

ANUAL
and
SUSTAINABILITY
Report
2014

"Quality that surprises"



Our Mission

To be the best in all that we do, completely focused on our business, to ensuring the best products and services to our customers, a relationship of trust with our suppliers, profitability for our shareholders and the opportunity of a better future for all of our team members.

Our Values

DETERMINATION

SIMPLICITY

AVAILABILITY

HUMILITY

SINCERITY

DISCIPLINE

OWNERSHIP ATTITUDE



Our Beliefs

- Focus on details
- A hands-on approach
- Success is only achieved through hard work
- The right person in the right place
- Passion for what we do
- Actions and behavior are more important than knowledge
- A leader must win over their team members
- Lead by example
- Focus on results
- Working with people who are better than us
- Believing makes a difference
- Quality products

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Highlights

The Quality that Surprised in 2014

4x

Investment in Quality was four times higher than last year, with the goal to always offer top quality products to our consumers.



Finalist in the Fi Excellence Awards 2014 for the product line "Assado e Pronto (Roasted and Ready) that was launched in 2014. The award, which is the food industry's most important, recognizes companies that invest in the research and development of new products.

Increase of

62.5% in R&D

+

investment and nearly 50% increase in the number of researchers over the previous year

resulting in the development of over 200 projects in the year and the launch of 30 product lines, for a total of 12 technological innovation projects and more than 100 new products launched during the year.

More than

250,000 visits

to integrated producers in 2014 by a team of over 300 field professionals from JBS Foods to ensure the adoption of practices in accordance with all quality, safety, sanitation and animal welfare principles and requirements.

Implementation of a *real-time delivery monitoring system* that tracks vehicles and monitors their temperature, effectively controlling the cold chain online and facilitating the resolution of potential problems, reducing product returns, increasing improvements in safety and reports that provide strategic information on operations.

Expansion of JBS Foods' operations in the international market

with the first shipments of pork cuts to Japan, the launch of turkey exports to Malaysia, the opening of an office in Shanghai (China) and operations in new markets, such as Mexico.



Launch of the world's first Social Food Truck,

which since September 2014 has travelled the streets of the city of São Paulo, offering three menu options, renewed monthly, where consumers can taste the dishes free of charge in return for sharing their experience with the Seara brand on social networks.

JBS was recognized by the Carbon Disclosure Project (CDP) as the food company that made the most progress in its actions to combat deforestation in its supply chain. JBS Foods contributed to this recognition with its policy for only purchasing grains from suppliers that are signatories to the soybean moratorium.

Analysis of more

5 millions tons of grain

during the year at its in-house laboratories, which are available to analyze all of the grain purchased by the Company for use in the production of animal feed.



The JBS Foods unit in Jaguariúna, São Paulo, received an award from the city's mayor in recognition of its innovation project involving the sausage cooling process implemented at the unit that led to a reduction in water consumption of over 4,000 m³ per month

Reuse of the poultry fat waste produced by the wastewater treatment process to generate energy, through burning residues in a boiler, which reduced the operations of direct greenhouse gas emissions by 98%.

The initiative also received the International Sustainability Award from the U.S. restaurant chain KFC.

Significant expansion in the Company's environmental investments, which quadrupled in 2014 compared to the previous year.

Net revenue growth of **26.2%**

in the 4Q14 compared to the first quarter of operations of the Seara* brand by JBS Foods. Net revenue from the domestic market grew 54.2% in the same period, while net revenue from the international market grew 4.9%.

Sales volume in the domestic market grew by **40.5%**

in 2014, led by the processed foods segment, while sales volume grew by 25.6%.

Significant growth in EBITDA margin, from 7.9% in the first quarter of operation of the Seara* brand by the company to 18.0% in 4Q14, reflecting the successful turnaround of the recently acquired companies.

Repositioning of the Seara brand, which was highlighted in the survey conducted by BrandAnalytics as **one of the brands that most increased in value during 2014**, climbing 13 positions in the ranking.

Significant increase in **market share** during the year, particularly in:

frozen foods which increased from **16% to 25%**

Pizzas which increased from **16.8% to 31%**

according to the latest Nielsen survey conducted in 2014.

Net income grew **74.4%**

in 4Q14 compared to 3Q14. In 4Q13, the company had posted a net loss of R\$63.9 million.

*: The Company began operating Seara Alimentos Ltda. in October 2013 (4Q13), despite the fact that the corporate structure of JBS Foods S.A., which considers the direct subsidiaries Seara Alimentos Ltda., JBS Aves Ltda., Baumhardt Comércio e Participações Ltda. and Seara Holding Europe B.V. and their respective subsidiaries was created in March 2014.

About the Report

This publication - the first prepared on a stand-alone basis by JBS Foods - provides information on its profile, principles, management and performance in the main strategic pillars that supported its operations during 2014. Last year, this information was published in the report of its parent company, JBS S.A.

To support the report's preparation, the company adopted the guidelines of the Global Reporting Initiative (GRI). The framework provides standardized indicators for presenting the profile and performance of companies around the world, which allows comparison of this information over time and among different companies.

This annual publication covers the period from January 1 to December 31, 2014, and the scope of operations of all subsidiaries of JBS Foods S.A.

Content of Relevance to Stakeholders

The editorial content of this report includes corporate information (company profile, operations, governance and strategy) to provide the reader the context of the business, followed by the positioning, commitments and performance of JBS Foods in the topics considered material to its sustainability from the standpoints of its strategic positioning and the interests of its stakeholders.

To understand and measure these material aspects, over the course of the year the Company conducted a corporate study of strategic materiality with regard to sustainability. Its methodology, which was supported by a specialized consultant, drew on interviews conducted in person with the company's main executives to identify factors that contribute to the success of the business. Based on these success factors, stakeholders were selected from each relationship category (suppliers, local customers, international customers, government and civil society) and interviewed in person or by phone to identify their demands and opinions. The criteria for selecting these stakeholders were a high level of rigor in sustainability areas and a high level of legitimacy within their category.

In addition to interviews, the project was complemented by a comprehensive study of the company's initiatives that drew on internal documents, strategic policies and guidelines, reports, sector evaluations and other sources of information.

The results of this corporate study of strategic materiality were presented and validated by the company's senior management.

The following matrix is a graphic representation of the topics considered material to the JBS Group, which will be covered in the report and serve as a focal point for implementing the sustainability strategy of JBS Foods.

Strategic Topics:

1 – Transparency and reliability of information

2 – Animal welfare

3 – Food quality and safety

4 – Guaranteed origin

5 – Water

6 – Climate change

Other Topics:

7 – Competition

8 – Solid waste

9 – Biodiversity

10 – Energy

11 – Transgenics

12 – Occupational health and safety

13 – Waste of food

14 – Consumers

15 – Health and nutrition

16 – Local development

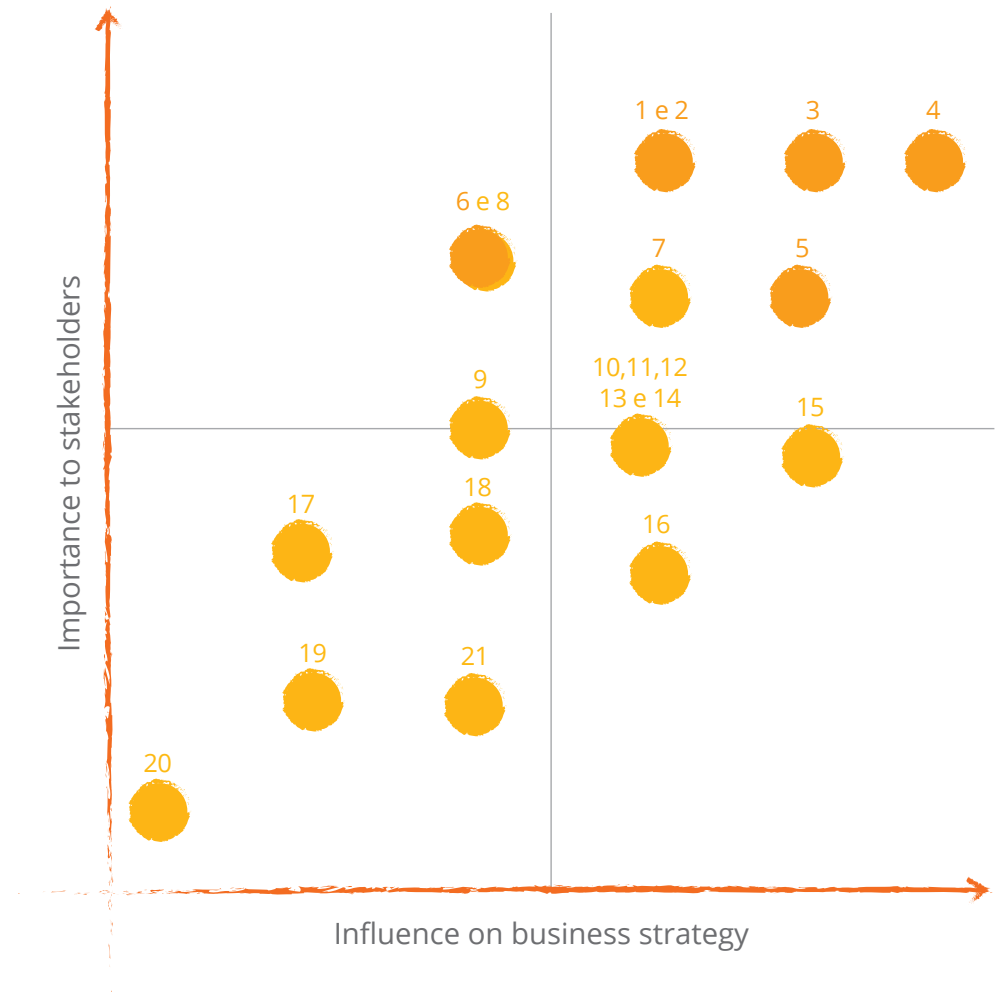
17 – Consumption habits

18 – Labor rights

19 – Family agriculture

20 – Social investment

21 – Impacts on local and traditional communities



The topics adopted as those of strategic importance to the Company are described and detailed below in accordance with their relevance to our stakeholders and business strategy:

1. Transparency and Reliability of Information

Information on financial, social and environmental performance is accessible by the many different stakeholders in an objective and comparable manner.

2. Animal Welfare

Production processes throughout the value chain respect the quality of life of animals, in accordance with the criteria of the World Organization for Animal Health (OIE).

3. Food Quality and Safety

Standards for food production, transportation and storage guarantee certain sensorial standards and prevent potential adverse effects on human health.

4. Guaranteed Origin

Production, social and environmental processes, from the origin of the raw material to the final consumer, are recognized and managed.

5. Water

Water resources are monitored for both quality and quantity and are utilized efficiently to guarantee their existence now and in the future.

6. Climate Change

The effects of climate change on the value chain are recognized and managed to ensure their mitigation and adaptation.

If you have any questions, considerations or require additional information, please contact us by e-mail at relatorio.anual@jbsfoods.com.br.

Message from the CEO



2014 is a year to be thankful. Thankful for our shareholders who dreamed big, for everyone who believed in our project and joined us, for the support of our customers, for our suppliers who understood our message, for our more than 70,000 employees and partners who worked very hard and were determined to transform the Company, and, above all, thankful for all consumers who accepted our invitation to try our products and repaid us with their preference for our brands.

Our history of transformation and growth surpassed our expectations. And the main ingredient in our recipe for success was our team, which focused on delivering superior quality, productivity and operational excellence.

And our quality surprised everyone. In a scenario where we acquired several companies, each with their own operational challenges, we were able to build a strong and experienced team driven by the mission to be the best at what we set out to do and united by the company's culture of simplicity, ownership attitude, humility and determination.

We reformulated our products and production processes to comply with the highest standards of quality aiming to pleasantly surprise our consumers, building a strong, modern, practical and tasteful brand. We have redefined a large part of our logistics model, cutting costs, increasing operational efficiency, improving service level and expanding our products' market presence. As a result, we gained more agility and the confidence and preference of our customers.

In addition, we have reduced our portfolio by 30% while launching more than 100 new products to bring more flavor and convenience to homes across Brazil. Furthermore, we were able to improve the relationship between consumers and our brands, inviting customers to taste our products through the nationwide campaign "The Quality Will Surprise You", led by Fátima Bernardes.

We are prepared, confident and motivated to continue growing, generating value to our shareholders and providing our consumers with the best in quality, taste and product safety. We remain dedicated to building a solid chain of suppliers and partners capable of generating social and environmental development, while maintaining animal welfare as a top priority. Our performance will continue to be supported by the successful team we have built, who is fully dedicated to achieving the best possible results, always guided by our organizational culture.

We would like to thank everyone that placed their confidence in our company, and who has participated and contributed to our history of success and transformation in 2014. We are merely in the beginning of our journey and will continue to focus on the factors we can control: superior product quality, leadership in costs, improvements in the service level, operational efficiency and excellence in execution at points of sale. Our mission is to be the best in everything that we set out to do.

Gilberto Tomazoni – CEO JBS Foods S.A.

JBS FOODS



"Quality that surprises"



JBS Foods

JBS Foods S.A. is a Brazilian food company, the country's second largest producer and exporter of chicken and pork. Headquartered in São Paulo and with global operations, it is part of the JBS Group, the world's largest animal protein producer, with dozens of brands recognized in Brazil and abroad.

The products offered by JBS Foods are sold under brands widely recognized as symbols of quality in their respective markets, which include Seara, Rezende, LeBon, Agrovêneto, Doriana, Massa Leve, Excelsior, Frangosul, Confiança, Pena Branca, Wilson, Frango Santa Rita and Macedo. The Company also exports to more than 700 clients located in over 100 countries, particularly in the Middle East, Europe and Asia.

JBS Foods operates nationwide in Brazil, where, as of December 2014, it had 60 production plants, with 37 slaughterhouses and deboning units and 23 further processing plants. These processing platforms are located in Brazil's major poultry and pork producing states (Santa Catarina, Rio Grande do Sul and Paraná, as well as São Paulo, Rio de Janeiro, Minas Gerais, Federal District, Bahia and Mato Grosso do Sul) and are supported by an extensive national distribution network, with 17 distribution centers that allow an efficient delivery of products to nearly 80,000 points of sale.

JBS Foods has vast experience in the production of products based on chicken protein. With several acquisitions in recent years and as part of the JBS Group – which includes Pilgrim's Pride, a reference in the U.S. poultry market – the Company has identified the best practices and peculiarities of the business to become a great specialist in chicken. Learn more in the chapter "Strategy and Competitive Advantages."

Product Offering and Markets

JBS Foods has a broad and diverse range of products that reaches consumers through various different brands that are recognized nationwide in Brazil and in over 100 countries. The company is focused on quality supported by a rigorous process that prioritizes food safety and seeks surprising flavor to gain clients and consumer confidence.

In 2014, JBS Foods further strengthened its bond with clients in Brazil and abroad with attention to details that meet the specific needs of each market, gaining trust and efficiency. The Company streamlined and repositioned its brand portfolio and improved the effectiveness of its sales and marketing strategy.

In 2014, the company repositioned the Seara brand and launched the campaign “The Quality will Surprise You” therefore approached the consumers and invited them to try something new. The Company offered the market new recipes of practical and delicious products that meet the needs of the modern women, who both works and cares for the home. Learn more about these actions in the chapters “Product Quality and Safety” and “Consumer Relations.”

Operating Categories

The products of JBS Foods for final consumers are divided into the following categories:





Prepared Food

This segment consists of operations for the production and sale of a broad range of value-added prepared products, such as:

- Chilled products such as hot dogs and hams;
- Frozen products such as ready-to-eat meals, lasagnas, coated products; hamburgers and pizzas;
- Margarines and fresh pasta.

JBS Foods is Brazil's second-largest producer of meat-based processed foods, with production capacity of 86,000 tons per month. Its processed products are sold primarily on the domestic market, according to their specific target markets, under a wide variety of brands. The Company's management believes that there is significant opportunity for expanding its operations in the domestic market through high value-added processed products.



Poultry

This segment includes all operations involving the production and sale of a broad portfolio of chicken and turkey based fresh products, including broilers and turkeys, whole and in cuts, and value-added products, such as coated portions in trays, seasoned meats, festive birds and special lines sold under the brands Seara, Fiesta, Agrovêneto, Macedo and Frango Santa Rita. JBS Foods is Brazil's second-largest poultry producer and exporter and ended 2014 with processing capacity of 5.2 million birds per day.



Pork

This segment comprises all operations for the production and sale of a wide range of fresh pork products, including cuts and value-added portioned products, such as prepackaged products in trays and seasoned products, sold under the Seara and LeBon brands. JBS Foods is Brazil's second-largest pork producer and exporter, with processing capacity of 21,200 hogs per day as of December 31, 2014.

Domestic Market

In Brazil, JBS Foods products reach final consumers through various distribution channels, including large retail chains, bakery/convenience stores, the food service industry and small retailers located nationwide, under the following brands:



Seara's Brands





Launches in 2014

The Company is continually developing new products that meet the needs of its consumers with quality and convenience. In 2014, it launched several new product lines, which include:



Roasted and Ready (Assado e Pronto): four types of seasoned and roasted chicken cuts that can be heated in the microwave and are ready in minutes.

Easy Bake (Assa Fácil): this innovation allows consumers to prepare a succulent chicken without making a mess in the kitchen. The product is prepared using natural seasonings and then marinated, which makes the meat tasty and tender. The product is easy and practical to prepare, since it goes straight from the freezer to the oven with no need for thawing, using an easy to roast technology, which slow cooks the meat in its packaging, producing maximum succulence and flavor.



Easy Bake (Assa Fácil) – Festive Products: made up of three product items: Fiesta Easy Bake (Fiesta Assa Fácil), Fiesta Boneless and Stuffed Easy Bake (Fiesta Desossado e Recheado Assa Fácil) and Turkey Easy Bake (Peru Assa Fácil). Traditional festive birds (super-practical versions), which come already seasoned in the easy roast packaging and go straight from the freezer to the oven, with no need for thawing.



The Roasted and Ready ("Assado e Pronto") line were finalist in the Fi Excellence Awards 2014, the food industry's most important awards, sponsored by Food Ingredients South America (FISA). The awards honor companies that invest in the research and development of new products for consumers, based on criteria such as innovation, benefits for consumers, economic impact and technology. JBS Foods was finalist selected from more than 60 projects submitted.

Coated Stuffed Seara (*Empanado Recheado Seara*): individually packed (120g) and made using top quality ingredients: 100% pre-shaped chicken breast, Seara ham, creamy cheese and breadcrumbs from real bread, made especially for preparing in the oven, giving it that homemade look.



Thin & Easily Separated (*Fino & Solto*): produced using a new slicing technology and easy-open packaging that guarantees fresh, thin and easily separated slices. The 200g versions come in Ham, Pressed Ham, Turkey Breast, Mortadela Bologna and Smoked Bologna.

Tender Special Line: prepared using the finest pork cut, boneless pork leg, seasoned with select ingredients and naturally smoked using a practically homemade process.



Light Line: with new packaging and endorsed by the brand *Escolha Saudável* (Healthy Choice), the Seara line of light cold cuts introduces new recipes with lower fat and higher protein. Prepared using prime chicken or turkey cuts, the line offers cooked and smoked versions.



Salamis: with new packaging and the ideal caliber for slicing, the new line of salami is top quality, with a special flavor produced using a homemade process, just like the best salamis from Italy. Available in Hamburg, Italian and Milan versions.

Whole-wheat Pizza: a source of fiber and healthy ingredients, the Seara Whole-wheat Pizza line is the perfect option for a delicious and balanced meal. It comes in 380g portions and two flavors: Vegetarian and Turkey Breast with Broccoli.



Calzone: with a tender crust and delicious flavors, the Seara Calzone is a practical and irresistible product that comes in three 300g versions: Sausage and Cheese, Chicken and Catupiry Cream Cheese, and the irresistible Chocolate.

Baked Rice: a complete meal made from rice, one of Brazil's most prized ingredients. Available in 600g portions and three recipes: Chicken and Catupiry Cream Cheese, Sausage with Tomato Sauce and Ham, Sun-Dried Tomatoes, Corn and Cheese Sauce.





Seasoned Thermoformed Chicken (*Frango Temperado Termo Formado*): bringing innovations to the segment, Seara launched seven practical and healthy chicken cuts. They are seasoned with fresh, natural herbs and come in an innovative, completely transparent and leak-proof package.

Premium Sausage (*Linguiça Premium*): Seara's premium sausages are part of its line of seasoned products. They come in four seasoning options and are prepared using the finest cuts: Toscana with Spices, Pork Leg with Garlic, Pork Leg with Herbs, Pork Leg with Chilies.



Long Hot Dog: after winning consumer approval for the flavor of the Seara Hot Dog, the Company launched the Seara Long Hot Dog, for eating in a variety of ways: in a bun, on a plate or on a skewer.

Massa Leve Garlic Bread: a 400g package containing 5 units. A product with growing consumption in Brazil, particularly as a side dish for barbecues.



Massa Leve Microwave Mini Pizza: The only Pizza on the Brazilian market that is ready to eat in 2 minutes. Available in the following flavors: Mozzarella, Sausage and Chicken with Requeijão Cheese.



Export Market

JBS Foods serves nearly 700 clients in over 100 countries on five continents, and strives to learn the unique characteristics of the people in each region aiming to offer products that meet and surpass their needs and expectations.

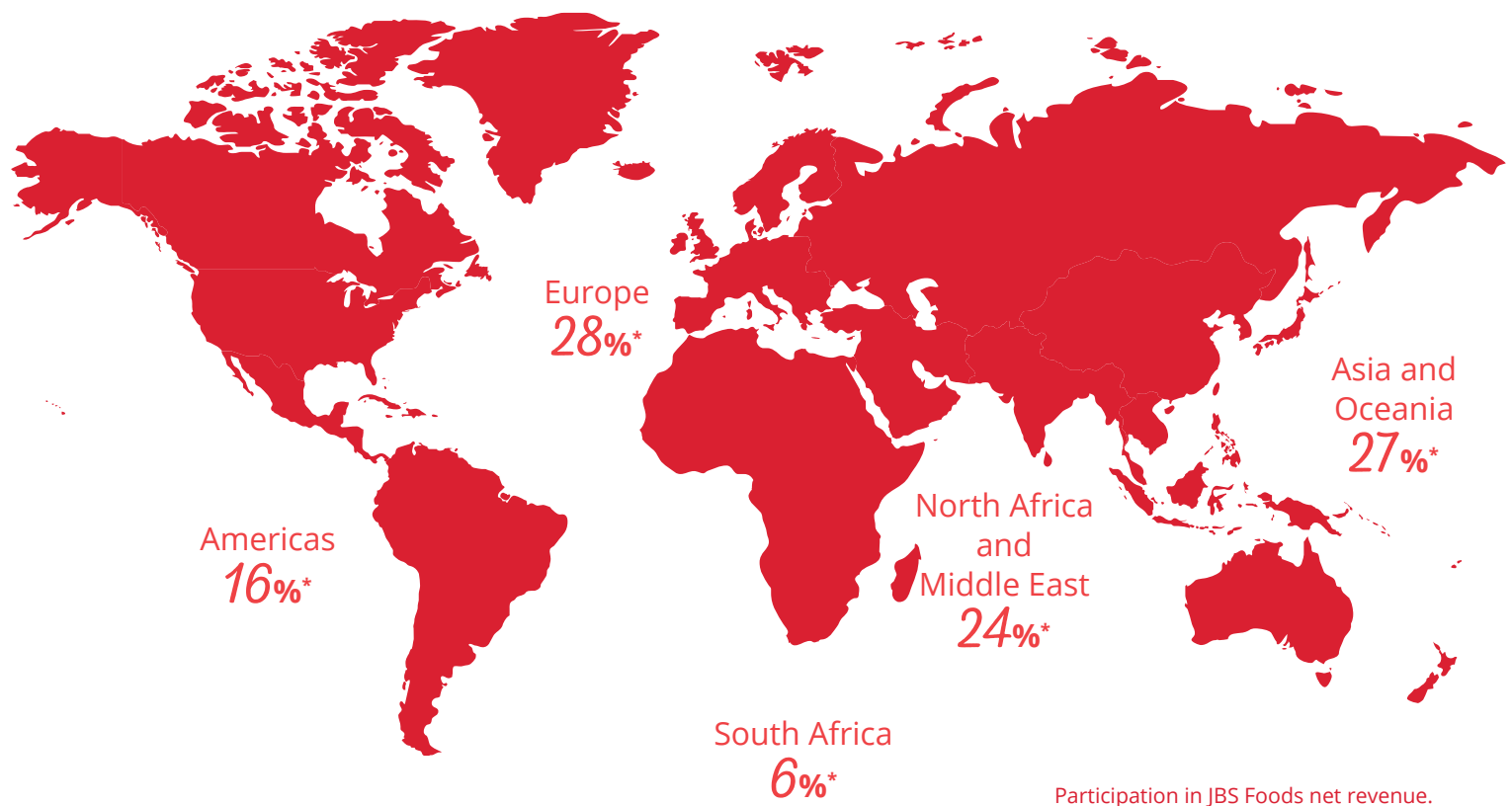
To achieve this, it has a global structure, with six international offices located near all of its key markets. This allows for a better understanding of life styles and cultural, social and religious preferences around the world, leading the company to produce and operate in accordance with the best practices expected in each location.

In the export market, the company serves major global accounts that are recognized for purchasing only from suppliers that meet the highest quality standards, such as McDonald's and KFC.

JBS Foods has also earned a number of international certifications that attest to the quality of its processes and products, which include:

- Halal Slaughter from Cdial Halal Company
- YUM! KFC
- British Retail Consortium (BRC)
- McDonald's Quality System (SQMS)
- McDonald's Social Responsibility (SWA)
- World Quality Services (WQS) certification
- European Union certification

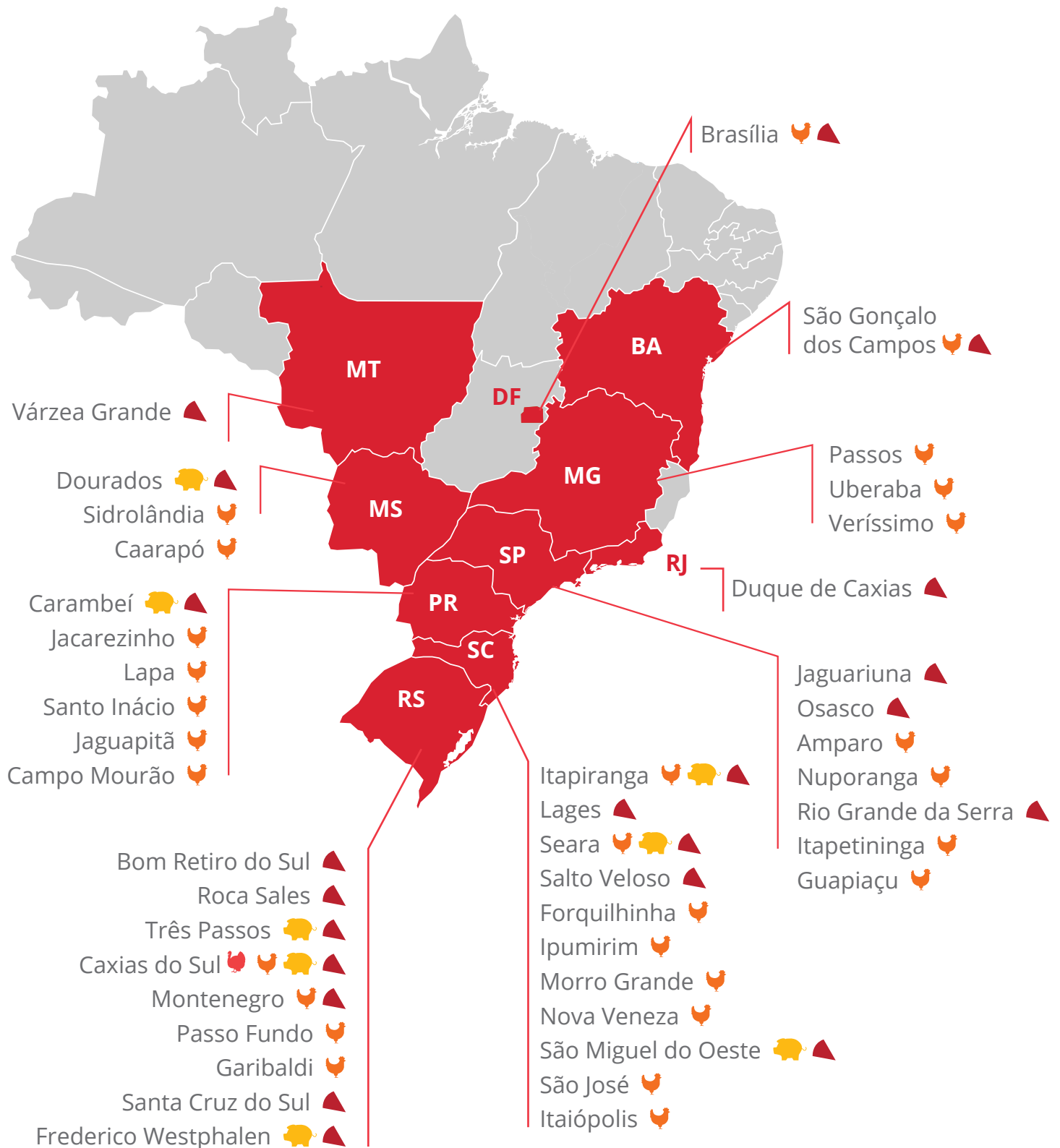
In 2014, JBS Foods expanded its operations to export markets, with the first shipments of pork cuts to Japan, the launch of turkey exports to Malaysia, the inauguration of an office in Shanghai, China, and operations in new markets, such as Mexico.



*In all, **MORE THAN 100** products were launched for the retail, export and food service markets.*

Structure

As of December 31, 2014, the operating structure of JBS Foods consisted of 60 production units, 17 distribution centers and approximately 62,000 employees.



Poultry processing 🐔 Hogs processing 🐷
 Processed products 🍖 Turkey processing 🦃

The integrated platform of JBS Foods, which allows the company to be present in 100% of the production stages and the diversified production of value-added and convenience foods, gives it a strong presence in domestic and international markets. Learn more in the chapter "Strategy and Competitive Advantages."



GUIDING PRINCIPLES



"Quality that surprises"



Corporate Governance

As a commitment essential to managing a company that is part of a large global group, JBS Foods guides all of its actions by the principles of transparency, ethical behavior and equitable access to information for the entire market, while respecting the relationship with the various stakeholders on which its operations depend to be sustainable.

To ensure its management is aligned with these commitments, principles and best practices, and with a strategy that ensures growth and solidity, JBS Foods has a highly qualified management team formed by professionals with solid experience in the market and an efficient structure to guide the various different aspects of the operation.

Board of Directors

Responsible for the overall business orientation of JBS Foods, the Board of Directors elects and removes the executive officers, determines their functions and compensation and supervises their management.

It is also responsible for electing and removing the members of the Statutory Audit Committee, approving its financial statements, management report, management accounts and the Company's budget; in addition to monitoring, evaluating and providing opinions on any subject relevant to the continuity of the business and the drafting of internal documents, such as the bylaws; and for creating committees with defined objects to serve as advisory bodies to support the functions of the board.

BOARD OF DIRECTORS



Wesley Batista
Chairman

CEO da JBS S.A., with over 20 years of experience in beef production.



Joesley Batista
Vice-Chairman

CEO of J&F Participações, Chairman of the Board of JBS S.A., with over 20 years of experience in beef production.



Gilberto Tomazoni
Member

CEO of JBS Foods, with more than 30 years of industry experience, including executive positions at Sadia and Bunge.



Henrique Meirelles
Member

Chairman of the Board of J&F Participações, former President of the Central Bank of Brazil from 2003 to 2011.



Tarek Farahat
Member

CEO of Procter & Gamble for Latin America and member of JBS S.A Board of Directors.



Enéas Pestana
Director

Extensive experience in the retail sector, former CEO and CFO of Grupo Pão de Açúcar from 2003 to 2014.



Sérgio Waldrich
Independent Member

Former CEO of Bunge Alimentos S.A and Vice-Chairman of Seara, with more than 40 years of Food and Agribusiness experience.



Francisco Cespede
Independent Member

Former CFO of São Paulo Alpargatas S.A. from 1992 to 2009, CFO of Monsanto Brasil from 1975 to 1992, and former member of the Sadia S.A. Board of Directors.



Norberto Fatio
Independent Member

For 37 years, held executive positions at various multinational companies such as Fleischmann Royal/Nabisco, Kibon, Grupo Bunge, Danone and Unilever and was member of the Sadia S.A. Board of Directors.

Board of Executive Officers

The Board of Executive Officers is the management body of JBS Foods that is responsible for the execution of decisions made at the Annual Shareholders' Meeting and by the Board of Directors; preparation of the Company's financial statements accompanied by an independent auditor's report and the proposal for destination of the net profit for each fiscal year; definition of goals and objectives and supervision of the budget and business plans; coordination and management all of the businesses activities; and decisions on any matter that its not under the responsibility of the Annual Shareholders' Meeting or the Board of Directors.

CEO
Gilberto Tomazoni
 30 years of industry experience

| CHAIRMANSHIP | | CORPORATE EXECUTIVE OFFICER | |
|--|--|---|--|
| Domestic Market Joanita Karoleski 22 years of industry experience | International Market Flávio Malnarcic 25 years of industry experience | CIEX Ivan Siqueira 22 years of industry experience | Agribusiness Osório Dal Bello 34 years of industry experience |

| EXECUTIVE OFFICERS | | | | | |
|--|--|--|---|---|--|
| Operations Sérgio Sampaio 20 years of industry experience | Supply Chain Ricardo Faucon 20 years of industry experience | Administration and Control Adrian da Hora 28 years of industry experience | Quality and R&D Sérgio Mobaier 23 years of industry experience | People and Management Almir Peruck 33 years of industry experience | Agricultural Inputs David Norenberg 21 years of industry experience |

Committees

With the objective of supporting the planning and decision making process related to the business, the Company's governance structure is assisted by specialized committees reporting to the Board of Directors.

In 2014, there were four committees supporting the Board of Directors: Finance Committee, People Committee, Marketing and Innovation Committee and Statutory Audit Committee.

The Statutory Audit Committee is the body that works to uphold ethics and integrity in the Company's activities and is responsible for evaluating the hiring and removal of the independent auditor, supervising its activities and control areas (auditing and accounting), and for monitoring the quality and integrity of internal control mechanisms and adequacy of related-party transactions.



Policies and Commitments

The Company's governance is supported by internal policies that guide its execution and relationship with stakeholders. These policies include:

Information Disclosure Policy and Securities Trading Policy: provide guidelines for complying with the legislation issued by the Securities and Exchange Commission of Brazil (CVM), which regulates Brazilian capital markets, and with any other government agency to which the Company may be subject to, given that it is part of the JBS Group, a publicly listed corporation.

The goal is to define stakeholders and map communication processes in order to foster transparency, equitable treatment of investors and capital markets in general, and adoption of best practices in investor relations.

Related-Party Transactions and Conflicts of Interest Policy: this document works to ensure that all decisions – particularly those involving related-party transactions and potential conflicts of interest – are made with the best interests of JBS Foods and its shareholders in mind and are conducted in compliance with market parameters and the best practices for corporate governance. As such, the document presents a series of definitions and rules to be observed by all units and employees of JBS Foods.

Manual of Ethical Conduct: the manual, which applies to and is distributed to all employees, ensures that everyone is familiar with best practices in ethics and with the principles and conduct to be adopted in all relationships involving JBS Foods and its stakeholders. The document aims to align the conduct of all of the Company's representatives in their day-to-day activities as to ensure ethical conduct and prevent violations, such as incidents involving conflicts of interest, corruption, undue use of corporate assets, and violations of human rights.

Strategy

The strategy of JBS Foods is based on two major pillars: increasing profitability and growth.



Its main objectives are:

- Continuous growth, both organically and through acquisitions, to strengthen its leadership position in the global food industry.
 - Seize opportunities for industry consolidation in Brazil and the world.
 - Capitalize on the opening and growth of international markets
 - Seek higher rates of return as to maximize results for its shareholders.

With these goals in mind, JBS Foods develops its strategy based on the following activities:

➔ **Conclude the process for integrating the recent acquisitions and apply experience to potential acquisitions**

The acquisitions made in recent years, especially the acquisition and integration of the Seara business, have enabled the Company to capture significant synergies. JBS Foods continues to integrate its recent acquisitions as it seeks to reduce costs by capturing synergies throughout the value chain and expand its production and distribution capacity.

➔ **Continue exploring opportunities for growth through investments and acquisitions**

JBS Foods operates in several different markets – such as the Middle East, Asia (mainly China and Japan), Africa and the Americas – with potential for future expansion to other regions as trade barriers are reduced or lifted, with its experience in export operations giving it a competitive advantage for launching operations in new markets.

➔ **Maintain strategies for reducing costs and capturing operational efficiency gains**

Since its incorporation, JBS Foods has focused on reducing costs while also increasing production and profitability, seeking to achieve one of the industry's most efficient cost structures.

In order to maintain this advantage, it works constantly to improve its production and logistics processes, investing in technology and training, thus optimizing its production platform and capturing economies of scale by expanding capacity and increasing synergies generated by acquisitions.

The Company believes that it can increase profitability, reduce costs and increase operational efficiency by developing innovative new processes throughout the entire production chain. From feed conversion ratios and optimizing poultry and pork carcass yields for the production of fresh meat and processed foods, to streamlining its logistics network through a strategy focused on integrated demand planning.

Value Chain Stage



Live Animals Costs and Feed Conversion Efficiency



Higher Yields and Product Mix Optimization



Distribution Chain Improvements

Main Initiatives

Optimize production cycle by reviewing procedures and improving feed conversion ratios

Implementing best practices in feed production/nutrition and in live animal handling

Maximizing weight gain and costs by weight gained

Focus on operational excellence by adopting new operating standards

Optimizing product mix at each industrial unit

Better alignment of product mix with supply of quality raw material as to increase revenue

Integrated demand planning

Renewed logistics chain, reducing the number of distribution centers and increasing cross-docking points

Improve fill rate indicator

Increase minimum ticket amount



→ **Strengthen domestic and international distribution network**

Strengthening the domestic and international distribution network aims to improve JBS Foods' capacity to deliver products to existing clients and to acquire new clients, particularly in the food service and retail channels.

The Company believes that executing its distribution strategy represents a competitive advantage for expanding its client base and consequently will help increase exposure and brand recognition in Brazil as well as in export markets.

→ **Increase the offering of branded and value-added products**

The Company achieves better operational results by offering its clients higher value added products, particularly branded prepared products.

→ **Continue to streamline and reposition the brand portfolio**

JBS Foods is currently working to streamline its brand portfolio as to strengthen brand positioning within each target market by focusing efforts on the brands most recognized among final consumers, strengthening their image and promoting customer loyalty.

JBS Foods plans to increase its offering of value-added products by expanding production through investments in plants and capacity-expansion projects, as well as investments in marketing to strengthen its brands.

Competitive Advantages

Below are JBS Foods' competitive advantages, all of which represent key strengths that are essential for enabling it to achieve its strategic goals.

Leading position in domestic and international markets and brand recognition

→ JBS Foods is Brazil's second-largest company in terms of the production and sale of fresh poultry and pork and of prepared foods products based on animal proteins.¹

This leadership allows the Company to take advantage of market opportunities, expand its business and increase its share in domestic and international markets. Furthermore, its brands are recognized as symbols of quality in its markets in both Brazil and abroad, which allows the Company to expand its leadership.

Diversified, vertically integrated and efficient business model

→ The business model of JBS Foods combines controlling costs in the production of various value-added products on an integrated basis in strategically located production units.

- Constant control of production costs: the company's operational platform is located in Brazil and offers access to a wide range of resources and significant gains in cost competitiveness in the agricultural chain, especially in the case of inputs for animal feed.
- Diversified product portfolio: an extensive line of value-added processed products made from poultry and pork under well recognized brands gives JBS Foods the flexibility to adapt its production to market demands and seasonality.
- Geographic distribution of production units: located in Brazil's main states, production units are generally near soybean and corn producers, the main raw materials for this type of business, as well as near poultry and hogs farmers, in addition to being close to major consumer centers and logistics pathways for exports.

1. According to the 2014 Annual Report from the Brazilian Animal Protein Association (ABPA).



→ **Distribution with a global reach**

JBS Foods exports to over 100 countries and sells its products nationwide in Brazil, with no client individually accounting for more than 10% of its net revenue in 2014.

Its broad distribution network includes national and regional retailers (e.g., supermarkets, grocery stores and distributors), international markets and establishments served by the food service industry, capable of distributing frozen and chilled products to practically anywhere in Brazil.

To extend its global reach, JBS Foods adopts a strategy of strengthening and expanding its brands internationally and entering countries that it believes offer the possibility of profitable operations.

The Company's diversified sales and distribution network reduces its dependence on specific markets or clients and its exposure to risks and cycles, giving it greater flexibility to take advantage of growth vectors and trends.

STRATEGIC PILLARS FOR INTERNATIONAL EXPANSION

- ✓ Direct sales to retail chains
- ✓ Growth of branded products
- ✓ Strategic partnerships with importers/distributors
- ✓ Develop Seara as a high-quality global brand for poultry, pork and value-added products
- ✓ Specific strategy for developing new markets



→ **Integrated meat production system, with a continuous focus on food quality and safety and sustainability of the production chain**

Poultry meat production by JBS Foods is vertically integrated, meaning that the Company produces 100% of its parent pullets, which brings advantages such as:

- Greater control over sanitary conditions, thereby reducing the risk of disease;
- Greater control over the nutritional conditions of birds, leading to gains in feed conversion, standardization of lots and lower mortality; and
- Lower costs with poultry parent stocks compared to rest of the industry.

JBS Foods is permanently focused on maintaining the highest food safety and quality standards, which are essential for meeting client specifications, preventing contamination and reducing the risk of animal disease epidemics. As such, it employs modern tracking systems to quickly identify and isolate any farm that presents a cause for concern regarding quality or health. It also monitors the treatment of birds and hogs during all stages of their lives and during the entire production process. In addition, the company is also concerned with structuring all stages of its production chain aiming to foster sustainable development.

→ **Successful track record of business execution and integration and capacity to grow organically and through acquisitions**

JBS Foods has grown significantly over the last two years through strategic acquisition of companies with excellent turnaround potential, which are being integrated successfully. Additionally, the company can also benefit from the organic growth of its operations through immediate use of available installed capacity (especially from acquired/leased assets) and by capturing productivity and efficiency gains.

| | | |
|---|----------------------|--|
|  | MAY 2012 | Leasing of 3 chicken processing plants, 2 further processing plants and 1 distribution center from Doux Frangosul – expansion into Brazil's poultry segment. |
|  | FEB 2013 | Leasing of 1 poultry processing plant from Tramonto – expansion of fresh poultry production capacity |
|  | MAR 2013 | Acquisition of Agrovêneto – expansion of fresh poultry production capacity |
| | MAY 2013 | Acquisition of 1 poultry/pork processing and further processing plant from BRF |
|  | SEPT 2013 | Acquisition of Seara Brasil – expansion of fresh poultry, pork and further processed foods production capacity |
|  | DEC 2013 | Acquisition of Massa Leve – expansion into the pasta segment |
|  | JAN 2014 | Leasing of plant from BR Frango in Paraná – expansion of fresh poultry production capacity |
|  | MAR 2014 | Restructuring and incorporation of JBS Foods Acquisition of Sul Valle – expansion of fresh poultry and pork production capacity |
|  | | |
|  | APR 2014 | Acquisition of Frinal – expansion of fresh poultry production capacity |
|  | JUL 2014 | Acquisition of Avebom – expansion of poultry production capacity Transfer of Excelsior from JBS S.A. to JBS Foods – expansion of processed food production capacity |
|  | | |
|  | OCT 2014 | Acquisition of Céu Azul Alimentos – expansion of poultry production capacity |
|  | NOV 2014 | Acquisition of Macedo Agroindustrial – expansion of poultry production capacity |

→ **Support from the JBS Group, which has a history of successful acquisitions and provides operational expertise and opportunities for synergies given its global platform**

JBS Foods is part of the JBS Group, the world's largest animal protein group², with a solid history of successfully acquiring and integrating companies, and more than 30 acquisitions made over the last 15 years. Furthermore, the JBS Group has a successful track record in turning around companies, as it occurred with the Swift Beef Company in 2007 and Pilgrim's Pride Corporation in 2009, where their successful integration and generation of synergies resulted in significant value for shareholders.

According to a report produced by Forbes magazine that evaluated the performance of 950 animal protein producers in the world, the JBS Group is currently the world's largest poultry producer, with operations in the United States, Mexico and Puerto Rico through its subsidiary Pilgrim's Pride Corporation, and in Brazil through JBS Foods, which has clients in over 100 countries.

This global operational platform enables units to exchange experiences and adopt best practices in the pursuit of excellence for the production of poultry products, as well as to generate synergies in global negotiations of items such as sea freight contracts and ingredients for animal feed.

The JBS Group has a track record of successful acquisitions. With the Pilgrim's Pride Corporation, for example, the 75.5% interest in its capital held by JBS at the end of December, 2014, was worth approximately 481% more than the initial investment amount.

→ **Experienced and specialized management focused on growth and profitability**

JBS Foods is led by a management team with extensive knowledge in the production of poultry, pork and processed food, brand development and product distribution. Most of the professionals on the team have more than 20 years of experience in the industry.

Their performance is guided by a strong focus on profitability and efficient growth, as the Company believes that this is one of the main factors driving the growth of its platform, it results in the optimization of operations and the successful integration of recent acquisitions.



2. By "sales", according to Forbes magazine



Risk Management

The Company adopts the Risk Management Policy of the JBS Group, which guides all activities involving transactions entered into by the company and mandates diversification in transactions and counterparties.

The Risk Control Department of the parent company, JBS S.A., is responsible for mapping the risk factors that could result in adverse financial results in various operational areas and for proposing strategies to mitigate these exposures. Its proposals are submitted to the Risk Management Commission for subsequent approval by the Board of Directors. It then supervises the implementation of new solutions, observing the limitations of approval hierarchy powers and the guidelines laid out by the Risk Management Policy.

The main risks identified and managed are presented below

Main Risk Factors

- Changes in political, economic and regulatory conditions in Brazil.
- Fluctuations in exchange rates and political and economic developments in the countries to which we export.
- Volatility in commodity prices, such as grains, corn, soy meal and live hogs, which account for the largest individual components of our production costs.
- Difficulties in obtaining or renewing sanitary and environmental authorizations at all government levels required for the activities of the Company.

To manage its financial risks, the Company adopts hedge strategies to protect against the risk of variations in exchange rates and credit, interest rates and commodity price risks, among other risks.

This strategy seeks to protect the assets of JBS Foods and ranges from detailed analyses of the financial statements of the clients with which the company negotiates to consultations of credit and risk monitoring authorities and the elimination of exposures in future markets on stock and securities exchanges. With regard to environmental risks and obtaining operating licenses, the Company maintains a rigorous management process that assures compliance with Brazilian and international social, environmental and sanitary laws and regulations. Learn more about initiatives developed to manage product quality and liability in the chapter "Product quality and safety."

Sustainability



JBS Foods believes that its growth must be associated with the sustainable development of its actions. To ensure its sustainable development, it adopts best governance practices, transparency in its relations with all stakeholders, and regular investments to improve the production chain of its units, focusing on environmental impacts and pursuing opportunities to strengthen its relations with employees, suppliers and the community.

The Company's sustainability policy is based on working in a way that is ecologically feasible and correct, socially just and culturally acceptable, which are principles that have always guided the development and growth of JBS Foods in all regions where it operates.

As such, the Company's concern with sustainability is present in all phases of its production, from the procurement of raw materials until the final product reaches its consumers.



Processed products plant, Jaguariúna unit (SP)

PRODUCT QUALITY AND SAFETY



"Quality that surprises"

Product Quality and Safety

Food quality and safety is a basic principle of JBS Foods to be achieved and guaranteed in order to ensure its sustainability. The role of JBS Foods as one of the world's largest food companies is to offer its consumers the highest quality products while ensuring convenience, flavor and safety.

As part of this effort, the Company implements rigorous quality management processes throughout its entire production chain, starting by the identification of consumer preferences, procuring raw materials of guaranteed quality and rigorously controlling in its entire production process from distribution and presentation of the product to points of sale.

JBS Foods maintains a Research and Development program to create new technology and products with the purpose to capturing efficiency, productivity and quality gains in its product offering and operations. In 2014, it increased by more than 60% its investments in R&D with about 200 projects and 30 product line launches, 12 of which were supported by technological innovation projects, totalling 100 new products launched in the year.





1. Market Intelligence: Understanding Consumer Desires

Final Consumers

JBS Foods constantly seeks to understand the expectations and needs of its consumers, offering them – regardless of their region, culture or lifestyle – nutritious food with quality, flavor, guaranteed food safety and convenient preparation.

To understand these expectations, the company frequently conducts surveys of current and potential consumers through:

1. Market and brand positioning surveys to understand their habits and profile and to develop products that meet their expectations for convenience and short preparation time, while offering the flavors and types they prefer.
2. Sensory studies and blind taste tests (affective tests) to identify in detail the taste preferences of different samples of consumers to support the development of production formulas that always surpass expectations.

By acquiring knowledge of consumer preferences and demands captured in the form of expressions and desires (more practical, fresher, more flavorful, etc.) the JBS Foods R&D team breaks this information down and transforms it into technical aspects that lead to product formulation and modeling.

JBS Foods serves clients around the world by developing strong relationships that seek to understand their needs and demands as well as the consumers' expectations, while adopting in its operations best practices for guaranteeing food safety and quality.

Food Service Client

With the same rigorous quality standards, the products of JBS Foods also supply the food service channel, restaurants and convenience/ bakery stores that serve final consumers.

In this segment, the Company serves major chains that are recognized worldwide for their quality, such as Outback, Applebee's, Subway and Burger King.

To supply its products, the Company offers personalized service through global account managers, adding value to their businesses by combining top quality with the best commercial conditions.

These accounts are formed by commercial teams focused on identifying clients' needs and creating the best solutions to facilitate their day-to-day activities and offering final consumers the guaranteed quality of JBS Foods.



JBS Foods participated in Apas Fair 2014, which is sponsored by the São Paulo State Supermarkets Association and is the world's largest supermarket trade fair, where it is showcased to clients from all over Brazil its main launches and quality differentials.

Retail Clients

Retailers, which offer JBS Foods products to final consumers through their points of sale, also receive dedicated attention from JBS Foods, which works to ensure every detail in its products supply.

Today the Company serves most of the country's self-service wholesale chains with qualified professionals, who are responsible for handling and restocking products on clients' shelves.

During 2014, the Company's operations involving retail clients focused on improving relations with large, mid-sized and small retailers to increase their level of trust in its offerings. These initiatives included participating in large regional fairs in cities, such as Belo Horizonte, Salvador, Fortaleza and Porto Alegre.

The Company expanded on its efforts to capture scheduling and efficiency gains in its delivery logistics, which improved product supply at points of sale and reduced waste by avoiding delivery and stocking issues, and ultimately ensured the regular supply of JBS Foods' quality products to final consumers. One of the improvements obtained was an increase in the number of orders filled on time and within the expected conditions, which resulted in more items on shelves at points of sales regularly and with variety, so consumers can always find the product they are looking for when shopping.

In December 2014, the Company conducted the internal campaign #vempropdv, in which volunteers employees from various departments visited three points of sale to evaluate product displays, interact with consumers and promote improvements in these areas. The campaign's objective is to increase engagement by all employees in the importance of consumer decision-making, which represents the end of the chain and is critical to achieving good and growing results.



2. Quality Agricultural Inputs for Animal Feed

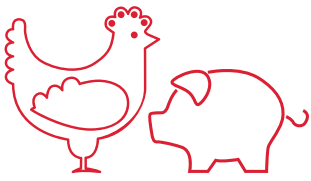
Feed formulas are developed to meet the nutritional requirements of livestock to ensure their excellent zootechnical performance, while also ensuring compliance with food safety and animal welfare standards. The choice, purchase, stocking and use of agricultural inputs for animal feed require quality ingredients that therefore comply with the Company's technical specifications, since feed made from agricultural inputs is of vital importance to guaranteeing a safe product for consumers produced within the expected timeframe.

To comply with best food safety practices, starting with the procurement of agricultural inputs, 100% of the ingredients for making feed are inspected upon delivery and all suppliers are required to observe the standards defined in the Company's processes (Technical Specifications). To ensure alignment with the standards and approve suppliers, regular visits and audits are conducted at suppliers and regular samples are taken of the raw materials (verification plans) to guarantee that the requirements of JBS Foods are met.

When sourcing feed inputs, the Company analyzes the best commercial conditions to minimize as much as possible these costs from being passed on to consumers, since they represent the biggest component of production costs and, as commodities, are subject to wide price variations based on harvests and markets. For each product specified in the quality standards of the nutrition area, the Company negotiates with various different suppliers to guarantee the best circumstances, always playing close attention to the quality standards demanded by JBS Foods.

In 2014, 205,877 inspections were conducted of agricultural inputs and other ingredients and production materials received by JBS Foods, in which it registered conformity rates of 99.48%.





3. *Best Practices of Livestock Handling*

In 2014, JBS Foods developed a project to strengthen its operations and capture quality gains in its products that involved a review of livestock handling procedures and standards, the identification of best practices, new training programs for employees and integrated producers, and the identification of opportunities for continually improving processes to achieve excellence in zootechnical performance at its own farms and at its more than 10,000 integrated poultry and pork producers.

The review involved all structures and guidelines in its agricultural operations and drew on the synergies generated by the knowledge of professionals from different crops and processes.

To ensure its operational excellence, JBS Foods also focused on structuring its research processes to ensure the accuracy of its decisions, the capture of new opportunities and the modernization of its production processes and those of its partners. This allowed it to identify the best practices for capturing efficiency gains and for guaranteeing food quality and safety, and animal welfare.

These four principles that guided the Company's activities during the year were achieved by adopting basic animal handling concepts and were regularly monitored by the JBS Foods field team.

On this front, we highlight several basic principles and strategic actions in 2014:

- Investing in select lineages that ensure healthy animal development accompanied by animal well-being and high zootechnical

performance and that can serve as the basis for high quality food products.

- Use of inputs provided 100% by the company, ranging from chicks, feed, medication and technical and veterinary assistance during the entire period in which the animals are housed.
- Focus on the five animal welfare freedoms:
 1. Freedom from fear and stress.
 2. Freedom from hunger and thirst.
 3. Freedom from discomfort.
 4. Freedom from pain and disease.
 5. Freedom to express environmental behavior.
- Providing food and water in adequate quantity and with guaranteed quality. JBS Foods has programs to monitor water and feed routines and feed ingredients based on analyses conducted at its laboratories as well as at independent laboratories of recognized capacity. All feed are balanced designed by nutritionists, which is always easily available with non-competitive distribution.
- Guarantee Animal Health in the entire process, focusing in particular on preventive actions, from cleaning and decontaminating the environments in which the animals live and ensuring a dry, well-ventilated environment with adequate temperature to guaranteeing the best transportation conditions, low stress and providing continuous care over their entire life. Use of medication, antibiotics and vaccines in accordance with veterinary guidelines, always striving to minimize their use. In 2014, the Company registered a significant

reduction in antibiotic use compared to the previous year.

- Guarantee compliance with all procedures to reduce as much as possible the risk of the animals suffering any chemical or biological contamination.
- Definition of preventive plans, establishment of more rigorous animal health targets and conduction of regular evaluations throughout the chain. This enabled the Company to achieve superior health standards through preventive actions and high quality of animal breeding environments.

All of the Company's chicken lines are developed based on best livestock handling practices and are free of hormones in accordance with Brazilian legislation.

These practices are adopted at our chicken farms and by all of the Company's integrated producers, which are guided by Internal Documents known as Technical Guidelines (OTs), lot-monitoring datasheets, pest control manuals, and forms for monitoring farm equipment maintenance, farm cleaning, and safety and emergencies.

The integrated producers receive technical assistance and training, as well as regular visits by the team of some 300 field professionals of JBS Foods, who verify whether practices are conducted in accordance with the principles required by the company. In 2014, the company conducted over 250,000 visits.

ANIMAL WELL-BEING AT HOG FARMS

Pork meat produced by JBS S.A. enjoys a diverse customer base that requests a broad range of product attributes, including ractopamine-free pork, premium pork based on meat quality produced by different types of production systems. The Company purchases its hogs from independent hog producers, in addition to entering into partnerships with integrated growers and having its own production. Amongst the various pork production systems are conventional, collective, and a combination of both. JBS looks to align product quality and production processes with customer demand. Regardless of the system employed, responsible human interaction remains the most important factor for safeguarding animal well-being. Regarding a collective gestation environment, Seara has been investing in new projects and in adaptations with the objective of increasing production through collective housing. Today, more than 40% of its supply chain is compliant with this model. In addition, new projects or expansions are built under these new standards and the company will invest to fully adequate its own hog production by 2016. Furthermore, JBS will continue to support its partners in the adaptation process to an open housing environment as required. The Company is prepared to meet specific demands from its customers and is working to adapt all processes in order to ensure quality, without inflating costs to products and to society, while maintaining feasibility of its suppliers.





Poultry

All birds are grown within a temperature controlled environment and under the best conditions for lighting and hygiene.

The process of trimming the birds' beak is not performed by JBS Foods nor its integrated growers, with the exception of laser trimming on males as to avoid females being hurt during sexual reproduction. This is currently the most modern practice in order to guarantee the animal's well-being.



Hogs

The practice of cutting or filing the piglet's teeth has been abolished by JBS Foods due to adaptations in the piglet's handling process. Only on specific situations teeth filing is still performed, under a process that generates minimal discomfort to the animals and maintains the quality and well-being of hogs and piglets.

The Company does adopt the practice of docking the hogs' tails, which is performed by specialized professionals to ensure the procedure is properly conducted. The practice aims to ensure the animal's well-being, since not docking tails can lead to cannibalism, which would be much more harmful to the animal. This procedure is recognized internationally as the best practice to guarantee production under the most modern standards of animal well-being.

In addition, the company immunocastrates its production, which is a practice that does not require surgery.

Animal Welfare Initiatives

JBS Foods believes that the best animal welfare practices are also the best practices for success in their operations. Therefore, adopts best practices and production techniques to ensure animal welfare on its own farms and at its integrated producers, with all operations based on the principles of humanitarian slaughter. This is a fundamental aspect for the company, which deals with the subject with extreme rigor from the production of chick and piglet up to the time of slaughter of the animals.

At all processing units, the Company adopts technical and religious (for specific markets) concepts to ensure that all conditions rigorously comply with the animal freedoms.



Drivers and teams responsible for transporting animals are trained in accordance with best safe transportation practices to guarantee safety on highways and animal welfare in transit. **In 2014, the Company did not register a single accident in its freight carrier fleet.**



4. *Agricultural Transportation*

JBS Foods manages agricultural transportation in accordance with best animal welfare and food quality practices to ensure that no animal is exposed to harsh conditions or injury that would reduce its production potential or compromise its welfare.

As such, all drivers and employees who load and unload trucks must undergo handling and driving training, which is based on animal welfare principles and incident prevention.

The Company's logistics planning adopts the best routes, origins and destinations to reduce as much as possible the time animals spend in transit.

Animals are transported to processing units in clean trucks with sufficient space, supported by loaders and drivers who are specially trained in animal welfare.



5. *Management of Critical Suppliers*

JBS Foods identified critical suppliers with the potential to interfere in its product quality and monitors these suppliers in accordance with its procurement policy. Some examples of these principles in various operational stages are presented below:

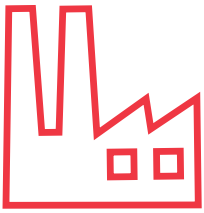
- **Packaging:** the R&D area develops technical specifications for purchasing packaging to ensure that the material's grammage, thickness, resistance and other characteristics are adequate for guaranteeing the integrity and conservation of the final product.
- **Ingredients for products:** the Company evaluates the quality specifications of the ingredients acquired from third parties, such as milk, cheese, meat, flour, etc. The main points evaluated are: adequate safety in terms of microbiological, physical, chemical and residue aspects to allow the ingredients to be used.

The Company regularly tests its ingredients to guarantee the quality and safety of its products, and requires that all of its suppliers adopt best practices.

Furthermore, to evaluate products before they are approved, routine taste tests are conducted by the Quality Guarantee team at the production plants, including evaluations of appearance, color, texture, flavor and other factors.

- **Transportation:** in addition to the agricultural transportation practices presented in item five of this chapter, the drivers and loaders who deliver products to points of sale undergo regular training on handling, stowing in trucks, hygiene and presentation to ensure product quality is maintained until its final destination at the point of sale. Learn more in item seven of this chapter.





6. Product Quality and Safety

JBS Foods also adopts initiatives to improve the efficiency and management of the routines at its plants to guarantee the highest quality in all stages. The main initiatives adopted are presented below:

Initiatives at Plants:

The quality team, based on specifications determined by the R&D team, defines detailed processes for complying with control parameters and quality characteristics throughout the entire production process, as well as training the responsible teams to observe that products always comply with the same linear and high-quality standards in large-scale production processes.

Product evaluation: in 2014, JBS Foods evaluated the projects of some 30 products considered priorities that combined represented over 70% of its production volume. Some products had their technical and sales standards redefined in a process that involved changes to raw materials, flavor, ingredients, packaging, composition and production and distribution processes.

Opportunities for product improvements were identified through blind taste tests with consumers. After the new formula was developed, these tests were conducted once again and showed improvements in perceived quality that equaled or outperformed the competitors.

Large-scale quality standard: maintaining a quality standard in large-scale operations at a number of different plants is an immense challenge and, at the same time, essential to the quality and safety of final products. For this reason, JBS Foods has developed a number of initiatives, which include:

In July 2014, JBS Foods launched the Excellence Awards, which at the end of the year measures the performance of its industrial units in two categories: means and results. The first evaluates the attendance of management checklists, while the second measures the percentage of targets achievement. The units receive awards for first, second and third place in each category, which works to encourage the pursuit of excellence at plants.

- Continuous training of production teams on the standards and procedures for each stage, including product packaging and handling until shipment.
- Annual training program on best practices for all plant employees to ensure they understand and consciously observe the requirements of the food production area, such as personal hygiene, controlled access to the plant without jewelry or makeup, proper use of uniforms, hair protection, proper hygiene of hands, boots and masks, and the correct way to handle products.
- Investments to acquire and maintain a structure that features high technologies and modern machinery and equipment.
- Sensorial monitoring at units to certify that all final products observe the established standards.

Compliance with globally recognized laws and certifications:

JBS Foods has obtained and maintains important certifications that attest to the reliability of its controls and results:

- **Global Gap** – agricultural certification based on specific standards for minimizing the negative environmental impacts of agricultural operations, reducing the use of chemical inputs and assuring the responsible handling of issues involving occupational health and safety, including animal health.
- **British Retail Consortium (BRC)** – certification for processing plants that seeks to guarantee continuous improvement in food safety management systems, efficiency in production costs and transparency in legal compliance and food safety.
- **Swiss Law** – legislation issued by Switzerland to guarantee food safety and traceability throughout all the agricultural chain and waste management.
- **Compound Feed Manufacturing (CFM)** – certification of the feed production chain that standardizes producers of food components to guarantee product safety.
- **Sedex Members Ethical Trade Audits (SMETA)** – program to encourage audit processes for ethical consumerism, seeking to support the management of data on labor practices in the supply chain.
- **ISO 17.025** - certification of general requirements for Testing and Calibration Laboratories.
- Client-specific certifications, with a total of 65 certifications that include the **British Retail Consortium (BRC), GlobalGAP, McDonald's, YUM!, KFC, Compound Feed Manufacturing (CFM), TESCO, Animal Welfare, Social Workplace Accountability (SWA)**.
- **ISO 14.001** – certification created to help companies identify, prioritize and manage their environmental risks as a part of their routine operations.

The Institute of Metrology, Quality and Technology (Inmetro) certified four food laboratories of JBS Foods according to ABNT NBR ISO 17025, attesting to their competence in laboratory testing. The certification generates greater confidence by attesting the Company's compliance with best global standards and it was achieved by its strong focus on quality management, especially technical competencies.

Five laboratories at JBS Foods currently hold this certification and two more are scheduled for audits in 2015.

In 2014, 1.3 million tests were conducted.



7. Distribution at Points of Sale



To complete the quality cycle and deliver it to final consumers, the efficiency and management improvement initiatives of JBS Foods go from its plants to its distribution centers and points of sale, through its quality assurance process:

Initiatives in Distribution and at Points of Sale

- Renewal of the truck fleet and standardization of their visual identity and internal structure.
- Standardization of distributors, training of drivers and monitoring of delivery routes to assure best practices.
- Redefinition of networks, routes and distribution centers which increased efficiency and improved product quality, in addition to the better shelf life control, shipping to the points of sale products with longer expiration dates. Learn more about this project in the chapter Ecoefficiency in processes.
- Training of logistics operations in defensive driving to prevent highway accidents during cargo transportation.

JBS Foods adopted an on board computer for real-time vehicle monitoring, delivery status and truck temperature check, effectively controlling the cold chain online. The technology facilitates the resolution of potential problems, reduces product returns, improves safety and generates reports with strategic information on logistics operations.

In 2014, through an R&D Project, JBS Foods reformulated its product packaging and the pallet organization model in its logistics operations, which generated important results in terms of reducing the consumption of wood-based materials.





8. Customer and Consumer Satisfaction Evaluation

The quality improvement cycle is ongoing and conducted through evaluations of the level of client and consumer satisfaction with the products offered, leading a process of continuous improvement.

The results in 2014 attest to the success of the efforts presented in this chapter, which led to improvements in quality, consumer acceptance and satisfaction, and market share gains. In the period, JBS Foods organized a survey that was conducted by Instituto Mullward Brown which monitored brand evolution in the chilled, cold cuts and sausages, ready-to-eat meals, hamburger, coated product and chicken products.

The survey's results showed that Seara tripled its preference among consumers in the second half of the year, with practically all of the brand's performance indicators registering improvement, with the following results:

- **Second place in top of mind;**
- **Indicators show that 90% of consumers consider Seara at time of purchase;**
- **Seara is considered the brand of the modern woman.**

In addition, affective taste tests in laboratories conducted by the R&D team showed that the products of JBS Foods registered performance and acceptance equal to or greater than that of its main competitors.





STAKEHOLDER RELATIONS



"Quality that surprises"

Pillars of the JBS Culture

The culture of the JBS Group guides the daily activities of those responsible for sustaining its growth and quality in all aspects.

A combination of attitudes and behaviors has led JBS Foods and the JBS Group, of which it is a part, to become global companies and references in their industries. Today they are recognized for the priority they place on best practices and the highest principles of conduct to face the constant challenges, while generating value for all of its stakeholders, and the personal and professional development of its employees and local communities.

JBS Culture

OUR MISSION

To be the best in all that we do, completely focused on our business, to ensuring the best products and services to our customers, a relationship of trust with our suppliers, profitability for our shareholders and the opportunity of a better future for all of our team members.

OUR BELIEFS

- Focus on details
- A hands-on approach
- Success is only achieved through hard work
- The right person in the right place
- Passion for what we do
- Actions and behavior are more important than knowledge
- A leader must win over their team members
- Lead by example
- Focus on results
- Working with people who are better than us
- Believing makes a difference
- Quality products

OUR VALUES

→ Determination

Relentless, delivers superior results and honors commitments. Makes things happen, seeks alternatives to problems and engages people to achieve a common goal. Has a sense of urgency, an ownership attitude and never gives up.

→ Simplicity

Makes things happen in a simple and practical way, hands-on, gets right to the point, simplifies and avoids bureaucracy.

→ Availability

Receptive, open, available, ready every day and every hour and always prepared. Open to new ideas and to change, motivated to take on new challenges.

→ Humility

Listens, helpful, thoughtful, considers the opinions of others, recognizes that no matter who did it – it is a team accomplishment. Not embarrassed to ask questions or say “I don’t know.” Not arrogant or conceited. Acts with respect. Does not worry about status and does not think that they know everything. Prioritizes “we” over “I.”

→ Sincerity

Direct, sincere, truthful, transparent, always respectful, has a positive attitude, builds valuable relationships and welcomes people. True to themselves, expresses an opinion even when contrary to the views of others. Knows how to say no.

→ Discipline

Honors deals, punctual and fulfills commitments. Performs tasks in a disciplined manner. Focused, pragmatic, and optimizes time, activities and resources. Delivers results and does not create justifications or make excuses.

→ Ownership Attitude

Committed to results, has a deep understanding of the details and sees the big picture. Acts with determination, discipline and focuses on details. Hands-on, always seeks to be the best in what they do and never gives up. Always available and sets an example. Takes responsibility, does not accept when something does not work well and has a passion to improve what is not correct. Attentive to costs and details and engaged in the organization’s culture.

In 2014,

JBS Foods held two events that engaged more than 1,600 leaders in the goal of strengthening and promoting the practical experience of the organizational culture. The leaders who participated in the meetings play a fundamental role in disseminating the main values of our culture among all employees, many of whom come from companies acquired by the Group.

The meetings were organized by the JBS Group, the parent company of JBS Foods, who took the companies' leaders to a talk show with key executives, who participated together in group dynamics and exercises to promote reflection on the JBS culture.

ETHICS

The Manual of Ethical Conduct of JBS Foods presents attitudes aligned with the principles of JBS Foods representatives must follow in their relations with stakeholders, describing values and principles and the basic rules and guidelines, always guided by ethical conduct.



Our People

The history of JBS Foods has been marked by the strength of the people constructing its operational efficiency, quality and results, which were achieved in a transformation scenario. In recent years, the Company has accelerated its growth through acquisitions of companies in the industry and, to attain the high level of performance that it expects from its business, it identified best practices through an exchange of experience among its professionals, who brought their knowledge of different cultures and experiences and considerable qualifications.

Today, JBS Foods is formed by more than 61,000 professionals who, in keeping with the Company's culture, offer the quality to surprise all of its stakeholders: clients, consumers, suppliers, partners, shareholders, government agencies and others.

The guidelines of the Company's people management, which are observed in all work routines, the main initiatives implemented and the indicators for 2014, are presented on the following pages.

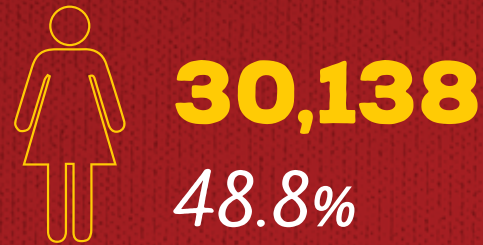
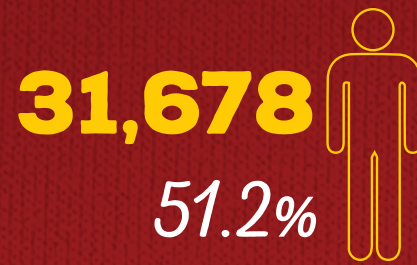
In 2014, as part of an intensive effort to disseminate the Group's culture, JBS Foods worked to develop its people management structure, especially through the leaders of each business area. For this, it created a working group and plan that was developed by various departments and concluded, already in 2014, the logistics area. The project analyzed the levels of hierarchy of JBS Foods seeking to balance teams and strengthen the relationships with their leaders. Next year, the project will continue in other areas, including also the changes in its work force due to the recent acquisitions.

WORKFORCE PROFILE

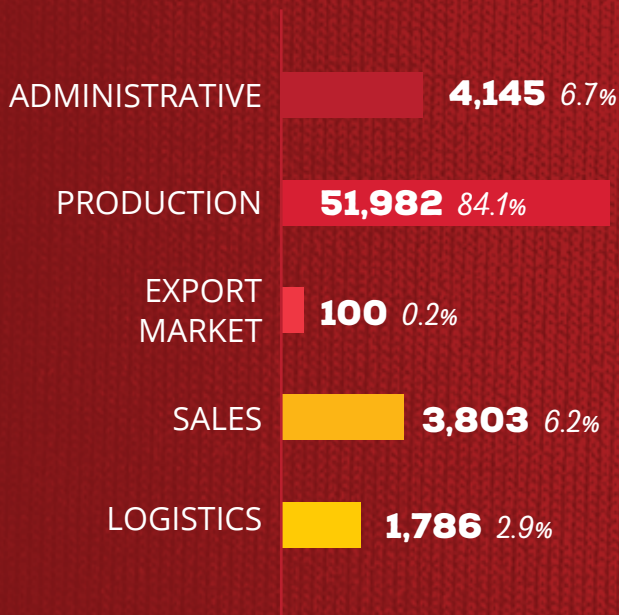
At the end of 2014, the workforce of JBS Foods was formed by 61,816 professionals, which registered a turnover rate of 26.9% in the year, due to the post-acquisition adjustments made to consolidate the company's structure. Average absenteeism in the year was 5.5%.

The profile of the Company's workforce in the year is presented below.

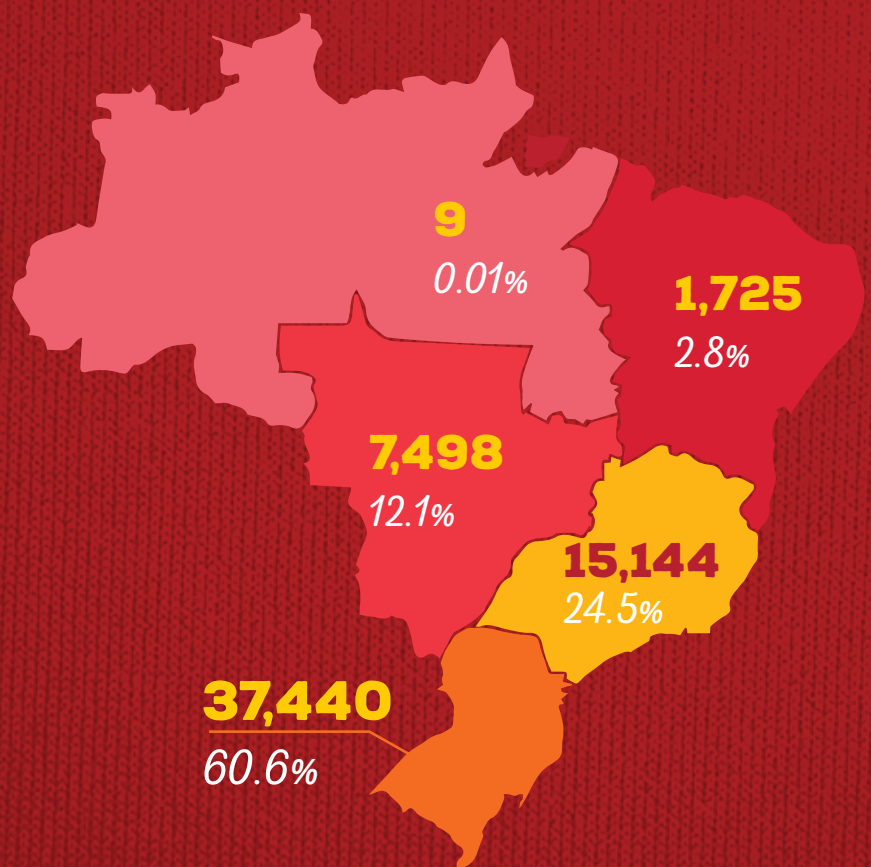
EMPLOYEES BY GENDER



EMPLOYEES BY AREA



EMPLOYEES BY REGION



Professional Development

Coffee with Culture: To maintain a continuous dialogue about JBS Foods culture and the opportunities for professional development, since 2013, employees located at its headquarters can participate in "Coffee with Culture." The program consists of monthly meetings with a special guest, from inside or outside of the Company, to talk about current topics of relevance to personal and professional development, such as opportunities for career advancement, leadership challenges, collaborative attitudes and more. In 2014, "Coffee with Culture" offered a total of 1,080 hours of meetings in which 1,071 employees participated.

Internal Talent Program: This program is yet another opportunity for employee development. At the end of 2014, the Company began recruiting internal talent for the program, which will be developed in 2015 aiming at prepare JBS Group employees who aspire to assume leadership positions as production supervisors. The program focuses on developing leaders who have an excellent understanding of the business and uphold the organizational culture.

Education and Training Programs: JBS Foods developed the following training programs during the year, which focused on fostering the development of both existing and future employees.

JBS Foods Internship Program:

The program seeks to contribute to the Company's growth and professionalization by developing young talent who are aligned with and uphold the JBS culture and the business. The students carry out a project in their business area during the 18-month internship, and for it they participate in training programs on PDCA, Project Management and other topics. The interns also are supported by their manager, mentor and Human and Resources Area. Through this initiative, the Company hopes that, once they complete the program and deliver their projects, these young interns can become company employees.

Training Programs for Leadership at Units:

To prepare its leadership, the units offer training programs on the methodology for selecting competencies to improve managers' accuracy when choosing candidates. By adopting technical and organizational competencies, managers can structure more effective behavioral interviews, which help them to better choose future employees.

Competency-based Management:

Through interviews with managers, supervisors, salespersons and promoters, the Human and Resources area mapped the competencies of critical importance to the Sales and Merchandising area. The results will ensure that, in the future, the Company will be capable of preparing the team in terms of its technical and behavioral needs, thereby leveraging the commercial area's performance and productivity.

JBS Foods achieved its goal of developing 100 new supervisors in 2014, which are leaders of particular importance for capturing gains in efficiency and people management. To support this effort, the Company developed the Internal Talent program, which recruited supervisors from the market and created the External Talent program, which will train university graduates hired from local communities to supervise plant operations.



Occupational Health and Safety

JBS Foods has occupational health and safety as top priority that supports its operations. To ensure a safe and healthy workplace for all of its employees, it manages health and safety at all units by adopting preventative guidelines, well-defined roles at all hierarchical levels and health and safety indicators, which are audited, linked to improvement targets and monitored to enable the development of initiatives to foster best practices.

The structure that supports occupational health and safety management is described below:

Health and Safety Self-Management Program

Program responsible for standardizing health and safety processes and procedures at all units.

Safety Committee

Structured body within the corporate structure that analyzes health and safety indicators and the proposals for improvement suggested by employees at the meetings of the Internal Accident Prevention Commission (CIPA).

Internal Accident Prevention Commission (CIPA)

This body is formed by 145 employees, who collectively are responsible for representing 100% of the Company's employees at all production units.

All management is guided by the Occupational Health and Safety Policy

In February, the company held Occupational Health Week, in which it offered lectures, games centered on the topic "Learn to Prevent" and inspections of sectors to raise awareness among plant employees regarding the importance of a healthy workplace.

In September, JBS Foods organized at all units the Workplace Accident Prevention Week (SIPAT), which seeks to address health and safety practices in employees' day-to-day routines through lectures, demonstrations, presentations at booths and group and recreational activities.

SAFETY POLICY

The JBS Group's challenge is to be recognized as a leader in its business segment by operating responsibly and ensuring the safety and health of its employees, an effort that is based on the following principles:

- Motivate, raise awareness, develop, train and qualify employees, making them capable and responsible for the performance of their activities.
- Seek continuous improvement in processes, machines and equipment, promoting control actions to eliminate or minimize the occurrence of incidents, guided by the goal of improving the quality of life and the occupational health and safety of all employees and stakeholders.
- Ensure compliance with all legal requirements and any other requirements applicable to the occupational health and safety of its employees.

HEALTH AND SAFETY

| Injury | Gender | | | Region | | | | | |
|-----------------------------------|--------|--------|--------|--------|-----------|---------|-----------|--------|--------|
| | Men | Women | TOTAL | North | Northeast | Midwest | Southeast | South | TOTAL |
| Lost-time injuries | 441 | 340 | 781 | 0 | 3 | 21 | 221 | 536 | 781 |
| Recordable injuries | 404 | 217 | 621 | 0 | 10 | 130 | 106 | 375 | 621 |
| Total number of accidents | 845 | 557 | 1,402 | 0 | 13 | 151 | 327 | 911 | 1,402 |
| Injury Frequency Rate | | | | | | | | | |
| Lost-time injury frequency rate* | 3.45 | 2.66 | 6.12 | 0.00 | 0.76 | 1.35 | 8.72 | 7.07 | 6.12 |
| Recordable injury frequency rate* | 3.16 | 1.70 | 4.86 | 0.00 | 2.53 | 8.37 | 4.18 | 4.94 | 4.86 |
| Days lost (Severity Rate) | | | | | | | | | |
| Days lost due to accidents | 20,206 | 14,545 | 34,751 | 0 | 133 | 865 | 14,124 | 19,629 | 34,751 |
| Days lost rate | 158 | 114 | 272 | 0 | 34 | 56 | 557 | 259 | 272 |
| Fatalities | | | | | | | | | |
| Typical accidents: | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 1 |
| Accidents in commute: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total number of fatalities: | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 1 |

* Injury rate includes fatalities.

The observance of both corporate policies and management principles are monitored by a hierarchy of well-defined responsibilities. The industrial units are supported by technical coordinators, who monitor, audit, orient and standardize good health and safety practices. For this, they interact directly with the unit's industrial manager, who in turn receives performance targets linked to the health and safety indicators.

Performance

In 2014, the Company held 29 meetings of the Internal Accident Prevention Commission (CIPA), in which 145 employees are responsible for representing 100% of the Company's employees. Furthermore, through 51 collective bargaining agreements, which correspond to 74% of such agreements signed by the Company, aspects related to occupational health and safety are incorporated into the Company's activities.

In 2014, the Company conducted more than 143,000 hours of health and safety training.

Consumer Relations

To continue satisfying its consumers, JBS Foods must maintain close and constant contact with this stakeholder to identify the needs for change in its daily activities. With this objective, the company conducts a number of actions aiming at:

In 2014, JBS Foods was also rated "Excellent" by the reputational measurement website Reclame Aqui, with 100% of all complaints resolved quickly and attentively. As such, it was selected one of the six best companies in the food industry in the "Perishable, Frozen and Dairy" category and was invited to participate in the Reclame Aqui Época Awards – Best Companies for Consumers in 2014.

UNDERSTANDING CONSUMER NEEDS:

- Conducting surveys of consumer habits and behaviors to serve them better at the points of sale.
- Conducting blind tasting product tests in relation to other brands as to identify consumer preferences and surprise them with ever-higher quality.

SURPRISE AND DRIVE OUR PRODUCT EXPERIENCE:

- More than 100 new products were launched in 2014, considering extensions and innovation.
- Advertising campaigns, merchandising actions on TV programs and special actions in magazines.
- Creation of the world's first Social Food Truck, which, in September 2014, which has been taking Seara's flavor to the streets of São Paulo.
- Special campaigns on TV, social media and via other channels to expose customers to the new developments of JBS Foods' brands.



Learn more about these campaigns at:

<http://www.seara.com.br/seara/campanhas/>



In addition to efforts aiming to ensure product quality and safety, JBS Foods maintains a close and open relationship with its consumers.

Thus, it is able to offer products that facilitate each target market's daily routine by combining quality food with convenience and, in doing so, pleasantly surprising consumers and making effective its mission of: "To be the best in all that we set out to do"

Among the initiatives conducted by JBS Foods to improve its relationship with current and potential consumers in 2014 was the launch of the world's first Social Food Truck.

Since last September, the truck has been travelling the streets of São Paulo offering consumers an exclusive menu of Seara products in return for comments and sharing of their experiences on

social media. People that visit the Social Food Truck may also include testimonials of their perceptions of the dishes and their overall experience.

As of December 2014, more than 20,000 people had participated and recorded their experience, with the initiative registering nearly 4 million digital interactions with the public via YouTube, Facebook, the food truck itself and the hashtag.

Reaching a value of US\$287 million, Seara was one of the brands that most appreciated in value during 2014, rising 13 positions in the ranking of the strongest and most valuable brands in Brazil as published by BrandAnalytics, in partnership with the magazine "Dinheiro" and the British group WPP.

Go to www.searafoodtruck.com.br to check out the updated route of the Social Food Truck.

2014 Marketing Campaign



GAINING
**CONSUMER
PREFERENCE**



INCREASING
**BRAND
PRESENCE**



FOCUS ON
**INNOVATION
PRODUCTS**



FOCUS ON THE
MODERN WOMAN

In 2014, JBS Foods selected Fátima Bernardes, a celebrity of high credibility, recognition and empathy amongst Brazilians to serve as the spokeswoman for the Seara brand, expanding the communication channel with the brand's target market: the modern woman. The result: Seara was one of the brands with the highest rates of recall by consumers within TV campaigns, based on the Brand Recall on TV Survey conducted by Datafolha in December 2014.

Campaigns focused on winning consumer preference and loyalty.

Strategy focused on select brands and superior quality products.

EXAMPLES OF THE QUALITY IMPROVEMENTS AND INNOVATIONS THAT JBS FOODS OFFERED CONSUMERS IN 2014



Social Development

The value chain created by the food production industry benefits a large number of people by creating direct and indirect jobs (e.g., producers and suppliers in general).

JBS Foods operates in more than 60 cities throughout Brazil, generating value through tax collection, which are reverted to the benefit of the general public and through more than 61,000 direct jobs. It also maintains relationships with a chain of suppliers formed by companies of different sizes that are involved in activities ranging from raising animals and managing logistics operations to supplying various materials, such as agricultural inputs for animal feed and paper for product packaging.

Considering only grain suppliers, in 2014, the Company consumed a total of 4.9 million tons, including corn (69.3%), soybean (2.5%), sorghum (2.2%) and soy meal (26.0%).

Social Projects

In addition to the factors that drive economic development created by its operations, the Company also carries out various initiatives and programs to foster social development, which are presented on the following pages:



Germinare Institute:

The product of a social initiative by JBS, the Germinare Institute was created in 2009 with the mission of preparing leaders for the future. In 2010, the institute inaugurated the Germinare School, which, with approval from the Ministry of Education (MEC), began offering education (middle and high school) at no cost to youngsters in São Paulo.

In 2012, J&F Investimentos, the parent company of JBS S.A., began directly managing the Germinare Institute, which assured it greater independence and a strong focus on its own guidelines, expansion plans and governance practices, but always with the financial backing of JBS S.A. In 2014, the Company invested R\$7.9 million in the institute, which represents more than 80% of its funding.

Also in 2014, the institute launched a partnership with the companies Flora, a cosmetics and cleaning company controlled by J&F Investimentos, and Symrise, a German multinational fragrance maker. The goal is to structure a project that will allow students to put the management knowledge acquired at the institute into practice in order to develop men's and women's fragrances, under the brand Phytoderm, targeting young consumers.

Eighteen students were selected to develop a fragrance, its packaging and the project's entire marketing proposition and communication. Under the marketing mentoring of Flora, upon the project's completion two women's and two men's fragrances were selected for a research study conducted amongst Germinare's students, who, given their age, were part of the project's target market. The product will be launched in the second half of 2015.

During the year, the institute also began a pilot internship program at JBS for students over 16 years of age. As of July, after undergoing selection led by the company's Human Resources area, 15 students began internships in different departments.

The Germinare School works to prepare business leaders by developing leadership competencies and skills with a strong focus on innovation, ethical conduct, systemic vision and results orientation. In 2014, 462 students attended classes and received educational materials and three meals per day, essentially receiving the structure required for ensuring their access to a quality education. The school also gives students an opportunity to join the program "Germinating Talent" and become an intern at the Company



WHAT YOU EXPECT ABOUT THE FUTURE?

New year, new goals. Germinare launched the challenge to find out what its young people think about the future.



"Reflecting on my impression about the future, I think Brazil will be a much more developed country, including in education, because day by day there is new projects forming and new ideas being built. I know that when I grow up I will be a very important person in contributing to this development, a decisive factor that will help me is the manager instruction and training that I have at the Institute where I study. I want to return the mark that Germinare left on me by leaving my own to the next generations future."

Carolina Romio Tassinari – 12 years old



"The future is a reflection of the actions realized today, now, in our present. I'm sure that the Germinare Institute will develop and direct me to take always the best decisions to my future, so I can fulfill all my dreams and contribute to the society as a whole. My vision about the future is to think about the common good and for that I would like to create an electric cars manufacturer to reduce the emission of carbon dioxide in the atmosphere and thus build a better world".

Luis Fernando Oliveira de Macedo – 11 years old



" My belief is that we have great chances to develop ourselves, because what is missing is people seeking for transformation with values such as commitment and determination. In Germinare, we learn to be successful professionals, proactive, to never give up, obstinated, responsible, with sense of urgency and committed to pursue results and achieve our goals. Our generation is the development generation, which wants changes for a better world and this transformation begins at Germinare".

Larissa Cunha – 15 years old



Special Chefs

This project was created through a partnership between JBS and Instituto Chefs Especiais (Special Chefs Institute), which offers culinary courses for persons with Down Syndrome. The courses work to support the motor and psychological development of these youngsters by developing their relationship skills, abilities and social inclusion, while providing them with a job opportunity. The program has a list of renowned chefs who volunteer to teach the courses. In March of 2014, on International Down Syndrome Day, JBS Foods, through its brand Seara, sponsored a workshop organized by the Special Chef Institute and administered by two of the institute's former students.

Donation Collects at Units

In 2014, JBS Foods conducted a winter clothing donation drive, which collected 34,982 items of clothing, as well as a toy donation drive, which collected 2,651 items.







ECO-EFFICIENCY IN PROCESSES



"Quality that surprises"

To guarantee the efficiency of its operating processes with regard to respect for the environment and consequently, minimize environmental impacts and regulatory and environmental risks, the Company structures its environmental management based on the principles intrinsic to its business:

Respect for the environment

Legal compliance

Continuous improvement in operational efficiencies

Prevention of pollution

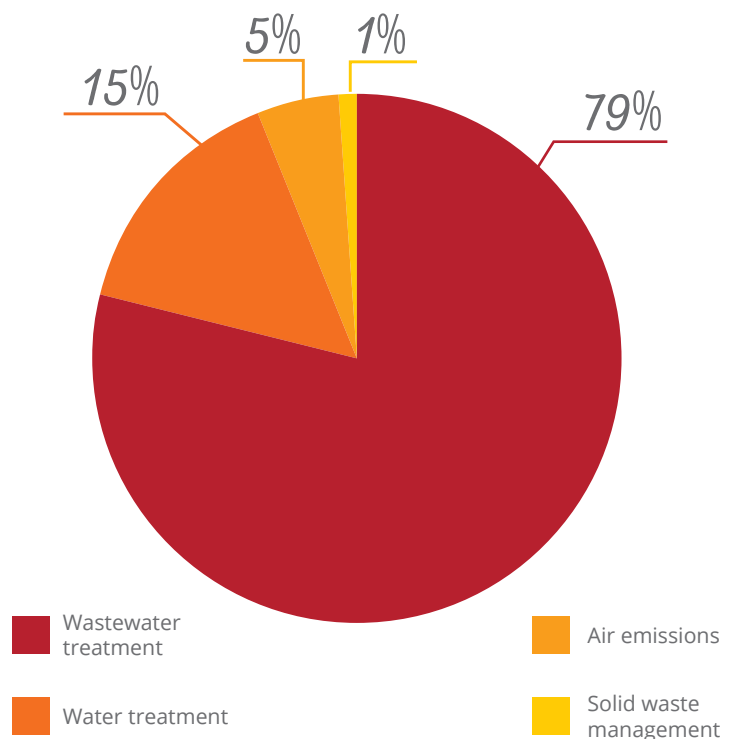
Optimized use of natural resources

The Company's compliance with these principles in its day-to-day activities is guided by the Corporate Environmental Guide, which provides the standards and best practices to be adopted, as well as the environmental monitoring and control points to be implemented to ensure uniformity in actions and routines across all production plants. The guide also establishes the Environmental Policy of JBS Foods. The company has a corporate team dedicated to environmental policy that is led by trained professionals, including environmental analysts at all production units to guarantee the dedicated monitoring of environmental aspects.

The Company adopts efficiency targets that are periodically monitored by its managers, drafts an annual environmental investment plan and manages the supply chain of its main inputs, such as birds, hogs and grains.

Under this scenario, the environmental projects conducted by JBS Foods in 2014 received investments of approximately R\$15 million, which were allocated to environmental improvements in its industrial processes in relevant operational categories:

Investment in environmental improvement by category:



These investments focused on key critical aspects of the Company's operations, which were the target of various innovative projects to increase eco-efficiency, i.e., reducing the consumption of natural resources and mitigating the impacts of waste disposal on current and future generations.

The Company's information technology system manages the various environmental and sustainability indicators at production units, which include water consumption, wastewater generation and analysis, energy consumption, steam generation, solid waste generation, transportation, and refrigerant gases and production data.. Data is inputted into the system by environmental analysts at each unit on a regular basis. This allows the company to track the performance of plants and monitor targets for reducing consumption and minimizing the generation of solid, liquid and gaseous waste in support of strategic efforts to prevent and reduce environmental impacts.

The Company's main eco-efficiency projects and performance results for 2014 are described below.



Management of Water Resources

WATER

JBS Foods systematically evaluates its water use at all industrial units with a goal of reducing consumption and capturing opportunities for reuse. This allows the Company to identify opportunities for improvement. The Company also invests in equipment and automation solutions to improve the efficiency of its water use and reduce waste at points of consumption.

One example is the Frederico Westphalen (RS) unit, which is working towards creating a closed water cycle that will enable it to reuse nearly 70% of the water it consumes. In addition to Frederico Westphalen, other units also practice reuse, such as those in Ipumirim (SC), Seara (SC), Três Passos (RS), Nuporanga (SP), Itapiranga (SC) and Caxias do Sul (RS).

All of the units of JBS Foods have individual water efficiency targets to ensure better performance in the use of this precious resource. All of these targets are adjusted to further reduce consumption and impacts.

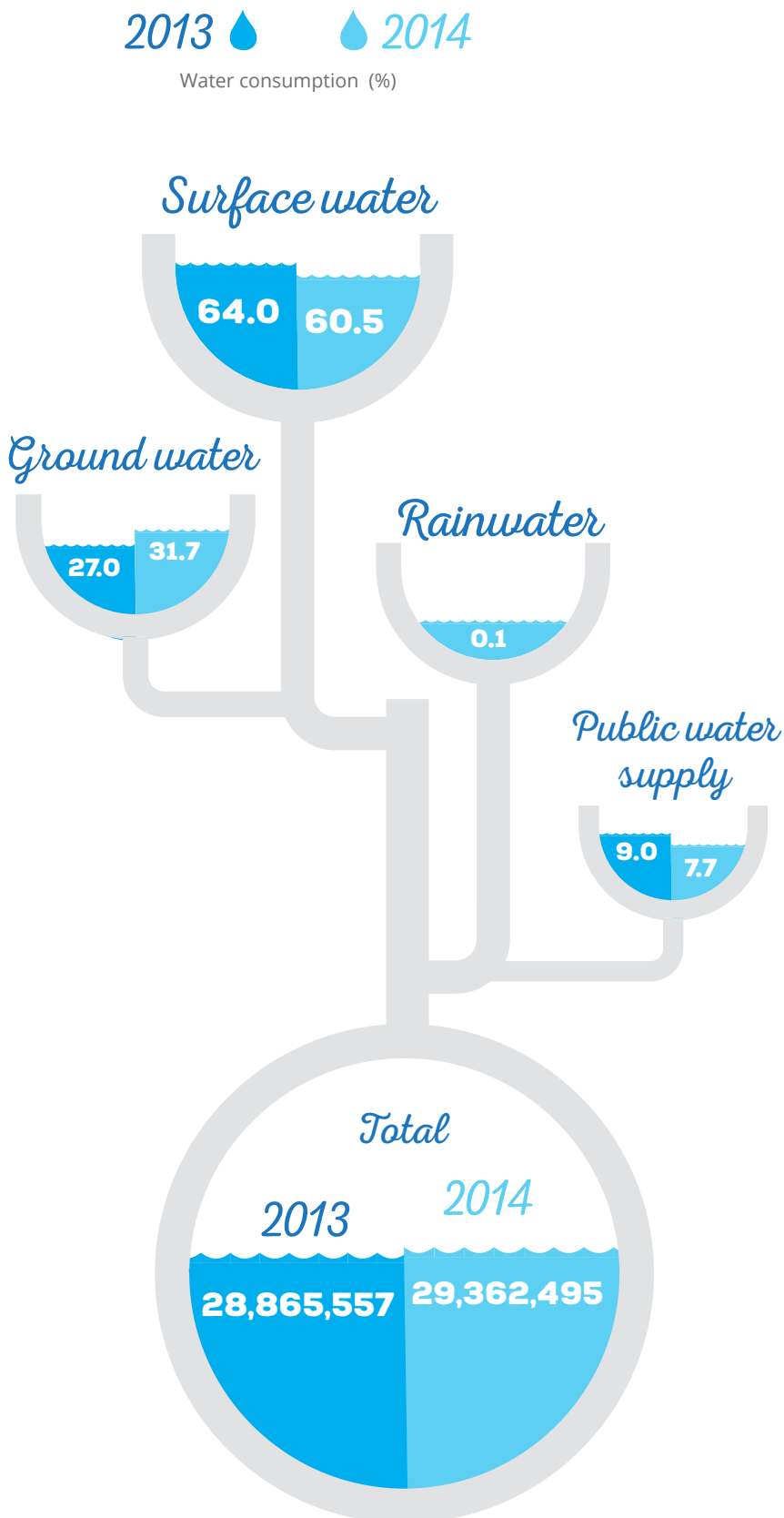
All water consumed by its operations is treated and constantly evaluated to monitor the effectiveness of treatment and final quality.



In 2014, JBS Foods developed a project at its Jaguariúna unit that enabled a reduction of 4,000 m³ per month in the consumption of water for hot dog cooling by altering the production process, resulting in the capture of efficiency gains and the recycling of water. The project was recognized as the best environmental project of the year by the Mayor of Jaguariúna.

Performance

In 2014, JBS Foods consumed 29,362,495 cubic meters of water in its production processes that was drawn from the following sources:



Performance Analysis:

Despite the growth in absolute consumption, as shown in the picture, the Company reduced the relative water consumption of its operations in the period, mainly because in 2013 we did not account for the consumption at six units that we included in our consumption data in 2014. Consumption at these units in 2014 amounted to 1,954,049 cubic meters, which corresponds to 4% of total consumption for the year. If we add the proportional consumption of this 4% to consumption in 2013, total water withdrawal in 2013 would exceed the total volume in 2014.

Another important factor is that the Company registered an increase in production over the previous year, resulting in an absolute reduction in consumption. Therefore, given all the efforts dedicated to efficiency, relative water consumption in the year, **in terms of cubic meter per ton of finished product, decreased by 21.6% from 2013.**

JBS Foods' water consumption management focuses on increasing the amount of water reused in its processes or in its cleaning of yards and floors. In 2014, the Company **reused 432,444 cubic meters of water**, which is enough to fill 173 Olympic swimming pools.

Wastewater

The Company treats the wastewater generated by its operations to mitigate the risk of environmental impacts and create opportunities for generating energy from its industrial waste, which further increases efficiencies.

All water used in industrial processes is sent to a wastewater treatment station, where it is treated using specific systems to break down the organic material to ensure that the water discharged into the rivers complies with regulations, and sometimes it even exceeds the quality of the river water. The water treatment stations are subject to rigorous and continuous operational and process controls that guarantee final wastewater with low organic levels free of solid waste, odor and foam, in accordance with regulations.

To monitor compliance, the Company has invested in professional training, modernized internal operating manuals for the wastewater treatment station and implemented specific procedures for operational tests and controls.

Demonstrating the importance attributed to this aspect of the operation, in 2014, 79% of environmental investments were allocated to wastewater management.

Performance

In 2014, JBS Foods discharged 26,410,440 cubic meters of water to the following destinations:

| By destination (%) | Water body | Infiltration (soil) | Fertigation | Public network | Other sources | Volume of water discharged (m ³ /year) |
|--------------------|------------|---------------------|-------------|----------------|---------------|---|
| 2013 | 91.0 | 0.1 | 2 | 6 | 0.9 | 25,407,802 |
| 2014 | 92.8 | 0.1 | 0.2 | 0.1 | 6.8 | 26,410,440 |

Performance Analysis:

Although the absolute volume of water discharged was higher than last year, as the above table shows, the Company posted a relative reduction in discharge volume because 2013 did not account for the wastewater generated at 16 units that were considered in 2014. Wastewater volume at these units in 2014 amounted to 1,728,786 cubic meters, which corresponds to 4% of the volume generated in the year. If we add the proportional generation of this 4% to the generation in 2013, total wastewater generation in 2013 would exceed the total volume generated in 2014.



Wastewater treatment station at Frederico Westphalen (RS) unit

Solid Waste Management

The Company's solid waste management efforts strive to reduce the amount of solid waste generated and sent to landfills (in turn increasing their useful life) by seeking environmentally friendly destinations and expanding the possibilities for reuse. To accomplish this, the Company adopts initiatives to properly separate post-industrial waste to increase the amount of waste sent for reuse, such as recycling and composting, and develops internal projects for the reused waste as raw materials in other operations and industrial sectors. Its suppliers in the solid waste chain are constantly evaluated to verify environmental compliance.

National Solid Waste Policy

JBS Foods dedicates a considerable amount of effort to comply with the requirements of the National Solid Waste Policy through initiatives such as adopting measures to contribute to the reverse logistics of post-consumer packaging, increasing recycling and reducing the volume of solid waste sent to landfills.

On this front, the Company also signed the National Sectorial Agreement, which is managed by Cempre, Corporate Recycling Commitment, in which hundreds of consumer goods manufacturers participate. Drawing on this experience, the Company prepared an action plan that, in partnership with JBS Ambiental of the JBS Group, will be fully implemented by the end of 2015. The project works provides guidance consumers on how to properly dispose of packaging and encourages recycling cooperatives and associations, which collect and separate the waste and give it a proper destination. These efforts help to professionalize recycling management and the overall effectiveness of the recycling chain. The company also works to ensure compliance with state agreements, such as in Paraná and São Paulo States.

To reduce the generation of post-consumer waste and the amount of waste sent to landfills, the Company adopts other measures, including capturing efficiency gains in the use of natural resources in its primary, secondary and tertiary packaging. Some examples of projects that demonstrate these gains are highlighted below.

REORGANIZATION OF PRIMARY FREIGHT FOR LOGISTICS

Optimizing truck space, allowing for the transportation of more volume with the same amount of space.

REDUCTIONS OBTAINED IN THE YEAR



34,000 pallets handled

1,217 trucks used in transportation



1,429 tons of wood

10.2 tons of plastic film



Total amount of wood not used by the company

equals the weight of 159 elephants

PRODUCT PACKAGING REFORMULATION

Thickness recasting of 2 types of cover, one type of secondary packaging bottom, as well as an optimization in packing the sausage primary package.

REDUCTIONS OBTAINED IN THE YEAR



1.46 million m² of paperboard or 688 tons of paperboard



17.2 tons of plastic

Total amount of paperboard and plastic not used by the Company equals

the area of 190 soccer fields or the weight of about 290,000 PET bottles

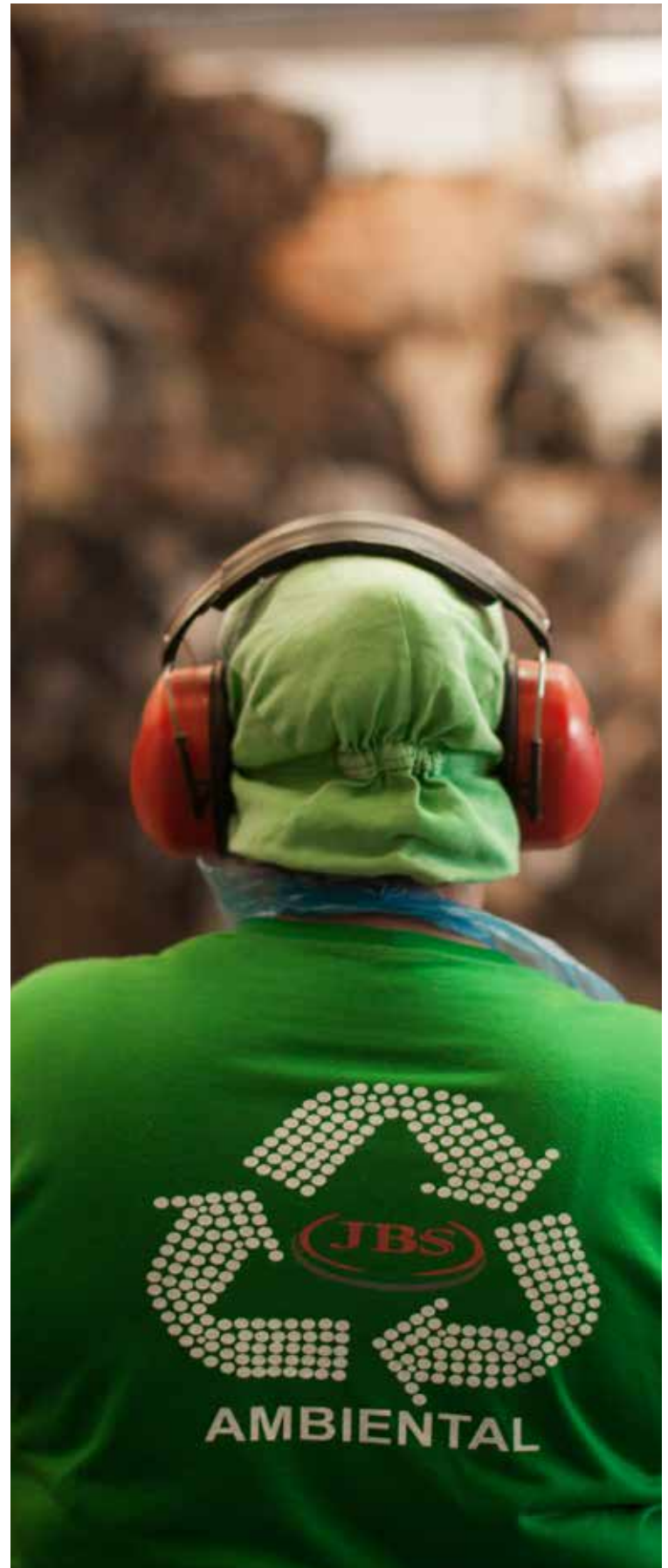
Sources used: pet bottle Weight: <http://meumundosustentavel.com/eco-glossario/reciclagem-de-garrafas-pet/>

JBS Foods also seeks to use recyclable raw materials to make its packaging and to determine proper destinations for its solid waste, such as paperboard packaging.

To reduce the amount of waste sent to landfills by optimizing its use of materials, the JBS Group created JBS Ambiental, the company responsible for managing solid waste generated by its operations and recycling.

With nine operational units and 184 team members, JBS Ambiental manages and guarantees the proper disposal of approximately 20,000 tons of approximately 100 different types of waste, most of which are recyclable, such as paper/paperboard, plastic and metals.

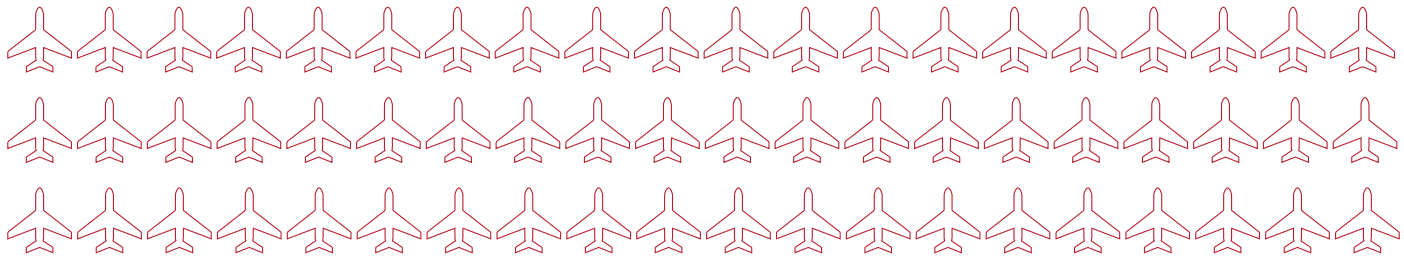
In 2014, JBS Ambiental invested approximately R\$2.1 million and inaugurated a new category of plastics packaging to promote the recycling of 5,800 tons of plastics. The first products produced by the unit include trash bags, plastic bags for hygiene and cleaning and transparent rolls for lining refrigerated trucks for meat transportation that are made from recycled materials generated by JBS for use in its own operations.



JBS Ambiental figured in the 2014 Brazil Benchmark Ranking, a program that certifies sustainability actions and elects the best companies to include in the Digital Database of Best Environmental Practices. The evaluation was conducted by 15 specialists from six countries, which considered the solid waste management solutions of JBS Ambiental as references. Learn more about the work of JBS Ambiental at: www.jbsambiental.com.br/

JBS Ambiental

*Manages 100 types of waste
and 25,000 tons annually.*



Weight of 60 fully loaded Boeing 747-8 air freighters.

Recycling of 5,800 tons of plastics in 2014,

which avoided the extraction of 58,000 liters of oil, or the global average consumption of 30,000 people in one day.



Sources:

Boeing 747-8 capacity: http://pt.wikipedia.org/wiki/Boeing_747

Correlation between Oil and Plastic: <http://www.mma.gov.br/informma/item/8521-como-e-porqu%C3%AA-separar-o-lixo>

World Daily Consumption of Oil: http://planetasustentavel.abril.com.br/noticia/ambiente/conteudo_415833.shtml



Plastic resin produced by JBS Ambiental

Animal Waste Management

In addition to managing post-industrial and post-consumer waste, the Company reuses the waste generated during its processes to reduce the amount of waste sent to landfills.

One example is the use of viscera, feathers and blood in internal processes or for sale to companies as raw material in the manufacture of animal feed.

JBS Foods reuses the poultry fat waste separated by its wastewater treatment process to generate energy. By burning this waste in boilers, it substitutes the use of fossil fuels, which prevented the consumption of natural resources and the disposal of the fat as waste, while also reducing by 98% its greenhouse gas emissions associated with steam generation. For this initiative, the Company received the International Sustainability Award from the U.S. restaurant chain KFC, which recognizes its suppliers around the world that have implemented innovative sustainability projects

Performance

In 2014, solid waste generation amounted to 140,351 tons in the following waste and destination categories:

| | | 2013 | 2014 |
|------------------------|----------------------|--------------------|------------------|
| TYPE (ton) | Hazardous | 2,581.79 (1.3%) | 8,484.70 (6%) |
| | Nonhazardous | 192,861.06 (98.7%) | 131,866.30 (94%) |
| | Total | 195,442.84 | 140,351.00 |
| Destination (%) | Compost | 68.4% | 54.3% |
| | Third-party landfill | 13.1% | 27.9% |
| | Recycling | 14.2% | 13.3% |
| | Incineration | 0.02% | 0.02% |
| | Other | 4.28% | 4.48% |

The Company reduced its solid waste generation by 28%, mainly due to reusing the solid waste generated in its operations to generate energy.

The Company's goal for 2015 is to further reduce its solid waste by increasing reuse in its operations.

Energy Management

Energy is an input of critical importance to the business of JBS Foods. As such, the Company seeks to optimize its use of this resource by improving its consumption efficiency, developing projects for the reuse of organic waste as fuel and, whenever possible, prioritizing the use of renewable sources for energy generation.

JBS Foods is committed to increasing the percentage of renewable energy used in its operations. In 2014, **94.3% of the fuel used to generate steam came from renewable sources**, such as briquette, woodchips, reforestation firewood, poultry fat and sawdust.

JBS Foods also conducted actions in the period to reduce energy consumption through energy conservation and efficiency projects, such as installing equipment that is more efficient.

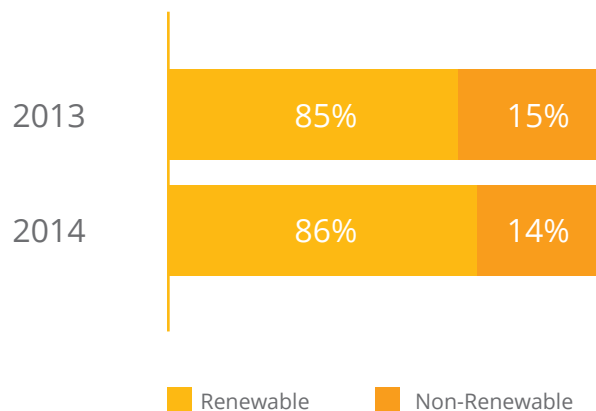
Furthermore, as in the case of water consumption, all units operate with energy efficiency targets for energy consumption and are constantly evaluated to verify compliance. All targets are regularly redefined to reduce the impacts generated and optimize the use of this resource.

Performance

In 2014, energy consumed by the organization (i.e., electricity, energy from steam generation and energy generated by the company's own fleet) came to 11,667,339 GJ, which represents an increase of 35% compared with the previous year. **Of this amount, 86.3% was from renewable sources.** The amount includes the consumption by the Company's slaughter, processing, hatchery and feed mill operations.

In accordance with the commitment of JBS Foods, in 2014 the percentage of renewable direct energy consumed increased between 2013 and 2014, as shown below. This gain occurred despite the increase in the percentage of non-renewable energy generated and distributed by the National Interconnected Grid in 2014, a factor that is out of the company's control. It is important to highlight that the calculation of energy used by the Company also considers the consumption of electricity from the grid.

Energy consumption by source



All investments and improvements to processes made by JBS Foods led to a 6.2% gain in consumption based on kilowatt-hour per ton of finished product in 2014.

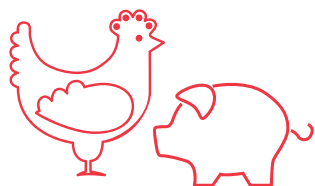
Source 2014: http://www.mme.gov.br/documents/10584/1256627/---Boletim+de+Monitoramento+do+Sistema+El%C3%A9trico+-+Janeiro-2015_/b6795ba5-2d05-4a27-aafe-cd671b963761

Source 2013: 78,71% de origem renovável. Fonte: http://www.mme.gov.br/documents/10584/1833441/Boletim_de_Monitoramento_do_Sistema_El%C3%A9trico_-_Janeiro-2014.pdf/bfe00db7-5413-48df-a2f9-b400684d5dae

Supplier Management – Responsible Sourcing

The Company identified all suppliers that are critical to sustainability, meaning those whose activities have a high potential for social and environmental impacts. To mitigate the possibility of negative impacts from these suppliers, JBS Foods actively monitors this group based on the Company's responsible sourcing principles:

One example of the meticulous supplier selection process is the case of the processed fish supplied by JBS Foods to McDonald's. Since 2013, the Company has supplied sustainable fish that is 100% certified by the Marine Stewardship Council (MSC), which guarantees the sustainability of the fishing practices adopted to safeguard ecosystems.



Poultry and Pork

- Technical team that monitors over 10,000 integrated producers to guarantee good sanitation, animal welfare, labor and environmental practices.
- In 2014, more than 250,000 technical visits were made in properties of integrated growers during production.
- Adoption of a check-list that evaluates the adoption of best practices by suppliers, which increases compensation according to performance.



Paperboard

- Paperboard for packaging is purchased only from suppliers certified by the Forest Stewardship Council (FSC), which attests to the sustainable management of the forests from which the raw materials originate.
- Large purchase volume: JBS, which is one of Brazil's three largest paperboard buyers, influences and demands best market practices.



Inputs and Feed

- Requirement that suppliers undertake social and environmental commitments, such as adopting the code of ethics and incorporating social and environmental principles in contracts.
- Exclusive purchase from suppliers that have adhered to the Soybean Moratorium for zero deforestation.
- Contract requirement that practices of forced or slave labor in the supplier's operations are prohibited.



Boiler Fuel

- Commitment to increase the volume of renewable fuel to generate energy in production units, which already account for 93% of all energy consumed by production units.
- In order to reduce the impact associated with wood consumption, the company uses a portion of wood from its own forests (2,500 ha), which are handled under the best practices for cultivation.



Poultry Farm - Itapiranga (SC)

Climate Change Management

The Company manages the greenhouse gas (GHG) emissions generated by its operations to minimize climate change impacts.

As part of this effort, since 2013, the company has conducted an inventory of its greenhouse gas emissions and reported its performance through the Brazil GHG Protocol Program; the Carbon Disclosure Project (CDP) – Driving Sustainable Economies in the Climate Change module; and the Carbon Efficient Index (ICO₂) of the São Paulo Stock Exchange BM&FBovespa through its parent company JBS S.A. For more information, see the chapter Transparency and Communication.

In addition to accounting for and reporting on its carbon performance, JBS Foods truly understands its responsibility to reduce carbon emissions, which is why it develops various projects that contribute to this goal.

Some of the projects conducted in the year that were responsible for reducing greenhouse gas emissions are described below:

The headquarters of JBS Foods is located in a sustainable building certified by the LEED seal of the Green Building Council Brazil. The seal is given to buildings that reduce energy and water consumption using best technologies and construction materials and achieve higher levels of performance in waste management, the use of certified materials and environmental comfort. Learn more at: <http://gbcbrasil.org.br/sobre-certificado.php>.

process for use in energy production, leading to an approximate reduction of 34tCO₂ in the burning of fuel for energy generation, which corresponds to the emissions produced by more than 5,000 vehicles per day.

Installation of Biodigesters

JBS Foods has anaerobic biodigesters installed at two units. By burning methane (CH₄) and releasing carbon gas (CO₂), biodigesters reduce greenhouse gas emissions. This is because CH₄ contributes 23 times more to global warming than CO₂. Another advantage of using biodigesters is that gas can be used to generate energy, which reduces the need for another fuel for this same purpose.

Reuse of Solid Waste for Energy Generation

In 2014, JBS Foods burned more than 800,000 liters of poultry fat in its boilers from the treatment of the wastewater generated by its production processes. The generation of this energy, which previously relied on the burning of non-renewable fuels, reduced its greenhouse gas emissions from steam generation by 98%.

The Company also recovered more than 400 ton/year of pork rind from its industrial

Logistics Optimization Program

Reorganization of Distribution Centers: In 2014, the Company launched a project to reorganize its distribution centers and distribution networks and routes to make the process more efficient and in turn reduce costs, increase agility and reduce fuel consumption and greenhouse gas emissions. This change also provided opportunities for optimizing customer service through more efficient inventory management.

Initiatives to optimize logistics operations provide important gains in the business sustainability strategy by reducing costs and environmental impacts and capturing gains in quality, service and agility.

Optimization of transportation use: The Company is in the process of improving its sales model to enable products to be loaded directly at plants, which minimizes costs and handling and in turn reduces fuel consumption and greenhouse gas emissions. Today, 70% of products for export are already loaded directly at the plants into containers.

JBS Foods is also participates in the "Partner Travel" project, in which clients of the same transportation company set dates and round trip routes to ensure that trucks never travel empty, thereby increasing transportation efficiency. On average, the Company optimized the trips of approximately 900 trucks through this project in 2014.

Another initiative in 2014 was to analyze and optimize sales routes, which prevented the overlapping of salespersons' territories and in turn optimized routes and reduced fuel consumption and greenhouse gas emissions.

Multimodal logistics: The Company already uses rail transport for two routes, from Cambe to Paranaguá (PR) and from Esteio to Rio Grande (RS), to transport products for export, which reduces costs, fossil fuel consumption and CO₂ emissions. The route removes nearly 2,200 trucks from highways each year.

Another important initiative adopted in the last two years is the use of cabotage, or coastal maritime shipping, for products destined for the domestic market, particularly in the country's North and Northeast. Approximately



3,000 tons of product are transported via cabotage every month, which provides financial gains, reduces greenhouse gas emissions and captures efficiency gains in relation to highway transportation.

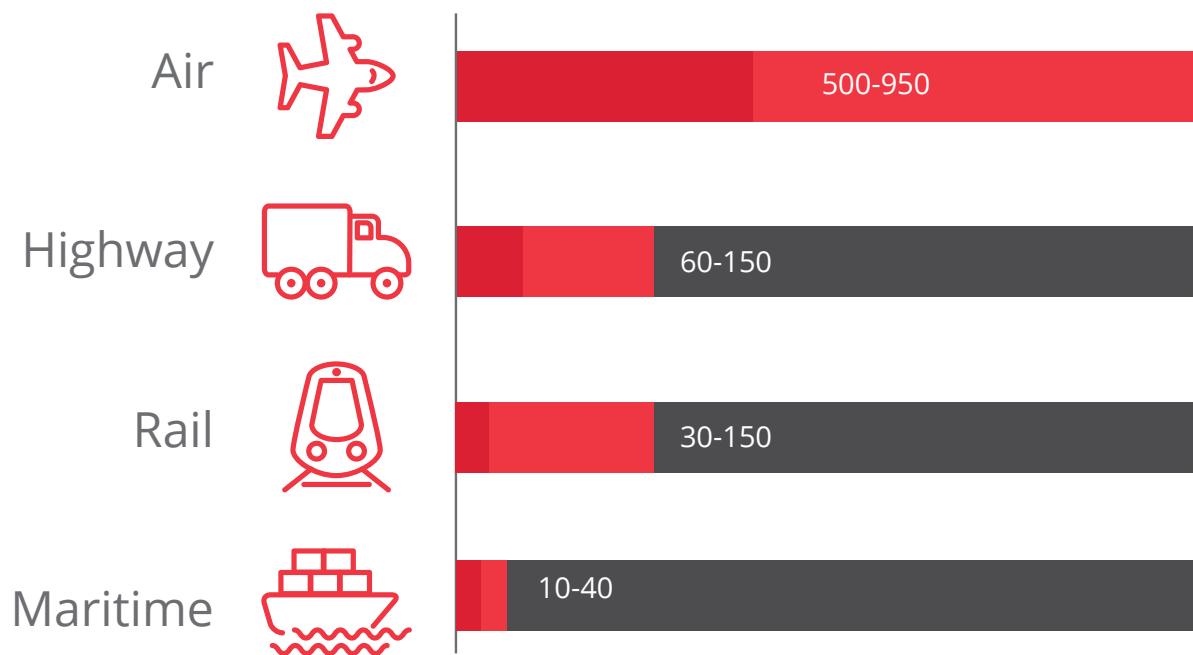
Each truck emits an average of 28.2 kg of CO₂ per day, while each train car emits 9.3 kg*. In other words, each truck replaced by a train avoids 18.9 kg of CO₂ emissions, which corresponds to the average emissions in two days by a person living in a developing economy**. Rail transportation also requires fewer trips, which further reduces emissions in comparison with truck transportation.

* Source: Brado Logística

** Source: IDEC

- www.idec.org.br/climaeconsumo

Comparison of CO₂ emission impacts by type of transportation



CO₂ (in grams) emitted per MtCO₂ e* per kilometer of cargo transported

■ Minimum emission ■ Maximum emission

Source: http://www.mercosul-line.com.br/responsabilidade_TransporteeMeioAmbiente.php?n=2

Offsetting of GHG Emissions in Agricultural Transportation

Since 2013, the Company has developed a project to offset emissions from agricultural transportation through a partnership with suppliers involving the donation and planting of seedlings in forest restoration projects in certain regions of the state of Rio Grande do Sul where it has operations.

Since its inception, the project Sustainable Logistics has monitored an average of 30.5 million kilometers covered by its third-party fleet of nearly 400 vehicles that provide animal and feed transportation services in this region to the Company.

Considering this volume, 5,349 seedlings have already been donated and planted in the

period, which corresponds to an estimated 900 tons of CO₂ offset and sequestered from the atmosphere by these trees.

Adaptation to Climate Change

Alert to climate change and aware that raising poultry and pork is sensitive to water and energy supply, JBS Foods launched a project to help its bird and hog suppliers invest in mechanisms to guarantee water and energy supply for their production in the event of climate restrictions and/or power shortages.

For this, working jointly with its integrated partners, the Company is supporting the installation of tanks for capturing and storing rainwater and installed electric generators to ensure a regular supply of both water and power.



The project to redesign packaging, presented in the chapter Solid Waste, enabled the Company to reduce its annual CO₂ emissions by nearly 60 tons, which is equivalent to the emissions of a family car driving around the world nine and a half times.

At the Itapiranga unit, the region in which the project was implemented, 43% of poultry producers already have rainwater tanks with aggregate storage capacity of 85 million liters of water.

A tank is capable of supplying a farm with up to 45,000 chickens for approximately 3 months. However, these amounts vary in accordance with the number of animals on the farm and the capacity of the tank, which can vary from 500 to 1,000 cubic meters.

This initiative demonstrates the innovative approach and firm commitment of the Company and its integrated producers to identify solutions to help them adapt to climate change and ensure animal welfare principles in their operations.

Performance

The Company's GHG emissions in 2013 are reported here. Its GHG emissions in 2014 will be made available in 2015 on the Public Emissions Registry Platform of the Brazilian GHG Protocol Program, in accordance with the period established by the program.

GHG emissions in 2013 amounted to 270,879 tons of CO₂e, considering Scope 1 (direct emissions) and Scope 2 (indirect energy emissions), as show below.

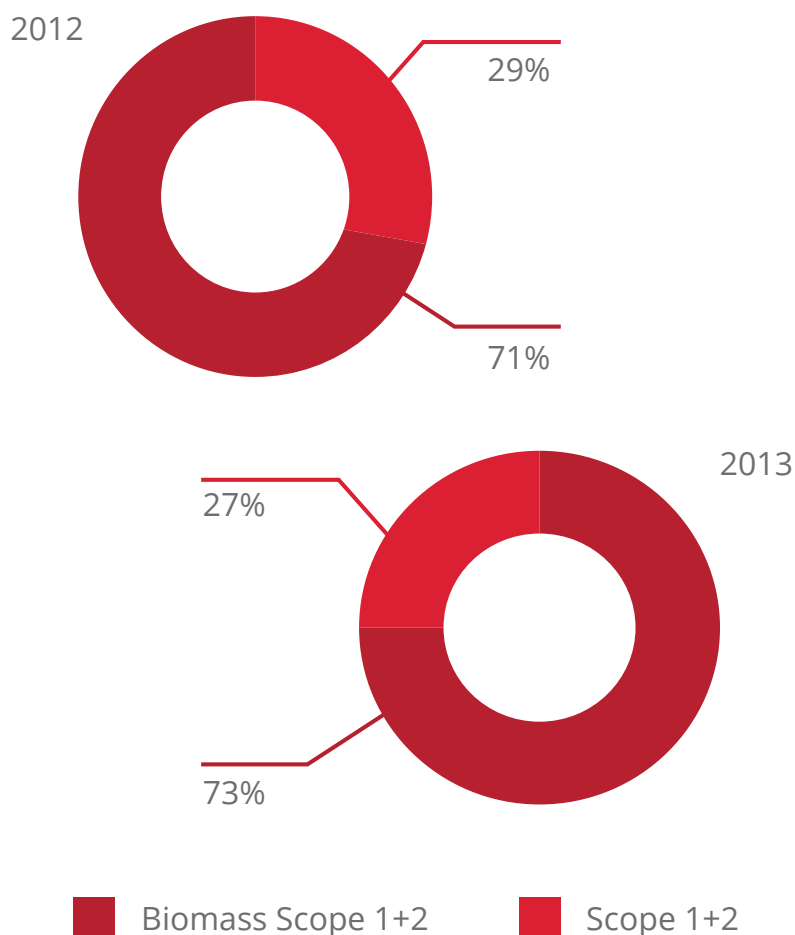
| | 2012 | 2013 |
|--------------------|--------------|--------------|
| Scope 1 | 161,502.2136 | 177,406.4211 |
| Scope 2 | 53,819.6634 | 93,472.3963 |
| Scope 1 + 2 | 215,321.8770 | 270,878.8174 |

Scope 1 absolute emissions increased by 9.8% over the previous year. This was mainly due to the acquisitions made by the Company in the year, which were not considered in the calculations for 2012. Meanwhile, Scope 2 emissions increased by 73.4%, mainly due to the country's increased use of thermal electric energy at the expense of hydroelectric energy, which led to an increase in the emission factor made available by the Brazilian Ministry of Science, Technology and Innovation.

The Company also calculated its Scope 3 emissions (indirect emissions), which increased by 13.4% in relation to the previous year. This increase was mainly due to improvements in the boundaries of the scope and improvements in the management of information on the activities of third parties.

| | 2012 | 2013 |
|----------------|--------------|--------------|
| Scope 3 | 366.072,2782 | 415.047,9920 |

JBS Foods also registered an increase in the percentage of its biomass emissions considered renewable in comparison with its non-renewable emissions.





Biodiversity and Deforestation Prevention

JBS Foods mitigates its impact on biodiversity by combatting deforestation. With this goal, its units and those of its grain and integrated bird and hog suppliers comply with all environmental obligations to ensure that its operations and those of its integrated suppliers do not contribute to the practice of illegal deforestation.

These initiatives consist of efficiently consuming natural resources, complying with preservation regulations in both its own operations and in those of third parties, and forging partnerships with organizations that promote biodiversity.

Compliance with Preservation Regulations and Responsible Procurement:

The Company believes that it can play an important role in preventing deforestation through responsible procurement. As part of this effort, it only purchases soybeans from suppliers that are signatories to the Soybean Moratorium, an initiative that works to ensure no soybeans come from illegal deforestation regions in the Amazon Biome.

In addition, all integrated poultry and pork producers must comply with environmental regulations, a requirement stipulated in all contracts with the Company, which helps to protect biodiversity in conservation areas in accordance with environmental regulations.

Partnerships with Organizations:

JBS Foods is a partner of the Life Institute, which was created in 2009 to promote the implementation of effective and robust methodologies for biodiversity conservation. The Company contributes to this partnership by working to improve the existing methodology and to apply it to the primary sector. Once developed, the methodology was implemented by the institute at one of the broiler suppliers of JBS Foods to verify its applicability and accuracy. The initiative contributes to advances in measurements in this field that could help preserve the country's biodiversity.

In 2014, JBS Foods, by way of its controlling company JBS S.A., also joined the Working Group of the CDP Supply Chain known as the Forests Program, which is formed by companies that are engaged and responded to the questionnaire of the CDP Forest. The program is working to develop a questionnaire that is simplified and better adapted to its suppliers.

JBS was recognized by the Driving Sustainable Economies (CDP) as the food company that made the most progress in its actions to combat deforestation in its supply chain. JBS Foods contributed to this recognition by adopting a policy of procuring inputs only from suppliers that are signatories to the Soybean Moratorium.

Transparency and Communication

JBS Foods monitors and manages more than one thousand environmental indicators in its environmental and sustainability areas through an IT system used by all of the group's units. It also maintains an Excellence Center, which evaluates major production indicators to continuously identify opportunities for improvement. This allows the Company to manage information and to communicate with the market in a reliable and transparent fashion.

According to the Company's principles of transparency and dialogue, these indicators and other information on sustainability management and strategy are made available to the market and all stakeholders of JBS Foods, through individual reports and its parent company JBS S.A., using recognized tools such as:

Programa Brasileiro GHG Protocol

Program that *encourages the publication of greenhouse gas inventories by companies throughout the world*, which are recognized under gold, silver and bronze categories. JBS has been recognized by this program and received a silver award in 2013 and 2014.

Índice Carbono Eficiente ICO2

JBS S.A. has been a participant in and a component of the Carbon Efficient Index (ICO₂) of the São Paulo Stock Exchange BM&FBovespa since its creation in 2012. The index tracks the stock *performance of companies that have undertaken commitments to manage their greenhouse gas emissions*.



Project developed by investors that consider it essential that their *investee companies adopt sustainability practices* and commitments as well as disclose information on their *management, commitments and performance* in four key aspects:

Climate Changes

related to Climate Change Management

Forest

related to Commodities Risk Management

Water

related to Water Resources Management

Supply Chain

related to emissions in the supply chain (JBS Foods is part of the program as a supplier to Walmart)

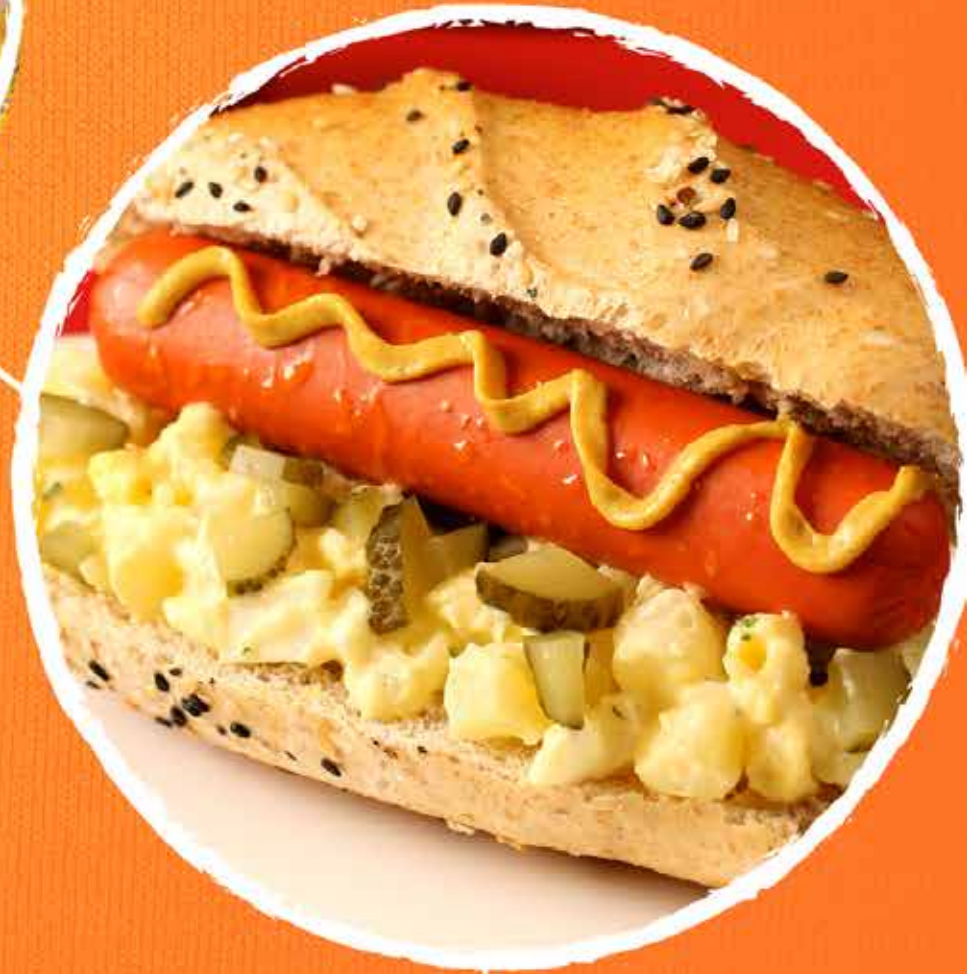


Production Unit – Itapiranga (SC)





RESULTS OF THE YEAR



"Quality that surprises"

Operational Context

Below are the comments on the financial performance of JBS Foods S.A. for the fiscal year 2014. To ensure annual visibility of the results, these comments are presented on a combined basis and consider the 12 months of operations of the direct subsidiaries Seara Alimentos Ltda., JBS Aves Ltda., Baumhardt Comércio e Participações Ltda. and Seara Holding Europe B.V. and their respective subsidiaries, given that the current corporate structure of JBS Foods S.A., including the companies mentioned above, came into existence only on March 31, 2014. Therefore, the Company's consolidated financial statements consist only of the nine-month period from April 1, 2014 to December 31, 2014. To ensure an adequate analysis of performance, the income statement, balance sheet and statement of cash flow on a combined basis are provided at the end of this section, as well as the complete financial statements and notes on a consolidated basis.

Operation

During 2014, JBS Foods processed



953,6 MILLIONS BIRDS



4,4 MILLIONS HOGS

This growth reflects the acquisition of companies and assets throughout the year, as well as consistent improvements in industrial productivity, supported by actions that included a review of production facilities and automation of various processes, which resulted in gains in operational yields. At the same time, the Company implemented a number of projects to expand production capacity through marginal investments that also led to higher yields and profitability.

Net Revenue

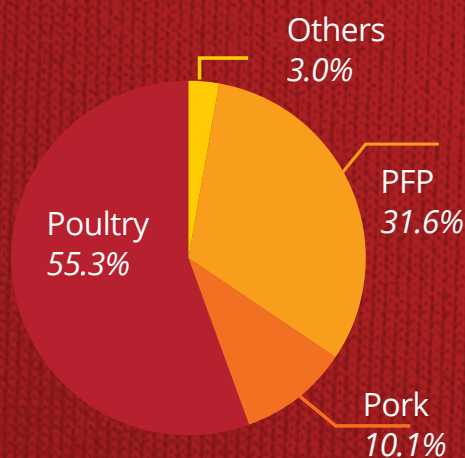
For the year, net revenue amounted to

R\$ 12,9 billions

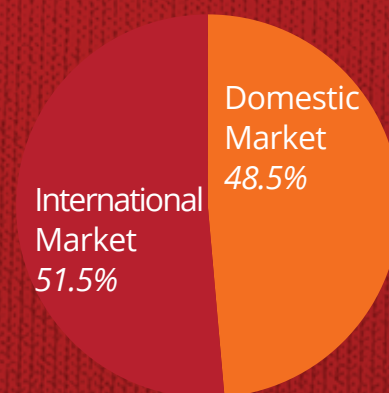
out of which 49% came from sales in the domestic market and 51% from exports. Revenue growth in 2014 reflects important acquisitions made by the Company, many of which have been going through continuous operational improvements and various implemented actions aiming to improve product quality, brand repositioning, increase in the service level and better execution at the points of sale.

Breakdown of Consolidated Revenue (%)

By Product - 2014



By Market - 2014



Brazil

Net revenue from the domestic market came to R\$6,255.2 million, with a sales volume of 1,022.5 million tons and an average price of R\$6.1 per kilogram. In the poultry and pork segments, it is important to note that revenue growth reflects the increase in production capacity resulting from acquisitions made during the year and the optimization of the sales mix. Growth in the processed foods segment reflected not only the consolidation of the acquired companies, such as Massa Leve and Sul Valle, but also (i) stronger demand for Seara products, (ii) improvements in the customer service level, (iii) implementation of a new pricing strategy, and (iv) increased presence at the points of sale.

In addition, results in the domestic market are also explained by the following actions implemented in 2014:

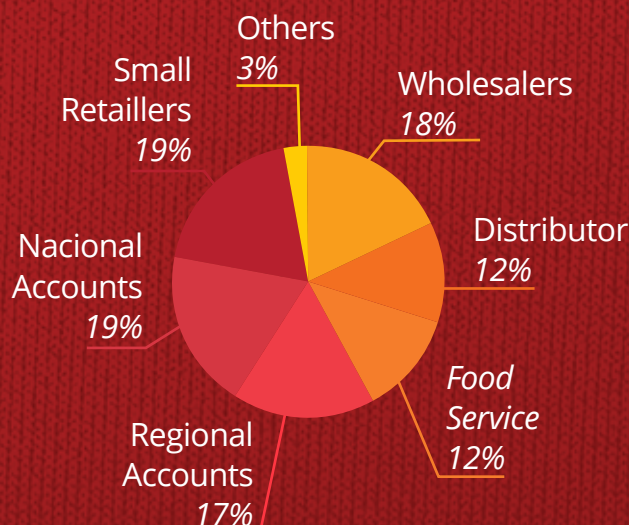
→ Repositioning of the Seara brand in Brazil since its acquisition in October of 2013, including the reformulation of various recipes and important investments in product quality, which, combined with taste and convenience, became important strategic pillars supporting the brand's improvement in customer preference. This move to reposition the brand was followed by significant investments in marketing, led by the "The Quality will Surprise You" campaign with Fátima Bernardes, a popular Brazilian journalist and TV presenter that represents the modern women in search of convenience without foregoing quality and taste;

→ Improvements in the level of service, with important investments in logistics that included redefining the logistics network, streamlining distribution centers and renewing the truck fleet, with the implementation of location tracking and temperature control. These actions increased the company's order fill rate while reducing the number of lost orders;

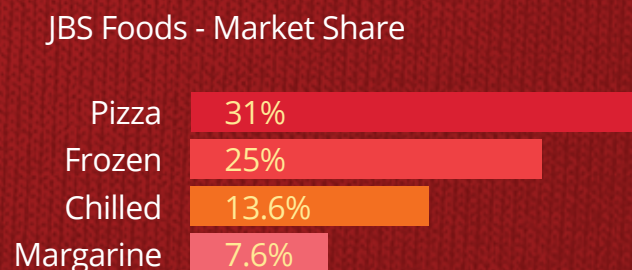
→ Better relationship with retailers, aiming to support customers' operations with better scheduling and more efficient delivery, resulting in higher product availability and lower breakage;

→ Better execution at the points of sale and expansion of the customer base, which grew significantly during the year to reach approximately 80,000 points of sale that include large retail chains, distributors, bakery/convenience stores, food service and small retailers.

Breakdown of Net Revenue from the Domestic Market by Channel:



One of the results from this process of quality improvement, innovation and a greater presence in the channels of distribution was an important gain in market share, as indicated by the latest data of 2014 as reported by AC Nielsen:



Source: AC Nielsen - Volume Market Share

JBS Foods: Seara, Rezende, LeBon, Excelsior, Wilson, Confiança, Pena Branca, Da Granja and Mabella (Processed Foods); Seara, Massa Leve, Rezende, Excelsior, FrangoSul, LeBon, Agroveneto and Macedo (Frozen Foods); Seara, Rezende, Massa Leve and Excelsior (Pizzas); Doriana (Margarines).

Period: Processed Foods and Pizzas (Dec/Jan 2015); Frozen Foods and Margarine (Nov/Dec 2014).

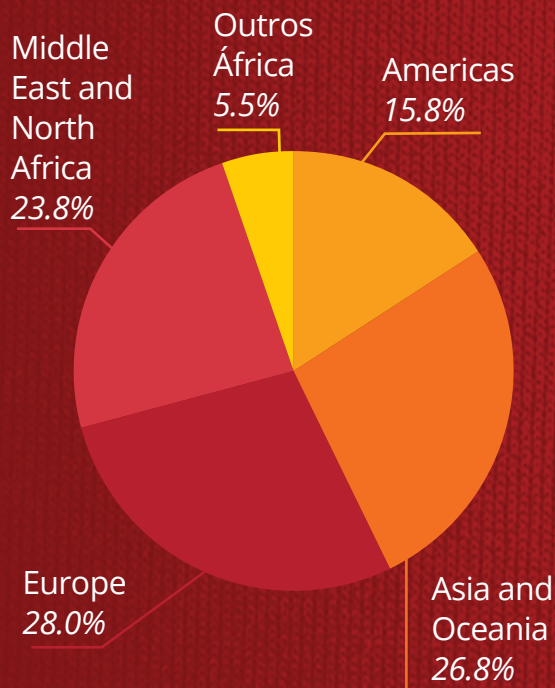
Export Market

For the year, net revenue from exports amounted to R\$6,635.1 million, with a sales volume of 1,280.9 million tons and an average price of R\$5.2 per kilogram. Revenue growth in the period reflects the Company's strategy of adjusting its sales mix for the best paying markets, increasing direct sales to certain retail chains in Singapore, the United Arab Emirates and Saudi Arabia and establishing strategic partnerships with importers and distributors. Export sales also reflect impact from the weaker Brazilian real in comparison with the previous year.

During 2014, it is important to highlight the evolution of certain important aspects in the export markets, such as:

- The development of strategic partnerships with importers and distributors, particularly Farm Fresh in the United Arab Emirates;
- Higher direct sales to retail chains, such as Fair Price in Singapore, Emke in the United Arab Emirates and Othaim in Saudi Arabia, as mentioned above;
- Expansion into new markets, with the first shipments of pork cuts to Japan, the beginning of turkey exports to Malaysia, the opening of an office in Shanghai (China) and operations in Mexico;
- Improvements in the sales mix, with higher sales in the retail chain of branded products;
- The development of strategies and products for specific markets, such as pork for Japan;
- The development of Seara as a global poultry, pork and processed food brand already present in a number of international retail chains.

Breakdown of Net Revenue from the Export Market by Region:



Cost of Goods Sold (COGS)

In 2014, cost of goods sold amounted to R\$9,358.8 million. During the year, the Company implemented a number of actions to increase efficiency and productivity, which led to COGS as a percentage of net revenue to decrease from 76.1% in the last quarter of 2013 to 70.5% in the same period of 2014. This result also reflects a reduction in animal feed costs, especially in the second half of the year.

Gross Profit

As a result of the above mentioned factors, the gross profit of JBS Foods in 2014 amounted to R\$3,531.5 million. Gross margin posted successive improvements during the year reaching 27.4% of net revenue, due to gains from higher operational efficiency.

Selling, General and Administrative Expenses

Selling expenses amounted to R\$1,679.7 million, which corresponds to 13.0% of net revenue. In general, selling expenses reflect the costs associated with product distribution, as well as the investments in trade marketing and marketing made during the year. General and administrative expenses came to R\$314.4 million in 2014, corresponding to 2.4% of net revenue.

Financial Income (Loss)

Net financial income, which represents the recognition of interest incurred and received and impacts from variances on assets and liabilities denominated in foreign currencies and banking expenses, amounted to R\$477.2 million in 2014 and was affected primarily by new funding operations made during the year and the appreciation in the average U.S. dollar against the Brazilian real in comparison to the previous year.

Debt

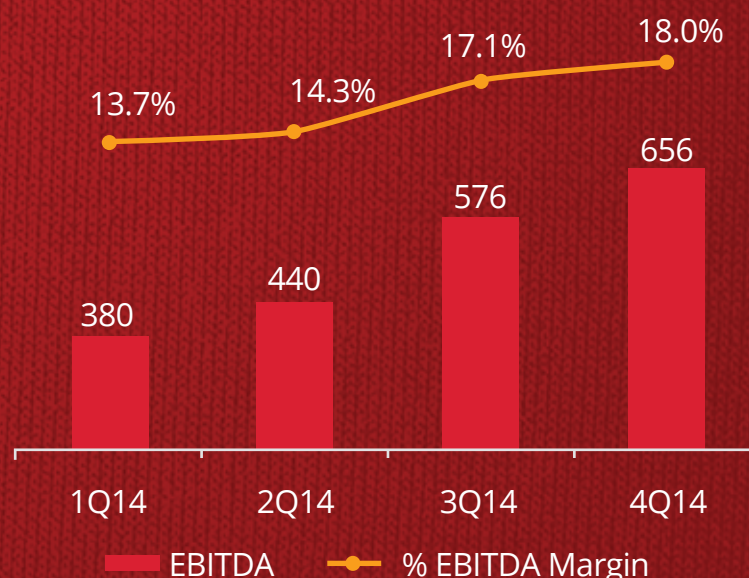
On December 31, 2014, the gross bank debt of JBS Foods was R\$5,722.4 million, while total net debt was R\$8,309.0 million. On the same date, the long-term debt position represented 46.1% of total bank debt, of which 30.9% was denominated in local currency and 69.1% in foreign currency. During the year, debt growth was driven mainly by the effects from currency variances on the position denominated in U.S. dollar, new funding transactions and debt associated with the acquired companies.

Net Income

In view of the aforementioned, JBS Foods posted net income of R\$964.6 million, with a net margin of 7.5%.

EBITDA

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) for the year totaled R\$2,052.3 million, which corresponds to an EBITDA margin of 15.9%. The Company posted a consistent EBITDA margin expansion during 2014, which is mainly explained by the successful processes to improve results at the acquired companies, and the implementation of various strategic and operational actions, such as optimizing the sales mix, repositioning brands, remodeling its distribution network, improved customer service and increased presence in the market to drive sales volume growth.



Balance Sheet

(In thousands of Reais)

| 31.12.14 | | 31.12.14 | |
|---------------------------------|-------------------|---|-------------------|
| ASSETS | | LIABILITIES AND EQUITY | |
| CURRENT ASSETS | | CURRENT LIABILITIES | |
| Cash and cash equivalents | 389,037 | Trade accounts payable | 1,234,997 |
| Trade accounts receivable | 1,776,127 | Loans and financings | 3,084,323 |
| Inventories | 1,122,736 | Income taxes | - |
| Biological assets | 770,098 | Payroll, social charges and tax obligation | 418,972 |
| Recoverable taxes | 652,676 | Payables related to facilities acquisitions | 275,572 |
| Prepaid expenses | 13,703 | Other current liabilities | 214,410 |
| Other current assets | 319,827 | | |
| TOTAL CURRENT ASSETS | 5,044,204 | TOTAL CURRENT LIABILITIES | 5,228,274 |
| NON-CURRENT ASSETS | | NON-CURRENT LIABILITIES | |
| | | Loans and financings | 2,638,109 |
| Long-term assets | | Payroll, social charges and tax obligation | 34,743 |
| Recoverable taxes | 737,480 | Provision for lawsuits risk | 445,557 |
| Biological assets | 291,323 | Deferred income taxes | 436,385 |
| Other non-current assets | 485,098 | Debits with related parties | 506,372 |
| | | Payables related to facilities acquisitions | 2,975,600 |
| Total Long Term Assets | 1,513,901 | Other non-current liabilities | 58,016 |
| | | TOTAL NON-CURRENT LIABILITIES | 7,094,782 |
| Property, plant and equipment | 4,166,733 | EQUITY | |
| Intangible assets | 3,379,381 | Capital stock | 841,035 |
| | 7,546,114 | Retained earnings | 836,748 |
| | | Valuation adjustments to equity in subsidiaries | (2,281) |
| TOTAL NON-CURRENT ASSETS | 9,060,015 | Accumulated translation adjustments in subsidiaries | 92,794 |
| | | Equity attributable to controlling interests | 1,768,296 |
| | | Equity attributable to non-controlling interests | 12,867 |
| TOTAL ASSETS | 14,104.219 | TOTAL EQUITY | 1,781,163 |
| | | TOTAL LIABILITIES AND EQUITY | 14,104,219 |

Income Statement for the Period

| In thousands of Reais | 2014 |
|--|------------------|
| Net Revenue | 12,890.3 |
| Cost of goods sold | (9,358.8) |
| Gross Income | 3,531.5 |
| % of Net Revenue | 27.4% |
| Selling expenses | (1,679.7) |
| General and administrative expenses | (314.4) |
| Operating Income (Expense) | 1,537.4 |
| % of Net Revenue | 11.9% |
| Other income (expenses) | (7.7) |
| % of Net Revenue | 0.1% |
| Equity equivalence | |
| % of Net Revenue | |
| EBIT | 1,529.6 |
| % of Net Revenue | 11.9% |
| D&A | 522.7 |
| % of Net Revenue | 4.1% |
| EBITDA | 2,052.3 |
| % EBITDA Margin | 15.9% |
| Net Financial expense | (477.2) |
| EBT | 1,052.4 |
| % of Net Revenue | 72.6% |
| Net Income before taxes | 1,052.4 |
| Taxes | (87.9) |
| % of EBT | 8.3% |
| Net Income | 964.6 |
| % of Net Revenue | 7.5% |

JBS Foods S.A.

Statements of combined Cash Flows for the year period ended December 31, 2014

(In thousands of Reais)

| | |
|---|------------------|
| Cash flow from operating activities | |
| PERIOD NET INCOME | 963,412 |
| Adjustments to reconcile net income to cash provided on operating activities | |
| Depreciation and amortization | 522,670 |
| Allowance for doubtful accounts | (19,006) |
| Equity attributable to non-controlling interests | 874 |
| Equity equivalence | - |
| Net residual book value of property, plant, and equipment | (2,312) |
| Deferred payroll, social charges and tax obligation | (145,571) |
| Current and non-current financial charges | 559,707 |
| Provision for lawsuits risk | (144,560) |
| | 1,735,214 |
| DECREASE (INCREASE) IN OPERATING ASSETS | |
| Trade accounts receivable | (172,026) |
| Inventories | (214,980) |
| Recoverable taxes | (64,307) |
| Anticipated expenses | 1,913 |
| Other current assets | (60,510) |
| Credits with related parties | - |
| Biological assets | (323,847) |
| Other current and non-current assets | (218,827) |
| Deferred income taxes | - |
| INCREASE (DECREASE) OPERATING LIABILITIES | |
| Trade accounts payable | 115,145 |
| Payroll, social charges and tax obligation | (233,183) |
| Other current liabilities | (120,727) |
| Deferred income taxes liabilities | 5,508 |
| Debits with related parties | (174,330) |
| Provision for lawsuits risk | (29,154) |
| Other current and non-current liabilities | (14,350) |
| Valuation adjustments to equity in subsidiaries | 62,973 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 294,512 |

| | |
|--|------------------|
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Additions to property, plant and equipment and intangible assets | (797,564) |
| Net effect of working capital of acquired / merged company | (283,790) |
| Net cash used in investing activities | (1,081,354) |
| CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from loans and financings | 2,016,805 |
| Payments of loans and financings | (895,590) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 1,121,215 |
| EFFECT OF EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS | (81,112) |
| Net Variance in cash and cash equivalents | 253,261 |
| Cash and cash equivalents at the beginning of the period | 135,776 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 389,037 |





GRI INDEX



"Quality that surprises"

Profile

Strategy and Analysis

| Indicator | Information to be obtained. | Chapter or Direct Response. |
|-----------|--|-----------------------------|
| G4-1 | Company's sustainability strategy and its relevance to the organization. | Page 39. |

Perfil Organizacional

| | | |
|-------|--|--|
| G4-3 | Company Name. | JBS Foods S.A.. |
| G4-4 | Primary brands, products and services offered by the Company. | Pages 12 to 23. |
| G4-5 | Location of the organization's headquarters. | São Paulo. |
| G4-6 | Primary countries where the Company operates. | Pages 22 and 23. |
| G4-7 | Nature of ownership and legal form of the Company. | Publicly Held Company. |
| G4-8 | Markets served by the Company. | Product 13 to 23. |
| G4-9 | Scale of organization, including total number of employees, total number of operations, net sales and quantity of products or services provided. | Pages 12 to 23, 63 and 104. |
| G4-10 | Total number and variation of permanent employees and third parties in the year by gender, work contract and employment type. | Pages 62 and 63. |
| G4-11 | Total employees covered by collective bargaining agreements at the end of the period. | 100% of JBS Foods employees are covered by collective bargaining agreements. |
| G4-12 | Total number of active suppliers and total paid during the period by type of supplier. | Information not available. |
| G4-13 | Significant changes in the period in the organization's size, structure, operation or ownership. | Pages 12 to 38. |
| G4-14 | Adoption of precautionary approach to risk management. | The Company adopts strict risk management that includes prevention of possible environmental impacts, in line with the precautionary principle. More information at pages 38, 39 and 77 to 100. |
| G4-15 | Economic, social or environmental charters, principles or other initiatives endorsed by the Company. | Pages 54, 72 to 75, 99 and 100. |
| G4-16 | Associations in which the organization views membership as strategic. | Brazilian Association of MAN Latin America Concessionaires, Meat and Derivative Industry Union of the State of Paraná, South Brazilian Association of Pork Products, Pork Product Industry Union of the State of Rio Grande do Sul, Associação Brasileira de Proteína Animal, Sindicato das Indústrias de Produtos Avícolas do Estado do Paraná e Sindirações. |

Identified Material Aspects and Boundaries

| | | |
|-------|---|--|
| G4-17 | Entities included in the Company's financial statements. | Page 104. |
| G4-18 | Process for defining the report content and aspect boundaries. | Pages 8 and 9. |
| G4-19 | List of material aspects identified in the process for defining content. | Pages 8 and 9. |
| G4-20 | Aspect boundary within the organization. | Pages 8 and 9. |
| G4-21 | Aspect boundary outside the organization. | Pages 8 and 9. |
| G4-22 | Effect of any restatements of information provided in previous reports. | Not applicable, as this is the Company's first report. |
| G4-23 | Significant changes from previous reporting periods in the Scope and Aspect Boundaries. | Not applicable, as this is the Company's first report. |

Stakeholder Engagement

| | | |
|-------|---|----------------|
| G4-24 | List of stakeholder groups engaged by the organization. | Pages 8 and 9. |
| G4-25 | Basis for identification and selection of stakeholders for engagement. | Pages 8 and 9. |
| G4-26 | Approach to stakeholder engagement and frequency of engagement. | Pages 8 and 9. |
| G4-27 | Key topics raised through stakeholder engagement and how the Company responded to key topics. | Pages 8 and 9. |

Report Profile

| | | |
|-------|---|--|
| G4-28 | Reporting Period. | Page 8. |
| G4-29 | Date of most recent previous report. | Page 8. |
| G4-30 | Reporting cycle. | Page 8. |
| G4-31 | Contact point for questions regarding the report. | Page 9. |
| G4-32 | "In accordance" option chosen (general or specific). | This report follows G4 Guidelines, specific. |
| G4-33 | Description of the organization's policy and practice for seeking external assurance of the report. | The report was not subject to external assurance, excluding financial information. |

Corporate Governance

| | | |
|-------|---|-----------------|
| G4-34 | Governance structure, including committees. | Pages 26 to 28. |
|-------|---|-----------------|

Ethics and Integrity

| | | |
|-------|---|-----------------|
| G4-56 | Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics. | Page 60 and 61. |
|-------|---|-----------------|

Performance

Economic

Aspect: Economic Performance

| | | |
|-----|---|-----------------|
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | Pages 93 to 97. |
|-----|---|-----------------|

Environmental

Aspect: Materials

| | | |
|-----|---|------------------|
| EN1 | Materials used to package the organization's products, by weight or volume (renewable and non-renewable). | Pages 85 and 91. |
| EN2 | Percentage of materials used that are recycled input materials. | Pages 85 to 88. |

Aspect: Energy

| | | |
|-----|---|----------|
| EN3 | Energy consumption within the organization. | Page 90. |
| EN6 | Reduction of energy consumption. | Page 90. |

Aspect: Water

| | | |
|------|---|----------|
| EN8 | Total water withdrawal by source. | Page 81. |
| EN10 | Percentage and total volume of water recycled and reused. | Page 81. |

Aspect: Biodiversity

| | | |
|------|---|---|
| EN12 | Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside of protected areas. Bodies of water located in these areas. | The Company's operations do not have a significant effect on biodiversity in protection areas. Management initiatives to minimize impacts on biodiversity are presented on page 99. |
| EN13 | Habitats protected or restored. | Page 95. |
| EN14 | Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | There is no accounted information about species with extinction risk. |

Aspect: Emissions

| | | |
|------|---|-----------------|
| EN15 | Direct greenhouse gas (GHG) emissions (Scope 1). | Page 96. |
| EN16 | Indirect greenhouse gas (GHG) emissions from the acquisition of energy (Scope 2). | Page 96. |
| EN17 | Indirect greenhouse gas (GHG) emissions (Scope 3). | Page 97. |
| EN19 | Reduction of greenhouse gas (GHG) emissions. | Pages 93 to 97. |

| Aspect: Effluents and Waste | | |
|---|---|---|
| EN22 | Total water discharge by quality and destination. | Page 82. |
| EN23 | Total weight of waste by type and disposal method. | Page 89. |
| EN25 | Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and IV, and percentage of transported waste shipped internationally. | Page 89. |
| Aspect: Products and Services | | |
| EN28 | Percentage of products sold and their packaging materials reclaimed by category. | Pages 85 to 87. |
| Aspect: Overall | | |
| EN31 | Total environmental protection expenditures and investments by type. | Page 78. |
| Aspect: Supplier Environmental Assessment | | |
| EN33 | Significant actual and potential negative environmental impacts in the supply chain and actions taken. | Page 91. |
| Aspect: Procurement Practices | | |
| FP1 | Percentage of volume purchased from suppliers in compliance with the company's sourcing practice policy. | 100% of raw materials acquired comply with the Company's procurement practice policy. |
| FP2 | Percentage of volume purchased submitted to compliance verification with internationally recognized responsible production standards, by standard. | Pages 53 and 54. |
| Labor Practices and Dignified Labor | | |
| Aspect: Occupational Health and Safety | | |
| LA5 | Percentage of total workforce represented in formal joint management- worker health and safety committees that help monitor and advise on occupational health and safety programs. | Page 67. |
| LA6 | Type of injury and rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and gender. | Page 67. |
| LA7 | Workers with high incidence or high risk of diseases related to their occupation. | JBS Foods works preventively, eliminating occupations with high incidence of risk or disease through ergonomic programs, continual improvement of industrial processes and occupational quality of life programs. |

| | | |
|---|---|--|
| LA8 | Health and safety topics covered in formal agreements with trade unions. | Pages 66 to 67. |
| Aspect: Training and Education | | |
| LA9 | Average hours of training per year per employee by gender and employee category. | Pages 64 and 67. |
| Aspect: Forced or Compulsory Labor | | |
| HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor. | The Company observes ethical principles in its relations that include respect for human and labor rights in its operations and with suppliers. All of the Company's suppliers sign a contract committing to ensure compliance with tax, labor and environmental legislation. |
| Aspect: Indigenous Rights | | |
| HR8 | Total number of incidents of violations involving rights of indigenous peoples and actions taken. | There were no cases of violation of rights of indigenous peoples. |
| Aspect: Public Policy | | |
| SO6 | Total value of political contributions by country and receipt/beneficiary. | To contribute to public debate and development of democracy, JBS Foods donates to political parties that present projects in line with the Company's values and beliefs. |
| Aspect: Supplier Assessment for Impacts on Society | | |
| SO9 | Percentage of new suppliers that were screened using criteria for impacts on society. | The Company's critical suppliers are screened for their main potential impact to mitigate negative impacts on society (environment, biodiversity, consumer safety, fight against climate change, etc.) and generate development. Learn more in page 91. |
| SO10 | Significant actual and potential negative impacts on society in the supply chain and actions taken. | Pages 46 and 91. |
| Product Responsibility | | |
| Aspect: Customer Health and Safety | | |
| PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement. | 100%. Initiatives to guarantee product safety are presented in the chapter "Product Quality and Safety". |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes. | The Company recorded 37 Civil Consumer Demands (Administrative and Legal) in 2014, totaling R\$1.4 million. These cases are currently pending in the legal and administrative system and, in 2014, had yet to be assessed or paid. In the period, no plants were closed down by Sanitary Authorities, nor was any product withheld by external control before release or any product recalled. |
| FP5 | Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management systems. | 52% of volume produced in 2014 came from certified units. Learn more about certifications under page 54. |

| | | |
|---|--|---|
| FP6 | Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fat, sodium and added sugars. | Examples of products that consider these aspects are the light cold cut line and turkey breast and ham with lowered sodium. Learn more on pages 18. |
| FP7 | Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives. | An example of products that consider these aspects is the Whole Pizza line launched during the year. Learn more on page 19. |
| Aspect: Product and Service Labeling | | |
| PR3 | Type of information on products and services required by labeling procedures and percentage of products and services subject to these requirements. | For 100% of its products, JBS Foods complies with different labeling requirements. All labels provide information on composition, nutritional information, name, net weight, conservation conditions, date of production, expiration date and production unit data. 100% of product labels also carry the Federal Inspection Service (SIF) seal from the Ministry of Agriculture and Supply (MAPA). Some products also carry information on preparation and consumption, in addition to providing different recipes for the product and side dishes. |
| PR5 | Results of customer satisfaction survey. | Page 44 a 45. |
| FP8 | Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements. | The company declares all ingredients and additives utilized, specifying those that might cause allergies, and presents any fortification of vitamins, minerals and fibers, among other items. In 2014, the Company voluntarily stopped using celery in all of its products in an effort to mitigate recently discovered allergy risks. |
| Aspect: Marketing Communication | | |
| PR6 | Contested and forbidden products sales. | The Company doesn't sells forbidden products and is in compliance with laws and best practices where it operates. |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes. | In 2014, there were no incidents of non-compliance related to marketing communication. |
| Aspect: Breeding and Genetics | | |
| FP9 | Percentage and total of animals raised and/or processed, by species and breed type. | Pages 47 to 50. |
| Aspect: Animal Husbandry | | |
| FP10 | Policies and practices, by species and breed type, related to physical alterations and the use of anesthetic. | Pages 47 to 50. |

| | | |
|--|---|---|
| FP11 | Percentage and total of animals raised and/or processed, by species and breed type, per housing type. | Pages 47 to 50. |
| FP12 | Policies and practices on antibiotic, anti-inflammatory, hormone and/or growth promotion treatments, by species and breed type. | The Company complies with all legal requirements issued by Brazil and companies to which it exports regarding the use of these substances. Learn more at pages 46 and 47. |
| Aspect: Transportation, Handling and Slaughter | | |
| FP13 | Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling and slaughter practices for live terrestrial and aquatic animals. | There were no incidents of non-compliance in the handling, slaughter and transportation of animals. More information at page 51. |

Credits

Coordination and Project Management
Sustainability, Investor Relations and Communication
teams at JBS Foods

Editorial Content, Editing and GRI Consulting
RICCA RI

Graphic Design and Visual Production
RICCA RI

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