic redirection of the Company focused on growth in cattle, Marfrig decided to sell this Division in 2018, in order to accelerate its deleveraging.

It should be noted that all the results have been achieved within a leading position in sustainable production and preservation of biodiversity. The Company has taken on and strengthened several public commitments in partnerships with large organizations, such as the Amazon Biome Pact, which was reaffirmed even in a troubled scenario for the sector in Brazil.

In 2018, we will continue to strengthen Marfrig's capital structure, with the view that we will not only be one of the largest players in the global animal protein market, with total commitment to excellence, but also the company with the best financial condition of the sector.

Marcos Antonio Molina dos Santos
Chairman of the Management Board



MESSAGE

from the CEO

(GRI 102-14)

2017, especially the first semester, was marked by sector factors that impacted our results. On the other hand, these same factors have generated opportunities and, in this new scenario, we decided to expand the productive capacity of the Beef Division from the second semester on. Although this decision impacts short-term results, it is based on a long-term vision, to make Marfrig an increasingly profitable company.

Signs of improvement of the bovine cycle, the expectation of resumption of Brazilian domestic demand and the continuously favorable international context, led to the strategic decision to anticipate and accelerate the growth of the operation in Brazil, reopening units of slaughter that had been temporarily closed in the states of Goiás, Mato Grosso, Pará, Rio Grande do Sul and Rondônia. Thereby, the Company ended the year with an effective slaughtering capacity in the country of around 300,000 head of cattle per month. And it is necessary to congratulate the Marfrig teams, which demonstrated excellent execution capacity facing the industrial and commercial challenges arising from this decision. These plants were reopened in record time, thanks to the integration capacity of corporate teams. During this period, the local staff responsible for the progress of the plants received specific training so that the processes could happen in a standardized way. The Beef Division reached the slaughtering of 300 thousand heads per month, monthly volume higher than in 2014, the period in which we operated with similar nominal capacity. It stands out, in this achievement, the rate of utilization of plants, of 96% in the third quarter, reflecting improved operational efficiency.

The decision to readjust the structure of the Beef Division was supported by the prospects of raw material supply and internal and external demand. On the supply side, the availability of cattle in the country increased in 2017. The slaughter of females had an increase of 10.9% compared to the previous year, according to data from the Ministry of Agriculture (MAPA). Brazilian GDP (PIB) closed with a moderate increase of 1%. In this context, we can highlight the food service industry - one of the Company's service channels -, whose actual billing, according to the Brazilian Association of Bars and Restaurants - Abrasel (Associação Brasileira de Bares e Restaurantes - Abrasel), presented a 1.5% increase compared to 2016.

With these movements, the gross profit of the Beef Division in 2017 was R\$1.3 billion. Gross margin reached 13.8%, reflecting the sector's recovery of margins over the second half. In this sense we can highlight the 11% expansion of sales volume in Brazil; the recovery of the spreads of the Brazilian operation, due to the fall in the average price of the bullock, due to better availability of cattle for slaughter (bovine cycle); and the improvement of spreads in Uruguay, due to stronger export prices.

In relation to the Keystone Division, 2017 was another year of record result. With a portfolio of higher value-added protein products, mainly based on chicken, Keystone is one of the largest suppliers of leading food service networks globally.

The vision that permeates the Company's strategic plan continues in the sense of being a recognized company as one of the global leaders of the sector and preferential partner of our clients. In this



sense, Marfrig's sales remained focused on serving the most demanding markets and customers, like the Europeans, Asian and North American. In Brazil we seek to improve our consumer offer by repositioning the Montana brand, name recognized in the barbecue segment, which had its portfolio expanded to meet the daily needs of the consumer. Along with these commercial actions, Marfrig began an important social action involving the Hospital de Amor (Hospital of Love), prevention and free treatment of cancer patients. The Company supplies all the beef consumed in the units of the institution.

In 2018 the variables that influence consumption should remain favorable and the expectation is an increase in the demand for animal protein, both in natura and processed, in the world. Adding to this a greater supply of livestock due to the current cycle of cattle in Brazil, the prospects are that the margins remain at healthy levels.

Next, we present our performance in 2017, in more detail. I hope you enjoy the reading.

Martin Secco

Chief Executive Officer (CEO) of Marfrig Global Foods

At the time of publication of the report, Mr. José Eduardo de Oliveira Miron served as CEO of Marfrig Global Foods to replace Mr. Martin Secco.



MARFRIG
GLOBAL FOODS



(GRI 102-3, GRI 102-4, GRI 102-6, GRI 102-7)

Marfrig Global Foods is a highly internationalized Brazilian multinational, with presence in 12 countries, being one of the most diversified and largest companies in the global protein market. The business model is composed of 50 production units, distribution centers and offices, located in South America, North America, Europe, Oceania and Asia. The Company's activities bring together production, processing, industrialization, sale and distribution of animal protein-based foods, besides the commercialization of other varied food products such as frozen vegetables and desserts.

With more than 30 thousand employees, the Company operates in the food service and retail segments, and in the food industry, offering innovative solutions, safe and healthy. With a diversified and comprehensive portfolio, its products are present in the largest networks of restaurants and supermarkets, reaching millions of consumers in approximately 100 countries.

Its business model is composed of two divisions of global scope:

- **Keystone:** is one of the largest global suppliers of high value-added protein products

for fast food service channels (QSRs), retail and food industry. Headquartered in the UK and having its main office in the USA, Keystone's operational platform is located in seven North-American states and five countries in Asia and Oceania. Focused on innovation and committed to high standards of food safety and quality, combines its breadth of knowledge in the food industry and customer focus to deliver a complete mix of frozen and chilled products.

- **Beef:** one of the main beef producers in the world, counting on great expertise in the segment of food service in Brazil, also has a strong presence in the foreign market where

it is equally recognized for the quality of its products. International operations in South America focus on the export of noble cuts of beef and lamb and in taking advantage of the strategic position in Uruguay and Chile, which guarantees Marfrig access to the main consumer markets in the world.



TIMELINE

2007

- IPO Marfrig – New Market
- Acquires beef processing units in Brazil, in the States of Mato Grosso, Mato Grosso do Sul and São Paulo
- Starts export activities through the GJ brand

2008 – 2009 – 2010

- Growth based on acquisitions - key transactions:
- Moy Park – 2008
- Seara – 2009
- Keystone – 2010

Strategy:

- Growth based on acquisitions
- International presence
- Financial Leverage

2013

- Sale of Seara
- First Brazilian company to export pork products to China through joint ventures
- Creation of the Beef Division, segment that gathers cattle and sheep operations in Brazil, Argentina and Uruguay
- Completion of the first global inventory of GHG

2011

- First food company in the world to sign a public commitment with Greenpeace to ensure the purchase of legal cattle and to combat deforestation in the Amazon biome

2014

- First world meat processing plant to receive the Rainforest Alliance Certified™ seal
- Targeting Keystone Foods business for production, industrialization and commercialization of protein-based foods

2015

- Sale of Moy Park

2016

- Sale of part of the operation in Argentina
- The Company is the first to access the foreign debt securities Market, which was closed since 2015

2017

- Discontinuation of operation in Argentina
- Reopening of four production units in the Brazilian operation
- Installation of a wind farm at the Tacuarembó unit (Uruguay)





OPERATIONS

Beef Division
(GRI 102-4, GRI 102-6, GRI FPI 1)

The Beef Division is one of the world's leading beef producers, with a strong presence in the foreign Market, valued for the quality of premium products.

It is divided into Brazil and International operations. The former has extensive expertise in the food service segment, is a pioneer in the promotion and commercialization of beef and sheep and stands out by the volume. Beef International is responsible for operations in Uruguay and Chile and offers differentiated products, of high added value, with access to the main import markets. The result is a complementary and highly competitive portfolio.

International operations in South America focus on the export of noble cuts of beef and lamb and in taking advantage of the strategic position in Uruguay and Chile, which guarantees Marfrig access to the main consumer markets in the

world. The Uruguayan operation is the main line of business and one of the most important export platforms of Marfrig Global Foods, due to highly differentiated products and access to key global markets, such as the United States, Canada, Europe and Asia. The operations in Chile focus on beef imports from Brazil, Argentina and Uruguay but also produce fish, seafood and sheep. As a trade, it is a stable business, since it has little influence on variations related to meat production. Besides that, its geographical location reinforces Marfrig's strategies both in the region and for export.

Due to the prioritization of the premium segment, the Beef Division adopts increasingly modern production models, focused on legal aspects, environmental and animal well-being in the production chain. It also uses monitoring programs and following of its partners to provide greater food safety to the final consumer, like the Marfrig Club, program of relationship with cattle breeders who follow socio-environmental practices.

One of the world's **largest** beef producers

Beef International is one of the leading sheep producers in **South America**

Brands present in approximately **100 countries**

Products recognized for **premium quality**

Operational structure

32 production units

16 in Brazil

5 in Uruguay and

1 in Chile

6 distribution centers and **3 offices**

Processing Capacity:

4.8 million head of cattle

2.3 million sheep
(only in Uruguay and Chile)

215 thousand tons of processed foods

Operates commercially in more than

80 countries

Approximately **90% of slaughtered animals** raised on pasture

20,605 employees



Expansion of operations

(GRI 102-10)

With the greater availability of cattle for slaughter in Brazil in 2017 and a slight improvement of the macroeconomic scenario, Marfrig decided to re-adjust the manufacturing capacity of the Beef Division in Brazil by reopening and expanding the production of some cold storage units. With this movement, the Beef Division increased the production volume in approximately 74% of the production volume compared to the previous level, jumping from a plateau of 172,000 head per month to a record slaughter of 300,000 animals.

In July the units of Pirenópolis (GO) and Nova Xavantina (MT) were again operational. Later on, the units of Alegrete (RS), Paranaíba (MS) and Ji-Paraná (RO) were operational respectively in August, September and October. For reopening, events were held with local solemnities and Marfrig executives. In total, these units employ 3,223 employees.

Expansion of Organic Certification

Beef International has been working to expand the Organic Certification program. The certified area grew approximately 7%, which, together with favorable weather conditions, made the certified meat represent 13.5% of the business in Uruguay. Besides that, in 2017 the plant of San José was certified, which means that now all Uruguayan plants are certified.

There was also an improvement in productivity, with 44.9% of the carcass destined for the sale of cuts of organic meat in natura and for the production of Organic Jerky Beef. The main destination remains the United States (90%). It is also exporting to Europe, in particular for the Netherlands and Germany. During 2017 the Division also began to explore the Chilean Market, taking advantage of having operations in that country.

Products & Brands

(GRI 102-2)

Beef Division brands bring together cuts of beef; organic meat and sheep to restaurant chains, steakhouses and supermarket chains; frozen fish and vegetables; bresaola; olive oils; desserts; and product line for pets.

BRAZIL



CHILE



URUGUAY



New Brand Steakhouse

Marfrig Global Foods has launched the Steakhouse line in August, whose most novelty is to bring together in a single brand the products recognized worldwide by the premium quality, reflecting a production model that respects legal, environmental and animal welfare aspects.

The new line brings the concept of offering the consumer the same product present in the best-known steak houses. These are differentiated marbling animals, breeds of British origin and special cuts for steakhouse-style dishes.

New positioning of the Montana brand

The Beef Division expanded and repositioned its Montana brand, which completed 15 years of market in 2017. Since December the brand has two lines, with different directions. The Montana Premium line is for the barbecue, while Montana Day by Day focuses on the daily preparation of meals. The Beef Division foresees that the news will expand sales of branded products.

The expansion involved an unprecedented partnership with Hospital de Amor (Hospital of Love), prevention and free treatment of cancer patients, headquartered in the city of Barretos in the São Paulo State. Learn more on p. 64

Keystone

(GRI 102-4, GRI 102-6, FPI 1)

This Division is one of the largest global suppliers of high value-added protein products for food service, retailers and conveniences, and industrial channels. Founded in 1956 in the United States, the company was acquired by Marfrig Global Foods in 2010*.

Its operating platform is located in seven North-American states and five countries in the Asia-Pacific region. Focused on innovation and committed to high standards of food safety and quality, combines its breadth of knowledge in the

food industry with a customer focus to deliver a complete mix of products, which includes chilled and frozen foods, made from poultry meats, swine, bovine and fish, as well as other foods, besides ready-made desserts.

The production of chicken in the USA is done by means of vertical integration model. In these operations, Keystone owns and manages feed factories, incubators and primary and secondary processing plant, and works with family farmers to raise chickens to their specific standards. This system not only guarantees the supply, as well as the quality of the product in natura and processed.

Investments in 2017

In addition to inaugurating the new plant in Thailand, Keystone also invested in new lines of fully cooked food in places like Malaysia, in 2017. Another investment was in the production capacity of cooled meat in the United States. In that same country, one of the plants underwent transition to accept two sizes of birds and introduced the policy of No Antibiotic Ever (NAE – nenhum antibiótico, nunca).

* On August 20, 2018, the Company announced the sale of Keystone, however; up to the time of publication of this report, the transaction had not been completed because is subject to compliance with usual conditions for this type of business and to the approval of competitive authorities.



Operational structure

18 units – 3 integrated
Poultry complexes – USA only

3 innovation centers – 1 in the USA – 2 in APMEA (Asia, Pacific, Middle East and Africa)

Annual slaughter and processing capacity:
251.6 million birds per year

759.8 thousand tons of processed food per year

12,241 employees

Keystone Products

(GRI 102-2)

- Products ready for cooking, breaded and fried chicken: tender, steaks, burgers, wings and nuggets
- Cooked products and frozen poultry: diced chicken, strips, steaks burgers, wings, shredded chicken and nuggets
- Frango Fresco (Fresh Chicken) and Deli Rotisserie: whole chickens without giblets and pieces of chicken
- Protein products: meat burgers, fish and sausage, pork burgers and fish fillet
- In APMEA countries the product list also includes bakery items (cheesecakes and chocolate cakes) and processed vegetables

OUR commitments

In the position of food industry with international presence, Marfrig Global Foods is committed to acting with integrity towards its stakeholders, customers to the community surrounding their operations, passing through shareholders, suppliers and employees, among others. This commitment extends to acting with honesty in its activities, following the best practices of corporate governance in the countries in which it operates. It also covers the obligation to seek

modes of production that result not only in the reduction of environmental damage, as well as in preservation. Besides that, as the Company deals directly with animals, it also involves the responsibility to treat these living beings in a humanized way.

The next pages describe how Marfrig Global Foods places these commitments into practice.

Plant inauguration in Thailand

In October 2017 the Keystone Division opened its new plant in Thailand, with a production capacity of 30 thousand tons per year of processed product. This new plant will supply both the regional market and other export destinations, such as Europe and Japan.



Compliance Program

Marfrig Global Foods launched the Compliance Program in 2017, which applies to all its stakeholders of the value chain to shareholders. Compliance means being and acting according to the laws, standards, policies, rules, procedures and guidelines established for the Company's activities, as well as prevent, detect and treat any deviations or nonconformities that may occur.

The program is based on four elements, the first being based on:

- 1) **Governance and Culture:** the Company is committed to maintaining transparency and disseminating the Compliance Program to all employees, shareholders, directors, members of the Committees and third parties. The establishment of a Compliance culture at all levels of the Company is part of the Compliance area's priorities, together with the establishment of the annual plan of related activities.
- 2) **Elements of prevention:** deals with prevention mechanisms to compliance issues. Includes the sub-elements "Compliance Risk Analysis", "Compliance Roles and Responsibilities", "Internal policies and guidelines" and "Communication and training".
- 3) **Detection elements:** it deals with mechanisms for identifying issues possibly related to compliance within the Company and related activities. Includes the sub elements "Technology and data analysis", "Monitoring and testing" and "Channel denunciations / Helpline".
- 4) **Elements of response:** it deals with the mechanisms of investigation and return of the results of the investigations on the questions related to compliance. Includes the sub-elements "Investigation", "Nonconformity Management" and "Reporting."

Keystar Program

KEYSTAR is the name of Keystone Foods sustainability program, started in 2008. The name is formed from the first syllable of the name of the Division, plus the first letters of the following sentences, which set out the objectives of this initiative:

- Socially Responsible Growth
- Total Commitment
- Achieving Balance
- Respecting the Environment



COMMITMENT TO EMPLOYEES



(GRI 102-8)

Employees are responsible for implementing and cascading Marfrig Global Foods business strategies. Therefore, the Company includes them among its intangible assets, which reinforces its value.

The remuneration of these employees is governed by a policy that is tied to the objectives and strategies of the business and follows the best market practices, periodically mapped

by surveys in the locations where Marfrig has facilities. It includes a package that comprises, besides the salary, variable remuneration programs, long-term incentives and benefits in market standards.

Marfrig continues to act to retain the Company's existing talents and the results of 2017 in this sense were positive. Voluntary dismissals (by request of dismissal), for example, decreased 12% when compared to those recorded in 2016.

Employees profile

	2016		2017	
	Divisão Beef	Divisão Beef	Keystone	Keystone
Employees by gender				
Total employees	18,239	20,605	11,688	12,241
Woman	5,506	6,202	5,195	5,463
Man	12,733	14,403	6,493	6,778
	Marfrig Global Foods		Marfrig Global Foods	
Total employees	29,927	32,846		
Woman	10,701	11,665		
Man	19,226	21,181		

Health and safety

(GRI 403-1, GRI 403-2)

Health and safety at work is a key issue for Marfrig Global Foods, whose activities include a series of initiatives aimed at guaranteeing them in their operations. In the Beef Division, the main one is the Corporate Work Safety and Health Guidelines Program (PDSSTC), which aims to promote a safe and adequate work environment, in line with current legislation and technical standards, to define unique standards for all operational units. This is done through performance indicators, which are continuously evaluated, along with the risks related to the topic. The program also encompasses the instructions for training and the mobilization of employees, suppliers, partners and service providers in the various security initiatives. It finally determines resources to ensure a safe working environment.

Each unit also has a Safety Committee, such as the Internal Commission for the Prevention of Accidents (CIPA), the Specialized Service in Safety Engineering and Occupational Medicine (SESMT), the Occupational Health and Safety Committee (OSH) and the Ergonomic Committee.

Keystone's facilities remain in line with the laws and regulations of the municipalities in which they are located. Each plant has a Central Safety Committee, composed by management, employees and hired employees per hour.



Specific topics are addressed, as ergonomics, equipment, fire safety, among others. At the same time, each region has its own associations, which discuss trends in the USA and APMEA. Keystone's Global Center for Safety Excellence meets quarterly to discuss global health and safety strategies.

Health and Safety Indicators

	Divisão Beef			Keystone		
	2017	2016	2015	2017	2016	2015
Total accidents	1,900	2,038	2,330	146	167	146
Total days lost	13,559	18,610	7,731	816	1,699	997
Total work-related deaths	0	0	1	0	0	0



**COMMITMENT TO
ANIMAL WELFARE**

(GRI FPI 1)

Marfrig Global Foods seeks, as far as possible, the five inherent freedoms of animals, defined by the Farm Animal Welfare Council (FAWC): to be free from hunger and thirst; of discomfort; of pain, disease and injury; to express natural behaviors of the species; and fear and stress. Treating animals responsibly and in a way that minimizes their suffering is the duty of every Marfrig Global Foods employee.

The Company carries out a series of initiatives aimed at ensuring that its employees know what their ethical standards are, in accordance with practices determined by the Company and by client protocols, including the rules of the legislation of each country.

In the Beef Division there is a department that operates exclusively in the production chain, aiming to ensure animal welfare and proper management. The team is made up of highly qualified zootechnicians or veterinarians, which accompany specifically the evolution of animal welfare indicators, the monitoring, the decision making and the development of training related to the theme.

The Beef Division audits the properties of suppliers and monitors the shipment of livestock. The definition of the suppliers to be audited and

evaluated is guided by the index of hematomas found in the carcasses of the animals and classified during slaughter:

All animals arriving at the Beef Division's cold storage units are accompanied by a statement from the farmer certifying the non-use of hormones, growth promoters and antibiotics. Besides that, the Federal Inspection Service (SIF) has a program called the National Meat Residue Control Plan (PNCRC), which provides for verification, by random sampling in all cold storages, of the veracity of what was attested by the cattle breeders.

In Brazil the commitment to animal welfare extends to all employees, who are held responsible for their actions in this regard. There is an Animal Welfare Committee implemented and since then related issues and data are brought to the attention of senior management during meetings. Many of the monitored indices were developed according to the protocols established by the American Meat Institute (AMI), respected worldwide. The division has certifications based on these standards. According to internal audits, in 2017 the average indices verified in Brazil were in conformity with the parameters considered acceptable, according to the table below, and all deviations were treated.

Other parameters and items, such as air pressure, voltage, velocity, time of travel and landing, deaths, emergencies, densities, water, food, quality of the structure, installation and equipment, among others, are verified during first-party audits and, if deviations are noted, proper actions are taken. Second and third-party audits also occur and the results are reported directly to customers.

Another frequent concern is with the welfare of animals during transport, reason why vehicles are regularly evaluated and inspected for accommodation and occupied spaces. 2,864 truck body quality assessments were carried out in 2017. Accredited carriers for the transport of live loads are committed to animal welfare by means of a specific clause in their contracts and a term of commitment for drivers. When the Company notes that these items are not being met, take the appropriate measures and, depending on the severity of the occurrence, may terminate the employment contracts with the person in charge.

Awareness about animal welfare in Brazil is made through training conducted by those responsible for the area, with regular and frequent reviews. All production units also conduct awareness campaigns periodically and, mainly, in honor of World Animal Day, celebrated on October 4, with activities involving employees from various sectors. In 2017 3,210 people participated in internal and external actions in the area of animal welfare.

Beef International follows the same standards of animal welfare adopted in Brazil. Each of the operations has a specific leader, responsible for this topic. Similarly, livestock suppliers sign a commitment attesting the non-use of banned products and the proper handling of animals. Communication with cattle breeders to ensure compliance with these provisions is constant. In Uruguay a highlight in relation to animal welfare was Viva Grass Fed Beef, carried out jointly with the cattle suppliers to obtain a

Animal welfare indexes

	Beef Brasil	Acceptable parameters according to AMI Protocol (American Meat Institute)
Efficacy of stunning on first firing	Superior to 97%	Minimum 95%
Conscious animals in the gutter	0%	0%
Falls	Less than 1%	1%
Slides	Less than 2%	3%
Use of electric pole	Less than 15%	25%
Vocalization	Less than 1%	3%



differentiated product, in which cattle are fed to pasture and, meeting the demand of the North American Market, without the use of antibiotics, hormones of growth and feeding with products of animal origin. Upon approval by the United States Department of Agriculture (USDA), the products are marketed in large American networks.

Keystone Foods has an ethical and moral responsibility to their animals, customers, consumers and employees to treat these animals with humanity and respect. As a leading industry, Keystone verifies that its high standards of animal health and welfare are implemented and maintained throughout the supply chain.

The division seeks to adopt regional approaches on the subject. Keystone Foods - U.S. has a defined organizational structure to support the implementation of the Animal Health and Welfare Program in all of its facilities, including

its supply chain, the chicken suppliers and their own processing plants.

APMEA's plants form strategic alliances with suppliers, which requires them to follow Keystone's health-related standards, to well-being, food and handling. Keystone Foods' Health and Animal Welfare Program is based on the following key components: scope, training, accountability, responsibility, verification and continuous improvement.

Within the "scope" component, Keystone engaged its employees in all operations, suppliers and contractors in an interactive dialogue to identify interfaces between animals and humans and animals and equipment, in order to develop better management practices and well-being. Once each critical step has been identified, performance expectations and results were defined based on the findings. Training sessions for specific activities were held to

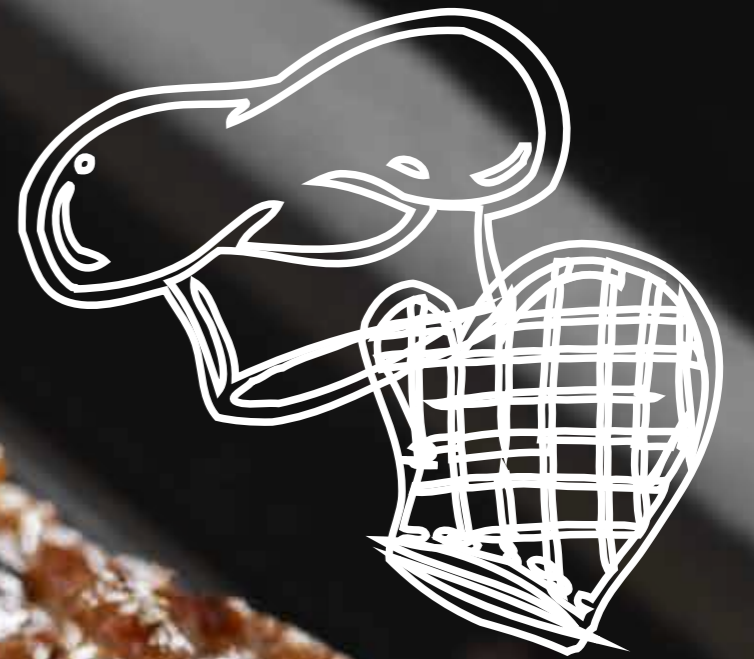
communicate and reinforce these expectations for employees and contractors. Assessments of key program elements and requirements related to animal welfare in these activities were also administered every six months.

The program, training and testing set an expectation, regardless of the individual or activity, personal responsibility and the system as a whole. Each individual is 100% responsible for their own actions and there are zero excuses if something goes out of planned. This concept was called 100/0. Additionally, each person is responsible for ensuring that the system and its participants act accordingly. This component, called "See it? Stop it!", establish an obligation to address, report and bring to the superior any non-compliance with the program. A toll-free number is provided if someone feels uncomfortable to address the issue directly with management.

Within this context verification is critical, since it allows checking if the execution is in line with that established in the program. This component involves three types of audits: self-checking; verification by certified internal or external auditors; and third-party audits, with the final results reported directly to customers.

Keystone Foods continuously strives to improve the health and well-being of the animals under their care. The basis for this performance is in the Sustainability Assessment standards of the Agricultural Production Systems of the American Society of Agricultural and Biological Engineers (ASABE). Three actions among these standards were adopted in the pursuit of improved health and animal welfare.





**COMMITMENT TO
QUALITY AND
FOOD SAFETY**



(GRI 416-1)

The Premium Market, main segment of Marfrig Global Foods, presents more requirements and more rigor with the quality of the products. Therefore, the Company takes care of this factor from end-to-end of the chain.

The producing units in Brazil perform, through the Quality Team, a series of monitoring, with emphasis on microbiological analyzes of raw materials, finished product, inputs and ingredients. There is also accompaniment of the hygiene of equipment and utensils of the production through microbiological analyzes during the pre-operational and operational processes.

The Ministry of Agriculture, Livestock and Supply – MAPA (Ministério da Agricultura, Pecuária e Abastecimento) also carries out evaluations as part of the National Plan for the Control of Residues and Contaminants (PNCRC), which aims to promote the chemical safety of food of animal origin produced in Brazil. The tests include a wide range of authorized veterinary drugs (for which the applicable limits are tested) and prohibited (including hormones), pesticides, inorganic contaminants, mycotoxins and dioxins. The analysis is carried out by the National Network of Agricultural Laboratories.

Beef International follows a Certified and Audited Quality Control System from time to time to ensure that products meet customer requirements. Keystone, for its part, performs internal and third-party audits in all plants. Efforts are under way to promote a culture of safety for all employees, so that they understand what their role is, which includes training and awareness programs. Food safety composes the key metrics and indicators of the business. There also is a vice president who deals exclusively with the subject and reports directly to the CEO of Keystone.

Additionally, the divisions implement programs to promote quality among suppliers. The Marfrig Club Program aims to guide this public



in the adaptation of their properties to follow social and environmental standards for the development of Brazilian livestock. Through the program, Marfrig stimulates the evolution of Brazilian farms and recognizes those with the best practices of production and management of human capital and natural resources. This is particularly significant, as consumer demand for sustainable products is increasing. A final component of the program is the monitoring of the origin of the animals to ensure that there are no problems of socio-environmental non-compliance.

The Angus Marfrig Awards Program aims to strengthen, intensify and enhance the Company's relationship with cattle breeders, encouraging the use of artificial insemination at the crossing between the Angus and Brangus breeds. The producers are encouraged to participate with premium over the price of beef cattle, which guarantees the purchase of Angus animals and their crossing. Five Brazilian states participate

in the program: São Paulo, Minas Gerais, Goiás, Mato Grosso and Mato Grosso do Sul.

There is also the Nellore Quality Program (PQNN), whose purpose is to increase the value of Brazilian beef from the Nellore breed. The program consists of a set of standards and procedures to ensure the pattern of bovine carcasses, breeding systems and fattening systems among breeders. Following the guidelines of the program, the producer offers the market a product differentiated by its standardization and controlled quality. Simple and practical, any supplier can be adopted, regardless of the size of their herd.

Meat is good for health

This is the conclusion of a research carried out jointly by professionals from the Department of Animal Science of the Faculty of Agronomy of the Federal University of Rio Grande do Sul – UFRGS (Faculdade de Agronomia da Universidade Federal do Rio Grande do Sul) and the Institute of Cardiology - IC/FUC (Instituto de Cardiologia). It was concluded that the consumption of meat made without the external fat of steers fattened in pasture, or short-term confinement, did not alter the lipid profile of the consumers. Marfrig cold storage in Bagé (RS) provided the beef used in the experiment.

The result of the research reinforces another study, which followed ten years of eating habits of 135,33 thousand individuals from 18 different nationalities, aged between 35 and 70 years, studied from an urban and rural epidemiological perspective. The results showed with high statistical significance that meat consumption is associated with a lower risk of cardiovascular diseases, such as myocardial infarction, thrombosis and heart failure.

SUPPLIERS' COMMITMENTS



(GRI 102-9, GRI 204-1, GRI 308-1, GRI 308-2, GRI 408-1, GRI 409-1, GRI 414-1, GRI FPI, GRI FP9)

Marfrig Global Foods' main suppliers are meat and poultry producers. One hundred percent of them are considered local suppliers, that is, which operate in the countries and regions adjacent to the Company's plants. Marfrig requests these quality producers, as well as requiring compliance with ethical premises. All supplier agreements are based on Marfrig's conduct guidelines, as well as in local labor laws.

The Beef Brasil Division follows a purchasing policy that aims to ensure that slaughtered animals do not come from foreclosed properties, present in the list of slave labor or who practice deforestation. Nor does it acquire animals from farms in conflict with indigenous lands and environmental conservation units. The Sustainability area checks these properties on the website of the Brazilian Institute of

Environment and Natural Resources (IBAMA) and the "dirty" list of Slave Labor provided by the Ministry of Labor and Employment. It also executes geospatial analysis, which consist of the crossing of satellite images with public databases of indigenous lands, units of conservation and deforestation. If any of these issues are found to be unconformities, the division stops buying from the supplier involved.

At Beef International all animals arriving at the plants must have the documents required by the unit. A good part of the cattle goes through revisions of the International, to see if they effectively meet their requirements.

Keystone Foods, in its turn, acts alongside other industry players to set standards for sustainable commodities. It seeks to engage suppliers, encouraging them to achieve standards of excellence in various áreas, for example, responsibility for the workplace, in

the prioritization of responsible purchases and in actions for continuous improvement among suppliers. With these initiatives it seeks to train and evaluate these companies on issues such as ethics, human rights, good business practices, safety, social well-being and benefits of the sustainable productive chain, often with the involvement of third parties. This helps identify the most committed partners, with which the division can deepen the relationship and develop new projects. The division is a signatory and member of the Poultry Sustainability Working Group, U.S. Egg & Poultry Association, and participates in the National Chicken Council (NCC), the entity responsible for establishing metrics and patterns of sustainable poultry production in the U.S.A. industry.

The Company performs a number of initiatives to engage with suppliers and build relationships with them. In Brazil and Uruguay the Company offers pages dedicated entirely to this relationship

(<http://www.marfrigbeef.com/en/pecuaristas/brasil> and <http://www.marfrigbeef.com/es/ganaderos/uruguay>), which contains information on the purchase of livestock programs, among others. In Brazil the Marfrig Sustainable Practices Guide is also available, which details the actions expected by the Company in terms of sanitation and animal welfare, respect, traceability and feeding.

Producers still receive technical guidelines on best management practices and facilities during the periodic field visits of Company professionals.

Information about management is also provided by the Beef Division, importance of vaccination, disease care and other issues. Together, these actions have increased transparency between Marfrig and its suppliers.



COMMITMENT TO THE ENVIRONMENT



10.1. Partnerships

(GRI 102-12, GRI 102-13, GRI 304-2, GRI 305-5)



Rainforest Alliance Certified™

Since June 2012 Marfrig tracks the complete cycle of beef production with the seal of the Forest and Agricultural Management and Certification Institute (Imaflora). The Company was the first in the animal protein industry to adopt this practice, which gives it the right to use the Rainforest Alliance Certified™ (RAC) seal.

The certificate attests that beef farms follow strict international standards of environmental conservation and respect for workers, local communities and animal welfare rules. It allows four units of Marfrig (Bataguassu - MS, Tangará da Serra - MT, Pampeano (Hulha Negra) - RS and Promissão - SP) to produce and commercialize certified products internationally.

The first hamburger with the RAC label was launched in 2015, in partnership with a European customer. Cuts of meat with this seal were also made available to the Brazilian consumer in 2016.



Alianza del Pastizal

In partnership with Marfrig, Alianza del Pastizal has created a product label to help consumers identify and select quality meats that have been produced in a

way that preserves native fields of the South American Pampas. To get it, the NGO member properties must undergo evaluation and certification in accordance with the guidelines established by the Meat Certification Board (CCCP). This assessment also includes the verification of Omega 3 levels. The seal is in line with Marfrig's strategy of making products of the highest quality available to the market.



The Nature Conservancy (TNC)

Since 2013 Marfrig has partnered with the TNC NGO, one of the largest environmental organizations in the world, and Walmart, global leader in retail, to promote sustainable livestock farming in southeastern Pará. These efforts contribute to the preservation of the Amazon Biome and encourage the adoption of good socio-environmental practices.

The Company comes, since then, providing technical assistance to producers, both in environmental and animal welfare issues, within the project called "Sustainable Meat: from Field to Table". Since 2016 meats from participating properties are being presented to the consumer market. The project was one of the highlights of TNC's annual global report, which is distributed to thousands of business representatives, foundations, governments and other non-governmental organizations around the world.



Carbon Disclosure Program (CDP)

Since 2009 Marfrig responds to the panels proposed by the CDP, global disclosure system that allows companies, cities, states and regions measure and manage their environmental impacts. The Company

participates in those related to the supply chain, climate change, forests and water.

In 2017 Marfrig was recognized for its leadership in Latin America in the Forest Program, concerned to climate change management, the environment and water resources in the value chain. Marfrig has been working to reduce deforestation in this chain, aiming to reduce CO₂ emissions and scope 3 (indirect emissions resulting from the company's



Tropical Forest Alliance (TFA 2020)

TFA is a global alliance created in 2012 by the Consumer Goods Forum - which brings together top executives from various consumer-goods industries - and the USA government. Based on the commitment shared by the nations participating in the Rio+20 international convention on the environment, the goal of the alliance is to achieve zero net deforestation in beef production chains, palm oil, soy, paper and pulp up to 2020.

Marfrig is a member of the Board of Directors of the institution, body responsible for alliance decisions.

TFA 2020 and its partners – countries, businesses and civil society organizations - work together to:

- improve planning and management of tropical forest conservation, agricultural land use and land tenure
- fostering intersectoral collaborations based on the common understanding and increasingly deepened of the barriers and opportunities associated with supply chains without deforestation
- share best practices for the conservation of ecosystems and tropical forests in the production of agricultural commodities, seeking to intensify sustainable agriculture and promoting the use of degraded land and reforestation
- provide experience and knowledge, to assist in the development of production of agricultural and processed commodities that promote the conservation of tropical forests
- Improve monitoring of deforestation in tropical and forest degradation regions, to measure its progress



Grupo de Trabalho da Pecuária Sustentável - GTPS

The Sustainable Livestock Working Group (GTPS) is made up of representatives of all the links in the cattle breeding value chain, from producers and industries to research centers and universities. The main objective of the GTPS is to discuss and formulate the principles, standards and practices to be adopted by the sector with the premise of

building sustainable livestock, fair, environmentally sound and economically viable.

Marfrig Global Foods has been associated with GTPS since 2009 and, since 2012, it is on the Board of Directors of the Group. Among the works developed by the GTPS and other partner members, it stands out the development of the Sustainable Livestock Indicators Guide (GIPS), which engages all links in the livestock production chain.



InPACTO

Since 2014 Marfrig Global Foods is associated to the National Pact Institute for the Eradication of Slave Labor (InPACTO), formed by companies, civil society organizations and representative organizations of workers with the objective of uniting the private sector and Brazilian civil society organizations in the prevention and eradication of slave labor in productive chains.

Marfrig Global Foods is at the forefront of the fight against slave labor in Brazil. In 2005 the Company was a signatory of the Pact of the same name and gave rise to the Institute. The

objective is to strengthen and broaden the initiative. The members commit to take on ten commitments to combat slave or slave labor in their businesses and in the productive chain. The initiative also aims to foster actions to reintegrate rescued or vulnerable workers into the labor market through professional qualification.

Keystone Foods participates in many industry organizations to promote good practices and sustainable results, such as the International Poultry Welfare Alliance, the US Roundtable for Sustainable Poultry and Eggs, the American Association of Avian Pathologists, the American Veterinary Medical Association, the National Chicken Council, the North American Meat Institute, the US Poultry and Egg Association and the Professional Animal Auditor Association.



Roundtable on Sustainable Palm Oil - RSPO

Palm oil is the most widely used vegetable oil in the world, as it is widely available and relatively cheap. The palm plantations from which it is obtained allow for social gains, by improving the living conditions of small farmers. On the other hand, to meet global demand, forests were converted into plantations, which led to the significant reduction of key habitats for several species, many of which are in danger. There are indications that areas where there has been conversion of forests into palm plantations, biodiversity loss, erosion and pollution of soil and water.

Keystone Foods uses palm oil on four of its plants in the APMEA region. To meet the growing demand of customers and consumers, the Division pledged to support the sustainable production of palm oil. This helps to ensure that sustainable practices are followed and that the integrity of forests and animal life is preserved. In 2016 Keystone has been certified Green Palm Book and Claim for 100% of the palm oil it uses. This certificate is issued by the organization Roundtable on Sustainable Palm Oil (RSPO) and provides means to monitor the responsible production of palm oil. RSPO has developed a set of environmental and social criteria that companies must adopt to receive the Sustainable Palm Oil Certificate (CSPO) and whose application minimizes the negative impact of palm cultivation. Obtaining this certificate proves, to oil users, the sustainable manufacture of the product.



Global Roundtable for Sustainable Beef - GRSB

The Global Roundtable for Sustainable Beef (GRSB) has producer members, associations of producers, the commercial and processing

sectors, companies, civil society organizations and the Canadian round tables, Colombia and the United States, in addition to the European roundtable. Its relevant principles include the conscious use of natural resources, efficiency and innovation in livestock, human rights and communities within the livestock production chain, food and health, and animal welfare.

Commitment kept

In 2009 Marfrig Global Foods signed, together with two other large companies in the sector, the Public Commitment of Livestock in the Amazon, with Greenpeace. In July 2017 the Company reiterated its participation in this initiative, even with the departure of the NGO.

Marfrig lamented the discontinuity of Greenpeace's participation in understanding that it is essential to maintain good sustainability practices and strengthen the fight against deforestation in the Amazon Biome, violence against indigenous peoples, and the use of slave-like labor in the countryside. The Company proposed to continue the work that has been carried out since then.

Although Greenpeace has left the initiative, it continues to encourage cold storage companies to maintain their commitment to the preservation of the Amazon Biome.

Integrated management system

Four standards form the Company's Integrated Management System (SGI) - ISO 14000, ISO 22000, OHSAS 18000 and SA 8000, the latter is only adopted for the Beef Division in Brazil. The objective is to continually identify opportunities for process improvement and promote international exchanges of goods or inputs, applying globally recognized standards in the different countries in which it operates. The SGI establishes environmental targets and indicators aligned with legal requirements and is constantly monitored.

One of these goals is to implement in Brazilian plants, up to 2020, water flow rate reduction equipment with the aim of reducing the total consumption of these plants in 1% and, consequently, minimize the impact of operations on the community and the environment. Another great goal, determined by the Keystone Division, refers to the zeroing of solid waste sent to landfills until 2020.

Marfrig Global Foods seeks to adopt monitoring systems to maximize the correct use and the lowest environmental impact of its actions on the purchase of animals. The Marfrig Club program seeks to foster good production practices, forming a select group of suppliers that meet the program's standards. Learn more on p. 42.

Out of a total of 13,514 farms, 6,795 - which corresponds to more than 50% - have

been classified in the Marfrig Club program categories.

The livestock and lamb initiatives implemented by Marfrig Beef with their suppliers are internationally recognized for their high standard and scope, and ensure the monitoring of more than 60% of meat processed by Marfrig Club..

Energy (GRI 302-1, GRI 302-3, GRI 302-4)

In 2017 the Beef Division defined action plans to reduce energy consumption per ton produced in the company's plants. Among these actions, replacement of equipment by others with greater efficiency is contemplated, reuse of thermal energy in boilers and grease among others. As a result of these actions, the energy consumption per ton produced fell from 3.78 gigajoules to 3.51 gigajoules.

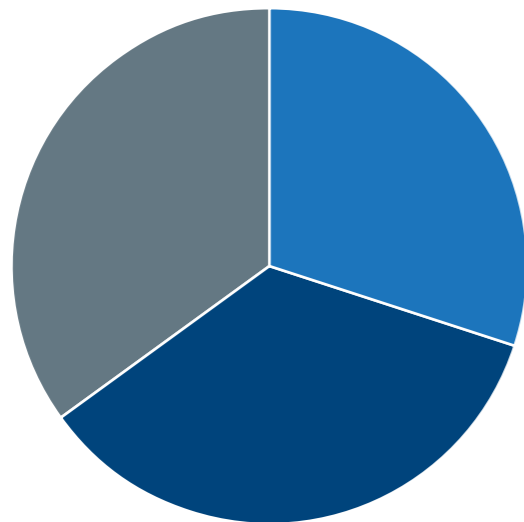
Keystone Foods sets annual targets for reducing energy intensity, based on the same metric adopted by the Beef Division. To achieve them, improvement programs are implemented, as an improvement of the manufacturing plants, exchange of equipment process refinements and behavioral changes. In 2017 the energy intensity recorded by Keystone was 1.14 gigajoule per metric ton.

Marfrig Global Foods' total energy consumption for the year was 6.7 million gigajoules, only 2% higher than the consumption of 2016 (6.5 million gigajoules), even with the reopening of

units that were temporarily closed. Energy consumption from renewable fuels was slightly higher than energy from non-renewable fuels (2.3 million gigajoules x 2.0 million gigajoules). The Company also consumes a high volume of electricity, which in 2017 totaled 2.3 million gigajoules.

Power consumption (in GJ)	2017	2016	2015	2017 x 2016 Variation
Total energy consumption from non-renewable fuels	2,009,426.38	1,979,972.69	1,942,294.96	1%
Total energy consumption from renewable fuels	2,324,849.11	2,297,360.47	2,369,275.63	1%
Electric power consumption	2,319,322.39	2,266,264.65	1,927,798.47	2%
Steam consumption	359.87	216.59	292.09	66%
Total energy consumption at Marfrig Global Foods	6,653,957.75	6,543,814.40	6,239,661.15	2%

Power consumption per source (in GJ)



- 30%** Total energy consumption from non-renewable fuels
- 35%** Total energy consumption from renewable fuels
- 35%** Electric power consumption



Tacuarembó implements wind turbine

Tacuarembó Production Unit, in Uruguay, installed a wind generator to replace part of the thermoelectric power purchased from the public supply company. With this investment, the plant began to generate, in a sustainable way, from 13% to 16% of the electricity it consumes.

The wind turbine has a nominal capacity of 1.8 megawatts, but the generation depends on the speed of the wind gusts, which oscillate according to the time of year, being the months of September and March the most relevant. Maintenance and control are done remotely by third party company, which generates and sends information to the plant to ensure the reliability of the operation.

With the wind turbine the plant adheres to the energy efficiency policy stipulated by the Uruguayan state and in which Marfrig stands out in the direction of sustainable industrial development.

Water (GRI 303-1)

Marfrig Global Foods has targets for reducing water consumption defined by its Divisions. The goal of the Beef Division of reducing the consumption of this resource in 1% per ton produced was reached in 2017. The increase in production during the year resulted in an increase in the intensity of water consumption, which totaled 10.23 cubic meters per ton of product. Total consumption also jumped 16% compared to 2016, from 10.2 million cubic meters to 11.8 million cubic meters.

Keystone Foods' goal was to achieve a consumption intensity of 2.95 cubic meters per ton produced. The Division has exceeded this goal, with a total of 2.87 cubic meters of water per ton produced. This achievement was possible

with the implementation of improvement programs, improvement of plants, replacement of equipment, process refinement and behavioral change. In 2016 these actions included the exchange of deteriorated pipes, the installation of pre-cooling tanks and more meters, among others. Because of them, the Eufala and North Baltimore plants, in the USA, have managed to reduce the use of 2.2 million liters per day of production and 40.5 thousand liters per day of production, respectively, in 2017.

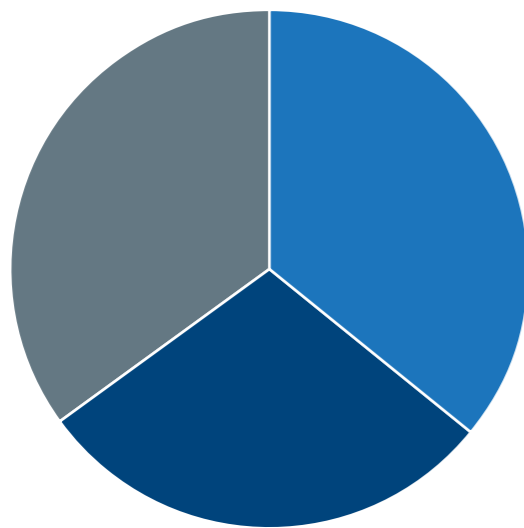
Other projects were implemented during 2017 and should be completed the following year, including the deployment of reuse systems, the improvement of inefficient boilers, the installation of cooling towers and the increase of the engagement of the collaborators.

Total water consumption at Marfrig Global Foods in 2017 was 20.4 million cubic meters. Impacted in this total the reopening of plants in Brazil and a review of control metrics at the Eufala plant (USA), which detected the use of well water. The sources most used by the Company are surface water and groundwater.

	Divisão Beef		Keystone		Total	2017 x 2016 Variation	
	2017	2016	2017	2016			
Surface water	7,411,436.50	6,052,279.34	31,098.00	24,157.00	7,442,534.50	6,076,436.34	22%
Groundwater	4,249,444.50	3,959,136.50	1,616,966.65	-	5,866,411.15	3,959,136.5	48%
Rainwater collected directly and stored by the organization	-	60,225.00	-	-	-	60,225.00	-100%
Public water supply by public network	145,365.00	139,454.00	6,978,895.03	8,460,456.56	7,124,260.03	8,599,910.56	-17%
Total	11,806,246.00	10,211,094.84	8,626,959.68	8,484,613.56	20,433,205.68	18,695,708.4	9%

Note: 2017 consumption includes the use of well water at the Keystone plant in Eufala (USA) and the consumption of the reopened plants in Brazil.

Distribution of water consumption at Marfrig Global Foods in 2017 (m³)



- 29%** Groundwater
- 35%** Public water supply by public network
- 36%** Surface water



Climate change and emissions

(GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4)

Marfrig Global Foods adopts the Policy on Climate Change and Natural Resources, which establishes operational levels for industrial activities, trade and services, towards a low carbon economy. Since 2010 the Company has made annual inventories of Greenhouse Gas (GHG), important tool for directing actions aligned with environmental strategies.

The greenhouse effect is a natural phenomenon on the planet where certain gases in the atmosphere prevent some of the heat absorbed from the sun from dissipating back into the solar system. However, the evolution of human activities after the Industrial Revolution, especially those related to the use of fossil fuels and the destruction of forests, led to an intensification of this phenomenon and, consequently, to greater global warming. It is this warming that has led to climate change, including changes in rainfall regimes, characteristics of the stations, among

many other factors. These changes have a direct impact on agriculture and water availability, what, in its turn, directly interferes with the progress of human activities. They are, therefore, priority among the issues related to the preservation of the planet and its resources.

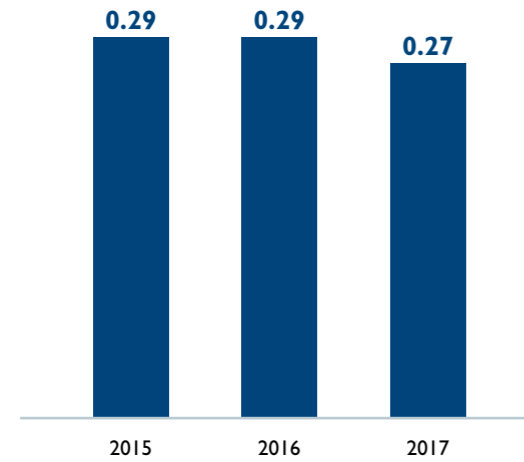
In 2017 the Company's total emissions totaled 17.1 million tons of CO₂ equivalent (tCO₂e), 14% more than the 14.7 million tCO₂e recorded in 2016. There was a 2% reduction in Scope 1 emissions and an increase in Scope 2 emissions (relative to electricity consumption) and Scope 3 (indirect emissions related to activities of the Company, but on which it does not have direct management) due to the reopening of four plants in Brazil, change in the values of the emission factors of Argentina and Uruguay and increase of emissions of scope 3 in the operation of Keystone. However, the energy intensity fell 5% over the previous year, from 0.29 tCO₂e / ton produced to 0.27 tCO₂e / ton produced. Marfrig's performance in the emissions inventory for 2017 is shown in the table below.

Emissions in 2017 (in tCO₂e)

	2017	2016*	2016** (Published)	2015*	2015** (Published)	2017 x 2016 Variation
Scope 1	348,485.8	355,771.1	352,284.3	316,901.9	392,912.2	-2%
Scope 2	269,590.4	261,567.9	260,675.6	277,428.5	284,389.5	3%
Scope 3	16,489,017.6	14,082,974.0	14,131,099.3	16,305,875.1	22,898,569.0	17%
Total	17,107,093.8	14,700,313.0	14,744,059.3	16,900,205.5	23,575,871.0	14%

*See note in the Highlights table (page 7).
**Values published in previous reports.

**Energy intensity
(tCO₂e/t produced)**



Marfrig emissions inventory was prepared in accordance with the GHG Protocol, program of enterprise emissions measurement captained, in Brazil, by GVces, center for sustainability studies of the Getúlio Vargas Foundation. The Company has been using this tool since 2014, because this is a worldwide reference for companies and governments. The process is compatible with the requirements of ISO 14064-1: 2006 and the methods of quantification of the Intergovernmental Panel on Climate Change (IPCC), as well as with the guidelines of the Defra Voluntary Reporting Guidelines, British government guidelines, and the ASHRAE Standard 34, United States organization aimed at promoting sustainability in the industry.

Note: Scope 1 emissions are those that are generated directly by the Company's activities. Scope 2 emissions congregate the indirect emissions related to the use of electric energy. Scope 3 emissions refer to other indirect emissions, arising from the Company's activities, but over which it has no direct management.

**Materials, effluents and waste
(GRI 306-2)**

The total volume of waste generated by Marfrig in 2017 was 375.7 thousand tons, 3% less than the volume generated in 2016, despite the expansion of the Company's production facilities.

In the production units training and awareness actions are carried out so that the largest possible volume of waste is recycled or sent to composting. Despite these efforts, in the course of 2017 the discards made in landfill were 33.5 thousand tons, 7.7 thousand tons more than the previous year, 20.5 thousand tons were recycled or reused.

The Company also supports the use of recyclable packaging. One of Marfrig's most important customers requires that product cartons contain at least 25% post-consumer recycled material (made from waste from the manufacture of new products) and 40% of fully recycled material.

The disposal of waste and effluents generated and not reused in the activities occurs in all the operating units of Marfrig Global Foods, according to the applicable legal requirements and other requirements of the environmental agencies of each country. Marfrig also monitors and conducts environmental impact studies in the various stages of development and licensing of new projects, which allows it to know the biodiversity of the place studied. With this information at hand, the Company can minimize its impacts and predict the characteristics of the waste that will be generated and, thus, the technologies needed for its treatment and release in the receiving water bodies of each region or forms of solid waste disposal more adequate.

Concerned to hazardous products, Marfrig establishes strict procedures to be followed in terms of storage, transportation and disposal, based on the identification of the risks involved and the definition of necessary mitigation and prevention actions.

Hazardous product procedure policies include environmental monitoring and the maintenance of contingency plans specific to each type of occurrence and substance in case of an accident. Eventual occurrences are recorded and submitted to an extensive process for assessing causes in order to establish the necessary adjustments to the current procedures. In Brazil

all monitoring of the purchase of controlled chemical products and the destination of hazardous waste is done by the environmental management system implemented in the units.

Keystone, through the KEYSTAR program, has been working to constantly reduce solid waste and packaging. The Division aims to eliminate waste disposed in landfills. With the actions implemented in this direction in 2017, the Division achieved an 18% reduction in this type of destination. Of this total, 13 tons were no longer sent to landfill with the identification of inefficiencies in the processes. The division also increased total recycled waste by 22%.



**COMMITMENT TO THE
COMMUNITY**



COMMITMENT TO THE COMMUNITY

Social responsibility for Marfrig Global Foods is an essential part of its activities. As part of this value, it is important for the Company to build firm relationship bonds with the communities and provide benefits that they involve, besides the generation of jobs and the collection of taxes, well-being and social growth.

In Brazil the main initiatives of social responsibility are carried out by the Instituto Marfrig Fazer and Ser Feliz and by means of support to socioenvironmental projects directed to the regional development. The Institute is maintained by the Beef Division with the support of entrepreneurs, authorities and representatives of local communities. Its purpose is to take children off the streets in idle time and provide them with a series of physical and intellectual development programs that strengthen the school curriculum, provides computer learning, stimulates well-being through sports and leisure activities, fosters citizenship and cultivates respect for the environment. Altogether there are three Houses of Support, in which volunteers from the community and the Company work; among them, there are doctors, dentists, social workers and educators.

Marfrig also supports the voluntary work of its employees. They contribute to initiatives coordinated by the Institute. It also establishes partnership with other institutions, supporting them in their activities. Example was the aid, in 2017, in the collection of donations to the AACD (Assistance Association for Disabled Children), a non-profit organization that aims to address, rehabilitate and reintegrate children with physical disabilities into Society. Marfrig also makes monthly financial donations to this institution.

Another partnership was the Montana brand with Hospital de Amor (Hospital of Love), prevention and free treatment of cancer patients, with origin in the city of Barretos in the State of São Paulo. Marfrig has pledged to supply the institution's meat consumption from December 2017 onwards. At all there are 12 treatment and prevention units that serve approximately 6,000 patients nationwide.



Keystone also maintains a social responsibility program, the Keystone Cares, whose focus is the engagement of the community through three main activities: feeding the population, support to local communities and disaster relief.

Social initiatives carried out in 2017

Beef Brasil

- Warm Clothing Campaign
- Collection of food
- Prevention of sexually transmitted diseases
- Conscious use and consumption of water
- Awareness about Yellow Fever, Zika, Chikungunya and Dengue. Vaccination was also done in some units
- Blue November: awareness campaign, with emphasis on the prevention and early diagnosis of prostate cancer
- Pink October: Awareness campaign with the main objective of alerting society about the importance of prevention and early diagnosis of breast cancer
- Campaign Against Discrimination

Beef Internacional

- Support for education through support to the Lyceum Impulso and Jubilar, located in Montevideo, and the Lyceum Francisco, in Paysandu, both in Uruguay
- Support for the two Ronald Mc Donald's Houses present in Uruguay, located in Montevideo and Tacuarembó
- Support for the Telethon event in Uruguay

Keystone

Among the many actions of the KEYSTAR program, initiatives of social responsibility are put into practice. The highlights of 2017 were recognized at the KEYSTAR Awards, the best ideas related to sustainability applied in Keystone. The following are the best initiatives for communities around the plants.

- **Keystone Shenzhen (China): Development of a Diversified University / Enterprise Cooperation Program:** program designed to address the lack of well-qualified and available professionals. It covers a series of training actions at local universities, including

cooperation with the China Agriculture University, which allowed students to experience hands-on activities at Keystone. Trainee vacancies were also created for management, to cover key professional positions.

- **Keystone Thailand: Sharing Kindness with Hill Tribe Kids of Doi Inthanon:** Chiang Mai province whose economy is experiencing setbacks, was the target of this action. In that Community, tribal children face low temperatures and travel long distances to their schools, on top of Thailand's highest mountain. The Keystone plant in the country donated warm clothing, bicycles, other materials and products of their own brands for children from 14 different tribes of the mountainous regions.

Additionally, Keystone employees are engaged in various volunteer activities, but the Division still has difficulty in capturing and reporting data related to them. Therefore, has created an online platform that will allow employees to find, register and participate in local actions, and help Keystone count the hours dedicated to them.



**COMMITMENT TO
CORPORATE
GOVERNANCE**

Values
(GRI 102-16)

Customer Focus

- We have full commitment to our internal and external customers and embrace their priorities as our own.
- We put all our attention and passion in what we do when serving our customers in all stages of the production chain.
- We act with integrity and do what is right in relation to our products and procedures.

Simplicity

- We work with clarity, objectivity and simplicity in decision making, seeking to facilitate all our processes. The idea of "less is more" permeates everything we do.

Transparency

- We do not hide our problems. Our behaviors and conducts are aimed at learning from mistakes so as not to commit them again. We encourage dialogue with our stakeholders, which helps us build trust, in addition to improving as professionals and people.

Respect

- We treat everyone as we would like to be treated. We are guided by our ethical principles and are constantly motivated to develop our relationships.

Excellence

We constantly encourage innovative solutions and strive for excellence in everything we do. We develop these capabilities throughout the organization, in search of the loyalty of our internal and external clients.

Entrepreneurship

- We are attentive to the context of the market in which we live and adapt ourselves to it. We work passionately in our tasks and know how to recover from adversity with resilience. We feel like owners, taking care of our processes, productivity and resources. We are attentive to the demands, problems and opportunities.





**CORPORATE
GOVERNANCE
PRACTICES**



(GRI 102-5)

Marfrig Global Foods is a Brazilian multinational incorporated as a publicly-held corporation with shares listed on the Novo Mercado of BM & FBOVESPA. The Company is committed to transparency, accountability and equity in the treatment of shareholders, partners and collaborators.

As a participant in the New Market (Novo Mercado), complies with the regulation for that listing level, the highest of the Brazilian stock exchange, and the rules of the Brazilian Securities and Exchange Commission (CVM). It is also in conformity with the Brazilian Code of Best Corporate Governance Practices, of the Brazilian Institute of Corporate Governance (IBGC). Its practices, in this regard, go beyond legal obligations, supported by important instruments, described below. They must permeate all divisions, units and areas of the Company, ensuring an action based on ethics and respect among employees, managers and other stakeholders.

Ethics
(GRI 102-16, GRI 205-2)

For Marfrig Global Foods, ethics is a value understood and adopted by employees of all countries where the company maintains offices

and industrial operations. The Company's guidelines in this regard are expressed in the Code of Ethics, document that gathers the expected behaviors of those who act on its behalf.

The Code represents the identity of Marfrig and its practice strengthens the company's relations with Society, class organizations and corporate policies, suppliers, clients, consumers, shareholders and employees themselves. The document is crucial for the latter, which have guidelines for conducting business in an integrated manner, transparent and professional.

Beyond the Code, Marfrig also has an Anti-Corruption Manual, which is applicable to all subsidiaries and affiliates headquartered in Brazil or abroad.

In each of the locations in which Marfrig operates, training actions for the good fulfillment of their values and corporate practices are promoted periodically. Participating in these actions are employees from all hierarchical levels and members of the Board of Directors and Fiscal Council. The Code and the Manual are available to employees on the intranet. These documents can also be consulted by the general public on the Compliance page (<http://compliance.marfrig.com.br/>).

Department of Compliance

The Compliance Department has the function of managing the set of disciplines created to enforce the legal norms, policies and guidelines established for the Company's business and activities. It also acts to avoid, detect and treat any deviations or nonconformities that may occur.

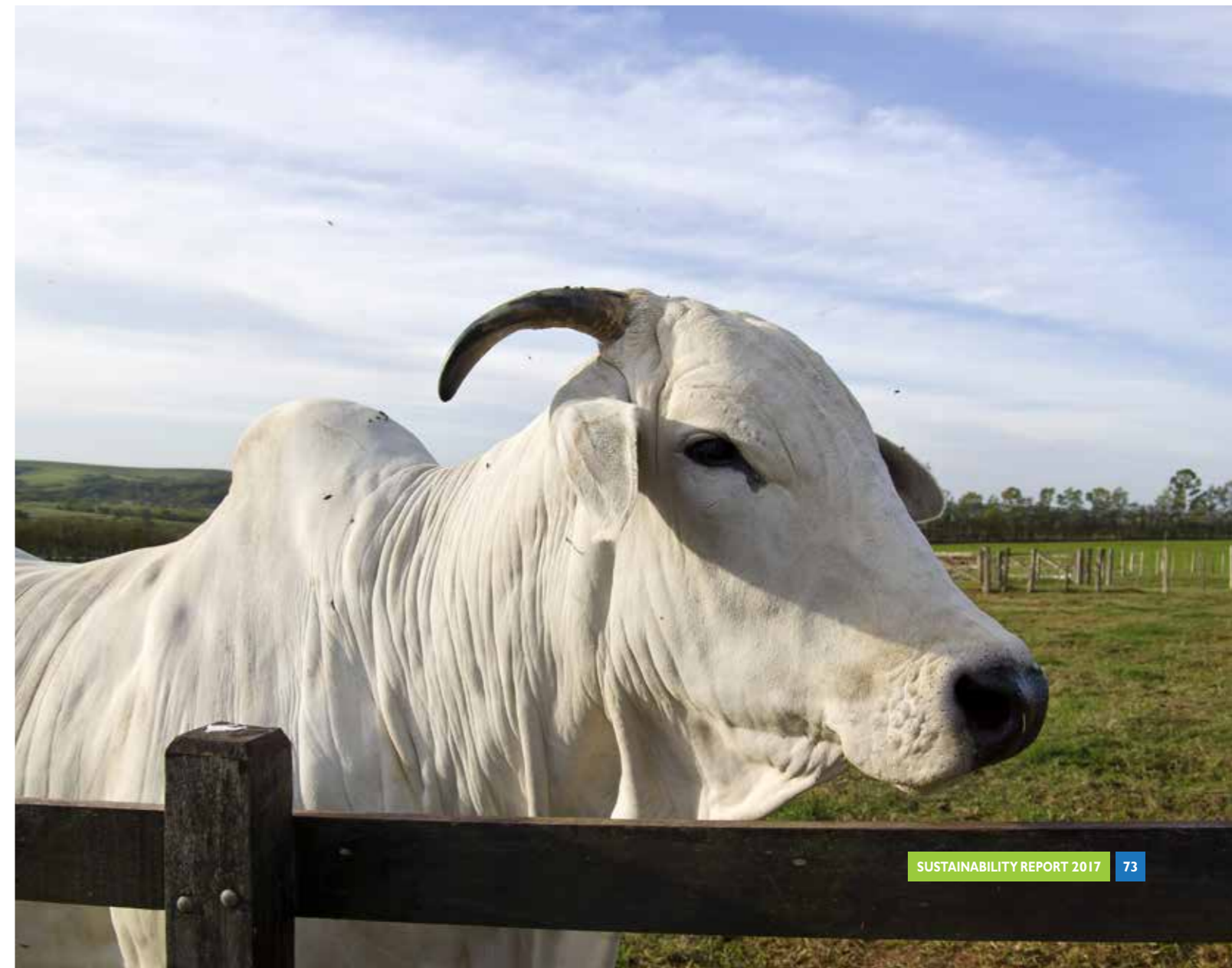
An important tool in this regard is the Helpline, launched as a line dedicated to the reporting of complaints against the Company. The line helps ensure day-to-day adoption and compliance with Marfrig's ethical guidelines, as well as current

legislation, in particular Law 12.846/13, which deals with the fight against corruption.

Since the establishment of the Compliance Department, all agreements entered between Marfrig and commercial partners include the "Compliance Clauses", which give the Company greater protection in commercial relations. These clauses point to the existence of the Helpline, the Code of Ethics and the Anti-Corruption Manual and provide guidance on how to consult these documents.

Recognition

Marfrig had its anticorruption program recognized as one of the 10 best among the initiatives of the companies evaluated, and obtained the best classification of the sector in the ranking "Transparency in corporate reports: the 100 largest companies and the 10 largest Brazilian banks." Carried out by Brazil International Transparency (Transparência Internacional Brasil), the index evaluates the information and activities of companies in relation to their anticorruption practices and organizational transparency.



Corporate Governance Structure

(GRI 102-18)

The Company's Bylaws require that the governance structure be composed of a Board of Directors, a Fiscal Council and an Executive Board. Technical and advisory committees include Audit, Compensation, Corporate Governance and Human Resources, Compliance and Financial and Risk Management.

Administrative Council

The Board is the decision-making body responsible for business guidelines and long-term corporate strategy. The Council is also in charge of, among other duties, the designation and supervision of the management of the Board and the hiring and dismissal of the independent auditors.

The Bylaws determine that the composition of the Board should be from 5 to 11 members maximum, all elected and dismissed by the General Assembly, with a unified mandate of two years, being allowed re-election. As Marfrig participates in the New Market (Novo Mercado), at least 20% of these members must be independent directors.

Consult the composition of the Board of Directors on the website (<http://ri.marfrig.com.br/en/governanca-corporativa/diretoria-conselhos-e-comites>).

Executive Board

Elected by the Board of Directors, the Officers are the legal representatives of Marfrig and responsible, mainly, for its day-to-day administration and for the implementation of the general policies and guidelines established by the Council. According to the Bylaws, the Board of Executive Officers shall consist of two to seven members, maximum. The terms of office are three years and the Board may be dismissed at any time. Reelection is allowed.

Consult the composition of the Board of Executive Officers on the website (<http://ri.marfrig.com.br/en/governanca-corporativa/diretoria-conselhos-e-comites>).

Supervisory Board

Corporate body independent of management and external auditors, according to the legislation. The Supervisory Board acts in accordance with the Company's Bylaws and in accordance with the best practices of corporate governance.

Its functioning is permanent, having as functions to supervise the activities of the administration, review the Company's financial statements and report its findings to the shareholders. According to the legislation, it has to be composed of three up to maximum five members, with their respective alternates. Supervisory Board members have a one-year term of office and re-election is permitted.

See the composition of the Fiscal Council on the website (<http://ri.marfrig.com.br/en/governanca-corporativa/diretoria-conselhos-e-comites>).

Advisory Committees

(GRI 102-18)

Audit Committee

Functions:

- advise the Board of Directors in the fulfillment of its responsibilities, relating to the analysis and disclosure of the financial statements
- concerning the analysis and dissemination of financial statements
- develop internal controls, supervise and coordinate the work of the Company's internal and external audits, especially in matters relating to accounting, internal financial controls and controls on legal compliance

Financial and Risk Management Committee

Functions:

- examine the Company's investment and financing plans

- evaluate the impact of contracted operations that affect the Company's capital structure
- determine parameters to monitor the maintenance of predetermined liquidity and capital structures
- implement and monitor methodology for the management of business risk
- ensure the preparation of the Annual Sustainability Report
- implement methodology for risk management of the business activity and monitor its execution
- advise the Board of Directors in the fulfillment of its responsibilities related to the management of talents
- assist the Board of Directors in fulfilling its responsibilities, accompanying the Company's results and the performance of executives
- evaluate and ratify to the Board of Directors the recommendation to hire or dismiss members of the Executive Committee, the Board of Directors and senior management, as well as to validate the hiring of companies of search and selection of senior executives

- advise and validate the strategy of Internal Corporate Communication

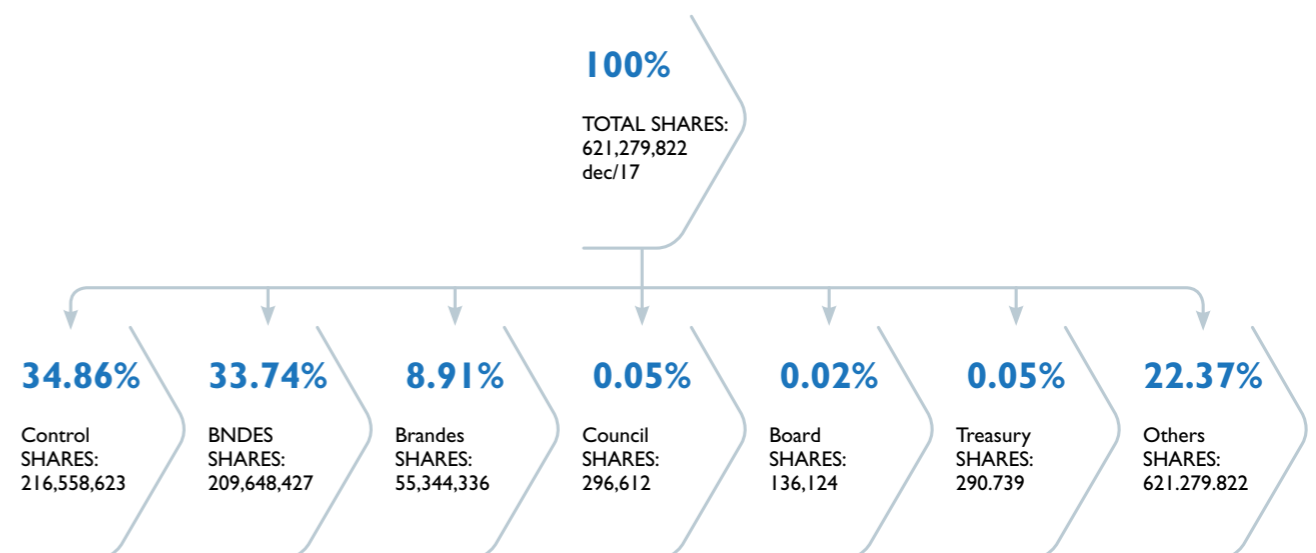
Remuneration Committee, Corporate Governance and Human Resources

Functions:

- subsidize the Board of Directors in making strategic decisions, policies and standards related to human resources
- subsidize the Board of Directors in determining the compensation and benefits offered to the Company's managers and employees
- assist in the control and development of practices and operationalization of processes related to corporate governance to advise the Board of Directors in the fulfillment of its responsibilities related to the management of talents

Corporate structure

(GRI 102-7)



Risk management

Marfrig Global Foods manages the risks inherent in its business activities in order to mitigate market fluctuations, financial loss and damage to reputation. This requires constant evaluation and monitoring, in addition to the establishment of a set of policies, standards and procedures, and an effective system and internal controls.

The Company's corporate risk management model was developed based on its strategic objectives, in order to provide the achievement of the goals within a reasonable level of security. Rigid processes and controls, in accordance with applicable standards and legislation, are present at all stages of production - from monitoring the rearing of animals to the distribution of products, in order to mitigate any image risk that any failure in these aspects could cause. Concern about the risks related to possible damage to the environment, to human health, the community and/or biodiversity is also

part of the Company's original values and is described throughout this report.

Among the main aspects monitored by Marfrig, are those related to some form of corruption and/or fraud involving its name, its representatives and its operations. The Company is also subject to market risks. In its activities, Marfrig and its Divisions make purchases of certain commodities, like cattle, grains and energy, which are subject to certain variables. The price of cattle purchased from third parties is directly related to market conditions, influenced by domestic availability and levels of demand in the international market. Corn and soybean meal are subject to the volatility generated by the climatic conditions, to crop yield, transport costs, storage costs, to agricultural policy, exchange rates, to the international quotation, among other factors beyond the control of top management.

In order to reduce the impact of commodities, the Company and its divisions manage the inventory levels, maintain livestock confinement and trade futures market derivative financial instruments. These instruments are contracted to reduce commodity-related price risk for a period of up to 12 months. A substantial part of these hedging instruments comes from the futures market, on the Chicago Board of Trade (CBOT).

Marfrig is also subject to interest rate risks. To avoid them, the Company continuously monitors these rates, with the objective of evaluating the possible need to contract derivative transactions to protect against volatilities. As for exchange rate risk, as approximately 79% of revenues are originated in currencies other than the Real, the Company has a natural hedge, to meet the maturities of its future obligations in foreign currency.

It also maintains a sound financial base, with maintenance of high cash balance and short-term financial investments in renowned financial institutions. Marfrig manages its capital based on parameters of structure optimization, focusing on liquidity and leverage metrics that allow a return to shareholders in the medium term and consistent with the risks assumed in the operation. Capital management is done with the objective of defining the best financing structure for the Company and its Divisions.

Further details on the risks already mentioned and information on other risks monitored by Marfrig, access the Financial Statements for 2017, available at the Results Center of the Investor Relations website (<http://ri.marfrig.com.br>).



**COMMITMENT TO
ECONOMIC AND
FINANCIAL
PERFORMANCE**



(GRI 201-1)

Added Value Statement

REVENUE	19,078,879,000.00
Sales of goods, products and services	19,087,111,000.00
Provision for doubtful accounts - Reversal / Constitution	-8,323,000.00
Non-operating	91,000.00
INPUTS ACQUIRED FROM THIRD PARTIES (includes ICMS and IPI)	14,817,507,000.00
Raw materials consumed	0.00
Costs of goods and services sold	11,881,007,000.00
Materials, energy, third-party services and other	2,936,500,000.00
Loss / Recovery of assets	0.00
ADDED VALUE GROSS	4,261,372,000.00
RETENTIONS	453,705,000.00
Depreciation, amortization and exhaustion	453,705,000.00
ADDED NET VALUE PRODUCED BY THE ORGANIZATION	3,807,667,000.00
ADDED VALUE RECEIVED ON TRANSFER	1,622,602,000.00
Equity Accounting Result	-3,227,000.00
Financial income	1,625,829,000.00
TOTAL ADDED VALUE TO BE DISTRIBUTED	6,320,743,000.00
Staff and Charges	2,053,346,000.00
Taxes, fees and contributions	175,208,000.00
Interest and rents	3,646,952,000.00
Interest on shareholders' equity and dividends	0.00
Retained earnings / loss for the year	445,237,000.00
Investments in the community	0.00
Cumulative economic value	12,758,136,000.00

Sector context

The global economy ended 2017 with growth of 3.7%, confirming the favorable trajectory begun in mid-2016, according to the latest report published by the International Monetary Fund (IMF). Recovering investment and improving industrial activity and global trade

have strengthened and boosted the expansion of both mature and developing economies.

In Brazil, despite the turbulent political environment, GDP (PIB) has returned positive, totaling a moderate increase of 1%. Thereby, the per capita income remained stable.

About the animal protein industry specifically, Weak Flesh Operation, which started in the second half of March 2017, temporarily shook domestic consumption and Brazilian exports. Exports resumed a trajectory of normality in the middle of the second quarter, with the exception of the USA, that in June decided to temporarily suspend imports until the national slaughterhouses were adapted to the vaccination procedures of the animals; and Russia, who claimed to have found substances outside their control standards.

This troubled scenario, however, accentuated the opportunities of an already expected positive cycle of cattle in the country during the second semester. Thus, the Company decided to adjust the manufacturing plant of the Brazilian operation of its Beef Division, reopening plants that had been temporarily closed due to the negative cycle of cattle. This strategic movement also included the restructuring of the teams of the Commercial and Industrial Departments, as well as its products portfolio.

In this sense, in November it was announced the repositioning of the Montana brand, name recognized in the barbecue segment, along with the expansion of its product portfolio, which meets the daily needs of the consumer. This action also involved a pioneering partnership with Hospital de Amor (Hospital of Love) which is a reference in the prevention and free treatment of cancer patients. Learn more on p. 64.

The Company also joined Nestlé Professional to launch rice products in pouches and cans at the beginning of 2018. The initiative should raise the turnover of the industrialized operation in R\$ 3.3 million.

Beef International's sales remained focused on serving the most demanding markets, such as North America, Asia and Europe. In 2017 the Keystone Division has already presented another year of record result. With a portfolio

of value-added protein products, mainly based on chicken, Keystone is one of the largest suppliers of major food service chains globally. With production in the USA and APMEA (Asia, Pacific, Middle East and Africa), the company is well-positioned to serve these markets, for which it is estimated that GDP (PIB) should close above the initial forecast - 2.3% and 6.5%, respectively, according to the International Monetary Fund (IMF) report.

In order to meet this growing demand, the new plant in Thailand was inaugurated in October 2017. With a capacity of 30 thousand tons per year of processed chicken product, this plant represents an increase of about 10% in production capacity in the APMEA region.

As for USA activities, they should be influenced by the tax reform approved at the end of 2017, whose central axis is to reduce the income tax rate from 35% to 21%. This reduction, besides benefiting the cash generation of operations located in the country, has the potential to encourage new investments, generate new jobs and, consequently, expand domestic demand.

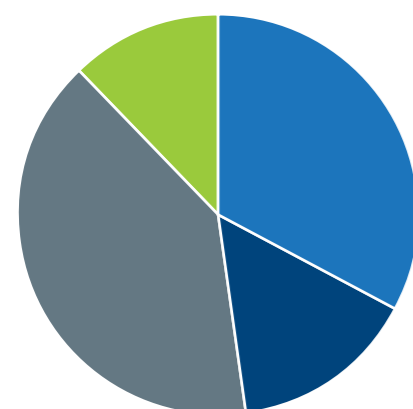
Concerned to the capital structure, in January 2017 the debentures held by BNDES were converted into shares and there was the last payment, amounting of R\$327 million, contributing to an important structural economy in the Company's interest account. Besides that, Marfrig continued with its Liability Management process, with the objective of lengthening the profile and reducing the cost of debt, and issued abroad seven-year bonds totaling US\$750 million.

Agencies Fitch, Moody's and S & P reaffirmed the company's credit rating on BB-, B2 and B+, respectively. S & P revised the outlook from positive to stable, while Fitch and Moody's maintained their stable outlook, in line with the end of 2016.

In 2017 Marfrig also decided to join the Special Tax Regularization Program (PERT), closing the discussion of federal debts with the Federal Government. The Company consolidated debts in the amount of approximately R\$1.3 billion, and of this total amount, R\$252 million were paid in the last half of 2017.

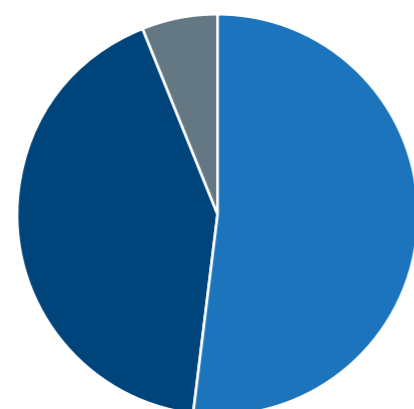
Net Revenue

By Operation



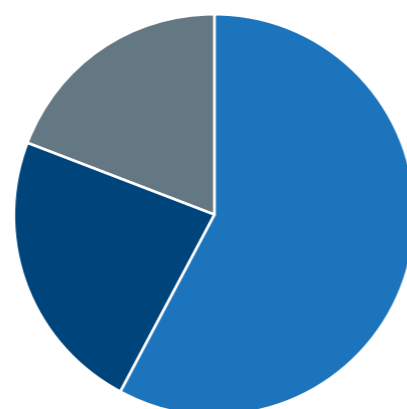
12% Beef Internacional
15% Keystone APMEA
33% Keystone EUA
40% Beef Brasil

By Product



6% Others
42% Meat *in natura*
52% Processed

Per Currency



19% Others
23% Real
58% US\$

Cost of goods sold (Cogs)

CPV (R\$ Million)	2017	2016	Var. (%)
Raw material	11,932.2	12,325.3	-3.2%
Labor	1,903.5	1,944.7	-2.1%
Production cost	2,519.6	2,391.	5.4%
TOTAL	16,355.4	16,661.5	-1.8%
Beef	51%	49%	2%
Keystone	49%	51%	-2%

Note: the variation of the participation between the Divisions was due to the greater volume of the Beef Division.

Gross Profit and Gross Margin

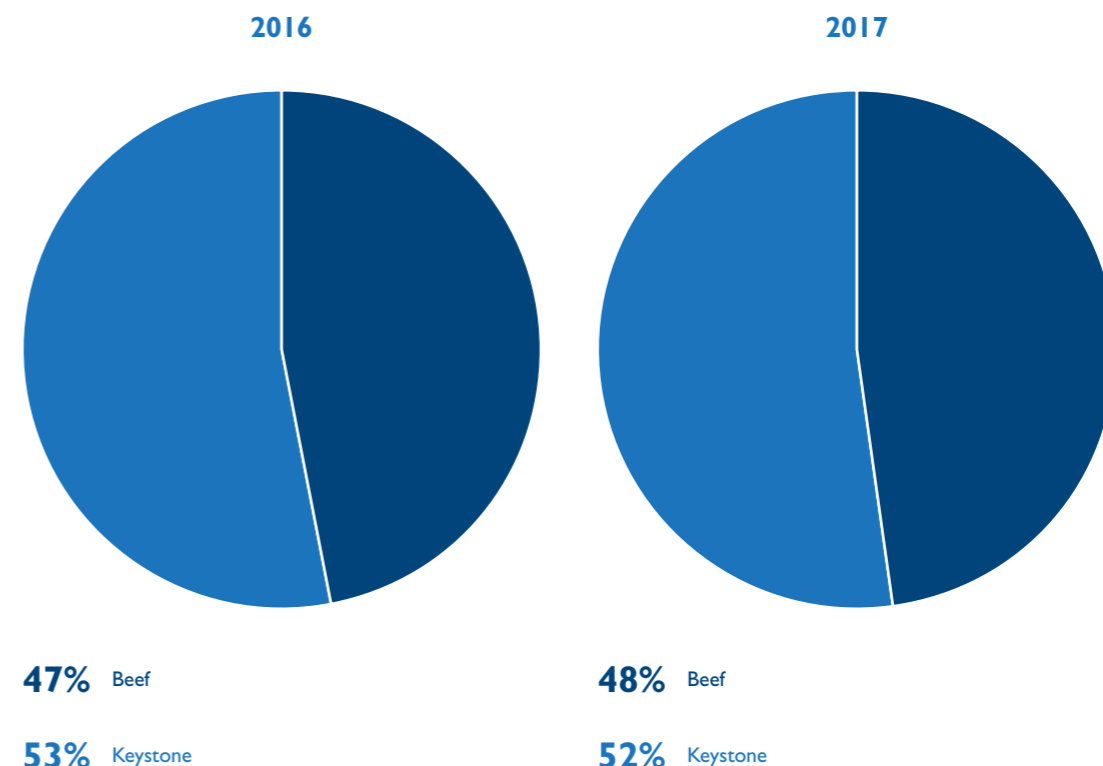
Gross profit was R\$2.2 billion, an increase of 2.6% over 2016, reflecting the resumption of growth in the Beef Division and Keystone's

continued strong performance. Gross margin reached 12.0%, an improvement of 50 basis points compared to the previous year, due to the margin expansion of the Keystone division..

Selling, General and Administrative Expenses (DVGA)

DVG&A (R\$ Million)	2017	2016	Var. (%)
Selling Expenses	586.5	577.6	1.5%
% on net revenue	3.2%	3.1%	
General and Administrative Expenses	382.0	439.7	-13.1%
% on net revenue	2.1%	2.3%	
Total DVG&A	968.4	1,017.3	-4.8%
% on net revenue	5.2%	5.4%	

Adjusted EBITDA AND MARGIN



Keystone Division

The Keystone Division reported a net revenue of US\$2.8 billion in 2017, a growth of 3.2% over 2016. This performance is mainly explained by the increase in sales volume in APMEA's operations.

In the United States (which accounted for 69% of the operation), net revenue was US\$1.9 billion, similar to the previous year. The greater demand of the food service channel, which led to a 5.5% increase in sales volume, was offset by reduced sales to the industrial and convenience & retail channels. This result also reflected Keystone's strategy of driving its mix to higher value-added products and growing in volume to strategic customers.

With reference to APMEA (which represented 31% of the Keystone operation), net revenue

was US\$867 million, an expansion of 11% compared to 2016, driven by the growth of food service channels in China, Thailand and Malaysia.

Gross profit grew 8.7% over 2016, reaching US\$273 million. The margin was 9.8%, an expansion of 50 pbs. We highlight the continued successful strategy of growing into strategic clients, with solid contribution of antibiotic-free products (NAE - No Antibiotic Ever); and the lowest grain prices in the United States, reducing the cost of animal feed (annual average price of corn fell by 6%, CBOT base in the annual comparison).

Sales Expenses, General and Administrative (DVGA) totaled US\$57 million in the year; a drop of about US\$3 million. The DVGA due to the net revenue was 2.1%.

Consequently, Keystone recorded in 2017 a new Adjusted EBITDA record of US\$282 million, 8% higher than 2016. Adjusted EBITDA margin was 10.1%, about 40 pbs higher than the previous year. In Reais, Adjusted EBITDA in 2017 was R\$900 million.

Beef Division

Signs of improvement of the bovine cycle, the expectation of resumption of Brazilian domestic demand and the continuously favorable international scenario led to Marfrig's strategic decision to anticipate and accelerate the growth of the Brazilian operation, reopening units of slaughter that had been temporarily closed in the states of Goiás, Mato Grosso, Pará, Rio Grande do Sul and Rondônia. Thereby, the Company closed the year with an effective slaughter capacity in the country of around 300 thousand head of cattle per month.

In 2017 the net revenue of the Beef Division totaled R\$9.7 billion, an increase of 2.6% compared to the previous year, which represented 52% of the Company's

consolidated revenue. The 11% expansion in sales volume was partially offset by the lower average sales price, influenced by the appreciation of the Real against the Dollar and the lower cost of livestock. Sales to the foreign market accounted for 48% of Beef Division's total revenue, reflecting the Company's differentiated position in the global beef market. As for the exports of the Brazilian operation, the increase of 28% in the volume of meat in natura and the prioritization of sales to the most profitable destinations are noteworthy.

Gross profit was R\$1.3 billion, R\$40 million higher than in 2016. Gross margin reached 13.8%, reflecting the sector's recovery of margins over the second semester. It is of note: the 11% expansion of sales volume in Brazil; the recovery of the spreads of the Brazilian

operation, as a result of the fall in the average price of beef cattle due to the better availability of cattle for slaughter (bovine cycle); and the improvement of spreads in Uruguay because of the stronger export prices, which increased 3% in the year according to information from the National Meat Institute (INAC - Uruguay).

In the year, the expenses with Sales, General and Administrative (DVGA) totaled R\$736 million, an increase of 1% over 2016, influenced by the increase in volumes, representing 7.6% of the unit's net revenue (from 7.7% in 2016).

In this context, in 2016 the Adjusted EBITDA of the Beef Division was R\$841 million, an increase of 7% in relation to the R\$789 million registered in the previous year. The EBITDA margin was 8.7%, an expansion of 30 pbs against the 8.4% margin in 2016.

Financial Result

	2017	2016	Var.	
	R\$	R\$	R\$	%
Financial Income	256.3	491.3	(235.0)	-47.8%
Interest income, income from investments	111.5	155.2	(43.7)	
Market operations	137.6	292.0	(154.4)	
Other Revenues	7.2	44.1	(36.9)	
Financial Expenses	(1,974.3)	(2,423.7)	449.3	-18.5%
Provisioned interest / debentures / leases	(809.2)	(1,222.7)	413.5	
Market operations	(142.8)	(257.5)	114.7	
Bank expenses, commissions, financial discounts and other	(1,022.3)	(943.4)	(78.8)	
FINANCIAL INCOME BEFORE EXCHANGE VARIATION	(1,718.0)	(1,932.4)	214.3	-11.1%
Exchange Variation	(213.9)	(82.7)	(131.2)	
NET FINANCIAL RESULT	(1,931.9)	(2,015.0)	83.1	-4.1%

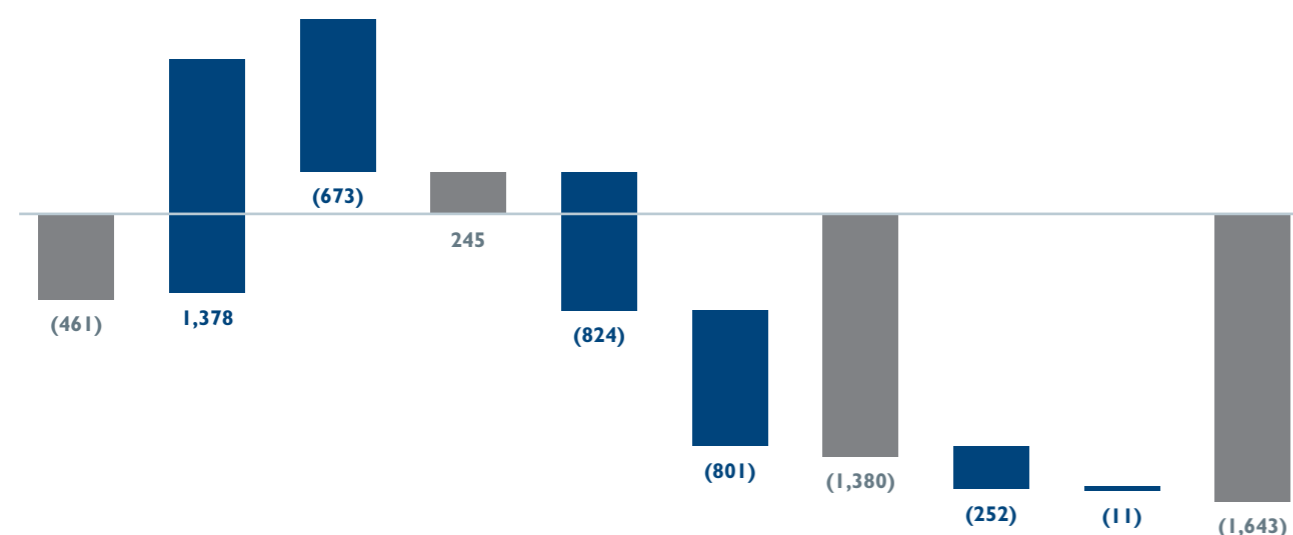


Net income

Marfrig recorded a net loss in 2017 of R\$461 million, an improvement of 33% compared to a net loss of R\$689 million in 2016.

Cash flow

Free Cash Flow 2017 (R\$ Million)



Capital structure, liquidity and rating

Net debt in dollars closed the year at US\$2.4 billion, an increase of US\$624 million. When measured in Reals, the net debt was R\$8.0 billion, an increase of 37%.

Consolidated gross debt was US\$3.8 billion, US\$335 million or 10% higher than in 2016, explained by the Company's cash consumption.

Cash balance and applications totaled US\$1.3 billion, US\$289 million or 18% less than the previous year; explained by the same reasons described above.

In line with the objective of lengthening and reducing the cost of its indebtedness, we highlight the issuance of US\$750 million in senior notes (bonds), whose demand was 3 times higher than supply. Due in March 2024, the bonds were issued at an interest rate of 7.00% per annum and the funds were used for the full redemption of bonds due in 2020 and the partial settlement of the bond maturing in 2018, with a coupon of 8,375 % per year and 9.5% per year respectively.

The leverage ratio, measured by the ratio between net debt and EBITDA Adj. UDM (last 12 months) of continuing operations and without the extraordinary effect related to PERT, ended 2017 at 4.55x, an increase over the previous year, in which the registered index was 3.64x.

In Management's opinion, the ratio that best reflects the level of indebtedness of the Company is the relation between net debt and the annualized EBITDA Adj. of continuing operations and without the extraordinary effect of PERT. That index was 3.94x.

It is important to highlight that the calculation of the leverage ratio for bank and market financing operations includes contractual provisions that allow the exclusion of the effects of exchange variation. The index calculated for this purpose reached 4.50x at the end of 4Q17.

Financial Indicators

	2017	2016		2017	2016
Net Debt / EBITDA UDM - XVc	4.50	2.40	Short term	14.9%	13.0%
Net Debt / Adjusted UDM EBITDA	4.55	3.64	Long term	85.1%	87.0%
Average cost (per year)	6.38%	7.26%	Debt in R\$	2.1%	6.0%
Duration (years)	3.8	3.9	Debt in other currencies	97.9%	94.0%

Investments

Investments totaled R\$824 million in 2017, an expansion of approximately R\$300 million compared to 2016. This result was influenced by the investments made by the Beef Division to reactivate the industrial park in Brazil (55% of the total), as well as continued investments in improvement and expansion at Keystone. Special mention should be made of expanding investments in production lines in Malaysia and the new processed food plant in Thailand, which came on stream in the last quarter of the year.

Total	2017	2016
	R\$	R\$
Investments in Subsidiaries	7.6	61.3
Investments in Fixed Assets	795.2	450.9
Fixed Assets	721.6	371.6
Matrices	73.6	79.3
Investments in Intangible Assets	21.1	10.9
Total	823.9	523.0



**ABOUT THE
REPORT**

(GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44, GRI 102-46, GRI 102-47, GRI 102-49, GRI 102-50, GRI 102-51, GRI 102-53, GRI 102-56, GRI 103-1)

This is the 12th sustainability report of Marfrig Global Foods. The novelty of this edition is the adoption of the GRI Standards, new way of organizing aspects and indicators, which are now called topics and disclosures. The “agree” option remains Essential.

The report gathers economic information, social and environmental aspects of the Company, as well as the evolution of management in the Beef and Keystone Divisions, installed in 12 countries, and their respective production units, commercial offices and distribution centers. The period covered by the publication is from January 1 to December 31, 2017.

The document retained the same scope, limits and methods of data measurement reported in 2016. The Materiality Matrix for that year was also used. To define it, the first step was the preparation of a Materiality Questionnaire, which was applied to the main stakeholders of the Company. The issues were assembled based on three themes: Business, Products and Environmental / Social. The audiences consulted were clients, employees, suppliers, financial institutions, government agencies and civil society. Stakeholder opinion was later compared to Marfrig Global Foods' point of view, in this process represented by the Company's senior management. Crossing both visions resulted in the Materiality Matrix below.

The aspects pointed out in the green and gray quadrants are treated in this report with greater relevance. The aspects presented in the light blue quadrants represent the management vision and, so, were also addressed due to their importance to the Company's image or performance.

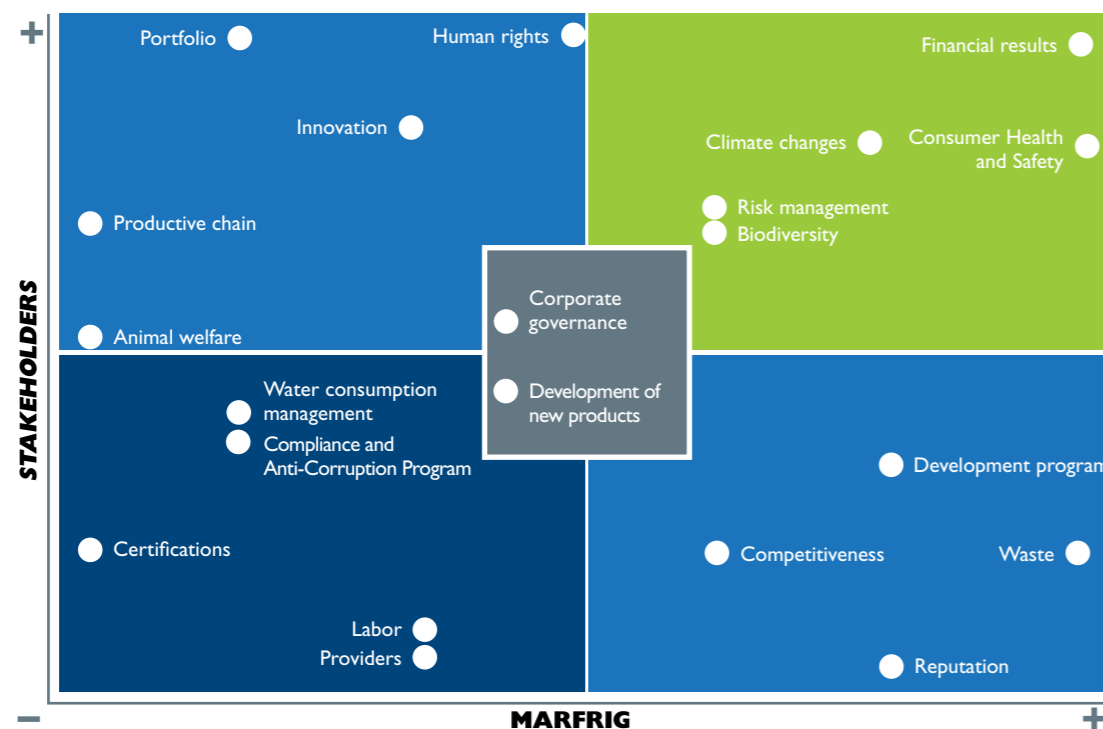
Aspects of operations were compared to prior years wherever possible. The socio-environmental information presented was not submitted to external evaluation. The economic-financial data were adequate to the International Financial Reporting Standards (IFRS) and are based on the Financial Statements published by the Company, which were audited by BDO RCS Auditores Independentes SS (<http://ri.marfrig.com.br/pt/informacoes-financeiras/central-de-resultados>).

For sending comments, suggestions, doubts or criticisms about the Report, contact Marfrig using one of the following methods:

Sustainability
Site: <http://marfrig.com.br/pt/fale-conosco>
Telephone: (55 11) 4593-7400

Relationship with Investors
Site: <http://ri.marfrig.com.br/pt/servicos-aos-investidores/fale-com-ri>
Telephone: (55 11) 3792-8600
E-mail: ri@marfrig.com.br

Customer Service
Any branch of Banco Itaú S.A.
E-mail: investfone@itau.com.br
Tel.: (55 11) 5029-7780



- Topics of greatest relevance
- Topics of medium relevance
- Topics of little relevance
- Matters relevant only to stakeholders or only to Marfrig

Material Topics

GRI Standards Correlation

Financial results: to know in a transparent way the economic performance and main financial results of the company.

Economic performance: GRI 201-1, GRI 201-2, GRI 201-3, GRI 201-4

Corporate risk management that considers economic, social and environmental impacts in an integrated manner.

Organization profile: GRI 102-11
Strategy: GRI 102-15

Consumer Health and safety: know the production of food manufactured in certified units, ensuring the management of food safety.

Customer health and safety: GRI 416-1
Food sector: GRI FP5, GRI FP6, GRI FP7, GRI FP12

Climate change: know the energy efficiency actions carried out by Marfrig, such as the monitoring of its emissions and the use of renewable energy.

Economic performance: GRI 201-2
Emissions: GRI 305-1, GRI 305-2, GRI 305-3

Biodiversity: know and understand the extent of Marfrig's impacts on the biodiversity surrounding its operations, in addition to protected or restored habitats.

Biodiversity: GRI 304-2

GRI CONTENT INDEX



The issues addressed by disclosures GRI 306-4, GRI 307-1 and GRI 419-1 were not described in this report. There are also disclosures that have been partially answered, which is pointed out in the following index. The Company is working to improve the ways in which its information is managed and to respond to these indicators.

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission	
GRI 101: Foundation 2016					
GENERAL DISCLOSURES					
ORGANIZATIONAL PROFILE					
	GRI 102-1	Name of the organization			
	GRI 102-2	Activities, brands, products, and services			
	GRI 102-3	Location of headquarters	Avenida Queiroz Filho, 1560 - Torre Sabiá, 3º andar Vila Hamburguesa - São Paulo/SP CEP: 05319-000		
	GRI 102-4	Location of operations			
	GRI 102-5	Ownership and legal form			
	GRI 102-6	Markets served			
	GRI 102-7	Scale of the organization			
GRI 102: GENERAL DISCLOSURES 2016	GRI 102-8	Information on employees and other workers		6 Partially answered. The Company does not control all employee units by employment contract and gender or region, or by type of employment and gender. In the future Marfrig intends to refine its controls over these data.	
	GRI 102-9	Supply chain			
	GRI 102-10	Significant changes to the organization and its supply chain	There was the conversion of debentures, with increase of the total shares, dilution of shareholders and increase of the BNDES share.		
	GRI 102-11	Precautionary Principle or approach			
	GRI 102-12	External initiatives			
	GRI 102-13	Membership of associations	Marfrig Global Foods is a member of the board of GTPS (Sustainable Cattle Breeding Work Group) and GRSB (Global Roundtable for Sustainable Beef) - see page 52 and 54. The Company is also part of two refrigeration industry associations: the Brazilian Association of Meat Exporters (ABIEC) and the Brazilian Cleaning Products Association (ABIPLA). In both, the organization acts only as an associate.		
	STRATEGY				
		GRI 102-14	Statement from senior decision-maker		
	ETHICS AND INTEGRITY				
		GRI 102-16	Values, principles, standards, and norms of behavior	The Code of Ethics is available in Portuguese and English and the Anti-Corruption Manual in Portuguese.	10

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
GOVERNANCE				
	GRI 102-18	Governance structure		
STAKEHOLDER ENGAGEMENT				
	GRI 102-40	List of stakeholder groups		
	GRI 102-41	Collective bargaining agreements	82% of the 20,605 employees of the Beef Division were covered by collective bargaining agreements in 2017. 36% of Keystone's 12,241 employees were covered by collective bargaining agreements in 2017.	3
	GRI 102-42	Identifying and selecting stakeholders	Marfrig Global Foods' main stakeholders are customers, consumers, investors, suppliers, employees and society. The Company understands that updating itself in relation to what stakeholders think, with whom it has a direct relationship, is central point to understand what possible impacts of these or in these groups are able to influence their businesses.	
	GRI 102-43	Approach to stakeholder engagement		
	GRI 102-44	Key topics and concerns raised	The main concerns were pointed out by customers, related to production failures and product quality. Complaints are investigated and, if proven, adequacies in the form of production are made.	
REPORTING PRACTICE				
GRI 102: GENERAL DISCLOSURES 2016	GRI 102-45	Entities included in the consolidated financial statements	See attachments, page 107	
	GRI 102-46	Defining report content and topic Boundaries		
	GRI 102-47	List of material topics		
	GRI 102-48	Restatements of information	The information regarding the emissions in 2015 and 2016 was reformulated. See pages 7 (Highlights) and 59 (Climate Change and Emissions).	
	GRI 102-49	Changes in reporting		
	GRI 102-50	Reporting period		
	GRI 102-51	Date of most recent report		
	GRI 102-52	Reporting cycle	The publication cycle of the Sustainability Report is annual.	
	GRI 102-53	Contact point for questions regarding the report		
	GRI 102-54	Claims of reporting in accordance with the GRI Standards		
	GRI 102-55	GRI content index		
	GRI 102-56	External assurance	The publication of the report is only carried out after the authorization of the Chairman of the Board of Directors of Marfrig Global Foods. The material was not subjected to external securing.	

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
TOPIC-SPECIFIC DISCLOSURES				
ECONOMIC STANDARDS				
GRI 103: MANAGEMENT APPROACH ECONOMIC PERFORMANCE	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 201: ECONOMIC PERFORMANCE 2016	GRI 201-1	Direct economic value generated and distributed		
GRI 103: MANAGEMENT APPROACH PROCUREMENT PRACTICES	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 204: PROCUREMENT PRACTICES 2016	GRI 204-1	Proportion of spending on local suppliers	R\$5,697,028,345.90 were allocated to expenses with local suppliers in 2017 in the Beef Brasil Division. This is equivalent to 100% of the amount allocated to spending on local suppliers.	Partially answered, since only the Beef Brasil Division controls the information requested in this disclosure.
	GRI FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	100% of the volume purchased by Marfrig Global Foods in 2017 was in compliance with the Company's purchasing policy.	
GRI 103: MANAGEMENT APPROACH ANTI-CORRUPTION	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
		100% of Marfrig Global Foods' governance members participated in training on anticorruption policies and procedures in 2017.		
GRI 205: ANTI-CORRUPTION	GRI 205-2	Communication and training about anti-corruption policies and procedures		Partially answered. Keystone does not control the information required by this disclosure.
			10	
		Beef International delivers to all its employees its Code of Ethics, where there is a section on corruption.		
		All agreements signed by the Company with its commercial partners have clauses called "Compliance Clauses", whereby partners receive information about the Code of Ethics, the Anti-Corruption Manual and Marfrig's commitment not to tolerate any type of corruption. It also informs about the channel of denunciations (Helpline).		
GRI 103: MANAGEMENT APPROACH ANTI-COMPETITIVE BEHAVIOR	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 206: ANTI-COMPETITIVE BEHAVIOR	GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		There are no records of lawsuits related to unfair competition, trust and monopoly in 2017.
ENVIRONMENTAL STANDARDS				
GRI 103: MANAGEMENT APPROACH ENERGY	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
	GRI 302-1	Energy consumption within the organization		7, 8
GRI 302: ENERGY 2016	GRI 302-3	Energy intensity		Partially answered because there is no information about the types of energy included in the calculations.
	GRI 302-4	Reduction of energy consumption		8, 9

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
GRI 103: MANAGEMENT APPROACH WATER AND EFFLUENTS	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 303: WATER AND EFFLUENTS 2016	GRI 303-1	Water withdrawal by source	7, 8, 9	
	GRI 303-3	Water recycled and reused	Only Keystone reuses water; but still in an incipient way. In 2017, 53,783 cubic meters were reused, equivalent to 0.62% of the Division's total consumption.	7, 8, 9
GRI 103: MANAGEMENT APPROACH BIODIVERSITY	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 304: BIODIVERSITY 2016	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	7	Partially answered. The Company does not have data related to item b of the disclosure, which deals with the nature of the affected areas (for example, if they are protected areas).
GRI 103: MANAGEMENT APPROACH EMISSIONS	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 305: EMISSIONS 2016	GRI 305-1	Direct (Scope 1) GHG emissions	7	
	GRI 305-2	Energy indirect (Scope 2) GHG emissions	7	
	GRI 305-3	Other indirect (Scope 3) GHG emissions	7	
	GRI 305-4	GHG emissions intensity	The emissions included in the intensity rate were Scopes 1 and 2. Gases included in the calculation: CO ₂ , CH ₄ , N ₂ O, R404A, R407C, R410, R502 and R507.	
GRI 103: MANAGEMENT APPROACH EFFLUENTS AND WASTE	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
GRI 306: EFFLUENTS AND WASTE 2016	GRI 306-2	Waste by type and disposal method		Partially answered, as the Company does not yet have verified controls on the Division of waste into hazardous and non-hazardous, by disposal method.
GRI 103: MANAGEMENT APPROACH SUPPLIER ENVIRONMENTAL ASSESSMENT	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	GRI 308-1	New suppliers that were screened using environmental criteria	100% of the 5,163 new suppliers registered in Brazil in 2017 were selected according to the environmental criteria established by Marfrig Global Foods (see page 46 and 47). At Beef Internacional, of the 15 new suppliers, 4 were selected using criteria in this sense, equivalent to 27%. At Keystone, 100% of suppliers of products of environmentally critical origin are selected from an environmental criterion.	7
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	The number of suppliers with environmental impacts identified in the Beef Division in Brazil was 438, equivalent to 8.48% of all suppliers in the division. These impacts can be: deforestation, conflict with indigenous lands and / or conservation units and embargoes at IBAMA. The total of these suppliers with which improvements were agreed upon as a result of the evaluation was 52.5%. The total number of suppliers with whom the organization ended the relationship based on the evaluations was 47.5%. The Beef Division checks all possibilities to try to enable the supplier, which includes verification of documents that can enable ownership and instruction on what measures to take to regulate the environment. Beef Internacional evaluates the most relevant suppliers. Negative environmental impacts were not identified in 2017. Some suppliers, however, have been replaced by others with more sustainable processes. It should be noted that all suppliers of forest products and palm oil are indirectly monitored, since these products are only purchased from companies certified by the Forest Stewardship Council (FSC) and the Roundtable on Sustainable Palm Oil (RSPO), respectively. Keystone does not control the information requested in this disclosure.	7, 8

SOCIAL STANDARDS

GRI 103: MANAGEMENT APPROACH OCCUPATIONAL HEALTH AND SAFETY	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	GRI 403-1	Workers representation in formal joint management—worker health and safety committees		
	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		Partially answered, because the Company controls the total amounts, but not the accident rates and days lost. There is no measurement of absenteeism. Nor is the control of these indicators by gender.
GRI 103: MANAGEMENT APPROACH NON-DISCRIMINATION	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 406: NON-DISCRIMINATION 2016	GRI 406-1	Incidents of discrimination and corrective actions taken	No cases of discrimination were registered in 2017. The channels available for complaints are: Tel. 0800 223 1000 etica@marfrig.com.br http://compliance.marfrig.com.br/	
GRI 103: MANAGEMENT APPROACH FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAIN	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAIN 2016	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In Brazil interviews are conducted with suppliers of raw materials that bring, among other issues, some that cover the subject. If it is found that a supplier does not follow the legislation, it is blocked and prevented from marketing with Marfrig. Beef Internacional bases its practices on the strict compliance of national and international regulations related to the subject. Agreements are periodically signed with trade union organizations. Internally, there are mechanisms such as internal regulations, Code of Ethics, Ethics Committee and collective agreements. In addition, external audits on social responsibility and inspections of official bodies are regularly carried out.	
GRI 103: MANAGEMENT APPROACH CHILD LABOR	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 408: CHILD LABOR 2016	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	Marfrig Global Foods verifies its suppliers regarding the employment of child labor and, if something is identified, terminates its relationship with these companies.	1, 2

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
GRI 103: MANAGEMENT APPROACH FORCED OR COMPULSORY LABOR	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 409: FORCED OR COMPULSORY LABOR 2016	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		1, 2
GRI 103: MANAGEMENT APPROACH HUMAN RIGHTS ASSESSMENT	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	Marfrig Global Foods evaluates its operations by checking the performance of its suppliers, who are responsible for their actual or potential impacts, since their plants and offices already follow strict rules of conduct. Evaluations can be checked on page 46 and 47.	1, 2
	GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	During the period of 2017 there was no investment that would lead the Company to a majority ownership interest in another entity or any capital investment project with a material impact on the financial statements.	1, 2
GRI 103: MANAGEMENT APPROACH SUPPLIER SOCIAL ASSESSMENT	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	GRI 414-1	New suppliers that were screened using social criteria	100% of suppliers.	10
	GRI 414-2	Negative social impacts in the supply chain and actions taken	It is not possible to measure the number of suppliers with negative social impacts, because if problems are identified, the supplier is blocked immediately and is no longer part of Marfrig's supply chain.	10
GRI 103: MANAGEMENT APPROACH PUBLIC POLICY	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 415: PUBLIC POLICY 2016	GRI 415-1	Political contributions	No financial contributions were made to politicians or political parties by Marfrig Global Foods in 2017.	10

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
GRI 103: MANAGEMENT APPROACH CUSTOMER HEALTH AND SAFETY	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	GRI 416-1	Assessment of the health and safety impacts of product and service categories	100% of the Company's products are processed in accordance with the National and International Food Safety Standards, taking into account the health and quality standards established by the countries for which the exports are destined.	
	FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards		
	FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	It does not apply to meat in natura. None of the processed products have the attributes questioned.	
	FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	It does not apply to meat in natura. None of the processed products have the attributes questioned.	
GRI 103: MANAGEMENT APPROACH ANIMAL WELFARE	GRI 103-1	Explanation of the material topic and its Boundary		
	GRI 103-2	The management approach and its components		
	GRI 103-3	Evaluation of the management approach		

GRI Standards	Disclosure	Information and / or report page	Global Compact (Principles)	Omission
GRI FP9	Percentage and total of animals raised and/or processed, by species and breed type	See attachments, page 11.		
	Percentage and total of animals raised and/or processed, by species and breed type, per housing type	Marfrig Global Foods does not control the data requested in this indicator.		
GRI FPI 1	Percentage and total of animals raised and/or processed, by species and breed type, per housing type	All animals arriving at Beef Division cold storage units are accompanied by a statement from the rural producer certifying the non-use of hormones, growth promoters and antibiotics. In addition, the Federal Inspection Service (SIF) has a program called the National Meat Residue Control Plan (PNCRC), which provides for verification, by random sampling in all slaughterhouses, of the veracity of what was certified by the cattle breeders. We also performed the analysis of the presence of Ivermectin, a broad spectrum antiparasitic drug, traditionally used to combat worm infestation.		
	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	Beef International uses antibiotics only on sick animals according to the veterinarian's indicator and if the medicine is authorized by the responsible government agencies. In the case of the Organic Certification and Viva Grass Fed programs, the animals are treated, but they are no longer part of the initiatives.		
GRI FPI 2t	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	Keystone has the same practice as Beef International. Animals treated with these drugs should also have a muscle sample analyzed for residues.		

SECTOR DISCLOSURES: ANIMAL WELFARE 2016



ATTACHMENTS

(GRI 102-43)

	Beef Brasil	Beef Internacional	Keystone
Customers	They are engaged through actions in social networks and advertising.		They are engaged through constant and close contact, made through the internet or registered letters.
Employees	They are engaged through e-mails, intranet, social networks, murals in the units, events carried out in the plants and through the existing training in the programs of the Integrated Management System.	Meetings are performed periodically, in each production unit, when trade unionists present their demands. There are collective tripartite and bipartite negotiations.	Several channels of engagement are used, including meetings for face-to-face communication, individual discussions on career and performance planning, researches, hotlines on ethics, the KeyConnect Sharepoint site and newsletters. Additionally, opportunities are offered for engaging in local committee and team meetings.
Suppliers	They are engaged through materiality matrix research, actions in social networks and advertising. There are also direct actions with participating Marfrig Club suppliers.	There are events in which the division participates, such as rural exhibitions in different parts of each country, forums and technology transfer events. There are also actions of social responsibility. In Uruguay there is also the exchange of opinions in meetings that bring together representatives of agricultural producers, industry and government, in which different topics related to the marketing and promotion of meat are discussed.	In 2017 new raw material suppliers were qualified by the Division in the USA and China. In the USA, Keystone advised suppliers with approval in the Food Safety and Inspection Service, conducted by the United States Department of Agriculture to ensure that certain products are safe, healthy and accurately labeled. The Division also recognizes vendor sustainability programs through the KEYSTAR Supplier Awards.
Financial Institution	They are engaged through actions in social networks and advertising.		Engagement is done through dialogue with stakeholders, that allow them to learn what is important to them. In the Financial field the Division values the institutions with which it relates and maintains ongoing dialogues on the impact of market conditions on results or operations.
Government agencies	They are engaged through actions in social networks and advertising.		Discussions with local government officials on issues of fundamental importance to the communities in which Keystone is located are conducted by the plants. The best practices of these plants are also shared, as well as informed the industry's position on pending regulatory issues. Forums and training on topics related to firefighting and food safety are also conducted.
Civil society	They are engaged through actions in social networks and advertising.	Engagement is done with communities around the operations. There is a Corporate Social Responsibility plan that is executed with these groups.	Engagement is done through participation in the following initiatives: <ul style="list-style-type: none"> • Global Roundtable for Sustainable Beef. • US Roundtable for Sustainable Beef. • Australian Beef Sustainability and • Veterinarian Association of China on Chicken Animal Welfare, to set the first national animal welfare standard in China.

(GRI 102-45)

Entities or subsidiaries included in the Financial Statements

MFB Marfrig Frigorificos do Brasil S.A.	No
Marfrig Chile S.A.	Yes
Inaler S.A	Yes
Frigorifico Tacuarembó S.A	Yes
Masplen Ltd	Yes
Prestcott International S.A	Yes
Establecimientos Colonia S.A	Yes
MF Foods USA. Inc.	No
Marfrig Overseas Ltd	Yes
Marfrig Argentina S.A.	Yes
MFG Comercializadora de Energia Ltda	Yes
Marfrig Holdings (Europe) BV	Yes
Marfrig Peru S.A.C.	Yes
Keystone Foods (UK) Limited	Yes
Keystone Foods International Limited	Yes

(302-3)

Intensity of energy consumption (in GJ per metric ton of production)

Beef Division	3.51
Keystone	1.14

(302-1)

In GJ	Beef Division	Keystone	Total
Non-renewable fuels			
Acetylene		3.33	3.33
BFP (heavy fuel oil)	130,269.74		130,269.74
Diesel	62,821.74	360,774.07	423,595.81
Gasoline		18,911.99	18,911.99
Natural gas		1312506.46	1,312,506.46
Liquefied petroleum gas	19,178.02	104,961.03	124,139.05
Total	212,269.50	1,797,156.88	2,009,426.38
Renewable fuels			
Sugarcane bagasse	455,294.40		455,294.40
Biogas		10,771.92	10,771.92
Briquette	4,900.98		4,900.98
Rice husk	66,189.99		66,189.99
Renewable Wood	1,503,538.67		1,503,538.67
Acid Sebum	276,744.49		276,744.49
Sawdust	7,408.66		7,408.66
Total	2,314,077.19	10,771.92	2,324,849.11
Electric Power	817,843.87	1,501,478.52	2,319,322.39
Steam		359.87	359.87
Total energy consumption	3,344,190.56	3,309,767.19	6,653,957.75

(GRI 305-1 e GRI 305-2)

Biogenic Emissions	CO ₂ (tCO ₂ e)
Scope 1	279,823.5
Agricultural	-
Enteric fermentation	-
Handling of waste	-
Stationary Combustion	279,770.9
Boilers	279,770.9
Generator	-
Another source of fuel use	-
Mobile Combustion	52.6
Air Transport	-
Ground transportation	52.6
Process Emissions	-
Fugitive Emissions	-
Waste and Effluents	-
Effluents treatment	-
Treatment of Solid Waste	-
Scope 2	
Purchase of electric power from the grid	-
Purchase of renewable electric power	-
Scope 1 + 2	279,823.5

Gases included in calculation of Scope 1 and Scope 2 emissions: CO₂, CH₄, N₂O, R404A, R407C, R410, R502 and R507

Data consolidation approach: operational control determined by sustainability programs

Methodology used: Brazilian Program GHG Protocol, ISO 14064-1, IPCC Guidelines for National Greenhouse Gas Inventories 2006, Defra Voluntary Reporting Guidelines, ASHRAE Standard 34.

Base year: 2012, year in which the Company started the emissions management process

GEE	GWP
Carbon dioxide (CO ₂)	1
Methane (CH ₄)	21
Nitrous oxide (N ₂ O)	310
R-404A	3,922
R-407C	1,774
R-410	2,088
R-502	4,657
R-507	3,985

(GRI 305-3)

Biogenic Emissions	CO ₂ (tCO ₂ e)
Scope 3	1,451.83
Purchased goods and services	0.
Purchase of meat	-
Purchase of cattle / sheep	-
Purchase of feed materials	-
Wastes generated in operations	0.
Composting	-
Outsourced landfill	-
Transport and Distribution (Upstream)	1,070.24
Shipping	-
Ground transportation - outsourced fleet	1,070.24
Home-to-Work Shift	186.05
Outsourced bus	186.05
Business Trip	195.54
Air travel	-
Ground transportation of employees - Outsourced fleet	195.54

Gases used in the calculation of Scope 3 emissions: CO₂, CH₄ and N₂O
 Activities included in the calculations: goods and services purchased, generated in operations, transport and distribution (upstream), home-work shift and business travel

Protocol, ISO 14064-1, IPCC Guidelines for National Greenhouse Gas Inventories 2006, Defra Voluntary Reporting Guidelines, ASHRAE Standard 34.

Base year: 2012, year in which the Company started the emissions management process

GWP: equal to the above GEE x GWP table

Methodology used: Brazilian Program GHG

(GRI FP5)

Certifications from Marfrig Global Foods	Certified Units
Certification of the North American Meat Institute International standards for the guarantee of animal welfare rights created by the North American Meat Institute, trade association of the United States that brings together meat and poultry industries	11
ISO 9001 A set of guidelines to ensure that products and services meet the requirements of customers and consumers, and that quality is consistently improved according to ISO (International Organization for Standardization)	3

(GRI FP5)

Certifications from Marfrig Global Foods	Certified Units
ISO 14001 Set of guidelines for environmental management developed by ISO (International Organization for Standardization). It is the only one of the ISO 14000 series that can be audited by third party	9
ISO 22000 Set of guidelines for the management of food safety developed by ISO (International Organization for Standardization)	5
FSSC 22000 Certification created by the Foundation for Food Safety Certification based on ISO 22000	2
OHSAS 18000 Developed by regulatory bodies of several countries, in conjunction with certifying companies, on health and safety at work	9
SA 8000 Global standard of social responsibility management developed by the SAI (Social Accountability International) on the basis of international human rights principles and the conventions of the International Labor Organization	2
TLS 8001 The Thailand Ministry of Labor enacted the Thailand Labor Standards, which congregate social responsibility guidelines, including respect for the human rights of workers and the guarantee of working conditions that encourage personal development and quality of life	1
BRC Global Standards Certifications Marfrig Global Foods holds 11 certifications by BRC Global Standards, a leading institution in quality and safety certification programs. These certifications congregate food control standards recognized by the Global Food Safety Initiative (GFSI) and required by the world's leading retailers	10
HACCP Means Hazard Analysis and Critical Control Points. This is an internationally recognized methodology for food safety management. It is mandatory in several countries, including the USA and European Union nations	10
IFS Food Developed by International Featured Food Standards, this standard is recognized by the Global Food Safety Initiative (GFSI) to certify the safety and quality of food products and production processes	1
Rainforest Alliance Certified™ Guarantee of environmental sustainability, social and economic development in agricultural and forestry processes. Learn more on p. 50.	3
Global Standard Food Safety Protocol developed by the British Retail Consortium, which specifies the operational safety and quality criteria required to meet legal obligations and consumer protection	5
Certified Organic Beef It attests that the meat is really organic, that is, produced from an environmentally sound system, socially just and economically viable, and with superior quality. Allows the export of organic meat to the United States, the European Union and Canada	3

(GRI FP5)

Certifications from Marfrig Global Foods

Certification	Certified Units
USDA National Organic Standard Certifies that the food is produced according to guidelines related to ecological balance and biodiversity conservation standards	1
National Standard for Organic and Biodynamic Produce Ensures that organic and biodynamic products are produced in accordance with the export standards required by various countries	1
USDA Process Verified Program Untitled in the market as "USDA Process Verified", these products are checked for the responsible use of antibiotics	7
McDonald's Code of Conduct and McDonald's Standard Protocols whose compliments are needed to provide raw material for McDonald's	4
McDonald's SQMS Protocol of the quality management system of supplies whose compliance is required to provide hamburgers to McDonald's	2
Burger King Global Supplier Protocol whose compliance is necessary to provide raw material for the Burger King	4
COSTCO Code of Conduct Protocol related to the Code of Conduct and Social Responsibility of the COSTCO retail company, whose compliance is necessary to provide food for their units	3
High Quality Beef Quota (UE) Protocol whose fulfillment is necessary to supply meat to the European Union	6
Kosher Certified Beef Plants qualified for meat production with Kosher religious ritual, of Jewish origin	4
Halal Certified Beef Plants enabled for meat production with Halal religious ritual, of Islamic origin	6
Tacuarembó Angus Beef & Tacuarembó Premium Angus Beef Both are dedicated to product lines and have international recognition, in addition to being approved by the United States and the European Union	4
Ami (Animal Welfare) Certification ensuring good animal welfare practices	4
Viva Grass Fed Beef (USDA)	5
LEED Certification Leadership in Energy and Environmental Design (LEED) is a certification program of the U.S. Green Building Council - a North American council on sustainable buildings - which includes a classification system to help owners and managers to be environmentally responsible and efficient way	1

(GRI FP9)

Keystone Foods

Species	Breeding practices and genetics
Chicken Hubbard M99 male x Cobb 500 female	Breeding in aviaries isolated of other animals, protected from the elements in a dry environment, aerated and temperature-controlled throughout the life cycle.
Chicken Ross Yield-Plus male x Ross 708 female	Breeding in aviaries isolated of other animals, protected from natural and dry environments, aerated and temperature-controlled throughout the life cycle.

Beef Division

Beef cattle - extensive system (pastures)	Creation and termination in natural and planted pastures. The cattle are zebu breeds. European countries. or coming from crossing with these breeds
Beef Cattle – confinement termination	Creation in natural pastures and planted with termination in confinement for period between 90 and 120 days. The cattle are zebu breeds. European countries. or coming from crossing with these breeds

Beef International

Beef cattle - extensive system (pastures)	Creation and termination in the open, in natural and planted pastures. The cattle are of British races or coming from crossing with these races
Beef Cattle - Organic Certification and Grass Fed	Creation and termination in the open, in natural and planted pastures. The cattle are of British races or coming from crossing with these races
Beef Cattle - confinement termination	Open casting and confinement termination for a period of 140 days to 200 days. The cattle are of British races or coming from crossing with these races
Sheep lamb - extensive system (pastures)	Creation and termination in the open. Sheep are of the Corriedale breeds, Suffolk, Donhe Merino and Dorper

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TRADING MARKETS

Actions

BM&F BOVESPA (New Market)
Trading code: MFRG3
Custodian Bank: Itaú Unibanco S.A.
ADRS (American Depository Receipts) - Level I
OTC (US over-the-counter market)
Trading Code: MRRTY
Custodian: Deutsche Bank Trust Company Americas
Custodian Bank: Itaú Unibanco S.A.

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