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LEVERAGING SUSTAINABILITY IN THE VALUE CHAIN

Procurement policy

The Monitoring Program implemented in 2011 is designed to ensure sustainable practices at the suppliers

BRF is committed to disseminating sustainable practices along its supply chain. All suppliers (inputs; grains, meal and oils; beef; dairy products; agriculture; logistics) are in compliance with the Company's Procurement Policy. The acquisition of goods and services takes the following aspects into account: commercial feasibility, cost competitiveness, technical capacity, economic and financial status and alignment with social and environmental policies and guidelines.

The Company therefore requires its suppliers to adhere to minimum environmental and human-rights standards. Some public sources of information are constantly checked, such as the Slave Labor Black List and the Ibama (Brazilian Environmental Protection Agency) Embargoed Areas List. In addition, suppliers must also comply with other criteria depending on their industry's peculiarities. In the case of grains, the Company does not purchase from suppliers involved with illegal deforestation in the Amazon region. Integrated outgrower properties undergo constant assessment and, in the event of non-compliance with established environmental and social commitments, an action plan is prepared to rectify the situation.

Beef cattle procurement involves checks with the Mato Grosso State Environment Protection Agency (Sema) website and presentation of the Cattle Freight Document and the Rural Property Listing Certificate issued by the National Institute for Settlement and Land Reform (Incra). Twenty percent of the beef cattle slaughtered are proprietary-reared through partnerships or services agreements (fattening or weaning).

BRF holds inspections to ensure compliance with the criteria (self-assessments; documentation and services audits at production sites; extension agents' visits to integrated outgrower properties). No events of non-compliance were recorded in 2011. Failure to comply with the agreed terms gives the organization the right to terminate agreements with suppliers.

Monitoring

To promote a sustainable and competitive supply chain, the Company pursues operational excellence via programs such as the World-Class Supply Chain, Supplier Chain Monitoring, Integrated Supplier Management ("Gestão Integrada de Fornecedores" - GIF) and the Health, Safety and Environment Program ("Programa de Saúde, Segurança e Meio Ambiente" - SSMA).

The World Class Supply Chain program, which seeks excellence in management of costs and services to clients, made important progress in 2011. Among these advances, the most important were the training of 65 employees in best procurement practices; the consolidation of the internal process of category analysis; and improving the preparation of the technical team in the execution of projects involving cost reductions. In addition a procurement office was opened in China as part of the Global Sourcing process.

The Supplier Chain Monitoring Program was created in 2011 to identify the main social and environmental risks present in the chain, reducing impacts on society and developing new opportunities for action. The program operates through six working groups (Beef Cattle; Grains/Meal/Oils; Logistics; Agriculture; Supplies; Dairy Products) intended to disseminate sustainability and improve BRF's relationship with its suppliers.

Supply Chain - Over the year, 140 suppliers in the supply chain (packaging materials procurement; investments and power; inputs; partnerships, meats and sales; freight and logistics services) were invited to self-assess their sustainability and management practices (human rights, the environment, product quality). In addition, nine on-site audits were held. In 2012, we aim to contact 14% of key suppliers through self-assessment questionnaires and perform on-site audits in 30 companies.

Grains, meal and oil - State of Mato Grosso meal and soybean suppliers deemed critical due to their operations close to the Amazon biome also undertook self-assessments. In 2012, the assessments will be extended to other regions where we purchase grains.

Agriculture - The integrated outgrowers are of fundamental importance and act in partnership with BRF, thus ensuring that standards of quality and sustainability are included at the base of the productive chain. In 2011, various activities were undertaken to ensure the sustainability of the integrated outgrowers: 1) training of all the extensionists in the BRF Conformity Index; 2) training of the integrated outgrowers in relation to health service

waste reverse logistics; 3) course on the environmental impacts relating to the Sustainable Hog Farming System; 4) development of a model for evaluating the level of economic sustainability of the rural properties.

Beef Cattle - The 300 largest suppliers in the beef chain were visited and replies obtained on human rights, the environment, rural installations, storage and disposal of raw materials, animal handling and well-being, food traceability and reproductive, sanitary and food handling. The goal is to have all suppliers audited by year-end 2014.

Logistics - One of the program's main initiatives involved training 251 outsourced drivers and assistants in the fight against roadside sexual exploitation of children and adolescents. Also in logistics, we released the Integrated Suppliers Management ("Gestão Integrada de Fornecedores" - GIF) project, awarding and ranking partners based on criteria of quality, cost competitiveness, business sustainability and attention to people and the environment, including fleet-management model and fuel consumption.

Dairy Products - BRF has three major programs intended to increase competitiveness in the dairy product chain. Based on the close relationship with integrated pork and poultry producers, these programs are intended to leverage milk production and rural incomes.

Launched in the last quarter of 2011, the Payment for Quality Program ("Programa de Pagamento por Qualidade" - Pró-Quali) encourages producers to improve their in natura milk product with financial rewards for the supply of higher quality milk (such as fat content and total solids).

Along the same lines, the Best Farming Practices ("Boas Práticas na Fazenda") program seeks to raise raw-material quality by providing support to producers in genetic improvement and animal health and stewardship. In addition, the Agrega Leite program is to be implemented in 2012 to help ranchers increase quality and manage costs in a more sustainable manner. In addition, it intends to encourage those who are not yet in milk production to expand their business.

Suppliers Code of Conduct - One of the fruits of the Monitoring Program was the redesign of the Suppliers Code of Conduct in late 2011. The main objective is to reaffirm the commitment to responsible management and sustainability, including ethical behavior, relevant socio-environmental topics (such as combating child or forced and compulsory labor, workers rights of association and proper environmental management), as well as minimum standards to be observed by suppliers. To enhance the process, all new contracts will include a statement of awareness and agreement with the Code. The goal is to make 40% of suppliers critical to the business aware of the standards by year-end 2012.

Certifications

Ten meat processing units have the Global Standard for Food Safety (BRC) and International Food Standard (IFS) international certificates. These units answered for approximately 20% of the company's output in 2011.

Compliance with international standards and certifications |GRI FP2|

Supplier areas	Materials	% complied in accordance with international certifications	Geographic origin
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Supplies ⁽¹⁾	Packaging materials derived from cellulose	59%	Southeast, South, Midwest and Northeast
Grains, Bran and Oil ⁽²⁾	Soybean oil	100%	South, Midwest and Northeast
	Palm and palm kernel oil	100%	Malaysia
	Soybean meal	94%	South, Midwest and Northeast

(1) Considered certification: FSC (Forest Stewardship Council) seal

(2) Considered certifications: ISO 9001; ISO 14001; RSPO (Round Table on Sustainable Palm Oil); RTRS (Round Table on Responsible Soy Association); Proterra Standard; GMP+.

System lifecycle

To broaden the assessment of the impacts, BRF began its Analysis of Product Lifecycles (“Análise de Ciclo de Vida” - ACV) in 2011, in partnership with the Universidade de Santa Catarina. The pilot scheme comprehended the poultry production system in Concórdia (SC) and breaded products (nuggets) output in Chapecó (SC) in which an assessment of quality of feeding, transportation and other stages along the production chain was undertaken. For breaded products, the checks include elements such as flour and packaging.

The first results of the pilot scheme will be presented in 2012, and the ACV study will be expanded to include pork production. At this stage, the processes will be subject to SWOT analysis for collecting data to support decisions which will guarantee quality products with lower environmental impact.

Suppliers subject to human rights assessment

Segment	Contracts with Human Rights Clauses	Response to self-assessment questionnaires	Audit/technical visit at suppliers' facilities	Suppliers that subscribed the Code of Conduct
Agriculture (integrated outgrowers - poultry and pork)	100%	100%	100%	Not applicable
Supplies ⁽¹⁾	20% (by purchase value)	6%	2%	19% (by purchase value)
Grains, meal and oils ⁽²⁾	100%	21.80%	9%	70% (purchase volume)
Beef cattle producers	Not applicable ⁽³⁾	-	100%	-

(1) Considering the value of purchases

(2) Considering volume of purchases

3) Considering one-off (spot) purchases only. Even when there is no agreement, these suppliers are subject to questioning on the matter. Purchases are blocked should an event arise.

Management of Solid Waste

In 2012, the Company intends to expand its solid-waste management actions by supporting a series of steps: structuring selective waste collection at the administrative headquarters and reverse logistics projects for some of the

waste materials generated at the Company; replacing plastic bags at corporate stores with reusable, biodegradable and compostable options; and tracking the industry agreement for compliance with the National Solid Waste Policy.

Local suppliers

There is no set policy involving preference for local suppliers from the same states as the production units although the Company maintains at each regional hub a team responsible for local service and regionalized procurement.

In 2011, 24% of the maize and sorghum and 10% of the soybeans the Company consumed were purchased from local producers. Also, 100% of the beef cattle were acquired in the state of Mato Grosso, where the Company's two beef processing plants are located. Around 70% of milk purchases come from Brazil's Southern Region, due mainly to the location of manufacturing units and milk catchment areas.

Some 60% of the integrated outgrowers are also located in the South (states of Santa Catarina, Rio Grande do Sul and Paraná), reflecting the need to keep production close to food processing.

Share of local suppliers in procurement (% of value spent with suppliers from the state)

State ⁽¹⁾	2010	2011
Mato Grosso	41.7	60.8
Minas Gerais	38.8	48.8
Santa Catarina	48.1	47.5
Rio Grande do Sul	50.8	46.6
Bahia	-	42.3
Paraná	34.0	40.2
São Paulo	60.5	37.0
Federal District	-	33.7
Goiás	25.0	30.6
Rio de Janeiro	24.3	ND

(1) Only the units that made up 80% of total production volume were selected. For this reason, the Bahia and Federal District units do not appear in 2010 and Rio de Janeiro was not considered in 2011.

Animal well-being

BRF's animal rearing systems use production techniques and equipment adapted to the concepts of animal well-being, according to a policy that respects the five animal freedoms: freedom from hunger and thirst; freedom from discomfort; freedom from pain, injuries and disease; freedom to express their normal behavior; and freedom from fear and stress.

In 2011, BRF set up the Agricultural Innovation Department to develop and manage animal comfort-oriented projects (such as poultry farm climate control and animal stewardship), hog genetics and reduced animal manure generation.

Poultry - Heaters, ventilators and atomizers are used to increase the birds' thermal comfort and daily temperature and water consumption controls are in force.

Production units meet Ministry of Agriculture criteria for density, elimination, ambience and transportation. Units producing for export also abide by European Union animal well-being guidelines and the requirements of certain customers.

Hogs - Hog farming facilities are designed to maintain an appropriate environment for the animals. One hundred percent of males are immunocastrated (using a vaccine registered with and approved by the Ministry of Agriculture and in over 60 countries, principally in the European Union). The practice of tooth-filing (performed on newborn piglets to reduce injuries to other piglets or udder sores) is being gradually abolished, and the use of injected drugs is being reduced.

Beef cattle - Ranches and cattle confinement facilities meet animal well-being standards and comply with best production practices, with appropriate means in place to enable cattle to express their natural behavior (specific training in these standards is provided to the ranch hands). All ranches where cattle confinement is practiced have valid environmental licenses to operate, animals are registered with the Sisbov system (allowing traceability) and the ranches undergo bimonthly audits by the inspection authority. For dairy cattle, the Company purchases milk on the spot market, there being no producer integration/loyalty system.

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PROMOTING SUSTAINABLE CONSUMPTION

Commitment to healthiness is expressed in products with reduced sodium and fat content and enriched with nutrients

BRF is conscious of its responsibility and social role in the provision of safe and healthy foods to consumers and clients. It offers a total of around 3 thousand items from a comprehensive portfolio of products developed for different consumer profiles and aligned with the Company's commitment to healthiness.

Impacts on consumer health and safety are assessed for all products, from the earliest stage of concept development through product and packaging research and development, manufacture, production, storage, distribution and supply.

From the nutritional point of view, one of the goals is to adjust products deemed critical in sodium, trans/saturated fats and sugar content and to meet the demands of domestic, food services and overseas clients for reducing these ingredients.

A process of reducing sodium content is underway in line with the goals negotiated by the Brazilian Food Industry Association (Abia) and the Ministry of Health for some food categories. In 2011, research projects that began in the preceding year were implemented to reduce the sodium content of Perdigão-branded products - Turma da Mônica line, including breaded items and sausages. Several projects similar in scope are in progress for other brands, as are studies for the replacement of additives with natural ingredients.

Trans fats reduction has been studied since 1999 and, in 2005, in a pioneering move in Brazil, the Company released its first trans fat-free margarines. This was expanded to include every item in the Qualy line as well as those intended for the international market. Again in 2005, the company began reducing the use of trans fats in industrialized meats and pasta and in 2011, this was extended to frozen desserts.

The same concern also applies to the development of school meal products. In 2011, the Company put into place certain conditions for these products, such as: a sodium content ceiling of 500 mg/100g, absence of allergenics, vitamin and/or mineral enrichment and the presence of fiber.

The Company also observes additional nutritional profile criteria in tender bids, such as: minimum protein and maximum fat and sodium content, ingredient types, absence of chilli and food colorings. BRF serves the São Paulo State Government supplying more than 2 thousand schools and more than 100 city halls in the state, and has also begun operating in the state of Paraná.

Ingredients reduction ⁽¹⁾

Category	Sales volume of products with reduced content as % of the category's sales volume
Dairy products	
Refrigerated	6.20%
Pasteurized milk	0.40%
UHT milk	22.50%
Powdered milk	8.70%
Other processed	3.40%
Foreign market	
Margarines	0.04%
Domestic market	
Breaded items	8.87%
Frozen pies	27.71%
Sausages	0.22%
Ready-to-eat dishes	5.73%
Sausages (other)	6.76%

(1) Data for saturated fat, trans fat, sodium or sugar data for products modified and launched in 2011 only, not including reductions implemented in previous years

In addition, the Company develops products with higher fiber content and enriched with vitamins and minerals in its retail and food services lines. Whole flour, wheat meal and whole grains are used to enrich baked and pasta products with fibers. With the addition of vitamins and minerals to products in general, use is made of purified ingredients obtained from certified suppliers. The minimum dosage added to the products complies with the legal limits and takes into account the conditions of product processing and storage to guarantee alignment with contents declared on the labels.

The dairy products area has redesigned its portfolio with regard to sugar, sodium, fat and synthetic ingredients (such as flavors and colors) content and has developed innovative products with natural ingredients as a means of meeting contemporary nutritional consumer demand. The labels carry clear information on product composition and comparisons with other items to help consumers decide what line best represents their lifestyles. One step in this direction came with the 2011 bolstering of the Batavo Naturis Soja line's market communications with the announcement of 100% vegetable-based and lactose, cholesterol, trans fat and sodium-free products.

Nutritive ingredients and additives increase ⁽¹⁾

Category	% sales volume of products with increased content of nutritive or functional ingredients
Dairy products	
Refrigerated	31.10%
Pasteurized milk	0.40%
UHT milk	0.30%
Powdered milk	53.00%
Domestic market	
Breaded items	8.87%
Sausages	0.22%

(1) Fiber, vitamins, minerals, phyto-chemicals and functional data for products changed and launched in 2011 only, not including reductions implemented in previous years

Products and services

Consumers play a special role in the product development process by contributing to testing by the Sensory and Instrumental Analysis - ASI area, created in 1996 to understand and translate consumer wishes. The area now has more than 10 thousand registered consumers. The R&D area also studies ways to reduce environmental impacts, with a strong focus on reducing packaging materials and items consumed in production. Some of the main projects in 2011 include reducing the volume of cardboard boxes and increasing and standardizing their structure, thus cutting the use of corrugated cardboard by about 4%, equivalent to approximately 500 tons over the year.

Monitoring at all units and covering 100% of production volumes is supported in lab assays and periodic control checklists, this process being undertaken according to standards set by the Ministry of Agriculture or the National Sanitary Inspection Agency (Anvisa), in line with internationally recognized food-safety standards.

Labeling

The labels on 100% of BRF's products carry standard information on content, services and packaging. They include information on the ingredients, a nutritional table, storage conditions, date of manufacture, expiration date and preparation/consumption, in line with the legislation of the countries where they are commercialized.

For products with dietary claims (such as the Batavo Pense Light, Naturis Soja and Sadia Light cold cuts lines), the labels make reference to such attributes. In addition to the express labeling as to the presence or absence of gluten as an ingredient in line with Brazilian legal requirements, there are also notices on other allergenic substances, such as chilli, sesame, soy, peanuts, milk and milk derivatives. The Company proposes to promote a continuous improvement in the dairy products segment in 2012 through projects for the dietary classification of all products according to worldwide tendencies and comparatively with the competition. Beginning in the second quarter of 2012, these improvements will already be featured on dairy product containers.

Consumer satisfaction

Surveys carried out over the year indicated a 99.79% satisfaction rate among the 24,720 Perdigão, Batavo, Sadia and Elegê brand consumers interviewed by telephone. Over the year, 309,996 calls/correspondence from consumers were received. The key element in consumer participation was suggestions for new products - studied by the Company and then launched on the market. Complaints about products and criticisms were just 6% of the total.

As an important element in our clients' portfolio, the away-from-home food industry entrepreneurs were also given special attention. BRF is seeking to better understand their needs which, supported by surveys, will lead to launches specifically intended for this segment in 2012.

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ENGAGEMENT WITH STAKEHOLDERS

The Company has a close relationship with key stakeholders in order to identify relevant themes and improve the management of sustainability

BRF is improving its level of stakeholder engagement, increasing the quality and quantity of consultations to predict the relevance (materiality) of sustainability-related matters for stakeholders and to improve management. In 2011, the Company intensified the debate on the six pillars of sustainability established for its business by consulting employees, senior management, suppliers, clients, consumers, the communities contiguous to its plants, government representatives and organized society.

The company held three on-site panels for an in-depth analysis and to validate the matters deemed relevant for each sustainability pillar. Each panel consisted of an average of 20 members. In São Paulo, one of the meetings was addressed to an in-house audience of managers while another had representatives from all groups regarded as essential to the Company's engagement efforts. In relation to 2010, consultations were expanded with the holding of a multi-stakeholder panel in Chapecó (SC).

During the panel sessions, participants presented their views on progress made in handling sustainability as applied to the business and quality of reporting. The sessions also highlighted current and future challenges associated with the pillars, as well as opportunities for improvement in the provision of information on the relevant aspects. Ten of the Company's leaders were also consulted with the purpose of identifying the most relevant aspects to be emphasized in the 2011 Annual Sustainability Report.

Over the year, workshops with negotiators and managers were held to address BRF's joint responsibility for practices in its supplier chain. An additional goal was to provide inputs for improving supplier monitoring and engagement. Participants included representatives from the six business fronts (beef cattle; grains, meal and oil; logistics; agriculture; supplies; dairy products) as well as the Quality and Sustainability areas. Another initiative was the Field Day meeting with cattle ranchers to align the sustainability criteria BRF suppliers are required to meet.

Social investments

BRF's social investments have traditionally been aimed at the locations that help make it one of the world's largest food companies. Based on its vision of collaborating for a better and more sustainable world, the Company has made a strategic decision to establish an environment for dialog and joint action with the communities to foster local development. The Company's social investment is jointly managed by the BRF Institute team, the result of the merger between the Sadia Institute and the Perdigão Institute, and by the Local Social Investment and Community Relations Committees (CISRC), which are made up of Company employees. In 2011, 290 employees were involved in 27 committees.

Basic premises for the promotion of local development via social investment:

- Expanding the vision of what development means in each context based on local assets and needs;
- Reinforcing the inter-industry networks for local development;
- Contributing to the strengthening of local organized civil society and for qualitative public policies for all;
- Encouraging employees to donate their time and knowledge to foster development.

Network reinforcement

The Active Community Program ("Programa Comunidade Ativa") assumes that inter-industry and systematic action is required to establish what development means to each municipality, as well as to find viable and transformative solutions for existing socio-environmental challenges. In addition, BRF believes that the community must be the leading protagonist in the process if there is to be effective social transformation.

The initiative works to facilitate and reinforce the Community Development Councils (CDCs), which are made up of BRF employees and representatives from organizations that represent or serve the population of the districts

where BRF units operate. These include organized society, residents' associations and NGOs, in addition to schools, city governments, universities, System "S" organizations (e.g.: Sesi, Senai, Senac), etc. The program is organized in partnership with the Paulo Montenegro Institute (Ibope) and involves three stages: identification by the CDC of priority matters for those districts, as well as of their needs and potentialities; participative population engagement; and development and execution of joint planning with the involvement of new partners as required.

The program's pilot scheme began in 2010 in Chapecó (SC) and Concórdia (SC). The results led the Company through its Institute and the CIRCs to continue and upgrade efforts in the two municipalities, as well as to expand the program to Toledo (PR), Dois Vizinhos (PR), Francisco Beltrão (PR), Uberlândia (MG) and Lucas do Rio Verde (MT). The projects created and implemented by the CDCs to year-end 2011 benefited about eight thousand people.

Third sector

In 2011, one-off investments were made to support four social projects in the municipalities of Concórdia (SC), Francisco Beltrão (PR) and Jacarepaguá (RJ), with benefits to around eight thousand people. The efforts focused on improving children's and adolescents' access to information on topics relevant to their health and well being, as well as environmental awareness and conservation, and boosting their development through sport.

In 2012, a specific program will be created to strengthen organized civil society (third sector) in the municipalities where the Company is located.

BRF volunteers

Launched in the second half of 2011, the BRF Volunteers program aims to enable volunteer employee participation in actions intended to bring about positive changes in the communities where they are embedded in line with the Company's values and corporate social investment guidelines.

More than 80 initiatives were taken over the course of approximately four months, involving 700 volunteers and 81 local partners with 225 hours of activities and benefits to 27 thousand people.

Of the actions implemented, those concerned with infrastructure contributed to the upgrading of the facilities of seven social organizations serving the residents of Bom Conselho (PE), Capinzal (SC), Herval D'Oeste (SC), Lucas do Rio Verde (MT), Rio Verde (GO), Salto Veloso (SC) and Uberlândia (MG), and renovating five public areas (parks and public squares) in the municipalities of Francisco Beltrão (PR), Mineiros (GO), Uberlândia (MG), Lajeado (RS) and Videira (SC), with a direct impact on residents' quality of life.

Sport

Sadia-sponsored investments in sport are driven by two elements: high performance and engagement. With the former, which involves sponsoring confederations, athletes and high-performance events, the Company intends to maintain its close ties with sport helping develop several different sporting activities in Brazil. The second focus - engagement - reflects the belief that food and life must be good, encouraging sport through outreach events and

guidance towards adopting new attitudes. From the Company's perspective, sport should not be viewed as an obligation but as the most entertaining way of leading a healthy and balanced life.

The Sadia Platform includes the following programs: sponsorship of the Brazilian Judo Confederation; support for the Brazilian Water Sports Confederation; rhythmic junior and high-performance gymnastics in Toledo (PR); and the Sadia Family (a group of sponsored athletes). The main objectives are getting the public to engage in sporting activities and fostering healthier and more balanced lifestyles for those practicing sport and for the population in general and not forgetting its importance in the light of the approaching 2016 Summer Olympics to be held in Brazil.

BRF volunteers of Serafina Corrêa - RS

Disclosure of CBJ

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ENHANCING HUMAN CAPITAL

Development of the new BRF Culture was a central theme in the process of consolidation of values principles and credos

The year 2011 saw the development and alignment of the new BRF Culture. With the approval of the Perdigão-Sadia merger, one of the priorities in personnel management was to unify the best practices of each company as a means of consolidating the new Organization's values, principles and beliefs.

At an early stage in the Culture Project in September 2011, the Company held a Leaderships Meeting when 600 executives from all our installations were encouraged to reflect on the subject. All the managers, officers, vice presidents and the CEO took part, beginning a process intended to make the Company a bellwether in personnel management.

International expansion and the BRF 15 strategic plan stand as additional challenges in the construction of the new culture. Besides preparing the Brazilian domestic stakeholders for this change, the Company will have to meet the challenge of understanding overseas customs and integrating employees from different backgrounds. Even before the merger was approved, a robust communication plan was developed to quickly and efficiently keep employees abreast of details for implementing the new culture pre- and post CADE approval.

Employment

At year-end 2011, BRF had 132,696 on its payroll, of which 118,859 were direct employees under open-ended labor contracts, 1,237 were direct employees with a set duration, 12,301 were outsourced and 299, interns.

(1) Including employees in Brazil, at Plusfood/Dánica/Avex and BRF-Sadia expatriates

The Company sought to keep its team motivated throughout 2011 by dealing with aspects which had been identified as having room for improvement such as people attraction and retention. In this context, the jobs of employees at the production units were standardized according to market benchmarks, compensation brackets made more attractive and aligned with the local market conditions and an assiduity plan was implemented to reduce absenteeism. The initiative's impacts translated into a year-on-year reduced consolidated rate of turnover (monthly average), which dropped to 2.07% from 2.33%, and lower absenteeism to 3.25% from 3.38%, both factors being instrumental in improved compliance with production plans.

Women are encouraged to develop professionally, and their share in leadership posts has increased from 15% in 2010 to 19% in 2011.

The Company also endeavors to increase hiring and retaining of professionals with special needs. During the year, agreement with the Labor Prosecutor's Office was signed whereby the Company will meet its legal quota in five years, subject to extension for an additional five as long as 50% of the requirement is met at the end of the first five years.

Workforce composition ⁽¹⁾

Categories	Total	Women	Men	Aged up to 30	30-50	Over 50
Officers	56	8	48	0	41	15
Managers	516	104	412	11	449	56
Supervisors/coordinators	2,274	421	1,853	262	1,864	148
Administrative ²	20,483	7,571	12,912	7,964	11,740	779
Operational	93,880	37,939	55,941	41,727	46,778	5,375
Total	117,209	46,043	71,166	49,964	60,872	6,373
%	100%	39%	61%	43%	52%	5%

(1) Brazilian employee data only

(2) Includes data on advisors (listed separately in the 2010 Annual Report)

Total number of employees¹

Contract type	2009	2010	2011
Open-ended	113,912	113,614	118,859
Set duration	447	647	1,237
Outsourced ⁽²⁾	15,147	13,267	12,301
Interns	298	454	299
Total	129,804	127,982	132,696

(1) Including employees in Brazil, at Plusfood/Dánica/Avex and BRF-Sadia expatriates

(2) BRF intends to improve its outsourced employee management in 2012 using a mechanism to ensure standardized and integrated information.

Turnover (monthly average)

	2010	2011
Number of severances	33,996	31,035
Turnover	2.33%	2.07%

(1) Data for Brazil only

Occupational health and safety

The Health, Safety and the Environment (SSMA) program made significant headway in 2011. The core objective is to educate employees on, and ensure their commitment to, reducing occupational accidents and illness. The strategic program was created in 2006 and is seen as critical if the Company is to rise to new levels of excellence in its accident-prevention culture. As a result of the effort, in 2011 there was an average 38.9% drop in the Accident Frequency Rate with time off work, including accidents to and from work: 3.06 against 5.01 in 2010. The goal is to achieve an annual reduction of 10%.

In addition, there are several programs in place to ensure better health and safety conditions, such as substance abuse prevention and education, professional rehabilitation, participative ergonomics and health and safety dialogs, as well as programs relating to legal requirements such as medical controls and occupational health.

Safety indicators

Indicators	2010	2011
Accident Frequency Rate - with time off work ⁽¹⁾	5.01	3.06
Frequency Rate - occupational conditions ⁽¹⁾	0.96	0.20
Severity Rate ⁽¹⁾	473	216
Percentage Absenteeism ⁽²⁾	3.38%	3.25%
Deaths (absolute figures)	4	5 ⁽³⁾
Accidents with time off work	1,078	690
Accidents without time off work	2,693	2,266

(1) Frequency and severity rates per each one million man-hours of work, according to NBR 14.280.

(2) The absenteeism rate concerns employees absent from work due to failure to appear or late appearance as a result of any intervening reasons.

(3) Two typical accidents and three accidents in transit

Training and education

The Annual Training Plan encompasses actions for the non-managerial and executive levels. The former has an educational focus, addressing improvements in both technical and behavioral aspects in the workplace. The executive training plan involves preparation for innovative management practices and concepts, investing in the construction of the Individual Development Plan (PDI), the Collective Development Plans (PDC) and the Leaders

Development Plan (PDL). Mid-level leaders have access to the Our Way of Leading (NJL) Program. Students and newly graduated employees are offered intern and trainee programs.

As part of its career development program, the Company periodically carries out executive performance and development assessments and analyses. This adds method and transparency to the succession process. Analyses are performed on the basis of analytical tools and structured data that allow the entire career curve to be viewed and identify potentialities. In 2011, 2,878 leaders underwent the process, equivalent to 2.46% of all employees.

Human rights

The issue of human rights as related to ethical behavior is addressed for about 20 minutes during the Institutional Induction Program for new hires. In 2011, this involved 26,679 people and 9,893 hours of training. In addition 862 attended leadership training courses focused on human rights held in 23 units and totaling 3,348 training hours. The program covered aspects such as the application of disciplinary measures; labor law; managers' civil, criminal and labor liability and moral sexual harassment. In the Agriculture sector, an eight-hour training program was provided in Várzea Grande (MT) for all beef cattle negotiators.

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ADAPTATION TO CLIMATE CHANGE

Risks and opportunities [GRI EC2]

New Environmental Policy includes Management of Climate Change as a priority theme for the Company

BRF is mindful of environmental issues and maintains several initiatives for the efficient use of natural resources and to mitigate the impact of its operations on the environment. Since 1996, the Company has had in place power rationalization and water use/reuse goals, achieving annual gains for these indicators. In 2011, it developed a new Environment Policy, fine tuning the guidelines already in place at Perdígão and Sadia and identifying the environmental issues most closely associated with its business and principal publics.

The first priority was to start a plan to structure Climate Change Management, an issue deemed as a priority by the Company's risk-management area. Standard tracking of greenhouse gas (GHG) emission rates and proper waste treatment and disposal indices is integral to the performance goals to be established starting in 2012 for continuously improving environmental quality and for the minimization and compensation of associated environmental impacts.

To view the Environmental Policy in pdf format, [click here](#).

Climate change

Climate change has an impact on BRF's daily business. Extreme events such as drought or excessive rainfall, abnormal temperatures, hail, etc. interferes with grain supply and pasture conditions and, therefore, with the feeding of poultry, hogs and cattle. This requires maintaining teams dedicated to keeping track of grain prices and climate conditions in the main world producing regions.

Climate change-related risks and opportunities

Risks	Impacts on BRF operations	Opportunities
Grain crop changes (maize and soybeans)	Crop loss resulting from either drought or excessive rains may have an impact on costs.	Prevention mechanisms: <ul style="list-style-type: none"> • Procurement in periods when prices are advantageous; • Hedging through agricultural derivatives; • Maintaining strategic stocks.
Changes in beef cattle herds and milk procurement	Climatic events such as La Niña may harm pastures, resulting in a need to increase confinement and/or provide supplemental feed, raising the farming costs.	<ul style="list-style-type: none"> • Gradually verticalizing the chain through integrated cattle production projects.
Changes in water availability	The increasingly frequent droughts may increase the Company's costs and hamper access to the resource, with a major impact on operations.	<ul style="list-style-type: none"> • Reduced use of water in operations; • Diversifying the manufacturing plant, building new units in the Brazilian Southwest and central and western regions; • Internationalization of operations.

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Emissions inventory

The starting point for Climate Change Management was the preparation of the first consolidated (Perdigão and Sadia data) greenhouse gas (GHG) inventory in 2010, covering scopes 1 and 2. Scope 1 emissions also include HFC coolant gases, which represented 13,035 CO₂eq tons, out of a total of 300,668 CO₂eq tons in scope 1 emissions. The information does not include quantification of CFC cases, which is not required according to the Brazilian GHG methodology. Scope 2 comprehends emissions associated with electricity, and totaled 112,760 CO₂eq tons.

Data is for 2010 and was verified by a third party (by Way Carbon). For this initiative, BRF was awarded the Golden Seal of the Brazilian Greenhouse Gases Program (GHG Protocol Brasil). For the second consecutive year, the Company is listed in the Carbon-Efficient Stock Index (ICO₂) portfolio, a joint initiative of BM&FBovespa and the National Economic and Social Development Bank (BNDES).

The main initiatives to reduce scopes 1 and 2 emissions include:

- Operational projects and actions to reduce electricity consumption;
- Purchase of biomass-fired steam boilers at the Ijuí and Teutônia (RS) and Ravena (MG) units to replace fossil fuels (three oil and one natural gas boilers);
- Improvements to effluent and waste treatment stations;
- Improved handling of animal manure.

For the logistics fleet, which is entirely outsourced, the actions were aimed at reducing kilometers driven and, consequently, emissions under scope 3. The actions included integrating operations at the Recife (PE) Distribution Center and 13 trans-docking points, reducing the number of vehicles required for deliveries.

Sustainable Hog Farming System (3S)

The 3S (Sustainable Hog Farming System) supports integrated outgrowers in the construction of biodigestors and systems to burn gases generated by treatment of animal manure. Implemented in 22% of the hog supply chain, the program's structure is based on greenhouse gas (GHG) emission reduction. It was reformulated in 2011 to enhance efficiency and managerial excellence.

The initiative is an element in the goal of reducing carbon emissions throughout the production chain. Taking into consideration projects already implemented, the potential for reduction is 591,418 annual CO₂eq tons according to the United Nations Organization methodology. Reduction in 2011 was 163,669.30 CO₂eq tons. The first emissions verification was undertaken in 2011 and is now at the carbon credits validation stage. After verification is completed, the Company will request issuance of a Certified Emissions Reduction Certificate (CER) by the UNFCCC (United Nations Framework Convention on Climate Change). It will be the first project in the world to request UNFCCC credits under the PoA method.

Zero Carbon Initiative

Unveiled in 2009, the Vitória de Santo Antão (PE) unit will be the first meat processing plant in Brazil to neutralize 100% of carbon emissions during its construction period and during the ten years of activities as from the beginning of operations.

Compensation will be in the form of reforestation with native Atlantic Rainforest seedlings in an area of 265 hectares to neutralize an estimated 137,620 CO₂eq tons. Planting began in 2011, initially on an area of 10.23 hectares of the unit's own site, and is scheduled for completion by 2015. The initiative will also include environmental education for the surrounding communities through lectures, training courses and workshops.

Greenhouse gas emissions

	2009 ⁽¹⁾	2010 ⁽²⁾
Scope 1 (direct)	410,507	301,362
Scope 2 (indirect)	53,858	112,760

(1) Emissions estimated by BM&FBovespa/BNDES's ICO2

(2) 2010 emissions data were recalculated using improved methodology

Consumption of resources

Materials

In 2011, the Company used 10.5 million tons of grains and grain derivatives, all of it received in bulk. Since all products purchased undergo transformation (meal and maize into animal protein; oils into animal protein and

margarine; and soybeans into soy meal and oil) there are no calculations for direct material content in the finished products.

Due to the nature of the products and for food safety reasons, the production processes do not use recycled raw materials. The alternative is only available for secondary packaging that do not come into contact with foods. Considering cardboard boxes only, amounting to 164,514.18 tons in 2011, 67,813.51 tons, or about 40%, came from recycled materials.

Energy

Efficient use of energy is a commitment made in the Company's Environment Policy (reformulated in 2011) because it is considered strategic to combating climate change, reducing costs and minimizing environmental impacts. Associated with other initiatives to support the pursuit of continuous improvement in energy use, the Energy Excellence Program was implemented in 2011, based on the best practices of Sadia and Perdigão, both of which had been working on the issue since the nineties.

Direct energy consumption (GJ)

	2009	2010	2011	Change(%)
Renewable sources				
Sugar-cane ethanol	1,358.93	735.24	2.39	-99.7%
Sugar-cane bagasse	-	-	1,566.73	
Rice husk briquettes	-	9,635.33	-	
Wood briquettes	-	-	94,807.97	
Wood chips	5,374,267.59	11,441,207.14	7,351,144.37	-35.7%
Firewood	9,952,549.27	4,978,860.14	10,880,429.93	118.5%
Vegetable or animal oil	260,727.81	404,915.22	32,092.96	-92.1%
Offcuts	460,016.81	-	518,749.26	
Sawdust	2,202,912.66	2,247,976.38	25,339.35	-98.9%
Total	18,251,833.07	19,083,329.47	18,904,132.96	-0.9%
Non-renewable sources				
BPF	476,228.56	478,347.06	395,329.99	-17.4%
Diesel	110,671.97	77,472.64	79,355.45	2.4%
Natural gas	147,244.79	101,287.13	120,303.41	18.8%
Gasoline	1,943.96	2,571.67	232.66	-91.0%
LPG	271,794.62	266,035.74	198,940.44	-25.2%
Kerosene	212.97	334.28	66.63	-80.1%
Shale	117,002.54	102,018.39	38,121.07	-62.6%

Total	1,125,099.42	1,028,066.91	832,349.65	-19.0%
GRAND TOTAL	19,376,932.48	20,111,396.38	19,736,482.61	-1.9%
	2009	2010	2011	2012
Percentage of renewables	94.2%	94.9%	95.8%	
Goal			95.0%	95.8%

A 1.9% drop in direct energy consumption was recorded in 2011 from the previous year, an indication of efficiency given that production rose by 4.1% during the same period. Consumption of 19,736,482.61 GJ represented savings of 374,913.77 GJ from 2010. This sweeps up data from all manufacturing units (meat processing plants, industrialized meat and dairy products units, animal ration factories and milk collection stations), consumption of which is monitored to identify opportunities for improved energy use.

Out of total annual energy consumption, 95.78% came from renewable sources, reaching the 95% goal set for 2011. The improvement reflects largely investments migrating from equipment consuming power from non-renewable sources to a cleaner energy matrix, which also reduces greenhouse gas emissions.

In addition, the Company maintains its Renewable Forests Program, intended to expand self-sufficiency in forest resources used to generate direct energy. In 2011, forest plantation productivity rose by 25%. Harvesting is scheduled to begin in 2016.

Indirect energy consumption (GJ)

	2009	2010	2011	Change(%)
Renewable sources				
Hydro	6,182,550.41	6,287,132.78	6,839,404.02	8.8%
Biomass	331,941.30	107,271.12	105,507.45	-1.6%
Wind	-	21,623.09	25,140.89	16.3%
Photovoltaic	2.08	1.97	7.78	394.7%
Total	6,514,493.79	6,416,028.96	6,970,060.14	8.6%
Non-renewable sources				
Gas	262,467.94	374,717.01	163,415.78	-56.4%
Oil	119,654.50	137,861.90	-	
Nuclear	108,075.03	213,204.85	201,127.11	-5.7%
Coal	62,620.69	-	119,419.22	
Total	552,818.16	725,783.76	483,962.11	-33.3%
GRAND TOTAL	7,067,311.95	7,141,812.72	7,454,022.25	4.4%

	2009	2010	2,011	
Percentage of BRF renewables	92.18%	89.84%	93.51%	4.08%
National interconnected system *	85.70%	89.60%	92.40%	3.13%

* Source: Brazilian Power System Monitoring Bulletin with consolidated data to November 30, 2011

Total indirect energy consumption rose 4.4% from 2010, due mainly to the larger number of monitored units (100% of manufacturing operations).

The Company's goal for 2011 was to use 2% more renewable energy than the national average. Despite projects for implementing changes in the power matrix at some units, the end result was below target at 1.11% due mainly to changes in the national grid, National Interconnected System. The goal of surpassing the national average will be maintained for 2012, however based on a new calculation method in the light of modifications in the industrial complex following the signature of the Performance Commitment Agreement with CADE.

Savings - Savings achieved in 2011 were 242,116 GJ, 70.9% more than in 2010 and in line with the goal of a 250 thousand GJ saving over the previous year. Therefore, taking 2009 as baseline, savings reached 583,612 GJ, an amount of energy equivalent to one month's consumption of a city of 1.25 million. These savings were made possible due to the operational gains arising from raised awareness of those involved on the efficient use of energy in the workplace and to technological improvements to equipment and systems, particularly refrigeration. The goal for 2012 is to save 50 thousand GJ relative to 2011. The indicator's base is yet to be formed, taking into account the new manufacturing configuration following the transfer of assets required by CADE contingent on its approval of the Perdigão-Sadia merger.

Energy savings

		2010	2011	Change (%)
Energy saved	341,496	583,612		70.9%
Savings goal	-	591,496		
% attained			99%	

Water

A strategic input in food production, water consumption is tracked to identify potential for gains in efficiency. Over the course of the year, the monitoring system was expanded to encompass the entire dairy products operation. As a result, a 1.8% increase in total water consumption was identified at 62.3 million cubic meters, a volume affected by a 4.1% increase in production. The main source is surface water, followed by artesian wells, both in compliance with legal requirements, be they water use rights or licenses to operate these activities. Public utility sourced water corresponds to just 3.1% of all withdrawals.

All manufacturing units maintain Effluents Treatment Stations (ETEs) so that water can be returned to the environment without change in class of withdrawn water. Monitoring of ETE performance and the assessment of

compliance with legal standards were standardized by the Management Project. With this, BRF is committed to disclosing the quality of final effluents in 2012.

Water withdrawal (cu.mt/year) - BRF Consolidated

	2009	2010	2011	Change (%)
Total	61,226,432	61,202,360	62,299,437	1.8%
Surface	41,693,856	41,139,557	42,251,876	2.7%
Ground	17,350,531	17,486,230	18,143,816	3.8%
Public utility	2,136,939	1,554,365	1,903,745	22.5%
Rainfall	45,105	32,154	-	-100.0%
Total reuse	15,506,752	15,701,346	15,486,705	-1.4%
% reuse	20.2%	20.4%	19.9%	-2.4%

Effluent disposal (cu.mt)

Destination	2009	2010	2011
Surface source	52,758,568	52,233,375	54,843,866
Ground	1,050,429	862,317	846,238
Total	53,808,997	53,095,692	55,690,104

Waste

More than 80% of the waste volume comes from ETEs and hatcheries (eggshells). The remainder includes wood scrap (mainly from pallets), boiler ash, scrap metal, grain husks and sweepings and plastic materials.

Logistics assets are potential sources of environmental impact in highway accidents as result of soil or water contamination, for example due to spillage of fuel or cargo such as vegetable oil and grains. BRF is improving its internal procedures flow to ameliorate these eventual impacts with freight transportation companies instructed to report details on all accidents and concomitant environmentally appropriate disposal of spilled material as well as preparation of reports on occurrences.

In 2011, eight spills were recorded involving the following materials: animal fat, in natura milk, soybean oil, eggs and diesel fuel from a freight vehicle. In each case, we were able to quickly mobilize teams and take the appropriate steps to remedy, as needed, any environmental damage, as well as to take the appropriate steps with the relevant environmental protection agencies.

Waste by type and disposal method

	2010	2011
Disposal		
Incorporation into the	1.55%	1.67%

soil		
Landfill	3.86%	2.28%
Recycling	8.80%	12.84%
Incineration	0.01%	0.03%
Composting	85.78%	83.18%
Type		
Class I (hazardous)	0.20%	0.10%
Class II (non-hazardous)	99.80%	99.90%

Note: The Company is incrementing its waste reporting management to standardize the procedure for all units and also disclose the weight of the waste.

Biodiversity

The Company has begun a process of recognizing the totality of its areas (focus on identification of the protected areas - or those adjacent to them - and the high degree of biodiversity outside the protected areas) in an effort to identify any environmental impact not previously spotted. Due to the large number of factory units and the extent of the areas, this survey will not be completed before 2015. The diagnosis will include proposals for mitigating actions in addition to the initiatives already adopted in the light of the environmental licenses.

The potential impacts of the Company's operations on the biodiversity include: contamination of water and the water table; contamination of the soil; air pollution. The Company adopts strict procedures for monitoring and minimizing these impacts. |GRI EN12|