Market Risk Management Policy

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

Contents

1. Introduction 3
1.1. Purpose 3
1.2. Scope 3
1.3. Validity 4
1.4. Disclosure 4
2. Definitions and Responsibilities 5
3. Market Risks 8
4. Financial Instruments 14
5. Hedge Accounting 15

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

1. Introduction

1.1. Purpose

This Market Risk Management Policy ("Policy") establishes the rules and the guidelines for the procedures to be followed by Marfrig Global Foods S.A. and its Subsidiaries in Brazil and abroad ("Marfrig" or "Company"), and their respective employees and managers.

This policy defines (i) the risk limits acceptable to the Company; (ii) the parameters for negotiating the products to hedge Marfrig's exposures; (iii) the responsibilities and approval authorities for contracting hedge instruments; (iv) the methodology for monitoring, communicating and informing the agents involved in market risk management.

This policy addresses the following risks:

- Exposure to exchange rate;
- Exposure to commodity prices;
- Exposure to interest / inflation rates;
- Liquidity risk.

Important: This is not an exhaustive list, but lists the main risks to which the Company is exposed in the opinion of its Board of Executive Officers.

1.2. Scope

This Policy is valid and applicable to all divisions and operations of the Marfrig group.

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

1.3. Validity

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

1.4. Disclosure

The outcome of the actions highlighted in this Policy and evidence of discussions held must be presented periodically at the meetings of the Board of Directors of the Company, with the presence of the Finance and Risk Management Committee, and recorded in the respective minutes of the meeting.

This Policy will be broadly disseminated within the Company and its Subsidiaries, with the adhesion and consent of managers, and will be filed with capital market regulators and made available to shareholders, investors and the market through the Investor Relations website of the Company.

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

2. Definitions and Responsibilities

In order to measure, control, monitor and mitigate Market Risks, Marfrig set up an internal structure whose size is compatible with its operations and the complexity of its businesses. The responsibilities of the members of this structure are detailed below:

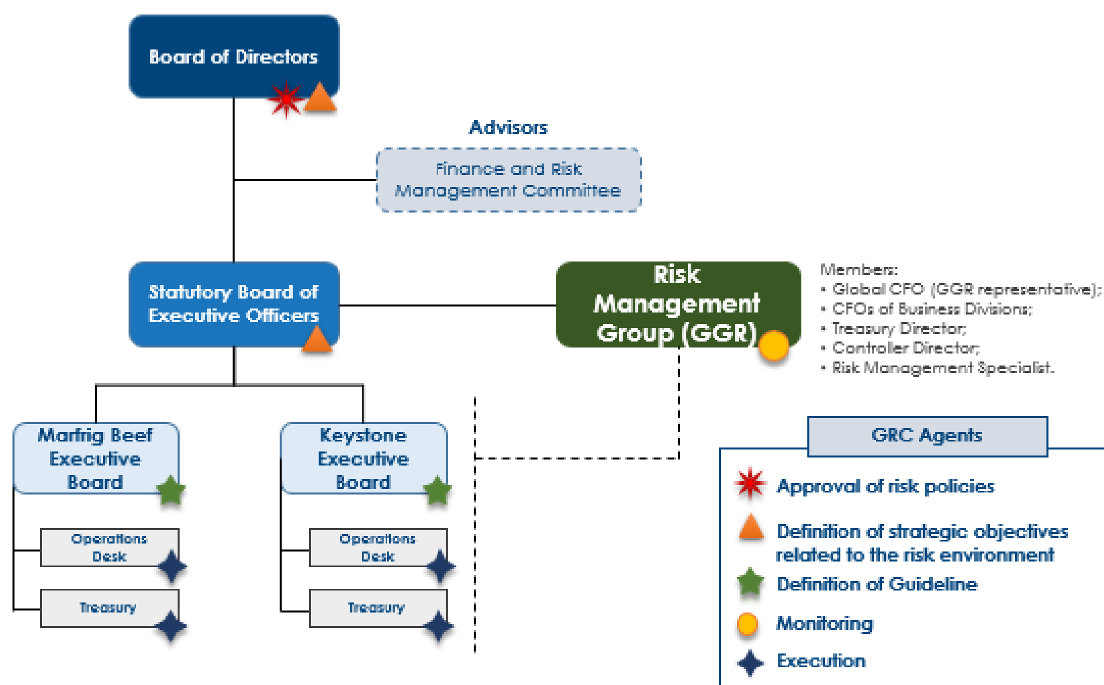

Figure 1 – Corporate Risk Management (GRC) Structure

Board of Directors and Board of Executive Officers

The Board of Directors and Board of Executive Officers of the Company are responsible for defining the strategic objectives related to the Company's risk environment. The Board of Directors is responsible for approving the Market Risk Management Policy jointly with the Finance and Risk Management Committee. The Executive Board and the Board of Directors are responsible for: i) implementing a structure to manage financial risks; and ii) ensuring the application of this Policy.

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

Risk Management Group (GGR)

The Risk Management Group (GGR) consists of the global Chief Financial Officer (CFO) of the Company, who will serve as leader of the GGR, the CFOs of the Business Divisions, the Treasury Director, the Controller and the Risk Management Specialist. The GGR advises the Executive Board on achieving the Company's strategic goals, ensuring that its activities are conducted in a way that preserves and increases the value of its assets.

The GGR supports risk management activities, establishes the general guidelines for operations and decisions on strategic issues, in accordance with the law, ethics and internal controls of the Company.

GGR Meetings

The Risk Management Group shall meet ordinarily every quarter and, extraordinarily, when convened by any of its members.

The meetings shall be held with the presence of the majority of members, and decisions are taken by the majority of those present. The matters discussed will be formalized in the minutes of the meeting.

Risk Management Specialist

The Risk Management Specialist will represent the GGR in its duties as guardian of Corporate Risk Management (GRC). The Specialist will serve as consolidator and will report the activities to the Board of Executive Officers, informing the consolidated results, exceptional situations and recommendations for action, through periodical reports.

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

Directors of Business Divisions

The Directors of the Business Divisions are responsible for and committed to delivering on the performance targets set in the budget period. For this, the Directors must observe their risk variables and take action to ensure their deliveries within the parameters of this policy.

Each Business Division is responsible for the following: i) to identify and evaluate its market risks; ii) to define and implement its risk hedging strategies based on its knowledge, analyses and instruments available in the local markets; iii) control and manage risk variables; and iv) report the results under this Policy to the GGR. The Division Directors must ensure formal and timely communication with the GGR in case of any event that indicates a significant impact on the budget approved by the Board of Directors. In this case, the GGR must submit to the Board of Executive Officers the exposures and actions proposed by the Business Divisions. The GGR will formalize this flow of information in writing.

Approval authority

The Company will be represented exclusively by its Officers and Attorneys-in-Fact, in accordance with the approval authorities established in its Bylaws. Approval by the Board of Directors will be required for acts and operations in amounts that exceed such limits.

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

3. Market Risks

The Company is dedicated to producing, manufacturing and marketing, in the domestic and foreign markets, and also to its international operations, food products with the focus on animal protein products. The operational risks come mainly from the following:

- exchange variation on its international operations;

- volatility of commodity prices;

- fluctuation in interest rates;

- management of the Company’s cash flow.

Accordingly, the Company tries to (i) hedge its margins from price fluctuations; (ii) ensure raw material supply; (iii) streamline its planning process by reducing volatility/uncertainty in its pricing strategy. These risks may be mitigated through hedging operations contracted by the Divisions and/or by the Company's global Treasury.

Exposure to Exchange Rates

This section specifically addresses the exposure to market fluctuations in the exchange rate different from the functional currency that Marfrig operates in the market, such as the U.S. dollar, the British pound and the euro.

Exposure to exchange rates is divided into two parts:

- Exchange Rate Exposure of Balance Sheet; and
- Exchange Rate Exposure of Cash Flow.

Exchange Rate Exposure of Balance Sheet

The exchange rate exposure of balance sheet is any exposure to currencies other than the functional currency of the entity that results in exchange variation in the

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

accounting results arising from the variation in exchange rates throughout the period during which any balance is outstanding.

Exchange rate exposures of the balance sheets of the business divisions must be monitored by the finance department of the respective Business Division and reported to the Risk Management Specialist on a monthly basis. For net balance sheet exposure, the GGR must recommend a hedge to the Board of Executive Officers. If approved, the Treasury desk of each Business Division will contract the exchange rate hedge.

Exchange Rate Exposure of Cash Flow

Exchange rate exposure of cash flow is any net exposure of the Company's operating and financial cash in currencies other than the functional currency of Marfrig or its business divisions.

To reduce the volatility in business margins while optimizing the Company's cash management and increasing its predictability, the Business Division may adopt a hedging position to hedge its cash flow based on and up to the limit of: i) expected purchases and sales in other currencies; and ii) debt in other currencies maturing in the next 12 months.

Decisions must take into consideration the history of the company's capacity to transfer costs to prices and the market outlook. Each Business Division must keep in its controls a map of the position and coverage.

Exchange rate exposure of Cash Flow of the business divisions, as well as the respective hedging instruments, must be reported on a monthly basis by the financial areas of these units to the Risk Management Specialist.

The operations desks of the business divisions must contract exchange rate hedges through derivative financial instruments, observing the guidelines of this policy.

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

Exposure to Commodity Prices

As part of its operations, Marfrig purchases certain commodities, such as cattle, grains and fresh meat, which represent the biggest individual components of its production costs and are subject to certain variables.

Raw material prices are directly related to market conditions and are influenced by domestic supply (volatility caused by factors such as weather conditions, crop yields, logistics costs, agricultural policies, macroeconomic factors and others) and by global market demand.

Exposure to commodity prices, especially in the purchase of raw materials, are managed in accordance with their sales cycle, while maintaining the inventory management strategies, position of purchase contracts for future delivery and derivative operations in the futures market.

The business divisions may contract futures transactions in order to reduce the price risk related to commodity requirements for a period of up to 12 months (revolving).

The operations desks of the Business Divisions must contract commodity price hedges through derivative financial instruments in a way that meets the guidelines of this policy. Business Divisions must keep in their controls a map of the position and coverage.

Exposure to commodity prices must be reported by the finance departments of the Business Divisions to the Risk Management Specialist on a monthly basis.

Exposure to Interest / Inflation Rates

Marfrig may be exposed to interest rates due to economic changes affecting the Company's assets and liabilities pegged to the Long-Term Interest Rate (TJLP/TLP), the LIBOR (London Interbank Offered Rate), the CDI (Brazilian overnight rate) or inflation indexes such as the General Market Price Index (IGP-M) and the Broad Consumer Price Index (IPCA). The Company continuously monitors market interest

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

rates to minimize the aggregated average cost of servicing its consolidated debt and to hedge against the volatility of market interest rates.

Execution of interest hedging strategies is an exclusive activity of the Treasury areas of the business divisions and require approval from the global CFO. Reports must be made on a monthly basis to the Risk Management Specialist.

Liquidity Risk

The possibility of the Company not being able to efficiently honor its expected and unexpected obligations, whether current or future, without affecting its day-to-day operations and without incurring significant losses, due to lack of sufficient funds on the date of maturity of each debt, resulting in a mismatch between payments and receipts caused by:

- Difficulties in rapidly selling assets or positions due to lack of market price or liquidity; and
- Difficulties in obtaining funding or financing for its cash position and thus complying with its financial obligations.

To manage this risk, the Company adopts the following methodology:

Analysis of Minimum Cash Needs

The minimum cash is defined by the Company as the lowest cash level that must be available to cover short-term disbursements (next 12 months), considering the limitations to inflows of both financial (financing sources) and operational (recession scenario) sources.

The calculation of the minimum cash and monthly projections of disbursements must be presented by the global Treasury to the GGR on a quarterly basis. The following should be considered in this calculation: (i) short-term debt; (ii) payment of tax obligations; (iii) disbursements with projects and investments; and (iv) operating cash generation.

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

Credit Lines with Guarantee of Liquidity

The Global CFO must ensure that funds and credit lines are available to manage operations. Accordingly, the global CFO may choose to contract credit lines from financial institutions i.e. back-up facilities, such as:

- *Overdraft account;*
- *Standby Facility;*
- *Revolving credit.*

On a quarterly basis, the Directors of the Divisions and operations of the group should revise and discuss cash flow projections, the financing needs and any relevant information to manage liquidity, and report such information to the global CFO.

The Corporate Treasury department at Marfrig continuously manages the cash level required by the Company's operations, in addition to projecting the financing needs, in order to ensure an effective management of financing resources and adequate liquidity, while reporting the strategies discussed to the global CFO in a timely manner.

New products must be reported to and approved by the global CFO, considering the assessment of Liquidity Risks and existing controls. The strategies will be executed by the local Treasury departments.

Updating of Financing Sources

Corporate Treasury, jointly with the global CFO, is responsible for regularly managing the leverage levels and availability of financing sources of the Company to ensure that adequate action is taken in time to maintain liquidity and business continuity.

The main sources of financing of the Company are: (i) cash flow from operations; (ii) short- and long-term bank debt; (iii) equity issues; and (iv) debt issue (debentures and senior notes – bonds, long-term debt in U.S. dollar through notes issued abroad exclusively to qualified institutional investors).

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

Monitoring and metrics

The Risk Management Specialist monitors Marfrig's total debt by analyzing its Assets with Own Capital (Shareholders Equity) or Loan Capital (Current Liabilities + Long-Term Liabilities) and the proportion, in order to calculate Marfrig's debt ratio.

The leverage ratio is monitored by dividing net debt by the Adjusted EBITDA in the last 12 months. Net debt is short-term debt (loans and financing, and interest on debentures in current liabilities) plus long-term debt (loans and financing), less cash, cash equivalents and marketable securities. This leverage ratio enables comparison with other companies in the segment and is used as a parameter for certain financial transactions entered into by the Company.

The measure used internally to manage the availability of investment sources is the ratio of credit lines used to total lines available.

Every month, Corporate Treasury must report a position to the global CFO, matching the current and projected financing sources with available credit lines.

Liquidity risk limits are defined by the global CFO jointly with the Finance and Risk Management Committee: - manage the concentration of debt maturities in the year in levels close to US$ 1 billion;

- manage the share of short- and long-term debt at 20% and 80%, which could vary by up to +/- 5 p.p., respectively;

- manage the ratio of cash, cash equivalents and marketable securities to short-term debt (12 months), keeping it above 1.5;

- manage the ratio of cash equivalents and marketable securities to short- and medium-term debt (24 months) at less than or equal to 2.5;

- the average term of payment of debt should not be shorter than 42 months;

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

- the leverage ratio net debt/Adjusted EBITDA LTM should not exceed (i) 2,5x in December 31, 2018 and (ii) should not exceed 3.5x on the closing date of each subsequent quarter.

Financial Instruments

Transactions with financial instruments should be carried out for hedging purposes within the regular course of business. The following financial instruments are eligible for hedging:

- Swap contracts (currency, interest and commodities);
- Futures contracts (standardized and OTC – currency, interest and commodities);
- Forward contracts;
- Options.

Operations **not listed** as Eligible Instruments may be carried out only with prior approval from the GGR. Strategies involving the **Sale of Options** (**Calls and Puts)** will be permitted only with the approval of the GGR, regardless of the nominal value of the transaction.

Instruments, operations or strategies that, individually or jointly, create any type of leverage or include contractual provisions that cause them to be leveraged are strictly prohibited.

Any variation between the hedged positions or in the hedge that causes the hedge to exceed 100% of the position must be closed out until the limit is reached.

To reduce the exposure to the risk of liquidity of stock exchanges, derivative operations maturing on a certain date should not exceed 25% of the total traded on the respective stock exchange.

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br

4. Hedge Accounting

Accounting of financial instruments using hedge accounting is aimed at minimizing the impact of volatility on the result arising from the mismatch between the mark-to-mark measurement and the accounting classification of the financial instruments used for hedging and the items hedged by the Company.

The Company can adopt hedge accounting of its hedging instruments, in compliance with the International Financial Reporting Standards (IFRS) and the standards issued by the Brazilian Accounting Pronouncements Committee (CPC).

MARFRIG GLOBAL FOODS S.A.
Av. Queiroz Filho, n° 1.560, Bloco 5 (Torre Sabiá), 3ª Andar, Sala 301, Vila Hamburguesa, São Paulo – SP, CEP 05319-000
Phone / Fax: (+55 11) 3792.8600 / www.marfrig.com.br