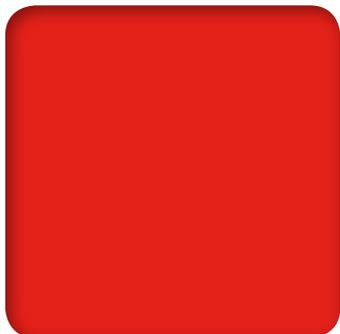


# ANNUAL and SUSTAINABILITY REPORT 2013



# Highlights

**+150**

*countries receive JBS products through its wide portfolio and recognized brands*

*All JBS' business units presented in 2013 an increase in net revenue compared to 2012*

**R\$92.9**

*of net revenue in 2013, an increase of 23% compared to 2012*

*billion*

**+185**

*employees distributed in operations and sales offices, committed to JBS values, mission and with the growth of the company*

*thousand*

*JBS has operational platforms strategically located in competitive regions, with a wide distribution base throughout the largest consumers' centers in the world*

# Brands



# About the Report

*In compliance with international guidelines for transparent reporting, JBS presents in its 2013 Annual and Sustainability Report the practices and results related to its operations*

## REPORT PARAMETERS GRI 3.8

JBS presents its 2013 Annual and Sustainability Report, prepared in compliance with the criteria established by the Brazilian Association of Listed Companies (Abrasca), and, for the second consecutive year, the Global Reporting Initiative (GRI), version G3.1, with application level B. This publication presents management practices and the company's performance in the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2013 and its content has been developed based on consultations with the company's stakeholders. To better understand this process, refer to section Materiality Matrix.

**GRI 3.1 | 3.2 | 3.3 | 3.5 | 3.9**

In addition to the issues considered of high relevance by JBS and its stakeholders, the content of this report also includes strategic aspects considered material to the company, including water, energy, materials, waste, wastewater, labor practices, community, responsibility, product quality and animal wellbeing. The materials topics of environmental performance, described by the GRI indicators, refer to beef, poultry, pork, further processed products, hides/leather and related business operations of JBS in Brazil. The profile, governance and economic indicators, as well as the inventory of greenhouse gases, refer to JBS's global operations, excluding Seara's GHG emissions. These indicators, mentioned throughout the text and listed in the table of contents, are part of the reporting advocated by GRI and adopted by leading organizations around the world.

In this first year of operation of JBS Foods, created from the acquisition of Seara and its merger into JBS Aves in Brazil, the economic and financial results of this business unit were consolidated into JBS Mercosul. Accordingly, governance and management practices do not include Seara's activities. Moreover, only the economic and financial data consolidate national and international operations, as they refer to the entire company. The Financial Statements, prepared in accordance with International Financial Reporting Standards (IFRS), were audited by BDO RCS Auditores Independentes SS. **GRI 3.6 | 3.7**

Any changes in the calculation methodology or any changes in data already released will be highlighted in the text. Questions, suggestions, or opinions related to this report may be submitted via the evaluation form or via the e-mail [relatorio.anual@jbs.com.br](mailto:relatorio.anual@jbs.com.br). **GRI 3.4 | 3.10 | 3.11**

## MATERIALITY MATRIX

As a step forward in the process to prepare the annual and sustainability report, in 2013 JBS developed its first materiality matrix. This consultation process aims to identify topics that are relevant for top management and strategic stakeholders who are frequently involved with the company.

To develop its matrix, the company, with the support of a specialist consultancy firm, listed 36 topics based on the GRI aspects for analysis: 5 economic, 10 environmental and 21 social, the latter being subdivided into labor practices and decent work, human rights, society and product responsibility. These topics have been organized into an electronic questionnaire in which respondents were expected to describe the degree of importance of each topic within a pre-established scale.

Representatives of the company's stakeholders - customers, suppliers, employees, shareholders/investors, financial institutions, civil society organizations, government, media and academia - were then invited by e-mail to participate in the survey in 2013. JBS' top management also filled out the same questionnaire in order to determine the degree of relevance of the topics for the company. **GRI 4.14 | 4.15**

Data was compiled for the preparation of materiality matrix: the X axis is the average rating of the company's top management for each topic, while the Y axis comprises the stakeholders' average rating. The topics in the upper right quadrant are of high importance for these two groups and will therefore be detailed in this report:

### GRI 4.17

- Market and industry information (1)
- Financial performance (2)
- Financial indicators (3)
- Local economic development (4)
- Supplier management (5)
- Impact of climate changes on businesses and emissions (6)
- Relationship with competitors (30)

**JBS' FIRST MATERIALITY MATRIX REINFORCES ITS COMMITMENT TO TRANSPARENCY AND PRIORITIZES THE REPORTING OF RELEVANT ISSUES FOR THE COMPANY AND ITS STAKEHOLDERS**



Label:

-  Economic topics
-  Social topics
-  Environmental topics



### Economic topics

1. Market and industry information
2. Financial performance
3. Financial indicators
4. Local economic development
5. Supplier management



### Environmental topics

6. Impact of climate changes on businesses and emissions
7. Use of materials and recycling
8. Energy consumption
9. Water resources and water reuse
10. Waste and residue control
11. Significant environmental impact of transportation
12. Management and impact on biodiversity
13. Environmental impact on the use of products and packaging
14. Compliance with laws and regulations and relationship channels
15. Environmental investments and costs



## Social topics

### LABOR PRACTICES AND DECENT WORK

16. Employee profile
17. Diversity and equal opportunities
18. Employee remuneration and benefits
19. Employees' career and skills management
20. Collective bargaining/trade union relations
21. Health and safety

### SOCIETY

27. Impact on the communities
28. Combating corruption
29. JBS's positioning in relation to the public policies
30. Relationship with competitors
31. Participation in associations, federations etc.
32. Compliance with laws and regulations

### HUMAN RIGHTS

22. Human rights aspects in the production chain (suppliers) and investments
23. Eradication of child, forced or slave labor in the operations and production chain
24. Nondiscriminatory practices
25. Indigenous rights
26. Human rights training for employees and suppliers

### PRODUCT RESPONSIBILITY

33. Customers' health and safety in using the company's products
34. Information on the products, their quality and availability to customers and their satisfaction
35. Communication and marketing
36. Customer's privacy

# Message

*from the* **CEO** GRI 1.1

I would like to start by thanking each and every one of our 185 thousand team members. It's because of the dedication of these people that JBS continues growing and reaching greater targets. Our team is highly qualified individuals who understand our business and who embrace our values and our culture every single day in each country where we operate. These people are down to earth with an attitude of ownership. They lead by example, thus preserving the essence of our company. I want to say thank you and tell you I am proud to be alongside people who are proud to be part of a JBS who improves by the day.

I have seen many small companies with a tight cost structure and a simple management style that are successful exactly because they have agility and efficiency. The vast majority, however,

as they grow end up allowing bureaucracy and complexity creep into their business on a daily basis and that limits their sustainable growth. At JBS, my greatest challenge is to continue growing and expanding in a sustainable manner, preserving our simplicity and our essence. We need to maintain our focus on the details of our business making sure that people manage processes and not the other way around. And gladly we have been successful in winning this battle by putting the right people in the right place. Before we expand or acquire a new business, we always ask ourselves who is going to run this new business? Who is going to be responsible for the growth and solidity and who can do the best job? These were our concerns in 2007 when we acquired Swift, in 2009 when we acquired Pilgrim's Pride Corporation and in 2013 when we created JBS foods in Brazil. We look to choose people who are determined to be the best at what they set out to do, that understand the business profoundly, that believe in hard work, that are focused on the slightest detail and that lead by example, with stewardship.



Proof that we have been right more times than we have been wrong with this strategy are the results of our business which are constantly improving. Our financial indicators are better every quarter. Each and every one of our business units without exception came up with better results last year when compared with the previous one. In 2013, we observed movements in the global economic scenario which indicate a positive horizon for our business at JBS. The US economy continues to progress, Europe looks to have turned a corner and is entering a period of recovery and the increase in per capita income and urbanization in the emerging economies increases the demand for all meats. Without a doubt, all these aspects are worth a mention. However, what comes from the market is beneficial to JBS and to all the other players in our product category. It's because of this that what really motivates us are not external factors but what we can do in-house in each one of our businesses all over the world. Our total attention is dedicated to what we can influence and control.

It is what we decide inside our company which drives us and not what is happening in the market. One illustration of this philosophy is how we internationalized our organization. In the midst of one of the greatest crises in recent times, we decided to make acquisitions outside of our base in Brazil. With a weakened dollar and depressed assets, we could locate excellent targets for acquisition. We expanded into North America and Australia and we increased our presence in South America consolidating our position in the most competitive geographies in the world. Negative market conditions were not a deterrent to putting into practice what we believed. Today, I hear many comments from companies that are looking to internationalize or to expand their foot-

“OUR GREATEST CHALLENGE IS TO CONTINUE GROWING AND EXPANDING IN A SUSTAINABLE MANNER, PRESERVING OUR SIMPLICITY AND OUR ESSENCE. WE NEED TO MAINTAIN OUR FOCUS ON THE DETAILS OF OUR BUSINESS MAKING SURE THAT PEOPLE MANAGE PROCESSES AND NOT THE OTHER WAY AROUND”

print abroad. When I hear this I am ever more convinced that we chose the correct moment to take our business international, although our decision was contrary to the majority at the time. Today we see the dollar strengthening against most of the emerging currencies, which is highly beneficial to JBS.

The global economic scenario looks favorable. We believe that the recovery of the US\$ has not yet ended. Our feeling is that the US\$ will continue to strength in relation to the Brazilian Real and that our exports, as well as the valuation of our assets, will continue to be benefitted. It is worthwhile to remember that the Company's exports last year were approximately US\$12 billion, a relevant increase of 20% in relation to 2012. This increase of about US\$2 billion in exports was due essentially to two factors. The first is the increase in consumption and demand in the emerging mar-

kets. The second is the increase in the number of countries that we are exporting to. More than 150 nations receive JBS products from a production platform consolidated in the most competitive regions in the world. This fact demonstrates a consistency in our exports that guarantees access to 100% of the consuming markets.

We have identified in our business that the word “convenience” is more and more present. A tendency observed in many countries is that people look for more convenience and practicality in food. Translated for our business this means offering to our customers more customized products, easier to prepare and higher value added. Based on this we created JBS Foods last year. The new business unit combines our poultry and pork assets and processed products in Brazil together with the Seara operations taken over in October 2013. In the first three months of this unified operation we have had good results. Strong brands and a

portfolio of revitalized products that offer convenience to the consumer are the guidelines that will drive our growth strategy in these categories during the coming years.

To complete, the investments made during the past years will continue to bear fruit. The increase in the production platform last year in South America, especially in Brazil, will permit that our production and our exports continue growing at an accelerated rate. We are projecting that the export sales of the Company will be approximately US\$ 15 billion, which represents an increase of over 20% in relation to 2013. The two important sporting events that will occur in Brazil in 2014 and 2016 will support the demand for proteins in the country leveraging our successful strategy of strengthening our brands.

In the USA we estimate that the offer of beef and pork will remain tight in relation to demand, in a scenario similar to that of 2013. We believe there is space for price adjustments

without affecting demand e consequently improving our margins in both operations. In the case of chicken, availability should remain stable in relation 2013, which favors Pilgrim's maintaining in 2014 its trajectory of growth and excellent results, an example of what happened last year. Finally, Australia will continue to attend the increasing demand from the growing middle classes in Asia.

JBS has its production platform strategically established in the most cost competitive regions of the world. We have a pulverized distribution base spread over the major centers of consumption. This brings us to believe that the strategic decisions that have been made will continue to enhance our results, generating value to our shareholders, developing our society in addition to bring convenience and practicality to our consumers.

To conclude I am grateful to all of those who trust in our strategy and follow us in this path to be the best in what we set out to do.

**Wesley Mendonça Batista**  
*Global CEO of JBS S.A.*



# Summary

14 JBS

24 CORPORATE  
GOVERNANCE

34 STRATEGY

46 OPERATIONS

60 FINANCIAL  
PERFORMANCE

66 ENVIRONMENTAL  
PERFORMANCE

88 GRI REPORTING INDEX



**JBS**

# 01

## SIZE OF THE BUSINESS

**GRI 2.2 | 2.8 | 2.9**

JBS S.A. is a global leader in animal protein processing, owner of beef, pork and lamb, poultry and leather processing plants, in addition to feedlots. It also operates in the segments of cleaning and hygiene products, collagen, can making, casings, biodiesel, vegetable, recycling and transport. **GRI 2.1 | 2.6**

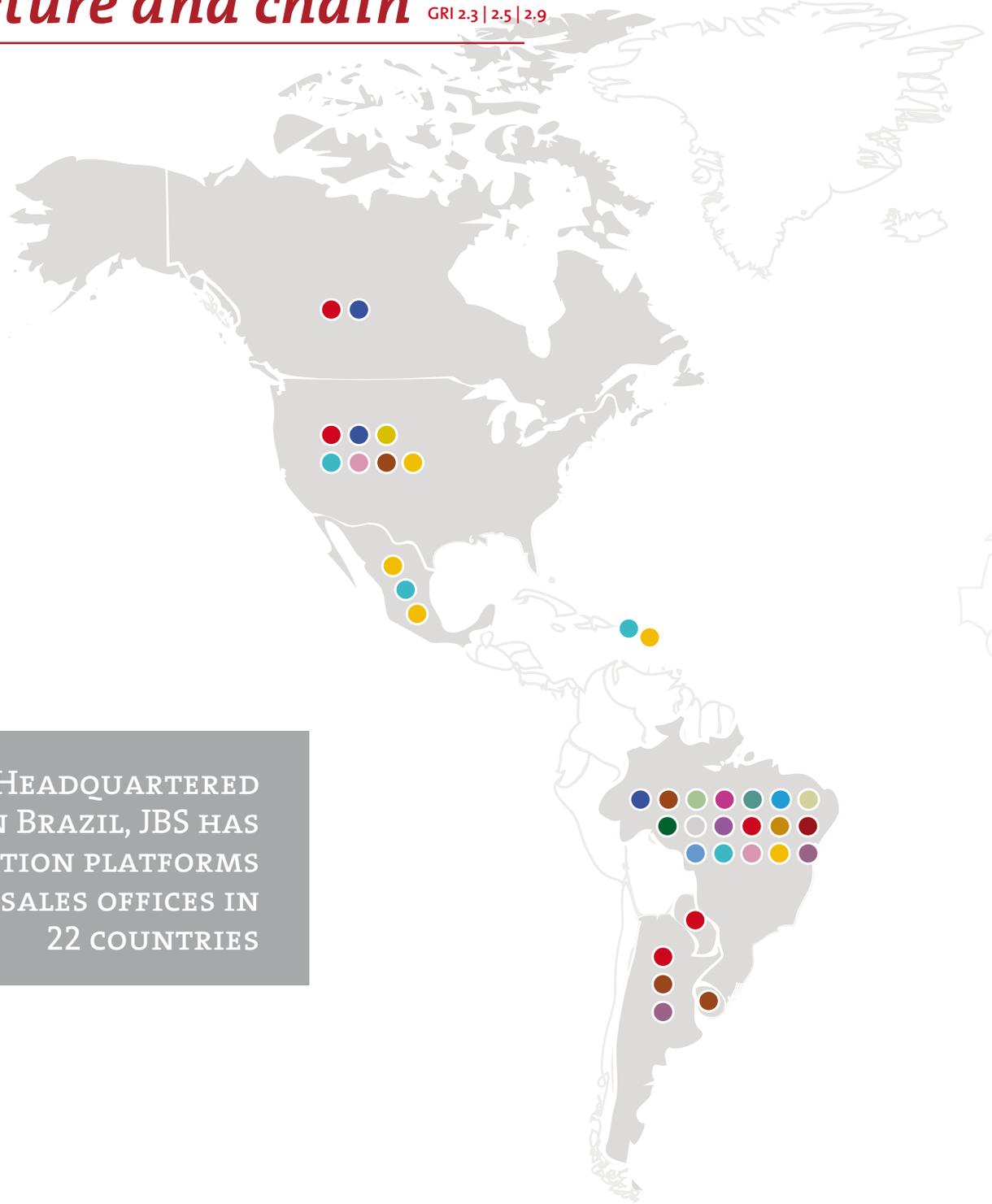
Headquartered in São Paulo and foothold in 22 different countries, the company has more than 185,000 employees in production platforms and sales offices. Its team serves more than 300,000 customers in over 150 countries, offering a vast product portfolio and renowned brands, including Swift, Friboi, Seara, 1855, Canelones, Great Southern, Doriana, Rezende, Turma da Mônica, Maturatta, Swift Black, All Natural, Cabaña Las Lilas, Pilgrim's, Gold Kist Farms, Pierce and Frangosul. **GRI 2.4 | 2.5 | 2.7**

The businesses are organized in the following units: JBS Mercosul (which includes the Company's beef, leather and related businesses in Brazil, Argentina, Paraguay and Uruguay), JBS USA (responsible for operations in Australia, Canada, the United States, Mexico and Puerto Rico) and JBS foods, created in 2013 with focus on the poultry, pork and value added products in Brazil. **GRI 2.3**

The company's shares have been traded in the Novo Mercado Special Corporate Governance Listing segment of the BM&FBovespa since 2007, when it held its IPO. In 2013, the company posted net revenue of R\$92.9 billion, with exports accounting for 27% of this total. In terms of revenue breakdown by business unit, JBS Mercosul contributed with R\$25.8 billion (including JBS Foods), while JBS USA contributed with US\$18.6 billion (beef), US\$3.5 billion (pork) and US\$8.4 billion (poultry).

**A global leader in the processing of animal protein, JBS is present in 22 countries and serves more than 300,000 customers worldwide**

# Structure and chain GRI 2.3 | 2.5 | 2.9



HEADQUARTERED  
IN BRAZIL, JBS HAS  
PRODUCTION PLATFORMS  
AND SALES OFFICES IN  
22 COUNTRIES

Label:

- |                            |                     |            |              |
|----------------------------|---------------------|------------|--------------|
| JBS Environmental          | Poultry             | Biodiesel  | Beef         |
| Jerked Beef                | Distribution Center | Collagen   | Feedlot      |
| Hides/Leather              | Can Making          | Casings    | Sales Office |
| Feed mil                   | Hygiene and Clean   | Hatcheries | Smalls       |
| Further Processed Products | Pork                | Port       | Transport    |

GRI 2.9

**JBS MERCOSUL**

**JBS BRAZIL**

- 55 beef processing facilities
- 26 tanneries, considering 19 in Brazil, 1 in South Africa, 2 in China, 1 in Vietnam, 1 in Argentina and 2 in Uruguay, in addition to distributions centers around the world
- 8 Related Business: JBS Biodiesel, JBS Can Making, JBS Casings, JBS Environmental, JBS Hygiene and Clean, JBS Trading, JBS Transports and TRP and JBS Collagen
- 7 feedlots
- 4 further processed products facilities
- 3 jerked beef facilities
- 12 distribution centers

**JBS ARGENTINA**

- 5 beef processing facilities
- 1 distribution center

**JBS PARAGUAY**

- 2 beef processing facilities

**JBS URUGUAY**

- 1 beef processing facility

**JBS FOODS**

- 21 poultry processing facilities
- 7 hogs processing facilities
- 17 poultry and pork further processed products facilities
- 20 distribution centers
- 1 port
- 13 poultry farms and 2 hog farm
- 24 feed mills
- 13 hatcheries

**JBS USA**

**JBS USA**

- 10 beef processing facilities
- 11 bovine feedlots
- 1 smalls processing facility
- 3 hogs processing facilities
- 1 tannery

**JBS AUSTRALIA**

- 10 beef processing facilities
- 5 bovine feedlots
- 2 smalls feedlots
- 5 smalls processing facility
- 1 tannery

**JBS CANADA**

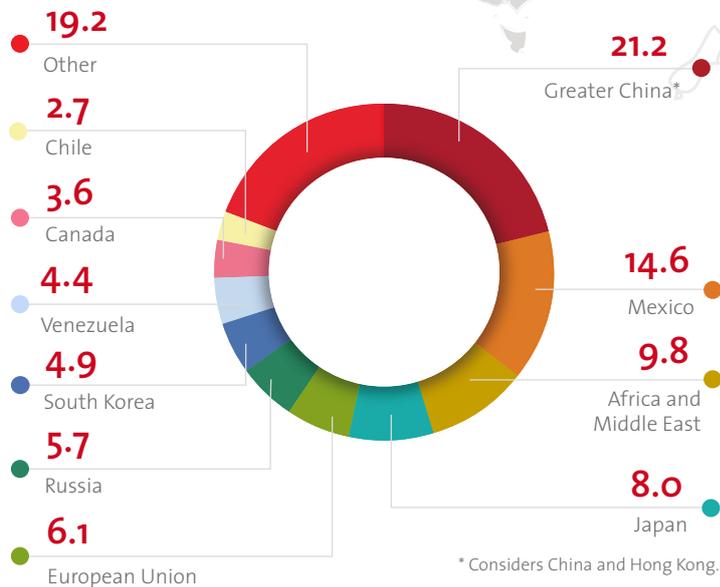
- 2 beef processing facilities
- 1 bovine feedlot

**PILGRIM'S PRIDE (PPC)**

- 32 poultry processing facilities, considering 29 in the US, 2 in Mexico and 1 in Puerto Rico
- 31 hatcheries, considering 28 in the US, 2 in Mexico and 1 in Puerto Rico

To learn more about JBS and its history, visit [www.jbs.com.br](http://www.jbs.com.br).

Consolidated exports distribution in 2013 (%)





## *Corporate culture* GRI 4.8

### **WHO WE ARE |**

People with the same attitude, complementary knowledge, a sense of urgency and spirit of ownership.

### **WHAT BRINGS US TOGETHER |**

Trust.

### **OUR PRIORITY |**

The common good.

### **OUR MISSION |**

To be the best at whatever we set out to do, focusing exclusively on our activities, ensuring the best products and services for our customers, solidity to our suppliers, satisfactory return for our shareholders and the certainty of a better future for all our employees.

### **OUR VALUES |**

Planning, determination, discipline, availability, honesty and simplicity.

### **OUR PILLARS |**

Our culture, our people, our products and our customers.

### **OUR BELIEFS |**

We believe that the quality of people provides a key competitive edge, and we believe that no matter how simple the role, well-prepared and motivated people make the difference. Human Capital is our most important asset – with people we can innovate, create, improve and grow. Such capital, well guided and supported, enables us to achieve the necessary results for the longevity of the company.

## KEY INDICATORS

Operating and financial indicators (R\$ million, except when stated otherwise)	2013	2012	Change (%)
Net revenue	92,902.8	75,696.7	22.7
Cost of goods sold	(81,056.1)	(67,006.9)	21.0
Gross margin (%)	12.8	11.5	-
Ebitda	6,130.3	4,410.3	34.0
Ebitda margin (%)	6.6	5.8	-
Net income	926.9	718.9	28.9
Net income (loss) per share (R\$)	0.32	0.25	30.5

**R\$2,541.0**  
million

of operating cash flow

Indicators by business unit (US\$ million, except if stated otherwise)	2013	2012	Change (%)
<b>Net revenue</b>			
JBS Mercosul (R\$ million)	25,820.5	18,013.1	43.3
JBS USA Beef	18,621.1	17,477.6	6.5
JBS USA Pork	3,518.7	3,501.1	0.5
JBS USA Poultry	8,411.1	8,121.4	3.6
<b>Ebitda</b>			
JBS Mercosul (R\$ million)	2,712.4	2,469.2	9.8
JBS USA Beef	375.8	223.9	67.9
JBS USA Pork	227.6	188.1	21.0
JBS USA Poultry	805.9	402.6	100.2

**R\$635.1**  
million

of free cash flow

### Added Value Distribution (R\$ '000) 2013

Personnel	9,260,005
Taxes and contributions	2,117,941
Third-party capital remuneration	8,100,544
Own capital remuneration	1,118,325
<b>Total added value distributed</b>	<b>20,596,815</b>

## NET INCOME

R\$926.9 million in 2013, an increase of 28.9% compared to 2012

# Awards and recognition

GRI 2.10

*Awards and certifications recognize JBS role and performance focused on sustainability, promotion of products and best practices of business management*

## January

**ISO 14001 CERTIFICATION** | JBS received a certification from DNV for implementing an efficient Environmental Management System (SGA) at the facility of beef and further processed products, Campo Grande II.

## February

**ISO 17025 CERTIFICATION** | The General Registration Department (CGCRE), of National Institute of Metrology, Quality and Technology (Inmetro) re-certified JBS' biodiesel laboratory to ISO 17025, thanks to the technical qualification in testing that makes this business a reference in analyses in Brazil. Besides certifying its own biodiesel, the laboratory acknowledges the quality of biodiesel from other companies, in compliance with national and international standards of quality.

**May**

**SUPERIOR TASTE AWARD SEAL** | The Swift Black Chorizo Steak was granted a seal by the International Taste & Quality Institute (iTQi), a global benchmark for assessing and promoting food and beverage of superior taste. The product was the only fresh beef in Brazil to receive a top rate for its aroma, texture, visual appearance and taste.

**June**

**LEATHER WORKING GROUP CERTIFICATION** | JBS Leather division got 4 certifications from the Leather Working Group. The Units of Cascavel(CE) and Itumbiara (GO) were both awarded with the gold medal and the units of Lins (SP) and Uberlândia (MG) were awarded with the silver medal. All of them were graded "A" in traceability.

**July**

**ISO 14001 CERTIFICATION** | ABS Quality Evaluation renewed the ISO 14001 Certification of JBS Foods' Port Terminal, located in Itajaí (SC).

**ISO 9001:2008 CERTIFICATION** | JBS Leather division got 9 "ISO 9001" certifications in our productive units.



## August

### **THE BEST COMPANY TO COMMUNICATE WITH JOURNALISTS**

JBS was recognized by the *Negócios da Comunicação* magazine for the second consecutive year for its quality in the relationship with journalists and the market, facilitated by access, the availability and easy checking of information.

### **BRAZIL'S LARGEST**

**MULTINATIONAL** | Dom Cabral Foundation (FDC) recognized JBS as Brazil's Largest Multinational, as a result of the Largest and Most Profitable Company in the Food Sector award granted by the *Valor Econômico* newspaper, for the company's financial results.

## September

### **APPOINTED TO THE ETHOS INSTITUTE INTERNATIONAL CONGRESS**

In September, JBS Environmental was shortlisted in the category "Sustainable and Responsible Business" in the Ethos Institute International Congress for its successful case that generated economic, environmental, social and ethical values to the group.

### **ISO 14001 CERTIFICATION**

| ABS Quality Evaluations renewed the ISO 14001 certification of JBS Foods' Itapiranga (SC) unit, which comprises egg, chick, broiler and feed production, poultry slaughter and processing of heat-processed products.

## October

### **SUCCESSFUL IMPLEMENTATION AND APPLICATION OF CONTROL OF DRIVERS' WORKING HOURS**

JBS was a pioneer in the implementation of control of drivers' working hours in compliance with the Truckers Act<sup>1</sup>, being recognized in the Fourth National and International Transport Conference.

### **REDE MUFFATO AWARD**

| JBS Foods was recognized by the Muffato supermarket chain from Paraná state (which also has some units in São Paulo state) in two categories: Ranked first place as the Best Supplier of Frozen/Perishable Food and Second Place in the Chilled Products category.

<sup>1</sup>Law enacted in April 2012 that regulates the driver profession, requiring a 30-minute rest every 4 hours driving and 11 hours of rest per day.

AWARDS AND CERTIFICATIONS  
REFLECT THE QUALITY  
AND EXCELLENCE OF JBS  
BUSINESSES MANAGEMENT

**BEST AGRIBUSINESS COMPANIES** | The *Dinheiro Rural* magazine recognized JBS for the best feedlot operations by a meatpacker in Brazil and for all the work involved.

**2013 CABORÉ AWARD NOMINATION** | JBS was nominated to the 2013 Caboré Award in the Advertiser category, organized by the *Meio & Mensagem* group. This recognizes the company's efforts to change beef consumption habits in Brazil with the campaign *Peça Friboi. Carne confiável tem nome* ("Ask for Friboi. Meat you can rely on has a name").

**17<sup>th</sup> RURAL MARKETING AND AGRIBUSINESS AND COMMUNICATIONS EXHIBITION** | In the 17<sup>th</sup> Rural and Agribusiness Marketing and Communications Exhibition, promoted by the Brazilian Association of Rural Marketing and Agribusiness (ABMR&A), JBS was recognized for its creativity in agribusiness advertising for the campaign *Peça Friboi. Carne confiável tem nome* ("Ask for Friboi. Meat you can rely on has a name").

**TOP OF MIND AWARD** | JBS won the Top of Mind award in the Meat category, conducted by *Folha de S. Paulo* newspaper, for being remembered by 45% of the survey's respondents, confirming the efficient marketing strategy *Peça Friboi. Carne confiável tem nome*.

**SUSTAINABILITY FROM END TO END** | JBS was recognized by Walmart in the Sustainability from End to End program for the implementation of sustainable practices in the production of Friboi Burger. The program aims to mitigate environmental impacts during the production process, in addition to promote social and educational projects and encourage continuous improvement of its suppliers. JBS was the first company in the meat industry to participate in the program, with the adoption of social and environmental improvement initiatives throughout the Friboi Burger production chain.

## November

**ISO 14001 CERTIFICATION** | ABS Quality Evaluations renewed the ISO 14001 certification of JBS Foods' Nuporanga (SP) unit, which comprises egg, chick, broiler and feed production, cut, deboning and poultry processing.

**FIFTEENTH ABRASCA ANNUAL REPORT AWARD** | JBS was shortlisted in the award promoted by Abrasca. Created in 2009, the award ceremony encourages the development of annual reports with greater clarity, transparency, quality and amount of information in a pioneering way.

## December

**BRAZILIAN LEADERS AWARD** |

JBS was honored in the International Markets category of the award organized by the Doria Group's magazine, the main national recognition to the talent, competence and commitment of leaders in Brazil and for efforts to position Brazil as a world leader.

**KURT POLITZER TECHNOLOGY**

**AWARD** | Granted by Brazilian Chemical Industry Association (Abiquim) to JBS Leather for its creativity projects in research and innovation in the chemical industry, with market potential and focus on sustainability.



# Corporate GOVERNANCE

# 02

## **ASSUMPTIONS** GRI 4.6

To improve its decision-making process and ensure respect to all stakeholders, JBS adopts the best practices of corporate governance. The company's shares are listed on the *Novo Mercado* Special Corporate Governance Listing Segment, BM&FBovespa's most rigorous level, which requires high level of management and disclosure practices.

JBS's governance structure defines investment strategies and monitors the company's relationship with shareholders and stakeholders, thereby ensuring value creation and sustainable business development. This positioning is based on the principles of transparency, fairness, accountability and corporate responsibility established by the Brazilian Institute of Corporate Governance (IBGC).

**JBS's unrelenting quest to improve corporate governance includes the adoption of best management practices and transparency of information disclosed to the market**

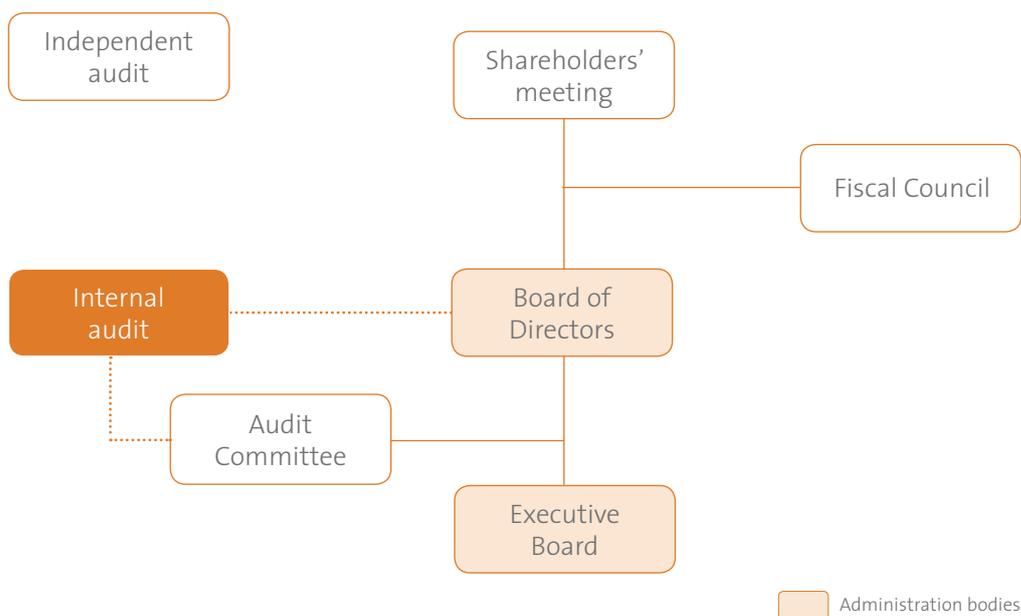


## Best practices adopted by JBS

- ✓ Capital stock divided into common shares, granting voting rights to all shareholders.
- ✓ Independent audit firm to analyze balance sheets and financial statements.
- ✓ Permanent Fiscal Council.
- ✓ Summoning of shareholders' meetings to resolve on the election, removal from office and term of office of the members of the Board of Directors and Statutory Officers defined in the Bylaws.
- ✓ Transparency in the disclosure of the annual management report.
- ✓ Free access to information and the company's facilities to the members of the Board of Directors.

To learn more about JBS's governance practices, refer to the Reference Form.

### STRUCTURE GRI 4.1



## SHAREHOLDERS' MEETINGS GRI 4.4

The Annual Shareholders' Meetings (ASM) is one of the means of contact between shareholders and investors and JBS' management. ASMs approves the management report, the administrators' accounts, the financial statements, the allocation of net income, the election of members of the Board of Directors and Fiscal Council and their alternate members, the maximum total annual remuneration of management and Fiscal Council members and amendment to the Bylaws.

## FISCAL COUNCIL

The Fiscal Council is independent from the company's management and external auditors, serving as a permanent body with powers and duties conferred by law. Its main responsibilities include: to oversee the administrators' acts; to issue opinions on proposals of administration bodies to be submitted to shareholders' meetings, in accordance with law; to analyze and issue opinion on the financial statements; to report errors, fraud or crimes to administration bodies and shareholders' meetings; and, at least on a quarterly basis, to analyze trial balances and other financial statements prepared periodically by the company. It is composed by a minimum of three and a maximum of five members and their respective alternate members, who may or may not be shareholders and who are elected and removed from office by the ASM.

### Composition of the Fiscal Council on 12/31/2013\*

Name	Position
Florisvaldo Caetano de Oliveira	Chairman of the Fiscal Council
Sandro Domingues Raffai	Member
Luis Eduardo Frisoni Junior	Member
Demetrius Nichele Macei	Member

\* All members were elected on April 26, 2013 for a one-year term-of-office.

## BOARD OF DIRECTORS GRI 4.9

In compliance with the company's bylaws, the main responsibilities of JBS' Board of Directors (BoD) are: to establish policies and general business guidelines and long-term strategy; to elect executive officers and remove them from office and establish their duties; oversee the executive officers' management; to comment on the management report and management accounts; and elect independent auditors and remove them from office. The BoD has the support of specific committees that assist in strategic business decisions. The meetings are held every quarter and in special sessions whenever necessary.

The BoD's decisions are taken by a majority of members and each director has the right to one vote in the resolutions. The Board members are elected for a two-year term of office by the ASM, which can remove them from office, being eligible for reelection. It is composed by a minimum of five and a maximum of eleven members.

JBS' executives are highly qualified and recognized in Brazil and abroad in the areas where they operate. These professionals share their expertise with professionals from other fields, allowing them to have a systemic view of the entire business. In addition to compensation of these executives, JBS offers a bonus program related to indicators of operational performance, including sustainability. **GRI 4.5 | 4.7**

In June 2013, Tarek Mohamed Noshy Nasr Mohamed Farahat was appointed as a new Board member. His election was ratified by the company's Shareholders' Meeting held on December 20, 2013. Mr. Farahat has 24 years' experience in the corporate world, having accomplished important milestones in his career – some of which are used as reference in MBA programs at Harvard University.

GRI 4.2 | 4.3

Composition of the Board of Directors on 12/31/2013

Name	Position	Date of election
Joesley Mendonça Batista	Chairman	04/26/2013
Wesley Mendonça Batista	Vice-Chairman	04/26/2013
Humberto Junqueira de Farias	Member	04/26/2013
João Carlos Ferraz	Member	04/26/2013
José Batista Sobrinho	Member	04/26/2013
Carlos Alberto Caser	Independent member	04/26/2013
Marcus Vinicius Pratini de Moraes	Independent member	04/26/2013
Tarek Mohamed Noshy Nasr Mohamed Farahat	Independent member	12/20/2013

**INNOVATION AND MARKETING COMMITTEE**

The Innovation and Marketing Committee was created in July 2013 with the mission of creating value for the company’s brands by building its corporate image, portfolio and positioning of JBS’ different operating segments. It also monitors the company’s overall results and creates shareholder value by maximizing sales and profitable brands within JBS’ portfolio.

In its first year, this Committee developed various marketing strategies for the company, including Friboi’s successful marketing campaign and the plan to expand the brand’s presence at points of sale. It also made recommendations on JBS Foods’ strategic management, especially in relation to the revision of the positioning of the brand, portfolio and campaign to be consolidated in 2014. The Committee holds monthly meetings and is currently composed of eight members, headed by Tarek Mohamed Noshy Nasr Mohamed Farahat.

Composition of the Innovation and Marketing Committee on 12/31/2013

Name	Position	Position in the Committee
Tarek Farahat	CEO of P&G in Latin America and independent member of JBS’ Board of Directors	Chairman
Wesley Mendonça Batista	CEO of JBS and member of JBS’ Board of Directors	Member
Joesley Mendonça Batista	Chairman of JBS’ Board of Directors	Member
Gilberto Meirelles Xandó Baptista	CEO of Vigor Alimentos	Member
Gilberto Tomazoni	CEO of JBS Foods	Member
Renato Mauro Menezes Costa	President of JBS Brazil’s Beef Division	Member
José Augusto de Carvalho Júnior	JBS Commercial Director	Member
Miguel Gularte	CEO of JBS Mercosul	Member

## SUSTAINABILITY COMMITTEE

In 2013 the Sustainability Committee was remodeled to advise the Board of Directors with respect to the risks and opportunities in sustainability initiatives. Accordingly, the committee is responsible for dealing with and connecting all topics related to the company's business in a global perspective, including: identification, addressing and treat-

ment of critical issues that result in risks or business impact; monitoring and implementation of policies, strategies and specific initiatives; and evaluation of proposals of investments in sustainability. It is composed by six members from the company's top management and is presided over by BNDES representative João Carlos Ferraz. The Committee holds meetings every quarter.

Composition of the sustainability Committee on 12/31/2013

Name	Position	Position in the Committee
João Carlos Ferraz	Vice-President of BNDES and member of JBS's board of Directors	Chairman
Wesley Mendonça Batista	CEO of JBS and vice-chairman of JBS's Board of Directors	Member
Francisco de Assis e Silva	Institutional Relations Officer at JBS	Member
Miguel Gularte	CEO of JBS Mercosul	Member
Gilberto Tomazzoni	CEO of JBS Foods	Member
Renato Mauro Menezes Costa	President of JBS Brazil's Beef Division	Member



## AUDIT COMMITTEE

The Audit Committee advises the BoD about the norms, rules and procedures for disclosure and transparency of financial statements, being responsible also for evaluating the performance of internal control systems and internal and external audits. In 2013, the Committee reviewed the work conducted by the internal audit team and approved the guidelines and action plans for 2014, 2015 and 2016. It is headed by Humberto Junqueira de Farias, New Business Director of J&F Investimentos S.A., and is currently composed of five members, who hold monthly meetings.

### Composition of the Audit Committee on 12/31/2013

Name	Position	Position in the Committee
Humberto Junqueira de Farias	New Business Director of J&F Investimentos S.A.	Chairman
Silvio Roberto R. de Menezes Júnior	Responsible for internal audit, risks and control and ombudsman at TOTVS S/A	Member
Paulo Sérgio Dortas	Member of Ibracon	Member
José Paulo da Silva Filho	Administration and Control Officer at J&F Investimentos S.A.	Member
Marcus Vinicius Pratini de Moraes	BoD member	Member

## FINANCIAL AND RISK MANAGEMENT COMMITTEE

This Committee helps the Board of Directors and Executive Officers analyze the impacts of the global economic scenario on JBS' financial policy. In 2013, the Committee changed the risk management policy, improving rules and procedures for the control and management of market and credit risks. The aim was to reduce the risk of fluctuation in prices and create value for shareholders, in addition to mitigate other risks that the company is exposed to due to the regular course of its business (see more in item Risks). The Committee is constantly composed of five members and holds quarterly meetings.

### Composition of the Financial and Risk Management Committee on 12/31/2013

Name	Position	Position in the Committee
Joesley Mendonça Batista	Chairman of JBS's Board of Directors	Chairman
Wesley Mendonça Batista	CEO of JBS and vice-chairman of JBS's Board of Directors	Member
André Nogueira de Souza	CEO of JBS USA	Member
Denilson Molina	CFO of JBS USA	Member
Eliseo Santiago Perez Fernandez	Administration and Control Officer at JBS	Member

## PERSONNEL MANAGEMENT COMMITTEE

The Personnel Management Committee proposes criteria for performance evaluation, compensation and meritocracy at all hierarchical levels of JBS. It also analyzes candidates to the BoD, considering professional experience, expertise and economic, social and cultural representativeness.

In 2013, in view of Brazilian Law 12846/13 (anti-corruption law), the Committee created a special working group with the aim of proposing a rewording of JBS' Ethical Conduct Manual, in compliance with the new legal requirements, reaffirming the commitment of the company and its employees to high ethical standards. The Committee holds quarterly meetings and is currently composed of six members.

JBS' Manual of Ethical and Moral Conduct is available at [www.jbs.com.br/ri](http://www.jbs.com.br/ri).

### Composition of the Personnel Management Committee on 12/31/2013

Name	Position	Position in the Committee
Wesley Mendonça Batista	CEO of JBS and vice-chairman of JBS's Board of Directors	Chairman
Verônica Peixoto Coelho	Human Resources Officer of JBS	Member
José Augusto de Carvalho Júnior	Commercial Officer of JBS	Member
Gilberto Tomazoni	CEO of JBS Foods	Member
Miguel Gularte	CEO of JBS Mercosul	Member
Carlos Alberto Caser	BoD member	Member

**FIVE SPECIALIZED COMMITTEES  
CONTRIBUTE TO DECISION MAKING  
PROCESSES OF JBS MANAGEMENT**

## STATUTORY EXECUTIVE BOARD

The Statutory Board is an administrative body responsible for the company's internal organization, decision-making process, daily operations and implementation of policies and guidelines established by the Board of Directors. The Executive Board is authorized to practice all acts needed for the regular operation of the company. In this context, it holds meetings whenever summoned by the CEO or by a majority of its members. It is composed of members elected by the Board of Directors for a three-year term of office, who are eligible for reelection.

### Composition of the Statutory Board on 12/31/2013\*

Name	Position
Wesley Mendonça Batista	CEO
Francisco de Assis e Silva	Institutional Relations Officer
Jeremiah Alphonsus O'Callaghan	Investor Relations Officer
Eliseo Santiago Perez Fernandez	Administration and Control Officer

\* All members were elected on May 13, 2013 for a three-year term of office.

*Clear guidelines align JBS' initiatives to ensure the adoption of best governance practices, business management, valuing ethical conduct and integrity*

## POLICIES

**Relevant Information and Disclosure Policy** | Based on principles of adherence to best investor relations practices, transparency and equal treatment with investors and the capital market. It establishes the use and disclosure of information classified as a material fact and the rules and guidelines on the use, publication and confidentiality of information that has not yet been made public.

**Securities Trading Policy** | Aims to prevent and punish the use of insider information to benefit related persons in trading of securities issued by JBS and sets forth the guidelines governing the trading of securities in accordance with CVM Instruction 358/02, as amended.



## *Ethical Conduct Manual* GRI 4.8

**Dividend policy** | Pursuant to Brazilian Corporate Law and the Company's Bylaws, JBS holds ASM within the first four months following the end of the fiscal year to acknowledge the management accounts, analyze, discuss and vote on the financial statements; resolve on the allocation of net income and dividend distribution; and elect the administrators and members of the Fiscal Council, if applicable.

**Privacy Policy** | It demonstrates JBS' commitment to security and privacy of information collected from users of the company's website. Investors, analysts and other stakeholders may visit the website for reports, news and information without providing personal information.

**Environmental Policy** | Respect the environment, prevent pollution, compliance with legal requirements, definition of objectives and targets for continuous improvement in processes and optimization of the use of natural resources guide the company's Environmental Policy, which is present in all operations and the manner that JBS does business and establishes partnerships.

JBS' Ethical Conduct Manual reinforces the company's corporate culture with the goal of guiding ethical behavior of employees and suppliers in daily negotiations. In this context, it addresses issues regarding breach, conflicts of interest, third-party contracts, employment practices, receiving gifts, decision making, anti-corruption practices, among other topics. In 2013, a review process of the Manual was implemented, in accordance with the requirements of Brazilian Anti-corruption Law 12846/13. Its new version will be made available in 2014.



Learn more about  
JBS's policies at  
[www.jbs.com.br/ri](http://www.jbs.com.br/ri).



# Strategy

# 03

## GROWTH DRIVERS

To ensure sustainable development of its business, JBS focuses on the pillars People, Financial Structure, Cost Reduction and Risk Management. Coupled with growth, geographical diversification and product quality, it helps the company maintain its leadership in the international markets in the animal protein segment and generate shareholder value.

The company will continue improving the products it offers, maintaining the standard of reliable sources, quality production and food safety. Additionally, its strategy is also aligned with its successful acquisition of brands and asset integration in recent years. In this light, JBS continues to establish strategic partnerships, developing new businesses and capturing operational synergies in the pursuit of economies of scale, greater proximity to consumers and generation of cash flow.

In order to maintain its successful history of integration – Swift, JBS Packerland, Pilgrim's Pride, Bertin, Swift, Smithfield, Five Rivers, Tasman, XL Foods and, in 2013, the beginning of the Seara merger process – JBS plans to further strengthen the synergy of its sales and distribution chains, reducing freight and storage costs as well as consolidating the risk management systems, improving its production and logistics processes, expanding its international presence and investing in technology information and professional qualification.

Pioneering processes and improvements in the supply chain will continue to be applied in order to boost profitability and optimize the production process of JBS' plants.

**Improving its products, expanding its distribution network and strengthening activities focused on value-added products and brands are some of the goals related to JBS' strategy**

In addition, JBS will focus on increasing the availability of value-added products – sliced, diced, cooked, canned, seasoned, with sauce and ready-to-eat products. The strategy in this case involves the expansion of the distribution chain and increased offering of higher value-added products, providing greater convenience for consumers and strengthening the brands through investments in marketing.

With a strategy focused on geographical and product diversification, through financial health, food safety, important mergers and acquisitions, JBS will be well-positioned to remain a global leader in animal protein production and processing.

## INTANGIBLE ASSETS

### BRANDS

The brands that are part of JBS' portfolio are leaders and are recognized by the public. This reputation has been achieved thanks to the attention the company devotes to its products, from the beginning to the end of the production chain – origin control, reliable raw material source, adequate industrial production, hygiene and safety processes and careful handling in transport.

In this context, the brands of JBS are symbols of quality and reliability, thanks to the company's focus on responsibility and marketing. The Friboi brand, for example, became widely



known in 2013 with the “Ask for Friboi. Beef you can rely on has a name” campaign, which became a success in the Brazilian homes and changed beef consumption patterns in Brazil.

The campaign impacted the buying habits of Brazilians, who began asking for the brand’s beef in retail outlets, raising awareness on the public about production and quality aspects of what is sold and consumed. It also contributed to the achievement of the Top of Mind Award from the *Folha de S. Paulo* newspaper in the Beef category and appointment in the 2013 Caboré Award, organized by the *Meio & Mensagem* group, in the Advertiser category.

To strengthen the brand with JBS’ customers, including supermarket, restaurants and fast food chains, the company carries out the Swift Butcher Program, whose mission is to promote the development of business between JBS and its customers, adding knowhow, techniques and better results in beef sales through special training.

For more information, visit [www.acougueswift.com.br](http://www.acougueswift.com.br).

*Reflecting its successful trajectory and business management, intangible assets represent competitive advantages, placing the company in a privileged position in the markets it operates*

## HUMAN CAPITAL

Human capital is of fundamental importance to the company. JBS’ professionals are responsible for the production and development of the best products and services for customers and consumers, contributing to the successful integration of all the companies of the group. More than 185,000 employees are committed to the company’s values and aligned with its mission.

With a focus on training and continuous improvement of each employee, the company invests in professional development programs, such as JBS Trainee Program, Internal Talent and Leadership Management Program, 5S, Continuous Improvement Circuit Program, as well as training at the Deboning and Cutting Training Centers at its industrial units. It also trains drivers with or without road driving experience through practical lessons in the Drivers Training School.

In addition, JBS has an internal recruitment program to available positions, thus, the company prioritizes its own employees in this positions before disclose these positions to the market, giving them the opportunity to grow and develop their skills in the different areas of the company.

Additionally, with the aim of attracting new professionals, JBS offers an exclusive career channel on its website.

## MARKET PENETRATION AND DIVERSIFICATION

JBS’ geographical diversification contributes to adding value to its business, as it mitigates market and health risks in the countries where it operates and has its headquarters. JBS footprint also contributes to the diversification of the customer base, allowing the company to reach 100% of consumer markets. As a result, JBS is able to offer the best prices, boosting profitability per animal processed.

*JBS is committed to transparency in its initiatives. Learn about the channels the company uses to strengthen ties with its stakeholders*



**Civil Society** | Participation in multi-stakeholder groups, such as Global Roundtable for Sustainable Beef (GRSB) and the Working Group on Sustainable Beef (GTPS).



**Government** | Dialogue with federal and state environmental agencies and the Federal Prosecution Service (MPF).



**Customers** | Customer service, e-mail, corporate website and telephone.



**Consumers** | Customer service, satisfaction survey, e-mail, corporate and brands website, advertising campaigns, Facebook, Twitter and Youtube.



**Employees** | Endomarketing campaigns, communication channels, meetings with leaders, performance evaluation, internal workshops and ombudsman.



**Suppliers** | Farmers Relations Department, *Farol da Qualidade*, *Boi no Ponto* Program, farmers web portal, Guaranteed Origin Program and technical visits.



**Shareholders and Investors** | ASM, Annual and Sustainability Report, notices to the market, JBS Day, Investor Relations department and website and e-mail.



**Communities** | Development and participation in social projects, including *Chefs Especiais*, *CouroAção* and Social Fuel Seal.



**Media** | Press conferences, disclosure of information, in-person and telephone interviews and an exclusive channel on the company's website.

With the goal of constantly improving relationships with its stakeholders, JBS maintains open dialogue and is part of multi-stakeholder working groups to promote sustainability in value chains. It offers different channels of communication with stakeholders, including its global website [www.jbsglobal.com](http://www.jbsglobal.com), Customer Service (SAC), official YouTube channel and Facebook pages, including Friboi's. Check out some highlights below.

### CIVIL SOCIETY

The company is a founding member and presides over the Global Roundtable for Sustainable Beef (GRSB), a multi-stakeholder initiative that seeks to facilitate global dialogue on sustainable beef production in the world. It is also a member of the Steering Committee of the Working Group on Sustainable Beef (GTPS), composed of representatives from different segments that make up the beef value chain in Brazil. Additionally, it actively participates in Leather Working Group and is a member of the Executive Committee of this multi-stakeholder organization, aimed at promoting sustainability and environmental practices in the leather industry. In addition, JBS signed the National Pact for the Eradication of Slave Labor from Ethos Institute in Brazil, and has a commitment to not negotiate with suppliers that are associated with labor conditions similar to slavery, actively participating in this initiative.

Through these groups, JBS strengthens its relationship with non-governmental organizations such as the World Wildlife Fund (WWF), Instituto Centro de Vida (ICV), Solidaridad, Aliança da Terra, The Nature Conservancy (TNC) and National Wildlife Federation (NWF). The company also actively participates in associations, including the Brazilian Beef Exporters Association (Abiec), Brazilian Poultry Association

(Ubaef), Brazilian Pork Industry and Exporter Association (Abipecs), Brazilian Animal Feed Industry Association (Sindirações) and Brazilian Beef Industry and Companies Association (Uniec).

### SUPPLIERS

Regarding the relationship with suppliers, JBS has a department and programs that contribute to the promotion of its main raw material. In 2012, the company created a Department of Relationship with Farmers that monitors and orientates its cattle suppliers on issues regarding the quality of final products. In relation to integrated poultry and pork producers, JBS Foods maintains a channel of communication through its Department of Agriculture. For more information about the company's relationship with its suppliers, see chapter Environmental Commitment.

### GOVERNMENT

In April 2013, the company signed Regulatory Norm No. 36, issued by the Brazilian Ministry of Labor (RN 36 – Workplace Safety and Health in Slaughtering and Meat and Byproducts Processing Plants), which regulates the working conditions and structure of the meatpackers' processing units – adequacy of use of PPE, equipment and specific furnishings, risk monitoring, among others, providing better working conditions, safety and quality of life for its employees.

The company also participated in the meetings that discussed the improvement of RN-36, in partnership with the Brazilian Meatpackers Association (Abrafrigo), Brazilian Beef Exporters Association (Abiec) and the Brazilian Beef Industry and Companies Association (Uniec), which enabled it to identify the characteristics of the production process of the sector and to indicate measures focused on maintaining business sustainability and preservation of the workers' health and safety. JBS also conducted training in its industrial units and mobilized all managers and all areas of the business units to comply with the standard. **GRI 505**

## EMPLOYEES

During the year, JBS' Sustainability area raised awareness on the topic among its employees. Workshops on sustainability were conducted internally with the goal of broadening knowledge and promoting discussion on the matter with all business areas. The topics included the New Forest Code, Sustainability in Business Management and the GRI Guidelines and Indicators.

In 2013, JBS' Human Resources created the *Café com Cultura* (Coffee and Culture) program, a workshop in which the corporate employees receive special guests to talk about professional development. Employees of the industrial units also participate in programs with lectures and discussions with the leaders and Human Resources.

For more information on the channels and to obtain specific contacts of each business unit, visit [www.jbsglobal.com](http://www.jbsglobal.com).

*JBS occupies a privileged position in the industry, with a successful track record, expert management, diversified distribution channels and strategic location of its units*

## COMPETITIVE ADVANTAGES

**Market leadership and scale** | JBS is the world's largest animal protein company, the largest beef and poultry processor and the fifth largest pork processor in the world, in addition to being a global leader in hides processing. Its production scale allows the optimization of production and reduction of fixed costs.

**Geographical distribution of production** | JBS' processing platforms are located in the main animal protein producing countries, which provides the company geographical diversification and operational flexibility. They also contribute to mitigating risks of restrictions on fresh beef exports, as the company uses them to meet the demand in case of sanitary restrictions or trade barriers.

**Diversification of sales and distribution chains** | To meet the demand of all customers, JBS has a wide national and international sales and distribution chain formed by supermarket chains, grocery stores, processed food producers and food service distributors to restaurants, as well as Distribution Centers and Sales Offices in important consuming regions around the world.

**Diversification of exports** | JBS' geographical diversification allow the company to export to over 150 countries, reducing its exposure to individual markets, while providing access to all consumer markets. Exports maximize returns to the company, thanks to higher prices in foreign markets.

**Successful acquisition history** | In recent years JBS acquired important companies. After its IPO in 2007, the company acquired Swift, Smithfield Beef, Five Rivers, Tasman Group, Pilgrim's Pride, Bertin, XL Foods and Seara. These accomplishments have allowed substantial growth in JBS' results, making it the largest protein company in the world.

**Experienced management, specialized in the sector** | Management team focused on improving performance is one of the factors responsible for sales growth, optimization of operations and integration of the acquired companies. This performance has been achieved by a specialized team of professionals with expertise in their respective industries and years of experience in this industry.

## INVESTMENTS

In 2013, JBS made important investments that added value to its product portfolio and operating structure. In January, JBS USA, a subsidiary located in the United States, concluded the acquisition of XL Foods, which included two processing facilities, a feedlot and a farm in Canada. In the same month, the company signed an agreement to lease for five years, with the possibility of extension for the same period, the facilities of Tramonto Alimentos S.A. in Morro Grande (SC), consisting of a plant for the processing of up to 120,000 birds per day and a feed mill.

In June, JBS made the largest investment of the year: the acquisition of Seara Brasil (poultry and pork processing and value added food) for R\$5.85 billion, including Zenda's leather operations in Uruguay. In December, with a view to expanding its presence in the segments of products with higher added-value and convenience foods – ready meals, pizzas, frozen dishes, fresh pasta, pastries, cheese bread, pastries and sandwiches – JBS also acquired Massa Leve for the amount of R\$260 million, of which R\$200 million will be paid with shares held in treasury. The operation is subject to approval of CADE, Brazil's Antitrust Authority, and CVM, the Securities and Exchange Commission of Brazil.

The merger of Seara and JBS Aves originated the new business unit JBS Foods, making it one of the leaders in the Brazilian poultry, pork and value-added products market (more details below). As a result, the company now controls several recognized brands present in several categories through JBS Foods.



## *JBS+JBS Foods:* value creation through synergies

- ✓ Consolidation of JBS' leading position in the global food industry
- ✓ Creation of the second largest processed food platform in Latin America
- ✓ Global leader in the poultry segment (including PPC in the USA)
- ✓ Expansion of the portfolio of value added products and brands
- ✓ Expansion of the Brazilian distribution chain – additional 60,000 points of sale

## RISKS GRI 1.2 | 4.11

JBS is constantly analyzing the risks to which it is exposed, which may affect its business, financial condition and operations. These exposures are managed by the Risk Control Department (Risk Management), which maps the factors that may affect the company's areas and suggests strategies to mitigate them. Supported by the Risk Management Committee, the Department complies with the guidelines set forth in the Financial Risk and Commodities Management Policy, which supports the use of risk control instruments through specific systems and professionals skilled in measurement, analysis and management. The company also maintains strategies for managing the risks (especially market risks), including analysis of financial statements, consultations to entities related to credit monitoring and mitigation of exposure in futures markets on stock and commodity exchanges.

The main risks managed and mitigation measures are presented below.

For more information, refer to the 2013 Reference Form at [www.jbs.com.br/ri](http://www.jbs.com.br/ri) or [www.cvm.gov.br](http://www.cvm.gov.br).

*The company is constantly managing risks, including financial aspects, such as market rates and liquidity, and social and environmental aspects, such as suppliers and climate change*

## MARKET RISKS

JBS monitors market risks through hedging instruments and stress test and Value at Risk (VaR) analyses, which contribute to measuring exposures to interest rates, exchange rate changes and commodity prices.

**Interest rate risk** | Related to potential financial losses due to crises, monetary policy changes or market fluctuations. JBS has assets and liabilities exposed to this risk pegged to the CDI Interbank Certificate, Long-Term Interest Rate (TJLP), BNDES Monetary Unit, London Interbank Offered Rate (LIBOR) Euro Interbank Offered Rate (Euribor), among others.

**Foreign exchange risk** | It also comprises potential financial losses in foreign currency arising from economic crises, changes in monetary policies and market crises. The strategy is to hedge the value of financial assets and liabilities exposed to exchange rates – U.S. dollar (US\$), Euro (€) and Pound Sterling (£) - through hedge instruments such as futures contracts, non-deliverable forwards (NDFs), option contracts and index swap contracts (swaps).

**Commodity price risk** | Controls price variations of several commodities, including finished and unfinished cattle, poultry, pork, corn, soybean and energy, especially in the U.S., Australian and Brazilian markets, influenced by factors such as climate, supply volume, transportation costs, agricultural policies, storage costs, among others. Control in this case involves mapping exposures to commodity prices and strategies to mitigate them. Factors caused by climate change may also increase operating costs. To manage this risk, the Company enters into forward purchase or financial derivatives contracts to acquire food ingredients and manage costs. Similarly, as part of the company's cattle supply comes from feed-lot operations, there is concern over the supply and cost of animal feed, since the climate change effects can impact production and consequent the supply of corn and soybean, used to produce animal feed.

### CREDIT RISK

JBS is subject to credit risks covering the company's economic exposure to a customer or market. In case of default, such exposure can cause financial losses to JBS. To mitigate risks related to customers, the company seeks a diversified contract portfolio and defines parameters to grant credit. To reduce market risks, involving investments and hedge agreements, the Risk Management Committee establishes exposure limits based on ratings assigned by specialized international agencies.

### LIQUIDITY RISK

The risk related to the possibility of default of financial obligations by the company and its subsidiaries. JBS manages its capital structure with a focus on modified immediate liquidity metrics – i.e. cash and cash equivalents plus financial investments divided by short-term debt – and working capital – to keep the natural leverage of the company and its subsidiaries.

### SOCIAL AND ENVIRONMENTAL RISKS

In addition to financial risks, JBS also manages environmental risks, which involve internal and external events that may affect its business. In commercial and industrial operations, it manages various risks related to raw material origin, responsibility for the quality of the product, recalls and damage to property and persons, as well as those related to climate change.

### RISKS RELATED TO RAW MATERIAL PURCHASE

Regarding the supply of cattle, its main raw material, JBS monitors its suppliers' farms through geospatial technology, ensuring that social and environmental criteria such as illegal deforestation, invasion of indigenous lands and protected areas, and child or slave labor are not part of the value chain. At the same time, strict quality indicators of raw materials are constantly evaluated to ensure product quality.

Regarding the supply of poultry and pork, the origin and quality of raw materials is guaranteed by JBS Foods' relationship with producers. The close relationship between technicians and producers guarantee that these suppliers will meet the social and environmental criteria required by the company.

### RISKS RELATED TO CLIMATE CHANGE GRI EC2

JBS is attentive to the consequences of climate change such as natural disasters, fires, droughts, floods, extreme cold or heat that create opportunities and physical, financial, regulatory, competitive and reputational risks for the company as they may negatively interfere with their operations.

#### Financial and regulatory

**Associated risks** | The stricter law on the reduction of GHG emissions may result in the need to change processes and invest in new technologies, increasing operating costs, in addition to the payment of fees and taxes. JBS anticipates future commitments such as this one, incorporating sustainability principles in its operations and seeking constant innovation and development of its business. This attitude is the foundation of the company's environmental management system, based on ISO Standard 14001.



**Associated opportunities** | JBS developed two CDM projects in Brazil in the processing facilities of Barra do Garças (MT) and Vilhena (RO), with the goal of avoiding the generation and consequent emission of methane into the atmosphere, resulting from the treatment of industrial effluents. Both projects are registered with the United Nations Framework Convention on Climate Change (UNFCCC). Other projects are under evaluation by the company. This type of initiative is essential to mitigate the company's impacts on climate change and pave the way for broader sustainability issues through technological innovations such as cogeneration, waste and effluents, and water resources.

#### **Physical**

**Associated risks** | Livestock, crops and pasture productivity can be affected by rising temperatures, concentration of CO<sub>2</sub> in the atmosphere, changing annual rainfall patterns and the future increase of diseases, pests and weeds. Although under development for several years, studies of these variables are not accurate regarding the effects of these changes. In the long run, this can affect cattle supply and prices. Given that part of the company's cattle supply is raised in feedlots, there is also concern over feed supply and costs.

**Associated opportunities** | In order to protect itself from potential increases in operating costs resulting from these changes, JBS establishes anticipated purchase or financial derivatives agreements to acquire raw materials and inputs. It also develops and supports projects with the livestock production chain for low-carbon production, with a view to greater productivity per area.

### Competitive and reputational

**Associated risks** | JBS is exposed to risks that directly and/or indirectly affect its operations and ability to operate in the international market. As the climate change issue is a concern for consumers around the world, the sustainability issues related to food safety and supply chain are increasingly demanded by society.

**Associated opportunities** | Pioneering spirit and market leadership; increased credibility and exclusive approach of the company; social and environmental responsibility; more partnerships (universities, suppliers, government and others); and employee satisfaction.

Since 2009, JBS conducts annually the Greenhouse Gases Emission Inventory (GHG), which comprises a corporate management instrument to measure the company's greenhouse gases emissions from its operations in Brazil, for the period analyzed, which includes direct and indirect emissions. In 2012, JBS expanded this survey to all operations of the company around the world.

In 2013, JBS became a member of the Brazilian GHG Protocol Program, through the publication of its Greenhouse Gases Emission Inventory in the platform of Public Registry of Emissions.

The company also participates in other voluntary initiatives for reporting information on GHG emissions and the management and strategy related to climate change, including the Driving Sustainable Economies (CDP) – Investor module, and the Carbon Efficient Index (ICO<sub>2</sub>) of the BM&FBovespa. It also participates in Technical Working Groups, such as the GT – Scope 3 of the Brazilian GHG Protocol Program, for further discussion and development of an auxiliary tool for calculating emissions from its employees' air travel. JBS also participated in the Agricultural

## JBS ADOPTS SEVERAL INITIATIVES TO IMPROVE THE MANAGEMENT OF ISSUES REGARDING CLIMATE CHANGES

GHG Protocol, which aims to develop and offer a tool with a new metric for calculating carbon emissions by the agribusiness sector, aiming to adapt the indicators used worldwide (countries of temperate climate) in the agribusiness sector to the Brazilian reality.

JBS' participation in CDP is not limited to the Investor module - the company is also present in the Forests, Water and Supply Chain modules (presenting information, respectively, on exposure to risks of deforestation, sustainable corporate water management and action strategies related to climate change and water).



# Operations

# 04

## STRUCTURE

JBS is the world's largest company in the processing of animal protein, operating in the segments of food, leather and related businesses, being a leading company in the industry and make business prioritizing focus, agility and simplicity in its operations. It seeks to take advantage of market opportunities in order to increasingly expand its business and increase its share in national and international markets.

The company is present in five continents<sup>2</sup> through production platforms and sales offices located in Brazil, Argentina, Australia, Canada, China, the U.S., Italy, Mexico, Paraguay, Puerto Rico, Uruguay, among other countries. Its operations are structured into JBS Mercosul (beef, leather, biodiesel, collagen, hygiene and cleaning, among others), JBS USA (beef, pork, lamb and poultry) and JBS Foods (poultry, pork and value added foods in Brazil).

---

<sup>2</sup> Refer to the map of JBS Global presence in page 16.

**Present in five continents, JBS is a leader  
in the industries in which it operates  
and is present in the most competitive  
regions to produce animal protein**

*Operations in Brazil, Argentina, Paraguay and Uruguay focus on beef and hides processing, in addition to concentrate the activities of JBS' Related Business*

## JBS MERCOSUL

JBS Mercosul business unit produces beef in Brazil, Argentina, Paraguay and Uruguay; processed hides and byproducts such as biodiesel, collagen, hygiene and cleaning products, among others, in Brazil, with a total of 101,891 employees. In 2013, the business unit recorded net revenue of R\$25,820.5 million, 43.3% higher than in 2012.

## JBS Brazil

### Overview



**55**

cattle processing units with daily capacity of 50,630 head of cattle

**8**

Related Businesses: JBS Biodiesel, JBS Can Making, JBS Casings, JBS Environmental, JBS Hygiene and Clean, JBS Trading, JBS Transports and TRP and JBS Collagen

**7**

feedlot with static capacity of 196,000 head of cattle

**19**



tanneries

**4** units of canned beef products

**1** canned vegetable unit

**2** Beef Jerky units

**12** national distribution centers

In the beef segment, JBS Brazil has great penetration in both Brazilian and export markets, operating in the processed beef, prepared beef, canned products, fat, feed and byproducts segments. The company has 55 cattle processing units, 12 national distribution centers, 4 canned beef units, 1 canned vegetables unit, 7 feedlots, 2 Beef Jerky units and 14 dedicated retail outlets denominated “Mercado da Carne”. JBS’ facilities are located in the states of São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Minas Gerais, Acre, Bahia, Rio de Janeiro and Pará.

Beef and beef byproducts production in Brazil follows strict quality control, in compliance with international health standards. Accordingly, food is handled in air-conditioned rooms, with cooling or freezing chambers under controlled temperature. To ensure product quality, the company maintains quality programs and employee training.

In addition, all JBS units are certificated by the Federal Inspection Service (SIF). All animals used as raw materials are inspected by veterinarians for legal authorization of production and processing. Similarly, the company has different qualifications for export markets, allowing it to meet the different health requirements of its customers.

JBS’ customers in Brazil comprise major retailers, restaurants, as well as distributors and final consumers, and its major brands are Friboi and Swift. In 2013, JBS Brasil recorded 17.7% growth in cattle processing, 37% increase in beef exports and 298% growth in poultry exports compared to 2012. Until December 2013, the poultry and pork operations in Brazil were included in JBS Mercosul.

Regarding the domestic market, according to the Ministry of Agriculture, Livestock and Supply (MAPA), the population income increased by 8.6% in the last five years in Brazil, promoting the consumption of foods with higher added value, such as meat. In this scenario, in 2013<sup>2</sup> JBS registered growth of 11% in beef sales in Brazil. This was partially influenced by the marketing campaign “Ask for Friboi. Meat you can rely on has a name”, implemented in the year.

In addition to beef processing activities, JBS Brazil has seven feedlot operations in the states of São Paulo, Mato Grosso do Sul, Mato Grosso and Goiás, with capacity to finish 196,000 head of cattle per turn. Of the total number of head of cattle slaughtered by JBS in Brazil, 3.0% originate from the company’s feedlots, where the animals are kept for an average period of 98 days. **GRI FP11**

In the feedlots, the company provides producers with a complete structure with state-of-the-art nutrition, animal handling and welfare technology and modern marketing techniques. This allows them to make the most of their properties, increasing the area used and improving capital turnover, in addition to enabling maximum arroba production in a shorter period, providing the industry with well-finished and standardized carcasses.

The company also maintains strict control of its herd’s health, in compliance with sanitary protocols approved by regulators, which avoids causing health risks to animals and consumers. Additionally, JBS uses only animal feed of plant origin, with tested and approved quality.

 For more information, visit [www.jbs.com.br/pt-br/content/confinamento](http://www.jbs.com.br/pt-br/content/confinamento).

<sup>2</sup> JBS began operating the poultry unit in Brazil in the second half of 2012, with therefore no comparison for the segment between 2012 and 2013..

## RELATED BUSINESSES

In addition to the businesses related to beef production and sale, JBS Brasil operates eight Related Businesses which are independent.

**JBS Hides/Leather** | The largest leather producer and exporter in Brazil. It produces wet blue, semi-finished and finished leather for the automotive, furniture and footwear and artifacts industry. It has 19 industrial plants in Brazil, 1 in South Africa, 1 in Argentina, 2 in China, 2 in Uruguay and 1 in Vietnam, as well as distribution centers in Brazil, Asia, United States and Europe, with a focus on quality and sustainability of its initiatives. JBS Couros' has 9 facilities with ISO 9001-2008 certification. In addition, 14 units are certified by the Leather Working Group, with 10 gold medals and 4 silver medals, the highest number of units with a certificate by a single company worldwide. All of them received "A" rating in the traceability category.



For more information, visit  
[www.jbs.com.br/pt-br/negocio/jbs-couro](http://www.jbs.com.br/pt-br/negocio/jbs-couro).

**JBS Environmental** | JBS' exclusive and independent business unit that offers solid waste management solutions, with treatment and proper allocation of recyclable, non-recyclable and hazardous waste, as well as ensuring waste certification to contribute to the company's and its client's commitment to sustainability. The goal is to reduce disposal of waste in landfills and create value from waste processing and turning it back into raw material. With 10 units located throughout Brazil, currently JBS Environmental recycles 1,800 tons per month of plastics and other materials such as paper, cardboard, ferrous and nonferrous metals, and properly allocates with traceability non-recyclable and hazardous waste. In 2013, the company was one of five companies selected to present a successful case at the Ethos Institute International Conference on the topic Sustainable and Responsible Business, for generating economic, environmental, social and ethical values of JBS.



For more information, visit  
[www.jbs.com.br/pt-br/content/gestao-residuos](http://www.jbs.com.br/pt-br/content/gestao-residuos).

**JBS Biodiesel** | It is the largest vertically integrated global producer of biodiesel from beef tallow. It has production capacity authorized by the National Agency of Petroleum, Natural Gas and Biofuels (ANP) of more than 500 million liters per year and is the first biodiesel industry in Brazil with the carbon, sustainability and traceability seal of the International Sustainability and Carbon Certification (ISCC), allowing it to enter the European market without restrictions on the products. Fully automated, the processing unit located in Lins (SP) has a modern production system certified to ISO 9001-2008. The unit's laboratory is certified to the ISO 17025-2005 standard and is a reference in analyses in Brazil. In addition to its own biodiesel, it also certifies the quality of biodiesel produced by other companies, in compliance with national and international quality standards. Beef tallow is now the second most important raw material for biodiesel production in Brazil. Beef tallow biodiesel is a clean and high quality fuel that adds value to the beef chain and also contributes to the environment by properly disposing unwanted waste.



For more information, visit  
[www.jbs.com.br/pt-br/content/biodiesel](http://www.jbs.com.br/pt-br/content/biodiesel).

**JBS Can Making** | Originally installed to meet the needs of packaging further processed beef, the unit went through technological upgrades and a vertical integration, incorporating processes formerly performed by third parties. Its activities include cutting coils, the lithographic process and assembly lines for cans. Today it is one of five producers in the segment in Brazil. It produces packaging for JBS' food products and sells the surplus to third parties through two production units located in Lins (SP) and Barretos (SP), with monthly production capacity of 70 million cans. Steel cans are particularly important for being 100% recyclable. Additionally, they are produced in a system that eliminates the emission of solvents into the atmosphere.



For more information, visit  
[www.jbs.com.br/pt-br/content/embalagens-metalicas](http://www.jbs.com.br/pt-br/content/embalagens-metalicas).



**JBS Casings** | It is a leading global producer and supplier of casings. With production concentrated in its two plants in Brazil, it receives raw material from JBS processing facilities and processes and sells its products in the sausages segment, such as salami, to countries all over the world. Offering premium products, the company is internationally recognized for its production capacity and quality of finished products.



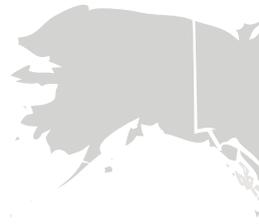
For more information, visit  
[www.jbs.com.br/pt-br/content/envoltorios](http://www.jbs.com.br/pt-br/content/envoltorios).

**JBS Hygiene and Clean** | Specialized in the production of bar soaps, soap, glycerin and mass-base for soaps, the unit focuses on the Business to Business segment. With one of the largest and most modern facilities in the market, JBS H&C is responsible for the production of bar soaps for some of the largest

companies in the hygiene sector in Brazil. Besides producing for third parties, JBS H&C is engaged in manufacturing raw materials for the soap industry in Brazil and abroad, selling its products to more than 50 companies across the country and exporting to customers in Nigeria, Cape Verde, Angola, Argentina, Cuba and Togo. With annual production capacity of 72,000 tons of toilet soap, 18,000 tons of soap and 132,000 tons of mass-base, JBS H&C offers integrated solutions to its customers. From raw material processing to the manufacturing of final products, JBS H&C also provides services for laboratory testing (ISO 9001-2008 certification) of chemical inputs, packaging, household products and cosmetics, in addition to regular testing of all products manufactured in our processing unit for final delivery to customers.



For more information, visit  
[www.jbs.com.br/pt-br/content/higiene-e-limpeza](http://www.jbs.com.br/pt-br/content/higiene-e-limpeza).



**JBS Trading** | Created to meet the company's raw material demand, the unit currently sells a large volume of imported products, including vegetable oils, chemicals and animal fat for JBS and third parties in Brazil and abroad.

**JBS Transports/TRP** | It owns over 1,300 trucks that provide services for the transport of cattle, meat, cans, casings, leather, collagen and soaps, guaranteeing logistics services in several areas and the quality of the products transported to JBS and third parties. These vehicles constantly undergo preventive and corrective revisions in authorized dealers, ensuring the fleet excellent preservation and use conditions. When the fleet is renewed, the used vehicles are offered for sale through the TRP, a JBS company that follows JBS Transports's patterns. TRP is one of the most complete used vehicle fleet in Brazil, with vehicles and equipment in excellent conditions and trucks revised in authorized dealers, within the periods established by car manufacturer.



For more information, visit  
[www.jbs.com.br/pt-br/content/transportadora](http://www.jbs.com.br/pt-br/content/transportadora).

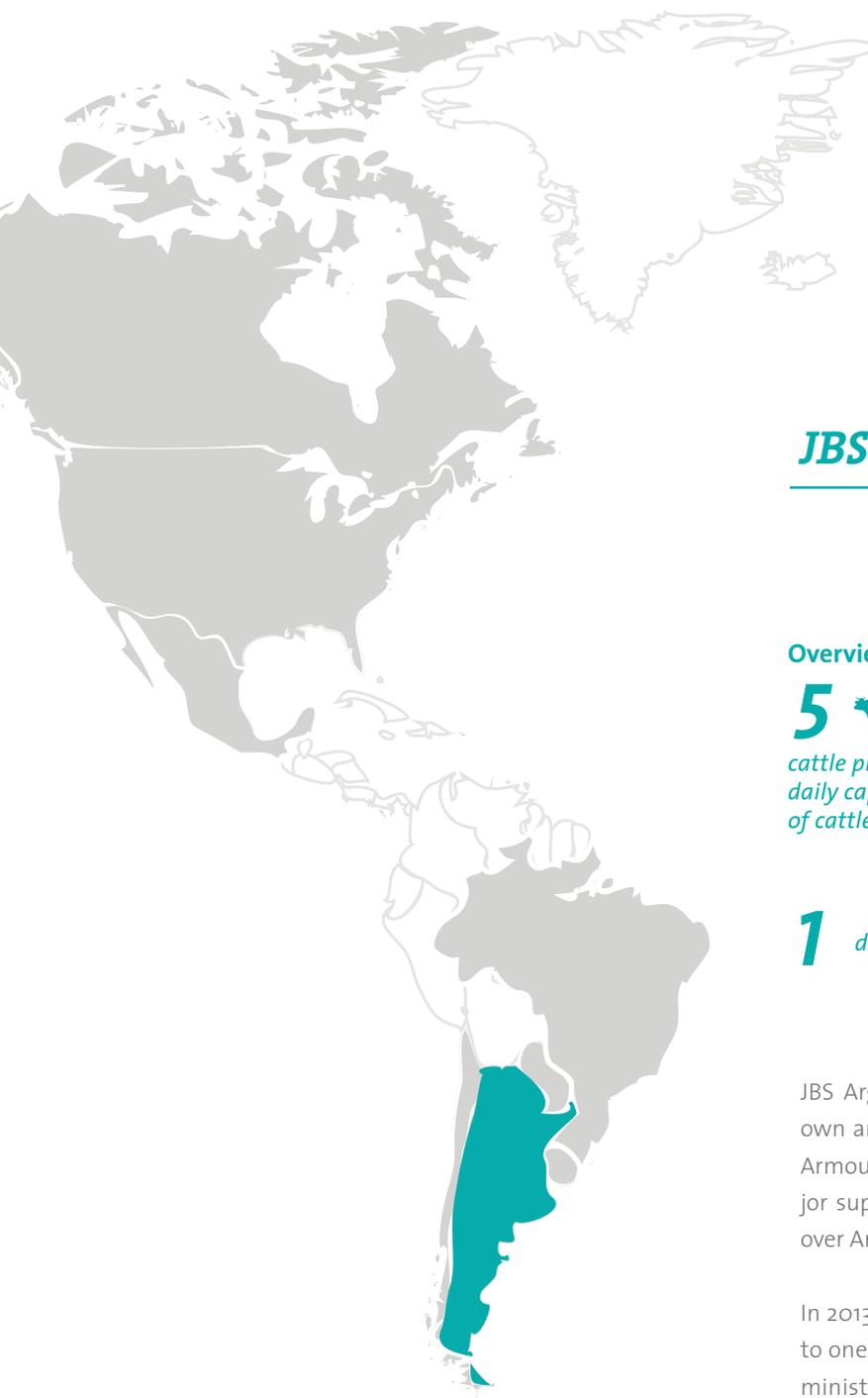
In 2013, JBS Transports won a spot in the 4<sup>th</sup> National and International Conference on Transportation for pioneering the implementation of control of its drivers' working hours in accordance with the Truckers Act. In the same year, JBS Transports also launched the Driver's Manual for each transportation segment, providing professional information to drivers and contributing to their quality of life.

In addition, JBS Transports implemented in the year the Ecofrotas system, which generates managerial reports to support strategic decision-making from the monitoring of performance of efficiency indicators to reduce fuel consumption, improve operational efficiency and enhance logistics efficiency. The Ecofrotas system also monitors the emissions of greenhouse gases generated from the fleet's fuel combustion, allowing the definition of strategies to reduce emissions. **GRI EN29**

**JBS Collagen** | A pioneer in the production of bovine collagen, it is currently the largest company in the world producing and selling the product for the food industry. It also produces hydrolyzed collagen for the cosmetic and pharmaceutical segments and has a strong presence in the Brazilian and international markets. Is located in Guaiçara (SP) and has annual production capacity of 3,600 tons.



For more information, visit  
[www.jbs.com.br/pt-br/content/colageno](http://www.jbs.com.br/pt-br/content/colageno).



## JBS Argentina

### Overview

**5** 

cattle processing units with daily capacity of 4,960 head of cattle

**1** 

leather processing unit

**1** distribution center

JBS Argentina focuses on cattle and beef processing, selling own and third party brands, especially Swift, Cabaña Las Lilas, Armour and Plate products. JBS' client portfolio comprises major supermarket chains, wholesalers and distributors from all over Argentina.

In 2013, JBS reduced the number of processing units from five to one, which contributed to streamlining operations and administrative efficiency. In addition, the company has focused its business on high profitability products, including sausages, burgers and pâtés, expanding its market share with the sale of these products - about 80% of production was exported. In 2013, 80% of production was sold in the domestic market and only 20% was exported.



For more information, visit [www.jbsglobal.com/pt-br/locations/argentina](http://www.jbsglobal.com/pt-br/locations/argentina).

## JBS Paraguay

### Overview



# 2

2 cattle processing units with daily capacity of 1,300 head of cattle

JBS Paraguay also processes and produces beef and other products. Its operations are concentrated in two processing units, located in the cities of Asuncion and San Antonio.

JBS Paraguay's performance offers good prospects for the coming years, as in 2013 the cattle herd grew by 35%, totaling 13.3 million head of cattle. At the same time, energy and labor costs remained low and industrial productivity increased. Capitalization on internal growth represents an excellent business opportunity for JBS.

For more information, visit [www.jbsglobal.com/pt-br/locations/paraguai](http://www.jbsglobal.com/pt-br/locations/paraguai).

## JBS Uruguay

### Overview



*cattle processing unit with daily capacity of 900 head of cattle*



*leather processing units with daily capacity of 8,400 hides*

In Canelones, Uruguay, JBS has a cattle processing unit that operates in the beef processing, canned goods, fat, feed and byproducts segments, in addition to two hides processing unit.

The country is undergoing a process of recovery of its cattle herd, impacted by the drought of 2008 that devastated local agribusiness and affected the birth of calves. From 2013, more calves were born – totaling about 3 million in the year. In this

context, JBS Uruguay adjusted its operations through cost reduction and increased food production in the pursuit of efficiency, with the aim of seizing market opportunities to export its production to over 170 countries in the next 5 years.

For more information, visit [www.jbsglobal.com/pt-br/locations/uruguai](http://www.jbsglobal.com/pt-br/locations/uruguai).

*JBS USA comprises the company's operations in North America and Australia and offers several proteins and recognized brands in the market*

**JBS USA**

JBS USA is responsible for controlling the company's beef, poultry, pork and lamb processing operations in Australia, Canada and the United States, as well as the three poultry processing plants in Mexico and one in Puerto Rico. It is also responsible for coordinating the feedlots that serve approximately 25% of demand of JBS' units in the United States.

In 2013, JBS USA's operations ended the year with better results than in 2012 due to the solid performance of the poultry and pork segments in the United States and the beef operation in Australia. As a result, JBS USA business unit closed the year with net revenue of R\$65.1 billion, representing a 16.5% growth over the prior year. China's protein import grew rapidly, primarily beef imports, due to the country's high demand.

**JBS USA**

**Overview**



**10**  
cattle processing units, with daily capacity of 28,000 head of cattle

**11**   
feedlots with capacity of 1 million head of cattle

**1**   
sheep processing unit with daily capacity of 2,600 sheep



**32**  
poultry processing units, considering 29 units in the USA, 2 in Mexico and 1 in Puerto Rico.

**3**   
hog processing units with daily capacity of 51,300 hogs

**1**   
hides processing unit with daily production capacity of 5,000 hides



In the United States, JBS USA is responsible for the operation of 10 cattle processing units, 3 hog units, 1 sheep unit, 1 packaged and customized beef and pork processing unit, 1 tannery and 11 cattle feedlot. By PPC, operating 32 poultry processing units, considering 29 units in the USA, 2 in Mexico and 1 in Puerto Rico and 31 hatchery in the USA.

For more information, visit [www.jbsglobal.com/pt-br/locations/estados-unidos](http://www.jbsglobal.com/pt-br/locations/estados-unidos).

In 2013, the United States approved the free trade agreements with South Korea and Colombia, paving the way for exports of meat free of tariffs. In Korea, the agreement was facilitated by the growth in demand for beef and pork, and the import tariff fell from 40% to 0%. In Colombia, the agreement reflected the increase in pork consumption. The result generates significant gains for the meat industry in general and benefits JBS's businesses in the country.

## JBS Australia

### Overview



10

cattle processing units with daily capacity of 8,300 head of cattle

5



small animals processing unit with daily capacity of 21,600 sheep

5

feedlots with capacity of 100,000 head of cattle

2

feedlots with capacity of 11,000 small animals

1



hides processing unit with daily production capacity of 6,000 hides



In Australia, JBS operates 7 feedlots, 5 for cattle and 2 for small animals, 10 cattle processing units and 5 small animals units. The Australian units are strategically located, as they permit the purchase of cattle at low cost and provide efficient services for customers located in Asia.

For more information, visit [www.jbsglobal.com/pt-br/locations/australia](http://www.jbsglobal.com/pt-br/locations/australia).

Over the past three years, JBS' cattle and sheep supply in Australia increased, especially after the end of the drought that affected the country for a few years. During the period, the company also stood out for being the only one in the world to operate a specific machine for cutting sheep. The machine, which does not require human intervention, was developed exclusively for JBS Australia, including specific features for JBS USA's business, avoiding waste and bringing more competitiveness and profitability to the company. Investments totaled US\$7 million.

## JBS Canada

### Overview



2

cattle processing units, one of which in operation, with daily processing capacity of 5,000 head of cattle

1

feedlot with capacity for 70,000 head of cattle

In Canada, the company has two cattle processing units with daily capacity of 5,000 head of cattle, a farm and feedlot. Currently, only one unit is operating.

For more information, visit [www.jbsglobal.com/pt-br/locations/canada](http://www.jbsglobal.com/pt-br/locations/canada).



## JBS Foods

### Overview

21

poultry processing units in Brazil, with daily processing capacity of 4 million birds

7

hog processing units in Brazil with daily processing capacity of 20,000 hogs

17

further processed products facilities with monthly processing capacity of more than 75,000 tons of birds and hogs

20

distribution centers

1

port terminal

13

own bird farms and 2 hog farms

24

feed mills

13

hatcheries

In 2012, through JBS Aves, JBS leased the poultry processing facilities of Doux Frangosul, located in Passo Fundo and Montenegro (RS) and Caarapó (MS). In 2013, to increase its market share in the poultry segment, it acquired Agrovêneto, located in Nova Veneza (SC), with daily processing capacity of 140,000 birds, offering more than 30 poultry products. It also leased the facilities of Tramonto Alimentos, in Morro Grande (SC), to use a plant with capacity to process up to 120,000 birds per day. Also in 2013, JBS acquired the operations of Seara Brasil, which contributed to further expand its activities in the poultry market.

In this context, the company created JBS Foods in October 2013, a new business unit responsible for integrating the operations of Seara Brasil to the existing poultry business in Brazil. With the new structure, the company increased the number of units for processing poultry, pork and value-added products and brands, consolidating its leading position in the global food industry.

JBS Foods then began controlling a large portfolio of products of poultry, pork, processed, prepared and frozen foods owned by JBS – especially Seara, Rezende, Doriana and Turma da Mônica brands – with different price levels and sold in Brazilian and international markets.

*Created in 2013, this business unit strengthens the company's operation in the poultry, pork, further processed food and added value products segments*



# Financial PERFORMANCE

# 05

## SCENARIO

In 2013, the economies of developed countries were impacted by fiscal and monetary measures after the financial crisis. Despite that, the global economy grew by 2.1% and emerging countries found good opportunities in domestic and foreign scenarios.

The Gross Domestic Product (GDP) in the United States grew by 1.9% in that year, due to the increase of personal consumption expenditures, exports, nonresidential fixed investments, private sector investments and expenditures of local governments. On the other hand, in Brazil, there was a growth of 2.3% of GDP influenced by the positive performance of agriculture.

Indeed, 2013 was a good year for the Brazilian agricultural sector. Despite the strong drought and scarcity faced in 2012, in 2013 the country registered a record increase in grain crop, such as corn and soybeans. This fact contributed to the slump in prices of these commodities used in animal feed.

Moreover, in 2013, the availability of slaughter animals remained high and beef exports grew by 15.5% to US\$ 6.1 billion, while exports of poultry totaled US\$ 7.5 billion, which represents an increase of 3.4% compared to 2012, in a scenario in which the Brazilian real depreciated by 13% during the year.

The main destinations of Brazilian beef exports were Russia, Hong Kong, Venezuela, Egypt and Chile, which totaled US\$ 3.9 billion in 2013, an increase of 36% compared to 2012, especially those bound for Hong Kong and Venezuela, which grew by 126% and 88%, respectively.

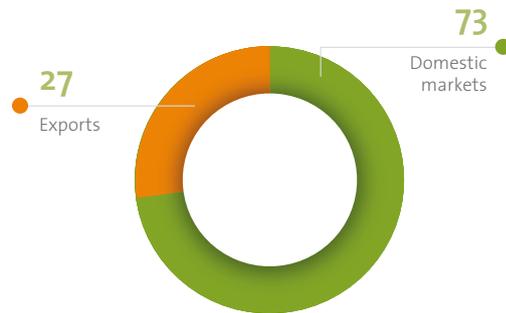
**The price of commodities used to feed animals and the increased demand in emerging countries contributed to a good year to Brazilian agribusiness sector**

On the other hand, exports of poultry had as major destinations Saudi Arabia, Japan, UAE, Hong Kong and China, which together accounted for US\$ 3.8 billion, an increase of 7% compared to 2012, with emphasis on exports to Saudi Arabia and UAE, which recorded growth of 17% and 13%, respectively. JBS is confident about the recovery of the economy of developed countries. This situation, coupled to the steady increase in demand for protein, particularly in emerging countries, indicates a thriving environment for 2014.

## NET REVENUE AND EBITDA

JBS achieved in 2013 net revenue of R\$ 92,902.8 million, 22.7% higher than the previous year. This increase was due to growth in all businesses, particularly in Mercosul. The growth in net revenue in that unit, 43.3%, was driven by improved sales both domestically and in exports, coupled with the consolidation of Seara in the 4Q13. EBITDA in 2013 was R\$ 6,130.3 million, an increase of 39.0% compared to 2012. The consolidated EBITDA margin in 2013 was 6.6%. This reflects the improved performance of all business units, especially for operations of Mercosul that had growth in EBITDA of 9.8% and poultry in the United States (PPC) recording growth in EBITDA of 100.1%.

Global sales of JBS in 2013 (%)



Net Revenue (R\$ million)



Ebitda (R\$ million)



## DEBT PROFILE

The indebtedness of the company in late 2013, as measured by the ratio of net debt to EBITDA, was 3.70x. The result above the rate of 3.43x that JBS had in late 2012 was already expected, due to both the integration of Seara and the devaluation of the Brazilian real throughout the year. However, the relatively small difference from one year to another is a reflection of operational excellence that significantly increased EBITDA. To get an idea, just from simulating the EBITDA in the fourth quarter in year time horizon (which tends to occur with the operations of Seara integrated into JBS Foods), the indebtedness would be 3.17x, i.e., lower than the year before.

Indebtedness (R\$ million)	2013	2012	Change (%)
<b>Gross debt</b>	<b>32,761.3</b>	<b>20,448.9</b>	<b>60.21</b>
(+) Short term	9,430.9	6,098.9	54.63
(+) Long term	23,330.4	14,390.0	62.13
(-) Cash and cash equivalents	9,013.1	5,383.1	67.43
<b>Net Debt</b>	<b>23,748.2</b>	<b>15,105.9</b>	<b>57.21</b>
Net debt/EBITDA	3.70x	3.40x	

Besides keeping indebtedness at healthy levels, the company seeks to extend maturities on its debt, with smaller number of short-term maturity. In this sense, JBS S.A. and JBS USA announced to the market, in October 2013, the pricing of Bonds totaling US\$ 1 billion. The funds were used in the partial refinancing of maturities of short and medium term and other corporate purposes.

In December 2013, 29% of the JBS' commitments had a short-term horizon. The total amount of these payments was fully exceeded by the cash and cash equivalents of the company, which had R\$ 9,013.1 million in cash in

addition to US\$ 1.55 billion of JBS USA in credit lines for immediate liquidity at year's end. In the analysis of the consolidated debt, 76% of the amount was denominated in dollars, with an average cost of 6% per annum. The remaining 24% denominated in Brazilian reais had an average annual cost of 10.8%.

Regarding the proceeds of government support, JBS took bank credit in the amount of R\$ 20 million from the National Bank for Economic and Social Development (BNDES), less than 0.1% of the consolidated indebtedness of the Company, to qualify for federal and state tax incentives. **GRI EC4**

## VALUE ADDED

### STATEMENT (VAS) GRI EC1

The added value distributed by the company in 2013 was R\$ 20,6 billion, 52% higher than the previous year. This increase is mainly due to the growth in sales revenue and financial results for the year. The main change in VAS from one year to the other was in the yield of third-party capital, for the payment of interest.

### VAS of JBS in 2013 (%)

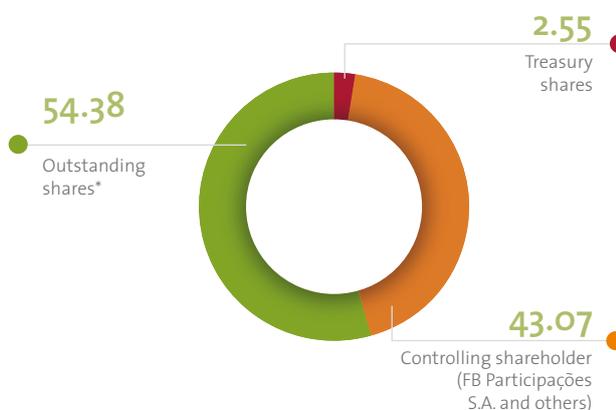


Distribution of Added Value (R\$ thousand)	2013	2012	Change (%)
Staff	9,260,005	7,839,962	18
Taxes and contributions	2,177,941	1,773,977	23
Yield on third-party capital	8,100,544	3,211,061	152
Yield on owners' equity	1,118,325	762,890	47
<b>Total distributed added value</b>	<b>20,596,815</b>	<b>13,587,890</b>	<b>52</b>

## CAPITAL MARKET

In March 2007, JBS became the first company in the sector in Brazil to trade its shares on the stock exchange. JBS' shares are traded on the Novo Mercado of BM&FBovespa under the JBSS3 code, and on the OTC Market (OtCQx) of the United States, under the JBSAy code.

### Shareholding structure of JBS in 2013



\* Includes holdings of BNDESPAR and of Caixa Econômica Federal, of 22.99% and 10.07%, respectively.

## STOCK PERFORMANCE

JBS' shares outperformed the Bovespa index in all months of the year and ended the period with appreciation of 47% versus 15% devaluation of the index. Thus, the company market cap was R\$ 25.82 billion at year-end.



The performance higher than the market benchmark is repeated in Pilgrim's Pride Corporation (PPC), controlled by JBS, which shares are traded on the Nasdaq. In 2013, PPC's shares have risen 129% on a 31% appreciation of the S&P 500 index.



## DIVIDENDS

JBS' management has proposed the payment of R\$ 220.14 million as dividends, equivalent to the compulsory portion of 25% of net income excluding reserves. This proposal will be decided by the Annual Meeting in April 2014.



# Environmental PERFORMANCE

# 06

## PILLARS OF SUSTAINABILITY GRI 4.12 | 4.13

JBS believes that the adoption of good governance practices and the inclusion of sustainability criteria in all its operations facilitate innovation and the ongoing development of its business. Operations are conducted with responsible use of natural resources, food safety, promotion of animal wellbeing, compliance with legal requirements and internal guidelines, and strengthening partnerships. The sustainability principles are applied throughout the value chain, from the origination of the raw material, through the process of transport and processing, product distribution and even proper disposal of packaging.

These commitments involve the top management of the company through the Sustainability Committee, responsible for advising the Board of Directors with respect to the risks and opportunities in the context of sustainability. At the executive level, the Corporate Sustainability Department is responsible for implementing, monitoring and managing all sustainability initiatives set by the Committee. Founded in August 2012, this new department marks the maturing process of JBS on sustainability issues, replacing the previous structure based on the management level subordinate to the company's Operations Department.

**Good governance practices and sustainability management are stimulated in both JBS operations as in its supply chain, in order to achieve excellence in social and environmental performance and transparency in relationships**

**Responsible purchasing** | UN data indicate that the demand for animal protein in the world will double by 2050. For that, supplier countries, like Brazil, are expected to increase their production; however not by increasing the area used, but rather by increasing productivity and by better management of natural resources. As a major consumer of raw materials, JBS is able to positively influence the entire supply chain. Thus, the company contributes to meet the growing demand for animal protein in the world with the aim of preserving the planet's natural resources, involving all links in the production chain.

Therefore, JBS guarantees the responsible origin for its raw materials and will not purchase from vendors involved in illegal deforestation, invasion of indigenous lands and protected areas, rural violence and land conflicts or use of slave labor. The company is audited independently in an annually basis to ensure compliance with its commitments to responsible purchasing of raw materials in its supply chain.

**Eco-efficiency of production processes** | JBS has been making significant investments to improve the environmental quality of its production processes in order to reduce its environmental impacts and increase the efficiency of the treatment of industrial wastewater and recovery of by-products, reduce its greenhouse and atmospheric gas emissions, energy and water consumption and waste generation. Its commitment, expressed by the Environmental Policy, determines the respect for the environment, prevention of pollution, compliance with legal requirements, definition of improvements and optimization of the use of natural resources.

**Dialogue with stakeholders** | As a way to dialogue with its supply chain, the company participates in national and international initiatives for sustainability in its industry, such as the Global Roundtable for Sustainable Beef (GRSB), the Working Group on Sustainable Livestock (GTPS) and the Leather Working Group. In addition, JBS signed the National Pact for the Eradication of Slave Labor from Ethos Institute in Brazil, and has a commitment to not negotiate with suppliers that are associated with labor conditions similar to slavery, actively participating in this initiative. JBS also maintains dialogue with government agencies to improve transparency and access to public information for inquiries from suppliers of raw materials in areas embargoed by the Brazilian Institute of Environment and Renewable Natural Resources (Ibama), and queries of the lists of the Ministry of Labor and Employment (MTE) of child and slave labor. In addition, the company also participates in technical working groups together with the productive sector of beef and soy, in order to propose solutions to operational problems and improvements in the provision of information in the system of public queries.

## JBS APPLIES SUSTAINABILITY PRINCIPLES THROUGHOUT THE WHOLE PRODUCTIVE PROCESSES

**Transparency and communication** | As part of a commitment to transparency of its initiatives for sustainability and communication strategy with stakeholders, JBS launched in 2013 its first integrated report with economic, social and environmental data in the GRI standard. The company integrates the portfolio of the Carbon Efficient Index of BM&FBovespa (ICO<sub>2</sub>) and Driving Sustainable Economies (CDP) since 2009, through which it discloses the management and strategies related to mitigation of emissions and parti-

cipates in all modules of the new CDP (Investor, Water, Forests and Supply Chain). It also became a member of the Brazilian GHG Protocol Program, a platform that provides tools and international quality standards for accounting the emissions of greenhouse gases and disclosure of the results. JBS' Inventory of GHG Emissions for the year 2012 is available on the website [www.jbs.com.br](http://www.jbs.com.br).

To learn more about sustainability initiatives of JBS, please visit <http://www.jbsglobal.com/sustainability>

*JBS appreciates the relationships with its employees, community, customers and consumers, adopting measures to ensure products with quality in addition to social and environmental responsibility*

## SOCIAL COMMITMENT

### PEOPLE

Human capital is JBS' greatest asset. Through people it can innovate, create, improve and grow. It also believes that the excellence of its processes comes from the quality of its professionals, bringing together in one company the knowledge acquired in years working in the main producing centers of the world.

The cultural diversity of JBS team allows the company to always be aligned with the needs of each market, becoming a global company, adapted to serve its customers in a special way. This diversity is represented in each of the more than 185 thousand employees who work daily to promote the growth and excellence of the company's activities.

JBS maintains relationship with its workforce based on meritocracy, attraction and retention of talent, respect for ethics and religious diversity, and the rejection of any form of discrimination. New employees participate in an integration program, where they are presented to the Mission, Vision, Values and Principles of the company. The program also addresses issues related to the areas of Quality Control, Ethics, Corporate Governance, Environment, Human Resources and Sustainability. All hiring is under the Consolidation of Labor Laws (CLT).

### EMPLOYEE PROFILE GRI LA1

In 2013, JBS Brasil had 101,891 employees on its staff, with 60% of men and 40% of women. The company reported an increase of female employees, considering that in 2012 they represented 33% of the total employees. There was a 47% increase in the number of employees working in Brazil, compared to 2012, primarily for the acquisition of other companies and for an increase in sales volume and consequent increase in production. Most professionals of the company are aged between 30 and 50, totaling 52% of the total.

Employees are distributed throughout the national territory in processing units, distribution centers, sales offices and others. Most employees work in the Midwest region of Brazil, representing 32% of the company's employees in the country, followed by the Southeast (29%) and South (27%) regions. This concentration in the Midwest is due to the higher number of transactions, primarily in the state of Mato Grosso. Regarding indicators for the year 2012, the geographic distribution of employees remained the same. However, there was an increase of employees in southern Brazil due to the acquisition of Seara, which has activities concentrated in this region (in 2012 represented 13% and in 2013 there was an increase to 27%).

### GRI LA13

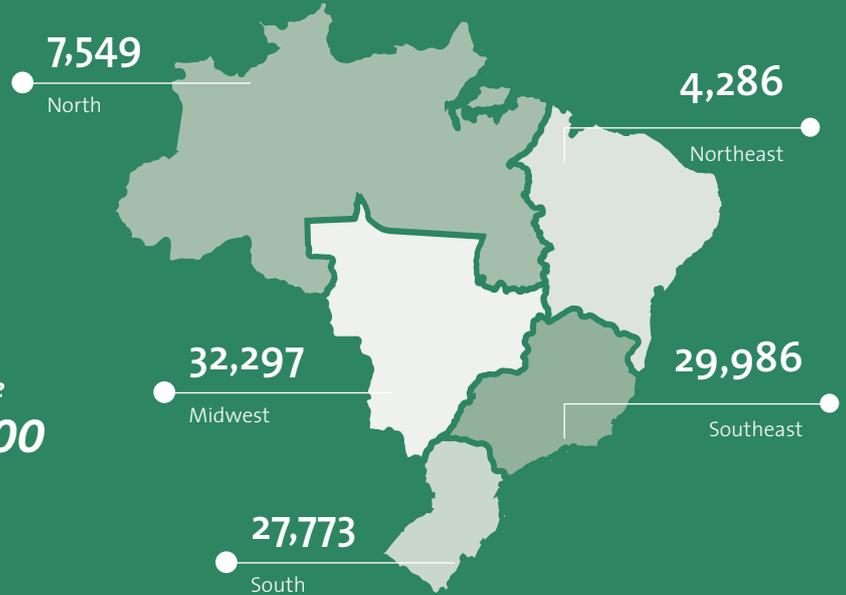
Diversity indicators in 2013	Gender		Age		
	Male	Female	Above 51 years old	Between 31 and 50 years old	Under 30 years old
Directors	79	3	29	51	2
Managers	559	99	88	524	46
Coordinators	862	258	79	898	151
Supervisors	1,551	303	103	1,368	381
Administration	10,713	6,648	1,051	9,015	7,289
Operation/Support	46,921	33,895	6,019	40,735	34,062
<b>Total</b>	<b>60,685</b>	<b>41,206</b>	<b>7,369</b>	<b>52,591</b>	<b>41,931</b>

The increase in turnover compared to 2012 is due to the startup of facilities acquired during the year. During this period, it is common in the food industry to have an increase in the rate since it is a time of adjustment for people and plants. In 2013, 53% of layoffs were due to low productivity, downsizing and repeated absences and/or delays, and the other 47% were for not adapting to the work. **GRI LA2**

To improve the rate and reduce the number of dismissals per year, the Company adopted practices for retaining talent. JBS also invested in systems and processes to identify the main reasons and causes that lead employees to leave the company to mitigate the loss of talent by the company.

## Profile of employees in 2013

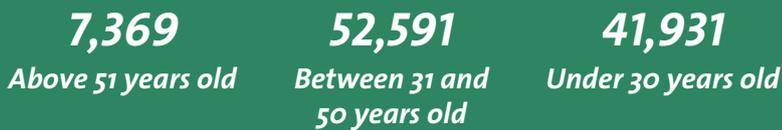
### Region



### Type of contract



### Age group



### Monthly turnover rate in 2013 (%)

### Gender



### Age group



North	4.20
Northeast	3.36
Midwest	4.46
Southeast	3.58
South	3.67

## COMPENSATION

JBS, aware of its role as a driver of economic and social development, pays wages above the minimum established by Brazilian law. In 2013, the lowest salary paid by the company was R\$ 690.00, compared to R\$ 678 as defined by the Brazilian government as minimum wage. In Brazil, 100% of employees are covered by collective bargaining agreements. The percentage of employees covered by collective bargaining agreements is the most direct way to demonstrate the practices of an organization with regard to freedom of association. **LA4 | EC5**

## HEALTH AND SAFETY AT WORK

JBS has a culture that values the practice of health and safety at work and promotes the commitment of employees to the subject through the development of a Management System for Health and Safety, which integrates and makes everyone jointly responsible. The system is grounded in well-defined responsibilities at all hierarchical levels of the company and supported by the following pillars: Self-Management Safety Program (PSAG), New Program of Daily Activity, Internal Commission for Accident Prevention (CIPA), by the Fire Brigade and Medical Clinic. Monthly the performance of the units is measured and monitored, and periodically employees responsible for PSAG perform cross-audits. This model also includes goals and awareness and prevention tools to assist in the identification, removal and mitigation of risk conditions or behaviors that lead to unsafe practices of the employees.

All JBS' employees are represented in the Committees of Safety and Health through the members of the Internal Commission for Accident Prevention (CIPA), that are composed by members elected by the employees and representatives of the company. In addition to CIPA, the company has a Safety Committee, composed of senior management, which analyzes indicators of health and safety and all proposed improvements suggested by employees. **GRI LA6**

In 2013, in order to mitigate commuting accidents, JBS run several internal campaigns for the prevention of traffic accidents, and continued to invest in training, educational campaigns, daily dialogues for awareness and to improve the conditions of the employees with the goal of improving management continuously.

The absence rate in 2013 was 38% lower than the previous year (4.09% versus 6.58% in 2012). This was possible since the company is managing indicators, enabling daily monitoring of the results of productivity and taking more effective actions. To improve this indicator, the company has the Retention Committee, which discusses and implements actions to retain employees, such as visits to the absentees, climate survey, increases in wages and duties and implementing programs that bring together the leadership of the operation.

### GRI LA7

#### Indicators of health and safety at work

<b>Accidents</b>	With leave	1,226
	Without leave	1,330
<b>Injury (frequency rate)</b>	With leave (TL)	6.1
	Without leave (TL)	7
<b>Days lost (severity rate)</b>	With accidents	14,436
	Rate of days lost (TDP)	0.07
<b>Deaths</b>	Typical accidents	2
	Commuting accidents	5

## PROFESSIONAL DEVELOPMENT

JBS professionals are responsible for the production and development of better products and services that reach customers and consumers, as well as contribute to the successful integration of all companies comprising JBS. The company knows the challenges of integrating several companies in a single culture, which is strong and grounded in results. For that end, it has a number of programs for its employees.

**Leadership Management** | JBS has a corporate area of Leadership Management, responsible for creating conditions to attract, retain and develop talented leaders with business vision and adhering to the Values of JBS. The main challenge was to develop the process of managing people to meet the needs of leaders against changing market demands, promoting the growth of the company.

**Performance appraisal** | JBS believes that performance appraisal is an important management tool for identification and measurement of the actions of employees and to develop and monitor their performance. JBS uses performance appraisal with the aim of stimulating the achievement of organizational goals through the values and beliefs of the company.

During the year 2013, the 9 in box appraisal methodology was first used to map the leaders who work in the organization, making it possible to know the talents, future successors and people who need to develop or improve their performance. For executive officers deemed as talents, we designed an Individual Development Plan (IDP) with specific goals according to each profile and for this project the company relied on well-consolidated partners in the market. Considering 4,214 employees with leadership roles and in corporate areas of the company, 64% were appraised under this model, corresponding to 2,710 people. **GRI LA12**

**Internal training** | The company conducts internal training in its facilities focused on all hierarchical levels in order to develop employees. In 2013, this exercise addressed topics such as change, people or process management, compliance with legal and regulatory requirements, and improvement of individual and group performances. For corporate areas of JBS, the event Coffee and Culture (*Café com Cultura*) is held periodically, receiving special guests to talk with employees about professional development. **GRI LA10**

**Trainee program** | JBS has a trainee program providing opportunities for young professionals, encouraging the formation of leaders, enhancing questions of training, technical knowledge and people management. Participants have the opportunity to develop career in the processing facilities or corporate of the JBS Beef Brazil. The program lasts a year and a half, during which the trainee will receive training to develop and carry out projects to improve the processing facilities. After appraisals, and if deemed approved on prerequisites, the trainee will have an opportunity for an international job. Nineteen trainees were hired in 2013.

**Internal talent program** | Aims to educate, develop and train potential employees to qualify them as production supervisors. The program is conducted at JBS Beef Brazil, lasting 6 months. Upon completion of the program, the employee shall assume the position in the unit where he/she works or is transferred to the location of the vacancy available with all the assistance of the company. In 2013, twenty-seven employees were appointed supervisors through the program.

## COMMUNITY

JBS knows the importance of maintaining good relationships with the communities in the regions where it is present; as a result, it contributes to the local social and economic development. All business units maintain social partnerships with the surrounding community, providing support for events and educational projects, campaigning on quality of life, among other actions.

Thus, the company relies on the assistance of its own staff, who, for being part of the communities, knows the local needs. JBS keeps its Customer Service available to the public at large to receive complaints and requests. In order to appreciate the culture and development of the communities where it operates, JBS favors hiring employees in cities where its operations are located. **GRI EC7**

In case of closure of units, JBS has a committee that defines actions to minimize the social impacts on the local community. Among the factors that could lead to the closure of activities in a locality are: lack of raw materials; unfavorable conditions such as tax inefficiency, inefficient logistics; and search for a more efficient portfolio of products. **GRI SO1**

Next, find out the main engagement actions of JBS with communities.

**Special Chefs Institute** | The company's partnership with Special Chefs Institute is an initiative that stands out among the achievements of JBS, as it offers courses of gastronomy for people with Down syndrome as an aid in the development of these youngsters. The project currently has over 200 students and a list with names of renowned chefs among the volunteers who teach the courses. The participation of JBS happens through financial support and supply of products.

**Crescer (Grow) Project** | Through this project, JBS Leather division promotes Continuing Education to people who had to quit school prematurely. Since its creation, more than 450 people have benefited from this project at our Cascavel/CE unit. As part of this initiative, "tanning assistant" courses have also been promoted to people with special needs and young apprentices.

**CouroAção** | The company, through JBS Leather/Hides, donates leather scraps to the Association of Friends of Jaguari Neighborhood, located in Santana do Parnaíba (SP). The action, called *CouroAção*, aims to develop human potential and environmental awareness, as it educates and allows income generation for women from the local community, and encourages the reuse of waste leather as raw material for the production of handicrafts.

**Social Fuel Seal** | Through the Biodiesel Business, the company participates in the Social Fuel Seal. Farmers receive technical assistance and training, and have access to lines of credit for the purchase of oilseeds. JBS has participated in the Seal since 2008, and in 2013 about 531 families were assisted by the company. Between 2008 and 2013, JBS acquired 3,455,895 bags of soybeans and advanced in inputs the equivalent to R\$ 14.70 million as financing for small farmers.

## GERMINARE INSTITUTE

Created in 2009 with the mission to develop leaders for the future, the Germinare Institute was born as a social arm of JBS, the largest company of J&F Investments. In 2012, the Institute became independent, reporting directly to J&F Group, focusing on its own guidelines, expansion plans and governance practices, always with the financial support of JBS.

In 2010, the Institute opened the Germinare School, which, with the approval of the Ministry of Education (MEC), has provided fundamental II and middle education without cost to youngsters in São Paulo, in addition to actual teaching to train future business leaders. Today the Institute is recognized as the owner of a pioneer project in Brazil, since students learn in practice what they will be able to use in their professional lives.

To enable this new generation of leaders, the Institute invests specifically in the development of skills and abilities focused on business management and innovation. In 2013 the school received 421 students and by 2014 it intends to serve up to 450 youngsters.

## RESPONSIBILITY FOR PRODUCT QUALITY

JBS also adopts a quality policy to ensure the production of reliable, safe, healthy and quality food. It applies rigorous controls related to food safety throughout the food production process to ensure the satisfaction of its customers and consumers.

The company cares about issues related to food safety and food security, and thus works with a food safety program to ensure product quality. As a result, the company's quality assurance area implements and maintains more than 32 programs in each processing facility to meet the requirements of the Ministry of Agriculture, Livestock and Supply (MAPA).

The company also undergoes constant annual audits by governments, customers and certification companies, to supply safe products in accordance with required quality, health, environmental and legal standards. In addition, 24 laboratories of microbiological tests are distributed among the facilities of production of beef, poultry and pork performing over 1 million tests every year to ensure the attributes of what is processed and produced in the company.

All processing facilities are part of the National Plan for Residue Control in Products of Animal Origin (PNCRC), through initiatives aimed at understanding and preventing breaches of securi-

ty levels or the maximum residue limit of authorized substances, as well as the occurrence of any levels of residues of chemicals which use is prohibited in the country. In practice, samples of the raw materials used in industrial processes to be destined for human consumption from the establishments under the Federal Inspection System (FIS) are taken. See below some programs that the company has to assist its suppliers to comply with the food safety programs.

**Origin Guarantee Program** | The company has a technical team that conducts periodic visits to farms that supply cattle to JBS in order to monitor and guide regarding the adoption of Good Practices of Cattle Raising. This year, more than 450 visits were made. These technicians provide training for farmers on health management, use of veterinary medicines and animal wellbeing. The Program includes training, participation in events, fairs, agricultural exhibitions and symposia, with lectures and seminars that address topics related to responsible use of drugs in animals and Good Practices of Cattle Raising. **GRI FP12**

**Integrated poultry and pork** | JBS Foods has a dedicated technical team to monitor over 7,000 outgrowers providing technical assistance for responsible production and guidance regarding Good Practices of production. In 2013, the company made more than 100,000 technical visits to birds and hogs outgrowers.

**Trust since the origin** | The company also has a system for identifying QR-Code on all labels of fresh beef, which allows consumers to know the origin of the product consumed - from the farm supplier of cattle to the processing facility, identified by the SIF number. So, once again consumers are guaranteed in the sense that the processing facilities of the company are in compliance with the sanitary and animal welfare rules of the Ministry of Agriculture, and can even check if the farms have any irregularity concerning lists of slave labor (Ministry of Labor and Employment) and/or from areas embargoed by IBAMA.



### Satisfaction of customers and consumers |

The company believes that a close relationship with its customers and consumers is a tool that helps in viewing the new trends and meeting the expectations of the market. For that reason, for both audiences, JBS offers a unique center for criticisms and suggestions received through the sales team, e-mail, telephone, website and social networks. In 2013, approximately 40,000 consumers and 120,000 customers contacted the company. The Seara brand alone received 49,258 contacts in the year, 44% of which were customers and 56% consumers, involving requests for information about products and services, recipes, compliments, complaints, suggestions, among others.

Periodically the company also puts together reports containing these feedbacks, in order to seek improvements in products and services and create targeted actions, such as customer visits to processing plants, among others. In

the same sense, the logistics and distribution service has an impact on customer satisfaction. In 2013, 27,773 containers of products were exported and a degree of customer satisfaction of 97.83% was identified. **GRI PR5**

**Low Sodium Products** | JBS works to enhance the nutritional profile of its products. With regard to actions for quality of life, the company develops a line of products with less salt in its composition, primarily intended for children, in order to reduce excessive sodium intake. JBS Products that are part of the project are: Beef Meatball 15 and 25 g – Low Sodium; Kibe 50 g – Low Sodium; and Burger 56 g and 90 g – Low Sodium.

**Healthy Products** | JBS Foods also manufactures a complete line of healthy and light organic products, for people of all ages (learn more in the table).

For further information, go to [www.confianca-desdeorigemjbs.com.br](http://www.confianca-desdeorigemjbs.com.br).

*Learn what products JBS Foods makes thinking about the health and life quality of its consumers. They are sources of vitamins and contain iron and zinc!*



### Childline

- Chicken Fillets
- Chicken Lasagna
- Chicken Burger
- Chicken Sausage
- Chicken Mini-sausage
- Chicken Mortadella
- Cheese Bread
- Carrot Chikenitos
- Cheese Chikenitos
- Traditional Chikenitos



### Light Line

- Smoked Chicken Breast
- Chicken Tubelle
- Light Chicken Mortadella

## ANIMAL WELFARE

JBS encourages its suppliers of lamb, hogs, poultry and cattle to adopt production techniques and equipment adapted to the concepts of animal wellbeing. For that reason, the company has a policy related to the topic, practicing humane slaughter in all its processing facilities. During the stay of the animals in processing facilities, it ensures that techniques respecting the animals and meeting technical and religious precepts are applied, leaving them free of discomfort, hunger and thirst, pain, injury and disease, fear and stress and, especially, free to express the natural behavior of the species.

To educate professionals and contractors who work in animal handling, specific trainings are continuously offered, preventing practices that do not follow the company's policy ensuring the product quality expected by consumers. In addition, cattle suppliers and JBS' poultry integrated producers have access to a high-level health protocol about standardization of procedures and nutritional monitoring of the animal.

The company believes that, through training, information and awareness of its employees and partners, it is possible to produce safe food in all respects with nutritional properties that satisfy the consumer.

Most cattle that JBS acquires come from supplying farms located within a distance less than 200 km from the processing facilities in Brazil. Poultry and pig farms are at a distance, with rare exceptions, in a radius of 50 km. This ensures that the company can maintain a competitive cost regarding the transport of animals, contributing to the economic development of the regions where it operates, partnering with local suppliers. In addition, the company is able to mitigate the risk of weight loss and injury to the animals during transport, according to the proximity between the processing units of raw materials and their suppliers. **GRI EC6**

**JBS HAS A POLICY THAT ENSURES THAT THE PROCESSED ANIMALS ARE RESPECTED IN ACCORDANCE WITH THE BASIC PRINCIPLES OF THE WORLD ORGANIZATION FOR ANIMAL HEALTH ON ANIMAL WELFARE**

## ENVIRONMENTAL COMMITMENT **GRI EN6 | EN26**

### RESPONSIBLE PURCHASING **GRI EN14 | HR7**

#### ORIGINATION OF CATTLE

For a long time, the image of the cattle industry in Brazil was related to deforestation, degrading working conditions, invasions of indigenous lands and conservation areas. This picture began to emerge from the intensification of migratory movement of the Brazilian herd. Animals that for decades were raised in the southern and southeastern Brazil began to be transferred to the central areas and north of the country pursuing cheaper land that could offer more attractive returns for the activities. This geographical shift of the herd required the opening of areas for the placement of the animals. Given all the historical evolution of cattle raising in Brazil and the understanding that a leader in its industry has a responsibility to contribute to improve it, JBS is committed to contribute to reduce livestock-related deforestation and improve land and labor conditions within this segment.

Thus, JBS is committed to ensuring the responsible origin of cattle used as raw material, so it does not purchase animals from farms involved in deforestation, invasion of indigenous lands and protected areas, rural violence and land conflicts, and use of slave labor.

To ensure this commitment, since 2010, JBS has a system of social and environmental monitoring of its cattle suppliers using satellite images, georeferenced maps of farms, deforestation data from the National Institute for Space Research (INPE) and official information from public bodies about embargoed areas (IBAMA) and slave labor (Ministry of Labor and Employment).

The monitoring system consists of two analyzing process that work seamlessly. The first case refers to the daily and systematic checking of the lists published by Ibama and by the Ministry of Labor compared to the full registration of suppliers of cattle to JBS in Brazil.

The second process consists of a technological system based on geographic information that performs daily monitoring of properties that supply cattle to JBS located in the Legal Amazonian states (RR, AP, AC, RO, AM, PA, MA, TO and MT).

The system makes the overlapping of digital layers of georeferenced maps of properties that supply cattle against maps of trends in areas of deforestation since 2009 published by INPE, in addition to the official maps of the areas of indigenous lands and environmental conservation units in the Legal Amazon region. The purpose of this system is to identify and block supplier farms showing any non-compliance with these social and environmental criteria of the company.

Just like the Social and Environmental Monitoring System of Suppliers of raw materials guarantees the sustainable origin of the cattle, all the products and by-products derived from the activity of slaughtering and beef processing of the facilities of JBS are also consistent with these environmental criteria. **GRI PR3**

The Social and Environmental Monitoring System of Cattle Suppliers of JBS is annually audited, independently, to ensure compliance with the company's commitments to sustainability. With the fulfillment of the criteria, JBS ensures that its entire value chain, including all products and by-products derived from cattle operations, is sustainable.

More programs and projects undertaken by the company from the suppliers are shown below.

For further information, go to [www.jbs.com.br/pt-br/pecuaria-sustentavel](http://www.jbs.com.br/pt-br/pecuaria-sustentavel).

**Quality beacon** | A tool that JBS makes available to suppliers of cattle to give feedback related to quality of raw material. In Brazil, 100% of the processed animals are classified with respect to the parameters of sex, maturity, weight and finish. From these combinations, we built a template linking each housing profile to green, yellow and red colors called quality beacon.



Adverse standard



Tolerable standard



Attractive standard

Based on this template, the supplier may have access to the quality profile of raw material that is produced and sold to JBS by state and consolidated in Brazil. This feedback ensures better control over the quality of the raw material produced and improvement of the products offered by JBS to its customers.



**Cattle Farmers' Portal** | Through the cattle farmer portal, each cattle supplier can see his beacon of quality. From 2013, several analyzes were made available to suppliers, such as average weight, evolution of weight, price, quality and on-line monitoring of slaughter weight and classification, as well as outstanding bills and bills settled by the company, download of the classification map in Excel to manage in their property and achieve the goals of quality required and subsidized by JBS. This feedback enables to evaluate successes and mistakes and improve supplier performance concerning quality of raw materials delivered to the company.

**Services to Cattle Farmers** | A channel that the company developed in order to find solutions for conventional purchasing, purchasing by protocols and classification. The main focus is the relationship. Each processing facility of JBS has its optimal mix of production/products and this signals, through this channel, what to expect from the supplier regarding raw material. Thus, the company extracts the best that each producer region can offer.



**“No Ponto” Program** | Program for appreciation of cattle suppliers who produce quality meat and receive extra compensation for the product, according to a specific bonus protocol. The Program is implemented in 8 processing facilities of JBS, in the states of Mato Grosso, Mato Grosso do Sul, São Paulo and Goiás. In 2013, 61,737 animals were processed, and 80% of them gave rise to a bonus of R\$ 5.00 per arroba on the “over-the-counter price” – i.e., the amount available in the market at the time of sale/purchase.

In 2013, in succession to signaling to suppliers of quality raw material, JBS developed the protocol for the crossbreeding of animals with better performances.

**Partners in the Farm** | In July 2013, JBS started the Partners in the Farm Project, broadcasted by the Rural Channel. This project aims to present numerous success stories of cattle farmers. The number of farmers interested in participating in the program is growing. In 2013, 45 cattle farms in 7 Brazilian states were involved in the project.

**Integrated Low Carbon Cattle Farming** | The partnership between JBS and the Brazilian NGO Instituto Centro de Vida (ICV) promotes sustainable cattle raising in the Amazon biome, developing production models that improve management, increase productivity, increment quality in the product delivered to the market, reduce emissions of greenhouse gases in the production system and comply with environmental legislation. The first phase of the project began in August 2012, in the region of Alta Floresta (MT), with the involvement of 10 model farms.

During 15 months, the participating cattle farmers received technical assistance and were instructed to adopt good farming practices recommended by Embrapa Beef Cattle. As a result, we observed increased production efficiency in the pilot area, which increased from 1 to 3 animals per hectare, without the need to convert new areas of forest into pasture to increase production.

JBS, however, made the technical slaughter of the animals in the presence of the cattle farmers, aiming to guide them on how to achieve the goals of product quality – resulting in a tasty and tender meat, meeting the expectations of the consumer market.

For 2014, the company intends to assist in scaling up the project to cover a larger number of farms, as well as supporting the ICV in the training of professionals who can replicate the model to other farms in the Amazon region.

▶ Learn more about Integrated Low Carbon Cattle Farming in: [bit.ly/1gHSkeV](http://bit.ly/1gHSkeV)

### ORIGINATION OF POULTRY AND PIGS

JBS Foods acquires poultry and pigs only from out-growers or from own farms following the practice of responsible purchasing. Thus, the company operates in all stages of production, from the genetic selection of the animals to guidance of correct production, use of appropriate facilities, management, wellbeing and transport of animals.

The company provides producers with calves, feed, drugs and vaccines, as well as a technique assistance for a safe and healthy breeding. The producers, in turn, are responsible for taking care of the livestock production, facilities, energy and water. Producers are encouraged to adopt sustainable practices, such as the adoption of cisterns to collect rainwater, biodigesters and composting on their farms.

These and other environmental practices adopted by producers are accompanied by qualified technicians who check and guide farmers to adopt best practices of production.

Thus, following each step of the development of the poultry and swine, JBS Foods can monitor and ensure the validity of all the raw materials of the products it sells.

THE COMPANY IS  
COMPROMISED TO MONITOR  
AND GUARANTEE THE  
RESPONSIBLE ORIGIN OF ITS  
RAW MATERIAL.

## ECOEFFICIENCY

In 2010, from a broad environmental assessment carried out in all its cattle processing facilities in Brazil, JBS has established an environmental investment plan which includes over 270 projects. Such plan contemplates projects related to wastewater treatment, solid waste management, atmospheric and greenhouse gas emissions, optimization projects on water use and other topics. Specific guidelines were established for the management of water consumption and solid waste management through the development of eco-efficiency projects.

In 2013, JBS formed a partnership with Walmart Brazil, being the first company in the meat sector to participate in the End-to-End Sustainability Program, which had as its main focus the analysis of the life cycle of Friboi burger. The project allowed the company to reduce the use of natural resources in the production of the burger, such as a 21% reduction in water consumption, a cut of 13% in energy and an increase of 214% in the recovery of by-products, which are meant for other initiatives. Moreover, the generation of solid waste was decreased by 80% and consumption of firewood in industrial boilers was reduced by 19%. Through the innovations applied to the production of Friboi burger, JBS reduced its equivalent CO<sub>2</sub> emissions related to the wastewater treatment process by 87%. In addition, the company has developed actions to improve the social and environmental monitoring of cattle suppliers.

## ENVIRONMENTAL INVESTMENTS

In 2013, in the business unit JBS Beef Brazil the value of investments and expenditures on environmental protection totaled R\$ 38,227,163. There was an increase of approximately 52% compared to 2012 (which was R\$ 25,089,598) due to the identification of new projects of eco-efficiency and environmental improvements, as well as an increased number of industrial facilities through the acquisitions made in 2013.

For 2014, 26 environmental projects are planned, with an estimated investment of R\$ 7.1 million. In addition, a new Investment Plan of US\$ 17.7 million is already in place, contemplating the new processing facilities acquired by JBS. From this amount, 83% will be for the treatment of wastewater, 2.7% for solid waste, 6.4% for air emissions from boilers, 1.5% for water treatment and the remaining 6.4% for other projects to mitigate environmental impacts.

### GRI EN30

#### Investments and expenditures on environmental protection by type

Environmental management <sup>1</sup>	62%
Investments <sup>2</sup>	38%
Total	R\$ 38,227,163

1. Personnel costs, waste disposal, wastewater treatment, laboratory tests, fees and taxes and general maintenance (equipment, structural improvements).

2. Wastewater treatment, solid waste management, air emissions, eco-efficiency projects (reduction in water consumption, energy reuse of waste, recovery of by-products) and other (recovery of erosion and degraded areas, reforestation, operational improvements, among others).

## EMISSIONS OF GREENHOUSE GASES

JBS has published its Report on Emissions of Greenhouse Gases since 2009, by which it measures its direct and indirect GHG emissions.

The GHG Emissions Report of JBS, for the year 2012, presented a volume of emissions higher than the previous year, due to organic growth of the company and acquisitions of new processing facilities, as well as expansion of sources of emissions under Scope 1, such as the inclusion of agricultural emissions (from enteric fermentation of confined animals - cattle).

### GRI EN16

Total direct and indirect emissions of greenhouse gases, by weight (tCO <sub>2</sub> e)	Scope 1 <sup>1</sup>	Scope 2 <sup>2</sup>
2012	455,459	51,018
2011 <sup>3</sup>	403,902	16,083

1. Scope 1: direct GHG emissions are from sources that are owned or controlled by the organization or controlled by it.
2. Scope 2: indirect emissions that accounts for GHG emissions from the purchase of electricity and thermal energy generated by third parties and that is consumed by the company.
3. In the GHG Emissions Report in the year 2011, it was considered the activities of Vigor Alimento S.A., which in the year was controlled by JBS S/A. In 2012, Vigor went public, so it was not considered in the GHG Emissions Report for the year 2012.

The increase of GHG emissions under Scope 2 refers to external influence, from the emission factors provided by the Ministry of Science, Technology and Innovation (MCTI), data source of the Brazilian GHG Protocol Program, as a result of increased use of thermoelectric power by the Federal Government.

### GRI EN17

Other relevant indirect* emissions of greenhouse gases (tCO <sub>2</sub> e)	Scope 3
2012	135,291
2011	2,859

\* They are a consequence of the activities of the company, but occur from sources not owned or controlled by the company [e.g.: air travel undertaken by employees, waste generated by the activities, transportation and distribution (upstream and downstream)]

Regarding Scope 3, the significant increase is due to expansion of the scope of the survey of indirect emissions (transportation and distribution - both upstream and downstream, and solid waste generated in operations) and the qualification of instruments that monitor the sustainability indicators.

### GRI EN19

#### Emissions of substances that destroy the ozone layer (tCO<sub>2</sub>e)

2012	1,458
2011	Not counted

In relation to emissions of substances that destroy the ozone layer, which are derived from gases or refrigerants (CFCs and/or HCFCs) used in refrigeration equipment, data had onset of monitoring from the year 2012 and will be contemplated in the coming years.

JBS has implemented several projects in 2013 in order to obtain environmental improvements and that reduced emissions of greenhouse gases. For thermal power generation in the boilers of the processing facilities, the company made investments in

wastewater treatment plants for energy recovery and reuse of industrial wastes such as tallow from the processing of poultry in addition to bovine rumen contents, partially and/or entirely replacing non-renewable fuels for renewable fuels. From this initiative, it was also possible to reduce GHG emissions from the treatment of wastewater, as there was an increase in the retention of the organic load that goes to ponds for wastewater treatment, thus avoiding the generation and emission of methane into the atmosphere. Learn about some projects implemented to mitigate emissions of the company below.



**Clean Development Mechanisms** | JBS was the first company in the processing of animal protein to record a Clean Development Mechanism Project (CDM) in the UN Convention on Climate Change (UNFCCC), promoted by the United Nations (UN), as an initiative to reduce GHG emissions. The Project, carried out in Brazil in two processing facilities of JBS Beef Brazil consists of the implementation of a primary sewage treatment system, avoiding the generation and emission of methane (CH<sub>4</sub>) in the atmosphere. These Projects, located in Barra do Garças (MT) and Vilhena (RO), are registered and validated by the UNFCCC. The estimated reduction is 43,154 tCO<sub>2</sub>e/year, in Barra do Garças (MT) and 29,912 tCO<sub>2</sub>e/year in Vilhena (RO). **GRI EN18**

**Optimization of logistics fleet** | JBS Transports implemented the Ecofrotas system, aiming to better manage performance indicators, reduce fuel consumption, improve operational efficiency and obtain more efficient logistics. Besides the data of economic performance, the system also monitors the emissions of greenhouse gases generated from the combustion of fuel in the vehicle fleet, allowing to manage and develop strategies for reducing emissions and environmental impacts.

JBS Transports has a fleet of vehicles with an average age of 1.6 years, much less in comparison with the average age of the truck fleet in Brazil, according to data from the CNT (National Confederation of Transport). The average age of the truck fleet in Brazil is 19 years for self-employed and 8 years for company vehicles.

The advanced age of the Brazilian fleet of trucks generates environmental and safety problems,

such as increased emissions of pollutants, fleet with polluting technology, even with the availability of better quality fuels, inefficient logistics, accidents and traffic jams.

For more information on the GHG Emissions Report of JBS for the year 2012, go to the website of JBS at [www.jbs.com.br](http://www.jbs.com.br). The GHG Emissions Report for the year 2013 will be published on the website of the Public Register of Emissions of GHG Protocol from August 2014.

## ENERGY

JBS prioritizes the use of renewable energy sources in the processing units, and in 2013, 83% of the fuel used was from renewable sources, such as sugar cane bagasse, briquette, chestnut peels, wood chips, ethanol, firewood, rumen, sebum and sawdust – 4% higher than the use in 2012 - and 17% of non-renewable sources (BPF oil, diesel oil, natural gas, gasoline, LPG, etc.).

The company has actions aimed at optimizing the efficiency of fuel use in its industrial boilers for thermal power generation, and the development of projects that enable the reuse of organic waste as fuel, as in the use of bovine rumen contents and livestock sebum in the boilers.

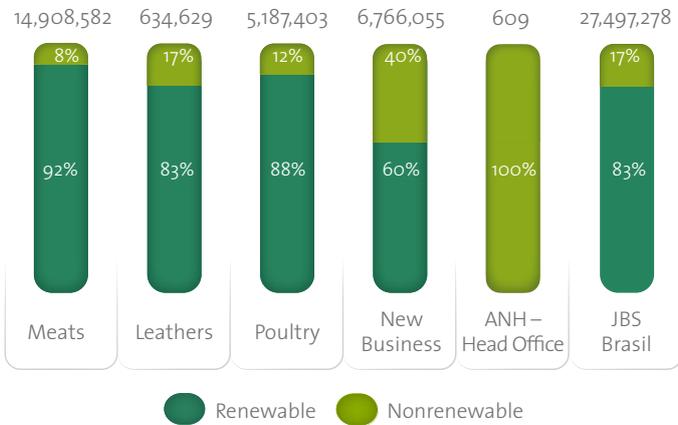
In addition, it has the Biolins TPP, located in São Paulo, which produces electricity from sugar cane bagasse. With installed capacity of 28,000 kW, it produces enough electricity to power the industrial park of JBS in Lins (SP) and sell the surplus to other energy companies in the region.

In 2013 the total direct energy consumption of JBS in Brazil was 27,497,278 GJ, and in 2012 it was 13,729,763 GJ; this increase was due to the acquisition of Seara and new packing plants. On the other hand, indirect energy consumption was 6,201,128 GJ in the year, up from 3,094,855 GJ, 2012, for the same aforementioned reason.

In order to reduce the consumption of electricity, the company acquired more efficient electrical equipment, switches off equipment on night shifts and has used electric power generators at peak times.

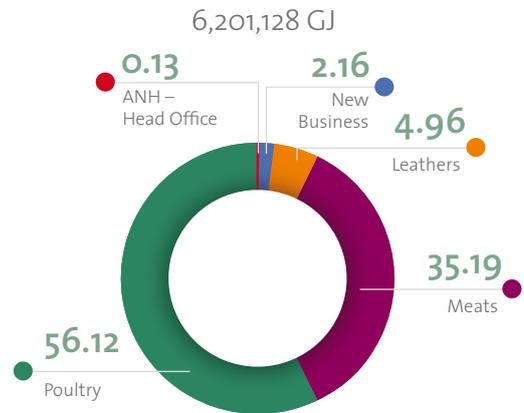
**GRI EN3**

Direct energy consumption (GJ) – 2013

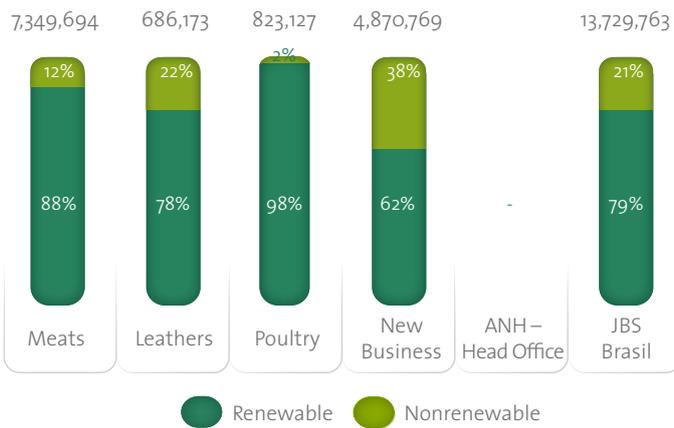


**GRI EN4**

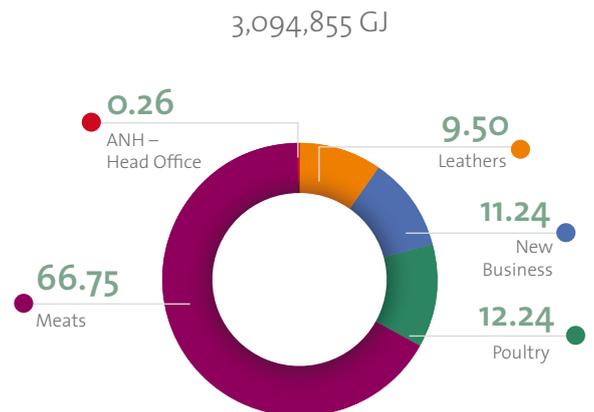
Indirect energy consumption in 2013 (%)



Direct energy consumption (GJ) – 2012



Indirect energy consumption in 2012 (%)



In the Annual Report 2012, the data presented for the indicator EN3 did not include fuel used by fleet of vehicles. The data presented (2012) were calculated including these power consumption.

In 2013, JBS conducted activities aimed at reducing energy consumption through improvements in energy conservation and efficiency, such as installation or replacement of more efficient machines, automatic light switch off, installation of controllers for automatic shutdown of equipment, among other. The effectiveness of the End To End Project also contributed to the decrease of 8,046 GJ of electricity to produce Friboi Burgers in the units of Campo Grande (MS) and Lins (SP). **GRI EN5**

**WATER CONSUMPTION**

JBS has goals to reduce water consumption in all industrial units, as part of its environmental policy in the pursuit of efficient use of natural resources. The company has taken measures to optimize water consumption and investments in the optimization of industrial processes and has held lectures and trainings for employee awareness about good practices when using this resource.

Among the initiatives taken to reduce water consumption are the acquisition and replacement of more efficient equipment. These measures resulted in a reduction in water consumption in the packing plants in Brazil, by 4%, around 1.5 billion liters. Focusing on the optimization of natural resources, JBS also applies to reuse of treated wastewater for other purposes (less noble), such as cleaning outdoor floors and yards. **GRI EN10**

In 2013 water consumption of JBS Brazil was 67,813,055 cubic meters, much of which is volume collected and originated from surface sources (61%), and is used in higher volume in processing units for beef and poultry. The increase from 2012 to 2013 is due to the growth of cattle and poultry operations with the acquisitions during the year.

#### GRI EN8

##### Water withdrawn by source in 2013

	Meats	Leathers	Poultry	New Business	ANH – Head Office	JBS Brasil
Volume of water consumption (m <sup>3</sup> /year)	32,970,767	4,719,531	28,865,557	1,244,567	12,631	67,813,055
Source of collection (%)	Surface	64	41	64	0	61
	Underground	35	33	27	100	33
	Rain	0	1	0	0	0.04
	Public supply	0.1	25	9	0	6

#### WASTEWATER

All water used in industrial processes go to the sewage treatment plants, where it is treated and have different sources of disposal. In 2013, the company invested heavily in modern systems and projects that allowed increasing the efficiency of

wastewater treatment and reuse of by-products for the manufacture of animal feed and beef tallow, reducing its impact on the environment, such as reducing GHG emissions and impacts on water resources.

#### GRI EN21

##### Total water discharge in 2013

	Meats	Leathers	Poultry	New Business	ANH - Head Office	JBS Brasil
Volume of wastewater discarded (m <sup>3</sup> /year)	28,616,968	4,704,371	25,407,802	443,359	12,631	59,185,131
By disposal %	Water body	88	61	91	96	87
	Infiltration (soil)	1	0	0	-	1
	Fertigation	11	34	2	-	9
	Public network	0	6	6	4	3

#### SOLID WASTE AND MATERIALS

JBS has great concern about the disposal of waste resulting from its production processes. Therefore, JBS keeps investments in projects for the reduction of waste generation, management of volumes generated, as well as their environmentally appropriate disposal.

The area of Research & Development of JBS has developed several projects during the year 2013 in order to reduce materials used in packaging. One project that stood out was the reduction in thickness of various plastics used for packaging, such as bags and polythene sheets, both for shipment to

customers and for internal processes. After evaluation and testing, JBS managed to reduce on average 15% of the thickness of these materials, resulting in a reduction of over 207 tons of raw material (polyethylene) used for this purpose.

Regarding the types of disposal of solid waste generated in 2013, approximately 80% were sent to recycling or reuse through composting to produce organic fertilizers. As to the characteristic of the total volume of solid waste generated by the company, 98% are classified as non-hazardous.

## GRI EN22

### Total weight of waste (t) 2013

		Meats		Leathers		Poultry		New Business		JBS Brasil	
Type	Hazardous	151	0.03%	8,029	4%	26,421	2.4%	343	0.92%	34,944	2%
	Non-hazardous	516,508	99.97%	184,416	96%	1,087,996	97.6%	36,752	99.08%	1,825,672	98%
	Total	516,659		192,445		1,114,417		37,095		1,860,616	
Method of disposal (%)	Composting	83		69		96.7		0		71	
	Own landfill	0		4		0		0		2	
	Third-party landfill	2		4		0		78		7	
	Recycling <sup>1</sup>	4		23		3.2		22		16	
	Energy reuse	10		0		0		0		4	
	Storage	0		0		0		0		0	
	Other <sup>2</sup>	0.5		0.02		0		0		0	

1. It includes solid waste for recycling, recovery in the process and reuse.

2. Return to vendor, manufacturing of animal feed (waste straw and corn cob), disposal to third parties (fertilizer production), incineration and others.

For solid waste, JBS has a unique business unit of solid waste management, with traceability, treatment and proper disposal for recyclable, non-recyclable and hazardous waste, ensuring the certification of disposal. JBS Environmental aims to provide management solutions and give proper disposal to waste of the group, mainly plastics, through recycling and resale.

Plastic waste, for example, when placed in landfills, can hinder the decomposition of biologically degradable materials, waterproofing the ground. Therefore, the plastic packaging generated in the units of the company or coming from other sources are sent to JBS Ambiental, where the plastic is turned into raw material. The new substance can be used in the manufacture of numerous products, such as bottles, jars, buckets, hangers, combs, plastic wood, bristles, brooms, bags, films, panels for the construction industry, among other purposes.

Since 2012, JBS Environmental has produced 3,300 tons of recycled plastic resin and 4,600 tons of recycled plastic. The volume of plastic managed in the business unit prevented the removal of 71 tons/day or 26,000 tons/year of oil, as well as avoided the emission of 29 tCO<sub>2</sub>e/day or 11,000 tCO<sub>2</sub>e/year.

In general aspects, recycling, both plastic and paper waste, contributes to a more rational use of natural resources and restoration of resources that are amenable to reuse.

JBS Environmental also promotes the formation of local partnership following the National Solid Waste Policy. Thus, the company contributes to a responsible and sustainable supply chain.



# GRI Reporting Index GRI 3.12

Application Level of the Report	C	C+	B	B+	A	A+	
Standard Disclosures		Answer items 1.1; 2.1 to 2.10; 3.1 to 3.8, 3.10 to 3.12; 4.1 to 4.4, 4.14 to 4.15.	With External Verification	Answer all the criteria required for Level C plus: 1.2 etc. 3.9, 3.13; 4.5 a 4.13, 4.16 a 4.17.	With External Verification	Same as required for Level B.	With External Verification
		Not Required.		Information on Management Approach for each Category of Indicator.		Management Approach disclosed for each Category of Indicator.	
		Reply to a minimum of 10 Performance Indicators, including at least one from each of the following areas: Social, Economic and Environmental.		Reply to a minimum of 20 Performance Indicators, including at least one from each of the following performance areas: Economic, Environmental, Human Rights, Labor Practices, Society and Product Responsibility		Reply to each essential G3 indicator and Sector Supplement* indicators, with due consideration to the Materiality Principle, in one of the following ways: (a) replying to the indicator; or (b) explaining reasons for omission.	

\*Final version of Sector Supplement

## Profile indicators

1. Strategy and analysis		AR's pages
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Message from the CEO
1.2	Description of key impacts, risks, and opportunities.	42 a 45
2. Organization profile		AR's pages
2.1	Name of the organization.	15
2.2	Primary brands, products, and/or services.	15 a 17
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	15
2.4	Location of organization's headquarters.	15
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	15
2.6	Nature of ownership and legal form.	15
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	15
2.8	Scale of the reporting organization.	15 a 19
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	15 a 17
2.10	Awards received in the reporting period.	20 a 23
3. Report parameters		AR's pages
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	About the report
3.2	Date of most recent previous report (if any).	About the report
3.3	Reporting cycle (annual, biennial, etc.)	About the report
3.4	Contact point for questions regarding the report or its contents.	About the report

3. Report parameters		AR's pages
3.5	Process for defining report content, including: a) determining materiality, b) prioritizing topics within the report, and c) identifying stakeholders the organization expects to use the report.	About the report
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, and suppliers).	About the report
3.7	State any specific limitations on the scope or boundary of the report.	About the report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	About the report
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	About the report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, and measurement methods).	About the report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	About the report
3.12	Table identifying the location of the standard disclosures in the report.	88 a 95
3.13	Policy and current practice with regard to seeking external assurance for the report.	There was no external verification of the data included in this report.
4. Governance, commitments and engagement governance		AR's pages
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	28 a 32
4.2	Indicate whether the chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	28
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	28
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	27
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	27
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	25
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	27
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	18 e 33
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	27 e 28
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	No specific evaluation. Performance is measured as per the company's performance.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	42 a 45

4. Governance, commitments and engagement governance		AR's pages
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	38 a 40, e 67 a 69
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: a) has positions in governance bodies, b) participates in projects or committees, c) provides substantive funding beyond routine membership dues or d) views membership as strategic.	38 a 40
4.14	List of stakeholder groups engaged by the organization.	Materiality Matrix
4.15	Basis for identification and selection of stakeholders with whom to engage.	Materiality Matrix
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	38 a 40
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Materiality Matrix

## Economic performance indicators

### Disclosure on management approach

Aspect: Economic performance			AR's pages
Core	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations, and other community investments, retained earnings, and payments to capital providers and governments.	64
Core	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	43 a 45
Core	EC3	Coverage of the organization's defined benefit plan obligations.	The Company does not provide a pension/retirement plan.
Core	EC4	Significant financial assistance received from government.	63
Aspect: Market presence			AR's pages
Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	72
Core	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	77
Core	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	74
Aspect: Indirect economic impacts			AR's pages
Core	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or <i>pro bono</i> engagement.	Investments of this nature are performed interdependently by units of JBS in Brazil and not in a corporate manner. JBS is studying the possibility of implementing specific monitoring to reporting this information.
Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	There is no specific study to assess the indirect economic impact of JBS.

## Environmental performance indicators

Disclosure on management approach			
Aspect: Materials			AR's pages
Core	EN1	Materials used by weight or volume.	-
Core	EN2	Percentage of materials used that are recycled input materials.	-
Aspect: Energy			AR's pages
Core	EN3	Direct energy consumption by primary energy source.	85
Core	EN4	Indirect energy consumption by primary source.	85
Additional	EN5	Energy saved due to conservation and efficiency improvements.	85
Additional	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	77 a 87
Additional	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	-
Aspect: Water			AR's pages
Core	EN8	Total water withdrawal by source.	86
Additional	EN9	Water sources significantly affected by withdrawal of water.	-
Additional	EN10	Percentage and total volume of water recycled and reused.	86
Aspect: Biodiversity			AR's pages
Core	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-
Core	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	-
Additional	EN13	Habitats protected or restored.	-
Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	78 a 80
Additional	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	-
Aspect: Emissions, effluents and waste			AR's pages
Core	EN16	Total direct and indirect greenhouse gas emissions by weight.	82
Core	EN17	Other relevant indirect greenhouse gas emissions by weight.	82
Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	84
Core	EN19	Emissions of ozone-depleting substances by weight.	82 e 83
Core	EN20	NO, SO, and other significant air emissions by type and weight.	The difficulty of collecting and consolidating information complexity prevented the reporting of air emissions from the chimneys of boilers.
Core	EN21	Total water discharge by quality and destination.	86
Core	EN22	Total weight of waste by type and disposal method.	87
Core	EN23	Total number and volume of significant spills.	-
Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention – Annex I, II, III, and VIII –, and percentage of transported waste shipped internationally.	-
Additional	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	-

Disclosure on management approach			
<b>Aspect: Products and services</b>			<b>AR's pages</b>
Core	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	77 a 87
Core	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	-
<b>Aspect: Compliance</b>			<b>AR's pages</b>
Core	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	-
<b>Aspect: Transport</b>			<b>AR's pages</b>
Additional	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	52
<b>Aspect: Overall</b>			<b>AR's pages</b>
Additional	EN30	Total environmental protection expenditures and investments by type.	81

## Labor practices and decent work performance indicators

### Management

<b>Aspect: Employment</b>			<b>AR's pages</b>
Core	LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	70 e 71
Core	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	69
Additional	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	-
<b>Aspect: Labor/Management relations</b>			<b>AR's pages</b>
Core	LA4	Percentage of employees covered by collective bargaining agreements.	72
Core	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	-
<b>Aspect: Occupational health and safety</b>			<b>AR's pages</b>
Additional	LA6	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.	72
Core	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	72
Core	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	-
Additional	LA9	Health and safety topics covered in formal agreements with trade unions.	-

Disclosure on management approach			
Aspect: Training and education			AR's pages
Core	LA10	Average hours of training per year per employee by gender, and by employee category.	Partial - 73
Additional	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	-
Additional	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	73
Aspect: Diversity and equal opportunity			AR's pages
Core	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	70
Aspect: Equal remuneration for women and men			AR's pages
Core	LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	-
Core	LA15	Return to work and retention rates after parental leave, by gender.	-

## Human rights performance indicators

Disclosure on management approach			
Aspect: Investment and procurement practices			AR's pages
Core	HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	-
Core	HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	-
Additional	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	-
Aspect: Non-Discrimination			AR's pages
Core	HR4	Total number of incidents of discrimination and corrective actions taken.	-
Aspect: Freedom of association and collective bargaining			AR's pages
Core	HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	-
Aspect: Child labor			AR's pages
Core	HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	-
Aspect: Forced and compulsory labor			AR's pages
Core	HR7	Operations and significant 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.	78 a 80
Aspect: Security practices			AR's pages
Additional	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	-
Aspect: Indigenous rights			AR's pages
Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	-

Disclosure on management approach			
Aspect: Assessment			AR's pages
Core	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	-
Aspect: Remediation			AR's pages
Core	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	-

## Society performance indicators

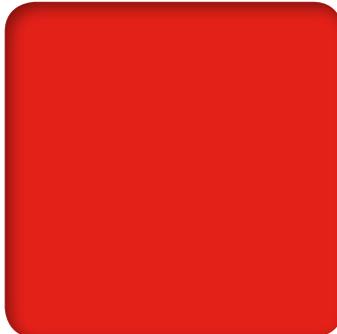
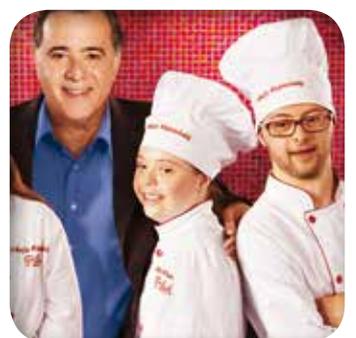
Disclosure on management approach			
Aspect: Local community			AR's pages
Core	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	74
Core	SO9	Operations with significant potential or actual negative impacts on local communities.	-
Core	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	-
Aspect: Corruption			AR's pages
Core	SO2	Percentage and total number of business units analyzed for risks related to corruption.	Internal Audit of the company covers all business units in Brazil in a multiyear planning, established based on an array of risks and internal controls reviewed annually. In 2013, fifty-three audit works were held (compared to 47 in 2012), reaching 89% of high-risk locations and 39% of the total units in the country.
Core	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	100% of employees of JBS are trained in the subject when joining the company, when they take part in the integration training and receive the Handbook for Ethical Conduct, pledging to abide by it.
Core	SO4	Actions taken in response to incidents of corruption.	In 2013, thirteen employees had their employment terminated and five suppliers were dismissed for involvement in corruption. Investigation of this type of situation falls upon the Internal Audit, which receives complaints via the Ombudsman Office.
Aspect: Public policy			AR's pages
Core	SO5	Public policy positions and participation in public policy development and lobbying.	39
Additional	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	-
Aspect: Anti-Competitive behavior			AR's pages
Additional	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	There is no lawsuit, closed or in progress, involving the company in such situations.
Aspect: Compliance			AR's pages
Core	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	-

## Product responsibility performance indicators

Disclosure on management approach			AR's pages
<b>Aspect: Customer health and safety</b>			
Core	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	-
Additional	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	-
<b>Aspect: Product and service labeling</b>			<b>AR's pages</b>
Core	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	78
Additional	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	-
Additional	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	76
<b>Aspect: Marketing communications</b>			<b>AR's pages</b>
Core	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	-
Additional	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.	-
<b>Aspect: Customer privacy</b>			<b>AR's pages</b>
Additional	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	-
<b>Aspect: Compliance</b>			<b>AR's pages</b>
Core	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	-

## Sector Supplement - Food Processing

Aspect: Animal Husbandry			AR's pages
Core	FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type.	49
Core	FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.	75



## Credits

**Content coordination** | Staff of Communications, Investor Relations and Sustainability

**Consulting on content, proofing and graphic design** | TheMediaGroup

**Photos** | Julio Bittencourt

### JBS

[www.jbs.com.br](http://www.jbs.com.br)

E-mail: [relatorio.anual@jbs.com.br](mailto:relatorio.anual@jbs.com.br)

Avenida Marginal Direita do Tietê, 500 – Vila Jaraguá

São Paulo (SP)

Zip code: 05118-100

Phone: (55 11) 3144-4224 | Fax: (55 11) 3144-4171