

- Sustainability  
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The Marfrig Group develops and implements innovative actions and wide-ranging policies to foster corporate social and environmental responsibility in its commodity supply chain, aiming to ensure the long-term sustainability of its business.

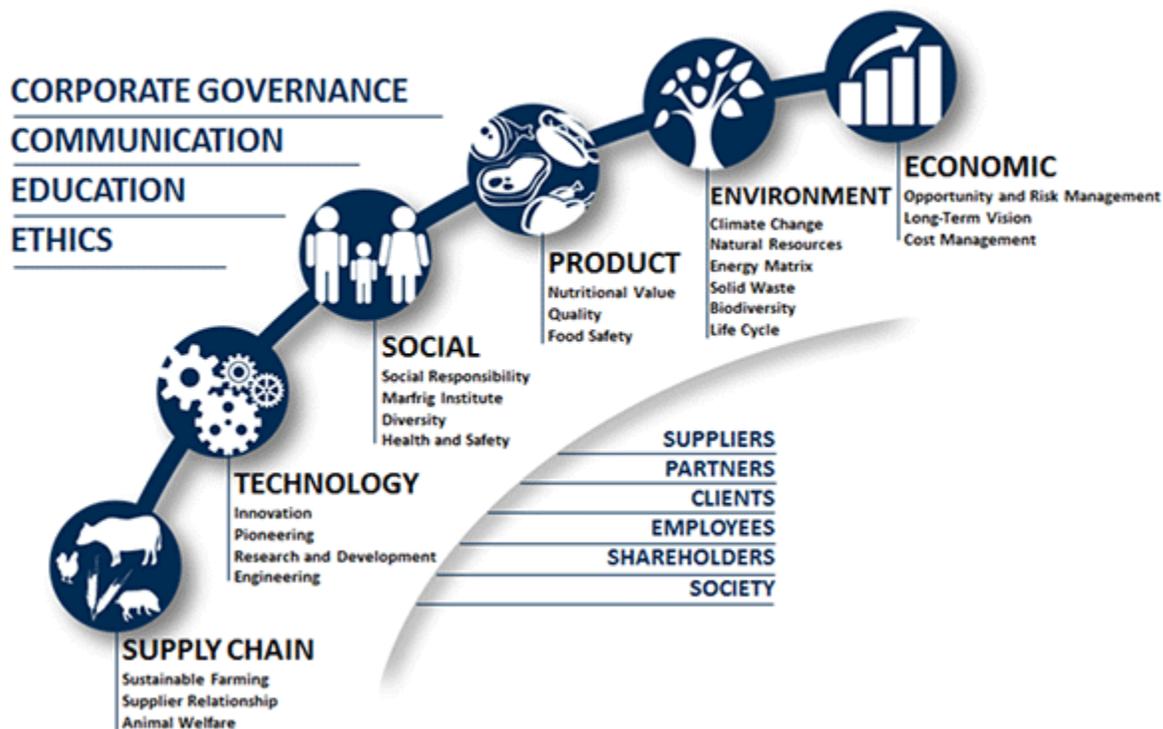
To this end, each Business Division in the Group develops actions in accordance with its local operational specificities, which, all together, ensure and promote sustainability of its entire productive system.

The Marfrig Group abides by a single Ethics Code, which permeates all its industrial, commercial and administrative units, in every country in which the company operates. This helps the Corporation to develop a single global culture, governed by the same set of social and environmental values.

The most visible face of the Corporation's commitment to sustainable practices can be found in the working groups it leads or participates in, and in the public commitments it has made in partnership with the most important world organizations in favor of sustainable production and the preservation of biodiversity.

The Company has defined its sustainability strategy in six strategic dimensions which include strong pillars, ensuring that they are all connected to its core business:

### Sustainable business management. Creation of value over long term.



Among the most important stances and causes embraced by the Marfrig group, the following are especially noteworthy:

- Participation of GTPS- Grupo de Trabalho da Pecuária Sustentável (Sustainable Beef Working Group), a World Bank initiative implemented by IFC - International Finance Corporation with the purpose of promoting the sustainability of the beef and veal commodity supply chain.

- Member of the Leather Working Group, an international, multi-stakeholder group that aims to develop an environmental performance protocol for livestock producers, and to promote best practices in sustainability in the leather industry.
- Signatory of the public commitment “Criteria for Industrial-Scale Operations with Livestock and Bovine Products in the Amazon Biome”, in partnership with Greenpeace. This is a six-point program that includes the registration of farms, the monitoring of native forests and the barring of suppliers involved in practices of deforestation, occupation of indigenous lands and preservation areas (UP), slave labor, land theft and rural violence.
- Signatory of the Corporate Pact for Sustainable Connections, in favor of the sustainable financing, production, use, distribution, marketing and consumption of livestock farming products originating in the Amazon and marketed in the city of São Paulo (SP).
- Signatory of the Sustainability Pact, an initiative by Walmart Brazil to reach agreements with suppliers in view of sustainable development of the Amazon, reduction of packaging and development of sustainable commodity chains.
- Signatory of the National Pact for the Eradication of Slave Labor in Brazil, an initiative by the Ethos Institute for Corporate Social Responsibility (Instituto Ethos de Empresas e Responsabilidade Social), the Social Observatory Institute (Instituto Observatório Social), the NGO Repórter Brasil and the International Labor Organization, aiming to implement tools to prevent the corporate sector and Brazilian society from marketing products sold by suppliers involved with the exploitation of slave labor.
- Signatory of Integrated Pollution Prevention and Control, a set of standards and obligations that companies established in the European Union must abide by, with the aim of preventing and reducing air, water and soil pollution.
- Signatory of the Roundtable on Sustainable Palm Oil, an international organization based in Switzerland and dedicated to promoting the sustainable development and use of palm oil through credible global standards and with the participation of all the stakeholders in the commodity chain.
- Signatory of the Courtauld Commitment Phase 2, an United Kingdom agreement between retail chains and the food industry to foster the sustainable use of resources throughout the supply chain, in order to reduce carbon emissions.
- Member of Business in the Community, an international network of responsible corporations committed to the realization of a sustainable future for people and for the planet, with activities in four areas of specialization: community, environment, labor and market.
- Participant in a Climate Change Agreement, a tax and levy compensation system aiming to encourage companies established in the United Kingdom to increase their energy efficiency and reduce their carbon emissions.

The Marfrig Group, through its Business Divisions, has implemented several programs and actions, with global reach, related to sustainability. Such programs constitute a solid foundation on which operational synergies between divisions can be built. In addition, the sharing of experiences and the analysis of the results obtained in each Division allows to disseminate the best practices throughout the Group.

Among the most important projects currently in progress concerning sustainability, the following are especially worth mentioning:



Launched in March 2010 at the Seara unit in Diamantino (MT), the biodigester system for treatment of swine wastewater is the largest and most modern of its kind in Brazil.

It is considered a model for the implementation of similar systems in Brazil and abroad, with a capacity to reduce the equivalent of 54,000 tons of CO<sub>2</sub> per year that would otherwise be emitted into the atmosphere, a feat which corresponds to the planting and preserving of 15 million native trees or to the reforestation of 6,820 hectares.

Conceived in accordance with the requirements of the Clean Development Mechanism (CDM) of the Kyoto Protocol (United Nations), this project is capable of generating enough energy to supply the agro-industrial complex itself, in addition to excess energy sufficient to power a town of 8,500 inhabitants.

The main purpose of the system is to treat wastewater originated from industrial activity, purifying and reusing all the water consumed. After purification, 70% of the water is reused in the industrial process, and 30% in agricultural fertirrigation.

The company intends to establish plans to promote enteric fermentation mitigation such as already started in France, where it is researching the role of cattle and its contribution to greenhouse gas emissions by studying how different compositions of feed will affect methane output.

By partnering with the French National Institute of Agronomic Research (INRA), the Company will identify the possible options to reduce our carbon footprint through alternative animal feed regimes.



All industrial units of the Marfrig Group are equipped with wastewater treatment systems, ensuring that water is reused or discharged in environmentally appropriate conditions.

All industrial wastewater are treated and clarified by means of physico-chemical and biological processes, as they undergo a process of flotation, followed by biological oxidation in anaerobic lagoons, aerated/aerobic lagoons or activated sludge.

On average, pollutants are removed at efficiency rates of more than 90%. In the most of cases the resulting habitat now sustains a wide variety of wildlife including fish, birds, and plants.

The Marfrig Group has an inventory of greenhouse gas (GHG) emissions in all of its activities worldwide, in order to establish, based on 2010 emissions, a corporate strategy for the reduction and compensation of emissions.

Seeking effective disclosure of its relative involvement in climate change, the Company answered the questionnaire by CDP (Carbon Disclosure Project), considered today the main global initiative for the mitigation of climate change and the creation of a low-carbon economy. In addition, in order to identify the "forest footprint" generated by the presence in its supply chain of commodities originating from deforestation areas, the Company answered the questionnaire launched by FFD (Forest Footprint Disclosure).

In the FFD report launched in February 2012, the Marfrig Group received a special mention being the most improved company in the food industry in the management of forestry impacts.

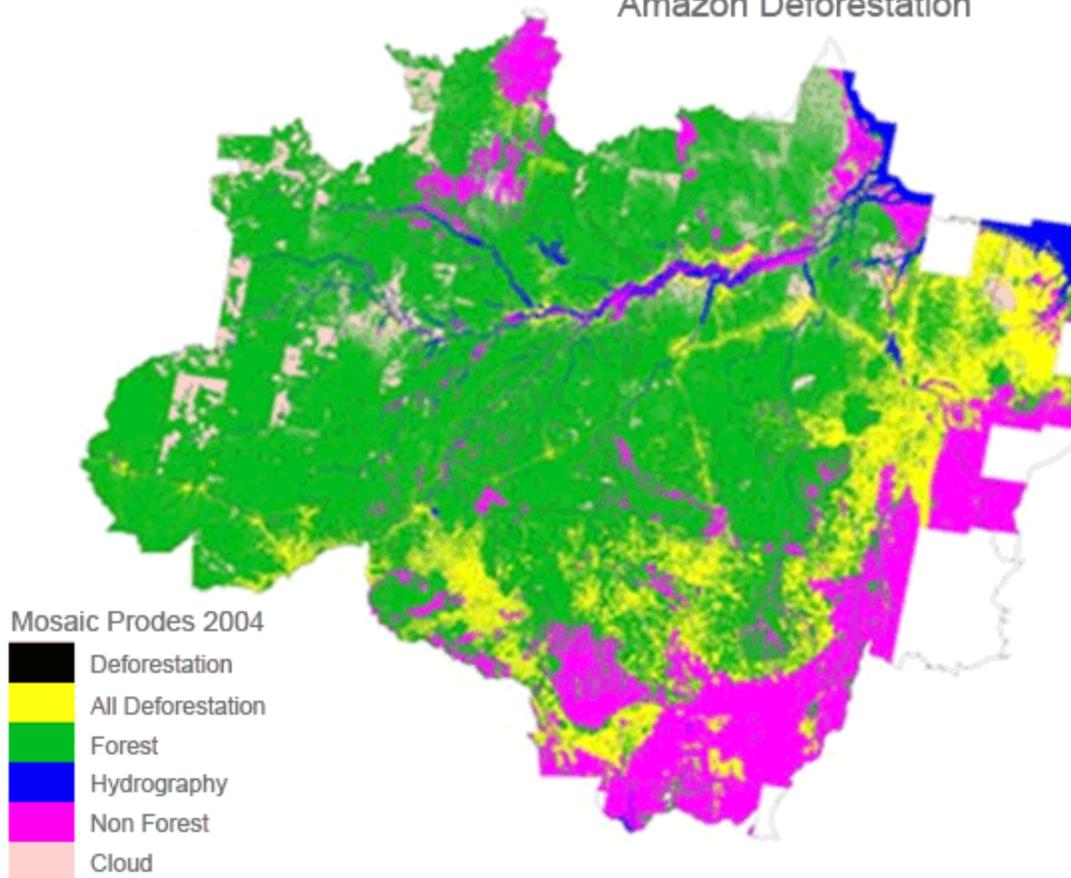


The Company also runs programs for clean energy generation, such as the one implemented at the industrial unit Promissão I, where energy is produced with biomass obtained from sugar cane bagasse, and programs to substitute fossil fuel with tallow in industrial operations.

In the United Kingdom, the Company runs a program to recycle frying oil into biodiesel motor fuel for trucks and energy generators specially adapted for biofuel.

According to data disclosed by ABIEC (Associação Brasileira das Indústrias Exportadoras de Carne - Brazilian Association of Meat Exporting Industries), despite a share of approximately 7% of livestock acquisitions in the Amazon Biome and operation of just five industrial units in the "Legal Amazon" (Amazônia Legal) area (two in the state of Mato Grosso and three in the state of Rondônia), the Marfrig Group, aware of the risk associated with predatory livestock activities, implemented an innovative monitoring system by satellite to combat deforestation, the illegal occupation of indigenous land and of nature preservation units, and slave labor, which targets 100% of its livestock suppliers in the region. Today, Marfrig monitors in the Legal Amazon:

## Amazon Deforestation



- 100% of its suppliers as to areas seized by IBAMA
- 100% of its suppliers as to conflicts in indigenous lands
- 100% of its suppliers as to slave labor
- 100% of animal origin as to nature preservation units
- 100% of animal origin as to illegal deforestation

Another measure taken by Marfrig in order to promote good environmental practices by its suppliers in the Legal Amazon is the support given to livestock farmers applying for their CAR (Cadastro Ambiental Rural - Rural Environmental Registration) or LAU (Licença Ambiental Única - Single Environmental License), in Mato Grosso, or LAPR (Licenciamento Ambiental em Propriedade Rural - Environmental Licensing on Rural Property), in Rondônia.

Marfrig developed and incorporated other innovative actions to its social and environmental monitoring processes of the Amazon biome, including:

- A contract with NGO Aliança da Terra to carry out the social and environmental registration of the rural properties of suppliers. This registration is similar to the CAR - Rural Environmental Registration.
- The incentive to environmental compliance through a direct subsidy of 40% of the cost of registering its suppliers in the CAR system.
- A permanent dialog with producers, breeders' associations and agriculture federations, in order to promote and support the registration of suppliers in the CAR system.

- The involvement of the relevant federal agencies, such as FUNAI and INCRA, to which requests of information have been made concerning rural conflicts and illegal occupations of indigenous lands and protected areas.
- The improvement of the Company's purchasing system, which already conditions livestock purchases to consultation of the lists of areas seized by IBAMA and of properties that exploit slave labor, by the Labor and Employment Ministry, whereby a purchase is immediately blocked if the supplier is found in one of these lists.
- The incentive to and recognition of the work of livestock farmers who adopt the best social and environmental practices in their processes, such as the initiative "Fielding Sustainable Livestock Farming", which awarded trips to the World Cup in South Africa to 11 producers from the Legal Amazon.

The partnership and integration with farmers committed to the rational use of renewable resources, the conservation of soil and water, and animal well-being results in ecologically correct food grown without synthetic fertilizers, steroids, hormones or growth stimulants.

Animals raised free-range over large land areas and grass-fed have less intramuscular fat content, lower cholesterol and, as a result, lighter and healthier meat.

In Uruguay, Marfrig runs the program Ecological Meat, which includes checks and certifications to ensure compliance with the strictest international standards during all production stages, from breeding to processing.

The Marfrig Group considers it a moral duty to prevent the unnecessary suffering of animals. The Group's animal welfare programs seek to guarantee the safety and humane treatment of animals, through internal rules and regularly audited procedures, as well as investment in the implementation of modern technologies, which led to the upgrade of facilities and pens, the laying of anti-slide floors and new forms of rearing and logistics.



The Company also seeks to implement innovative techniques to improve the welfare of animals. For example, transportation equipment in the United States was recently fitted with temperature controlling technology. This effort led to an increase in live birds on arrival during instances of extreme climates.

The Company offers to its integrated producers and partners qualifying courses ministered by professional instructors in the areas of animal nutrition, rearing and well-being, aiming to provide new tools and knowledge to maximize production in a sustainable way.

Packaging, large and small batteries, glass, plastic and paper are some of the many materials originating from industrial consumption which are properly collected within Company premises and sent to the recycling industry, in accordance with its availability and characteristics in each country. In areas where no recycling firms exist, our units pursue alternatives such as in-house storage, which optimizes the activity of these service providers. Just in the Seara Division, in Brazil, approximately 5,000 tons of waste are recycled every year. In Argentina, 1,400 tons of cardboard paper are recycled every year. The Company's facility in Orleans, France has achieved Zero Landfill Waste through an aggressive recycling program.



The integrated management systems (IMS) internally developed by the business divisions of the Marfrig Group encompass the full environmental, social, health and safety, quality and food safety scope. Implemented in all its production units through Internal Committees for Social and Environmental Management, IMSs serve the main purpose of ensuring compliance with environmental and labor legislation in the commodity chain, as well as monitoring social and environmental practices developed and carried out by the Marfrig Group.

The Company includes units and operations which have been or are in the process of being certified in accordance with international standards ISO 9000, ISO 22000, ISO 14000, OHSAS 18000 and SA 8000, including parts and even the entirety of the supply chain, such as farms, ranches, incubators, feed and meal factories, laboratories and industrial plants, as well as container traffic, export and import of frozen products, freight transport and warehousing in a private port terminal.

The Company promotes and stimulates forestry production through partnerships with rural producers, including production of firewood, income generation for producers and supply guarantees for industrial units

In Brazil, the Seara Division already delivered over 9,776,000 eucalyptus saplings to 780 rural producers participating in the program, which also aims to foster biosafety and the "green barrier" on poultry and pork farms. The Company maintains forests on owned and rented land, and all the wood used in its industrial operations originates from trees grown and managed in compliance with the law and with standards of sustainable production.

Water is a strategic natural resource for all operations of the Marfrig Group. Beside using it in a rational manner and optimizing its consumption in all Marfrig Group operations worldwide, the Company's treatment systems return to the environment - in equal or better conditions than those in which it was drawn from it - the residual water from industrial processes.

In the last few years, the Company carried out studies aiming to establish Water Resource Master Plans, seeking to inventory water use at the various production stages, identify opportunities to reduce consumption, and implement scenarios to increase production capacities. The Company prioritizes water reuse projects, such as those implemented in the Frederico Westphalen unit, in Rio Grande do Sul, and in the Nuporanga unit, in São Paulo, where a part of the treated effluent is reused in the industrial units themselves.

In the United States at the Proteins locations, water conservation teams were formed to focus on best management practices. Various projects, including low-capital investments, were created in an effort to reduce water use. These ideas which include demand sensors, flow-restriction systems, and reuse systems amounted to over 500,000 gallons in water savings a day in one location alone.

The Seara Environmental Education Center, located in Brazil, in the municipality of Vargem Bonita (SC), seeks to promote and stimulate research into fauna and flora and the practice of activities to preserve biodiversity and foster environmental awareness.



Today the Tamanduá farm, where the CEAS is based, is home to 17 species of Brazilian fauna officially listed as endangered.

Through partnerships with local universities, experts minister theory and practice classes which inspire students, entrepreneurs and common citizens to envision different possibilities to reconcile the preservation of natural elements with economic activities.

Out of a total area of 1,550 hectares, 280 hectares have been reforested with eucalyptus, and 1,270 hectares have been set aside for the preservation of native forest.

CEAS facilities include a 150 m<sup>2</sup> pavilion, a small auditorium with television, DVD, sound system and parabolic antenna, library, dormitories, bathrooms and a snack area with fridge, stove, sink and utensils.



Founded in 2010 to promote social work, culture, education, health, food safety and sport, both for Marfrig staff and in the communities in which the Company operates, the Marfrig Institute for Social Responsibility (Instituto Marfrig de Responsabilidade Social) aims to become an international reference for sustainable social development and to build the identity the culture and the social commitment of the Marfrig Group around its corporate values.



In the various countries in which they operate, the Marfrig Group and the Ronald McDonald Institute carry out volunteer activities and sponsorship actions of initiatives to help children with cancer. These initiatives involve volunteer participation by Company staff members to organize fundraising activities, as well as financial help toward the construction, upgrade and maintenance of facilities and purchase of equipment for the cause of fighting child cancer.

In the United States, Keystone Foods has partnered with local Ronald McDonald House Charities for various events including the inaugural Guest Chef Night.

Just in Brazil, the Marfrig Group donated 1.3 million reais for philanthropic causes in 2009, in addition to donating about 500 tons of food directly benefiting thousands of needy families. Among other initiatives, the Company participates in the programs "Building a Better World", "Partners for Life", of Casa Hope, and "HC Life", through which it donates approximately 15 tons of beef per year, equivalent to 6,000 meals, to the Cancer Hospital in Barretos.

The My Home Project was created to help staff members at Brazil's Seara Division achieve home ownership. Since the project began, 139 families in the states of Santa Catarina and Mato Grosso have moved into their own homes.

The Company runs this project in partnership with Caixa Econômica Federal and municipal governments, alongside other state and federal agencies.



These are programs that invite local communities and children to get an inside look into Marfrig Group plants all over the world. Every year, just in the Seara Division in Brazil, over 2,000 visitors have the opportunity to find out a large part of what the Company does for its staff members and for the town in which it operates. Information on the production process, food safety, human resource management, worker benefits, employment opportunities, social and environmental actions and community activities, among others, is shared in an informal, cheerful setting.

The Marfrig Group and its staff members continuously support the improvement of the quality of life in the communities - in particular - in which its industrial operations are located. Through financial contributions, in-kind donations and volunteer actions, they help maintain social organizations such as churches, schools, fire departments, community and environmental police, hospitals, social organizations in general and even scout groups.



In the United Kingdom, many employees wished to strengthen their ties to the community in which they operate. In a joint effort with local police, Keystone Foods provided many schools in the area a safety education day. The presentation demonstrated the importance of vehicle and pedestrian safety. It also taught many students the limits of a driver's view to stress road awareness. This project is a growing trend with as many more school and local first responders are partnering with our Company.

In France, the Company has been working with local governments to reduce noise pollution during night time deliveries. As a major provider of global logistics and distribution services, one challenge is to lower our fleet's impact on the environment by utilizing noise reduction technology. The resulting PIEK truck is certified to operate under 60 decibels, which is quieter than a normal human conversation.



Other example of this is the sponsorship given to the campaign to combat field burning practices in Mato Grosso (Brazil) in partnership with the State Environment Department (Secretaria de Estado do Meio Ambiente - Sema), the Public Prosecutor's Office, the Fire Department and the town council of Tangará da Serra (MT).

Another example is the ample and continuous support given since 2005 to the Parque Dom Bosco project, which offers cultural, educational and vocational activities to over 1,000 children, teenagers and youths in the municipality of Itajaí (SC). The Seara Division supports several projects at Parque Dom Bosco, mostly those concerning income generation, music, leisure, toy center and donation of uniforms. It also donates, every month, the food consumed by participants in the several activities that take place on the premises.

Besides its adoption of non-discrimination practices and a policy of equal opportunities for all staff members, the Marfrig Group implements, in Brazil and in the Uruguay Division, recruiting, integration and hiring programs for indigenous peoples and disabled persons. Such programs allow staff members to try out tasks and functions in different areas, under the supervision of specialized professionals.

Other example is Keystone's Women's Inclusion Network (K-WIN), that was formed to contribute to the Company's business goals by supporting the professional development of women within the organization. K-WIN has afforded many employees with networking opportunities, diversity training and acceptance, and support for women leaders.

In several countries, staff members and their families receive financial assistance from the Marfrig Group to update and finish their studies, from the most basic level to the most advanced. The Company continuously invests in the technical upgrade of its staff, promoting In-Company MBA courses in partnership with reputed educational providers, such as the Getúlio Vargas Foundation. In Brazil, together with municipal education departments and with SESI, the Company organizes educational courses for young people and adults, offered to staff members, their families and members of the local community. The Company also runs support programs for first-time job seekers, aiming to facilitate insertion into the job market of recent graduates; internship programs; and structured trainee programs, which go beyond insertion and also seek to train future executives

The Life Long Adult Learning Centers have been established for employees in UK Distribution. These facilities provide a dedicated learning environment, equipped with teaching aids, for employees to pursue opportunities that improve their business and life skills.

Safety is one of the six values of the Marfrig Group. In every company unit, the sets of rules and procedures concerning personal safety and health are considered a strategic value that preserves the physical and mental integrity of staff members, company property, the continuity of production processes and full compliance with the legislation in force, in every country in which it operates. The President of the Marfrig Group is responsible for approving and enforcing internal rules and policies, and every person who carries out tasks related to the Company is responsible for fully applying and complying with said rules and policies.

The Company enters into partnerships with government agencies in order to support initiatives to promote public health and the quality of life of its staff members, such as campaigns for vaccination, blood donation, prevention of diseases and epidemics and educational conferences in general. Thanks to the success of its internal vaccination campaign against influenza A - H1N1, the Marfrig Group was named a "Health Partner Company" by the Brazilian Health Ministry.

Together with SESI, the Company is making an inventory of the health conditions of its staff members, in order to develop a corporate program of cure, prevention and health promotion solutions suitable for each type of professional activity.



Our Company has recently obtained the Gold seal at the GHG Protocol Brazilian Program, a seal awarded to companies that account for all their emissions at the GHG (Greenhouse Gas) inventory and are inspected by an independent third party.

Since 2010, the Marfrig Group has been taking GHG inventories in connection with Scopes 1 (relating to direct emissions from its own processes) and 2 (relating to indirect emissions from consumption of purchased energy). In 2011, we met the requirements under Scope 3, relating to sources of emissions not directly controlled by the Company, pursuant to requirements of the ISO 14064-1:2007 rule.

The inventory was checked and audited by SGS - Société Générale de Surveillance, the global leader for services of inspection, checking, testing, and certification of processes.

"Marfrig is an industry pioneer in the full mapping of GHG emissions, in all phases of its production chains worldwide. The Gold Seal recognition confirms the Company's commitment to business excellence," says Clever Ávila, Sustainability officer of the Marfrig Group.

The process involving the inventory taking lasted six months, from data collection to generation of the report, and was assisted by more than 90 employees of all divisions and units. "Therefore," Clever adds, "we would like to thank all those who worked for and contributed to this advance by the Group."

[Click here](#) to learn more about the mapping of our Company, as well as to check our Corporate Greenhouse Gas Emissions Inventory 2011.