

Third Party Audit Report to meet “Undertaking to adopt MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”

To
JBS S.A. (‘JBS’)
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Att.: Mr. Márcio Nappo

1) Introduction

Greenpeace has been studying the behavior of the production chain for cattle-raising in the Amazon region since 2007. In 2009, after a long investigation, the organization published its report “Slaughtering the Amazon”, which highlighted the relationship between the processing companies, involved in illegal forest clearance and slave labor, and the latest products offered for sale in the international market, such as purses and sports footwear. Subsequently, the processing companies JBS, Marfrig and Minerva, made a public undertaking to exclude from their lists of suppliers the ranches responsible for deforestation after October 2009, as well as those that use labor analogous to slavery or that are located in indigenous lands or environmental conservation areas. The public agreement that establishes criteria for beef purchases from properties located in the Amazon Biome is entitled “**MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME**”.

II) Purpose

BDO RCS Auditores Independentes (‘BDO’) has been engaged, in terms of Proposal No. 472/14, to carry out predetermined procedures, which appear in italics in this report, for an independent assessment, by means of an audit of JBS data and procedures, of whether the Company has met the criteria assumed in the above-mentioned public agreement, for the period from January 1 to December 31, 2013.

III) Audit period

The audit was carried out between February 28 and March 27, 2014.

IV) Description of the Company and of the Cattle Purchasing Process

Describe in detail the scope of the audit, giving the number of units of the company that receive animals from the Amazon Biome.

Incorporated in 1953, JBS is today the largest producer of animal proteins in the world, processing meat from cattle, pigs, sheep and chickens and producing leather. It also sells hygiene and cleaning products, collagen, metal packaging, biodiesel and other products.

Within the Company universe, this audit covers only the purchases of cattle made between January 1 and December 31, 2013, by the slaughterhouse units located in the Amazon Biome, or supplied with raw materials from this region.

Currently JBS has forty-one (41) active slaughterhouse units, of which twenty-six (26) purchased cattle from properties located in the following municipalities in the Amazon Biome:

- State of Acre:
 - Rio Branco II;

- State of Mato Grosso:
 - Alta Floresta;
 - Água Boa;
 - Araputanga;
 - Barra do Garças;
 - Confresa;
 - Cuiabá;
 - Colíder II;
 - Diamantino;
 - Juara;
 - Juína;
 - Matupá;
 - Pedra Preta;
 - Pontes e Lacerda;
 - São José dos Quatro Marcos;
 - Vila Rica;

- State of Pará:
 - Marabá;
 - Redenção;
 - Santana do Araguaia;
 - Tucumã;

- State of Rondônia:
 - Ariquemes;
 - Pimenta Bueno;
 - Porto Velho;
 - Rolim de Moura;
 - São Miguel do Guaporé;
 - Vilhena.

Describe in detail the company systems, procedures and records used to control cattle purchases, and the traceability of the origin of the cattle.

Describe the purchase blocking system used by the company, how it is updated in accordance with the public lists received by the GIS specialist company, and the corrective measures employed in the event of system errors.

For purchases made from properties within the perimeter of the Brazilian Legal Amazon, i.e. from an area larger than that marked out in the agreement “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”, JBS has established cattle purchasing mechanisms intended to ensure that the Company does not acquire cattle from properties that: have cleared forest inside the Amazon Biome after October 2009; are on the list of areas embargoed by the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA); are located within Indigenous Lands or Environmental Conservation Areas; practice slave labor or degrading labor, according to the Ministry of Labor and Employment (MTE) list; or that are in illegally occupied areas, or on land acquired by means of agrarian violence.

These mechanisms compound the JBS’s SYSTEM FOR SOCIAL AND ENVIRONMENTAL MONITORING OF CATTLE SUPPLIERS. It is being developed and improved by the Company since 2010, and is composed of two process of analysis that work in an integrated way: analysis of information provided by public bodies, and geographical assessment undertaken by a geo monitoring company hired by JBS named AgroTools.

The first processes involve the daily download to compare the public lists issued by the MTE and by IBAMA from their official websites, with the Individual and Corporate Taxpayers' Registration Numbers (CPFs/CNPJs) in the register of suppliers of the Company. The CPFs/CNPJs that appear in the lists are then blocked automatically on the Company's Enterprise Resource Planning (ERP) system.

In the case of registered suppliers whose CPF/CNPJ is on the IBAMA list, and that own more than one property bound to this CPF/CNPJ, if the property embargoed is in a different municipality, or if the name of the ranch in the "Location of the property" field is different from that shown in the Company records, JBS allows purchases from the property without embargo. There are also cases where supplementary documentation of the property is requested by the Company for clarification of doubts and analysis about the embargo and they justify its release for purchases. For CPFs/CNPJs of suppliers of the Company on the MTE list are never ever made unblocked by individual properties. It should be mentioned that blocking and unblocking in the system is done only by staff of JBS's Sustainability team, who are directly responsible for the suppliers monitoring.

The second method of analysis consists of geo monitoring through the digital overlay of geographical coordinates and georeferenced maps of the properties suppliers of cattle according to the criteria of deforestation and invasion of protected areas (Indigenous Lands and Environmental Conservation Units). For this geospatial monitoring, the company uses official deforestation maps published by the National Space Research Institute (INPE), and official data of the National Indigenous Foundation (FUNAI) and of the National Conservation Units System (SNUC).

Daily, AgroTools, the geo monitoring company hired by JBS, prepares and sends a worksheet to the Company with details of the analysis of each of the monitored suppliers located in the Brazilian Legal Amazon, classifying them as "blocked", "released" or "on watch", and indicating the reason for blocking: invasion of a Environmental Conservation Unit, invasion of Indigenous Land, deforestation according to data from the Real-time Detection of Deforestation (DETER) and/or Brazilian Amazon Deforestation Monitoring Project (PRODES) (for the years 2009 to 2013).

The properties classified as "blocked" by AgroTools are blocked for cattle purchases on the JBS ERP system. The properties classified as "on watch" by AgroTools are not blocked for purchases on the JBS ERP system. The "on watch" classification corresponds to properties that are monitored by a buffer zone strategy of ten (10) km around georeferenced points located inside the property on

which is established a circle with an approximate area of 31,400 hectares (77,591 acres).

“On watch” properties are claimed by the Company to submit the digital map of the property, to check whether any geographical non-compliance occurs within the buffer zone. If the non-compliance is confirmed by the second analysis, this supplier is blocked for cattle purchases on the JBS ERP system.

Some technical issues are considered for the geospatial monitoring of the properties, as it is the case with the properties that present a partial overlap with Indigenous Territory and Environmental Conservation Units, in which the Company considers a minimum error margin that is applied to situations where cartographical projections have given the wrong results, such as georeferenced digital maps not corresponding to the boundaries of Indigenous Land and/or Environmental Conservation Units, or differences between the scale of the maps of ranches supplying cattle and the official maps of the boundaries of protected areas. In this case, this analysis is performed visually by JBS’s Sustainability staff.

Under the procedures established by JBS, AgroTools has fifteen (15) days to update its monitoring base from the date of publication of the PRODES official data by INPE.

Still referring to INPE data, in the case of “false positives” of deforestation (images identified by satellites as forest clearance, but which in fact are areas of recovery of grazing land, natural fires, rocky outcrop or intermittent rivers), the Sustainability team asks the supplier for supplementary documents and reviews the property classification. In these cases, usually the owners submit to JBS documents from the State Department of the Environment (SEMA) or technical reports from consultancy firms, which after being validated by the JBS Sustainability team, are forwarded to AgroTools, releasing the property for business.

V) Procedures

Describe the audit strategy (audit trail) and procedures used to demonstrate that the Minimum Criteria have been met, as established by the Reference Document for each stage of the audit process.

Explain how these procedures are applied to analyze direct purchases. If it is necessary to make a sample calculation to define the number of suppliers analyzed, it is important that details of the calculation and the figures used should be provided.

The BDO team analyzed purchases of cattle by JBS within the Amazon Biome areas during the period from January 1 to December 31, 2013, in accordance with NBC TSC Standard 4400 - Work based on agreed procedures for accounting statements, approved by CFC Resolution No. 1.277/10.

The work was carried out based on the Terms of Reference previously agreed between the companies signatories to the agreement and the NGO Greenpeace and on the related documents submitted by JBS, to show compliance with the “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME” .

We triangulated the information collected by means of an inspection of documents, questions posed in interviews with the employees of the Company that operate the monitoring system and Information Technology, and simulations of the existing tools. JBS supplied the following documents for this purpose:

- Working Plan, with the objectives accomplished and deadlines for completing the remaining objectives;
- Records of cattle purchases during the period from January 1 to December 31, 2013;
- Evidence that the Company is a signatory to the National Pact for the Eradication of Slave Labor;
- Examples of notices sent by the Company to its cattle suppliers, informing them of its current and future requirements in relation to forest clearance, the invasion of protected or embargoed areas, and slave labor.

The geomonitoring company AgroTools also directly supplied the following:

- A list of blocked suppliers (considering the status of the properties at December 31, 2013) generated from analysis of satellite images and the geographical information system (the “Geo list” - geospatial monitoring list), with the name of the owner and of the property, the owner and property code, the municipality and state, reason for blocking, and the date of the last change in the records for the property in question.

Testing was carried out after selecting a sample, as agreed between the parties (the companies and Greenpeace), of 15% of purchases made between January from 1 to December 31, 2013, including every month of the year and all the processing units located in or supplied with raw material from the Amazon Biome.

Stage 1 - Sampling process, testing of cattle purchases and testing of blocking system.

Step 1 - Selecting the sample

Give a brief description of the criteria and procedures for selecting a sample of cattle purchases by the companies in the Amazon Biome.

BDO monitored the preparation of the list of cattle purchases for all the currently active JBS slaughterhouse units during the period from January from 1 to December 31, 2013. A member of the BDO IT staff was also present, to ensure the integrity of the information in the database.

After receiving the database for cattle purchases made in 2013, the purchases made by Company processing units located in the Amazon Biome were selected, as well as those purchases made by slaughter units outside the Biome but from suppliers inside it. This selection was made by cross-referencing all the Company's purchases during the year with the list of municipalities in the Amazon Biome, according to Ordinance No. 96/08 of the Ministry of the Environment (MMA).

From this total of purchases from properties located in the Amazon Biome between January and December 2013, a 15% sample was taken, as agreed between the companies and Greenpeace, resulting in a total of 12,135 cattle purchase transactions held by JBS in that period.

The selection method for the sample was determined by BDO, taking each of the twelve (12) months of the sample period and including all the units located in or supplied by raw material from the Amazon Biome.

The selection was made by statistical software, applying a 15% sample to each JBS processing unit, thus ensuring a representative proportion of purchases from the various slaughterhouses.

Step 2 - Testing of cattle purchases

Give a brief description of how the public listings (Ibama and MTE) and the Geo list were compared with the samples of cattle purchases, indicating where they coincided and where they did not.

If a cattle purchase was identified from a property appearing on any of the lists, give an estimate of the volume of irregular purchases as a percentage of the total sample, and how checking was done of any cattle purchases from irregular suppliers.

For the cattle purchase testing, BDO auditors downloaded the official IBAMA list of embargoed areas, and the MTE list of owners accused of using labor analogous to slavery, on March 11, 2014. Additionally, on March 13, 2014, we received from AgroTools, the contracted geomonitoring company, a list of properties blocked for deforestation (PRODES and DETER), or for overrunning Indigenous Lands or Environmental Conservation Units, according to the status of the properties as of December 31, 2013 (Geo list).

The IBAMA list was compared with the 15% sample of cattle purchases from the Amazon Biome by means of a field that the worksheets have in common, the owner's CPF/CNPJ. This comparison identified one hundred and ninety (190) situations where there was coincidence between the CPFs/CNPJs of suppliers present in JBS purchase sample with those existent in the list of embargoes from IBAMA.

The purchases in these one-hundred and ninety (190) situations relate to one-hundred and twenty-three (123) CPFs/CNPJs embargoed in the IBAMA list and represent 3.28% of the total purchases from the sample. As seen in the details below, these situations were not confirmed as non-compliances.

For these cases, classification criteria were then established:

- In hundred and nineteen (119) cases: Cases where the embargoed property was located in a different municipality from where the purchase was made, BDO marked as "in compliance";
- In fourteen (14) cases: Cases where the date of the last purchase was prior to the date of IBAMA listing, BDO marked as "in compliance".

For the remaining cases, JBS was asked to justify the purchases from the embargoed CPFs/CNPJs. The Company submitted the following justifications:

- In forty-seven (47) cases: The name of the ranch in JBS system differs from the name given in the "Location of property" field in IBAMA list of embargoed areas;
- In two (2) cases: In the records of property supplying JBS the municipality is the same, but the address is different from that shown in IBAMA embargo details;
- In two (2) cases: IBAMA embargo certificate submitted informing that the embargo refers to a date after the last purchase from the property;
- In one (1) case: IBAMA embargo certificate submitted dated after the date of the last purchase from the property in question. And the name of the property in JBS system is different from the name given in the "Location of property" field in the IBAMA list of embargoed areas;
- In one (1) case: IBAMA embargo certificate submitted, with the information that the embargo refers to another property, which did not supply the Company in 2013;
- In one (1) case: Presentation of an Official Letter from the IBAMA Superintendence, giving notice that no embargoes apply to the property supplying JBS;
- In one (1) case: Presentation of a screen printout of the IBAMA website page on the date of the latest purchase, showing an absence of embargoes for the CPF in question.

In two (2) cases, where the name of the property did not appear in IBAMA list, and the municipality is the same as that of the property included in JBS ERP system, the company carried out the following internal analysis:

- Reproduction of the geographic coordinates of the IBAMA Notice of Violation;
- Reproduction of the property geographic coordinates recorded in JBS ERP system;
- Checking of the property perimeter recorded on AgroTools monitoring system.

For these cases, JBS concluded that the geographic coordinates contained in IBAMA's Notice of Violation of Embargo are different from the geographic coordinates contained in the register of suppliers of the ERP system of JBS. Besides that, the Company concluded that the geographic coordinates contained in the IBAMA's Notice of Violation of Embargo are located outside the polygon boundaries of the property in the Monitoring System of JBS. Thus, the Company concluded that it was not the same property.

Therefore, no cattle purchase from the List of areas embargoed by IBAMA was identified.

The MTE list was also compared with the purchase samples by using the CPF/CNPJ. This comparison identified fourteen (14) CPFs in the MTE list. Purchases from these CPFs represented 0.44% of total sample purchases and as shown below, these cases were not confirmed as non-compliance.

Because of this, comparison between the dates of inclusion of these suppliers's CPF/CNPJ in the MTE list and the date of last purchase of cattle held by JBS was necessary.

In eleven (11) of these cases, the latest purchase made by JBS was before the owner's CPF was placed on the MTE list. For the three (3) remaining occurrences, purchases were made in the same month (June 2013) as the owners were included in the register for employing labor in conditions analogous to slavery. Since the MTE does not provide the exact date of inclusion in the list, it was necessary to consult previous MTE lists. This allowed us to confirm that the CPFs were not included in the list published in December 2012 ("Half-yearly update as of December 28, 2012"), but were included in the list published in June 2013 ("Half-yearly update as of June 28, 2013"). Since the Company made the purchases before this date, the three (3) purchases were in order.

Therefore, no cattle purchase in disagreement as to the criterion of slave labor was identified.

In comparing our sample with the Geo list, the worksheet field in common was the property code. JBS made purchases during 2013 from one hundred ninety-seven (197) properties classified by AgroTools as blocked on December 31, 2013. The purchases from these one hundred and ninety-seven (197) properties represent 2.90% of the total sample purchases.

To justify these occurrences, JBS presented two (2) sets of evidence. One referring to the operations of geospatial monitoring of suppliers held by the company Apoió Consultoria, from January to March 2013, and other related to the geospatial monitoring operations performed by AgroTools, from April to December 2013.

The evidences presented by JBS, provided by AgroTools, used as evidence only the image taken from the Geo lists immediately before the latest purchase made by JBS for each property, thus confirming its status on the last purchase date. Based on the allegation of AgroTools that despite the daily monitoring of the entire database, the status changes of each property do not occur very often, once obtained the property digital map, and since there are no new changes on property boundaries, the changes in the status of social and environmental compliance (changes of classification of a property from released to blocked, or the opposite), can only occur when the official databases (Deforestation PRODES maps, Indigenous Territory and Environmental Conservation Units) are updated, which occurs a few times per year.

Therefore, for this listing of cross-references between the sample of purchases from the Amazon Biome and the Geo list, only the latest purchases from the supplier in question were analyzed.

The evidence relating to purchases during the period when Apoio Consultoria was providing the service (from January to March 2013) consists of screen printouts with the certificate of monitoring with the classification for properties in an irregular situation, in compliance or on watch, and details of past updates.

The prints of the geomonitoring companies dated before the purchase were checked. In cases where a property was irregular, unsuitable or blocked, additional documents were requested to justify the purchases, and in the cases of on watch, suitable or approved, the latest purchases from the property in question were classified as in compliance.

Following this analysis, thirty (30) purchases were identified as non-compliant. Those cases refer to eighteen (18) properties. In ten (10) of these cases, the status as classified by the monitoring company before the last purchase was that the supplier should be blocked, but even so JBS made the purchases. For the remaining eight (8) cases, no evidence of monitoring by the hired company was presented prior the date of the last purchases, and so no justification was given for them.

The non-compliance found represents 0.25% of the purchases tested.

Step 3 - Testing of blocking system

Give a brief description of how the monitoring system for cattle purchases in the Amazon Biome was assessed, how purchase blocking is effected (automatic or manual, unblocking mechanism if applicable), and what checks were made to identify any failures to block purchases of cattle from irregular suppliers.

If unblocking of a supplier is permitted, describe the criteria applied.

The Company's blocking system was tested to assess its effectiveness, using all the irregular suppliers found in cross-referencing the sample with the lists (IBAMA, MTE and Geo).

In this test, agreed between the companies and Greenpeace, one simulation under each criterion (IBAMA, MTE and Geo) was made of the procedure for purchases from ten (10) properties, giving thirty (30) samples.

Blocking of the list of embargoed areas (IBAMA) and of labor in conditions analogous to slavery (MTE) is based on the CPF/CNPJ (since a supplier may own more than one (1) property). As a result, to carry out this test, and after ten (10) suppliers had been selected by statistical software, in some cases it was necessary to reuse the software to sample one (1) single ranch, so that the system blocking test could be carried out according to the previously agreed procedure.

For geospatial monitoring (ranches inside Indigenous Land and Environmental Conservation Units, or where there has been forest clearance after October 2009), blocking is done by ranch. Ten (10) properties were therefore selected directly from the list of irregularities discovered by cross-referencing the Geo list with the sample of purchases from the Amazon Biome.

Once the thirty (30) properties had been selected, simulations were done on March 18, 2014, on the computers of two cattle-purchasing units (Alta Floresta - MT and Santana do Araguaia - PA) via remote access, using *TeamViewer*, with ID and password.

These tests of the properties on the IBAMA list showed that nine (9) properties are blocked for purchases in JBS's ERP system, and on attempting to finalize the purchase the system ERP showed a blocking message invalidating the recording (inclusion) of the purchase order, and so the process could not be continued. Only one (1) property was released on the Company system. JBS showed evidences that in this case the property in question had been released for purchases because it was not the same property stated in IBAMA's list.

When simulating purchases from the properties on the MTE list, all properties were blocked on the ERP system and it was not possible to resume recording (inclusion) of purchase orders.

Finally, the testing of purchases from properties on the Geo list showed five (5) ranches blocked and five (5) others released. JBS gave the following justifications for these latter cases:

- In three (3) cases screen printouts of AgroTools worksheet for March 18, 2014 (the day before the system tests) were shown proving that the properties were released for purchase on that date, according to AgroTools analysis;
- In two (2) cases, although the properties were blocked on the previous day's Geo list, there were supplementary documents justifying manual release by JBS on its ERP system: a Technical Report indicating that the area had not been cleared, but that a river bed was flooding; and an Environmental Commitment Document combined with an Authorization for Rural Activities granted by the State Environmental Agency of Pará (SEMA/PA).

After the analysis of the justifications given by the Company, it was possible to observe the effectiveness of JBS's purchases blocking system.

As indicated above, in cases where a supplier is blocked for being on the IBAMA list or the geomonitoring list (Geo list), it is possible to unblock the property if there is no embargo, or when there are supplementary documents to support the release. However in cases where an owner is blocked for being on the MTE list, the owner's CPF/CNPJ and all properties owned are blocked, and it is impossible to override the block manually.

VI) Results of the audit process

On the basis of the procedures applied, state whether any purchase transaction was identified that does not meet all the points of the public undertaking, indicating the root cause of non-compliance with the Minimum Criteria.

Include a "Working Plan" table, when applicable, with a comparison of periods, the establishment of the plan and the situation at the time of the audit. Specify the period covered by the conclusions reached.

In addition to the tests described above, additional analyses were undertaken to monitor compliance with the Minimum Criteria. These were: an analysis of the environmental legal compliance documents - Rural Environmental Register (CAR) and Rural Environmental License (LAR) or Single Environmental License (LAU); and an analysis of property title deeds - Certificate of Registration of Rural Property (CCIR).

Considering the environmental and title documents, within the 15% sample of purchases from the Amazon Biome considered in this analysis, for which JBS records have information on CAR, LAR/LAU and Protocols and CCIR, the results are as follows:

- CAR: 17.45%;
- LAR/LAU and LAR/LAU Protocol: 4.42%;
- CCIR: 0.19%.

In order to check the environmental and property title documents (CAR, LAR/LAU and CCIR) on the official websites of the corresponding SEMAs and the National Institute for Settlement and Agrarian Reform (INCRA), and to confirm the legality of the documents as agreed between JBS and Greenpeace, considering the high number of purchases from the sample, the time constraints related to the analysis and verification of these documents with the official agencies, the fact that the current situation of the rules and the dating of the CAR under the new Brazilian Forest Code is not well defined, it was considered a sample of twenty-five (25) cases for each type of document (CAR, LAR/LAU and CCIR) from the 15% of purchases from the Amazon Biome.

Of the twenty-five (25) CAR documents requested, JBS supplied us with twenty-four (24). Twenty-three (23) of these were shown as “registered” or “active” on the respective SEMA website, but included three (3) where the validity date had expired. In addition, two (2) were in the name of a different owner, and two (2) more had not been updated in the JBS files, since more recent documents were shown on the SEMA website. The final case was supplied in a file by the Company, since the process was not found on the SEMA website. In only one (1) case, a document registered on the Company system was not found in the processing unit or on the website of the corresponding SEMA, representing 4% of the tests carried out.

JBS supplied us with the twenty-five (25) LAR/LAU documents (or LAR/LAU Protocols) requested for sampling. However, when we looked at the document numbers on the corresponding SEMA website, we found that nineteen (19) of the processes were shown as “in force”, “process forwarded” or “process under analysis” (in one (1) case the LAR on the SEMA website showed a different name for the ranch from the name supplied by JBS), two (2) processes were shown as “refused”, one (1) as “pending items notified”, one (1) referred to a ranch with a different name from that supplied by JBS, and two (2) were not found on the SEMA website.

As for the analysis of the CCIR, within the 15% sample of purchases from the Amazon Biome, only thirteen (13) properties had their CCIRs registered in the system. The documents were therefore requested from and supplied by JBS. On consulting the INCRA website, we found 11 CCIRs, one (1) of them with the name of the ranch differing from the JBS system records. In one (1) case we found that the details of the rural property were out of date, and in another the details given were different from the register.

Another requirement of the “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME” is for the National Pact for the Eradication of Slave Labor to be signed. Although JBS is shown in the list of signatories as “company suspended from the Pact”, the official website (<http://www.pactonacional.com.br>) contains a public notice issued by the Coordination and Monitoring Committee of the National Pact for the Eradication of Slave Labor communicating the reinstatement of the Company in the list of signatories to the National Pact.

In respect of the criterion for rejection of land grabbing and agrarian violence, there is no public information enabling irregular suppliers to be identified for blocking in the JBS system. Additionally, JBS informed us that it had received no notifications of such cases or reports of violations from the Public Prosecutor’s Office or from the Federal or State Land Institutes. The company also showed us an official letter received from INCRA in August 2013, in reply to its request for information on individuals or companies convicted in cases involving agrarian conflicts or land grabbing, in which it is stated that the National Rural Registration System (SNCR) has no information on such convictions.

A similar request was sent to FUNAI in May 2013, asking for information about the existence of a register of individuals and companies condemned for invasion of indigenous land.

On the issue of traceability of production, this has already been covered in the section of this Report on the Cattle Purchasing Process, and JBS has at least two geographical coordinates for the properties with which it traded in 2013. It is important to stress that the Company has made every effort to increase the number of suppliers who possess digital maps of their properties. A highlight of these efforts is the Company’s recent initiative called “Easy Map”, a tool developed by JBS, which will give every cattle supplier of the Company that does not have a digital map of the property, the opportunity to develop one, free of charge, at any of the JBS slaughterhouse units in the Brazilian Legal Amazon region.

To take part in the “Easy Map” project, the JBS supplier must present at least one document, such as a Property Descriptive Memorandum, Property Registration, Title Deeds, LAR/LAU or CCIR. Afterwards the company Sustainability team verifies the information presented in the new digital map with the information presented in the legal documents. If this is the case, the new digital map is validated and included in the JBS's SYSTEM FOR SOCIAL AND ENVIRONMENTAL MONITORING OF CATTLE SUPPLIERS.

As further proof of compliance with the requirements of the Minimum Criteria as agreed with the NGO Greenpeace, in respect of implementation of its undertaking for the production chain, JBS is a member of Working Groups that seek the operational improvement of IBAMA and MTE lists. JBS is also associated with the Brazilian Roundtable on Sustainable Livestock (GTPS). In parallel, the Company has lines of communication open with its suppliers, informing them of the criteria adopted in its purchases of raw materials, and explaining that cattle suppliers who do not match up to the demands will have their trading register blocked.

The principal ways in which JBS communicates with its suppliers about these issues are: its Annual Report and Sustainability Report, its official website, and its “Statement to Cattle Ranchers”, a document issued and sent out automatically each time that payment is made to suppliers, containing information about correct environmental practices and asking the managers of properties supplying cattle to avoid becoming involved in any civil or criminal proceedings related to: illegal forest clearance, irregular occupation of public land or indigenous areas, agrarian conflicts, labor under conditions analogous to slavery, discrimination according to race or sex, or child labor.

To supplement its efforts to comply with the Minimum Criteria, in March 2014 JBS updated its “Working Plan”, which was first published in 2012, in line with the progress of its initiatives. The Working Plan issued by the Company is shown below, showing the progress already made and its plans for the future:

WORKPLAN

SOCIAL AND ENVIRONMENTAL CRITERIA ADOPTED BY JBS FOR THE PURCHASE OF CATTLE IN THE AMAZON BIOME					MARCH 2014
CRITERIA	WORKPLAN	GOALS	TARGETS	DEADLINES	STATUS
1. REJECTION OF DEFORESTATION IN SUPPLY CHAIN No new deforestation for cattle ranching will be accepted after 5 October 2009 (DIRECT SUPPLIERS)	1- Plan of Georeferenced Maps 2014	Increase / Accelerate the georeferenced mapping process of the farms that supply cattle to JBS (to improve the effectiveness of the monitoring system in deforested areas, indigenous lands and protected areas)	a- 100% of the farms that supply cattle to JBS with georeferenced maps up to December 2014 b- Do not buy cattle from farms without providing georeferenced map of the property from December 2014 onwards	December 2014	By Feb/2014, some 50% of the ranches supplying cattle to JBS in the Amazon Biome were digitally mapped. By Feb/2014, some 50% of the ranches supplying cattle to JBS in the Amazon Biome were digitally mapped. To speed up the process, the "EASY MAP" tool was installed in all JBS units in the Amazon region.
	2- Plan CAR/LAR	Assist in the process of obtaining the CAR of the farms that supply cattle to JBS through the " Plan of Georeferenced Maps 2014"	Meet the requirements and legal deadlines stipulated by the new Brazilian Forest Code	The legal deadlines stipulated by the new Brazilian Forest Code	We are still awaiting a definition of the legal deadlines for implementation of the Federal CAR, according to the new Forest Code. The "EASY MAP" tool is already providing indirect help to producers in complying with the Federal CAR.
1. REJECTION OF DEFORESTATION IN SUPPLY CHAIN No new deforestation for cattle ranching will be accepted after 5 October 2009	1- Plan Green-GTA	Stop deforestation associated with direct and indirect suppliers	Develop in partnership with the Brazilian Ministry of Agriculture a new procedure for issuance of GTAs that takes into account the List of Embargoed Areas of IBAMA	December 2013	This process is still under construction. There is a consensus now between JBS, Marfrig and Minerva (members of the Greenpeace Accord) on this strategy. The next step is to create a consensus on the Green GTA among all members of the ABIEC.
2. REJECTION OF INVASION OF INDIGENOUS LANDS AND PROTECTED AREAS Companies and their products must be free from involvement in the invasion of indigenous lands and protected areas under federal, State or municipal law	1- Plan of Georeferenced Maps 2014	Idem Criterion 1	Idem Criterion 1	Idem Criterion 1	Idem Criterion 1
	2- Plan List of Critical Areas to Indigenous Land	Obtain relevant and qualified information from FUNAI to improve the monitoring of farms located in indigenous land	Obtain official list of farms located in indigenous land over the next 12 months, depending on the FUNAI	December 2013	With the improvements in the new Social and Environmental Monitoring System of JBS suppliers, it is possible to identify, with a high degree of accuracy, the ranches located in Indigenous Lands. As a result of these improvements, it is no longer necessary to obtain the information from FUNAI.
3. REJECTION OF SLAVERY WORK Companies must sign and comply strictly with the National Pact against Slave Labour	JBS signed the "Pact" in 2005 and the monitoring of the list of MTE is already fully implemented	N/A	N/A	N/A	N/A
4. REJECTION OF LAND GRABBING AND LAND CONFLICTS The company will remove from its list of suppliers (direct and indirect), at the moment in which the company becomes aware of the facts, those producers accused of land grabbing by the Public Prosecution Office (MPF) or by the relevant land authorities of Federal or State Governments, or those convicted of involvement in land conflicts based on the accusations of the Public Prosecution. Those farms will only be accepted again after they have signed the Terms of Adjustment of Conduct (TAC) or if the accusation has been dropped	1. Plan List of Critical Areas to Grabbing and Land Conflicts	Obtain relevant and qualified information from INCRA and MPF to improve the monitoring of farms involved with grabbing and land conflicts	Obtain official list of farms involved with grabbing and land conflicts over the next 12 months, depending on the public agencies	December 2013	With the signing of the Amazon TAC between JBS and the MPF in March 2013, the MPF undertook to send JBS information on suppliers involved in land grabbing or agrarian violence, or practicing slave labor.
5. PRODUCTION TRACEABILITY SYSTEM VERIFIABLE, REPORTABLE AND ABLE TO BE MONITORED	1- Plan of Georeferenced Maps 2014	Idem Criterion 1	Idem Criterion 1	Idem Criterion 1	Idem Criterion 1
6. PUBLIC AUDITS	Audit Plan	Undertake independent audit in annual basis and post their results	First audit posted on December 2012 Next audits to be posted in January each year	Audits in annual basis	Audit Process annuls the current Accord. Results of the audit will be published on the company website on March 31, 2014.
7. IMPLEMENTATION OF COMMITMENTS IN THE SUPPLY CHAIN	1- Plan of Georeferenced Maps 2014	Idem Criterion 1	Idem Criterion 1	Idem Criterion 1	Idem Criterion 1

1. Access to Information

Give a brief description of the conditions of access to information essential for proving the company's compliance with the Minimum Criteria. Complete Table 1, identifying all the documents analyzed and giving references (date or code and version).

JBS made available all the documents and information requested by the BDO team to enable us to check compliance with the Minimum Criteria.

Additionally, the people responsible for the information needed to understand the procedures were available to answer the BDO team's queries.

Table 1 is shown below, with the principal documents used in carrying out our analysis, and their references (date or code and version).

Table 1. List of checking of documents analyzed

Document name	Date of coverage / code and version	Checked (Y/N)
Working Plan	Published in 2012. Available at: (http://www.jbs.com.br/sites/jbs.com.br/files/plano_de_trabalho_greenpeace.pdf) - version without March 2014 status update	Y*
Procedures	For the period from January 1 to December 31, 2013	Y
Registers	For the period from January 1 to December 31, 2013	Y
Monitoring System	For the period from January 1 to December 31, 2013	Y
Blocking System	For the period from January 1 to December 31, 2013	Y
List of Suppliers	All suppliers located in the Amazon Biome, for the period from January 1 to December 31, 2013	Y
Public list of embargoed properties - IBAMA	List downloaded on March 11, 2014 (http://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php)	Y
Public list of individuals / companies - slave labor - MTE	List downloaded on March 11, 2014 (http://portal.mte.gov.br/trab_escravo/portaria-do-mte-cria-cadastro-de-empresas-e-pessoas-autuadas-por-exploracao-do-trabalho-escravo.htm)	Y
List of Blocked Suppliers - Geo	List received by email direct from AgroTools on March 13, 2014	Y

(*) The document was received by BDO, with progress being shown, but the establishment of the plan and the description of the current situation are the responsibility of JBS.

2. Exceptions

The audit company must show clear evidence of exceptions, describing the problem and taking concrete facts into account, so that the report may serve as a tool for continuing improvement in the company's purchase system.

There was no exception (non-compliant cases) found in the tests of cattle purchases on IBAMA and MTE lists and of JBS's blocking system. The questions and doubt points raised by the auditors were explained by JBS.

In the tests of cattle purchases on the Geo list, thirty (30) purchases that did not comply were identified, representing 0.25% of the sample tested.

Details of these cases are given in the body of this Report.

In one (1) case of CAR requirements, the document registered on the Company system was not found in the processing unit or on the website of the corresponding SEMA, representing 4% of the tests carried out.

VII) Audit Constraints

If the auditor met any difficulties or restrictions, this should be noted in the report.

The scope of our work was defined to permit us to obtain an adequate degree of certainty, and includes the compliance assessment regarding the adoption of the “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”, according to the Terms of Reference agreed between the signing Companies and the NGO Greenpeace, for the period from January 1 to December 31, 2013.

Our report is intended solely for this purpose, and should not be used for any other ends, nor may it be passed on to third parties who have not assumed responsibility for its sufficiency or agreed with these procedures. This report is related exclusively to the items specified in the “MINIMUM CRITERIA FOR INDUSTRIAL-SCALE OPERATIONS WITH CATTLE AND BEEF PRODUCTS IN THE AMAZON BIOME”, and does not cover the accounting statements of JBS.

More details are given in our report on Previously Agreed Procedures, in accordance with NBC TSC Standard 4400, approved by CFC Resolution No. 1.277/10, which will be delivered to JBS. Only JBS may pass it on to other parties as it deems necessary.

In accordance with NBC TSC Standard 4400, applied in this assurance procedures, which set the methodology for Previously Agreed Procedures Reports, ponders that the procedures mentioned throughout the report do not constitute an audit or a review carried out in accordance with standards applicable in Brazil and, consequently, no assurance will be expressed about the analysis made or on the effectiveness of JBS’s internal controls relating to such procedures.

If we had applied additional procedures or carried out an audit or review of the accounting statements according to the audit and review standards applicable in Brazil (NBC TAs or NBC TRs), other matters might have come to light for inclusion in our report.

VIII) Conclusions

Give your conclusion on the results shown, identifying any evidence found that the undertakings assumed have not been fulfilled. The conclusion should contain an annual assessment of direct cattle purchases, according to the undertaking.

On the basis of our work, as described in this Report, our analysis indicated that from a sample of 12,135 cattle purchases made by JBS in the region of the Amazon Biome, for the period from January 1 to December 31, 2013, there was no non-compliances confirmed for the tests of cattle purchase in IBAMA and MTE lists, and in JBS's blocking system. In the purchase test from the Geo list, 30 (thirty) non-compliant cattle purchases were identified that could not be justified by JBS, representing 0.25% of the total purchases analyzed in this test, and the absence of one (1) CAR, that represented 4% of the tests made.

São Paulo, March 27, 2014