

**brf**

**ANNUAL AND  
SUSTAINABILITY REPORT**

# TABLE OF CONTENTS

## KEY INDICATORS 6

2014 IN FIGURES  
MATERIALITY

## MESSAGE FROM MANAGEMENT 12

## BRF 14

STRATEGY AND BUSINESS MODEL  
CORPORATE GOVERNANCE  
ETHICAL AND RIGHTEOUS BEHAVIOR  
RISK MANAGEMENT

## INTELLECTUAL CAPITAL 36

GLOBAL VISION  
EFFICIENCY IN OPERATION  
LAUNCHES AND CAMPAIGNS

## FINANCIAL AND CONSTRUCTED CAPITAL 42

SECTOR WORLD SCENARIO  
FINANCIAL OUTCOME

# HUMAN CAPITAL

58

VIVA BRF: FOR AN INTEGRATED AND HIGH PERFORMANCE CULTURE  
PEOPLE MANAGEMENT  
HEALTH AND SAFETY

# SOCIAL CAPITAL

68

COMMUNITY  
SUPPLY MANAGEMENT  
ANIMAL WELFARE  
CONSUMERS

# NATURAL CAPITAL

86

WATER  
EFFLUENTS  
ENERGY  
EMISSIONS  
MATERIALS AND PACKAGING  
WASTE MANAGEMENT  
BIODIVERSITY

# THE REPORT

98

SOCIAL IBASE REPORT  
GRI INDEX  
ANNEX  
CORPORATE INFORMATION

# INTRODUCTION

PRESENT IN

# 95%

OF BRAZILIAN  
HOMES

ONE OF THE

# 100

MOST INNOVATIVE  
COMPANIES ON THE  
PLANET

# 7<sup>th</sup>

LARGEST PUBLIC  
COMPANY OF FOOD  
IN THE WORLD

In 2013, BRF went through major structural and strategic changes. It was a year in which several seeds were planted: we went through an organizational restructuring and a change of strategic vision, also established total focus on consumers and started a project of integration of areas.

2014 was the year that changes came to life. We started to reap the fruits that were planted last year: we become more innovative, fast and determined. And the results are already being recognized by the market, through the appreciation of our shares and the awards received throughout the year.

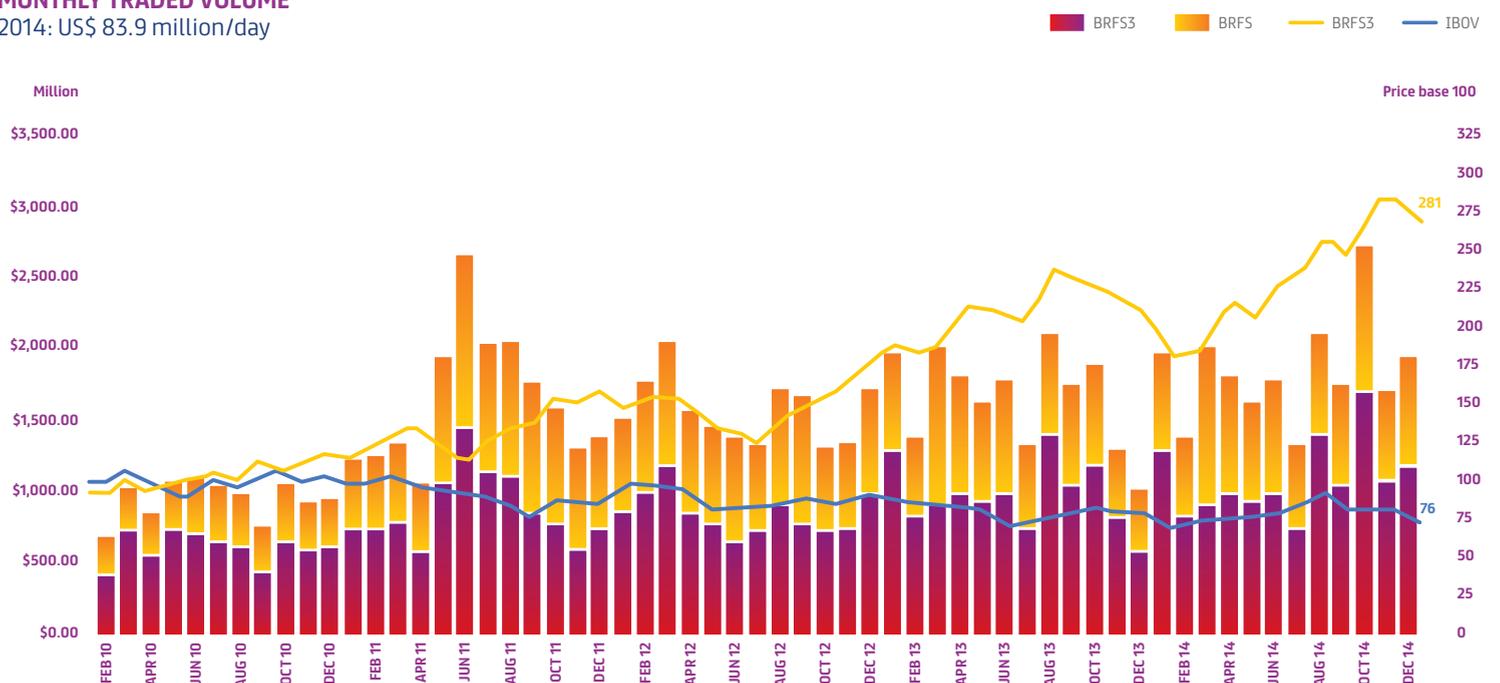
Today we are an established company, present in 95% of Brazilian homes and one of the 100 most innovative companies on the planet. Moreover, we occupy the seventh world position of the food industry and we are among the leading of global provider of animal protein.

R\$



# SHARE VALUE IN 12/31/2014

**MONTHLY TRADED VOLUME**  
2014: US\$ 83.9 million/day



# KEY INDICATORS GRI G4-9

R\$ MILLION	2010	2011	2012	2013	2014
<b>Net sales</b>	<b>20,370</b>	<b>23,167</b>	<b>25,975</b>	<b>27,787</b>	<b>29,007</b>
Brazil	11,127	12,756	13,979	14,371	15,367
International	9,243	10,411	11,996	13,416	13,640
<b>Gross profit</b>	<b>5,209</b>	<b>6,112</b>	<b>5,902</b>	<b>6,910</b>	<b>8,509</b>
Gross margin (%)	25.6%	26.4%	22.7%	24.9%	29.3%
<b>Operating income</b>	<b>1,499</b>	<b>2,026</b>	<b>1,360</b>	<b>1,896</b>	<b>3,478</b>
Operational margin (%)	7.4%	8.7%	5.2%	6.8%	12.0%
<b>Ebitda – Continued Operations</b>	<b>2,254</b>	<b>2,914</b>	<b>2,295</b>	<b>3,009</b>	<b>4,709</b>
Ebitda margin (%) – Continued Operations	11.1%	12.6%	8.8%	10.8%	16.2%
<b>EBITDA</b>	<b>2,264</b>	<b>2,914</b>	<b>2,283</b>	<b>3,131</b>	<b>4,897</b>
EBITDA margin (%)	10.0%	11.3%	8.0%	10.3%	15.4%
<b>Net profit – Continued Operations</b>	<b>815</b>	<b>1,386</b>	<b>797</b>	<b>1,015</b>	<b>2,135</b>
Net margin – Continued Operations	4.0%	6.0%	3.1%	3.7%	7.4%
<b>Net profit (losses) – Discontinued Operations</b>	<b>(11)</b>	<b>(18)</b>	<b>(27)</b>	<b>47</b>	<b>90</b>
<b>Net income</b>	<b>804</b>	<b>1,367</b>	<b>770</b>	<b>1,062</b>	<b>2,225</b>
Net margin (%)	3.9%	5.9%	3.0%	3.8%	7.7%
<b>Market value</b>	<b>23,853</b>	<b>31,776</b>	<b>36,810</b>	<b>42,969</b>	<b>55,350</b>
<b>Total assets</b>	<b>27,752</b>	<b>29,983</b>	<b>30,765</b>	<b>32,375</b>	<b>36,030</b>
<b>Shareholder's equity<sup>1</sup></b>	<b>13,637</b>	<b>14,110</b>	<b>14,589</b>	<b>14,696</b>	<b>15,655</b>
<b>Net debt</b>	<b>3,634</b>	<b>5,408</b>	<b>7,018</b>	<b>6,784</b>	<b>5,032</b>
Net debt/EBITDA	1.61	1.86	3.07	2.17	1.04 <sup>3</sup>
<b>Earnings per adjusted share - R\$<sup>2</sup></b>	<b>0.93</b>	<b>1.59</b>	<b>0.92</b>	<b>1.17</b>	<b>2.46</b>
Number of shares	872,473,246	872,473,246	872,473,246	872,473,246	872,473,246
Number of treasury shares	781,172	3,019,442	2,399,335	1,785,507	5,188,897

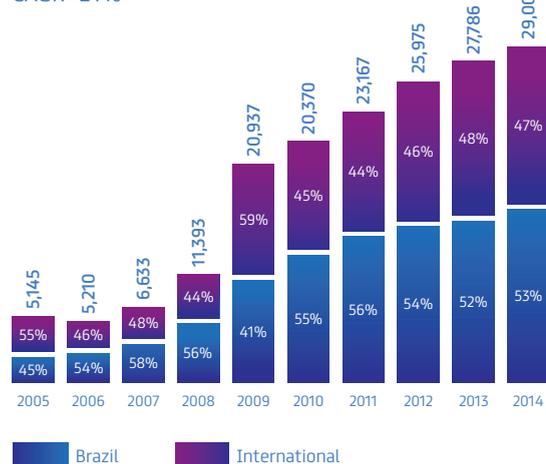
<sup>1</sup>Include continuing and discontinued operations

<sup>2</sup>Earnings per share consolidated (in R\$), excluding treasury shares

<sup>3</sup>For the 4Q14, we have only considered the results from continued operations (excluding dairy) for calculating the ratio, impacting the ratio of 2014. For other years, the calculations include both continued and discontinued operations

## NET SALES - CONTINUED OPERATIONS

R\$ million  
CAGR=21%



## SALES - CONTINUED OPERATIONS\*In

thousands of tons  
CAGR=15%

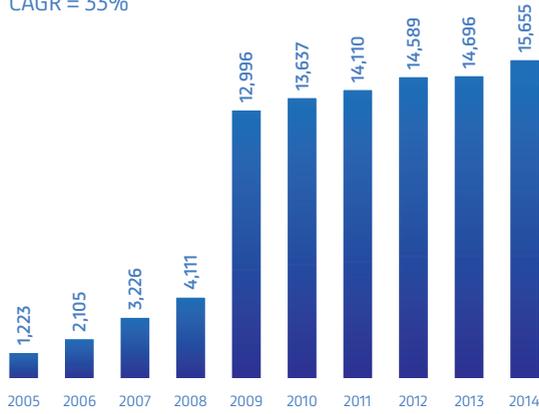


\*Including meat and other processed products.

To better reflect the structural changes in the Company, we have changed the terms used from Internal Market, to Brazil, and External Market to International. The results presented below refer to the Company's continued operations, excluding the results obtained from the discontinued operations (Dairy). As the Company announced in December 2014, the dairy division is in the process of being sold to Lactalis

### SHAREHOLDER'S EQUITY\*

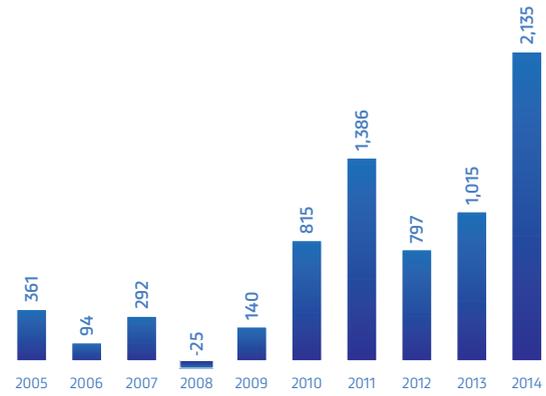
R\$ million  
CAGR = 33%



\*Contains continued and discontinued operations. Updated according to rules of standard CPC 33.

### NET INCOME - CONTINUED OPERATIONS\*

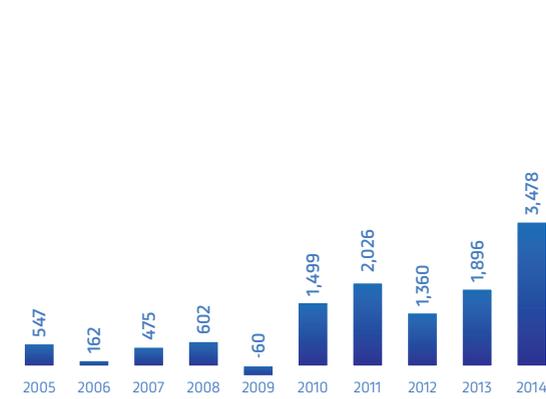
R\$ million  
CAGR = 22 %



\* Does not include dairy.

### EBIT - CONTINUED OPERATIONS\*

R\$ million  
CAGR=23%



EBIT

\* Does not include dairy.

### SHAREHOLDER'S PAYOUT\*

R\$ million  
CAGR=25%



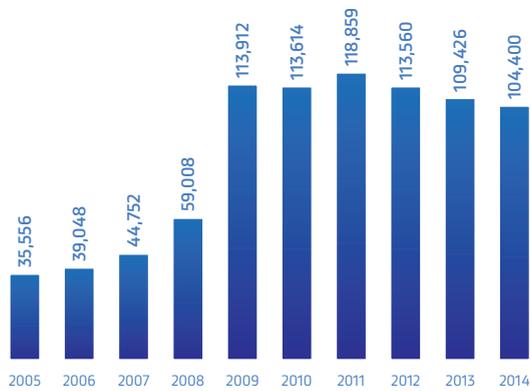
Net income (%)

shareholder's payout

\* Historical net profit from 2005 to 2013 includes the results of dairy. 2014 only include continuing operations.

### NUMBERS OF EMPLOYEES\*

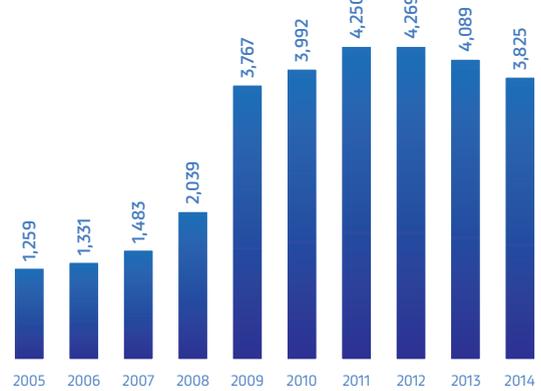
CAGR = 13%



\*Includes indefinite term employees and employees outside Brazil.

### PRODUCTION OF MEAT\*

In thousands of tons  
CAGR = 13%



\*The volume of meat published in 2013 has been modified due to a correction in the volume of production in Argentina.

### SOCIAL INVESTMENTS\*

R\$ million  
CAGR=11%



\* Contains only internal social investments.

### ENVIRONMENTAL INVESTMENTS

R\$ million  
CAGR=0%



4<sup>.2%</sup>

THE TOTAL REDUCTION  
OF WATER CONSUMPTION  
PER TON PRODUCED

R\$ 208.4 MILLION  
INVESTED IN  
ENVIRONMENTAL  
MANAGEMENT PROJECTS

17  
THOUSAND  
BRF RELEVANT SUPPLIERS  
EVALUATED IN POTENTIAL  
OR REAL SOCIAL AND  
ENVIRONMENTAL IMPACTS

20  
IN FIG

9<sup>.7%</sup>

RENEWAL INDEX IN 2014, 1.2  
PERCENTAGE POINTS HIGHER  
THAN THE PREVIOUS YEAR,  
TOTALING

123

PRODUCTS INNOVATIONS

R\$ 23.3 MILLION  
INVESTED IN TRAINING  
AND QUALIFICATION OF  
EMPLOYEES



- Direct emissions (Scope 1) – 352,422.69
- Emissions by purchase of energy (Scope 2) – 350,108.19
- Other indirect emissions (Scope 3) – 938,298.26

**79%**

OF OVERALL CUSTOMER SATISFACTION RATE, 5 PERCENTAGE POINTS ABOVE 2013

# 14 FIGURES

MORE THAN

**88**

**THOUSAND**

PEOPLE BENEFITING FROM LOCAL DEVELOPMENT PROGRAMS

OVER

**200**

VOLUNTARY ACTIONS DEVELOPED IN NEIGHBORHOOD COMMUNITIES

**R\$2<sup>BI</sup>**

IN INVESTMENTS (CAPEX)\*

\*Includes biological assets, acquisitions and others.

**3<sup>.5</sup>**

**THOUSAND LEADERS**

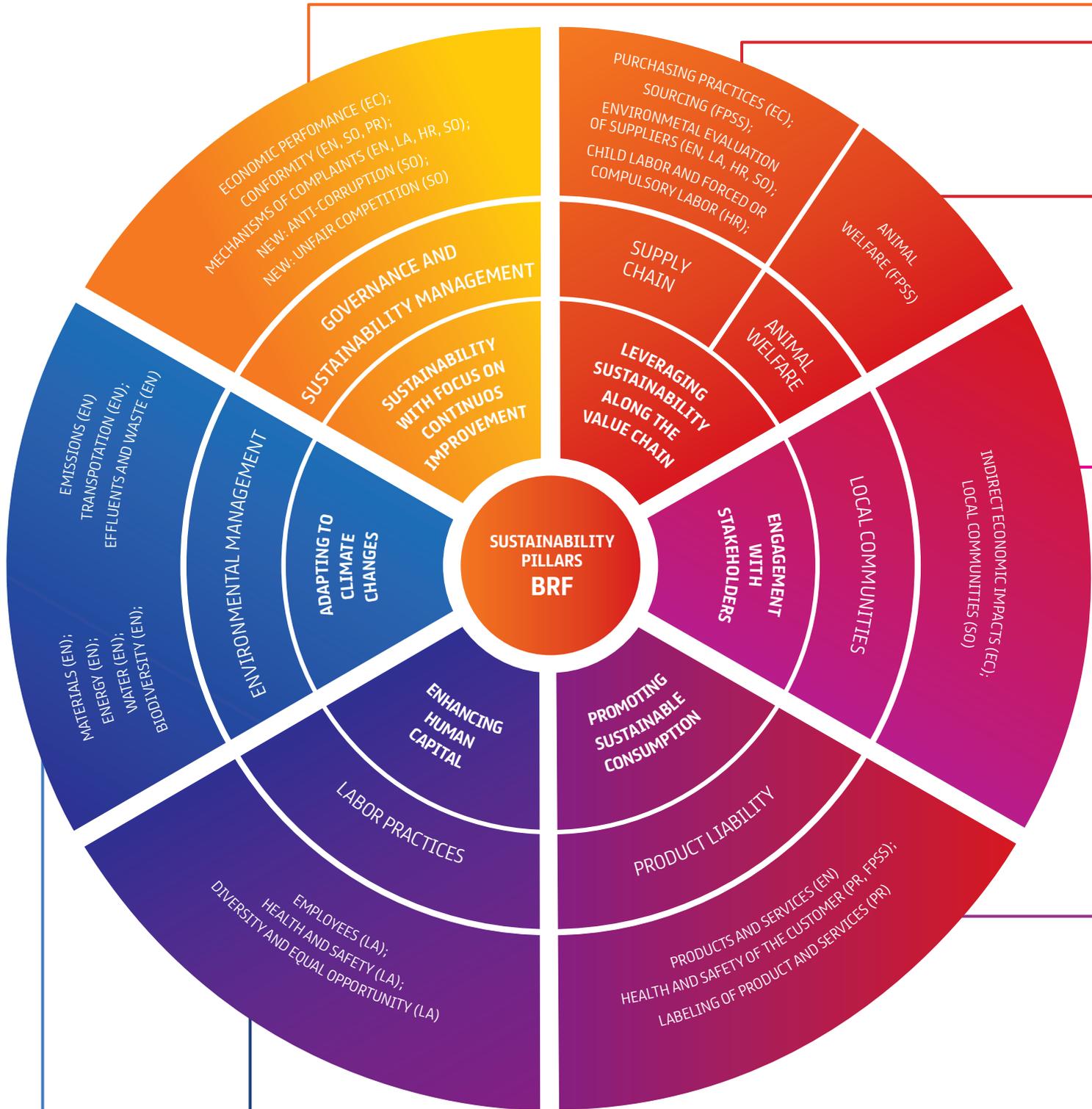
ENGAGED AT VIVA BRF

**R\$3<sup>.3</sup>**

**MILLION**

TOTAL INVESTMENT IN THE COMMUNITY MADE BY BRF INSTITUTE

IN 2014, BRF REVIEWED ITS **MATERIALITY**, DEEPENING ITS RELEVANT MANAGEMENT THEMES ACCORDING TO THE PERCEPTION OF THE PUBLICS WITH WHICH THE COMPANIES RELATES. FIND OUT BELOW A DESCRIPTION OF THE BUSINESS IMPACTS IDENTIFIED BY THE STAKEHOLDERS. BASED ON THE NEW MANAGEMENT MODEL ANNOUNCED IN JANUARY 2015 (READ MORE ON PAGE 30), THE COMPANY WILL IMPROVE THE ANALYSIS OF THESE IMPACTS DISCUSSED ON THE MATERIALITY PANEL 2014 (READ MORE ON PAGE 70 AND 71). SOME TOPICS WIDELY ADDRESSED IN THE MATERIALITY PANEL ARE IDENTIFIED IN THIS REPORT BY THE SYMBOL OF A MANDALA. GRI G4-19, G4-20, G4-21.



- WATER**
  - Impacts on the surrounding community, product quality and future availability.
- EMISSIONS**
  - Reduction of atmospheric emissions in complex supply and logistics chain.
- EFFLUENTS AND WASTE**
  - Contamination of soil and impacts on biodiversity in activities, mainly, its integrated.

**ECONOMIC PERFORMANCE  
UNFAIR COMPETITION  
FIGHTING CORRUPTION**

Generation and distribution of wealth (jobs, income and investment), and the development of local and national infrastructure.

**COMPLAINTS MECHANISMS  
CONFORMITY**

• Addressing of non-conformities in several aspects, contribution to the management of environmental risks and dialogue with relevant stakeholders of the organization

• Risk management policy of BRF allows the company to minimize the impact of its operation.

**SUPPLY CHAIN**

• Minimization and management of risks associated with social, food safety and environmental aspects relevant for the society and consumer, as well as encourage best practices throughout its supply chain.

**ANIMAL WELFARE**

• Spread in its chain, the 5 principles of animal welfare stimulate good practice in its chain, ensures adequacy of BRF and its suppliers to the legal and market requirements, ensuring safe and quality products.

**INDIRECT ECONOMIC IMPACTS  
LOCAL COMMUNITIES**

• Generation and distribution of wealth (jobs, income and investment), and the development of local and national infrastructure.

• Generation of employment and income in the surrounding communities of BRF units and socioeconomic development of these regions.

**HEALTHY AND SAFETY OF CONSUMER  
LABELING**

• Good practice in relation to product quality permit, in addition to mitigating risks to health and consumer safety, access to healthy

products, responsible consumption and better quality in Brazilian food.

**PRODUCTS AND SERVICES (ENVIRONMENTAL IMPACTS)**

• Energy consumed, impacts of transport packaging and budget provision for environmental management.

**EMPLOYEES  
DIVERSITY AND EQUAL OPPORTUNITY  
EQUAL COMPENSATION**

• Equal opportunities allow the development of a healthy work environment and access development opportunities of the professionals based on meritocracy.

**OCCUPATIONAL HEALTH AND SAFETY**

• Good practices in occupational health and safety, in addition to preventing damage to health, encourage healthy practices and the quality of life of the employees.

**BIODIVERSITY**

• Risks associated with the destruction of habitats and impacts on climate change.

**MATERIALS**

• Acquisition of inputs adequate to quality of BRF products and consumer health.

**TRANSPORTATION**

• Fuel consumption, GHG emissions, spills, waste and health and safety of outsourced transportation.

**ENERGY**

• Reduction of operating impacts and future availability.

# M E S S

## FROM MANAGEMENT

### GRI G4-1, G4-2

The year of 2014 was an outstanding year for BRF. The company advanced in its ambitions and in the definition of a new culture. We consolidated our operating and strategic groundwork, which allowed the company to structure itself as a global organization, bigger and better in what it does, and driven by every one of the more than 100 thousand people who are part of the direct workforce.

Bringing together professionals with different backgrounds, aspirations and skills, gave us the opportunity to build a competitive differential. To do so, in 2014 we introduced the *Viva BRF*, a program which aims to create coherence in the organizational environment, bringing well-being and motivation to the employees, and generating "owners' passion" in them.

Focusing on the business' differential, in addition to the discipline in planning and executing, are virtues which, combined, help accomplish BRF's results to levels of excellence, satisfying all of our stakeholders, and leading to further development in the productive chain. In an economic scenario of challenges and unstable market conditions, we need not only to be the biggest, but also the best in what we do.

In order to achieve this, we advanced in implementing controls for the socio-environmental aspects of our operations and long-term thinking, investing in innovation, internationalizing the Company and improving the level of service. All of which to ensure that BRF becomes a company even more respected, esteemed and appreciated, standing out as natural choice for our customers and an important partner for clients, employees and investors.

In 2014, we approached each one of the main pillars of the BRF-17 strategic plan, establishing priorities and increasing our efficiency and integration. Engaging the teams, encouraging meritocracy, orientation towards the market, segmenting the regions in which we operate and focusing on sustainability in the value chain, were more than just guidelines, they were essential elements that defined our corporate standpoint.

We continued working on our plan to add synergies to the operations, by mapping out opportunities to increase our profitability, cost efficiency and margins. We adjusted the support structure and the managerial models of the manufacturing units, making them more agile in their decision-making process.

We initiated a new process of go-to-market (GTM) in Brazil, through the consolidation of our sales force. The purpose of this project is to expand our penetration, reduce redundancies in the sales processes, and improve the productivity per salesperson. We also focused in better servicing our clients, having identified new opportunities to improve our service level – both in terms of delivery deadlines and logistical processes, as well as in inventory management. As part of our strategy of being more market oriented, we reviewed our presence in the sales points, refined the negotiation processes, and implemented a system to monitor inventory in real time, which all together, resulted in a substantial increase in the service level when compared to 2013.

Placing the final consumer in the core of our business strategy has proven to be the right choice. We are investing in surveys and studies that allow the company to continuously update its portfolio. The products we launched in 2014 are a testament to that. In total we launched over 120 new products, including the *Soltíssimo* line of sliced goods, bringing flavor and convenience to the consumer. We are anticipating market trends, and adopting a segmented view adapted to exactly match the profiles of the customers we serve in over 120 countries.

# S A G E

In line with our international expansion strategy, we inaugurated the processed foods plant in Abu Dhabi, in the United Arab Emirates, expanding our presence and global service capacity. With the capacity to produce up to 70,000 tons of processed foods per year, this plant was delivered in record time, reflecting our ambitious view to grow stronger in regions such as the Middle East, South and Southeast Asia and Africa.

Besides the launch of our manufacturing plant in Abu Dhabi, we also announced the acquisition of three of our main distributors in the Middle East, a region of extreme relevance to the Company, where we already present with a renowned brand for more than 30 years.

In line with our strategy of focusing on our Company's core and most profitable businesses, in 2014 we entered into a strategic partnership with Minerva, passing on our cattle slaughtering plants in exchange for equity shares. Additionally, we signed a contract with Lactalis to sell our dairy operations.

Another key element of our business is socio-environmental responsibility which integrates our strategy through the Sustainability Pillars. Eco-efficient projects in the manufacturing units and initiatives

in partnership with the value chain, such as animal welfare and human rights, have been the focal point of our actions in recent years and are demonstrating positive results. Reaffirming our commitment to sustainable development, we are signatories to the United Nations Global Compact and have been part of the Corporate Sustainability Index (ISE) of the BM&FBovespa stock exchange for the last 10 years.

Despite a year of structural adjustments in the Company and reduction of international sales volumes, the performance of the businesses and the consolidated results were better than expected. This was mainly due to a significant improvement in profitability of the international market and a shift in strategy, positioning the consumer as the key element for its sustained growth.

We registered this year, considering the consolidated results of the Company as well as the results from the dairy operations (discontinued operations), R\$31.7 billion of net revenues, 4.0% higher than 2013, R\$4.9 billion of EBITDA (56.4% above 2013) and net income of R\$2.2 billion, 109.4% higher than 2013. Free cash flow amounted to R\$4.1 billion in the year, a considerable improvement of almost three times more of what was generated in 2013.

These indicators are a proof that we have chosen a daring, but solid strategy, to enhance our performance and better positions us to face future risks, converting them into opportunities. We have a robust and increasingly more efficient production structure that will allow us to continue growing in the coming years, investing in mutually beneficial relationships with clients and suppliers in order to meet the demands of the different markets with the BRF quality standard.

The year of 2015 starts with new challenges, some being of economic nature, but nevertheless, we will continue to focus on achieving our mission of being a company admired for its results, brands and innovation capacity. We are confident that it will be another year of consistent achievements in our strategic guidelines, focused on growth and profitability.

#### **Abilio Diniz**

Chairman of the Board of Directors

#### **Pedro Faria**

CEO - Global

BRF

# TOTAL FOCUS ON CONSUMERS

One of the main changes made by BRF was to give more focus on consumers, who started to drive the development of new products.

A man with short dark hair and a light beard is seated at a table, looking down at a plate of food. He is wearing a red long-sleeved shirt. In front of him is a tall glass of orange juice and a plate with various items, including what appears to be a piece of meat and some vegetables. The background is a warm, yellowish-orange color, suggesting an indoor setting with warm lighting. The word "JUMERS" is overlaid in large, white, bold, sans-serif capital letters across the middle of the image.

# JUMERS



IN 2013, WE BEGAN TO REVIEW OUR GTM (GO-TO-MARKET) MODEL

WITH THIS, IT IS CONSUMERS WHO DICTATE MARKET TRENDS AND VOLUMES TO BE PRODUCED

**80 YEARS OF HISTORY, ESTABLISHED BRANDS IN 120 COUNTRIES AND OPERATIONS IN VARIOUS CATEGORIES AND SEGMENTS MAKE THE COMPANY A REFERENCE IN FOOD INDUSTRY.**

With a portfolio that includes established brands in Brazil and abroad, such as Sadia, Perdigão, Qualy, Chester, Perdix and Paty, BRF is now the seventh largest food company in the world by market value and the world second largest slaughtering Company. GRI G4-3, G4-4

Through business in segments of meat (poultry and pork), foods processed of meats,

pizzas, pasta and frozen vegetables, it is present in 95% of the Brazilian homes and reaches more than 120 countries in Europe, Latin America, Middle East, Africa, Eurasia and Asia. GRI G4-6, G4-8

The operational structure is now composed of 47 factories - 34 meat processing plants and 13 of the discontinued dairy operation plants - 27 logistics centers in Brazil and 10 industrial units abroad - the latest in Abu Dhabi, opened in November 2014.



NOW, CONSUMERS FIND EASILY THE PRODUCTS THEY NEED, AND HAVE NEW LAUNCHES DEVELOPED FOR THEIR PROFILE

In the end of 2014, BRF totaled R\$29 billion in net revenue and R\$2.1 billion net revenue on continued operations, which do not take into account the results obtained with the dairy business. These results were achieved thanks to structural changes carried out during the year 2014, with improvements of basis of sales points in Brazil, improvements in service that increased customer satisfaction, growth in regions such as the Middle East and Southeast Asia, and also projects to increase capillarity and distribution capacity.

Today, BRF accounts for 1.8% of the Brazilian trade balance and concentrates about 20%

of world trade in poultry, generating almost 115 thousand jobs - 104 thousand direct besides to negotiating with approximately 13 thousand integrated producers. **GRI G4-9**

The Company is publicly traded since 1980 and has been part of "Novo Mercado" from BM&FBovespa for nine years. In 2014, it completed a decade of participation in the Corporate Sustainability Index (ISE), reflecting its commitment to sustainable development. It also has shares traded on the New York Stock Exchange (NYSE - ADR level III) and in 2014, was listed again in the Dow Jones Sustainability Index Emerging Markets. **GRI G4-7**

Read+

About BRF's brands at [www.brf-global.com/en/our-brands](http://www.brf-global.com/en/our-brands)

## BRF ATTRIBUTES

GRI G4-56

Cultural movement that reflects the new BRF's way of being and doing

- OWNERS PASSION
- INSPIRED BY THE CONSUMER
- HEALTHY LIFE
- DOING TOGETHER
- EAGER FOR PERFORMANCE
- APPETITE FOR MORE
- RIGHT WAY

# GLOBAL OPERATIONS GRI G4-8, G4-9, G4-10

**120**  
COUNTRIES SERVED

**2,329**  
THOUSAND  
PRODUCTS IN THE  
PORTFOLIO

**104.4**  
THOUSAND  
DIRECT EMPLOYEES

**4.3\***  
MILLION  
TONS PRODUCED

\*Does not include dairy

EXPORT ●

PRODUCTION – UNITS ABROAD ○

DISTRIBUTION CENTERS – ABROAD ●



ABOUT  
**50**  
THOUSAND  
SUPPLIERS<sup>1</sup>

<sup>1</sup>Categories: agricultural, logistics, supplies, dairy, grains, meals and oils.

**10**

**PLANTS ABROAD:**  
7 IN ARGENTINA (6 OWN  
AND 1 OF THIRD PART),  
1 IN UNITED ARAB EMIRATES,  
1 IN ENGLAND\* AND  
1 IN NETHERLANDS\*

\*Plusfood operations.

# IN BRAZIL

47

FACTORIES, BEING

34

OF MEAT  
PROCESSING AND

13\*

OF DAIRY  
PROCESSING IN

10

STATES AND

4

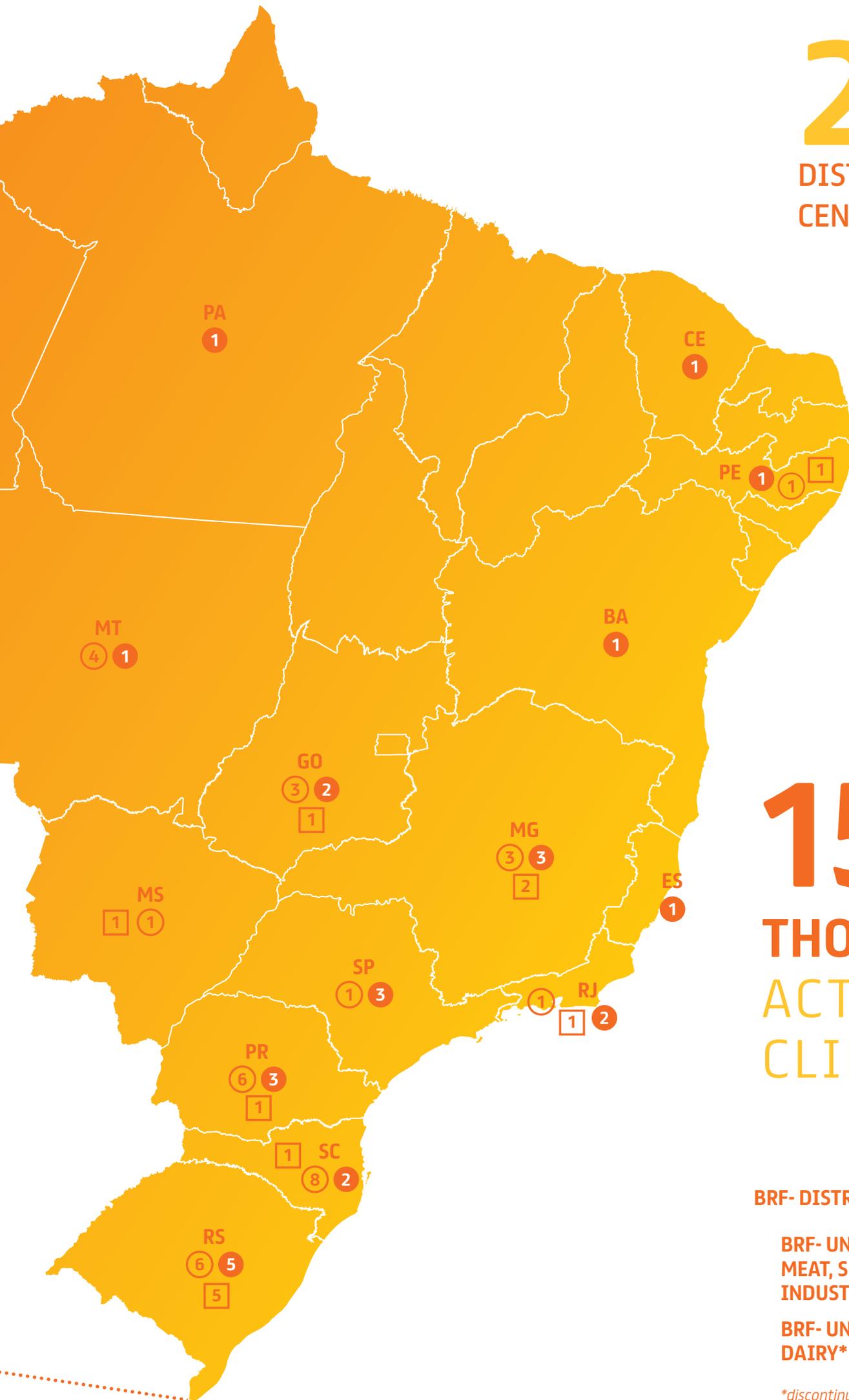
REGIONS OF  
THE COUNTRY

*\*discontinued operations*



# 27

DISTRIBUTION  
CENTERS



# 159

THOUSAND  
ACTIVE  
CLIENTS

BRF- DISTRIBUTION CENTERS



BRF- UNITS THAT PRODUCE  
MEAT, SOYBEAN AND  
INDUSTRIALIZED



BRF- UNITS THAT PRODUCE  
DAIRY\*



*\*discontinued operations*

# STRATEGY AND BUSINESS MODEL

Increased productivity, enhanced distribution capabilities, customer service, portfolio renewal, international expansion and return on invested capital for shareholders and other stakeholders are essential elements of BRF future vision.

In order to consolidate itself as a global company, leader in the markets in which it operates and adapted to the needs of its customers, the organization has since 2013 the BRF-17 a strategic plan that defines actions, goals and priorities by the year 2017. **GRI G4-47**

In general, BRF-17 seeks to create a leading company focused on business with high return on investment, which owns admired brands, presented in different markets with local identity and oriented to the end consumer and the client.

Built in 2013, reviewed by the entire Company in 2014 and approved by the Board of Directors, the guidelines address the need to increase the company's value generation, comprising indicators such as revenue and profit, cash flow generation and return on invested capital (ROIC - return on invested capital). Four corporate support guidelines were added in the review, and every year the Company reviewed and adapted its planning.

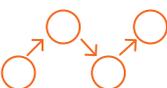
In order to achieve the expected result for shareholders, investors and other stakeholders, the strategic guidelines were structured in regional markets and corporate support areas (platforms), which address the internal processes of the organization and its value chain (*see table*).

BRF today is structured around business divisions for each region and support areas, responsible for aspects such as Fraud Prevention, Marketing and Innovation, Legal, Risk Management, Human Resources, Sustainability, among others. The execution of the planning is based on goals that directly affect the compensation and evaluation all of our leaders. **GRI G4-51**

The year 2014 represented the challenge to implement the guidelines set forth in BRF-17, focusing on: internationalization and regionalization process with respect and adaptation to markets; the construction of an integrated BRF culture; improvement of the service level, cost efficiency and cash flow, delivering results expected by the market and redirecting efforts to core business. **GRI G4-2**

## BRF-17 GRI G4-2

How the company intends to address the challenges and opportunities to fulfill its strategy

SUPPORT GUIDELINES	OUR OPPORTUNITY
 <p>Strong and unique BRF Culture</p>	Integrate workforce and build a culture that brings engagement and well-being and leverages the company's results
 <p>Talent as a competitive advantage</p>	Count with the multicultural human capital of BRF for growth of our results
 <p>Management by value and performance</p>	Stimulate a meritocratic culture and good performance among employees
 <p>Consumer, customer and market orientation</p>	Drive the investments, brands and innovations according to the needs of the consumer markets
 <p>Medium-term planning of robust and flexible chain</p>	Create opportunities, development and greater efficiency in the supply chain
 <p>Focus and discipline of execution and collection</p>	Monitor key indicators, goals and objectives related to the business plan, focusing on each market and area of operation

SUPPORT GUIDELINES		OUR OPPORTUNITY
	Service level as real distinguishing feature	Acquire and retain customers and increase the presence of BRF brands in the point of sale
	Efficiency, cost advantage and competitiveness	Increase profitability, cash flow and the net margin of the company, generating consistent results for their capital providers
	Minimize the expansion of assets and optimization of its use	Invest in businesses that are the specialty and area-focus of BRF, betting in high value-added brands and business
	Disaggregated view of the markets	Respect and value the differences of each region served with products, brands and strategies that meet local demands
	Leadership in quality of products and processes	Maintain the reputation and the quality differential of BRF, especially in markets where this aspect is valued by consumers and customers
	Sustainability as value creation	Sustainable growth and create long-term shared value, ensuring the sustainability of the business and supporting global movements
	Revitalization of <i>core</i> via innovation	Revitalization of categories core considering the macro trends and strategies of brands
	Strengthening of brands	Consider the particularities of each market in the strategies of brands
	Consolidate HSE management	Preserve the life of our employees and partners and the integrity of our facilities

## IN BRAZIL

The year was marked by projects that focused on the performance of the company by investing in segments, brands and strategic business. One of the highlights was the expansion of the presence of BRF brands, reaching 159 thousand points of sale.

The improvement in the provision of services to domestic customers, measured by the indicator OTIF (On Time In Full), was also a positive point: making progresses when compared with 2013.

During the period, we also entered into a partnership agreement with Minerva in the cattle business, executed on 10.01.14, in which the terms and conditions for the sale of the two slaughter plants in the state of Mato Grosso were established. In exchange, we become a strategic shareholder of Minerva, obtaining a share of approximately 15.2% in its total and voting capital (after full conversion of mandatorily convertible debentures issued by the company), with the right to two seats on the board. In the second

half of 2014, 2000 employees of the slaughter plants were transferred to the company. **GRI G4-13**

BRF also sold the dairy division - brands Batavo and Elegê - to Parmalat (Group Lactalis) for R\$ 1.8 billion, and the expectation is that the conclusion of this business takes place in the end of the first semester of 2015. Such operations reflect an unbundling strategy and maximization of results, focusing on the company's key business.

# BRF INTERNATIONAL

In addition to the good operating performance (read more on pages 47, 53, 55), the Company opened a new plant in Abu Dhabi, United Arab Emirates - a strategic operation to strengthen the presence and production in the region where the brand Sadia is already "Top of Mind" (The most remembered by the consumer).

With a capacity to produce 70,000 tons and have 1.7 thousand employees by mid-2017, the plant produces processed meat (breaded products, hamburgers and pizzas, for example) and was executed following efficiency and productivity guidelines, with the latest technology. It is also in line with the economic plan Abu Dhabi 2030\*, positively impacting the economy and the local productions. **GRI G4-EC8**

Another effort was driving global portfolio to processed products with high added value, reinforcing the company's positioning abroad and reducing the presence of commodities in the mix of products.

\*The strategic plan proposes optimize urban development in order to build infrastructure bases for a socially cohesive and economically sustainable community that preserves the cultural heritage of the Emirates.

With pillars such as: brands, distribution and local production, BRF also advanced in the acquisition of logistics operations abroad. The Company acquired some distributors in the region such as:

**FEDERAL FOODS:** in 2013 had already acquired 49% of interest in Federal Foods, a leading company in the distribution of food in the United Arab Emirates. Continuing this strategy, it announced in 2014 the acquisition of additional economic rights of this company.

**AL KHAN FOODS (AKF):** in early 2014 it acquired 40% of equity interest in AKF, BRF's product distributor in the Sultanate of Oman and leading distributor of frozen products in the region, covering a broad scope of retail customers, food services and wholesale.

**ALYASRA:** leader in the distribution of food in the State of Kuwait, covering the retail and food services industries, with a presence in frozen, chilled and dry segment. BRF acquired 75% of its business

of distribution of frozen food in retail as part of a larger commitment to this market. In April, the Company announced the closing of the joint venture with Dah Chong Hong Limited and now will seek new opportunities and partnerships in Mainland China region, Hong Kong and Macau. At the end of the year, a signature of the Memorandum of Understanding between BRF and Indofood was announced, seeking to expand business in Indonesia. **GRI G4-13**

During the year, specific plants in Brazil were also activated in order to expand access and export to the Chinese and Russian markets, with the production of poultry meat in natura and processed poultry (to China) and butters and powdered milk and porky and poultry meat in natura to Russia. In the context of Russia, five poultry units and three pork units in Brazil were also reactivated in order to expand the supply of the region after the embargo of the country to the United States and Europe.

## SUSTAINABLE GROWTH GRI G4-2

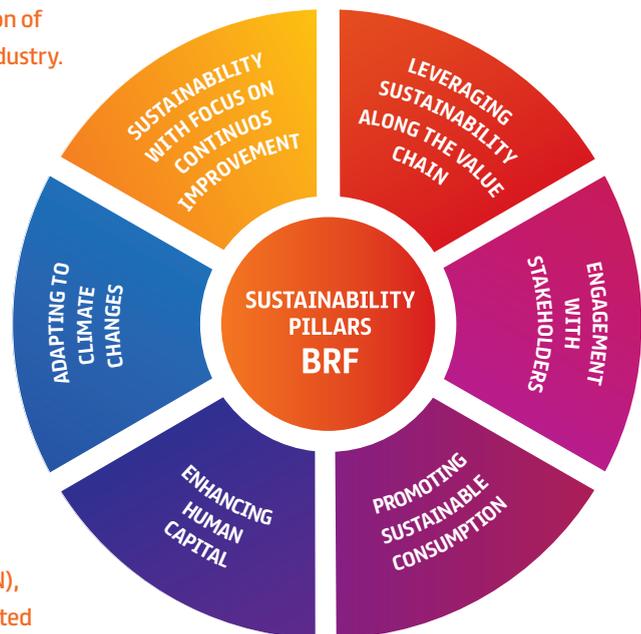
BRF seeks to combine sustainability to core business decisions with long-term vision and leadership involvement. Since 2011, this goal is exposed in the six Pillars of Sustainability (see chart) - which translate transversely, the opportunities and the social, economic, environmental and governance challenges of the Company, which aims to achieve sustainable growth creating shared value and ensuring the sustainability of the business.

Used as levers in BRF-17, the pillars expose the positioning with respect to critical issues in the industry such as supply chain, consumer awareness and process efficiency. The indicators and targets are monitored by the Sustainability area, which has the Governance and Sustainability Committee as the entity responsible for making decisions and developing the theme in the Company's leadership (read more on pages 27,71).

In addition, BRF is party in commitments and agreements that strengthen the strategic role of sustainability in its business model. BRF also operates actively in sectoral and regulatory discussions in order to cooperate with the creation and dissemination of knowledge on the theme in the industry.

The social and environmental investments of BRF are reflected in market and society recognition: ten years listed in the Corporate Sustainability Index (ISE) of BM&FBovespa, and since 2012 in the portfolio of Emerging Markets of Dow Jones Sustainability Index. Besides, it is among the companies in the Global Compact 100 Stock Index, of the Global Compact of the United Nations (UN), referencing organizations committed

to the ten principles of the Compact and its application in the strategy and day-to-day business.



- **GLOBAL COMPACT:** support for the promotion of core values in the areas of environment, human and labor rights and fighting corruption.
- **MILLENNIUM DEVELOPMENT GOALS:** proposes the eradication of hunger, respect for human and social rights and the universal work, among other issues.
- **BUSINESS COMPACT FOR INTEGRITY AND ANTI-CORRUPTION:** commitment to ethics in business, following a set of guidelines and procedures in their relationships with entities and public officials.
- **NATIONAL PACT FOR ERADICATION OF SLAVE LABOR INSTITUTE (InPACTO):** commitment to action to eradicate slave labor in supply chains.
- **"NA MÃO CERTA" PROGRAM:** supports the effective combating to the sexual exploitation of children and adolescents on Brazilian highways.
- **BRAZILIAN GHG PROTOCOL PROGRAM:** promote transparency of the companies on marketing and managing their carbon footprint.
- **CDP CLIMATE CHANGE:** encourages responsible management of carbon emissions, climate change, strategy, risks and opportunities.
- **CDP WATER:** addresses the management of water resources in organizations and their supply chains.
- **"EMPRESAS PELO CLIMA" (COMPANIES FOR CLIMATE):** supports the construction of low-carbon economy in Brazil, assessing risks and opportunities and collectively discussing practical solutions and contributions to the legal milestone in the country.

## RECOGNIZED MANAGEMENT

Efforts to increase the efficiency of its processes gave to BRF a series of awards that signal the ongoing commitments to sustainability. Among them:

- **"As 50 Empresas do Bem" (The 50 good companies):** awarded by *IstoÉ Dinheiro*;
- **"Guia Exame de Sustentabilidade" (sustainability guide):** one of the 61 leading companies in sustainability, especially in the category "Climate Change";
- **"Award IstoÉ – As empresas + Conscientes" (more conscious companies: winner in the category "Environment");**
- **CDP Brasil:** Ranked 4th in the list of Leading Companies in Transparency;
- **"Melhores da Dinheiro":** winner in the category "Social and Environmental Responsibility";
- **McDonald's 2014 Best Sustainable Supply:** winner in the category "Waste" with reverse logistics project of animal health waste.

## OTHER INSTITUTIONAL AWARDS

- Apex Brasil Award: Exporter Performance, Apex Brazil
- 100 most innovative companies in the world, awarded by *Forbes*
- Best Agribusiness Company in 2014, magazine *Globo Rural*
- "Anuário Época Negócios 360º" (Yearbook), of *Época Negócios*
- 50 most innovative companies in Brazil, of magazine *Consumidor Moderno*
- Best IR Team of food and beverage industry in Latin America, according to *Institutional Investor*
- Best Corporate Governance by *Capital Aberto e Abrasca*

# CORPORATE GOVERNANCE

BRF incorporates the main international governance practices through a steering and monitoring system, led by the guidelines of shareholders and collegiate bodies, which proposes to increase the market value of the Company, the good relationship with the public and facilitated access to the capital, contributing to the longevity of the business.

Listed on “Novo Mercado” and signatory to the guidelines established by São Paulo Stock Exchange (BM&FBovespa) and by New York Stock Exchange (NYSE), BRF seeks to adopt corporate governance practices that ensure transparency, equity, ethics, risk management, the balance of strategic decisions and accountability.

The main governance bodies are the Annual Shareholders’ Meeting, the Board of Directors, the Supervisory Board the Statutory Audit Committee, advisory committees, areas of Fraud Prevention and Internal Audit and the Executive Board (see box). GRI G4-34

In 2014, the Statutory Audit Committee was created, a body that performs audit functions formerly performed by the powered Audit Committee. This committee, composed of two independent directors and an external financial expert, has two-year terms of office and ensures the conduct of audit processes, fraud prevention and internal controls according to the highest standards required by the international rules of the capital market. GRI G4-34, G4-38

The delegation of responsibility on sustainability issues occurs through deliberations in collegiate bodies, involving the Board of Directors and the Executive Board, followed up by the management system. The collegiate bodies are evaluated by process specially developed by a specialized independent consulting firm, and the president does not have executive functions. GRI G4-35

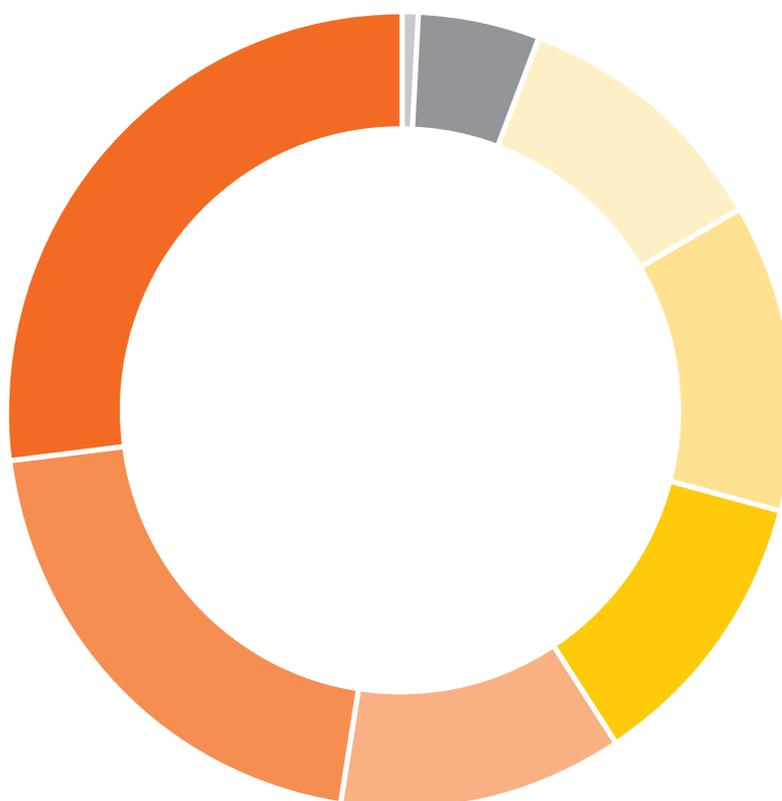
The structure of collegiate bodies is made up of professionals including skills, requirements, competences and diverse experiences, contributing to the decision-making throughout the complexity of BRF business model in Brazil and abroad. The criteria for selection and appointment for the senior governance body and its committees are technical competence, the unblemished reputation, the condition of not holding positions in competitors or representing conflicting interests and the appointment by shareholders. The company does not discriminate on grounds of gender and culture. GRI G4-40

## SHAREHOLDING STRUCTURE \*

BASE:12/31/2014

- NATIONAL 27.6%
- FOREIGN 20.6%
- ADR 11.7%
- PREVI 11.5%
- PETROS 12.5%
- TARPON 10.5%
- BLACKROCK 5.0%
- TREASURY 0.6%

\* Difused control equal rights  
capital stock: R\$12.6 billion  
Number of shares: 872,473,246  
(common)



## ROLES AND RESPONSIBILITIES

**SHAREHOLDERS' MEETING** – Main recommendation channel of the shareholders to management, the meetings are held with around 70% of shareholders, who have their participation stimulated by direct approach to investors and sending of guidance manual, detailing the meeting grounds and general guidance on the process. The meetings approve the financial statements, mergers, elect the Board of Directors and the Supervisory Board and approve the remuneration of managers, among other relevant demands. **GRI G4-53**

**SUPERVISORY BOARD** – consists of three members, meets on a monthly frequency, at least, and addresses issues related to supervisory management of the Company's business.

**ADVISORY COMMITTEES** – Support the Board of Directors in strategic decision-making, through monthly meetings with participation of top management representatives. In 2014, four committees were active: Strategies and Markets Committee; Finance and Risk Policy Committee; Governance and Sustainability Committee; and People, Organization and Culture Committees. **GRI G4-34, G4-36**

**AUDIT COMMITTEE** – consists of three members acting under the US law, and may forward the complaints to the Fraud Prevention Board, investigate or hire an independent company, and, if necessary, mobilize the Board of Directors.

**BOARD OF DIRECTORS** – is responsible for approving the relevant decisions by the Executive Board, the Strategic Long Term Plan, in addition to the processes and standardizations assigned to resolution by this body. The relevant resolutions shall be passed by at least 2/3 of the members of the Board. **GRI G4-42, G4-45**

The current board was elected in April 2013 for a term that will end in 2015. Directors are selected according to four criteria: technical skills; unblemished reputation; not holding positions in competitors or representing conflicting interests; and the appointment by shareholders. **GRI G4-40**

In December 2014, it consisted of 11 members, 5 of whom were independent\* (55%), a figure that exceeds the 20% recommended by the rules of BM&FBovespa.

The President of the Board does not have executive functions, and the evaluation of directors is performed by an independent consulting firm. **GRI G4-39, G4-40, G4-44**

**EXECUTIVE BOARD** – by the end of 2014, executives held positions of Global CEO, Vice-President of Finance and Investor Relations and five Vice-Presidents. During the year, the planned transition of the Global CEO was announced, and Claudio Galeazzi - who took the office in 2013 to promote the restructuring of costs and expenses, achieving improved results - was replaced with Pedro Faria, who was an International CEO and took the office of Global CEO on January 1, 2015

With the function to achieve the results and objectives of BRF-17, executives are responsible for managing impacts and economic, environmental and social issues, with monthly meetings to monitor the performance and the results. **GRI G4-35, G4-36**

\*The concept of independent director is defined by Novo Mercado rules and the criteria set forth in the Sarbanes-Oxley Act.

## GOOD GOVERNANCE PRACTICES

- Exclusive maintenance of common shares
- Equal rights and premium on public offerings
- Investors protection mechanisms
- Arbitration for settlements of conflicts of interest
- Mandatory takeover (OPA) - tag along of 100%
- OPA with premium to be offered by shareholders or groups of shareholders who decide to hold over 20% of the total capital
- Financial statements follow international accounting principles (IFRS) and determinations of the Internal Control System of Financial Reporting (SCIRF), guided by the Sarbanes-Oxley Act (SOX)
- Novo Mercado
- ADR Level III
- Technical Notes Process to support the decision making of collegiate bodies

## BOARD OF DIRECTORS



**Abilio  
Diniz**

President of  
the Board of  
Directors and  
Independent  
Member



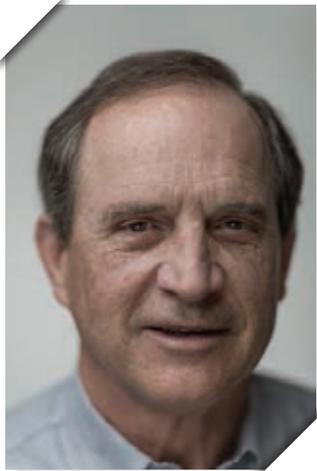
**Sérgio  
Ricardo  
Silva Rosa**

Vice -  
President and  
Independent  
Member



**Carlos  
Fernando  
Costa**

Member



**Luiz  
Fernando  
Furlan**

Independent  
Member



**Manoel  
Cordeiro  
Silva Filho**

Independent  
Member

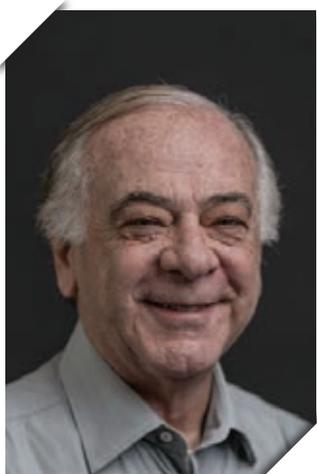


**Paulo  
Assunção  
de Sousa**

Member

---

## SUPERVISORY BOARD



**Atilio  
Guaspari**

Independent  
Member



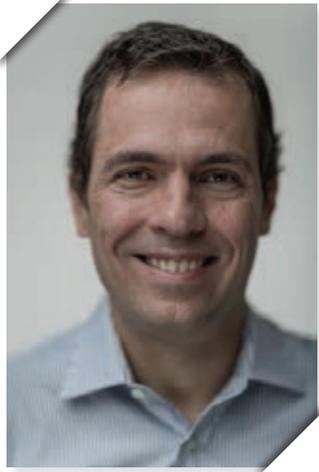
**Décio  
Magno  
Andrade  
Stochiero**

Member



**Susana  
Hanna  
Stiphan  
Jabra**

Independent  
Member



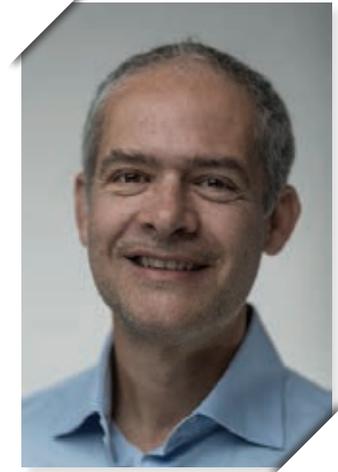
**Eduardo  
Silveira  
Mufarej**

Member



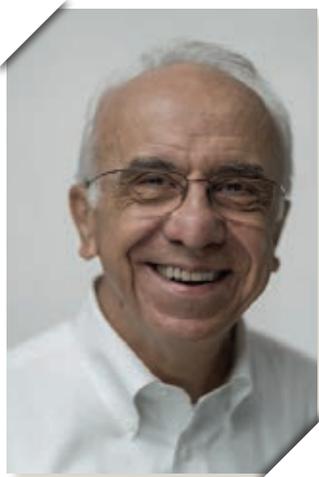
**José Carlos  
Reis de  
Magalhães  
Neto**

Member



**Luís Carlos  
Fernandes  
Afonso**

Member



**Vicente  
Falconi  
Campos**

Member

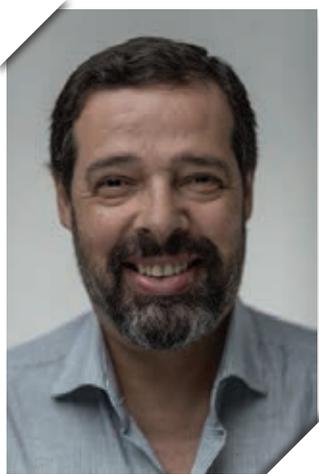


**Walter  
Fontana  
Filho**

Independent  
Member

---

## STATUTORY AUDIT COMMITTEE



**Sérgio  
Ricardo  
Silva Rosa**

Independent  
Coordinator



**Fernando  
Dall'Acqua**

Financial  
Expert and  
External  
Member



**Walter  
Fontana  
Filho**

Independent  
Member

## NEW STRUCTURE

In January 2015, BRF announced a new administrative model, in line with its growth process and globalization. In it, five General Managers are to report to the Global CEO, heading business units by geographic area (Brazil, Latin America, Europe/Eurasia, Asia and Africa/Middle East). Everyone will have

corporate support in areas such as Quality and Management, Innovation and Marketing, Supply Chain, Legal and Corporate Relations, Finance and IR and People. In Brazil, five regional leaders were created: Northeast (based in Recife), West/North (GMT), São Paulo (capital), South (Curitiba) and Southeast (Rio de Janeiro).

The expectation is that the new structure will enable BRF to strengthen decision making considering needs and strategies tailored to different consumer markets, and encourage international vocation of the Company and the autonomy in management.



## STATUTORY EXECUTIVE BOARD



**Pedro de Andrade Faria**  
GLOBAL CEO



**Augusto Ribeiro Jr.**  
Vice-President  
Finance and  
Investor  
Relations



**Gilberto Antônio Orsato**  
Vice-President  
of Quality and  
Management



**Hélio Rubens Mendes dos Santos**  
Vice-President  
of Supply  
Chain



**José Roberto Pernomian Rodrigues**  
Vice-President  
of Legal and  
Corporate  
Relations



**Rodrigo Reghini Vieira**  
Vice-President  
of People

## GENERAL MANAGERS



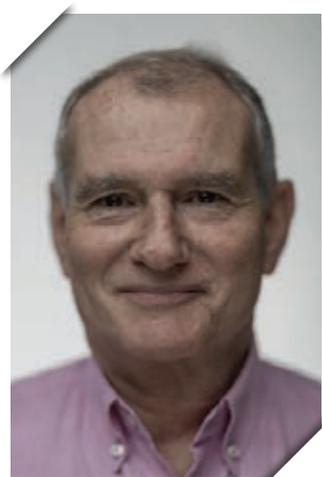
**Flavia Moyses Faugeres**  
General  
Manager  
Brazil



**Alexandre Borges**  
General  
Manager  
LATAM



**Simon Cheng**  
General  
Manager  
Asia



**Roberto Banfi**  
General  
Manager  
Europe and  
Eurasia



**Patricio Rohner**  
General  
Manager  
Africa and  
Middle East

# ETHICAL AND RIGHTEOUS BEHAVIOR

## GRI G4-56

All relationships, practices and negotiations held by BRF assume compliance with policies, standards and the Company conduct guidelines. In 2014, the structures were strengthened to prevent fraud and anti-corruption. The Related Party Policy, which governs various operations carried out with BRF stakeholders - such as *joint ventures*, business partnerships and business agreements, was also approved.

Disclosed to the capital market, the policy is managed and applied by the Governance and Sustainability Committee, reporting to the Board of Directors. Contracts with Related Parties are reported in the Notes to the Financial Statements in accordance with IFRS rule.

In 2014, the Fraud Prevention Board was created in order to strengthen ethical behavior inside the organization. The area reports to the Board of Directors, via Statutory Audit Committee, and adopted a contemporary model widely accepted by the market for risk management of fraud. The model proposes identify, document, assess, monitor and mitigate the risks of fraud and corruption to which the Company is exposed. **GRI G4-58**

Compliance and righteous aspects are highly relevant to BRF and its supply chain, involving various social and environmental risks - such as quality of life of the neighborhood, consumer health, food safety, business reputation etc. Acting preventively,

it can reduce financial, environmental and social impacts, correct the causes with agility, reduce non-compliance and maintain the reputational image of the Company before government and society. These situations are addressed under the Code of Ethics and Conduct and the Articles of Association.

Main set of guidelines that guides business activities, the Code of Ethics and Conduct is based on the principles of consistency, transparency, integrity and respect for society. The Code is currently undergoing a revision process in order to put it in line with the new demands and modern issues of the markets where the Company operates. The document is available on the intranet and the Internet, for employees and investors and business partners, in Portuguese, English and Spanish. Among the issues covered are ethics, behavior and human rights. **GRI G4-57**

During the year, was also published corporate policy on combating bribery and corruption. BRF meets, in its daily practices, international provisions of references such as the Foreign Corruption Practice Act (FCPA), United Kingdom Bribery Act (UKBA) and the Brazilian Law 12,846 (Anti-Corruption Act). **GRI G4-57**

Other policies that guide the actions of BRF is the Code of Conduct for Suppliers, the disclosure and trading policy, the Financial Risk Management Policy and the company's by law.

The monitoring and investigation of complaints are under responsibility of the Fraud Prevention Board, as well as the management of the Reporting Channel. The complaints received related to fraud are documented and treated as in-house investigation process, following specific methodology. The mechanisms for complaints cover both the external (consumers, customers, suppliers etc.) and internal public (employees and executives), allowing that the demands are taken to the Statutory Audit Committee. All matters relating to the prevention and investigation of fraud were reported to the Audit Committee during 2014 due to the new structure. **GRI G4-37, G4-50**

By the end of 2015, the Reporting Channel will undergo a redesign and continuous improvement process to: improve transparency on reports received, recorded and treated, besides facilitate to ensure the integrity of information; speed up the processing of claims; and generate auditable records of investigative activities.

### COMPLAINTS MECHANISMS

	Environmental (GRI G4-EN34)	Labor (GRI G4-LA16)	Human Rights (GRI G4-HR12)	Impacts to society (GRI G4-S011)
2013 Settled in 2014	100%	100%	NA	100%
2014 In progress	11.1%	31.3%	60%	51%
2014 Solved	88.9%	68.7%	40%	49%

Due to the creation of the Fraud Prevention Board and new methodologies to obtain improvements, it is not possible to compare the data in this table with the previous year's data.



## OPEN DIALOGUE

By offering various mechanisms of communication and dialogue, BRF improves its relationship with its stakeholders in order to achieve continual improvement of its products and processes, manage its risks properly and know more deeply the perception of society regarding the business.

Reporting Channels are available on the intranet, internet (<http://www.brf-br.com/brasil/en/customer-service-hotline/ethical-hotline>), national phone numbers (0800-702-7014) and international phone numbers (55-11-3466-8510) and mail. For employees, in addition to those channels, there are other specific means used for internal communication (written and television).

The channel "Conta pra Gente", existing in Brazil and abroad ("Tell Us" and "Cuéntenos"), values the internal communication and pursues dialogue with its employees to build a better company

for everyone. By the end of the year, it recorded 3,625 interactions with activations in more than 60 locations (plants, branches, distribution and administrative centers). In 2014, about 40 ideas received from this channel were implemented. **GRI G4-26**

Although not its function, the channel can also receive complaints. When it occurs, they are forwarded to the Fraud Prevention Board. **GRI G4-49, G4-57**

Also for the internal public, there is the Corporate TV, which shows the areas of the company, brings news, addresses issues such as health and safety, allows teams to answer questions and generates approach with executives, the CEO and President of Board of Directors. This channel has monthly periodicity and has a schedule made exclusively by employees. All channels such as magazine "Mundo BRF", Intranet and local Murals, have as premise show employees as protagonists.

Corporate Communication is also a channel for issues related to negotiations brought via media such as accidents/incidents and complaints from consumers. In addition, the Consumer/Customer Service (SAC) serves as space for inquiries, information, compliments and complaints, and the operators are able to give direction to the demands within five business days.

### REASONS TO CONTACT SAC

	2012	2013	2014
Search for Information	39%	36%	48%
Recipe Requests	35%	46%	27%
Compliments/Suggestions	5%	5%	5%
Various issues	15%	7%	14%
Complaints	6%	6%	6%

## COMPLIANCE IN OPERATION

The Company owns systems and tools to assess the level of compliance of the operations in order to identify instances, prevent risks and improve environmental, work, health and safety conditions for employees and business partners. Several aspects are considered, including environmental management, work environment, operational functioning etc.

In 2014, BRF continued the Control Project of Operation Obligations. The initiative, under implementation, monitors the expiry of licenses as well as their constraints, focusing on 100% compliance of manufacturing and agricultural activities. The monitoring is done using a system that controls operating and environmental permits.

In April 2014, a Conduct Adjustment Agreement was signed with the Prosecutors' Office of the State of Goiás due to irregularities in ground activity of approximately 300 tons of solid material without proper treatment, in Rio Verde (GO) unit. The Conduct Adjustment Agreement in progress is in compliance with the signed agreements and also doing others improvement actions.

## ENVIRONMENTAL COMPLAINTS

**GRI G4-EN34**

BRF is committed to the investigation of incidents involving social and environmental impacts of its production chain. Through an internal standard for Environmental Communication, flows and heads

are set, as well as how to answer the protester. Actions involve the factories and the corporate area of Environment, and are linked to the risk mitigation strategy.

# RISK MANAGEMENT

Accompanied by the Finance and Risk Policy Committee and validated by the Board of Directors, BRF risk management policy is reviewed at least annually, to reflect in the strategic planning externalities, challenges and opportunities for the business environment of the organization.

GRI G4-45, G4-46

The Company has an area dedicated to the subject, responsible for supporting and guiding the various areas in the identification, quantification, communication and treatment of risks, through tools and monitoring of indicators. The management, however, is effectively done by the areas responsible for potential risks. Among the activities that the Risk Management department performs are the Business, Financial and Market Risk Management, Internal Controls, compliance with SOX and Information Security Act.

The management is conducted through tools and indicators reported to senior management bodies. They are considered the main issues associated with the industry segments in which BRF operates, as well as geographies met and the economic, regulatory and social and environment.

The activities are monitored by the Board of Directors and the Advisory Committees and the Executive Board, to validate the identified risks, quantify them and criticize the actions taken by the Company to mitigate them.

GRI G4-46, G4-2

The main risks monitored by the company are:

- **FINANCIAL** – BRF has a Financial Risk Management Policy, revised in 2014, whose monitoring is performed by the management committee of same name. The guidelines allow the veto of proposals considered inadequate and the definition of standards for transactions and operations, as well as ways to mitigate the impact of exchange rate volatility.

- **SUPPLY CHAIN** – for the extension and complexity of its production chain, BRF maintains a series of actions and guidelines that ensure the supply risk management, including the Procurement Corporate Standard, the PRINAD assessment (Probability of Default) and the preparation and update of the Strategic Sourcing – a tool used by provisions to analyze the market, the category, Sourcing strategies and negotiation, as well as the supply risk of each supplier involved in the chain. These practices are reflected in the Monitoring Program of Supply Chain, which helps mitigating social and environmental risks, such as image and reputation, production downtime, fines etc. (*read more on pages 77 to 81*).

- **OPERATING** – Operational risk management program (RMP) has existed since 2010 and proposes the prevention of property claims and events that affect the productivity and continuity of operation - such as scarcity and cost of labor, logistics network, factories etc.

In BRF, the precautionary principle affects investments in the development, design, manufacturing and distribution and sale of products. According to the principle, scientific uncertainties are considered sufficient reason to avoid certain projects, initiatives and practices of organizations, preventing the threat of serious or irreversible damage to human health and the environment. GRI G4-14

In addition, there is insurance against damage and events involving their physical assets and the Operational Control Center, since 2012 implemented in Curitiba (PR), which allows the integrated management of operations.

- **SANITARY CONTROL** – Measures to mitigate these risks are linked to quality principles adopted in the factories, in the production chain and distribution process. In slaughter plants, for example, there are specific practices to meet and also overcome the health laws of markets served and avoid possible international embargoes to a specific region.

- **FOOD SAFETY** – BRF quality system has specific programs for food safety, such as Good Manufacturing Practices and Hazard Analysis and Critical Control Points, with preventive measures to eliminate biological, physical and chemical hazards. Suppliers have specific clauses of quality assurance in their contracts, ensuring traced production to the level of agricultural care and practices (supplied food and medicines, for example). Additionally invests in cutting-edge equipment such as metal detectors and X-ray equipment to reduce physical contamination, certification of production sites and shopping aligned to international standards (*read more on pages 82 to 85*).

- **COMMODITIES** – The policy was revised in 2014. The risks are associated with the volatility and seasonality of certain inputs and raw materials, considering some that are essential to business, such as corn, soybean meal, soybeans, pork and milk as well as internal and external market conditions, diseases, sanctions and embargoes that could affect the supply. Faced with the challenge of dealing with price changes, inventory and movement of products and raw materials, the company focuses on optimization of freight costs, production efficiency and intelligent use of available resources, and has recently invested in the unbundling of chain, with the transfer of cattle and dairy operations (*read more on pages 23, 46, 47, 52, 54, 55*).

- **IMAGE AND REPUTATION** – BRF has a strong image related to solid corporate governance and is seen as a company aligned with values such as trust, ethics and transparency, which are the images that the Company seeks to maintain. A clear image, a risk and reputation policy and a responsible marketing policy supports all business segments are maintained by the Company, and its business standards cover the domestic and foreign market relations.

- **LEGAL/TAX** – Regulatory and legal aspects are monitored in different markets in order to reduce the risk of exposure to penalties for non-compliance and bring more safety and predictability to the operation.
- **ENVIRONMENTAL** – Monitoring involves the reduction of environmental incidents/ accidents in the production chain, from suppliers to the end consumer, passing through the plants and agricultural operations. The insurance policies provide for limited coverage for environmental damage in the Company's units.
- **CLIMATE CHANGE** – With the theme included in its strategic pillars of sustainability, BRF strategy considers the aspects related to climate risks, assessing and managing potential impacts on the operations and supply chain, recognizing the vulnerability of natural resources and agricultural inputs critical to its productive activity.

The main risks identified by BRF relate are to physical aspects, such as extreme changes in temperature and rainfall, affecting agricultural productivity, animal welfare and availability of energy - as hydroelectric predominate in the Brazilian energy matrix. These changes can directly impact the Company's costs by several factors, from the rise in the price of agricultural commodities to the need to search for other energy sources, in view of the risk of rationing electricity because of water scarcity.

In mapping climate related risks the regulatory aspect was also considered, monitoring the changing trends in licensing laws that incorporate management of GHG emissions in the national and international scene; and reputational aspect, as developed markets are more demanding in relation to environmental aspects of the product, mainly carbon emissions.

Among the measures to minimize the mapped risks and ensure competitiveness in costs are: the monitoring of inventories in purchase of grain and the constant monitoring of climate on agricultural regions to guide purchasing decision and anticipate price fluctuations in the commodities market; the development of energy efficiency projects; and technological innovation in agricultural facilities in order to improve the ambience and acclimatization and ensure animal welfare.

Further information can be found at website of CDP - Climate Change Program, where the company reports its management in climate change ([www.cdp.net](http://www.cdp.net) -> reports&data).

GRI G4-EC2

Uberlândia Plant



# INTELLECTUAL CAPITAL

MORE  
THAN

1



BRF bases its business model in the development of new products that was one of the highlights of 2014. The renewal index was 9.7%, 1.2 p.p. higher when compared to 2013.



# INNOVATIONS IN THE YEAR



IN 2013, WE  
OPENED THE BRF  
INNOVATION  
CENTER IN  
JUNDIAÍ



THERE, WE ANTICIPATE  
MARKET TRENDS AND  
DEVELOP INNOVATIVE  
PRODUCTS, SUCH AS  
THE COLD CUTS LINE  
"SOLTÍSSIMO"

**DURING THE YEAR, WE PRIORITIZE REVIEW OF THE GLOBAL PORTFOLIO, WE RETHINK AND WE TAILOR OUR PLANTS AND LAUNCH INNOVATIONS THAT ANTICIPATE CONSUMER TRENDS.**

To leverage the sales results and meet its strategic direction, BRF has increased investment in innovation. In line with BRF-17, more than R\$190 million was invested in research and development of new products and processes, as well as in agricultural researches, in order to anticipate consumer trends, expand market share, achieve greater efficiency and ensure the leadership of the Company's brands.

Valuation fronts of intellectual capital inside BRF involve not only innovation in end products, but also improvements in operations, new technologies and production of scientific knowledge. In 2014, the strategy of *profitable portfolio* directed several decisions at the national and international markets, in order to invest in high value-added products and develop key categories in each area of operation.



IN 2014, CONSUMERS WERE ABLE TO TRY NEW PRODUCTS, EVEN TASTIER, WITH MORE QUALITY AND MORE CONVENIENCE

During the year, we invested also in direct process innovation in the products, generating important launches for closer ties with the consumer (*see table*). The innovations are developed with support of the various Research, Development and Innovation (RD&I) teams, which are present in all stages of the production chain of BRF, with units located in Carambé (PR), Curitiba (PR), Jundiaí (Innovation Centre BRF, SP) and São Paulo (SP), in Brazil.

The input of consumers has been strengthened by reviewing BRF action plan.

Through it, innovations, launches and further studies are planned from current, future and expected market trends, in line with strategic planning.

## GLOBAL VISION

The international market was another focus of innovation for BRF. Through market intelligence studies and understanding of consumer habits in each country, RD&I, Marketing and Quality teams aimed at understanding the “local taste” - that is, what the consumer expects of BRF products and competitors - and translate it into unique products for the markets served by the Company, as the case of the Middle East and Europe.

## INNOVATION AWARDED

For the third consecutive year, BRF was elected one of the 100 most innovative companies in the world, according to the *Forbes* magazine ranking. The award evaluates the growth in value of the companies according to market expectations related to its capacity for innovation in products, services and markets served.

R\$ **1900** MILLION

## TOTAL INVESTMENT IN RESEARCH, DEVELOPMENT AND INNOVATION DURING 2014.

In addition to earnings from opening of new markets, it identified the opportunity to enter in regions that were not served by similar products or with BRF brands. Thus, the direction for the international marketing in 2014, continuing in 2015, is to focus on the presence and quality of the relationship, causing BRF brands to be increasingly present in the consumers' lives.

### EFFICIENCY IN OPERATION

Another important line of action is the search for efficiency in logistics and operation processes. A task force from different areas was made to create synergies in manufacturing operating structure and generate speed in production. The initiative to review the manufacturing footprint began in 2014 and will positively impact future financial income, with cost savings and profitability gains.

The project involves the allocation of funds and the intelligent meeting of demand: more competitive plants and with access to more attractive markets will have increased their production, generating more profitability. Thus, one of the main fronts is the industrial automation - which will be doubled in the coming years. In addition to changes in plants, there were improvements in procurement processes and inventory.

### MOST REMEMBERED BRANDS

Result of the positioning work in the market and product quality, Sadia and Qualy are among the brands most remembered by the Brazilian people, according to the survey Top of Mind, released by Instituto Datafolha in 2014.

**Sadia** *Qualy*

# LAUNCHES AND CAMPAIGNS

In 2014, there were 123 national and international launches in various categories of products, such in natura and celebratory, margarine, cold cuts, sausages, breaded, ready

meals, dairy and *food service*. About 70% of innovations are for the Brazilian market: 55 were national launches, 36 in international markets, 04 in dairy and 28 in segment of *food services*.

Convenience, flavor and healthiness are among the attributes of the new items that BRF offers to the end consumer. Some highlights:

## SLICED MEAT LINE “SOLTÍSSIMO”

Available in five options, slicing cuts are made in rooms with filtered air, their easy open packaging eliminates the need for trays and handling at the point of sale. The S-Fresh technology ensures thinner slices and a fresher and durable product.

## NEW SMOKED TURKEY BREAST

With Sodium reduced by 25%.

## “FRANGO FÁCIL”

Assa Fácil Sadia platform added value to the category of products in natura. The line brings practicality and flavor to the consumer in the choices of chicken (whole, drumsticks, thighs and chest) and salmon (fillet and slices). The products come already seasoned in bag bakes easy.

## NEW SAUSAGES

The sausages have two presentations: frescal, with less fat (30% and 40% for Toscana sausage and chicken sausage), and smoked, ready for consumption.

## “QUALY AÉRA”

The market leader in the category margarine was launched in an aerated and creamier version, 25% lighter.

## FOOD SERVICES

The discipline of execution of the FS teams ensured increase in sales for the networks of fast food, industrial kitchens and small businesses throughout Brazil.

Examples of some launches:

Baked Sausage for Barbecue  
Perdigão and Breaded Chicken  
Fillet Sadia.



## CAMPAIGNS AND SPONSORSHIPS

Based on the attributes of quality and responsibility for production, relationship actions with BRF's consumers have invested in an approach that increases the convenience and safety of the manufacturing process of some products, such as "Qualidade Total" (Total Quality) Sadia campaign, created by DPZ, which provides information on the non-use of hormones in animals, and the "Frango Fácil" campaign, which addresses how the consumer's life can become more practical with BRF innovations.

### SADIA

In 2013, BRF signed a sponsorship contract with the Brazilian Football Confederation (CBF), effective in 2014, and announced support for the Olympic and Paralympic Games Rio 2016.

In 2014, during the FIFA World Cup, the campaign "Joga pra Mim" (Play for me) was launched, strengthening its approach to the end consumer through sports.

### PERDIGÃO

As determined by the Brazilian anti-trust authority (CADE) in the merger process, BRF removed from the market, for periods between three and five years, some products and categories of Perdigão brand. These include lasagne, pizza, meatballs, salami, hams/pressed hams and sausages.

In 2014, a new institutional campaign was launched with the slogan "Perdigão - Viver dá uma fome" (Live gives hungry). And in 2015, some categories begin to return the shelves, creating new opportunities and alternatives for the consumer.

# FINANCIAL AND CONSTRUCTED CAPITAL

# 4.1

Logistics optimization, review of SKUs, reduction of administrative expenses, among other changes, reflected positively on our operational results.

*\*Simplified free cash flow for the year 2014.  
The accumulated simplified cash flow does not consider discontinued operations (dairy) in the 4Q14.  
The other quarters consider both continued and discontinued operations.*



48\*

R\$ MILLION OF CASH  
FLOW GENERATED IN  
THE YEAR



IN 2014, WE IMPLEMENTED SEVERAL INITIATIVES THAT PROMOTED STRUCTURAL CHANGES IN THE COMPANY, GENERATING GOOD OPERATING RESULTS



**STRATEGY GO-TO-MARKET, ZERO-BASED BUDGETING, LOGISTICS EFFICIENCY AND IN SERVICE LEVEL, GROWTH IN RETAIL, SYNERGIES IN OPERATIONS AND REVISION OF PORTFOLIO GENERATED A POSITIVE PERFORMANCE**

The year 2014 was marked by different challenges in domestic and international markets - in which BRF seeks to develop in a balanced way business in order to minimize risks and maximize its results. However, it was mainly the international scenario that leveraged the end result of the company, achieving a performance above expectations.

In Brazil, the slow growth of Gross Domestic Product (GDP) remained as an obstacle for the industry. The projections for the coming years, regardless of the reviews of federal economic

policies that can bring effects of medium and long term, indicate a contraction scenario of consumption combined to relatively high inflation rates.

According to Focus survey, conducted by the Central Bank of Brazil and published in January 2015, the GDP growth expected in 2015 is 0.5%, combined with an inflation of 6.56%. Already in 2014, the consolidated inflation reached 6.41%. The retraction of the internal market is related to lower Consumer Confidence Index (CCI) and slowing sales growth in various sectors of industry.



WE OPTIMIZE OUR INVESTMENTS (CAPEX) AND FURTHER IMPROVED OUR WORKING CAPITAL



AS A RESULT, WE HAD A SIGNIFICANT CASH GENERATION

The trade balance in 2014 was the worst result in 16 years and the first annual deficit since 2000. Under the influence of the fall in the prices of commodities and international scenario, Brazil had a trade deficit of US\$3.93 billion, compared to a surplus of US\$2.384 billion in the previous year.

Despite the unfavorable scenario, the food industry, specifically, recorded good indicators in 2014, driven by growth in global demand and the devaluation of the real against the dollar. The most representative consumer markets for Brazilian exports are the Middle East, Asia and Latin America.

In relation to Brazil, the shipments of chicken meat in natura totaled US\$6.892 billion, slightly below the previous year (-1.6%), due to the decrease in the average price of the protein. However, the volume exported by Brazil was 2.4% higher than in 2013. In pork, there was record in revenue, an increase of 17.8% and US\$1.446 billion of result. The jump was influenced by the average price of pork protein and lower supply worldwide.

Based on data reported by A.C. Nielsen research institute for food retail in Brazil, the processed food market recorded revenues of R\$11.8 billion in 2014, compared to R\$9.7 billion in 2013. However, frozen food recorded R\$ 3.1 billion in 2014, above R\$2.7 billion in 2013. The pizzas with stuff totaled R\$594 million revenue in 2014, slightly

higher than the R\$550 million (2013). As for the margarine market in 2014 were R\$2.7 billion in revenue, above R\$2.6 billion the previous year.

For 2015 to be a year of continued growth acceleration program, BRF focuses on increased capillary sales programs, the Go-to-Market strategy, in improvement programs and efficiency of plants, continued zero-based budgeting (ZBB) and international expansion, in addition to innovation and maintaining high quality standards.

Agency	Rating	Outlook
Fitch	BBB-	Negative
Standard & Poors	BBB-	Stable
Moody's	Baa3	Stable

## OPERATION

With the transfer of BRF slaughter units to Minerva, in 2014 there was a reduction in the number of slaughters; however, the Company had an increase in slaughter of pork in comparison to last year.

For the year, the slaughter of poultry was 7.4% lower and the pork/beef was 1.3% below 2013. For the production, in 2014, the volume was 6.4% lower than in the previous period.

### SLAUGHTERING GRI G4-FP9

	2013	2014	Ch. %
Poultry slaughter (million heads)	1,796	1,664	-7.4
Hog/ cattle slaughter (thousand heads)	9,744	9,621	-1.3

### PRODUCTION (THOUSAND OF TONS) GRI G4-FP9

	2013	2014	Ch. %
Meats	4,089	3,825	-6.4
Other processed products	506	482	-4.9
Feed and premix (thousand of tons)	11,036	10,360	-6.1

## BRAZIL

In the Brazilian market, the year was of earnings in the aspects of service level, logistics and scope and coverage of points of sale. The focus on the Go-to-Market (GTM) strategy, which proposes to increase the Company's penetration in areas not yet served or not directly served by increasing the number of customers, productivity of the seller and cross-selling between brands, brought positive results.

The number of customers on average in 2014 grew 22% over the average of 2013 and the cross-selling increased from 53% at the end of 2013 to 77% in the same period 2014. For this it was necessary to focus attention on regional markets, adapting the flow of deliveries and the service mode according to customer profiles, eliminating redundancy in operations.

The capillarity and guarantee of supply - which were among the main complaints about the service level - for example, were worked by means of a system, implemented in 2014, allowing sales teams negotiate with points of sale viewing the inventory in real time.

Another important point, productivity was worked through improvements in logistics and Sales Execution program, with regular meetings to measure the results and observe the necessary improvements in field operations. Aspects such as frequency of sale, items per order and increase in volume are monitored by the teams to optimize the business process and the distribution mesh of the product.

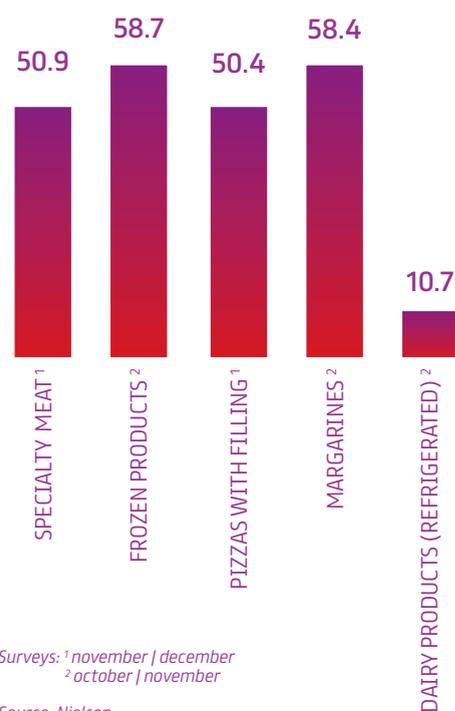
A project for reduction of approximately 35% in the number of SKUs in Brazil was implemented also, in order to simplify processes, together with service level improvement actions.

For the year 2014, Net Operating Revenue (NOR) in Brazil reached R\$13.9 billion, up 6.8% compared to the same period last year, driven mainly by higher average prices obtained due to transfers made in the first two quarters of the year. Volumes increased by +1.9%.

Excluding the various sales in this comparison, the NOR Brazil in the year reached R\$13.0 billion, an increase 7.5% compared to 2013,

with a slight increase in volumes (+2.4%) and average price (+4.9%). For next year, the expectation is to register leverage in the results - not necessarily in volume production, but in productivity, market presence and efficiency.

### MARKET SHARE (VALUE - %) 2014 - by category



## BRF INTERNATIONAL

Guided by the strategy of consolidating itself as a global company, with knowledge of local markets and targeted business approaches, BRF advanced in acquisitions and investments in local distributors and opened a new manufacturing plant - Abu Dhabi, United Arab Emirates - as well as updating the marketing model and innovation to meet the demands of global consumers.

The price volatility, political and regulatory instability in different markets - for example, Russia, Ukraine, Egypt and Argentina - and the more competitive environment remained as challenging aspects. However, the devaluation of the real and the increased demand driven by Asian and the Middle East markets boosted international business.

In addition to the acquisition of logistics operations and the new plant in Abu Dhabi, BRF will bet in the medium and long term, in a model of growth guided by negotiations beneficial to the distribution network, reduced inventory levels and selective

acquisitions in regions such as the Middle East, Latin America and Asia.

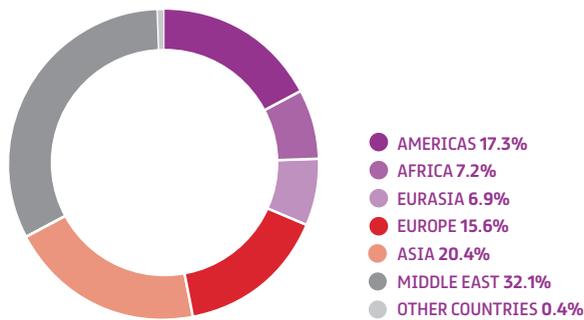
In 2014, exports accounted 46.8% of net operating revenue of the company, with a total of 12.3% less volume than in 2013, due to the volume reduction strategy in certain regions to suit local inventories and increase profitability. For the year 2014, Net Operating Revenue (NOR) in international markets

reached R\$13.3 billion, up 1.5% compared to 2013, even with volumes 12.3% lower. The improvement was due to a more efficient operation and higher average prices, both real (+15.7%) and dollar (+6.2%).

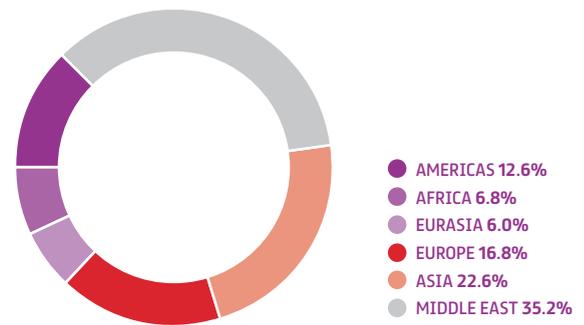


### INTERNATIONAL SALES\* (% OF NET OPERATING REVENUES - NOR) GRI G4-8

2013



2014



\*continuing operations

## FOOD SERVICES

In 2014, we continued the strategy to ensure the competitiveness of the business division, considering the importance of food away from home in the Brazilian market. The sales team was 100% unified throughout the year and the portfolio has undergone revision, with specific products for the segment.

In total, net operating revenue increased by 8.8%, reaching R\$1.7 billion, and volume was 9.7% higher than 2013 and average prices remained in line with the previous period (-0.8%).

## DAIRY

BRF dairy businesses totaled R\$2.7 billion net operating income 0.5% below 2013. The segment has approximately 10.7% of market share and we invested in recent years in innovations that reduce dependence on UHT milk. During the year, the transfer of the operation to Parmalat was announced, which should be completed during 2015 (*read more on pages 23, 52, 53, 55*). The results of this business will be presented as discontinued operations in the analysis and financial statements.

# INTERNATIONAL IN 2014

R\$ **2.3 BI**  
IN NET REVENUE (+9.0%)

Europe has experienced slow economic recovery throughout 2014, but remains a bet of hub of innovation for competitiveness, due to market characteristics (which is already well developed) and the reference position on health and environmental issues.

**263**  
THOUSAND  
TONS IN SALES VOLUME  
(-13.3%)

By means of brands and products developed in Plusfood and also Sadia brand, BRF managed to record positive results in sales. The performance map was redefined, with division into three major sub-regions and regional management, focused on retail business (Sadia) and Food Services.

R\$ **1.7 BI**  
IN NET REVENUE  
(-26.2%)

**266**  
THOUSAND  
TONS IN SALES VOLUME  
(-34.3%)

Argentina remains a strategic market, due to Quickfood, owner of the brand Paty (leader in hamburgers), and production of companies Avex and Dánica. In 2014, there were major changes in manufacturing footprint, with the closing of two factories and distribution, with the integration of logistics. These actions allowed BRF to gain local competitiveness and reduce inefficiencies.

Despite the unstable domestic scenario, the operation is relevant to expand the presence of Paty and Sadia brands in other South American countries such as Chile, Uruguay and Paraguay, ensuring long-term results.

AMERICAS

EUROPE

AFRICA

R\$ **923.1**  
MILLION  
IN NET REVENUE (-4.6%)

**221**  
THOUSAND  
TONS IN SALES VOLUME  
(-14.0%)

BRF has a development plan for some of the continent markets. The strategy is guided by the product portfolio efficiency, the study of key markets and recognition of quality attributes of the company's products, which can contribute to the step change in regional food.

R\$ **812.4**  
**MILLION**

IN NET REVENUE (-11.6%)

**85**  
**THOUSAND**

TONS IN SALES VOLUME  
(-41.0%)

In Eurasia, where the scenarios are more volatile, Russia faces political issues as the embargo imposed to the United States due to the severe crisis of PED (Pork Epidemic Diarrhea). BRF, through international relations and market research, is restoring relations with the largest and most traditional local operators.

EURASIA

R\$ **3.0**BI  
IN NET REVENUE (+12.8%)

**506**  
**THOUSAND**

TONS IN SALES VOLUME  
(-3.2%)

A major focus of the year was to organize the inventory availability of products exported by Brazil in order to reduce exposure to risks of breaking merchandise and excess supply in different markets. In Japan, a period of stabilization was recorded throughout 2014, resulting in improvements in volume and prices.

ASIA

MIDDLE  
EAST

R\$ **4.8**BI  
IN NET REVENUE (+11.6%)

**909**  
**THOUSAND**

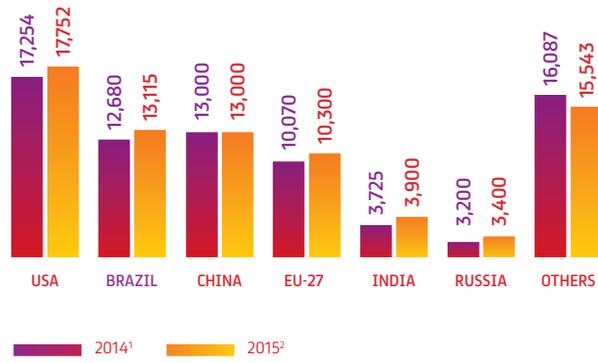
TONS IN SALES VOLUME  
(+4.5%)

Currently, it is seen as a strategic region for the company's internationalization. Leader in several markets under Sadia brand, BRF advanced its expansion in 2014. The main difference in the region are the plants dedicated to the market, designed with processes that respect and follow the strictest religious norms and cultural patterns, such as Halal requirement of Islamic food (*read more on pages 80, 81, 111*). In 2015, the goal is to develop an integrated management in the region, focusing on efficient logistics.

## WORLD POULTRY PANORAMA

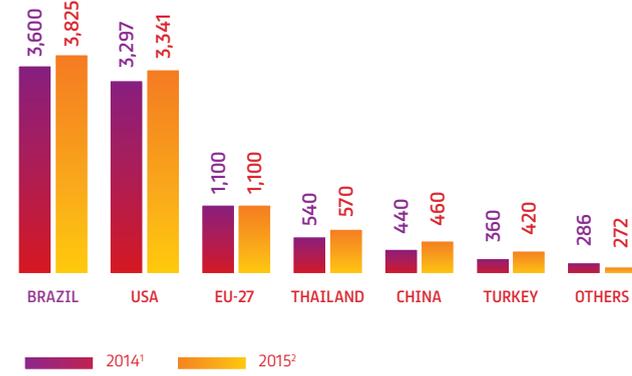
Thousand tons - "ready to cook" equivalent

### Production



<sup>1</sup>Preliminary <sup>2</sup>Estimated Source:USDA/Oct14

### Exports

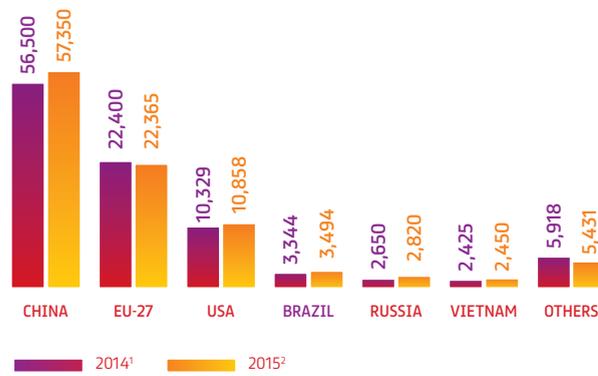


<sup>1</sup>Preliminary <sup>2</sup>Estimated Source:USDA/Oct14

## WORLD PORK PANORAMA

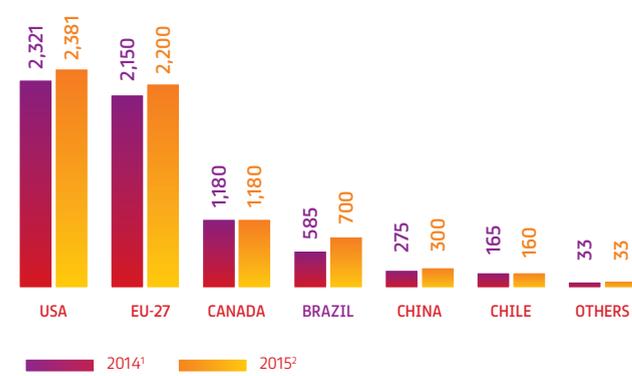
Thousand tons - carcass equivalent

### Production



<sup>1</sup>Preliminary <sup>2</sup>Estimated Source:USDA/Oct14

### Exports

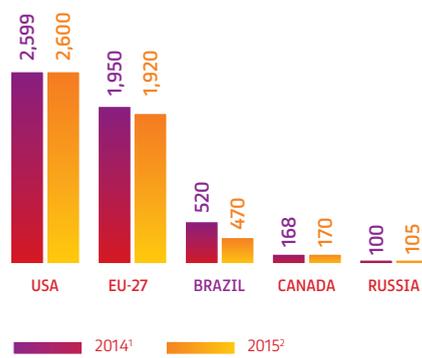


<sup>1</sup>Preliminary <sup>2</sup>Estimated Source:USDA/Oct14

## WORLD TURKEY PANORAMA

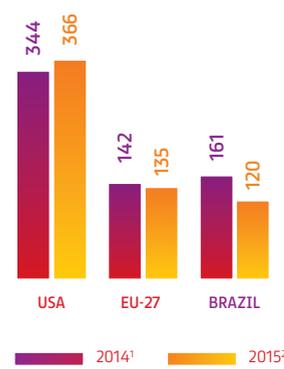
Thousand tons

### Production



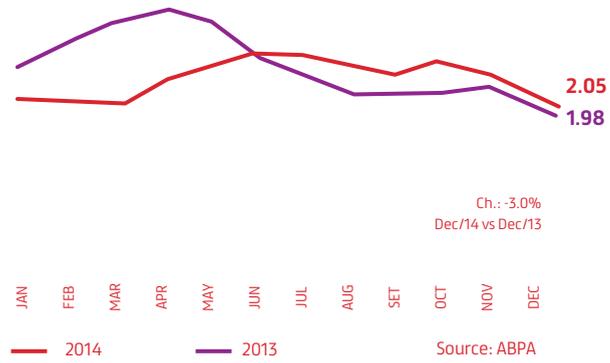
<sup>1</sup>Preliminary <sup>2</sup>Estimated Source:USDA/Oct14

### Exports

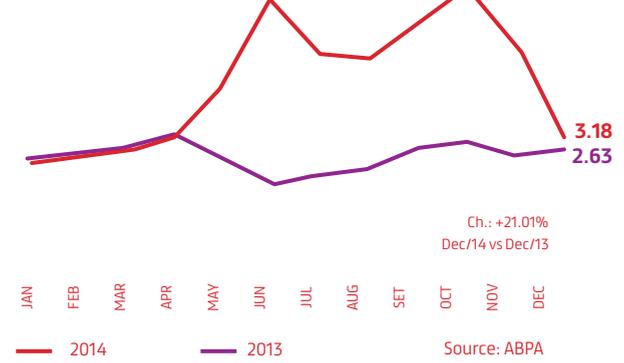


<sup>1</sup>Preliminary <sup>2</sup>Estimated Source:USDA/Oct14

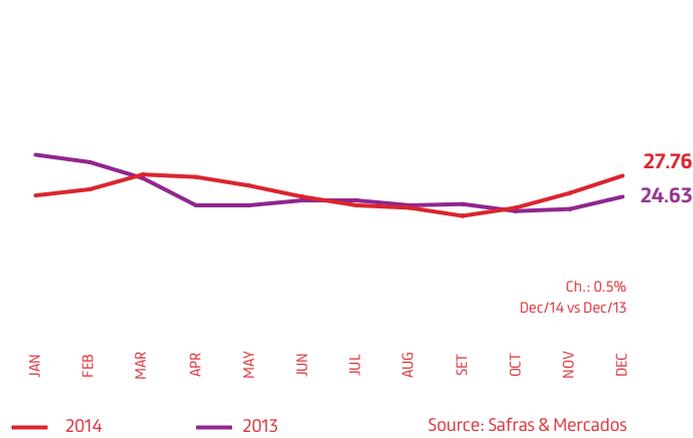
**EXPORTS AVERAGE PRICE - POULTRY**  
US\$/kg



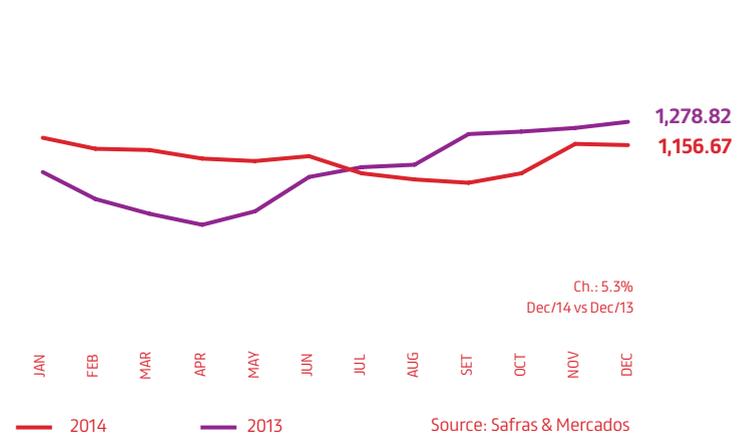
**EXPORTS AVEARANGE PRICE - PORK**  
US\$/kg



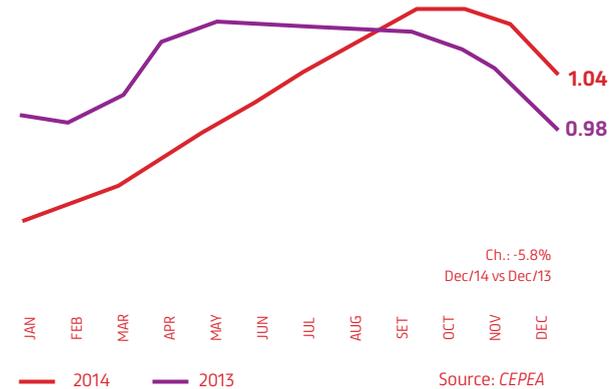
**GRAIN PRICE (BRAZIL) - CORN**  
R\$/bag (60 Kg)



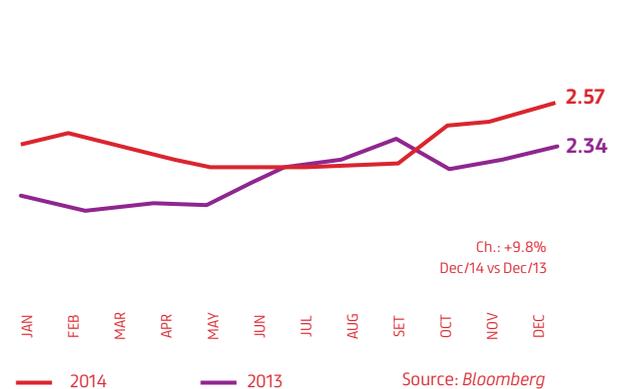
**GRAIN (BRAZIL) - SOYBEAN MEAL**  
R\$/ton



**MILK PRICE**  
R\$/litre



**EXCHANGE RATE**  
R\$/US\$



# FINANCIAL INCOME GRI G4-EC1

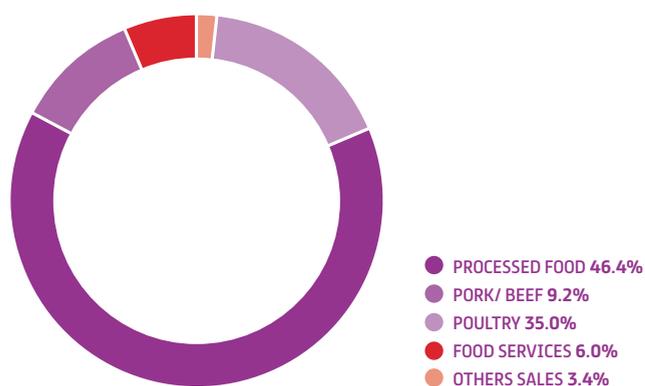
*(The income presented below refer to the continued operations of the Company, excluding the income in discontinued operations - Dairy Products - which, as announced in December 2014, is under process of sale to Lactalis).*

## NET OPERATING REVENUES (NOR)

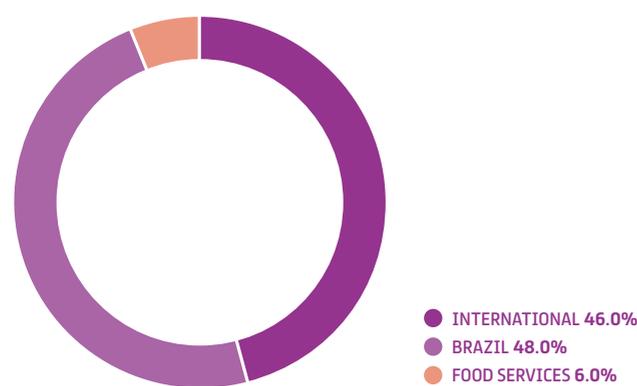
The accumulated NOR for 2014 was 4.4% higher than the previous year, amounting to R\$29.0 billion compared with R\$27.8 billion in 2013. This increase in revenues was due to better average prices in the period both in Brazil and internationally, also due to the growth of volumes in Food Services.

## BREAKDOWN OF THE CONSOLIDATED NOR (%)

BY PRODUCT- 2014



BY MARKET - 2014



## COST OF GOODS SOLD (COGS)

In accumulated terms for 2014, COGS totaled R\$20.5 billion, registering a slight drop of 1.8% over 2013. This was mainly due to a fall in corn price for the period, which was partially offset by an increase in soybean meal price. In 2014, COGS represented 70.7% of NOR compared to 75.1% in 2013.

## GROSS INCOME

In 2014, BRF increased the efficiency of its operations, which translated into more robust earnings as a result of the strategies implemented in Brazil and in the International front. The Company's accumulated gross income for the year was R\$8.5 billion, 23.1% higher than the previous year, with a gross margin of 29.3% in 2014 compared to 24.9% in 2013.

## OPERATING EXPENSES

Operating expenses remained relatively stable in accumulated terms, showing a slight rise of 1.1%, mainly due to higher expenditure in marketing and in trade marketing, which was in line with the Company's strategy of having a greater focus on the customer and strengthening our brands. In percentage terms, given the Company's growth, operating expenses fell over the year and reached 15.9% of NOR compared to 16.4% in 2013.

## OTHER OPERATING RESULTS

We had a compensation in our operational results line in the 4Q14, mainly due to the capital gain from the sale of the beef assets to Minerva, which was equivalent to R\$179.3 million, which, combined with the other revenues earned in the quarter, more than compensated for the higher expenses

with the employee profit-sharing plan and provisions, equivalent to R\$217.6 million and R\$50.0 million, respectively.

The accumulated figures for the year showed a negative net result equivalent to R\$438.1 million, representing a reduction of 4.4% over 2013. The main revenues that impacted this result were the net gains from the share swap with Minerva, as mentioned previously, along with net gains from the disposal of property, plants and equipment that totaled R\$111.4 million in 2014.

On the other hand, the main expenses in the period included the employee profit-sharing plan which amounted to R\$356.5 million, R\$214.7 million of restructuring expenses and higher provisions for tax and civil/labor risks equivalent to R\$91.2 million and R\$72.4 million, respectively.

## OPERATING RESULT (EBIT)

The accumulated EBIT for the year was R\$3.5 billion, 83.4% higher when compared with 2013 and the margin rose from 6.8% in 2013 to 12.0% in 2014. This result shows that the Company not only benefitted from the positive market conditions but, above all, managed to capture gains from the structural improvements that were implemented in Brazil, as well as in the International markets, during the year.

Accumulated EBIT - Brazil - amounted to R\$1.8 billion thereby, registering an increase of 39.5% over 2013, with a gain of 3.1 p.p. in the margin.

EBIT from the International operations was R\$1.4 billion in accumulated terms for the year. This was an impressive improvement of 259.3% compared to 2013, representing a gain of 7.8 p.p. in margin, which rose from 3.0% in 2013 to 10.8% in 2014.

Finally, EBIT from Food Services came to R\$203 million in the year, compared to R\$177 million for 2013, an expansion of 14.9% which translated into a gain of 0.6 p.p. in margin for 2014.

## NET FINANCIAL

This line showed an accumulated net financial expense for the year of R\$990.7 million, which corresponded to an increase of 32.5% over 2013. The main elements that impacted this result were the premium paid in carrying out the buyback of bonds in the second quarter and the adjustment to present value for the year.

The use of non-derivative and derivative financial instruments for coverage of foreign exchange exposure allows for significant reductions in the net currency exposure in the balance sheet. We highlight that we moved from a currency exposure impacting the result of US\$36.0 million "long" in 3Q14 to US\$567 million "long" in 4Q14. This increased long-term currency exposure in the balance sheet resulted from the signing of the contract with Lactalis over the sale of our Dairy business in December 2014. As the amount of the transaction had been previously agreed at a total of R\$1.8 billion, and then fixed in dollar terms upon the signing of the contract (approximately

*\*For the 4Q14, we have only considered the results from the continued operations for calculating the ratio (excluding Dairy). For the other quarters, the calculations include both continued and discontinued operations.*

US\$700.0 million), without the creation of a hedge, it is therefore subject to currency adjustments until the conclusion of this transaction.

On December 31, 2014, the non-derivative financial instruments designated as hedge accounting for currency protection of the cash flow, amounted to US\$ 600.0 million. Furthermore, the derivative financial instruments designated as hedge accounting, in the cash flow hedge concept for covering highly likely exports, totaled US\$716.0 million, €82.0 million, £42.0 million and ¥16,993.0 million, in their respective currencies. These instruments also directly contributed to the reduction in the currency exposure. In both cases, the unrealized result from the currency variation was accounted for in the other comprehensive income.

## DEBT

The Company's net debt reached R\$5.0 billion, 25.8% lower than registered in the end of 2013, resulting in a net debt to EBITDA ratio (last twelve months) of 1.04x.

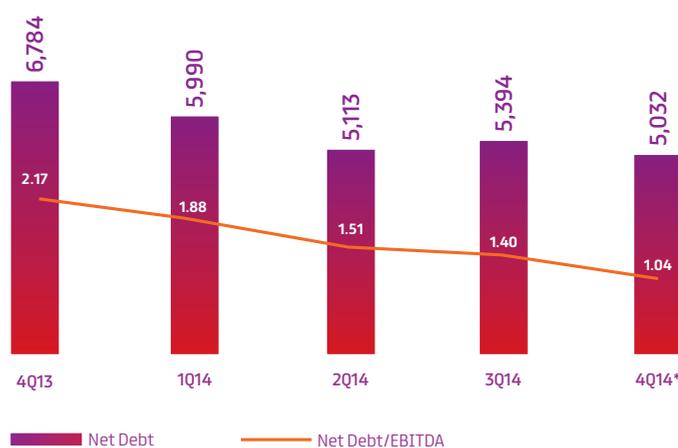
### DEBT

R\$ million

	12/31/2014			12/31/2013	
Debt profile - R\$ Million	Current	Non current	Total	Total	Ch. %
Local currency	(2,541)	(1,452)	(3,993)	(4,073)	(2.0%)
Foreign currency	(455)	(7,399)	(7,854)	(6,466)	21.5%
<b>Gross debt</b>	<b>(2,996)</b>	<b>(8,850)</b>	<b>(11,847)</b>	<b>(10,538)</b>	12.4%
<b>Cash investments</b>					
Local currency	2,043	177	2,220	1,091	103.6%
Foreign currency	4,594	-	4,594	2,663	72.5%
<b>Total cash investments</b>	<b>6,638</b>	<b>177</b>	<b>6,815</b>	<b>3,754</b>	81.5%
<b>Net debt</b>	<b>3,641</b>	<b>(8,673)</b>	<b>(5,032)</b>	<b>(6,784)</b>	(25.8%)
<b>Exchange rate exposure - US\$ Million</b>	-	-	567	<b>(87)</b>	-

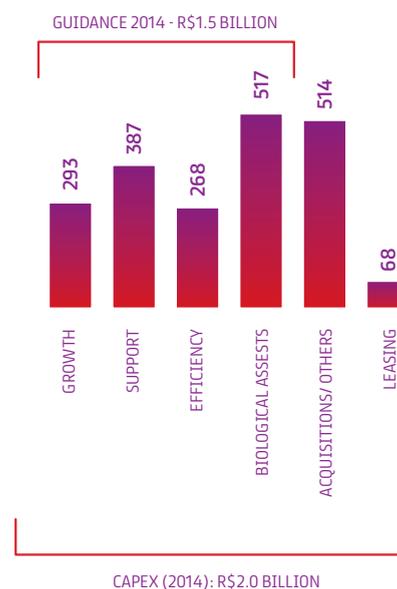
*The Total Gross Debt, as shown above, amounting to R\$11,847.0 million, accounts for the total financial debt, plus other financial liabilities, which add up to R\$257.4 million, as stated in Explanatory Note 4.1.f of the Financial Statements of 12.31.2014.*

## DEVELOPMENT OF NET DEBT/ EBITDA



## INVESTMENTS

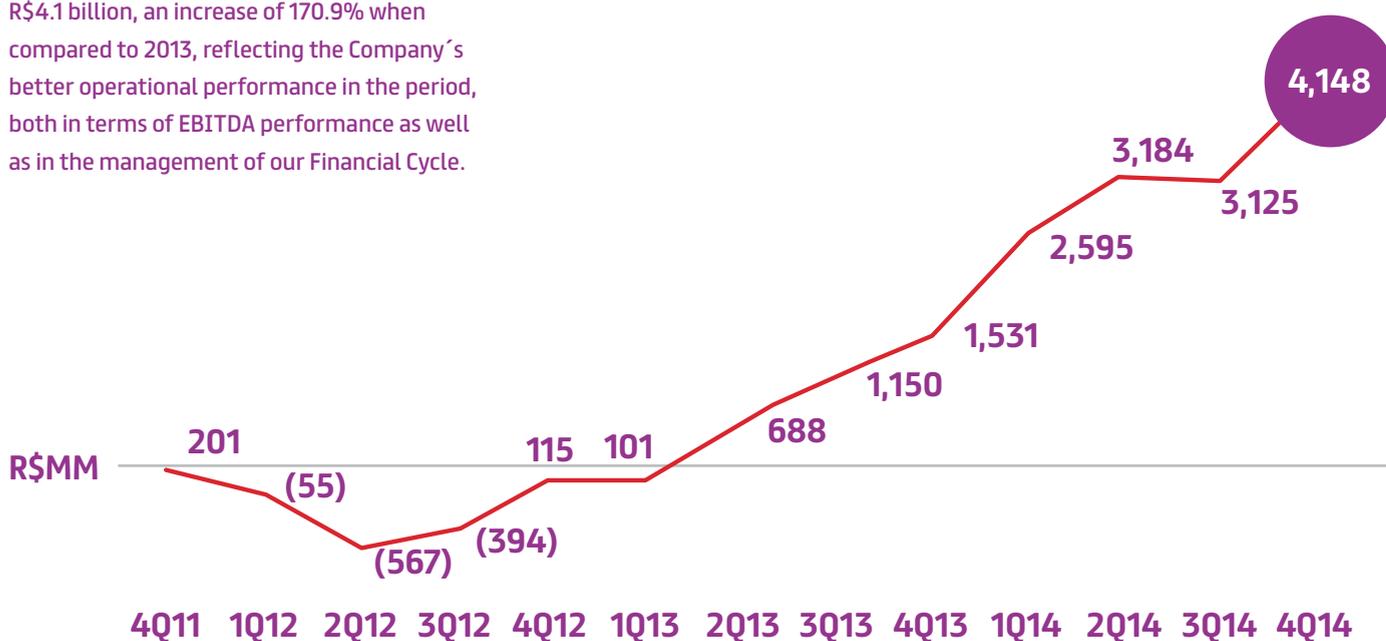
The Company's investments in the year totaled R\$1.5 billion and were in line with the guidance provided, directed towards growth, support and improving efficiency. We are also considering in this amount R\$517.5 million of investments in biological assets. This figure did not include R\$514.4 million directed at acquisitions and others, R\$ 67.8 million in leasing, which altogether would add up to R\$2.0 billion for the year of 2014.



## SIMPLIFIED CASH FLOW

Simplified Free cash flow (EBITDA – Change in Working Capital – Capex) for the year reached R\$4.1 billion, an increase of 170.9% when compared to 2013, reflecting the Company's better operational performance in the period, both in terms of EBITDA performance as well as in the management of our Financial Cycle.

## SIMPLIFIED CASH FLOW - LTM\* (EBITDA - CHANGE IN WORKING CAPITAL - CAPEX)



\*Accumulated and simplified FCF for the 4Q14 does not consider discontinued operations (Dairy). The other quarters consider both continued as well as discontinued operations.

## EQUITY INCOME RESULT

The equity income result showed a total gain of R\$25.6 million in accumulated terms for the year. This represented an increase of 98.1% over 2013.

From the last quarter of 2014, BRF started to consolidate the proportional result of their participation in Minerva via equity.

## INCOME TAX AND SOCIAL CONTRIBUTION

The accumulated income tax and social contribution in the year showed a total expense of R\$352.6 million compared with R\$129.1 million in 2013. This was an increase of 173.1% on an annual comparison and represented an effective rate of 14.2%, whereas the effective rate obtained in 2013 was 11.2%. This increase was mainly due to the improvement in the Company's results in the year, both in Brazil and in the International market.

## NON-CONTROLLING SHAREHOLDERS

In the accumulated of the year, the attributed results to the non-controlling shareholders represented a revenue of R\$159.0 thousand, against an expense of R\$4.4 million in 2013.

## DISCONTINUED OPERATION RESULTS (DAIRY)

As mentioned previously, due to the sale of the Dairy operations to the Lactalis group, the results of these activities are presented as discontinued operations. The result of discontinued operations accumulated throughout the year was of R\$89.8 million, 90.4% higher if compared to 2013.

## NET INCOME

The result of the Company's operational improvements can be seen in the Company's net income for the period. The accumulated net income for the year obtained from continued operations totaled R\$2.1 billion, on increase of 110.3% compared to 2013, with the net margin expanding from 3.7% in 2013 to 7.4% in 2014.

The Company's total net income, considering continued and discontinued operations, reached R\$2.2 billion. This represent on increase of 109.4% compared with the some period of the previous year, leading a gain of 3.5 p.p. in net margin.

## EBITDA

The accumulated EBITDA for the year for the continued operations amounted to R\$4.7 billion, an increase of 56.5% over 2013. There was a gain of 5.4 p.p. in margin, that rose from 10.8% in 2013 to 16.2% in 2014.

In the accumulated results for 2014, EBITDA for the continued operations combined with the discontinued operations, was R\$4.9 billion. This represented an increase of 56.4% in comparison with 2013, a gain of 5.1 p.p. in margin.

## EBITDA R\$ Million

	2013	2014	Ch. %
Net income	1,015	2,135	110.3%
Income tax and social contribution	129	353	173.1%
Net financial expenses	748	991	32.5%
Depreciation and amortization	1,117	1,230	10.1%
<b>EBITDA (continued operations)</b>	<b>3,009</b>	<b>4,709</b>	<b>56.5%</b>
EBITDA margin (%)	10.8%	16.2%	5.4 p.p.
<b>EBITDA Total</b>	<b>3,131</b>	<b>4,897</b>	<b>56.4%</b>
EBITDA margin (%)	10.3%	15.4%	5.1 p.p.

## SHAREHOLDER EQUITY

Shareholder's Equity reached R\$15.7 billion, on December 31, 2014, compared to R\$15.4 billion on September 30, 2014. This was mainly due to higher net result obtained in the quarter.

## INTEREST ON EQUITY AND DIVIDENDS

During the year of 2014, a total of R\$737.8 million was distributed, relative to the interest on equity, and R\$86.5 million relative to dividends, totaling a sum of R\$824.3 million in distribution.

## RESULT FROM DISCONTINUED OPERATIONS (DAIRY PRODUCTS)

As already mentioned in this document, in September 2014, we announced the signing of a binding memorandum of understanding with Parmalat S.p.A., a company belonging to the Lactalis Group. This document

established the terms and conditions for the sale of the plants in our dairy segment, including the corresponding assets and brands dedicated to the segment. We also announced in December of this same year that we had signed the definitive sale contract for this operation.

In line with the prevailing regulations and legislation now in order, we reclassified the assets and liabilities related to the sold operations in a line in the balance sheet called "Non-current assets maintained for sale and discontinued operations" within the current assets and "Liabilities related to non-current assets for sale and discontinued operations" within the current liabilities.

In the Financial Statements, we are separating the results from the Company's continued operations, as described in this report, and the results from the discontinued operations relative to the Dairy operations that we describe below.

## NET OPERATING REVENUES (NOR) FROM DISCONTINUED OPERATIONS

The accumulated NOR for the year from this segment reached R\$2.7 billion and was stable in comparison with 2013 (-0.5%). The increase of 11.2% in the average prices compensated the fall of 10.5% in volumes registered in the period.

## OPERATING RESULT (EBIT) FROM DISCONTINUED OPERATIONS

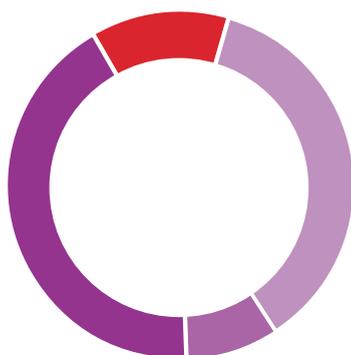
The accumulated EBIT for the year for this segment reached R\$120.2 million compared to R\$63.3 million in 2013 (+89.8%). This rise was mainly due to the increase in average prices in the period, as previously described, along with the greater efficiency and better dilution of expenses.

## VALUE ADDED DISTRIBUTION

The value added, reflects the wealth generated by the consolidated business activity, totaled R\$13.7 billion, 21% higher than registered in the previous year.

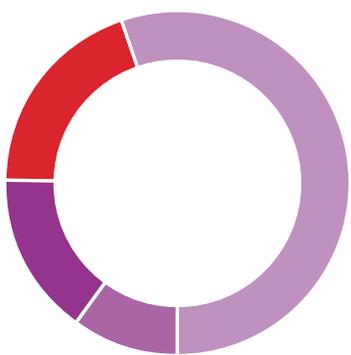
## SALES BY CHANEL - BRAZIL (% OF NET OPERATING REVENUE - NOR)

### DISTRIBUTION CHANNELS 2014



- RETAIL 42.7%
- FOOD SERVICES 8.6%
- SUPERMARKET 36.1%
- WHOLESALE 12.6%

### DISTRIBUTION CHANNELS 2013



- RETAIL 15.3%
- FOOD SERVICES 10.1%
- SUPERMARKET 55.2%
- WHOLESALE 19.4%

## ADDED VALUE DISTRIBUTION (R\$ MILLION)

	2014	2013	var. %
Human Resources	4,607	4,475	3
Taxes	4,064	3,741	9
Interest / Rents	2,857	1,900	50
Interest on shareholder's equity	738	724	2
Retention	1,401	338	314
Non-controlling shareholders	(0)	4	(104)
Dividends	86	-	-
<b>Total</b>	<b>13,753</b>	<b>11,183</b>	<b>21</b>

## WHOLESALE

Distributors, wholesalers and small business representatives belonging to board route retail customers.

## SUPERMARKET

Accounts of large customers (key accounts) with national coverage from 1 to 50 checkouts, including the wholesaler branches known as "atacarejos".

## FOOD SERVICES

Clients of the Food Services channel, such as restaurants, hotels, pizzerias, industrial kitchens, Government Agency, etc.

## RETAIL

Smaller clients in the retail industry, such as supermarkets, butchers, grocery, bakery, etc.

\* BRF has adopted a new sales structure since January 2014 in order to make this classification fit more adequately into the Company's current situation. All clients were reclassified under this new structure, in line with their profiles, creating new groups with a different composition and size from those existing in 2013. This reorganization mainly affected the Supermarkets and Retail channels.

## CASH FLOW (CONTINUED OPERATIONS)

R\$ Million

	2014	2013	Ch. %
<b>Operating Activities</b>			
Result for the fiscal year	2,135	1,015	110.3%
Adjustments to the result	2,314	2,607	(11.2%)
Changes in assets and liabilities			
Accounts receivable from clients	459	(188)	-
Inventory	369	(111)	-
Biological assets	75	165	(54.4%)
Interest on shareholders' equity received	55	22	145.3%
Suppliers	203	402	(49.5%)
Payment of contingencies	(259)	(285)	(8.9%)
Interest payments	(619)	(568)	8.9%
Payment of income tax and social contribution	(6)	(2)	138.1%
Salaries, social obligations and others	115	156	(26.1%)
<b>Net cash provided by the continued operating activities</b>	<b>4,842</b>	<b>3,213</b>	<b>50.7%</b>
Net cash provided by the discontinued operating activities	160	105	51.8%
<b>Net cash provided by operating activities</b>	<b>5,002</b>	<b>3,319</b>	<b>50.7%</b>
<b>Investment Activities</b>			
Financial investments	0	125	(100.4%)
Investments in restricted cash	(16)	(6)	157.6%
Goodwill on acquisition of non-controlling shareholders	(1)	-	-
Acquisition of companies	(373)	-	-
Increase in capital subsidiaries	-	(18)	-
Other Investments	(54)	(55)	(3.6%)
Acquisition of fixed assets/ investments	(1,021)	(1,181)	(13.5%)
Acquisition of biological assets	(517)	(502)	3.1%
Revenue from the sale of fixed assets	171	266	(35.8%)
Intangible investments	(50)	(55)	(7.6%)
<b>Net cash provided by the continued investment activities</b>	<b>(1,862)</b>	<b>(1,425)</b>	<b>30.7%</b>
Net cash provided by the discontinued investment activities	(51)	(88)	(41.7%)
<b>Net cash provided by investment activities</b>	<b>(1,914)</b>	<b>(1,513)</b>	<b>26.5%</b>
<b>Financing activities</b>			
Loans and financing	409	(153)	-
Interest on shareholders' equity and dividends	(726)	(579)	25.4%
Acquisitions of treasury shares	(351)	(79)	346.3%
Disposal of treasury shares	100	53	87.7%
<b>Net cash provided by financing activities</b>	<b>(568)</b>	<b>(757)</b>	<b>(25.0%)</b>
<b>Effect of exchange rate variation on cash and cash equivalents</b>	<b>359</b>	<b>148</b>	<b>142.2%</b>
<b>Net increase (decrease) in cash held</b>	<b>2,879</b>	<b>1,197</b>	<b>140.5%</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,128</b>	<b>1,931</b>	<b>62.0%</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>6,007</b>	<b>3,128</b>	<b>92.1%</b>

## SALES - BRAZIL

	R\$ Million			Thousand tons			Average price - R\$		
	2014	2013	Ch. %	2014	2013	Ch. %	2014	2013	Ch. %
<b>Brazil</b>									
In natura	2,653	2,439	8.8%	446	407	9.6%	5.95	6.00	(0.8%)
Poultry	1,826	1,492	22.3%	339	275	23.2%	5.39	5.43	(0.7%)
Pork/ beef	827	947	(12.6%)	107	132	(18.8%)	7.74	7.20	7.6%
Processed food	10,361	9,670	7.2%	1,509	1,502	0.5%	6.87	6.44	6.7%
Others sales	921	941	(2.1%)	320	324	(1.2%)	2.87	2.90	(1.0%)
Total without other sales	13,014	12,109	7.5%	1,955	1,909	2.4%	6.66	6.34	4.9%
<b>Total</b>	<b>13,935</b>	<b>13,050</b>	<b>6.8%</b>	<b>2,275</b>	<b>2,233</b>	<b>1.9%</b>	<b>6.12</b>	<b>5.84</b>	<b>4.8%</b>

## SALES - INTERNATIONAL

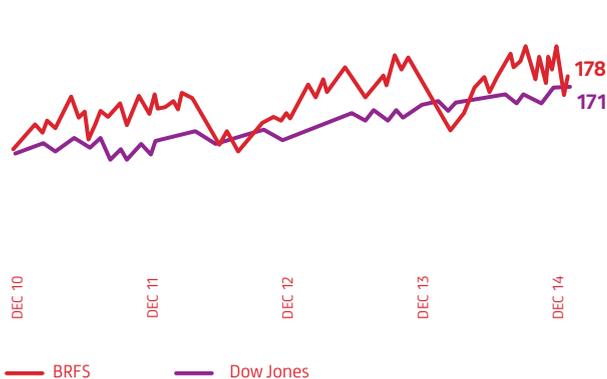
	R\$ Million			Thousand tons			Average price - R\$		
	2014	2013	Ch. %	2014	2013	Ch. %	2014	2013	Ch. %
<b>International</b>									
In natura	10,190	10,159	0.3%	1,788	2,019	(11.4%)	5.70	5.03	13.3%
Poultry	8,339	8,262	0.9%	1,579	1,750	(9.8%)	5.28	4.72	11.9%
Pork/ beef	1,851	1,897	(2.4%)	208	268	(22.3%)	8.89	7.08	25.6%
Processed foods	3,085	2,917	5.8%	424	447	(5.2%)	7.28	6.53	11.6%
Others sales	51	56	(9.9%)	0	55	-	-	1.03	-
<b>Total</b>	<b>13,325</b>	<b>13,132</b>	<b>1.5%</b>	<b>2,211</b>	<b>2,520</b>	<b>(12.3%)</b>	<b>6.03</b>	<b>5.21</b>	<b>15.7%</b>

## SALES - FOODS SERVICES

	R\$ Million			Thousand tons			Average price - R\$		
	2014	2013	Ch. %	2014	2013	Ch. %	2014	2013	Ch. %
<b>Food Services</b>									
<b>Total</b>	<b>1,747</b>	<b>1,606</b>	<b>8.8%</b>	<b>238</b>	<b>217</b>	<b>9.7%</b>	<b>7.35</b>	<b>7.41</b>	<b>(0.8%)</b>

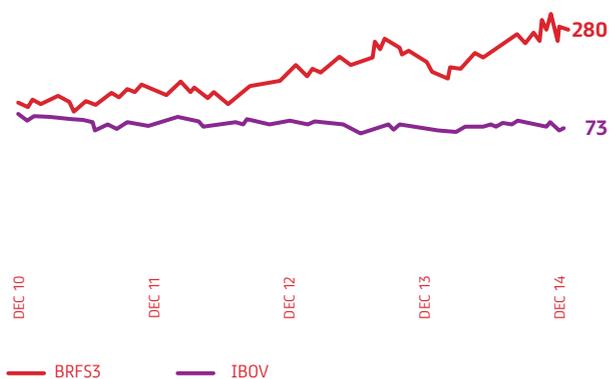
### ADRS X DOW JONES

Basis 100 - Dec 05 - 5 years serie



### SHARES X IBOVESPA

Basis 100 - Dez 10 - 5 years serie



## BRF33 - BM&F BOVESPA

	2014	2013
Closing prices - R\$ *	63.44	49.25
Stock trading volume (Millions)	569.5	524.6
Performance	28.8%	16.7%
Bovespa index	(2.9%)	(15.5%)
IGC	2.3%	(2.0%)
ISE	(1.9%)	1.9%

## BRF33 - NYSE

	2014	2013
Closing prices - US\$ *	23.35	20.87
ADR trading volume (Millions)	373.7	359.1
Performance	11.9%	(1.1%)
Dow Jones index	7.5%	26.5%

\* closing



HUMAN CAPITAL

MORE THAN

1044

The Company launched “Viva BRF” and involved all employees in the construction of its unique, strong and integrated organizational culture.



# THOUSAND

EMPLOYEES INVOLVED  
IN THE SAME MOVEMENT



VIVA BRF  
OPENED SPACE  
FOR DIALOGUE  
AND COLLECTIVE  
CONSTRUCTION



WE LAUNCHED  
"LEADERSHIP VIVA"  
WITH THE SEVEN  
COMMITMENTS OF  
LEADER BRF

**CULTURAL INTEGRATION,  
QUALIFICATION OF TALENTS AND  
APPRECIATION OF MERITOCRACY  
MAKE UP THE STRATEGIC HORIZON  
OF THE MANAGEMENT OF COMPANY'S  
PERSONNEL.**

Build a single, integrated and cohesive culture for the organization is one of the corporate support guidelines (platforms) of BRF-17, along with other aspects related to human capital, as meritocracy and talent management. In 2014, the cultural integration presented advances, resulting in a global nature BRF not only in business but also in the internal relations (*see box*).

Improvements were mapped and implemented in order to reduce entropy and duplicate functions within the corporate and operational structures. The Company changed its management model: in 2014, each plant now has a general manager in charge - before there were managers for production line. Thus, decision-making levels were reduced by half, giving greater autonomy to the leadership and generating greater professional motivation.



THUS, WE OBTAINED  
A STRONG CULTURE  
AND SIGNIFICANT  
ATTRIBUTES FOR THE  
ENTIRE BRF

In May 2014 the new talent management project started, which mapped the main strengths and company needs in people management issue. More than 11 thousand employees in Brazil and internationally, including teams from the commercial, distribution and operations teams, were engaged in this process, either through online surveys, personal interviews or focus groups.

The result of this mapping was systematized and supported the RH joint planning for migration to a new form of performance and

greater integration of these activities with movimento "Viva BRF" (see box). This process resulted in the meeting "Viva RH", in which 110 HR leaders of BRF brought their contributions and also gave voice and represented approximately 1.4 thousand professionals that make up the overall HR framework of BRF.

As part of strengthening talent management, in 2014 the first global program of selection, acceleration and developing of global leaders, called "Fast Track" was launched. The initiative aims to collaborate with the integration of the company's teams and the search for innovation and improvement opportunities.

Along with the new trainee program of the Company (*Jovens de Impacto*) and *Ponto de Partida*, program focused on the development of supervisors and coordinators, Fast Track is part of the effort to establish an leadership aligned with BRF future vision. A total of 796 leaders were trained in the first cycles of this system. In 2015, BRF intends to expand this impact.

Another important initiative related to human capital management in 2014 was the restructuring of the sales agreement, which brought together 700 people in São Paulo (SP), for three days. The aim was to plan the 2014 year-end sales and address the sales management model. As a result, there was revenue growth in all segments, even in a challenging Brazilian and international economic scenario.

## VIVA BRF FOR A SINGLE, HIGH PERFORMANCE CULTURE

GRI G4-45

Implemented in 2014, reflecting the internal integration demands, Viva BRF is an organizational culture movement that brings together a set of actions and attributes designed by the organization's culture core and built jointly with employees.

Two great moments stood out:

In May, Viva BRF was launched at a meeting for about 400 global leaders, where the seven attributes of culture were presented: Owners Passion, Inspired by the Consumer, Healthy life, Doing together, Eager for Performance, Appetite for More and Right Way. It was

also initiated a major cultural movement involving the entire Company in the following months.

The second meeting, **Viva Leadership**, occurred in November and was attended by over 3 thousand people from all units in Brazil and the world, leaders and future managers. At this meeting, seven commitments of the leadership were launched: servant leader, meritocratic leader, humble leader, challenging leader, forming leader, motivator leader and making leader.

## INTERNAL ENVIRONMENT GRI G4-26

After performing in 2013, its first Organizational Climate Survey, approximately 90% participation of active employees with more than three months in the company, BRF sought to complement and deepen their understanding of the workforce, working on improvements and adjustments that resulted in greater satisfaction with the work environment.

The results mapped in 2013 are in line with market levels and indicate great potential for generating links between BRF and its internal and external publics, with good evaluation in health, safety and environment and personal development. Aspects like relationship between manager and staff, compensation, diversity and benefits were found to be more challenging issues.

Corporate and local action plans were performed to increase the level of satisfaction of employees. In the first ones, the priority actions were to develop leadership, career plans and strengthen the organizational culture (Viva BRF). In local plans, the focus is on actions to improve well-being in the workplace. BRF set as a goal to leverage in a measurable way the satisfaction of employees until 2017.

# VIVA BRF

THOUSAND

EMPLOYEES  
IN BRAZIL  
AND ABROAD  
CONSULTED  
ON TALENT  
MANAGEMENT  
MAPPING

# PEOPLE MANAGEMENT GRI G4-10

By the end of 2014, nearly 115 thousand people made up BRF workforce (direct employees, contractors, trainees and apprentices). As one of the largest agribusiness employers in the country and have a presence nationally and abroad in small towns, the Company's policy is to prioritize the hiring of local professionals. To take leadership vacancies, since 2013 the Internal Recruitment Program strengthens professional recognition. In 2014, 79% of those offices were taken by employees of the Company.

The policy for attraction and selection of people in BRF is under review, and it is expected that the updated version will be published in the first half of 2015. The main change is related to meritocracy and streamlining of processes of internal opportunities, with more autonomy for the Human Resources teams.

Despite more than 30 thousand hires in 2014 (see hiring tables, dismissal and turnover in

section Annex, p. 109), one of the sensitive points in this context concerns the turnover of the Company. For this reason, there is a specific committee to monitor and analyze the indicators related to the turnover of employees. In 2014, the dismissal was 2.25% less than in 2013\* . **GRI G4-LA1**

The benefits and recovery and recognition programs of professionals are extended to all employees and are guaranteed and provided for in internal rules of the company. They are: transportation costs, food stamps voucher or internal restaurant, health insurance, dental insurance, outpatient care, private pension, educational assistance, life insurance, daycare, shop of the company's products, maternity/ paternity leave and delivery of gifts for children up to 10 years old. BRF also offers all employees a recovery program for company's length. Only the inventory purchase plan is restricted and optional at the executive level. **GRI G4-LA2**

A Salary and social negotiations occur every 12 months (according to the base date), with regular meetings during the term of the Agreement or Collective Agreement. For such, BRF maintains relationships with over 80 trade unions, with 72 agreements and 15 collective agreements. At the end of 2014, the lowest salary paid was 11% above the national minimum wage.

In Brazil, 100% of employees are covered by agreements and represented by the Labor Union. Abroad, labor laws of each country are met and, where there is a workers' representative body, the coverage of collective agreements is 100%. **GRI G4-11**

*\*Considering only Brazil employees, for comparative analysis, due to the beginning of monitoring abroad in 2014. Total employees in the country: 100,718.*

## PROFILE OF BRF EMPLOYEES GRI G4-10

Type of employment	Total	Region									
		North	Northeast	West	Southeast	South	Latin America	Asia	Africa	Europe	Middle East
Indefinite term	100,341	316	4,087	23,581	16,850	55,507	-	-	-	-	-
Definite term	377	4	45	12	247	69	-	-	-	-	-
Outsourced	8,502	4	248	2,148	1,105	4,997	-	-	-	-	-
Trainees and apprentices	1,676	58	39	484	141	954	-	-	-	-	-
Employees abroad	4,059	-	-	-	-	-	2,639	27	10	465	918
<b>Total</b>	<b>114,955</b>	<b>382</b>	<b>4,419</b>	<b>26,225</b>	<b>18,343</b>	<b>61,527</b>	<b>2,639</b>	<b>27</b>	<b>10</b>	<b>465</b>	<b>918</b>

## LEAVES IN 2014 GRI G4-LA3

**100%** of employees are entitled to maternity and paternity leave. In 2014, 2,329 women took maternity leave during the year. Of this total, 1,265 returned to work and continued employed twelve months after their return to work, i.e. **54%** of the total.



## DIVERSITY, EQUITY AND INCLUSION

BRF does not make distinction of gender, race or religion in hiring, daily relationship and pay of its employees, and the salaries are based on industry standards, performance and length of service.

In diversity, BRF has invested in the inclusion of people with disabilities, one of its greatest challenges (see *diversity indicators in section Annex, p. 110*). In 2014, the number of 1,857 people with different disabilities has been reached, representing 1.84% of Brazil

frame. BRF entered into an agreement with the Ministry of Labor that determines the percentage to be achieved by the Company of people with disability on its staff by the end of 2015 and established several actions to address the issue, such as conference calls with plants, communication materials, terms of technical cooperation for professional rehabilitation, employment of expert consultancy, benchmarking and training.

At the end of 2014, was published a corporate standard for Program of Inclusion of People with Disabilities, which addresses issues such as awareness of employees and managers, infrastructure adaptation and responsibilities of the involved areas.

### EMPLOYEES BY GENDER GRI G4-10

Type of employment	Gender	
	Male	Female
Indefinite term	59,623	40,718
Definite term	218	159
Trainees and apprentices	813	863
Employees abroad	3,310	749
<b>Total</b>	<b>63,964</b>	<b>42,489</b>
Total of Outsourced*	8,502*	

\* For outsourced employees there is no segregated control by gender.

MORE THAN

## TRAINING

In addition to the learning programs focused in leadership, training activities and training of employees was also carried out, reaching all levels and areas of BRF. In addition to collective actions, there are specific programs, courses, conferences and other activities that meet individual needs. In total, in 2014 R\$23.3 million was invested in training for the workforce. Some highlights of training and capacity performed are:

- Qualification and Development Programs (external): reached 12 thousand employees, with the objective to develop, qualify and expand the technical and behavioral skills.
- Training Programs (internal): 189,674 participations, with 159,110 in internal training and 30,564 in training in the workplace (TLT).
- Educational Incentive: 580 employees, were included with 299 specialized, 149 with languages and 130 with technical course.
- Distance Education (EAD): 9,500 participants developed functional skills of the commercial area through access to tools, techniques and knowledge in distance education programs, communities and virtual library.
- Sales TV: Reaches 22,750 employees. With standardized broadcast, quickly transmits monthly information of each sales channel, in order to contribute to the training process and increase results.
- TV Logistics: Communicates projects and other news related to the operations of BRF distributions centers and provides training to more than 5000 direct employees and 8 thousand drivers and helpers throughout Brazil.
- Sales training (in classroom): 4,693 sales and merchandising leaders were trained to multiply training for staff with experiential methodology. The trainings aim to enhance care and techniques necessary for the handling of products at point of sale - inside the quality project in POS - develop functional skills of the area and train the team in argumentation for sale of commemorative products.

# %

**OF EMPLOYEES OF  
BRF ARE IN SMALL  
TOWNS.**

## MORE SYNERGY

In 2014, changes were made in the workforce, seeking greater efficiency, elimination of overlaps in the operational structure and greater alignment with the proposal of culture brought by Viva BRF movement. For this, there was a planned reduction in back office allowing restructure the areas of support and create greater synergy in the performance of the teams, as well as promotions and reassignments, following the meritocracy policy and appreciation of talent. There was also a restructuring of manufacturing operations, adjusting production capacity to market demand.

BRF believes that these actions were necessary to leverage the financial results of the business and generate a stable organization with high performance, aligned values and consistent results for its different stakeholders.



# HEALTH AND SAFETY

To ensure the integrity and well-being of employees and communities, BRF keeps the SSMA Program (Health, Safety and Environment), with actions that since 2006 enable safe behavior and valuing life in operations. This process has been consolidated in Brazil and in 2014, was intensified in Argentina, whose execution will extend by 2016.

Aware of the exposure of some employees to the risks inherent in the operation of agribusiness, which represents the major occupational risk in BRF, there is a continuous work of mapping, analysis and monitoring as well as operational and administrative controls in place to eliminate or minimize risks. GRI G4-LA7

The elimination of accidents, diseases related to work environment and fatalities is among the management priorities. The main impact that they bring to the Company is the human impact related to fatalities. In 2014, the frequency rate of lost-time injuries was 1.69, below the rate of 2.00 the previous year. For

injuries without lost time, the rate was 9.57, below the rate of 10.29 in 2013 (see table). Other impacts related to health and safety issues are medical expenses, compensations and claims management fees, in addition to indirect costs from damaged equipment and property, loss of production and quality, interruption of processes, loss of revenue, replacement of labor, overtime, disputes and damage to the relationship with customer and the public image. GRI G4-LA6

More than 10,000 people - 10% of employees, representing 100% of the workforce - are involved in HSE Management System, covering all organizational levels, with monthly meetings. The management system is composed of 16 levers (see section Annex, p. 110) and 90 tools that are continuously applied to identify, assess and manage risk with the potential for accidents. Leaders such as Vice President of Quality and Management, Benefits Officer, Union Relations and HSE and Manufacturing Regional Officers have targets linked to performance in health and safety. GRI G4-35

Additionally, 1,774 members of 109 Internal Commissions for Accident Prevention (CIPA) are present in all units of the company in which the regulatory standard is mandatory. In cases of non-mandatory, there is at least one employee who actively participates in the prevention of accidents.

Two other important mechanisms are:

- Specialized services in occupational safety and health: provided by 573 professionals in the areas of safety, health, nursing, occupational health and speech therapy and others. Today, approximately 4% of the workforce is trained to incidents and emergencies. GRI G4-LA5
- Health, Safety and Environment Dialogues (HSED): program that disseminates information to engage employees in the subject. Weekly tips and guidance are given in person to employees and third parties encourage safe behavior, the maintenance of health and the preservation of the environment. Besides them, the HSED has a mural in the plants, a moment of knowledge at the opening of meetings and is present in Corporate TV.

## FOCUS ON WELFARE

Some programs that BRF develops to improve working conditions:

- Occupational Health Management
- Ergonomics Program and Ergonomics Committees
- Environmental Risk Prevention Program
- Medical Control and Occupational Health Program
- Hearing Conservation Program

- Respiratory Protection Program
- **FÁBRICA LEGAL PROJECT:** This initiative seeks to improve the health and safety conditions in the refrigerator sector, in line with the applicable legislation - especially standards NR 10, NR 12 NR 13, NR 17, NR 36 and others - in order to eliminate or minimize the maximum exposure of employees

Since 2013 has been accompanied the implementation process of Regulatory Standard 36 for Safety and Health at Work in Slaughter and Meat Processing and Derivatives Companies. Currently, BRF has 87 agreements and conventions, of which

approximately 95% include health and safety issues - such as provision of uniforms and personal protective equipment (PPE), OHS Committees (CIPA) and training and health standards in general. GRI G4-LA8

In 2014, BRF became a signatory to the memorandum of understanding signed with the Regional Labor Court of the 12th Region. The term of agreement signed formalizes the creation of an interagency committee, aiming at the execution of regional programs and actions to prevent accidents at work.

#### INJURY TYPES AND RATES GRI G4-LA6

	2013									2014						
	Gender			Region					Gender			Region				
	M	F	Total	North	Northeast	West	Southeast	South	M	F	Total	North	Northeast	West	Southeast	South
Lost Time Injury	245	117	<b>362</b>	-	22	98	112	130	223	112	<b>335</b>	4	30	57	66	178
Rate	1.35	0.65	<b>2</b>	-	13	1.63	3.32	1.52	1.8	1.48	<b>1.69</b>	6.23	3.57	1.15	1.88	1.68
Injuries without Lost Time	1,387	476	<b>1,863</b>	-	20	1,089	107	647	1,369	545	<b>1,914</b>	5	32	654	436	787
Rate	7.66	2.63	<b>10.29</b>	-	11.82	18.11	3.17	7.56	11.02	7.2	<b>9.57</b>	7.78	3.81	13.25	12.84	7.43
Rate of occupational diseases	0.05	0.09	<b>0.14</b>	-	0	0,13	0	0.2	0.04	0.16	<b>0.09</b>	0	0	0	0.09	0.12
Days lost	10,846	9,278	<b>20,124</b>	-	1,637	4,834	4,403	9,250	20,388	7,182	<b>27,570</b>	19	1,066	3,709	5,142	17,634
Absenteeism rate	N/A	N/A	-	0.92	1.14	4.4	3.25	2.89	N/A	N/A	<b>N/A</b>	-	0.94	4.37	4.11	3.26
Deaths	5	0	<b>5</b>	-	1	-	1	3	2	1	<b>3</b>	1	0	0	0	2

## SAFE TRANSPORTATION

The theme is especially challenging because of the scope, size and complexity of BRF supply chain. The SSMA Program in Transportation and Distribution, initially implemented in three pilot units, was expanded in 2014 to the South, covering the units and DCs of Rio Grande do Sul, Santa Catarina and Paraná. Thus, 50% of carriers that provide services to BRF were involved in actions that promote safe behavior, covering issues such as safety, health, environmental protection and combating the sexual exploitation on the roads.

In 2014, we obtained 22% reduction in accident frequency rate (accidents per million miles) and, consequently, a reduction of cost of insurance deductible and other indirect costs.

The Program's methodology is the 10 Elements of Management that seek to eliminate accidents and transport incidents through safe behavior. The drivers of partner carriers are involved daily with the application of checklist in vehicles, safety dialogues and the Road Observation and Prevention Program (POP), which observes the driver's behavior, among other actions.

Outposts risk management located in the main units perform reading of tachographs, checking speed and journey of drivers. Carriers are also audited periodically by GIF tool (Integrated Management of Suppliers), where one of the pillars observed is the EHS management of the service provider.

To further the theme in 2014 the hiring policy was revised and management of service providers of cargo and people transportation.

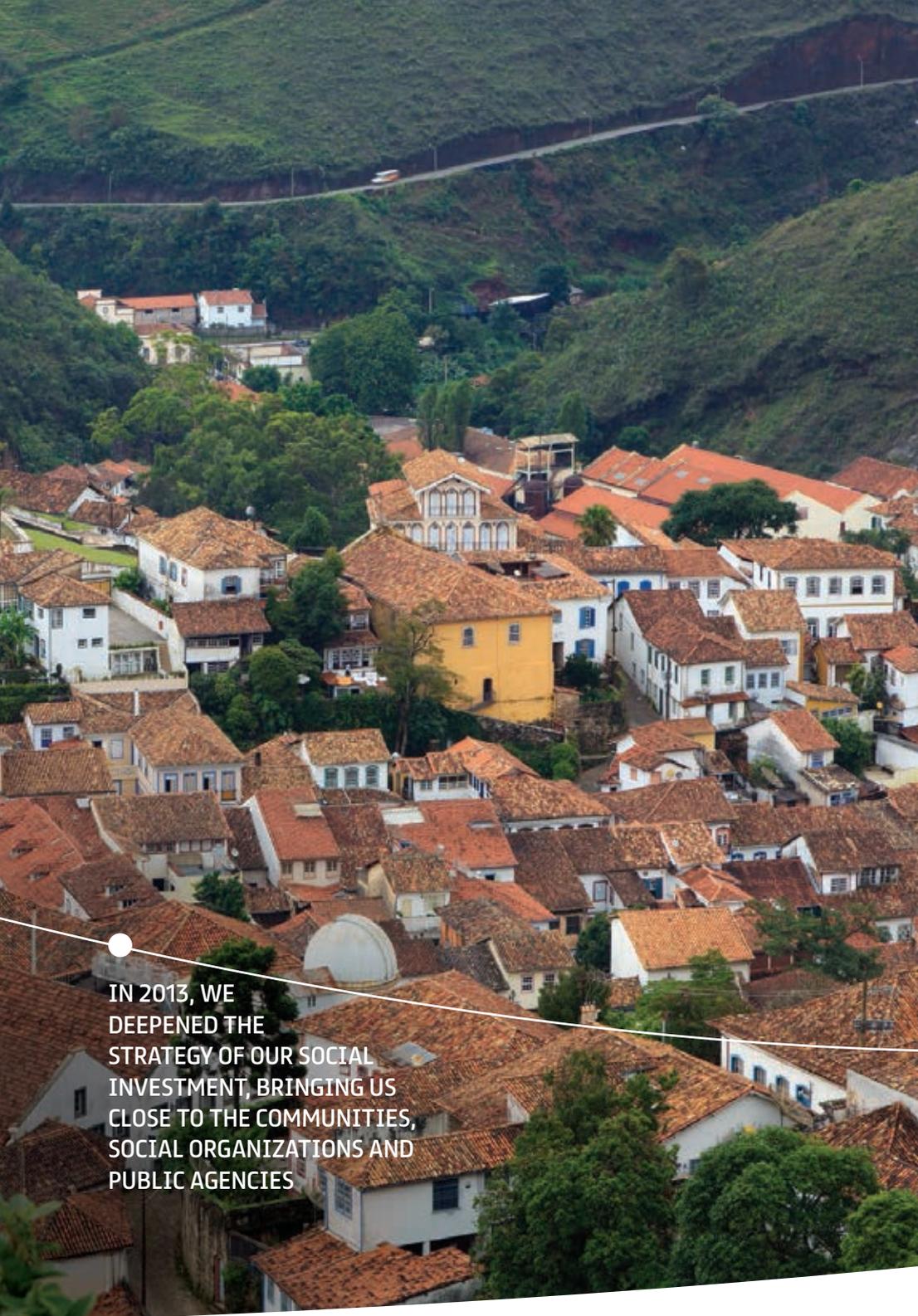
SOCIAL CAPITAL

88

THOUSAND  
PEOPLE BENEFITED

BRF prioritized even more its investments for development of the communities of which it is part, improving the performance of its operation.





IN 2013, WE DEEPEMED THE STRATEGY OF OUR SOCIAL INVESTMENT, BRINGING US CLOSE TO THE COMMUNITIES, SOCIAL ORGANIZATIONS AND PUBLIC AGENCIES

IN 2014, WE INCREASED INVESTMENT IN PROJECTS IN MUNICIPALITIES WITH THE PROGRAM "COMUNIDADE ATIVA". SO WE HAVE BEEN AWARDED FOR THE SECOND TIME, AS ONE OF THE "50 EMPRESAS DO BEM" BY MAGAZINE *ISTOÉ DINHEIRO*

**BRF IS COMMITTED TO NARROW TIES WITH ITS STAKEHOLDERS, ADDING THEIR DEMANDS, NEEDS AND EXPECTATIONS TO BUSINESS**

Since 2009, panels, interviews and consultations are conducted periodically by the company with internal and external stakeholders in order to update the strategy and the management according to the perception of the value chain. In 2014, BRF directly performed a review and discussion of its most important issues of management

through a multi-stakeholder meeting held with employees, investors, suppliers, experts, financial institutions, customers and consumers. GRI G4-24, G4-25

Divided into groups, participants identified the main impacts for each material issue of BRF, its origin (reason why they occur), where



THUS, WE CONSTRUCTED TRUSTING RELATIONSHIPS WITH EMPLOYEES AND SOCIETY, CREATING SOLUTIONS THAT IMPROVE THE QUALITY OF LIFE IN THE COMMUNITIES AND THE OPERATION INDEXES OF BRF

they occur in and affected stakeholders. The result was the deepening of the most significant impacts of each issue and its connection with the aspects of the reporting guidelines of the Global Reporting Initiative (GRI) and the value chain axes (see box with this correlation on pages 10 and 11). GRI G4-26

In addition, an online questionnaire was sent to employees to understand their perceptions on relevant issues and

management by the company. A total of 2,249 respondents in Brazil and worldwide. Both the in person panel and the online questionnaire serve as the basis for this report, reflecting the wishes of BRF publics as well as to support the construction and enhancement of long-term continuous strategy in sustainability. GRI G4-26

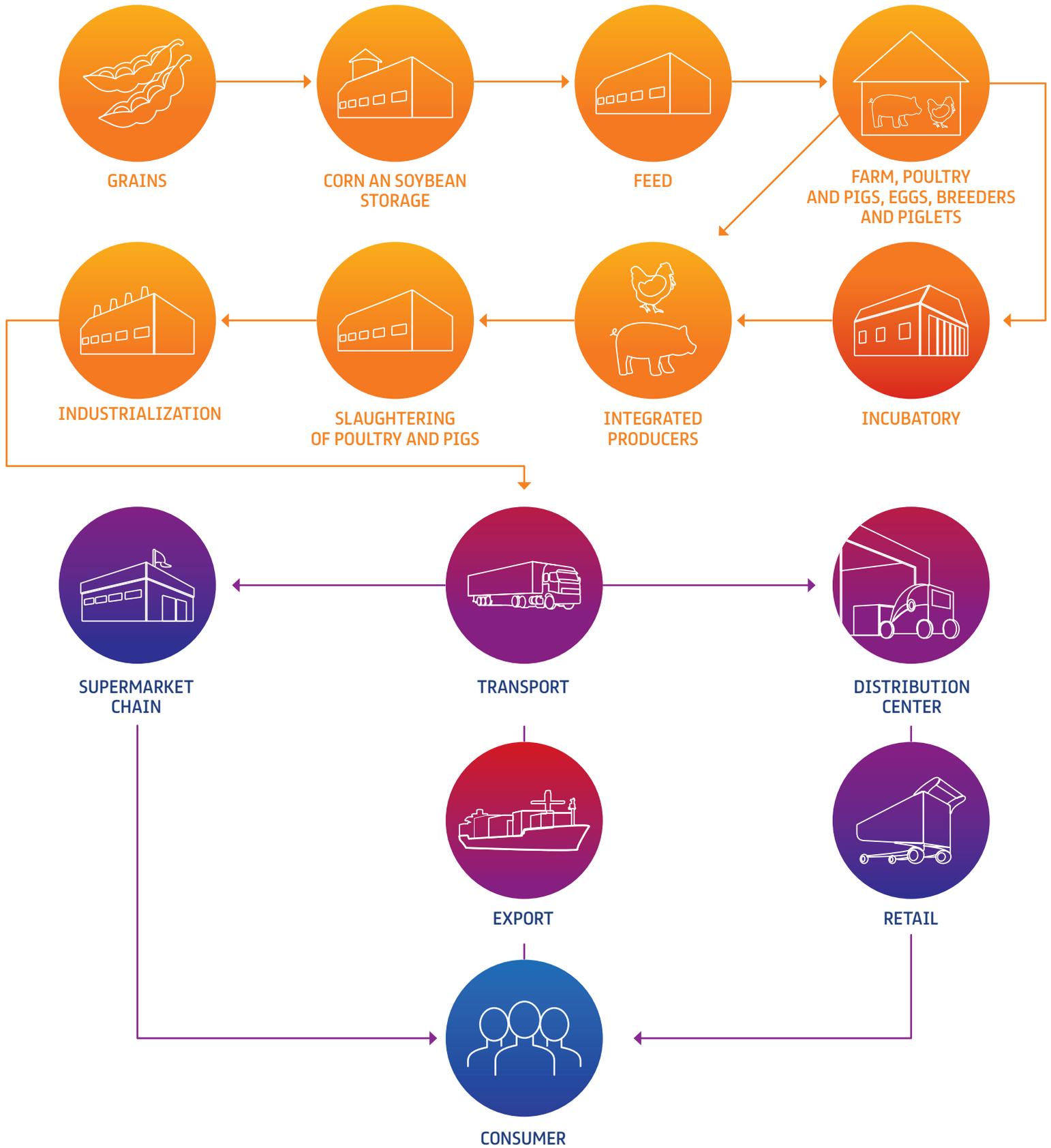
The materiality process is formally approved at a meeting of the Governance and Sustainability Committee. The relevant aspects are also evaluated by the Executive

Board and validated by the collegiate bodies. The complete annual report is reviewed and validated by the Board of Directors and the Advisory Committees. GRI G4-48

The list of updated material issues had not significant changes, however, in the consultation process, two new GRI aspects were included: "Combating Corruption" and "Unfair Competition", both in the category Company (OS) of GRI-G4. The GRI sectorials aspects "Market Presence" and "Species and breed of the animals" were not mentioned in the panel and they could be excluded from materiality. GRI G4-27

# BRF VALUE CHAIN

Links involved in the dialogue process and engagement



BRF aims to share more and more its values with society, considering the complexity and the overall size of its business. To do this, it feeds the link with the communities surrounding industrial plants, administrative offices and distribution centers worldwide. In practice, we aim to positively impact the lives of people, generating employment, income and local development and minimizing negative externalities of operation - such as generating traffic and pollution and competition for water use in the surrounding of plants.

Instead, the Company wants to be a stimulus for raising industry quality standards in the markets where it operates, and to promote reference working conditions, stimulate local economies, increase food availability in different countries and raise levels of employability, income and qualification of the population. Support structures for surrounding communities, investments and support for implementing projects are among the actions in order to promote the development of the territory and engage people in the positive transformation of its environment. **GRI G4-S02**

To develop this work, the company counts on the performance of BRF Institute and the 37 Local Development Committees - including seven of dairy units - whose job is to identify opportunities, assets and requirements and plan and jointly develop initiatives aimed at quality of life. This work is part of the social investment strategy of the company and is directly reflected in relationships with the general public and business reputation. **GRI G4-26**

About 400 employees participate in these committees, which now cover 65% of BRF's operations in Brazil and involve regular meetings at these locations. There is also a corporate working group, composed of representatives from areas such as labor relations, HSE, Insurance and Sustainability, which monitors the impact of social investment of projects and community relations. **GRI G4-S01**

In total, the actions of social and infrastructure investment reached 53 municipalities in Brazil in 2014 (see tables with coverage of BRF operations in section Annex, p. 111). A challenge for the coming years is to expand the role of BRF Institute and the Committees in international markets.

## MANAGING IMPACTS

### GRI G4-S01, G4-S02, G4-EC8

To enhance its social, economic and environmental impacts and the actions taken to address them, BRF Institute has quantitative and qualitative evaluation methodologies.

Strategic decisions on investments and projects are influenced by these discussions, and data platforms and indexes such as ISE (BM&FBovespa), Dow Jones Sustainability Index and Census Gife. Another important tool is the Corporate Social Investment Benchmarking (BISC), which directs the practices according to positive trends and experiences in the market. In 2015, a more structured tool for capture of data will be implemented, allowing gathering more efficient results.

In 2014, there were improvements in several fronts, especially: the increase in community leadership in resolving problems in 25% of municipalities impacted by Local Development Committees; the greater intersectoral action - involving business, civil society and public authorities - in 100% of municipalities with committees; improvement of infrastructure for local communities of 53 cities; improvement of service of support organizations in all municipalities with presence of the Institute; the inclusion of quality of life and balanced nutrition in all the cities with committees; and community mobilization, which reached 13 municipalities.

With Inspira, for example, BRF contributes to the improvement of the work of organizations providing social services for the populations in 30 municipalities, expanding the scope of these qualitative and quantitative services and improving the physical and technical conditions of work.

## BRF INSTITUTE IN 2014

MORE THAN  
**88** THOUSAND

BENEFICIARIES OF SEVEN PROGRAMS: COMUNIDADE ATIVA; INSPIRA COMUNIDADE; INSPIRA; VOLUNTÁRIOS BRF; PORTAS ABERTAS; PROJETO RECICLAÇÃO; AND ESTAÇÃO DIGITAL

**37**

LOCAL DEVELOPMENT COMMITTEES ASSETS, BENEFITING 53 MUNICIPALITIES

OVER

**200**

VOLUNTARY ACTIONS

**260**

PARTNERS, INCLUDING NGOS, COMPANIES AND PUBLIC BODIES

The premise of the operational model of BRF Institute is to strengthen the role of partners and improvement of the quality of life of communities; so, the actions taken contribute to provide opportunities for education and recreation, promoting occupation and transformation of collective public spaces and the transfer of knowledge (including technical/specialized), seeking positive change in habits and focusing on improved services.

The managers of social projects meet monthly with BRF Institute, by conference, to monitor the indicators of work and take decisions in a participatory manner. The Council of BRF Institute is composed of company leaders, and local managers are involved in the processes and governance structures.

The impacts go beyond the direct ones. Among the indirect economic impacts identified by BRF are encouraging the construction industry, via PROHAB program; business development with inclusive purpose (such as Reciclação); the reduction of imports, in the case of plants in other countries (such as Abu Dhabi, United Arab Emirates); increased production and purchases; and the development of third parties in the supply chain, among others.

The "Reciclação", environmental education project, community mobilization and solid waste management, aims to eradicate social and environmental risks in Morro dos Prazeres, located in Santa Teresa (RJ), through a partnership between government, private sector and civil society.

The actions proposed a change in behavior, with expansion of environmental awareness and engagement of community residents through educational processes and mobilization, for them to make the correct management of their waste and promote recycling. Waste sent for recycling are sold to partner recycling and generate resources that the community reinvests in local projects, promoting improvement in living conditions. In the second year of the project, there is a

significant reduction of waste accumulated outdoor, an increase of over 400% in the volume of waste for recycling (12 ton/year), increased popular participation with the expansion of the provision of environmental education and local mobilization (70 in total), the increase in operating collection team (hiring one collection agent and 1 assistant), participation in events and seminars as successful experience of community leadership and waste management, the establishment of an international partnership

of technical cooperation with international governmental agency (US Environmental Protection Agency), the enhancement of self-esteem and increased pride and sense of belonging of the residents, with the improvement of living conditions in the community



## INVESTMENT IN MATO GROSSO

GRI G4-EC7, G4-S01

BRF unit in Lucas do Rio Verde (MT), inaugurated in 2006, is one of the most important in Brazil, involving about 4700 employees in poultry, pork and sausages processing operations. During 2014, unsafety events and cases of prejudice occurred in housing maintained by the company, due to the culture shock of workers from different regions of Brazil. The question addressed is that cultural diversity has evolved into a cultural shock, causing situations of conflict, violence and insecurity in neighboring communities to BRF.

This situation reflected in the city and had the commotion of government and local civil society. We developed a set of coordinated actions between key local actors and BRF - that among various interventions, strengthened its dialogue practices and expanded the presence of BRF Institute, acting decisively in promoting social action and engagement activities. The idea was to take regional diversity as an asset and value the culture of the local population, promoting traditional festivals, community events and recreation options for the families of housing.

The determining factor for the mitigation of negative impacts was to change the local management model, which has assumed that people were in focus and that was the main element of change. It was then established a new form of relationship enhancing active listening, creating emotional ties, respecting differences and seeking synergies. Safety measures were also taken with the government to strengthen policing in the neighborhood Luiz Carlos Tessele Junior and surrounding area.

## BENEFIT TO THE COMMUNITY

GRI G4-EC7, G4-S01

Through the action of the local municipality and dialogue with the community, BRF Institute and BRF are helping to solve a claim of more than four years of community Santa Cruz, neighboring the Company's plant in Concordia (SC). One of the major issues faced by the population was connected to the restricted conditions of urban mobility, and the solution

was to count on the company's partnership in the assignment of land of more than 3 million square feet of BRF for creating an alternative access route to the neighborhood, aiming at its interconnection with the city. At the end of 2014, through dialogue with the city government and the work of the Community Development Board, CDC (part of the "Comunidade Ativa" Program), the donation is in approval.



**BRF OPERATION IN BRAZIL  
IMPACTED BY ENGAGEMENT  
PROGRAMS, IMPACT  
ASSESSMENT AND COMMUNITY  
DEVELOPMENT.**

## “VOLUNTÁRIOS BRF” PROGRAM (VOLUNTEERS BRF)

Part of the Institute's scope of work, “Voluntários BRF” Program involves approximately 3000 employees in voluntary actions of participation and social transformation.

“Voluntários BRF” Action. Each action is proposed by the unit committee from corporate guidelines, and therefore satisfy the knowledge and local demands.

The program's operational methodology, led by the Local Development Committees, involves a mapping in the chosen city, the identification of potentialities and building partnerships with organizations that promote local development.

In 2014, the committees, along with its volunteers, promoted activities with the themes “Healthiness” and “Green Economy” in public spaces, schools and program partner organizations in the 6th and 7th



\*Volunteers BRF Program

### HIGHLIGHTS OF BRF INSTITUTE GRI G4-S01, G4-EC8

Programs focus in 2014	Impact
• Programa Inspira: work of strengthening of NGOs in partnership with the International Social and Environmental Fund (FICAS)	• 50 NGOs in 30 municipalities
• Comunidade Ativa: program involving communities in 10 plants in Brazil (South, Southeast, West and Northeast)	• 110 people involved in the CDCs
• Project Estação Digital (PE)	• More than 300 students graduated by Estação Digital
• Projeto Reciclação (RJ)	• About 8000 benefited people from the project Reciclação • 70 education activities and local mobilization carried out by Reciclação

### INVESTMENT IN INFRASTRUCTURE AND DEVELOPMENT GRI G4-EC7

Program	Location	Description	Investment (R\$)	Current or expected impacts on local communities and economies	Type of investment
“Programa Inspira”	Morrinhos, Itumbiara, Castelândia, Rio Verde, Uberlândia, Campo Verde, Lucas do Rio Verde, Cuiabá, Glória do Goitá, Vitória de Santo Antão, São Lourenço da Mata, Carambé, Dois Vizinhos, Francisco Beltrão, Nova Esperança do Sudoeste, Paranaguá, Ponta Grossa, Toledo, Lajeado, Marau, Passo Fundo, Capinzal, Chapecó, Concórdia, Ipira, Xanxerê, Faxinal dos Guedes, Joaçaba, Videira and Fraiburgo	Support to NGO management strengthening through improved structure projects (purchase of equipment) and management improvement	R\$ 1,680.000	Improvement of NGO community service	In kind
“Voluntários BRF”	Campo Verde, Capinzal, Carambé, Faxinal dos Guedes, Herval D’ Oeste, Itajaí, Jataí, Rio Verde, Tatuí, Várzea Grande and Videira	Revitalization of squares, courts, amusement parks and nature trails; reform in kindergartens; adequacy of libraries, toy libraries and video room, etc.	R\$ 135,962	Improvement of services offered by NGOs and schools; Improvement of quality of green spaces and recreational areas; Realization of shared projects of local development	In kind and free
“Comunidade Ativa”	Campos Novos Concórdia, Serafina Corrêa, Uberlândia, Lucas do Rio Verde, Nova Mutum, Chapecó, Dois Vizinhos, Francisco Beltrão, Toledo, Vitória de Santo Antão	Support to the strengthening and network management through community groups that dialogue, define priorities and implement social solutions to the surrounding communities	R\$ 347,609	Increase participation and engagement of strategic <i>stakeholders</i> to the operation of BRF local units to carry out social development projects relevant to the municipality; decreased economic dependence of local players on local units BRF; performance of shared projects of local development	In kind and free
“Prohab”	Mineiros (GO)	Construction of housing for employees	R\$ 398,084	Benefits the entire family of the employee and tends to leverage the reduction in cost of rents in the city, thus facilitating the migration of workers. This allows an increase in income, in addition to foster the entire local economic chain and promote the attraction and retention of staff.	Investments brought with the program are financial (invested in the local/regional economy)

## GOVERNMENTS, INSTITUTIONS AND INDUSTRY

In line with the Code of Ethics and Conduct, all officers and employees of BRF are prohibited from participating in acts of bribery and/or corruption, whether passive or active, directly or indirectly. It is also forbidden from frustrating, defrauding, deceiving, preventing or disturbing public or private bidding procedures. GRI G4-S04

BRF strives to maintain a close relationship with the entities and associations representing its segment in order to ensure the continuity of the business and its contribution to the development of markets in which it operates.

Under strict legal, ethical and moral standards, following Brazilian and international rules, such as the American FCPA Foreign Corrupt Practices Act and Sarbanes-Oxley (SOX), BRF contributes to the electoral process by making donations to political campaigns in order to help Brazilian democracy. In the 2014 elections, BRF made donations totaling R\$18.1 million, and the company defines its support to political parties (not people) based on internally established criteria, which have the transparency in their relationships, trustworthiness of candidature and support to government projects aimed at the development of agribusiness. The contribution of funds complied with provisions of the Brazilian electoral law, disclosed at the Superior Electoral Court's website (TSE). GRI G4-S06

In the area of industry relations, BRF prioritizes participation in discussions related to *core business*, occupying management positions or acting in a consultative manner. The commitment to sustainability also encourages participation in organizations such as the Brazilian Business Council for Sustainable Development (CEBDS) - in which BRF participates in sectoral chambers on issues like climate change, biodiversity and water.

Additionally, the organization has signed several compacts and voluntary initiatives that propose the improvement of industry practices, focusing on corporate sustainability. In 2014, BRF participated in a pioneering initiative in the world to create an integrity compact in the sponsorship of sports in Brazil, unifying rules of management, integrity and transparency.

## NETWORK OF INDUSTRY AND BUSINESS GROUPS

### GRI G4-16

- Associação Brasileira da Indústria Produtora e Exportadores de Carne Suína – Abipecs (Brazilian Association of Meat Industry Producers and Pork Exporters)
- Associação Brasileira de Proteína Animal – ABPA (Brazilian Association of Animal Protein)
- Associação Brasileira das Companhias Abertas – Abrasca (Brazilian Association of Public Companies)
- Ethos Institute

- Instituto Brasileiro dos Executivos de Finanças – Ibef (Brazilian Institute of Finance Executives)
- Instituto Brasileiro de Governança Corporativa – IBGC (Brazilian Institute of Corporate Governance)
- Instituto Brasileiro dos Profissionais de Relações com Investidores – Ibri (Brazilian Institute of Investor Relations Professionals)
- Committee of Pronouncement of Best Practices and Technical Committees of Capital Market (Codim)
- Associação Brasileira de Indústrias da Alimentação – Abia (Brazilian Association of Food Industry)
- Associação Brasileira das Indústrias de Queijo – Abiq (Brazilian Association of Cheese Industries)
- Associação Brasileira das Indústrias Exportadoras de Carne – Abiec (Brazilian Association of Meat Exporters)
- Sindicato Nacional da Indústria de Alimentação Animal – Sindirações (National Union of Animal Feed Industry)
- Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável – CEBDS (Brazilian Business Council for Sustainable Development)
- Group of Institutes, Foundations and Companies (GIFE)
- Comunitas / BISC
- RedEAmérica



## SUPPLIER MANAGEMENT

Highly complex, BRF supply chain is now global, resulting in purchasing, quotation and negotiations processes at national and international level, seeking not only to reduce costs, but also the risk control and profitability gains, efficiency and reduction of impact and environmental risk.

In 2014, it was consolidated a global management that has unique processes and aligned strategies for buying in five regions: Brazil, Middle East, Argentina, Europe and

Asia. The change allowed for a more efficient management in a global scenario of recession and pressure suffered by the change in commodity prices.

Under the new strategy, regional purchasing teams were established, trained based on synergy and speed of local purchase negotiation, to enable the expansion of the number of categories traded, and improve commercial and service gains.

In 2014, the percentage of international negotiations was 16% and the 2015 target is to raise the percentage to 22.7%. This increase dialogues directly with the strategy outlined for Supplies in the search for efficiency in cost reduction and improvement in the quality of services/products, following the Company's new model of globalization and prioritizing the analysis of strategic purchase categories by region. The influence that the organization can have on the economy goes beyond the creation of jobs and payment of

wages and taxes. By supporting the chain of local suppliers, BRF can indirectly attract investments that streamline the economies of the regions affected by the business. (Read more on Annex, p. 116)

At the end of the year, approximately 50 thousand producers and companies supplied to BRF, divided into five large categories (see table). To select its business partners, the company considers four criteria: social

and environmental performance, quality, competitive cost and delivery time that can minimize inventory.

## BRF SUPPLY CHAIN GRI G4-12, G4-FP1

Type of business	Profile and categories	Number of partners	Regions of suppliers	Volume purchased in accordance with purchase policy
Agricultural	Pork suppliers are partnership, purchase and sale, lending, while producers of poultry and eggs suppliers are a partnership	12,929	GO, MG, MS, MT, PR, RS, SC	100%
Supplies	Direct Indirect Freight Partnerships	19,255	AL, AM, BA, CE, DF, ES, GO, MA, MG, MS, MT, PA, PE, PI, PR, RJ, RN, RS, SC, SP	95.9% 4.1% spot purchases
Grains, meals and oils	Farmers: direct purchase of the crop for BRF (representing 89% of the number of partners) Cereal companies: Small businesses which are intermediates in the commodities market (grain) Tradings: Large businesses which are intermediates in the grain market Cooperatives: civil/commercial non-profit organization, formed by groups of farmers.	3,427	EC, GO, MG, MS, MT, PA, PR, RS, SC, SP, Singapore, Paraguay	100%
Logistics	Transfer operation CD and direct sales operations (factory-client), containing the long-distance road transport, container and multi-modality (rail and coastal shipping). Urban distribution operation, through the operational management of CDs, transshipments (TSPs) and urban transport delivery.	1,250	Northeast, West, North, South and Southeast	100%
Dairy	Direct suppliers and third parties	13,079	GO, MG, MS, PE, PR, RS, SC	100%

## CHAIN MONITORING PROGRAM

GRI G4-EN32, G4-LA14, G4-S09, G4-HR5, G4-HR6, G4-S010, G4-HR10, G4-HR11, G4-EN33, G4-LA15

To track the impacts and promote social, environmental and economic development of its suppliers, BRF keeps the Supply Chain Monitoring Program, covering in 2014 the areas of grains, meals and oils; logistics; agriculture; supplies and dairy. The goal is to mitigate social and environmental risks, enhance quality attributes and contribute to the development of the chain, with shared and ongoing generation of value.

The monitoring of suppliers is carried out according to priorities such as those that are in the most critical business categories, which are in sensitive locations to environmental issues - such as the Amazon biome and areas of high biodiversity - or companies with high trading volume and risk of forced labor analogous to slave and child labor. Also the soybean crushing companies are considered critical suppliers.

The importance of monitoring environmental issues is the impact that the mapped risks may cause, ranging from image and reputation, the stop of production, fines and, in critical cases, a possible devaluation of the company in the capital market because of serious complaints. Therefore, to reduce them, BRF has documents such as the Code of Ethics and Conduct, the Code of Conduct for Suppliers and the purchase agreements and contracts, which include social and environmental clauses. The Company is also a signatory to various compacts and agreements on the subject (read more on p. 25), encouraging adhesion of the suppliers.

BRF periodically consults the public lists of embargoed areas and violation of labor rights, provided by agencies Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) and the Ministry of Labor and Employment (MTE), to make

sure that all standards, policies and laws are being followed. Consultations are made in the process of new contracts and existing contracts.

Direct materials suppliers - such as inputs, raw materials and packaging - are also audited on aspects related to quality, having its items monitored in the production process in order to ensure compliance with the requirements agreed with BRF.

The program goes beyond monitoring and evaluating aspects of quality and risk, contributing to the commitment to leverage the sustainability issue at the Company's chain, in line with BRF-17. One of the indicators provided for in the strategic planning is the monitoring of acceptance of the Code of Conduct for Suppliers, where suppliers know and agree on principles such as: non-use of child or slave labor, the correct environmental

management and the quality of goods and services. From this base indicator other complementary customized indicators are structured by each of the five fronts.

These other tools support the monitoring, adapting to the reality of each operation and business. By 2014, about 17,000 suppliers were evaluated in potential and/or actual impacts

in relation to social and environmental criterias, considering self-evaluation, visits on site and other specific mechanisms.

	Environment	Society	Labor practices	Human rights
Actual and potential negative impacts mapped in the chain and worked for BRF <sup>1</sup>	<ul style="list-style-type: none"> <li>• Non-compliance with environmental legislation;</li> <li>• Environmental licensing;</li> <li>• Illegal deforestation by the supplier;</li> <li>• Use of the biome areas, absence of legal reserve;</li> <li>• Not preserving biodiversity;</li> <li>• Emissions of greenhouse gases;</li> <li>• overlap of the protected areas such as parks;</li> <li>• Treatment and disposal of solid waste.</li> </ul>	<ul style="list-style-type: none"> <li>• Indigenous rights;</li> <li>• Dissemination of odors from plants</li> </ul>	<ul style="list-style-type: none"> <li>• Legal compliance with labor laws, social security laws and rights of children and adolescents.</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity;</li> <li>• Sexual exploitation of children and adolescents;</li> <li>• Forced or slave labor;</li> <li>• Child labor.</li> </ul>

**GRI G4-EN32, G4-EN33, G4-S09, G4-S010, G4-LA14, G4-LA15, G4-HR10 E G4-HR11**

<sup>1</sup> Each board is in a phase of implementation and maturation of the Monitoring Program. 100% of new suppliers of BRF follow the criteria of the Code of Conduct for Suppliers. For cases in which disagreements with some requirements of the Suppliers Code of Conduct are identified, depending on the severity improvement plans cattle, supplies and logistics are performed, or the supply contract is canceled cattle. The main irregularities causing of contractual termination are the presence in IBAMA List of Environmental Notices and Embargoes and in the Black List of the Ministry of Labor and Employment

## GOOD PRACTICES



### LOGISTICS GRI G4-EN30

BRF acts to mitigate the negative impacts of the transport operation through the Health, Safety and Environment (HSE) program, which provides for actions to reduce accidents, environmental conservation, awareness of child and adolescent sexual exploitation on the roads, compliance with Law 12,619, among others.

For this, we use the HSE criteria rule for hiring cargo carriers, besides being adopted standards on issues such as Vehicle Inspection and Driver Evaluation; Plan to Assist Transport Emergency; and Accident and Incident Investigation. The management commitment term for safety was signed by 106 carriers of the primary operation (55%) in 2014.

The 68 largest carriers of refrigerated segment are part of the Integrated Management Program of Suppliers (GIF, portuguese acronym), which guides the carrier to increase its profitability and sustainability of business in a self-assessment tool later validated by BRF. In the program, 54% of participating carriers properly perform waste disposal, and 35% of the fleet was evaluated in smoke tests, with a 95% approval rating.

The logistics suppliers analyzes consider health and safety indicators, data on routes,

accidents and other occurrences related to speed and excess of journey. In 2015, accident reduction targets will be implemented.

During 2014, one of the highlights was to contract 100% of carriers of the primary operation with prior qualification in HSE. In addition, the health, safety and environment were disseminated in the South of Brazil, reaching 50% of carriers of all operating segments for BRF.

The project also resulted in decreased accident frequency rate by 22%. The logistic operation ended the year with 0.64 accidents per million km, exceeding the target set for 2014 - 0.70 per million km. For 2015 the limit for the rate is 0.60.

Until 2014, 79% of spend of logistics suppliers was signed the Code of Conduct for Suppliers.



### AGRICULTURAL

Until 2014, 20% of spend agricultural suppliers was signed the Code of Conduct for Suppliers.

The agricultural suppliers are selected according to internal rules and evaluated annually in compliance index in force since 2008. The checklist of items of this index is conducted in the field in all the integrated

producers, and the goal for 2017 is that the integrated suppliers comply with the items to which they are subjected. The agricultural officer has goals (no financial) linked to the index and regularly reports the results to the Board of Directors.

## GOOD PRACTICES

### DAIRY



The Pro5 (Good Practices Program, created in October 2012, renamed to Pro5 in the following year) monitors Dairy chain practices and outlines joint action and improvement plans, to meet the requirements of best management practices adopted by the program. In 2014, 100 properties of direct suppliers valued on site in Pro5.

Other highlights are ProImune (for eradication of brucellosis and tuberculosis, via

national program established by the Ministry of Agriculture, Livestock and Supply), Proleite (management of dairy property, prepared by Sennar/SP to enable producers and rural workers in intensive handling of milk production) and PROQUALI, which encourages good practices in milk production through benefits for quality reference suppliers, as well as the adoption of consultation of the public lists of the embargoes and labor issues.

### GRAINS, MEALS AND OILS

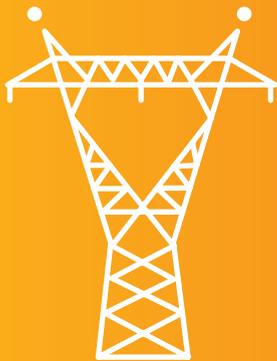


Until 2014, 99.3% of spend of grain, meals and oil suppliers was signed the Code of Conduct for Suppliers.

In addition to the Code of Conduct and consultation to public lists, a pilot program

started for on-site evaluation of suppliers. In 2014, five on-site audits were performed, tracing improvement plans and the improvement of the methodology.

### SUPPLIES



Until 2014, 17.1% of spend of suppliers was signed the Code of Conduct for Suppliers.

In addition to the Code of Conduct, the Supply Sustainability Index (SSI) System evaluates seven criteria in supplier: sustainability, regulatory compliance, operational management, social management, environmental management, future vision and innovation. From this evaluation, we have an important framework of suppliers, which can determine from improvements in chain to

the monitoring of activities. In 2014, 100% of the critical/priority suppliers were evaluated in the SSI.

To strengthen the management of suppliers, the supply procurement team has received training through the Procurement School, where trained staff to later pass on their knowledge to others. In 2014, there were 3,747 hours, exceeding the target set (2,600). In 2015, the idea is to reach 4,600 hours.

## ANIMAL WELFARE

The Company believes that the animal welfare enables the improvement of the working environment, increased productivity, reduced losses of quality of the final product, compliance with standards of international and Brazilian markets, minimization of risks and compliance with ethical principles involving human-animal relationship.

Major value chain axes, the creation and the slaughter of animals follow national

and international principles and standards, both for poultry and pork farms, as well as for integrated farms - BRF suppliers adopt the internal standards and practices of the Company. BRF's animal welfare good practices manual and standard have as reference the five freedoms: animals free from hunger and thirst; free from environmental discomfort; free from pain, injury and disease; free to express their natural behavior; and free from fear and stress.

In management system, the five animal freedoms are implemented in the process, focusing on the elimination of unnecessary suffering - that is, today, one of the golden quality rules of the Company. BRF keeps teams dedicated to the theme in all slaughtering units and defines strategies, guidelines and policies in the Internal Committee for Animal welfare, led by Agriculture and Quality boards and the Sustainability Management.

All employees, whether direct or suppliers, dealing with the handling, transport or production of live animals undergo periodic training.

It is also in line with global recommendations of the World Animal Protection (WAP), European Food Safety Authority (EFSA), World Organization for Animal Health (OIE), American Meat Institute (AMI) and Bristol University, among others, and is continuously updated through studies, carried out in partnership with NGOs, entities and bodies such as Embrapa, University of São Paulo (USP) and the Ministry of Agriculture, Livestock and Supply (MAPA).

BRF does not use hormones in cutting livestock. Drugs, antibiotics and vaccines are handled only on the advice and recommendation of a veterinarian, in line with the legislation. In some markets, there is restrictive and specific

legislation to that theme. With regard to antibiotics, the Company monitors possibilities of gradual reduction of its use in the chain. **GRI G4-FP10, G4-FP12**

Technical, legal and also religious provisions - such as Halal Slaughter Standards, mandatory for the slaughter of animals used in food preparation for the Islamic community - are incorporated into the day-to-day of farms, involving creation, shipping, transportation, landing, slaughter and stunning.

Both for poultry and pork, animal welfare indicators are monitored daily such as bruising, contact dermatitis, fractures and mortality, among others.

Monitoring of these key indicators helps the management of processes in aspects of compliance. The evaluation of suppliers and business partners considers these requirements, including through regular

checklist and audits. In case of non-compliance, adequacy action plans are set which are regularly monitored by BRF teams, and the contract may be terminated for failure to comply with the plan. Monthly data from slaughter plants are reported to high management.

The Company's Corporate Committee of Living Cargo Transportation regularly monitors agricultural transport indexes in order to evaluate the practices adopted and how this process can be improved continuously, proposing and implementing from structural to functional improvements. Some examples of indicators evaluated by this Committee are: injuries and mortalities, number of animals by transport, type of truck, mileage driven etc. One of the improvements was the installation of trackers in transport trucks from the feed to the live animal sent to slaughter.

## PARTNERSHIP WITH WAP

Reinforcing its commitment to animal welfare, BRF signed in 2014 a partnership with the NGO World Animal Protection, in order to improve practices in the supply and production chain. Among the actions planned is the adoption, in a maximum period of 12 years, of the collective gestation system in the production of pork matrixes, in which the animals are kept in larger spaces, rather than individual cages. BRF will follow the legislative standard of the European Union, in a pioneering initiative in the food sector. For two years ago the collective gestation system has been compulsory in all the Company's expansion projects.

## RESPECT FOR ANIMAL LIFE

INITIATIVES, HIGHLIGHTS AND INDICATORS ON QUALITY CONTROL AND COMPLIANCE OF THE CHAIN

**POULTRY/TURKEY:** in broiler chicken production indicators that attest the competitiveness of BRF are monitored, such as feed conversion (amount of feed for a kilo of live chicken), viability (total of chickens returning to the refrigerator in relation to those that were housed) and the production cost per kilo. In recent years, the Company adopted new technologies in feed formulation, building of aviaries, training of producers, sanitary monitoring and improvements of genetic packages. In 2014, in the turkey production chain, it was implemented in 25% of total production the pecking process through a procedure using infrared, meeting customer demands. In 2015 this system will be implemented in all BRF units. **GRI G4-FP10**

**PORK:** New farms follow the guidelines shared by the European community. Among the practices abolished is cut or worn of teeth - which occurs only in exceptional regime with the occurrence of aggression. The

adoption of the tattoo in the ears increased by demand of the Veterinary Official Service. For technical reasons (the animal's age, duration and intensity of intervention), both activities do not make use of anesthesia. The partial cut of tail persists because the impact of the procedure is small in relation to the potential problem of cannibalism during phases of growth and fattening of pork. BRF adopts immunocastration, as well as surgical castration in slaughter animals in the integration of pork. The partnership with World Animal Protection in 2014 (see "PARTNERSHIP WITH WAP") also established a commitment related to collective gestation of pork (females remain a minimum period necessary in individual housing, after which they will be released in collective bays). **GRI G4-FP10**

**DAIRY:** The Pro5 Program includes, among other activities, assessments and qualifications on cleaning of the sectors and milking equipment, control of antibiotics, animal and human welfare and maintenance of records. Among the results achieved in the year are the training of technicians from Brazil and implementations in 100 properties.

*Read more in Annex, p.116*



# CONSUMERS

Year after year, BRF has approached to its long-term strategy to become a company with market vocation, oriented to the final consumer. Transparency, social, environmental and health responsibility and understanding of the demands and expectations of the external public are among the focal points.

To improve daily relations, one of the investment is in the maintenance of digital channels. For ongoing dialogue and interaction, the corporate brand has a website ([www.brf-global.com](http://www.brf-global.com)) and social networks - Twitter (@brf\_brasil), LinkedIn ([www.linkedin.com/company/brf](http://www.linkedin.com/company/brf)) and Youtube ([www.youtube.com/user/brfglobal](http://www.youtube.com/user/brfglobal)). In addition, Sadia, Perdigão, Qualy, and others - such as Quickfood and Perdix - have their own accounts on social networks and websites with recipes, tips and general guidance and information to the consumer. The main channel is the Consumer Services (SAC), available for brands and where it is possible to ask questions and make compliments and complaints. BRF also provides specific channels for complaints (*read more on p. 32, 33*).

To comply with the commitment to offer products that contribute to a healthy lifestyle, BRF invests in strict food quality and safety programs, innovating in products and services and ensuring customers and consumers access to tasty food and clear information, showing the importance of nutritional quality on a global scale for BRF.

For the Company, the safety of food and the assessment of impacts on health and safety of consumers is a basic premise of work, from concept of the products to its production, packaging, transport and consumption. In the wake of recent discussions, of scientific developments and public health challenges, with obesity, diabetes and

chronic diseases, BRF seeks to reconcile the safety of its production to the trends discussed at the sectoral level.

## LABELLING

One of the Company's commitment is to provide information to the consumer to make an informed choice of his purchase, including in a safe way for his health. For this, it follows the Brazilian laws on

labeling and brand communication as well as the Consumer Protection Code (CDC), and invests in specific training for areas such as quality and customer service.

Today, 100% of BRF's products are in line with the standards for labeling of products in different markets. In Brazil, the laws of the National Health Agency (ANVISA), Ministry



of Agriculture, Livestock and Supply (MAPA), Ministry of Justice and the National Institute of Metrology, Standardization and Industrial Quality (Inmetro) are met. Regions such as the EU, block containing the strictest controls followed, serve as reference for BRF.

GRI G4-PR3

## MORE TRANSPARENCY

### GRI G4-PR3

In addition to regulatory information, BRF product labels bring recycling stamps and waste sorting of packaging (in Brazil); signaling ingredients considered allergens; and, in the case of the Middle East, religious certificates required by some markets.



**106%**

**THE PERCENTAGE OF CUSTOMER AND OFFICIAL BODIES AUDITS IN WHICH BRF ACHIEVED FULL COMPLIANCE, ABOVE THE 95% TARGET SET FOR 2014.**

# FOOD QUALITY AND SAFETY

## GRI G4-PR1

Having quality as competitive advantage in many of the markets it serves, BRF invests in ongoing assessment of the impact of its products on health and safety of consumer. For this, the main reference is the internal policy of Food Quality and Safety.

For control and management it is applied the "Hazard Analysis and Critical Control Points Program" (HACCP), through which pass all BRF products, ensuring a safe production and free from health and legal risks. The company

also has BRC, IFS, Global GAP, AloFree, ISO 17025:2005 certification standards and is audited externally by different markets and customers, and by Brazilian competent authorities (Mapa and ANVISA).

In 2014, one focus was to expand the recognition of product quality, by reducing complaints and cases of non-compliance of inputs and materials of suppliers, and improving communication practices that reinforce the attributes of BRF brands.

The rules of BRF Quality System were revised to adapt to new producers markets while maintaining the necessary safety requirements and the excellence of the brands. The system, reviewed annually, had 100% approval by external auditors

### + Indicators

Read more about Food Safety in Annex, p. 111

## HEALTHIER PRODUCTS GRI G4-FP6, G4-FP7

Aware of the challenges related to nutritional improvement of industrial products, BRF has invested, directly or sectorally, via the Brazilian Association of Food Industries (ABIA), in studies, assessments and policies to increase healthful attributes in its products and brands.

Since 2008, BRF works to eliminate the use of trans fats added to its formulations. The action demanded intensive research, sensory testing, food performance and safety in all product categories.

Since 2013, by ABIA, BRF is committed to the Ministry of Health to gradually reduce sodium levels in the meat products (hams, sausages, burgers, chicken nuggets and mortadella). The goals were established for 2015 and 2017, updated in 2020.

The sodium reduction is a major challenge, considering its importance for the definition of flavor and quality assurance, which stimulates the studies of Research, Development and Innovation areas.

The RD&I team conducted 214 projects to reduce sodium and fat in different food categories, seeking technological alternatives of ingredients, processes and packaging to ensure the taste and quality expected by consumers.

In addition to reductions, in 2014 BRF launched enriched and fortified products, intended primarily for children, in order to nutritionally enhance the feed of consumers.

### IMPROVEMENTS IN BRF PORTFOLIO - 2014 GRI G4-FP6

Categories	Total fat	Saturated fat	Sodium
<b>BRAZIL (RETAIL)</b>			
<b>Yogurts</b>	Launch of 2 SKUs with 0% total fat	-	-
<b>Margarine</b>	Reduction of 28.6% in 23% of the portfolio	Reduction of 33% in 23% of the portfolio	Reduction of 21.7% in 15.4% of the portfolio
<b>Hams</b>	-	-	Reduction of 22% in 11% of special cold sliced meats portfolio; and 16% in 10% of the cold sliced meats portfolio
<b>Sausages</b>	Launch of 2 SKUs with reduction of 40% (sausage frescal Toscana) and 30% (Chicken sausage)	-	Reduction of 4.7% in 22.6% of the portfolio of cooked sausages
<b>Breaded meats</b>	-	-	Reduction of 25%, 21.4% and 31% of sodium, respectively, in 16.7% of the portfolio of breaded meats
<b>INTERNATIONAL (RETAIL)</b>			
<b>Margarine</b>	-	Reduction of 4.4% of saturated fats in SKU of the portfolio of Chilean margarine	Reduction of 16.7% in two SKUs of portfolio of Chilean margarine

### MORE NUTRITIOUS AND FUNCTIONAL FOODS GRI G4-FP7

Portfolio with increased nutritional or functional ingredients (by category)	
<b>Vitamins</b>	Children's line nuggets - 3 SKUs (source B2 and B6) Margarine Line Aera - 2 SKUs (enriched in Vitamin A)
<b>Minerals</b>	Children's line nuggets - 3 SKUs (source of iron and zinc)



## CUSTOMER SATISFACTION

### GRI G4-PR5

In addition to looking to the final consumer, BRF bets on trust and win-win relationships with its customers. One of the company's initiatives is the monitoring of satisfaction achieved through a regular annual research that addresses issues such as logistics/ supply, service and product quality. The study covers most relevant regions and channels for BRF and brings important learning for taking actions. In 2014, as a result of improvements in logistics and customer service, the consolidated satisfaction was 5 percentage points above the previous year (*check out the complete research result in the section Annex, p. 116*).

## HEALTHY LIFE

To encourage healthier lifestyle, various actions are developed for internal and external publics. In 2014, chefs and nutritionists of the partner restaurants of the units, which prepare 2.3 million meals per month, were trained on the subject and spread this knowledge to employees of BRF. A manual on healthy food was delivered on corporate buildings and for BRF sellers. For other employees, an online version was made available in Portuguese and English, on the corporate intranet.

In communities, a Manual of Healthy and Nutrition Food was distributed, bringing knowledge of healthiness to the participants of "Voluntários BRF" (Volunteers) Action (held in 30 municipalities in May 2014), impacting nine states. In many municipalities these actions lasted throughout the year;

for example, in Serafina Corrêa (RS), in partnership with the Department of Social Services, the Project Chefs Mirins was created, which brought to the participating children knowledge about cooking and originated a book with the recipes learned by children and also illustrated by them.

Moreover, with the ICMS tax incentive, Sadia sponsored the show "Viajando da Cabeça aos Pés" about the importance of balanced diet, with 23 shows in São Paulo in 2014

In order to clarify some myths - such as the presence of hormones in chicken protein - Sadia performed cycles of visit at about four thousand doctors and nutritionists throughout the year. In conjunction with this public, raised awareness to the specialized press.

# NATURAL CAPITAL



**MILLION**  
LITERS OF WATER  
**SAVED**  
**PER MONTH**

By adopting the best processes for waste reduction in four of its units, BRF achieved significant reduction in water consumption.



IN 2013, WE IMPLEMENTED A LEAN PHILOSOPHY PILOT IN UBERLÂNDIA UNIT, FOR REDUCING WASTE IN SANITATION PROCESS

THE PILOT WAS SO SUCCESSFUL, THAT IT WAS SPREAD TO THREE MORE UNITS OF THE COMPANY IN 2014

**FROM THE FIELD TO THE POINT OF SALE, THROUGH PRODUCTION AND LOGISTICS, ENVIRONMENTAL MANAGEMENT EFFORTS FOCUS ON VARIOUS ISSUES, SUCH AS EMISSIONS, WATER, ENERGY AND WASTE**

In 2014, BRF has enhanced its efforts to comply with requirements, internal and external standards and policies related to environmental management. From direct operations to the value chain, initiatives cover issues such as emission of effluents, solid waste generation, energy and water consumption and greenhouse gas emissions.

During the year, more than R\$208.4 million were invested by the company in research, projects and operations of environmental

control systems. Resources are targeted based on Environmental Policy.

To ensure the quality of management, there are specialized technical teams in operations, which follow the Corporate Standards (NC) on issues such as emissions, waste and energy efficiency. The guidelines that make up these internal standards overcome the law in many cases. Monitoring considers the Environmental Compliance Indicator (ICA), which consists of effluent, solid waste, licensing, grants, air



THROUGH MEASURES  
LIKE THIS, BRF  
REINFORCES ITS  
COMMITMENT  
TO SUSTAINABLE  
DEVELOPMENT AND  
IMPLEMENTS IT WITH  
THE EFFICIENT  
USE OF NATURAL  
RESOURCES

emissions, odor and noise aspects. The Vice-Presidency of Supply Chain has targets linked to the Company's environmental performance.

In recent years, advances focus on understanding the size, extent and criticality of its environmental impacts. The agricultural chain and logistics processes, for example, account for a significant part of the carbon footprint, which has encouraged management and monitoring initiatives that go beyond the plants of BRF in Brazil and abroad. In the energy aspect, the priority has been to reduce the levels of consumption, valuing renewable sources and reducing greenhouse gases emissions.

#### INVESTMENTS AND EXPENSES ON ENVIRONMENTAL PROTECTION

(R\$ million) GRI G4-EN31

	2012	2013	2014
<b>Prevention and management</b> <sup>1</sup> (cost of prevention and environmental management)	60.2	52	64.07
<b>Destination, treatment and mitigation</b> (waste disposal, emissions treatment, and remediation costs)	61.2	126.7 <sup>2</sup>	120.16
Investments in forests	35.5	33.3	24.18
Total	207.6	212	208.41

<sup>1</sup>Includes investment of units abroad.

<sup>2</sup>The difference in values occurs at the change of scope in accounting of values of "Destination, treatment and mitigation" in relation to 2012. According to the new metric, the company considers in 2012 R\$ 111.9 million as total investment and expenses on environmental protection measures.



## WATER

Especially critical issue in 2014, the availability of water resources was worked internally by the Company, focusing on the reduction of losses, in efficient use and the reduction of dependence of operations.

Water scarcity can significantly affect the production processes and the financial income of BRF. Among the impacts related to the business and water aspect is the concurrent use of water - that is, capture in the same sources used for population supply, irrigation and other industries. Besides its use in industrial production, also highlights the importance of water resources for the animals production and agricultural commodities.

BRF makes the exploitation of surface and groundwater resources always observing the availability, impact and costs associated with management practices in order to reduce its dependence. Another ongoing challenge is the level of water reuse: currently, there are options under study to improve reuse and reduce the water withdrawal. In addition, BRF is involved in environmental preservation actions and has representatives in the Watershed Committees of the regions where its operations are.

Among the successful projects of conscious management of water are the capture of rainwater, awareness about the responsible use of the resource and efficiency improvements in industrial production, as the Lean philosophy (see box). Through such these improvements, BRF reduced the specific water consumption (related to production) in industrial plants by 4.2%.

For the year 2015, a reduction target of consumption was set in industrial activities of 2.62%, associated with specific water consumption per production volume.

Another way of performance monitoring is the analysis in the supply chain. The water issue is among the Agricultural sustainability indicators evaluated on site and reported to the senior governance (Board of Directors).



### WATER CONSUMPTION PER SOURCE (m<sup>3</sup>)<sup>1</sup> GRI G4-EN8

Type of source	2011	2012	2013 <sup>2</sup>	2014	Variation % (2013 x 2011 <sup>4</sup> )
Superficial	42,251,876	38,732,576	38,828,985	36,544,505.98	-6.25%
Underground	18,143,816	20,597,104	24,646,055	21,410,123.38	-15.11%
Public supply	1,903,745	1,868,339	2,024,728	1,592,281	-27.16%
Rains	-	40,563	55,122	92,300	40.28%
<b>Total</b>	<b>62,299,437</b>	<b>61,238,582</b>	<b>65,554,890</b>	<b>59,639,210,36</b>	<b>-9.92%</b>

<sup>1</sup>The data do not include the consumption of water in distribution centers, restricted to the factories, administrative buildings and agricultural activities.

<sup>2</sup>Scope Expansion in analysis of data of 2013.

# IS THE WATER REUSE PERCENTAGE IN BRF

*(SEE FURTHER INFORMATION  
IN SECTION ANNEX, P. 112)*

# .62%

GRI G4-EN10

## WATER CRISIS

Like any industry, BRF was challenged by an unprecedented drought in southeastern Brazil, especially in states such as Minas Gerais and São Paulo. Although the Company has not faced lack of water supply in any of its units, it opted to enhance water management.

Also in 2014, it was concluded by the Watershed Committee of Concórdia region (SC) a study that has put the municipality where BRF has operations in water stress list. Before the result, the unit had no information about the flow of the river where water capture is made. GRI G4-EN9

Linked to these and other challenges, in addition to the continuous control of consumed water volume and implementation of use reduction initiatives, such as standardization of cleaning processes of plants, in 2014 the development of a tool for broader assessment water risk of operations has started. Also a tool to assess the environmental impact of BRF products under construction, prioritizing aspects water and carbon.

## LEAN PRODUCTION

Inspired by the Toyota Production System, Lean philosophy is today one of the main ways to reduce waste in manufacturing operations. Since 2009, BRF implements projects with this focus on production processes and combining them to increase environmental efficiency gains in many respects - from reduction of costs to the impacts control on water bodies.

In 2013, the cleaning process of the Uberlândia plant (MG) had the Lean implemented, reducing water consumption at this stage and the rest of the unit. In one year, this measure, together with others, provided a 33% decline in the use of the resource, from 17,700 liters/ton of product to 11,800 liters/ton. In the period more than 1 billion liters of water was saved.

In 2014, BRF replied Lean in cleaning in the poultry sector in Toledo plant (PR), with a reduction of 25 million liters of water per month. In Rio Verde plant (GO), the decrease was 11 million liters/month, in the division of industrial products, and in Francisco Beltrão (PR), consumption fell 14.3 million liters/month. In 2015, the lean production philosophy will come to other plants.

## EFFLUENTS GRI G4-EN22, G4-EN24

To reduce the generation of wastewater, BRF has invested in reducing the use of water in its processes, focusing on industrial steps of intensive consumption, such as cleaning - which accounts for 20% of use. Furthermore, there are projects for waste collection of the process without using water, reducing the organic load and the volume of effluent.

BRF maintains a complex system of effluent treatment, with steps that include separation of solids and physico-chemical and biological treatment. The technical teams of the plants are responsible for the treatment process, receiving periodic training. In 2014, there was a total reduction of 6% in total wastewater generation.

During the year, the Company recorded two accidents with leaks in two locations, with a total volume of 13 tons. The main impact of the effluents leaks was the contamination of soil and water bodies. The Company has standards to research, assess, classify and report to the responsible bodies for such accidents and, in all cases, mitigated the potential impacts immediately after the occurrence.

### EFFLUENT DISPOSAL (m<sup>3</sup>) GRI G4-EN22

	2011	2012	2013 <sup>1</sup>	Var %	2014	Var %
Surface source	54,843,866	54,285,284	57,845,094	6.60	54,053,549.09	-7%
Solo	846,238	1,402,034	1,063,861	-0.24	1,207,563.66	12%
Public Network	-	54,843	510,877	832 <sup>1</sup>	569,848.38	10%
<b>Total</b>	<b>55,690,104</b>	<b>55,742,161</b>	<b>59,419,832</b>	<b>6.60</b>	<b>55,830,961.13</b>	<b>-6%</b>
Quality (kg DQO/year)		5,744,631	5,102,859	-11.2	4,290,685.13	-19%

<sup>1</sup>The increase in this indicator reflects the greater number of activities incorporated into the data.

## ENERGY

One of the main resources used in the activities of BRF, energy is mainly managed through the Energy Excellence Program, which promotes sustainable consumption of raw material in manufacturing and administrative operations.

Through established indicators and performance, the use is monitored in the different production processes, considering the lines, categories and elaborated end products. The activities in distribution centers, agricultural and administrative areas also have management.

The Company maintains an Energy Committee, composed of representatives from areas with intensive use of the resource and technical and strategic teams, including the Supplies area, which meet on a monthly basis, to follow up initiatives and explore ways to reduce consumption.

The committee shall also draw up plans for possible cases of rationing. In 2014, one of the main actions was the launch of the campaign Sustente Nossa Energia, which seeks to educate employees and leaders on matters pertaining to the energy issue.

Commitment for the year, the idea of developing an energy efficiency indicator base to be adopted throughout BRF advanced, and the goal is to measure the efficiency of processes in a consolidated way and in the same energy base. The energy intensity indicator inside the organization was calculated for the first time in 2014, covering electricity, renewable and non-renewable sources. The rate measured in 2014, which relates the consumption in GJ of plants (meat, processed and margarine) divided by production in these segments, was 1.55. GRI G4-EN5

In integrated producers management, the focus is on risk control. In negative ventilation aviaries, for example, there are emergency power generation systems with protection and alarms in case of no activation; on these occasions, is made manual handling by the producers.



One of the main commitments of BRF today is the use of renewable energy. In the case of indirect energy, renewable sources accounted for 90.52% and in the case of direct energy, reached 96.3%. For 2015, the company plans to achieve at least 95% of direct energy from renewable sources. In 2015, the expectation is also achieve

improvements in factories, distribution centers and agricultural operations in a total of 200,000 GJ of saving.

In total, energy consumption inside the organization was 35,014,928.67 GJ, 6.4% below the previous year. This data considers the agricultural, logistics, administrative

and grains operations, and indicators relating to the management of fleets of BRF (see full tables in section Annex, pages. 113 to 115). GRI G4-EN3

93%

OF ELECTRICITY PURCHASED ON THE OPEN BRAZILIAN MARKET COMES FROM RENEWABLE SOURCES, PERCENTAGE 11.9% HIGHER THAN THE NATIONAL INTERCONNECTED SYSTEM (SIN).

96.3%

OF DIRECT ENERGY CONSUMED BY BRF COMES FROM RENEWABLE SOURCES.



## EMISSIONS

Atmospheric and GHG emissions are managed in line with environmental legislation and good practices applicable to the markets in which BRF operates. In the case of GHG, emission levels inside the organization is not considered significant, due to the high proportion of renewable energy use, energy efficiency projects and the Environmental Management System.

With respect to atmospheric emissions, the Company keeps a Corporate Standard for management of pollutant emission in its plants. In the present scenario, there are no limits / targets of GHG emissions imposed by regulatory authorities in the regions where BRF operates. The goal is to anticipate a future scenario with regulations or even taxation by emissions. Among the initiatives implemented to reduce impacts are the use of biomass (renewable energy) and the conservation of energy and heat in equipment and processes.

The highest carbon impact is concentrated in the value chain, particularly in the axes of agriculture and logistics. Environmental impacts caused by transportation systems have a wide reach, from global warming to air and noise pollution, and complex supply operating companies such as BRF, should invest in efficiency in the distribution of inputs, raw materials and final products.

In transportation, the main impacts are related to greenhouse gas emissions by burning fuel, with effects such as the contribution to global warming and the emission of atmospheric pollutants that cause harm to human health and air quality, the generation of waste such as oils, batteries and tires, and the spills and leaks.

The management of impact in logistics is done through various initiatives, including the adoption of different modes, such as rail and coastal shipping; optimizing the loading of cargos and reducing the waiting time of loading and the cost of daily fees, led to a significant reduction in miles traveled with empty vehicle; the change in the profile of the fleet, with vehicles with higher load capacity; the implementation of reverse logistics models, optimizing the return loading of vehicles; improvement in routing of milk in natura; and the renewal of the fleet, giving preference to vehicles that use cleaner diesel (S50). Such initiatives have led to a reduction of 51,000 tCO<sub>2</sub>e.

In agriculture, with integrated producers, the 3S Program - Sustainable Hog Farming System supports integrated producers in the alternative treatment of wastes through biodigesters with flaring system or use as an energy source. In 2014, the emission reduction achieved 327,709 tCO<sub>2</sub>e. GRI G4-EN19

In 2011, the 1st consolidated inventory of BRF was made. We seek to improve and make a more complete calculation and, from the inventory of 2013, we calculated the 1st Global inventory, including the company's overseas operations.

The GHG emissions monitoring is made on a quarterly basis through a specific indicator (kg CO<sub>2</sub>e/ ton produced). In 2013 and 2014, direct emissions recorded an increase when compared to the base year, due to adjustments in the anaerobic effluent treatment system and replacement of cooling gases in some distribution centers. Emissions of Scope 1 in 2014 were lower compared to 2013, due to the revision of the calculation variables of biomass emissions and also the change in organizational limits.

The inventory of the Company follows the guidelines of the Brazilian GHG Protocol Program which, in 2013, recommended the change of the GWP (global warming potential) of the greenhouse gases for the calculation of inventories from this year. Thus, inventories from this period took into account these new factors, which also influenced the significant increase of GHG emissions for Scope 1. Considering the revision of factors used in the calculations and also the future planning of the Company, in 2015 inventories will be recalculated and the reduction target of direct GHG emissions reviewed.

### ATMOSPHERIC EMISSIONS GRI G4-EN21

In 2014, the Company expanded its scope, addressing emissions from units in Argentina, one operation in the Netherlands, one in England and the distribution centers, which impacted the values, higher than the previous year. The volumetric emissions had an average increase of 35%, and 8% of it was affected by the change in scope. The remainder was due to the volumes of intense cold and high production volumes, requiring steam consumption, and increased consumption of sludge as auxiliary fuels (see table with complete performance in section Annex, p. 113).

### CLIMATE CHANGE PROGRAM GRI G4-EC2

The initiative is one of the company's main areas of activity within one of the pillars of Sustainability - Adapting to Climate Change. The program is structured on the concepts of adaptation, assessing aspects related to climate change and management of risks and impacts on operations and supply chain, recognizing the vulnerability to key resources for the business and addressing mitigation of GHG emissions.

Aware of the importance of the theme, inside and outside the Company, BRF is a member of the Brazilian GHG Protocol Program and follows the methodology for Greenhouse Gas Inventory calculation. For 5 years the Company's inventory has received the Gold Seal, the highest recognition given by the program.

Emissions related to the acquisition of energy and steam increased in 2013 and 2014 mainly impacted by the increase in the emission factor of the Brazilian electricity.

The details of GHG emissions by BRF, by type of gas and emission sources can be found in the Brazilian GHG Protocol Program and the CDP Climate Change  
 Read more in Annex, pages 113 to 115.

#### SCOPE 1 - DIRECT EMISSIONS (tCO<sub>2</sub>e) GRI G4-EN15

	2011 <sup>1</sup>	2012	2013	2014
GHG Emissions	346,935.40	327,123.85	359,559.21	352,422.69
Biogenic emissions of CO <sub>2</sub>	2,557,312.87	2,797,109.23	2,892,186.26	2,304,715.27
Gases included in the calculation	All were mapped, but BRF only emits CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O and HFCs.			

#### SCOPE 2 - INDIRECT EMISSIONS (tCO<sub>2</sub>e) GRI G4-EN16

	2011 <sup>1</sup>	2012	2013	2014
Purchase of electricity and steam <sup>2</sup>	101,344.51	185,034.60	265,031.29	350,108.19
Gases included in the calculation	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O			

<sup>1</sup> For having set 2011 as the base year for emissions of Scope 1 and 2, it was necessary to incorporate the 2011 emissions of Argentina, which were estimated. In 2013 the first Inventory was made Global BRF, including operations in Europe and other continents.

<sup>2</sup> The emission factors of electricity acquired in the countries considered in the inventory are collected in the websites of the responsible bodies in each country. For example, in Brazil, the emission factor used is that provided by MCT - Ministry of Science and Technology.

#### SCOPE 3 - OTHER INDIRECT EMISSIONS<sup>1</sup> (tCO<sub>2</sub>e) GRI G4-EN17

	2011	2012	2013	2014
Total of sources inventoried	521,652	1,046.914	1,000.437	938,298.26
Gases included in the calculation	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O			
Biogenic emissions of CO <sub>2</sub>	16,196.67	17,896.93	16,799.80	16,678.57

<sup>1</sup> In 2011, the sources included in the calculation of scope 3 were inland logistics and business air trip. From 2012 the waterway logistics and business overland trips were included and in 2014, externally treated waste (landfill and composting) were added.

## MATERIALS AND PACKAGING

BRF invests in waste reduction, recycling and reuse of materials during the life cycle of its products and industrial processes, with a view to greater cost efficiency and reduction of impacts. However, there is no standard for use of raw materials or recyclable or reusable packaging in the company, taking into account the regulatory barriers to the use of these resources in the food industry.

Monitoring the consumption of materials, both by product and by category, is an important mechanism for monitoring the efficiency and cost of materials flows used by the Company, since these are directly related to overall operating costs.

The Company invests in presenting innovations that result in less use of materials and greater durability. Another highlight of 2014 was the beginning of the use of plastic cages with recycled material. In the new system, the supplier purchases cages to be discarded by BRF and produces new cages for transport of poultry, with 60% recycled materials

BRF and the industry in general are challenged to fully tailor its operations to the National Solid Waste Policy (PNRS), which involves a number of improvements in operating axes, supply chain and distribution processes, sale and post-consumer.

Through participation in the Brazilian Packaging Association (Abre), the main representative body of the industry, the Company has improved processes, such as the inclusion of symbols on their packages. The action, intensified in 2014 with the inclusion of new products and packaging that have undergone review, helps to increase the participation of consumers in the execution of PNRS, separating the waste between dry (recyclable) and humid (not recyclable). Gradually, all packages will be suitable for the new symbology.

In 2014, BRF continued its partnerships from the previous year - with companies specializing in technical support and post-consumption waste management in recycling cooperatives

(WiseWaste and Cempre) - that promoted training in 16 cooperatives in the regions of Porto Alegre, São Paulo, Rio de Janeiro and Cuiabá. The focus was to improve screening processes and packaging identification with compositions similar to those of BRF in cooperatives, in order to increase its recycling rate. The monitoring of trained cooperatives will be held for 12 months. The completion of the visits is scheduled for the 1st quarter 2015.

Other important actions are in the building program of centers of recovery of recyclable materials in Paraná, with approximate investments of R\$ 120 thousand between 2013 and 2014; and participation, via the Brazilian Association of Food Industry (ABIA), the Business Coalition coordinated by the Business Commitment to Recycling (Cempre), bringing together other associations of various sectors of industry.

Currently, the coalition is awaiting approval from the federal government on the reverse logistics proposal designed to service its determination, which provides for 22% reduction in the percentage of recyclable dry waste deposited in landfill by 2015.

+ Indicators

Check out BRF materials usage data in section Annex, p. 115

PACKAGING PROJECTS CONDUCTED IN 2014 GRI G4-EN27	RESULT
Reduction of aluminum in packaging structure of BRF's portfolio products	For 1 million units of packages less 164kg of aluminum is consumed and a reduction of 29.5 tons of aluminum per year is achieved, which, by the extraction process, is equivalent to 132.75 tons of bauxite ore
Change in: <ul style="list-style-type: none"> <li>• Packaging model</li> <li>• Shipping boxes</li> <li>• Board</li> </ul>	Consumption reduction of 215 tons of paper/cardboard per year
Recyclable Film <sup>1</sup>	<ul style="list-style-type: none"> <li>• Use of 1,454 tons of packaging recycled in 2013, a reduction of 2,224.62 tCO<sub>2</sub>e.</li> <li>• Reduction of 1,773,260 liters of oil.</li> <li>• Reduction of 7,931.36 MW of electricity consumption</li> <li>• Reduction of 1,599.4 tons of plastic waste in landfills.</li> </ul>
Change in polymeric film thickness for internal transport	With the change in thickness of the film, the consumption of polymeric film will decrease 30% and 44 tons of polymeric resins will no longer be used
Standardization of the structure and size of feedstock bags	Reduction of 361 tons of polymeric resins
Replacement of chlorinated resins with thermoplastic resins in packages of BRF's portfolio product	The packages of BRF's portfolio product no longer consumed 85.4 tons of chlorinated resins in 2014
Change in device in package of BRF's portfolio products	Reduction of 6.4 tons of polymeric resins in 2014
Reduction of the weight of the BRF's portfolio products	Reduction of 31 tons of card/year

<sup>1</sup>The data refer to 2013. The project generates environmental impact in that it allows recycling of the material, reducing greenhouse gas emissions, oil consumption, electricity and quantity of plastic waste in landfills. Quantitative data are measured by the supplier of the material, and the data for 2014 will be calculated in July 2015.

## WASTE MANAGEMENT

One of the environmental priorities of BRF, waste management involves from the adequacy and provision of materials in suppliers, factories and offices to the stage of post-consumer.

Due to the complexity of the chain, the company develops initiatives to minimize losses, improve control of integrated producers and find more suitable destination for each type of waste. Management references are the Solid Waste Management and Health Solid Waste Management plans. For effluent and waste, other corporate standards are directed - such as the Agricultural Environmental Management and Sustainable Hog Program.

In administrative units, the separation for the disposal of organic waste, recyclable and non-recyclable is promoted. There are also collectors of batteries, and in some of the buildings are performed cooking oil and electronic waste collection. All distribution centers have sorting waste collection structures.

Due to the characteristics of the waste generated by BRF, the main method of disposal is composting, which allows for organic fertilizer waste processing. In 2014, 50.6% of the total generated by the company had that destination.

The disposal of Class I and II waste is carried out only by properly licensed companies and accompanied by destination certificates.

In addition, environmental staff conducts audits of third parties that dispose the waste. The main actions to reduce the volume of waste were the performance improvement industrial processes, dry material collection and use of specific waste such as an alternative fuel supplementary to biomass.

In every integrated farm (approximately 13,000 suppliers) of BRF is implemented Reverse Logistics of Animal Health Waste Program. In 2014, we collected 410 tons of hazardous waste in the field and in the company's hatcheries.

The goal for 2014 to reduce by 3% the total volume of waste generated by BRF, was overcome with a decrease of 7.46% - the equivalent to 33,751 tons of waste.

## WASTE BY TYPE AND DISPOSAL METHOD GRI G4-EN23

Disposal	2012				2013				2014					
	Total (t)	%	Class i	Class ii	Total (t)	%	Class i	Class ii	Class i (t)	Class ii (t)	Total by destination	%	Class i	Class ii
Soil incorporation	20,089	3.74%			55,077	12.18%			-	60,828,290	60,828,290	14.5%		
Landfill	44,480	8.29%			59,531	13.16%			599,870	62,947,370	63,547,240	15.2%		
Recycling	68,467	12.76%	0.08% (4.27 t)	0.9992% (536,053 t)	60,238	13.31%	0.10% (435 t)	99.90% (451,928 t)	289,920	81,704,741	81,994,661	19.6%	0.22% (900.17t)	99.78% (417,712 t)
Incineration	55	0.01%			85	0.02%			10,380	258,320	268,700	0.1%		
Composting	403,389	75.19%			277,432	61.33%			-	211,973.21	211,973.21	50.6%		
<b>Total</b>	<b>536,480</b>	<b>100%</b>			<b>452,363</b>	<b>100%</b>			<b>900,170</b>	<b>417,711.9</b>	<b>418,612.1</b>	<b>100%</b>		

## HAZARDOUS WASTE TRANSPORTED (t) GRI G4-EN25

	2013	2014 <sup>2</sup>
Hazardous transported <sup>1</sup>	435	900.17
Hazardous treated	435	900.17

<sup>1</sup> Class I waste transported and that do not go beyond the state borders.

<sup>2</sup> Significant increase due to the inclusion of animal health waste transport and destination for treatment data

## BIODIVERSITY

BRF recognizes the importance of preserving biodiversity and, despite not having a specific policy on the subject, seeks to control potential or actual impacts situated in its own operations and in the value chain.

In potentially polluting activities, such as hatcheries, feed mills and own farms, significant impacts on protected areas or high biodiversity value are not identified. From the survey of geographical locations of the Company's activities and mapping of areas, a more detailed study of the impact of operations on biodiversity was started. However, as much as the evaluation progressed, aspects not initially mapped were found - for instance, the complexity of industrial areas where they are inserted, having to consider the different anthropogenic occupations. Thus, it was necessary to revise the previously defined strategy for conducting the study. From the

decision to adjust the impact analysis scope, is inevitable also to review the deadline for completion of this work. GRI G4-EN12

To better understand and assess its environmental externalities, in 2014, BRF joined the initiative TeSE of the Center for Sustainability of Fundação Getúlio Vargas (GVces), which proposes to develop strategies and tools for the management of impacts, dependences, risks and opportunities related to ecosystem services.

All areas of BRF applicable to the New Forest Code are following the schedule set by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) to fit the georeferencing process and the Rural Environmental Registry (CAR). The company monitors the impacts and the scope of its area covered by conservation and environmental protection policies (*read more in the section Annex, p. 112, 113*).

In agriculture chain, integrated producers are evaluated monthly with the percentage indicator of the environmental license of properties. The licensing control of suppliers is done through the Agricultural Environmental Management Standard, of the integration contract and checklist of Rural Extension (which evaluates the routines of extension, responsible for implementing the compliance index in integrated producers, focusing on environmental issues).

# THE R

**FOR THE SEVENTH CONSECUTIVE YEAR, BRF DISCLOSES TO SHAREHOLDERS, EMPLOYEES AND OTHER STAKEHOLDERS THEIR ENVIRONMENTAL AND FINANCIAL PERFORMANCE IN THE GRI MODEL**

The Annual and Sustainability report 2014 follows the standards of the Global Reporting Initiative (GRI), version G4 Comprehensive, and also has referred to the integrated reporting guidelines proposed by the International Integrated Reporting Council (IIRC), a group with which the company collaborates, participating in the Brazilian Committee for Monitoring Integrated Reporting. GRI G4-32

Indicators and main contents cover the period from January 1 to December 31, 2014, in the annual cycle. BRF declares, with BSD Consulting support, itself under the Comprehensive option, according to the GRI guidelines, G4 version. In addition to the G4 indicators, sectoral indicators of food were reported for the fourth consecutive year. GRI G4-28, G4-29, G4-30

# REPORT

The definition of contents for the report considered the commitments made by BRF in previous reports, as well as its strategic plan, the six Pillars of Sustainability and the main themes of management. In line with the movement of integrated reporting, the structure follows the capital model proposed by the IIRC considering its financial, built, intellectual, human, social and natural aspects. In addition, the report has been worked so as to point links between forms of management (DMAs) proposed by the GRI and the business strategy, leaving the connection between strategy and management clearer for public, following the content guidelines of IIRC. GRI G4-18

In 2014, the materiality of BRF went through a process of validation and deepening of themes, supported by multi-stakeholder panel with external and internal publics. Refinement changed the description of themes and relevant GRI aspects for disclosure in this report (*read more on pages 70 and 71*).

Again, the G4 guidelines are considered for construction and reporting of indicators. Any discrepancy or changes in scope are described in footnotes. GRI G4-18, G4-22, G4-23

As to the financial statements, the data are presented according to Brazilian standards and IFRS (International Financial Reporting Standards), in line with "Comissão de Valores Mobiliários" (CVM) and Security Exchange Commission (SEC) instructions and were audited by Ernst&Young Auditores Independentes. GRI G4-33

The financial indicators cover all operating units and subsidiaries of the company. Environmental information follows corporate standards and includes Brazil, Argentina and Europe. Labor indicators include Brazil and units abroad, while on the suppliers and the community have focused on national operation. The GHG emissions inventory for BRF operations in Brazil, Europe and Argentina was also audited by KPMG. GRI G4-17

# SOCIAL REPORT IBASE

1. Calculation basis	2014 (Value in R\$ million)*			2013 (Value in R\$ million)		
Net revenue (NR)						
			31.727			30.521
Operating income (OR)			2.609			1.960
Payroll (FBP)			4.549			4.475
2. Internal social indicators	Value (R\$ million)	% on NR	% sobre RL	Value (R\$ million)	% on FPB	% on NR
Food	290.38	6.38%	0.915%	174,54	3.90%	0.572%
Compulsory social charges	951.78	20.92%	3.000%	894,11	19.98%	2.929%
Private pension	17.39	0.38%	0.055%	16,98	0.38%	0.056%
Health	139.66	3.07%	0.440%	128,16	2.86%	0.420%
Health and safety at work	10.24	0.23%	0.032%	7,96	0.18%	0.026%
Education, training and professional development	23.30	0.51%	0.073%	29,45	0.66%	0.096%
Transportation	117.08	2.57%	0.369%	109,35	2.44%	0.358%
Culture	68.49	1.51%	0.216%	0,00	0.00%	0.000%
Day care or day care allowance	4.42	0.10%	0.014%	4,22	0.09%	0.014%
Profits or income sharing	67.90	1.49%	0.214%	5,20	0.12%	0.017%
Others	54.30	1.19%	0.171%	37,67	0.84%	0.123%
<b>Total - Internal social indicators</b>	<b>1,744.94</b>	<b>38.36%</b>	<b>5.500%</b>	<b>1,407.64</b>	<b>31.46%</b>	<b>4.612%</b>
3. External social indicators	Value (R\$ million)	% on OR	% on NR	Value (R\$ million)	% on OR	% on NR
Education	0.06	0.00%	0.000%	0,10	0.01%	0.000%
Culture	0.69	0.03%	0.002%	0,42	0.02%	0.001%
Health and sanitation	0.00	0.00%	0.000%	0,00	0.00%	0.000%
Sport	80.99	3.10%	0.255%	47,69	2.43%	0.156%
Fighting hunger and food safety	56.17	2.15%	0.000%	0,00	0.00%	0.000%
Others	3.90	0.15%	0.012%	2,62	0.13%	0.009%
<b>Total contributions for society</b>	<b>141.87</b>	<b>5.44%</b>	<b>0.447%</b>	<b>50,83</b>	<b>2.59%</b>	<b>0.167%</b>
Taxes (excluding social charges)	3,304.92	126.67%	10.417%	3.202,28	163.38%	10.492%
<b>Total - External social indicators</b>	<b>3,446.79</b>	<b>132.11%</b>	<b>10.864%</b>	<b>3.253,11</b>	<b>165.98%</b>	<b>10.659%</b>
4. Environmental indicators	Value (R\$ million)	% on OR	% on NR	Value (R\$ million)	% on OR	% on NR
Investments related to production/operation	208,41	7.99%	0.66%	212.00	10.82%	0.69%
Investments in programs and/or external projects	0,00	0.00%	0.00%	0.00	0.00%	0.00%
Total investments in environment	208,41	7.99%	0.66%	212.00	10.82%	0.69%
Regarding the establishment of "annual goals" to minimize waste, general consumption in production/operation and increase efficiency in the use of natural resources, the company	( ) Has no targets ( ) achieves 0-50% ( ) achieves 51-75% (X) achieves 76-100%			( ) Has no targets ( ) achieves 0-50% ( ) achieves 51-75% (X) achieves 76-100%		

<b>5. Indicators of the staff (thousand)</b>		<b>2014</b>	<b>2013</b>
Number of employees in the end of the period		104,777	110,138
Number of admissions during the period		32,136	32,581
Number of apprentices		1,321	1,211
Number of outsourced employees		8,502	9,395
Number of trainees		355	373
Number of employees over 45 years of age		15,824	15,434
Number of women working in the company		41,622	43,251
% Of management positions held by women		18.0%	19.9%
Number of black people working in the company		4,793	4,666
% Of management positions held by black people		1.38%	1.30%
Number of people with disabilities or special needs		1,856	1,801
<b>6. Relevant information relating to the exercise of corporate citizenship</b>		<b>2014</b>	<b>2013</b>
Ratio between the highest and lowest salary in the company	44 times		44 times
Total number of work accidents	With lost time: 335 Without lost time: 1.914 Death: 3		With lost time: 362 Without lost time: 1.863 Death: 5
Social and environmental projects developed by the company were defined by:	( ) officers (X) officers and managers ( ) all of the employees		( ) officers (X) officers and managers ( ) all of the employees
The safety and health standards in the workplace were defined by:	( ) officers and managers ( ) all of the employees (x) all + Cipa		( ) officers and managers ( ) all of the employees (x) all + Cipa
As for freedom of association, the right to collective bargaining and internal representation of workers, the company:	( ) Does not get involved ( ) follows the ILO standards (X) encourages and follows ILO		( ) Does not get involved ( ) follows the ILO standards (X) encourages and follows ILO
The private pension plan covers:	( ) officers ( ) officers and managers (X) all of the employees		( ) officers ( ) officers and managers (X) all of the employees
The share of profits or income includes:	( ) officers ( ) officers and managers (X) all of the employees		( ) officers ( ) officers and managers (X) all of the employees
When selecting suppliers, the same ethical and social and environmental responsibility adopted by the company:	( ) Are not considered ( ) are suggested (X) are required		( ) Are not considered ( ) are suggested (X) are required
As to the participation of employees in volunteer programs, the company:	( ) Does not get involved ( ) supports (X) organizes and encourages		( ) Does not get involved ( ) supports (X) organizes and encourages
Total number of complaints and criticism from consumers:	in the company: private at Procon: Private in court: Private		In the company: ND at Procon: 10 in court: 100%
% Of complaints and criticisms answered or solved:	In the company: 99% at Procon: 100% in court: 100%		In the company: 100% at Procon: 30% in court: 100%
Total added value to distribute (in R\$ millions):		13,753	11,675
Distribution of Value Added (DVA)	Employees: 30% Government: 25% Third-parties: 23% Shareholders: 15%		Employees: 38% Government: 32% Third-parties: 20% Shareholder: 9%
<b>7. Other information 2014</b>			
Internal social indicators of food: In value reported in 2013, it was not considered a basic basket, one of the most representative and that comes close to 100 million. For 2014, these data are being considered.			
Internal social indicators of education, training and development: Used the book value of the account courses + 30% of the estimated value for travel + 10% with other expenses such as materials, space rentals, coffee and snacks.			
Other internal social indicators In the year 2014 used the accounting accounts valuation employee, benef. To retirees, life insurance in group, other benefits, quality of life, school allowance and expatriates.			
*The reported numbers include dairy operation, but to analyze the data it should be considered according to financial statements and information below: Net Revenue Continued operations: 2014 - R\$29,007 Dairy Net Revenue: 2014 - R\$2,720 Operating Revenue Continued operations: 2014 - R\$2,488 Operating Revenue - Dairy: 2014 - R\$121			

# GRI SUMMARY

## GENERAL CONTENT

Aspect	Description	Page/response/omission	Global Compact	Millennium Goals	
Strategy and Analysis	G4-1 Message from CEO	12, 13			
	G4-2 Description of key impacts, risks and opportunities	12, 13, 22, 24, 34			
Organizational profile	G4-3 Organization name	16			
	G4-4 Primary brands, products and/or services	16			
	G4-5 of headquarters	<b>Headquarters</b> Rua Jorge Tzachel, 475 88301-600 Itajaí – SC – Brasil <b>Corporate Office</b> Rua Hungria, 1.400 – 5º andar 01455-000 São Paulo – SP – Brasil			
	G4-6 Countries where the main operating or more relevant units for the aspects of sustainability of the report	16			
	G4-7 Type and legal nature of property	17			
	G4-8 markets where the organization operates	16, 18, 19, 47			
	G4-9 Size of the organization	6, 17, 18, 19			
	G4-10 Profile of employees	18, 19, 63, 64		6	
	G4-11 Percentage of employees covered by collective bargaining agreements	63		3	
	G4-12 Description of the organization's supply chain	78, The estimated monetary value of payments made is strategic information to BRF, it opens to the market the trading methodology of purchase areas.			
	G4-13 Significant changes regarding size, structure, ownership interest and supply chain	23, 24			
	G4-14 description about how the organization adopts the approach of the precautionary principle	34		7	
	G4-15 Letters, principles or other externally developed initiatives	25, 77			
	G4-16 participation in associations and organizations	77			
Aspectos materiais identificados e limites	G4-17 Entities included in the consolidated financial statements and entities not covered by the report	99			
	G4-18 report content definition process	99			
	G4-19 List of material issues	10, 11			
	G4-20 limit, inside the organization, of every material aspect	10, 11			
	G4-21 limit, outside the organization, of every material aspect	10, 11			
	G4-22 Restatements of information provided in previous reports	99, The continuous process of adopting IIRC guidelines for Integrated Reporting and the improvement in the GRI G4 guidelines can affect the comparability of data in reason of concepts. Other reasons are the scope changes, like some environmental indicators and HSE. Another change that may affect comparability is the change of concept adopted, as the case of Complaints mechanisms due to internal restructuring. All reformulations are indicated in footnotes.			
	G4-23 Significant changes in the scope and limits of material respects in relation to previous reports	99			
	G4-24 List of groups of stakeholders engaged by the organization	70			
Engajamento de stakeholders	G4-25 Base used for the identification and selection of stakeholders for engagement	70			
	G4-26 approach to engage stakeholders	32, 33, 62, 70, 71, 73, In addition to the consultation and engagement processes there are actions developed by BRF Institute in neighboring communities. These include monitoring visits, meetings and negotiations with partners and stakeholders, dissemination actions, internal and external communications, public events of mobilization and service, corporate voluntary, participatory diagnosis, training, seminars and qualifications.			
	G4-27 Key issues and concerns raised during the engagement by group of stakeholders	71			
Report Profile	G4-28 Reporting period	98			
	G4-29 Date of most recent previous report	98			
	G4-30 Reporting cycle	98			
	G4-31 Contact for questions about the report or its contents	Doubts about this document: (55 11) 2322-5052 / 5061 / 5048 or e-mail acoes@brf-br.com.			
	G4-32 option of applying the guidelines and location of the GRI table	98			

Aspect	Description	Page/response/omission	Global Compact	Millennium Goals
<b>Governance</b>	G4-33 Policy and current practice with regard to seeking external assurance for the report	99		
	G4-34 governance structure of the organization	26, 27	1 a 10	
	G4-35 Process of delegation of senior governance body for economic, environmental and social issues	26, 27, 66		
	G4-36 positions and executive functions responsible for economic, environmental and social issues	27		
	G4-37 consultation processes between stakeholders and the senior governance body in relation to economic issues, environmental and social issues	32		
	G4-38 composition of the senior governance body and its committees	26		
	G4-39 President of the senior governance body	27		
	G4-40 criteria for selection and appointment process for the senior governance body and its committees	26, 27		3
	G4-41 Process prevention and management of conflicts of interest	These situations are addressed under the Code of Ethics and Conduct and the Articles of Association.		
	G4-42 Paper of the senior governance body and the executive in policy development and impact management goals	27		
	G4-43 measures taken to increase awareness of the senior governance body on economic, environmental and social issues	Wide Disclosure of Annual and Sustainability Report, communication in website and disclosure of social and environmental programs in the regions of operation.		
	G4-44 self-assessment processes of the senior governance body's performance	27		
	G4-45 Responsibilities for implementing economic, environmental and social policies	27, 34, 62		
	G4-46 role of governance in analyzing the effectiveness of the organization's risk management processes for themes	34		
	G4-47 frequency with which the senior governance body analyzes the impacts, risks and opportunities	22		
	G4-48 Senior responsible for formally adopting the sustainability report and ensure coverage of all material respects	71		
	G4-49 process adopted to communicate critical concerns to the senior governance body	33		
	G4-50 Nature and total number of critical concerns communicated to the senior governance body and solutions adopted	32		
	G4-51 Linkage between compensation and the organization's performance, including social and environmental	22, The total compensation paid to executive officers and directors in 2014 (salaries, participation in profits payments and benefits) was R\$ 42.7 million. The composition of the remuneration includes fixed values and profit sharing, and benefits; in 2014, a benefit was also paid to former executive officers (in line with note 24.2.4 of BRF Financial Statements). Since 2006, the adopted methodology relates the to profit sharing with a multiple of the monthly salary of the officer, considering various financial indicators, such as Value Added, EBITDA and annual budget, providing a ceiling for the amount paid to executives.		
	G4-52 Participation of consultants (internal and independent) in determining remuneration	BRF determines the remuneration of all its jobs through international and independent consulting methodology. The compensation consultants support the Committees attached to the Board of Directors and the HR team.		
G4-53 Consultations with stakeholders on compensation and its application in the organization's policies	27			
G4-54 proportional ratio between the highest salary and the overall average of the organization, by country	The highest paid individual receives 44 times more than the average salaries of all other employees.			
G4-55 proportional ratio between the increase of highest salary and the overall average of the organization, by country	In Brazil, the highest paid individual received an increase of 53.85%, while the average increase for all other employees stood at 14.0%.			
<b>Ethics and integrity</b>	G4-56 values, principles, standards and organizations performance standards	17, 32	10	
	G4-57 internal and external mechanisms of guidance on ethics and compliance	32, 33	10	
	G4-58 internal and external mechanisms to communicate concerns about unethical behavior	32	10	

## SPECIFIC CONTENT

### ECONOMIC CATEGORY

Aspect	Description	Page/response/omission	Global Compact	Millennium Goals
Outsourcing and purchase	G4-DMA Management approach	77, 78, 79, 80		
	G4-FP1 Percentage of purchased volume of suppliers in accordance with the organization purchasing policy	78		8
	G4-FP2 Percentage of purchased volume which is in line with internationally recognized standards and certifications, described by type of certification.	annex 111		8
Economic performance	G4-DMA Management approach	44, 45, 52 - 57		
	G4-EC1 Direct economic value generated and distributed	52 - 57		8
	G4-EC2 Financial implications and other risks and opportunities from climate change	35, 94	7	8
	G4-EC3 Coverage of the benefit pension plan	The benefits of income paid by the Plan are funded directly by the reserves already established in the Plans. In 2014, BRF made a total of R\$ 13,998,776.42 in contributions. Participants effected a total of R\$ 17,415,697.85. The contribution percentage defined in the Plans I, II and III follows the following criteria: for Plan I the contribution specified in the Regulation is 0.70% on the portion of the wage of up to 10 URBF (Reference Unit Brazil Foods, which today is equivalent to R\$ 4,158.80) and 3.70% on the surplus portion of the salary, if any. The sponsor's contributions are made on the basic contribution of the participants and according to the following scale: up to 50 years, 100% of the participant's basic contribution; 51 on 200% of the participant's basic contribution. The contribution percentage defined in the Plans I, II and III follows the following criteria: for Plan I the contribution specified in the Regulation is 0.70% on the portion of the wage of up to 10 URBF (Reference Unit Brazil Foods, which today is equivalent to R\$ 4,158.80) and 3.70% on the surplus portion of the salary, if any. In both plans (II and III) the sponsor's contribution corresponds to 100% of basic contribution made by the participants.		8
	G4-EC4 Significant financial assistance received from government	Tax incentives are confidential information. BRF enjoys fiscal and financial incentives at the federal, state and local levels, as production incentives or local marketing and socioeconomic development of the regions, and normally in return for investments in generation of direct and indirect jobs.		
Indirect economic impacts	G4-DMA Management approach	73 - 76		
	G4-EC7 Impact of infrastructure investments offered for public benefit	75, 76		1,8
	G4-EC8 Description of significant indirect economic impacts	24, 73, 76		1,9
Purchasing Practices	G4-DMA Management approach	77, 78		
	G4-EC9 Policies, practices and proportion of expenses with local suppliers	annex 116		

### ENVIRONMENTAL CATEGORY

Aspect	Description	Page/response/omission	Global Compact	Millennium Goals
Materials	G4-DMA Management approach	95, 96		
	G4-EN1 Materials used, described by weight or volume	annex 115	7,8	7
	G4-EN2 Percentage of materials used from recycling	annex 115	8	7
Energy	G4-DMA Management approach	92, 93		
	G4-EN3 energy consumption inside the organization	93, annex 114	7,8	7
	G4-EN4 Energy consumption outside the organization	annex 114	8	7
	G4-EN5 Energy intensity	92	8	7
	G4-EN6 Reduced energy consumption	annex 115	8,9	7
	G4-EN7 reductions in energy requirements of products and services	In 2014, BRF began development of tools to assess the environmental impact of products, prioritizing aspects water and carbon, also considering the energy issue.	7	
Water	G4-DMA Management approach	90, 91		
	G4-EN8 Total water withdrawal by source	90	7,8	7
	G4-EN9 Water sources significantly affected by withdrawal of water	91, annex 112	8	7
	G4-EN10 Percentage and total volume of water recycled and reused	91, annex 112	8	7

Aspect	Description	Page/response/omission	Global Compact	Millennium Goals
<b>Biodiversity</b>	G4-DMA Management approach			
	G4-EN11 Location and size of area owned		8	7
	G4-EN12 Significant impacts on biodiversity of activities, products and services	97, annex 113, BRF is conducting an impact study on biodiversity, which suffered schedule and scope change	8	7
	G4-EN13 Habitats protected or restored		8	7
	G4-EN14 Total number of species included in the IUCN Red List and other conservation lists		8	7
<b>Emissions</b>	G4-DMA Management approach	94, 95		
	G4-EN15 Direct emissions of greenhouse gases	95	7,8	7
	G4-EN16 Indirect emissions of greenhouse gases from energy acquisition	95	7,8	7
	G4-EN17 Other indirect emissions of greenhouse gases	95	7,8	7
	G4-EN18 Intensity of emissions of greenhouse gases	annex 113	8	7
	G4-EN15 Reduction of emissions of greenhouse gases	94	8,9	7
	G4-EN20 Emissions of substances that deplete the ozone layer	annex 113	7,8	7
	G4-EN21 Emissions of NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	94, annex 113	7,8	7
<b>Effluents and waste</b>	G4-DMA Management approach	92, 96, 97		
	G4-EN22 Total water discharge, described by quality and destination	92	8	7
	G4-EN23 Total weight of waste by type and disposal method	97	8	7
	G4-EN24 Total number and volume of significant spills	92	8	7
	Transported G4-EN25 Weight of waste deemed hazardous	97, BRF conducts collection of hazardous waste, transporting them and allocating them according to environmental legislation. Partners who receive these residues are constantly audited to ensure they are with processes and documentation updated.	8	7
	G4-EN26 Protection and biodiversity index of water bodies and habitats	All receiving waters where effluents are discharged have depuration conditions controlling impacts and occurrences. Data of effluent emissions are weighted in Environmental Compliance Index (ICA), and analyzed monthly.	8	7
<b>Products and services</b>	G4-DMA Management approach	95, 96		
	G4-EN27 Initiatives to mitigate environmental impacts	96	7,8,9	7
	G4-EN28 Percentage of products and packaging materials reclaimed by product category	BRF does not have the control of percentage of returned containers, since the projects of Reverse Logistics of Solid Waste in early stage. Annually it will be reported the development of initiatives and possible quantity for the data.	8,9	7
<b>Compliance</b>	G4-DMA Management approach	32, 33		
	G4-EN29 value of fines and total number of sanctions for noncompliance with laws	The lawsuits are considered significant when the amounts involved are greater than R\$ 250,000 or when the matter may expose the image of BRF and/or create relevant precedents. In 2014, two police investigations were initiated due to environmental events, the first resulting in R\$ 2,966,396.14 in significant fines and 11 non-monetary sanctions. There was an increase in the number of events recorded in units during the year, with a reduction in the severity, compared with 2013. Most non-compliance was related to compliance with environmental regulations and the effluent emissions standards. The cases were promptly resolved and are currently on trial.		
<b>Transportation</b>	G4-DMA Management approach	79		
	G4-EN30 Significant environmental impacts related to transportation of goods and workers	79	8	7
<b>General</b>	G4-DMA Management approach	88, 89		
	G4-EN31 Total investments and spending on environmental protection	89	7,8,9	
<b>Environmental assessment of suppliers</b>	G4-DMA Management approach	78,79, 80		
	G4-EN32 Percentage of new suppliers selected based on environmental criteria	78, 79, 80	8	7
	G4-EN33 significant, actual and potential negative environmental impacts in the supply chain	78, 79	8	7
<b>Mechanisms of complaints regarding environmental impacts</b>	G4-DMA Management approach	32, 33		
	G4-EN34 Number of complaints related to environmental impacts	32, 33	8	

<b>SOCIAL CATEGORY - LABOR PRACTICES AND DECENT WORK</b>				
<b>Aspect</b>	<b>Description</b>	<b>Page/response/omission</b>	<b>Global Compact</b>	<b>Millennium Goals</b>
<b>Employment</b>	G4-DMA Management approach	60, 61, 63		
	G4-LA1 Total number of new hires and employee and turnover rates	63, annex109	6	3, 5
	G4-LA2 Comparison of benefits to full-time and temporary employees	63		3, 5, 6
	G4-LA3 rates of return to work and retention after a maternity/paternity leave	63	6	3, 5, 7
<b>Health and safety at work</b>	G4-DMA Management approach	66, 67, annex 110		
	G4-LA5 Percentage of employees represented in formal safety and health committees	66		6
	G4-LA6 Rates of injury, occupational diseases and lost days	66, 67		6
	G4-LA7 Employees with high incidence or high risk of diseases related to their occupation	66		6
	G4-LA8 Issues related to health and safety covered by formal agreements with trade unions	67		6
<b>Training and education</b>	G4-DMA Management approach	65		
	G4-LA10 Programs for skills management and lifelong learning	65		
<b>Diversity and equal opportunities</b>	G4-DMA Management approach	64		
	G4-LA12 Composition of governance bodies and discrimination of employees per employee category	annex 110	6	3
<b>Evaluation of suppliers in labor practices</b>	G4-DMA Management approach	78, 79, 80		
	G4-LA14 Percentage of new suppliers selected based on criteria related to labor practices	78, 79, 80	6	3
	G4-LA15 significant, actual and potential negative impacts to labor practices in the supply chain	78, 79	6	5
<b>Mechanisms of complaints related to labor practices</b>	G4-DMA Management approach	32, 33		
	G4-LA16 Number of complaints related to labor practices recorded through formal mechanism	32		
<b>SOCIAL CATEGORY - HUMAN RIGHTS</b>				
<b>Aspect</b>	<b>Description</b>	<b>Page/response/omission</b>	<b>Global Compact</b>	<b>Millennium Goals</b>
<b>Child labor.</b>	G4-DMA Management approach	78, 79, 80, Integrated producers represent very low risk in terms of measures and procedures to minimize this condition of the social aspect.		
	G4-HR5 Operations and suppliers with risk of occurrence of child labor and measures taken	78	5	
<b>Forced or slave labor;</b>	G4-DMA Management approach	78, 79, 80, Integrated producers represent very low risk in terms of measures and procedures to minimize this condition of the social aspect.		
	G4-HR6 Operations and suppliers identified with forced labor risk or compulsory labor and measures taken	78	4	
<b>Supplier evaluation in human rights</b>	G4-DMA Management approach	78, 79, 80		
	G4-HR10 Percentage of new suppliers selected based on criteria related to human rights	78, 79, 80	2	
	G4-HR11 significant, actual and potential negative impacts in human rights in the supply chain and measures taken	78, 79	2	
<b>Mechanisms for complaints to human rights</b>	G4-DMA Management approach	32, 33		
	G4-HR12 Number of complaints related to impacts on human rights recorded, processed and resolved	32	1	

**SOCIAL CATEGORY - SOCIETY**

Aspect	Description	Page/response/omission	Global Compact	Millennium Goals
<b>Local communities</b>	G4-DMA Management approach	73, 74, 75, 76		
	G4-S01 Percentage of operations with the local community engagement programs, impact assessment and local development	73, 74, 75, 76, annex 111	1	1, 2, 4, 5, 6, 8
	G4-S02 Operations with significant, actual and potential negative impacts, in local communities	73, 74	1	1, 2, 4, 5, 6, 8, 9
<b>Fighting corruption</b>	G4-DMA Management approach	32, 77,		
	G4-S03 units analyzed for risks related to corruption	Having been identified as material only along the multistakeholder consultation in 2014, and because of the structuring of the Fraud Prevention Board, the indicators related to this aspect will be enhanced for disclosure in the next cycle. In this report, we present essentially forms of management.	10	
	G4-S04 Percentage of employees trained in anti-corruption policies and procedures		10	
	S05 G4-confirmed cases of corruption and measures taken		10	
<b>Public policies</b>	G4-DMA Management approach	77		
	G4-S06 Policy of financial contributions to political parties, politicians, institutions	77	10	
<b>Unfair competition</b>	G4-DMA Management approach	BRF condemns all forms of unfair competition, as provided for in its Code of Ethics and Conduct and the Code of Conduct for suppliers. In 2014 there was no lawsuit for unfair competition, trust and monopoly practices and their outcomes.	10	
	G4-S07 Total number of legal actions for anticompetitive behavior			
<b>Compliance</b>	G4-DMA Management approach	32, 33		
	G4-S08 Monetary value of significant fines and total number of non-monetary sanctions	R\$ 7.7 million in penalties have been applied as a result of noncompliance with laws and regulations. Regarding sanctions, there was interdiction Strechaderias in Marau (RS) unit and a ban on poultry packaging sector and pork slaughterhouse. Fines and penalties related to beginning of effectiveness of NR36 of the refrigerators in 2013, with intensification of surveillance in 2014.		
	G4-DMA Management approach	78, 79, 80		
<b>Supplier evaluation on impacts on society</b>	G4-S09 Percentage of new suppliers selected with criteria of impacts on society	78, 79, 80		
	G4-S10 significant, actual and potential negative impacts in human rights in the supply chain in society and measures taken	78, 79		
<b>Mechanisms of complaints regarding impacts on society</b>	G4-DMA Management approach	32, 33		
	G4-S011 Complaints related to impacts on society recorded, processed and resolved through formal mechanism	32		

SOCIAL CATEGORY - LIABILITY FOR THE PRODUCT				
Aspect	Description	Page/response/omission	Global Compact	Millennium Goals
<b>Customer health and safety</b>	G4-DMA Management approach	82 - 85		1, 4, 5
	G4-PR1 Assessment of impacts on health and safety during the product and services life cycle	84		
	G4-PR2 Non-compliance related to the impacts of products and services	In 2014, BRF received five reports/assessments of problems related to consumer health and safety, but none resulted in payment of a fine or warning. In addition, BRF signed 01 conduct adjustment term with Sedecon due to problems in the distribution and marketing of skimmed UHT milk, brand Elegê, in Rio de Janeiro. Among other obligations BRF paid a fine in the amount of R\$ 150,000.00.		
	G4-FP5 Percentage of production volume manufactured in sites certified by third parties in accordance with internationally recognized standards	Annex 111, In 2014, we requested accreditation to ISO 17025 for scope of Microbiology and Physical Chemistry in the laboratories of Uberlândia, Marau, Capinzal, Carambeí, Videira, Chapecó, Concordia and Toledo, and the units of Uberlândia and Marau have already been assessed and are waiting for the process to finish; the others are awaiting evaluation. For 2015, we intend to forward the accreditation application in ISO 17025 for the rest of Brazil laboratories, totaling 100% of laboratories with accredited scopes.		
	G4-FP6 Percentage of total sales volume of consumer products, by product category, which have reduced saturated fat, trans fat, sodium and added sugars	84		
	G4-FP7 Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients and food additives such as fiber, vitamins, minerals, phytochemicals and functional.	84		
	<b>Labelling of products and services</b>	G4-DMA Management approach	82, 83	
G4-PR3 Type of information about products and services required by procedures		83	8	
G4-PR4 Non-compliance related to the labeling of products and services		Because of a decision by PROCON/MG, which kept the tax delinquency notice due to alleged defects of quality and information on the labeling of the product Biofibras a lawsuit seeking the annulment of the administrative decision was filed. The action is in the initial/instruction phase.		
G4-PR5 Research Results measuring customer satisfaction		85, annex 116		
<b>Compliance</b>		G4-DMA Management approach	32, 33	
	G4-PR9 Fines for non-compliance concerning the provision and use of products and services	In 2014, there were no significant fines (convictions) or non-monetary judicial sanctions in Civil Litigation, due to non-compliance related to supply and use of products. In the year, BRF suffered public civil action filed by Procon due to news in the media about Elegê milk supposedly unfit for consumption; police investigation for determination of pension crime; and public civil action (collective damages) for alleged product unfit for consumption, which discusses incidence of water and formaldehyde in milk in May 2013.		
ANIMAL WELFARE - SECTOR SUPPLEMENT				
Aspect	Description	Page/response/omission	Global Compact	Millennium Goals
<b>Breeding and genetics</b>	G4-DMA Management approach	78, 79, 80, 81		
	G4-FP9 Percentage and total of animals raised and/or processed, by species and breed type	46		
<b>Breeding</b>	G4-FP10 Policies and practices, by species and breed, related to physical changes and use of anesthetics	81		
	G4-FP11 Percentage and total of animals raised and/or processed, by species, breed and type of housing	annex 116		
	G4-FP12 Policies and practices regarding the use of antibiotics, anti-inflammatory, hormones and/or treatments for growth, by species and breed	81		
<b>Handling, transport and slaughter</b>	G4-FP13 Total number of incidents of significant non-compliance with laws and regulations and adherence to voluntary standards related to transport, handling and slaughter practices of terrestrial and aquatic animals	In 2014 there were 13 cases of assessments, 3 with fines totaling R\$ 6,816.03. The assessments are due to problems in transportation and related to animal welfare.		

# ANNEX

## + Info

In this section, we present tables and information that supplements the answer to GRI indicators reported throughout the report.

## PEOPLE - HIRING AND DISMISSALS GRI G4-LA1

### HIRING AND DISMISSALS BY REGION

	2013		2014	
	Hiring	Dismissals	Hiring	Dismissals
North	74	85	96	77
Northeast	1,140	840	1,042	966
West	13,390	13,689	11,365	12,220
Southeast	5,506	7,095	5,269	6,194
South	12,471	15,065	15,563	16,488
Abroad	N/A	N/A	828	1,106

### HIRES BY GENDER

	2013 <sup>1</sup>		2014	
	Male	Female	Male	Female
Total number	19,314	13,267	19,808	14,355
Rate (%)	18.20%	12.50%	18.90%	13.70%
Dismissals (total number)	21,840	14,934	22,040	15,011

<sup>1</sup>For 2013, information from abroad were not recorded.

### HIRES PER AGE

	2013			2014		
	Less than 30 years old	30 - 50 years old	More than 50 years old	Less than 30 years old	30 - 50 years old	More than 50 years old
Total number	22,738	9,532	311	25,177	8,723	263
Rate (%)	21.40%	9.00%	0.3%	24.03%	8.33%	0.25%

### TURNOVER RATE

	2012	2013	2014 <sup>1</sup>
Number of dismissals	35,385	36,774	37,051
Turnover rate	2.34%	2.36%	3.53%

<sup>1</sup>New scope: In this date information from abroad are being considered, which were not covered in 2012 and 2013.

### TURNOVER PER AGE

	2013			2014		
	Less than 30 years old	30 - 50 years old	More than 50 years old	Less than 30 years old	30 - 50 years old	More than 50 years old
Total number	21,747	13,993	1,034	22,747	13,257	1,047

# PEOPLE - DIVERSITY GRI G4-LA12

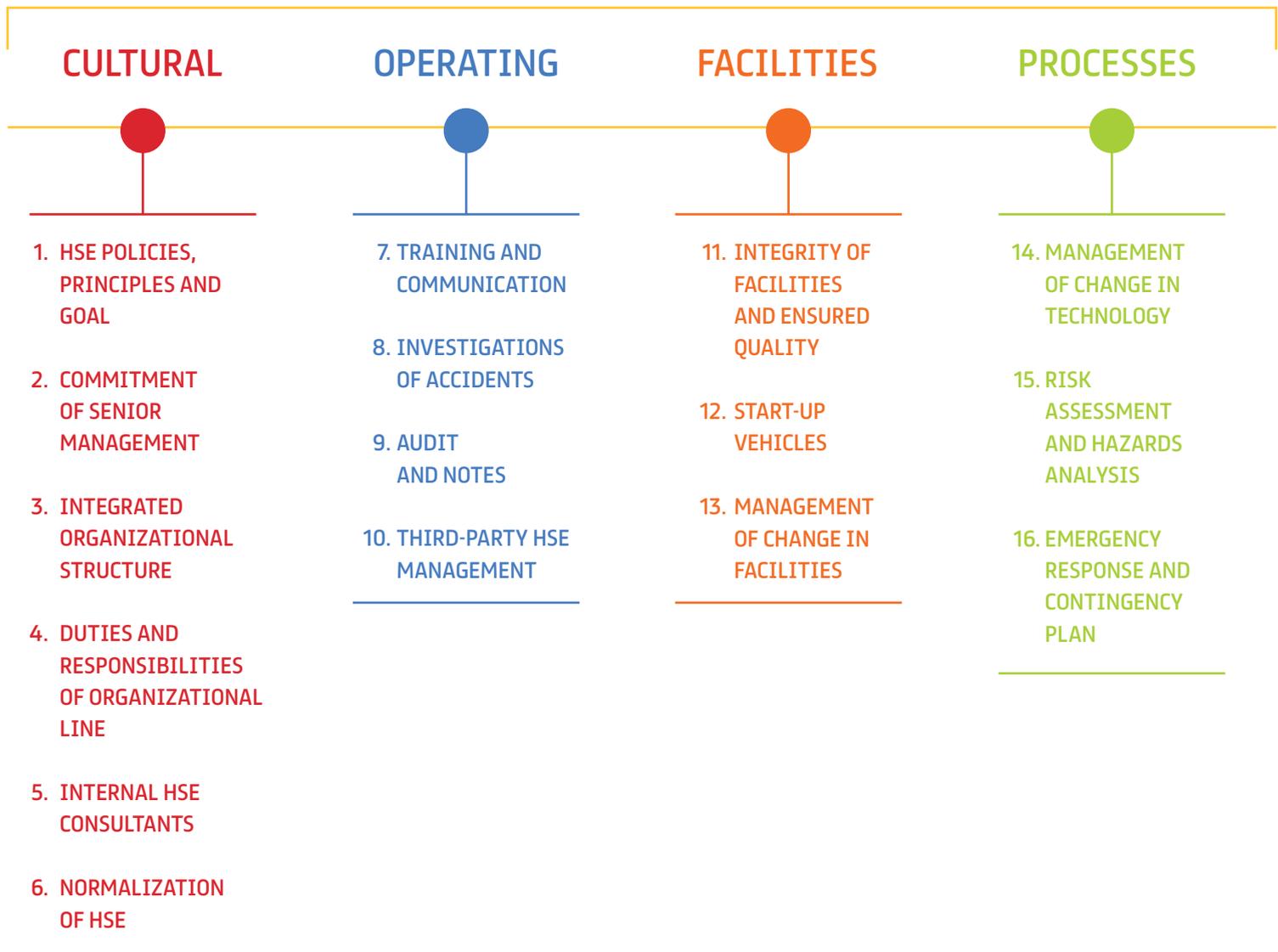
## STAFF PER GENDER, AGE, MINORITIES AND OTHER DIVERSITY INDICATORS

	2013						2014					
	Total	Women	Men	Up to 30 years old	30 - 50 years old	More than 50 years old	Total	Women	Men	Up to 30 years old	30 - 50 years old	More than 50 years old
Officers	49	6	43	0	33	16	44	4	40	0	39	5
Managers	513	94	419	11	444	58	499	95	404	17	444	38
Supervisors and coordinators	1,946	338	1,608	204	1,616	126	2,274	428	1,906	253	1,931	150
Administrative	11,322	5,237	6,085	4,628	6,173	521	10,085	4,687	5,338	4,034	5,629	362
Operating	96,308	37,570	58,738	39,680	50,558	6,070	91,875	36,408	55,467	37,010	49,449	5,416
<b>Total</b>	<b>110,138</b>	<b>43,245</b>	<b>66,893</b>	<b>44,523</b>	<b>58,824</b>	<b>6,791</b>	<b>104,777</b>	<b>41,622</b>	<b>63,155</b>	<b>41,314</b>	<b>57,492</b>	<b>5,971</b>
<b>Percentage</b>	<b>100%</b>	<b>39%</b>	<b>61%</b>	<b>40.40%</b>	<b>53.40%</b>	<b>6.20%</b>	<b>100%</b>	<b>40%</b>	<b>60%</b>	<b>39%</b>	<b>55%</b>	<b>6%</b>

## PEOPLE – “SSMA” MANAGEMENT SYSTEM (HSE)



### 16 LEVERAGES



# COMMUNITY RELATIONS

## ENGAGEMENT PROGRAMS, IMPACTS MANAGEMENT AND DEVELOPMENT GRI G4-S01

	2013		2014	
	Coverage of the operation	Execution in operating Committees BRF Institute	Coverage of the operation	Execution in operating Committees BRF Institute
Inspira	48%	54%	37%	54%
Comunidade Ativa	17%	26%	23%	35%
Estação Digital	2%	3%	2%	3%
Reciclação	0%	0%	0%	0%
Voluntários BRF	65%	100%	65%	100%
Portas Abertas	-	-	65%	100%
Inspira Comunidade	-	-	4%	5%

# FOOD SAFETY

## PURCHASE IN ACCORDANCE WITH INTERNATIONAL STANDARDS AND CERTIFICATIONS<sup>1</sup> GRI G4-FP2

	2013				2014			
	Suppliers areas	Types of Materials	% of the purchased volume from suppliers in accordance with internationally recognized certifications	Geographical origin	Name of internationally recognized certification	% of the purchased volume that is in accordance with this internationally recognized certification	Types of certified products purchased	Geographical origin
Agricultural	Pork, Poultry	100%	National		100%	porks and poultry	National	
Supplies	Direct, indirect materials and services	de 80% a 100% <sup>2</sup>	National		De 80% a 100% <sup>2</sup>	PPE, safety systems, maintenance materials, electrical equipment, etc.	Nationalized and imported	
Grains, meals and oils	Soybean Meal	90.10%	MT, GO, MS, PR, SC and RS	European Biofuels Directive (EU-RED), ISCC (International Sustainability and Carbon certification)	88.83%	Soybean Meal	BA, GO, MG, MS, MT, PI, PR, RS and SP	
	Soy oil	65.70%	MT, GO, MS, PR, SC and RS	HAACCP, ISO 14001, ISO 18001, RTRS, GMP+.	73.50%	Soybean oil	BA, GO, MG, MS, MT, PI, PR, RS, SP e SC	
	Palm Oil	87.20%	Asia and South America	RSPO	98.70%	Palm Oil	PA, SP e Singapore	
Dairy	Milk	100%	RS, SC, PR, MG, MS, PE e AL	MAPA IN62	100%	In natura milk	RS, SC, PR, MG, GO, MS, PE e AL	

<sup>1</sup> The total volume of purchases is considered strategic information because it involves negotiating methodology of purchase areas.

<sup>2</sup> Change from 80% to 100% depending on the category mapped by supply purchase area

## THIRD-PARTY CERTIFICATIONS, ACCORDING TO INTERNATIONALLY RECOGNIZED STANDARDS IN FOOD SAFETY MANAGEMENT SYSTEM

GRI G4-FP5

	Units (Brazil)	2014	
		Domestic market	Foreign market
<b>Final product certifications:</b>			
BRC	Chapecó, Toledo, Concórdia, Serafina Corrêa, Uberlândia, Várzea, Capinzal, Francisco Beltrão, Mineiros, Marau e Rio Verde	9%	13%
IFS	Chapecó, Toledo, Concórdia, Uberlândia, Várzea, Capinzal, Mineiros, Marau e Rio Verde	8%	12%
<b>Certifications of raw material:</b>			
GlobalGAP	Chapecó e Marau		
AloFree*	Capinzal, Marau, Mineiros, Serafina Corrêa, Toledo e Uberlândia		
ISO 17025:2005*	Lab. Jundiá		

\* they are not food safety audits

\*\* In addition to the food safety-related certifications, some units have certification ISO 9001, ISO 14001, OHSAS 18001, Halal and Kosher (dairy). For 2014, ISO 17025 certification will be extended to laboratories of Marau, Uberlândia and Carambei. And already requested certification of laboratories of Videira, Capinzal and Concórdia. There is also certified units in Argentina and Europe in BRC (Martinez, Oosterwolde, Rio Cuarto, Wrexham), IFS (Oosterwolde, Wrexham), ISO 22000 (Baradero) and Dutch HACCP (Lavallol, Villa Mercedes).

## ENVIRONMENTAL MANAGEMENT - WATER

### WATER RECYCLED AND REUSED (m<sup>3</sup>)<sup>GRI G4-EN10</sup>

Water sources	2011	2012	2013	2014
Total recycled water	-	-	9,725,337	7,705,400.04
Total water reused	-	-	6,508,584	7,789,513.78
Total water reused/ recycled	15,486,705	15,723,175	16,233,921	15,494,913.82
<b>% of reuse</b>	<b>19.91%</b>	<b>20.43%</b>	<b>19.85%</b>	<b>20.62%</b>

### WATER SOURCES AFFECTED BY WITHDRAWAL OF WATER - PER UNIT<sup>1</sup> GRI G4-EN9

	Source size in <sup>3</sup>	Presence in protected area	Biodiversity value	Value for local communities and indigenous peoples
Capinzal (SC)	13,140,000	Yes	N/A	N/A
Marau Alves (RS)	23,652,000	Yes	N/A	N/A
Chapecó (SC)	14,941,756,8	Yes	N/A	N/A
Dois Vizinhos (PR)	13,400,000	Yes	N/A	N/A
Carambeí (PR)	17,250,192	Yes	N/A	N/A
Várzea Grande (MT) <sup>2</sup>	29,802,150,720	Yes	N/A	N/A
Concórdia (SC)	14,065,056	Yes	N/A	N/A
Dourados (MS)	does not capture surface source			

<sup>1</sup> Criteria to define this list as sources affected was the withdrawal above 5% of the total flow of the source (River)..

<sup>2</sup>The unit of Várzea Grande has capture above 5% of river flow and Dourados captures underground source. They were mentioned for being in RAMSAR list.

## ENVIRONMENTAL MANAGEMENT - BIODIVERSITY

### Position of protected areas in 2014<sup>GRI G4-EN11</sup>

State	Activity	Total land area (m <sup>2</sup> )	Size of protected area (m <sup>2</sup> )	APP area inside the organizations area (m <sup>2</sup> )	APP adjacent areas to the area of the organization (m <sup>2</sup> )	Highly conserved area inside the organizations area (m <sup>2</sup> )
Minas Gerais	Dairy, Hatchery, Multiplier of pork, SPL, turkey growing, broiler breeders (growing and production), Multiplier of pork, chicken growing and production (grandparents), turkeys Production, Feed Mill, Margarine, Slaughter of pork, Milk Cooling Station	76,229,178.00	10,389,550.52	10,005,752.00	251,152.00	-
Goiás	Poultry refrigerator, Feed Mill, Reforest, Industrialized Food, Hatchery, Dairy, Farms	44,424,160.00	7,920,705.00	2,889,970.00		7,914,152.00
	Montevidiu(Grain storage)	126,000.00	Industrial			
	Planalto Verde(Grain storage)	328,200.00	Industrial		-	
Mato Grosso	Egg Growing and Production, Cut Poultry Creating, Cattle/Industrialized, Chickens refrigerator	24,996,862.00	7,004,773.00	6.977.240,00	-	6,495,140.00
Mato Grosso do Sul	Slaughtering of poultry, feed mill, hatchery, dairy	760,996.52	71,000.00	70,000.00	1,000.00	-
Paraná	Poultry farm, pork farm, Slaughter of Pork/Poultry/ Ind. Meat and non-meat, Breeding Farm and chicken Matrices, poultry hatchery, poultry hatchery, Recreation, Fridge/Dairy, Inc. of turkeys, chickens farms, turkey farms, slaughtering of chicken and turkey and Inc. of chickens, Industrialized, reforestation, Fatty Products Plant (margarine), slaughtering of poultry, hatchery internal farms	59,635,286.70	9,571,121.20	3,591,535.20	40,250.00	5,038,248.20
Pernambuco	Dairy, industrialized	1,563,962.17	102,700.00	102,700.00	-	-
Rio Grande do Sul	Milk and derivatives industrialization, Processing of Milk, Milk Cooling Station, Dairy Industry, Production feed poultry/pork, slaughterhouse, Premix Production	1,543,224.40	180,615.12	164,618.00	-	-
São Paulo	Industrialized	159,650.85	N/A	N/A	N/A	N/A
Santa Catarina	Slaughter poultry/pork/Ind, Forestry, Animal Feed Factory, Poultry and Pork Farm, Hatchery	47,944,648.80	12,237,243.38	12,237,243.38	-	-
<b>Total</b>		<b>257,712,169.44</b>	<b>47,477,708.22</b>	<b>36,039,058.58</b>	<b>292,402.00</b>	<b>19,447,540.20</b>

**PROTECTED AREAS OF BRF** GRI G4-EN11

Total Land Area (m <sup>2</sup> )	Size of Protected Area (m <sup>2</sup> )	APP area inside the organizations area (m <sup>2</sup> )	APP adjacent areas to the area of the organization (m <sup>2</sup> )	Highly conserved area inside the organization's area (m <sup>2</sup> )
257,712,169.44	47,477,708.22	36,039,058.58	292,402.00	19,477,540.20

## ENVIRONMENTAL MANAGEMENT - ENERGY AND EMISSIONS

**INTENSITY \* OF GHG EMISSIONS** GRI G4-EN18

	2012	2013	2014
<b>Absolute emissions - scope 1</b> tCO <sub>2</sub> e	327,123.85	359,559.21	352,422.69
<b>Related emissions - scope 1</b> kgCO <sub>2</sub> e/t prod	56.72	66.62	68.76
<b>Absolute emissions - scope 2</b> tCO <sub>2</sub> e	185,034.60	265,031.29	350,108.19
<b>Related emissions - scope 2</b> kgCO <sub>2</sub> e/t prod	32.09	49.10	68.31
<b>Absolute emissions - scope 1 + 2</b> tCO <sub>2</sub> e	512,158.45	624,590.50	702,530.88
<b>Related emissions - scope 1 + 2</b> kgCO <sub>2</sub> e/t prod	88.81	115.72	137.07
<b>Metric</b>	Emissions are related to production volume.		

\* The types of GHG emissions included in the intensity rate are: mobile and stationary combustion, wastewater treatment, fugitive emissions and agricultural waste, for Scope 1; purchase of electricity and steam for Scope 2. Scope 3 was not considered.

**EMISSIONS OF OZONE DEPLETING SUBSTANCES (ODS)** GRI G4-EN20

SDO (kg)	2012	2013	2014	
CFC	Amount (kg)	2	3	0
	Result (kg CFC-11)	2	3	0
HCFC	Amount (kg)	15,457	16,652	22,542.66
	Result (kg CFC-11)	854	919	1,253.81

**Note:** The predominant industrial coolant is ammonia, which does not harm the ozone layer and does not cause global warming. BRF uses in small quantity, HCFC22 for industrial refrigeration and the rest of this gas is used in air conditioning. The 1,195kg increase occurred in 2013 was due to system maintenance, requiring gas replacement.

**SIGNIFICANT ATMOSPHERIC EMISSIONS (t)** GRI G4-EN21

	2012	2013*	2014
NO <sub>x</sub>	663,48	1,421.00	1,999.09
SO <sub>x</sub>	55.46	135.57	81.59
Particulate Material	1,271.30	1,735.58	2,309.01
CO	3,202.70	5,226.08	7,461.40
HC	N/A	N/A	N/A

\*In 2013, there was an increase in the indicator database, totaling 100% of the meat units in Brazil.

**ENERGY CONSUMPTION INSIDE BRF** GRI G4-EN3

Type of use	Source	2013		2014	
		Factories, cds, Farming, administrative buildings (consumption in GJ)	Fleet Management (BRF light vehicles) (Consumption in GJ)	Consolidated (Agro, cds, CIEX, ADM Buildings and Grains) (Consumption in GJ)	Fleet management (consumption in GJ)
<b>RENEWABLE</b>					
Fuels	Sugar cane alcohol	14.23	157,700.60	9.01	166,083.82
	Biodiesel		17,06 <sup>1</sup>		26,715,490,956 <sup>2</sup>
	Wood Briquette	51,420.80	-	22,713.51	
	Splinter	11,401,069.11	-	12,084,151.41	
	Firewood	15,306,728.31	-	12,944,686.00	
	Vegetable or Animal Oil	308,289.23	-	295,919.34	
	Lath	265,412.21	-	121,410.61	
	Sawdust	2,923.36	-	1,028.15	
<b>Total renewable fuel consumption</b>	<b>27,335,857.25</b>	<b>157,717.66</b>	<b>25,469,918.02</b>	<b>166,110.53</b>	
Electricity	Hydropower	7,576,638.15	-	7,336,128.20	
	Biomass	208,341.80	-	203,073.05	
	Wind	38,278.81	-	49,266.65	
	Photovoltaic	14.4	-	22.06	
<b>Total consumption of renewable electricity</b>	<b>7,823,273.17</b>	<b>0</b>	<b>7,588,489.96</b>	<b>0</b>	
<b>Total consumption of renewable energy</b>		<b>35,316,848.07</b>		<b>33,224,518.52</b>	
<b>NON-RENEWABLE</b>					
Fuels	BPF	138,026.54	-	155,068.11	
	Diesel	166,513.99	484.61	86,229.20	664,46
	Natural Gas	353,736.92	-	80,407.00	
	Gasoline	891.01	210,251.52	841.43	180,792.30
	LPG	385,226.14	-	396,674.69	
	Kerosene	1.58	-	3.50	
	Shale oil	98,537.36	-	94,743.17	
<b>Total non-renewable fuel consumption</b>	<b>1,142,933.54</b>	<b>210,736.13</b>	<b>813,967.11</b>	<b>181,456.75</b>	
Electricity	Gas	404,697.99	-	412,786.15	
	Oil	160,114.34	-	180,679.30	
	Nuclear	95,981.75	-	98,855.96	
	Coal	86,705.29	-	102,664.88	
<b>Total consumption of non-renewable electricity</b>	<b>747,499.37</b>	<b>0</b>	<b>794,986.2</b>	<b>794,986.29</b>	
<b>Total consumption of non-renewable energy</b>		<b>2,101,169.04</b>		<b>1,790,410.16</b>	
Energy consumption by area (renewable and non-renewable)	37,049,563.33	34,667,361.39	34,667,361.39	347,540.57	
<b>Total consumption of energy (renewable and non-renewable)</b>		<b>37,418,017.11</b>		<b>35,014,928.67</b>	

<sup>1</sup>Considering the fraction 5% biodiesel in diesel.

<sup>2</sup>Considering the fraction 5.67% biodiesel in the diesel, as amended in 2014.

**ENERGY CONSUMPTION OUTSIDE THE ORGANIZATION** GRI G4-EN4

Type of use <sup>1</sup>	Source	Consumption 2013 (GJ)	Consumption 2014 (GJ)
Non-renewable fuels	Diesel	6,602,747.80	5,711,348.79
Renewable fuels	Biodiesel	232,452.74 <sup>2</sup>	229,633.62 <sup>3</sup>
<b>Total</b>		<b>6,835,200.54</b>	<b>5,940,982.41</b>

<sup>1</sup>All data refers to Category 3 (Transport and Distribution on the transport of grain, livestock, milk, transfer between plants, finished products to distribution centers and finished products to customers)

<sup>2</sup>Considering the fraction of 5% biodiesel in diesel

<sup>3</sup>Considering the fraction of 5.67% biodiesel in the diesel, as amended in 2014.

**REDUCED ENERGY CONSUMPTION** GRI G4-EN6

	2013		2014	
	Dentro da Organização	Outside the Organization - Logistics (land)(GJ)	Inside the organization <sup>1</sup>	Outside Organization - Logistics (land) (GJ)
Energy consumption reductions due to improvements in conservation and efficiency	262,670	446,275.56	0	619,388.73
Energy types included in the reductions	Electric power consumption	Fuel	Electricity and Steam Plants.	Fuel
Base used for the calculation	The basis for energy saving was the year of consumption of 2013 compared to the year 2012 consumption, taking into account the volume and mix changes, as well as the installation and removal of new consumers of the industrial park, because, as a result of TCD, BRF began to share the facilities with other companies.	For energy reduction analysis data of 2012 and 2013 were considered.	The basis for energy saving was the year of consumption of 2014 compared to the year 2013 consumption, taking into account the volume and mix changes, as well as the installation and removal of new consumers of the industrial park, because, as a result of TCD, BRF began to share the facilities with other companies.	For energy reduction analysis data of 2013 and 2014 were considered.

<sup>1</sup>In total, energy consumption inside the organization was 6.4% below the previous year but for the changes in production mix with a higher volume of processed products that are more energy-intensive, especially direct (steam) the technical indicator of energy increased, i.e., no energy savings. But if we consider only the electric power consumption, we note a reduction of 11,639.41 GJ in 2014.

## ENVIRONMENTAL MANAGEMENT - MATERIALS AND PACKAGING

**MATERIALS USED - INPUTS AND RAW MATERIAL (TONS)** GRI G4-EN1

	Direct			Indirect			Renewable
	2012	2013	2014	2012	2013	2014	
Agricultural inputs	408,488.00	426,101.00	396,516.00	-	-	-	No
Ingredients/dairy	320,601.00	355,458.00	340,762.00	-	-	-	Yes
Raw material (poultry, pork, beef)*	73,106.00	48,304.00	108,000.00	-	-	-	Yes
(Soybean and corn)/soybean meal/vegetable oils	-	-	-	11,193,742.00	10,667,222.00*	9,746,494.00	Yes

\*Raw materials and meat cuts that go direct to the product (ex.: beef cuts used in lasagna).

**MATERIALS FOR PACKAGING (TONS)** GRI G4-EN1

	DIRECT			RENEWABLE
	2012	2013	2014	
Paperboard	165,837.00	160,746.00	170,390.00	Yes
Cartridge	16,820.00	14,831.00	15,424.00	Yes
Glass	2,143.00	2,419.00	2,270.00	No
Polymers	6,702.00	7,004.00	7,704.00	No
Long life	19,587.00	17,237.00	19,477.00	Yes

**% OF RECYCLED MATERIALS USED** GRI G4-EN2

	2012	2013	2014
Cardboard boxes	40%	40%	40%
Merchandising material	16%	16%	16%
Plastic cages for transport of poultry*	-	-	100%

\*Since March 2014, all cages acquired by BRF for transporting poultry, have in their composition 60% recycled material.

## SUPPLIERS - BREEDING

### PERCENTAGE AND TOTAL OF ANIMALS RAISED AND/OR PROCESSED, BY SPECIES, BREED AND TYPE OF HOUSING - FP11 GRI G4-FP11

	Turkeys	Poultry	Pork
Negative Pressure	65%	30%	-
Positive pressure	35%	61%	-
Dark house	-	9%	-
Collective gestation	-	-	19%
Individual gestation	-	-	81%

## SUPPLIERS - PURCHASING PRACTICES

### PURCHASES MADE WITH LOCAL SUPPLIERS - 2014 GRI G4-EC9

State	Agricultural	Grains, meals and oils	Dairy
AL	0.0%	0.0%	0.0%
AM	0.0%	0.0%	0.0%
BA	0.0%	0.0%	0.0%
CE	0.0%	0.0%	0.0%
DF	0.0%	0.0%	0.0%
ES	0.0%	0.0%	0.0%
GO	14.9%	22.0%	6.4%
MA	0.0%	0.0%	0.0%
MG	8.6%	8.0%	7.3%
MS	1.4%	3.0%	4.3%
MT	17.1%	26.0%	0.0%
PA	0.0%	0.0%	0.0%
PE	0.0%	0.0%	5.1%
PI	0.0%	0.0%	0.0%
PR	20.9%	29.0%	9.3%
RJ	0.0%	0.0%	0.0%
RN	0.0%	0.0%	0.0%
RS	15.4%	8.0%	55.4%
SC	21.8%	4.0%	12.1%
SP	0.0%	0.0%	0.1%

\*Information for supplies will not be available because it does not reflect the new reality of this purchase practice. Purchases are made with suppliers through their headquarters and supply made by subsidiaries. Thus, information of address of purchase/billing versus delivery does not reflect the relationship with local/regional suppliers.

## CUSTOMER SATISFACTION GRI G4-PR5

2013						
	Total		Dissatisfied		Satisfied/exceeded expectations	
	Quantity	%	Quantity	%	Quantity	%
Dairy	10,131	76%	98	0.97%	10,033	99.03%
Meat	3,203	24%	11	0.34%	3,192	99.65%
<b>Total</b>	<b>13,334</b>	<b>100%</b>	<b>109</b>	<b>0.66%</b>	<b>13,225</b>	<b>99.34%</b>

2014						
	Total		Dissatisfied		Satisfied/exceeded expectations	
	Quantity	%	Quantity	%	Quantity	%
Dairy	2,540	44%	94	1%	2,445	43%
Meat	3,175	56%	93	2%	3,083	54%
<b>Total</b>	<b>5,715</b>	<b>100%</b>	<b>187</b>	<b>3%</b>	<b>5,528</b>	<b>97%</b>

# CORPORATE INFORMATION

## HEADQUARTERS

Rua Jorge Tzachel, 475 – 88301-600 – Itajaí – SC – Brasil

## CORPORATE OFFICE

Rua Hungria, 1.400 – 5<sup>th</sup> floor  
01455-000 – São Paulo – SP – Brasil  
Phone number: (55 11) 2322-5000  
Fax: (55 11) 2322-5747

## INVESTOR RELATIONS

### AUGUSTO RIBEIRO JR.

Vice-President of Finance and  
Investor Relations

### CHRISTIANE ASSIS

Investor Relations Officer  
Rua Hungria, 1.400 – 5<sup>th</sup> floor – 01455-000 –  
São Paulo – SP – Brasil  
Phone number: (55 11) 2322-5048 / 5037 /  
5049 / 5051 / 5052  
Fax: (55 11) 2322-5747  
E-mail: [acoes@brf-br.com](mailto:acoes@brf-br.com)

## DEPOSITARY BANKS

### NO BRAZIL

Banco Itaú S/A  
Av. Engenheiro Armando de Arruda  
Pereira, 707 – 9<sup>th</sup> floor  
04344-902 – São Paulo – SP – Brasil  
Phone number: (55 11) 2797-4209  
Fax: (55 11) 5029-1917

### IN THE UNITED STATES

The Bank of New York Mellon –  
Investor Services  
P.O. Box 11258 – Church Street Station  
New York NY 10286-1258 USA  
Phone number: 1-888-269-2377  
E-mail: [shareowners@bankofny.com](mailto:shareowners@bankofny.com)

## INVENTORY EXCHANGES

## TRADING CODE

BM&FBOVESPA  
BRFS3 – common – Novo Mercado

### NEW YORK STOCK EXCHANGE – NYSE

BRFS - ADR Level III

## OFFICIAL NEWSPAPERS

DIÁRIO OFICIAL DO ESTADO DE SANTA

CATARINA

DIÁRIO CATARINENSE

VALOR ECONÔMICO

## INDEPENDENT

## AUDITORS

ERNST & YOUNG AUDITORES INDEPENDENTES

## CREDITS

### GENERAL COORDINATION OF THE PROJECT - BRF

Vice-Presidency of Finance and Investor  
Relations  
Vice-Presidency of Legal  
and Corporate Relations

### CONTENT - WRITING AND EDITING

Sustainability Report

### CONSULTANCY IN GRI

BSD Consulting

### DESIGN AND LAYOUT

Dragon Rouge

### IMAGES

Acervo BRF  
Agency Na Lata  
Getty Images  
iStock

*The 2014 results consolidate all the subsidiaries of BRF S.A. The statements in this report with respect to perspectives for the business of the Company, to forecasts and result and to the potential for its growth constitute mere predictions and were based on management's outlook in relation to the Company's future. The outlook is highly contingent on changes in the market, and the overall economic performance of the country of the sector and the international markets, and for this reason, being subject to change. On 07.13.2011, the plenary session of the Administrative Council for Economic Defense-CADE approved the Association between BRF and Sadia S.A., contingent on compliance with the provisions in the Performance Commitment Agreement- TCD signed between the parties. These documents are to be found in the website: [www.brf-br.com/ir](http://www.brf-br.com/ir)*