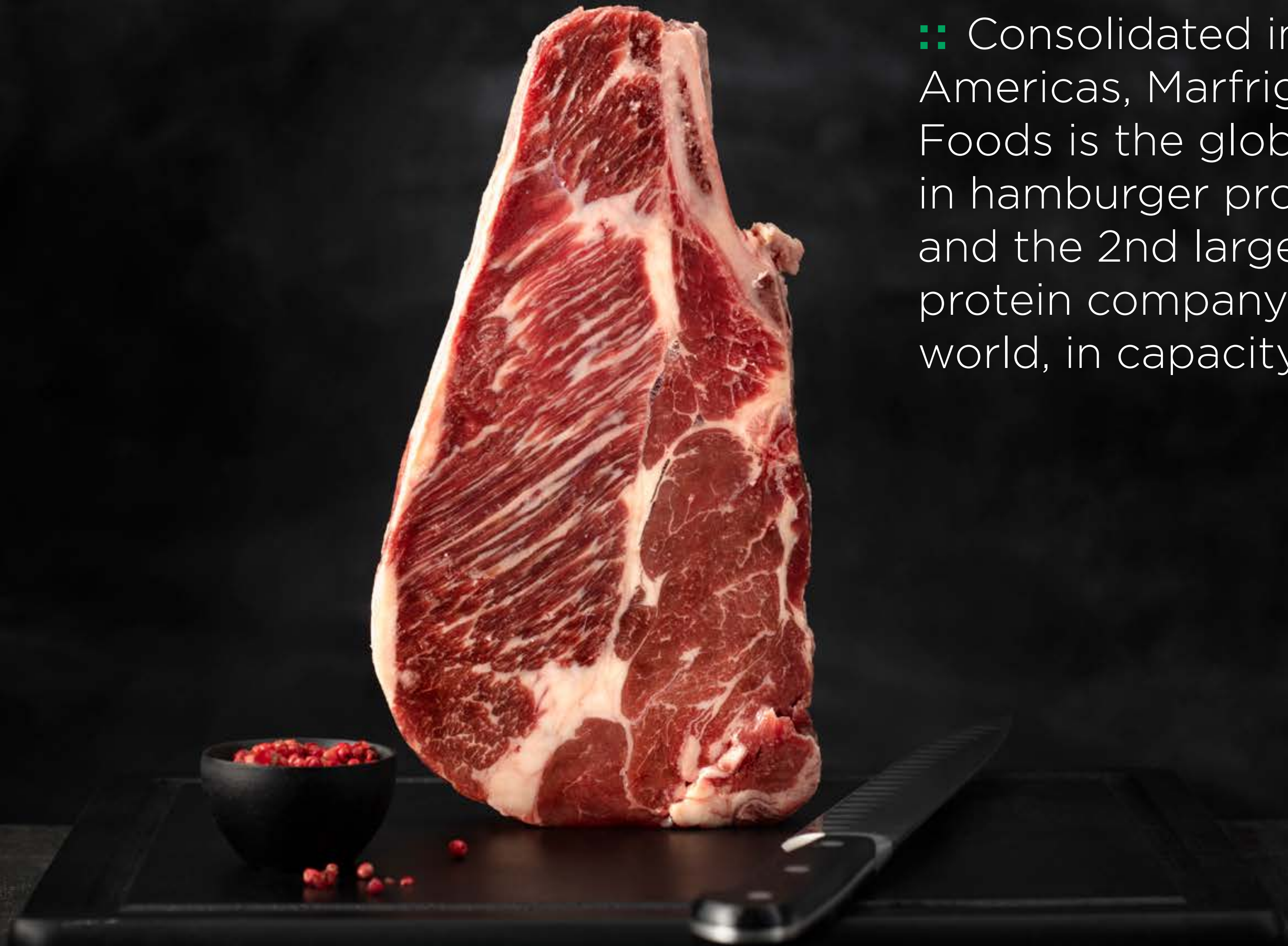




# ANNUAL REPORT SUSTAINABILITY 2019



Consolidated in the Americas, Marfrig Global Foods is the global leader in hamburger production and the 2nd largest beef protein company in the world, in capacity.





## ABOUT THE REPORT

[GRI 102-48; 102-49; 102-50; 102-51; 102-52; 102-53; 102-54]

In the pages that follow, Marfrig Global Foods is presenting the progress and results of its businesses in 2019. Throughout the document, it details the business strategy adopted and the initiatives and decisions that influenced its performance, taking into account the economic, social and environmental spheres. The information also includes issues related to its management structure, corporate and operational governance, as well as markets served, investments made and other considerations.

Among the highlights of this edition is Marfrig's entry into the production and sales of products made from vegetable protein, marking its pioneering spirit in this niche among companies in the sector. The period also was notable for the consolidation of operations in the United States, coupled with advances in the compliance structure and the management of topics related to sustainability, among other matters presented throughout the report.

Published for the 14th consecutive year, this report observes the methodology prepared by the Global Reporting Initiative (GRI), an international institution dedicated to creating reporting standards holding companies and governments accountable to their stakeholders regarding the impact their activities on critical sustainability issues, such as deforestation, climate change and human rights. The content is accompanied by the financial statements (available here), audited by BDO RCS Auditores Independentes. The full figures are available on the Company's Investor Relations website (<http://ri.marfrig.com.br/>).

Enjoy your reading!

<sup>1</sup>Period between January 1 and December 31



Any doubts, suggestions or requests for additional information to what is already available here can be made through the following channels:

### SUSTAINABILITY

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# MATERIALITY MATRIX

[GRI 102-12; 102-40; 102-42; 102-43; 102-44; 102-46; 102-47]

In order to report its information in the GRI Standards Essential option format, Marfrig has defined five topics that are considered essential to assure its businesses are conducted in a sustainable manner. The material topics also indicate how the actions and initiatives developed by Marfrig are related and contribute to the goals established by global movements that support sustainable development, such as the Sustainable Development Goals (SDGs), inserted in the 2030 Agenda established by the United Nations (UN).

This topics matrix was updated for this report to reflect the strategic direction committed to by the Company in 2019. The matrix is based on the results obtained in a survey conducted with stakeholders in 2018, when 340 people were consulted, including customers, employees, suppliers, financial institutions, civil society and government agencies, with a verified participation of 30%. The scope of the material topics guided the definition of the GRI topics covered in this report, detailed in the [GRI Content Summary](#).



MATERIALITY AND ITS LIMITS

[GRI 103-1]

TOPIC	DESCRIPTION	WHERE IT OCCURS	RELATED GRI TOPICS
:: High added value products	Brands, products and services, client health and safety, labeling information and respect for animal welfare	Operational and administrative units; suppliers; employees; clients	102-2; 416-1; 416-2; 417-1; 417-2; 417-3; 103-1; 103-2; 103-3
:: Generation of sustainable value	Responsible purchasing, management of the use of inputs (water and energy), impacts on biodiversity, control of GHG emissions and effluent and waste management	Operational and administrative units; suppliers; employees; communities	204-1; 302-1; 303-1; 303-3; 304-2; 305-1; 305-2; 305-4; 305-5; 306-2; 308-1; 308-2; 408-1; 409-1; 411-1; 103-1; 103-2; 103-3
:: Operational Excellence	Occupational health and safety, as well as training and qualification	Operational and administrative units; employees.	403-1; 403-2; 403-3; 403-4; 404-1; 404-2; 404-3; 103-1; 103-2; 103-3
:: Ethics and governancea	Compliance, anti-corruption and unfair competition	Operational and administrative units; employees; providers; clients.	201-1; 103-1; 103-2; 103-3
:: Financially Solid	Economic Performance	Operational and administrative units; employees;	205-1; 205-2; 205-3; 206-1; 103-1; 103-2; 103-3





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## MESSAGE FROM MANAGEMENT

[GRI 102-14]

In an exceptional year for Marfrig, we made several strategic and significant moves confirming the correct decision to redirect our strategies toward beef protein and higher added value products. As a result, we have further strengthened our position among the leaders of this market.

In the United States, we increased our participation in National Beef, one of the most efficient companies in the sector, now holding 81.73% of its capital stock. This considerably expands our coverage in the North American continent and, consequently, makes Marfrig an even bigger international player. We also acquired Iowa Premium, which works only with high quality animals — Black Angus category — valued both in the local market and in great demand by discerning international customers.

In South America, I would like to highlight the significant increase in the supply of goods to China. Marfrig is the company in the region that has the most plants qualified to export to this market, giving it an important competitive advantage. There are a total of 13 such plants: seven in Brazil, four in Uruguay and two in Argentina.

We are pioneers in the production of items containing vegetable protein, the result of an innovative partnership with Archer Daniels Midland Company (ADM), one of the world's largest agricultural processors and suppliers of food ingredients. We started to produce and sell a 100% vegetable burger with an exclusive recipe for the Burger King chain. We also launched Revolution Burguer, our own novel hamburger brand, through





another important partnership, this time with Outback Steakhouse, introducing an exclusive 100% vegan burger.

In line with our business strategy, these steps consolidated our operating model, based on independent and profitable operations. And, importantly, they were taken without altering our ongoing commitment to maintain a solid capital structure and promote sustainable growth. Proof of this is the fact that Marfrig was the best placed Brazilian company on the global ranking published by the FAIRR network, a joint investor initiative that evaluates risks associated with intensive animal production. We also were the first Brazilian company to issue a Sustainable Transition Bond. US\$ 500 million was raised through this operation, maturing in 10 years, at the lowest cost in the Company's history. The issue is focused on the purchase of cattle in the region of the Amazon Biome and aims to encourage livestock raising activities that comply with strict anti-deforestation rules and motivates producers to invest in sustainable production.

It was a year of major changes in the sector on the global stage and in 2019 Marfrig quickly adapted to the challenges and posted record results, even surpassing the guidance we had released to the market. Net revenue totaled approximately R\$ 50 billion, allowing us to post an unprecedented adjusted EBITDA of R\$ 4.8 billion and a 9.6% margin. Net profit, in turn, totaled R\$ 218 million.

The business' performance also was reproduced in the value of our shares, which rose 82.4% in the period. Furthermore, we increased the volume of shares available for trading on the stock exchange (free float) by more than 150%, a reflection of the operation in December

∴ In an exceptional year for Marfrig, we made several strategic and significant moves confirming the correct decision to redirect our strategies toward beef protein and higher added value products.

when the BNDES sold its stake in the Company's capital stock. At the time, a primary share offer was also made, raising R\$ 900 million for Marfrig.

We have a lot of work to do in 2020. We will further integrate the North American and South American operations, seeking higher efficiencies and greater synergies between the two divisions. In this sense, we decided to simplify our management structure, and in March 2020 we did away with Marfrig's holding company configuration. Management is now being conducted by the executives who are in charge of the two operations, reporting directly to the Board of Directors. This change came about after we fulfilled all the established financial projections, contributing to the consolidation of Marfrig as the global company in the sector with the best capital structure and lowest leverage, able to generate value for all shareholders. We will continue to focus on our strategic pillars, generating value for all shareholders and other stakeholders, always through sustainable actions.

I wish to express appreciation to the more than 32,000 employees for the great work they have done in the period, and to our clients, suppliers, investors and shareholders, for the partnership and confidence in our strategies and management. We will continue to strive to do our best, assuring that Marfrig remains in the forefront of the beef protein sector.



**Marcos Antonio Molina dos Santos**  
Chairman



In 2019, our Operation South America took important and strategic steps. Among them, I would like to highlight the conclusion of the purchase of Quickfood, owner of some of the best-known brands in the Argentine market, such as Paty, for hamburgers, and Vieníssima, leader in the sausage segment. We also resumed operating in the hamburger segment in South America, transforming the company into the largest producer of this item in the world.

We have a strong managerial presence in our operations, achieving significant efficiency and quality gains and producing items of excellence that meet world standards. This has enabled our company to have the most cattle slaughtering plants certified to export products to China, putting Marfrig in a privileged and leading position to meet the rising demand from the Asian country. In Brazil, we have seven certified units that, together with four in Uruguay and two in Argentina, represent 70% of South America's installed capacity.

The year also was notable for advances in product innovation. We brought vegetable-based products to market on a commercial scale, attentive to new trends and consumption habits. We entered a partnership with the U.S.-based Archer Daniels Midland Company (ADM) for the production of very high-quality vegetable meat. Subsequently, Marfrig has begun supplying its vegetable hamburgers to some of the largest food service chains in Brazil, launched its own brand, Revolution, and is about to enter the retail market with this new product line.

Our business is based on three major fronts: meat processing, which accounts for 90% of our results; industrialized products, which represent 10%; and vegetable protein, a niche we recently entered. We face the challenge of boosting the overall share of value-added products in this group. For this reason, in addition to continuing to pursue operational efficiency gains, we also are investing in the expansion of the Várzea Grande (MT) and Promissão (SP) units to boost our capacity on this front. We will make greater progress in the vegetable protein field with the introduction of new products, such as kibbeh, meatballs and ground meat. This strategy will be executed without losing sight of our commitment to reduce financial costs and promote more productive environments. We

have very optimistic expectations, and we will certainly achieve significant results in the coming years.

All of this has been carried out in the face of the continuous challenge of producing high quality products, fresh meat and processed products, in a sustainable manner in all regions where we operate and, especially, in the Amazon biome. We believe in the viability of sustainable livestock practices, reconciling our production with the conservation of our forests. In this sense, I would like to highlight Marfrig's pioneering spirit as the first Brazilian company to issue a Sustainable Transition Bond. The proceeds will be used to foster responsible livestock-raising in the Amazon region.

For 2020, we will continue to focus our efforts on maximizing the company's value, always seeking greater operational efficiency without neglecting our non-negotiable commitment to financial discipline; and with the satisfaction of our employees, with the continual partnership of clients, and with sustainability. We are very proud of the results achieved, and we wish to thank all who have joined us on this path.

∴ We have a strong managerial presence in our operations, achieving significant efficiency and quality gains and producing items of excellence that meet world standards.



**Miguel Gularte**  
CEO of Marfrig





**T**he moves made by Marfrig Global Foods in North America, throughout 2019, further strengthened the operations of National Beef, the fourth largest beef processing company in the United States.

For nearly 30 years, National Beef has worked closely with its customers and consumers in the United States and around the world, providing high quality beef products and outstanding service.

Our acquisition of the Iowa Premium beef business in 2019, further enhances our ability to serve our customers with the highest quality Black Angus beef available anywhere in the U.S. The operation is now fully integrated with National Beef and brings us geographic diversification into the northern part of the agricultural belt. This acquisition increased our slaughtering capacity by 1,100 head per day, raising our market share to 14%.

Another step taken in order to consolidate our operations was the integration of the hamburger factory in North Baltimore, Ohio, which was owned by Marfrig. The unit, one of the largest and most technologically advanced hamburger plants in the United States, has a production capacity of 106 thousand tons of product per year, directed to the foodservice channel.

These movements coincided with a high availability of cattle, which had an impact on cost reduction, and a strong demand for quality meat, reflecting the strength of the North American economy. As a result, we achieved record margins.

We expect an ample supply of cattle in the United States for another two years. During this period, we will continue to modernize our operations, seeking efficiency gains and continuous improvement, and expanding our value-added product offerings. At the same time, we remain keenly focused on identifying and capitalizing on synergies with the South America Operation, further contributing to Marfrig Global Foods global positioning efforts in the sector.



**Tim Klein**  
CEO of National Beef



:: HIGHLIGHTS IN 2019

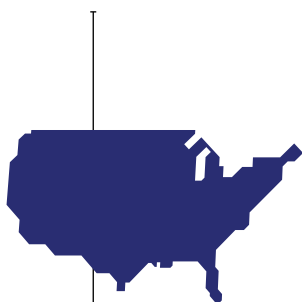
JANUARY

Completion of the purchase of Quickfood, which is the leader in Argentina in the production of food from beef.



MARCH

Purchase of Iowa Premium in the United States. Specialized in high-quality animals (Black Angus), the Company was added to National Beef's operations.



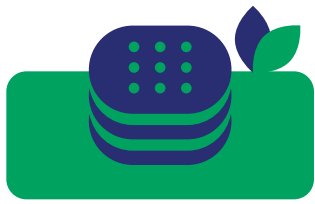
MAY

Creation of the Sustainability Committee, an advisory body to Marfrig's Board of Directors.



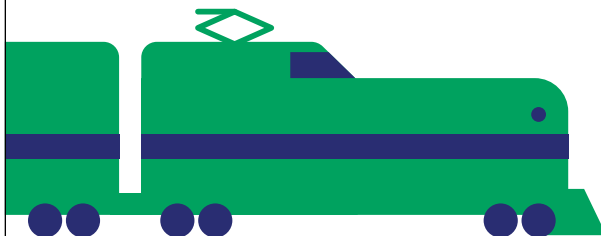
JULY

Issuance of the Sustainable Transition Bond, abroad, through a US\$ 500 million offer.



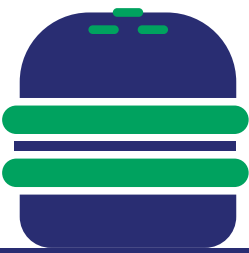
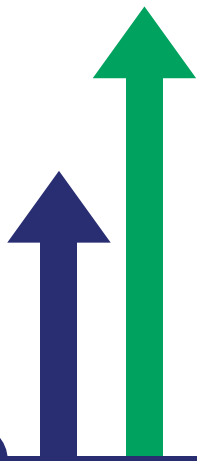
SEPTEMBER

Vegetable hamburger from Marfrig arrives at Burger King, product used in the Rebel Whopper® sandwich.



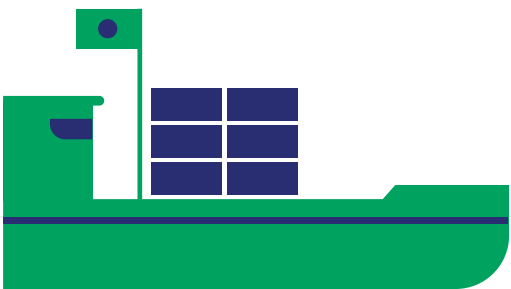
NOVEMBER

Marfrig's participation increases from 51% to 81.73% in the capital stock of National Beef, in the United States.



FEBRUARY

First shipment of fresh beef to Japan from Uruguay, from facilities located in the cities of Colonia, San José, Tacuarembó and Salto.



APRIL

Várzea Grande Industrial Complex in Mato Grosso is taken over entirely by Marfrig, with a structure that includes a cattle slaughtering unit and a processing plant.

JUNE

Marfrig's compliance with Amazon preservation practices attested to, for the seventh consecutive year, by an independent audit.

AUGUST

Exclusivity agreement with the Archer Daniels Midland Company (ADM) of the U.S. to produce and sell products based on vegetable protein.

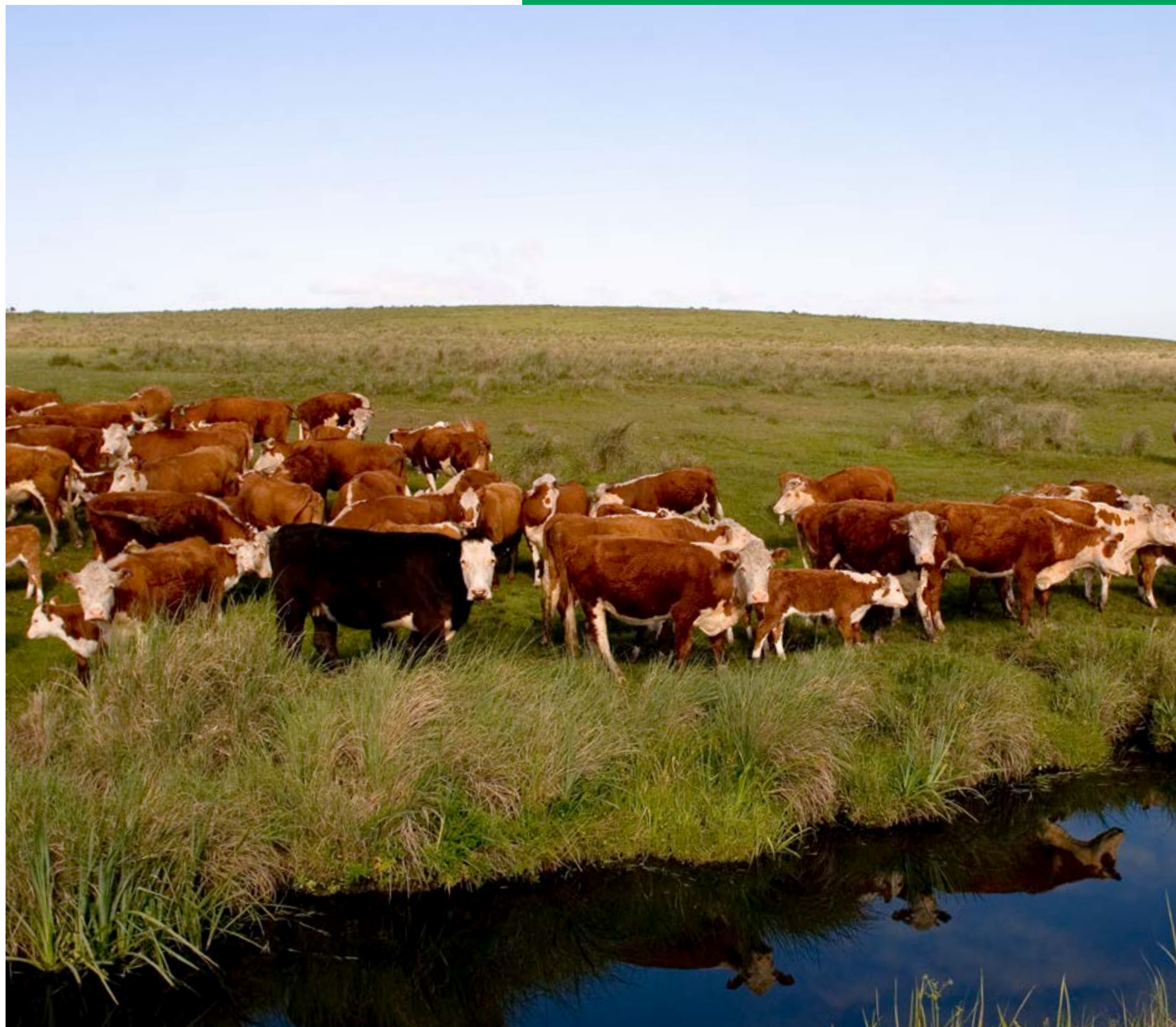
OCTOBER

Replacement of road transportation by rail to take products for export from some Marfrig units in Mato Grosso to port.

DECEMBER

Launch of Revolution Burguer, its own brand of vegetable hamburgers that will be marketed in Brazil, in retail and foodservice chains, and to be exported. Subsequent stock offer (follow on).





## GLOBAL HIGHLIGHT IN SUSTAINABLE LIVESTOCK

The Collier FAIRR Protein Producer Index 2019, a global study on protein production, **highlights Marfrig as the best positioned beef company** among the companies analyzed, which reflects the commitment to sustainable livestock and operational excellence. The study covered 60 companies from different countries, evaluated in nine categories.

Published by the FAIRR Initiative, a collaborative network formed by investors, it aims to disseminate information about production practices, contextualizing them with the challenges currently imposed, such as the increase in meat consumption, the growing demand for products in Asian countries and deforestation. With this survey, FAIRR – whose head office is in London – highlights companies that operate in accordance with the rules applicable to their activities and that seek continuous improvement of their processes. It also seeks to contribute to raising awareness about risks and opportunities related to intensive animal production, helping investors to identify and prioritize ESG (Environment, Social Responsibility, Corporate Governance) aspects in decision-making.

The full study is available: [here](#)



## :: HIGHLIGHTS



### ECONOMIC-FINANCIAL

**R\$ 49.9 billion**

in Net Revenue, **up 11.2%**

**R\$ 4.8 billion**

in adjusted EBITDA,  
**33.7% higher than in 2018**

**R\$ 218 million**

in Net Income

**R\$ 2.6 billion**

in operating cash flow

### AMAZON: COMMITMENT TO ZERO DEFORESTATION

**100%**

- **100% COMPLIANCE** with the Public Commitment of the Amazon, **FOR THE SEVENTH CONSECUTIVE YEAR**, which certifies the adoption of good practices regarding the purchase of cattle raised in this biome
- **100% OF DIRECT SUPPLIERS**, located in this biome, are analyzed through **GEOREFERENCED MAPS**. Marfrig is the **ONLY COMPANY IN THE SECTOR IN BRAZIL WITH THIS OPERATIONAL SCOPE**, achieved through the adoption of responsible purchasing routines.

**62%**

**Fall in co<sub>2</sub> emissions** when transporting products for export using the railroad – and no longer using trucks – to take the products to port.

A team of  
**170 people**

**dedicated to sustainability**, distributed among the different operations



### RECOGNITION

- **Best company in the Beef Meat Industry sector** at the 15th Best Agribusiness Awards 2019, promoted by Globo Rural magazine and Editora Globo.
- **Largest growth change among the 20 largest companies** in the 19th edition of the Valor 1000 yearbook. Marfrig also was highlighted in this special Valor Econômico special edition, for presenting the 8th largest growth in net revenues on the entire list, and placing 18th among companies with the highest net profit.
- **One of the 10 most innovative companies** in 2019, according to Forbes magazine. The list presents the companies whose DNA enables them to quickly adapt to fast changes in the markets, meeting new demands throughout the product and services chains.
- **Innovation prize for Paty**, Marfrig's renowned brand in Argentina, awarded by Nielsen, one of the most important market analysis institutes. The hamburger was recognized as the one that best represents authentic Argentine cuisine.



ABOUT MARFRIG

INNOVATION

STRATEGY

OPERATIONS

GOVERNANCE

SUSTAINABILITY

PEOPLE

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GRI

ABOUT MARFRIG GLOBAL FOODS

Consolidated in the Americas, Marfrig Global Foods is the global leader in hamburger production and the second largest beef protein company in the world, in capacity. It operates in the production, processing, industrialization, sale and distribution of food based on animal protein, basically beef, and varied food products, such as frozen vegetables, lamb, fish, sauces and desserts, in addition to items made with vegetable protein.

With a diversified and comprehensive portfolio, its products and brands are shipped to approximately 100 countries, via foodservice, retail and wholesale channels, and hence are present in the largest restaurant and supermarket chains. The brands are globally recognized for their premium quality, reflecting a production model that respects legal, environmental and animal welfare aspects.

Consolidated in the Americas, the operation is divided into two regions. In **North America**, where it is the fourth largest meat processor and the most efficient company in the sector in the United States, the slaughter and boning of the protein of cattle originating in the territory is carried out. The products, *in natura* and processed, are sold in local retail, wholesale and foodservice channels, and go to various destinations, focusing on premium markets in Japan and South Korea. Allied/complementary products and by-products of the process are also sold. Furthermore, it has tannery and logistics operations and markets products online directly to the consumer.

**South America** operations involve the slaughter and deboning of beef protein and the production of industrialized and processed foods. These include hamburgers, canned meat, beef jerky, sauces and sachets, among others. Its facilities are in Brazil, Uruguay and Argentina. The products are sold in the

- : Global leader in hamburger production
- : 2nd largest beef protein company in the world, in capacity
- : Pioneer in the production of items based on vegetable protein
- : Products sold to more than 100 countries

countries of origin, through retail, wholesale and foodservice channels, and are exported. Brazil concentrates the production and sale of items based on vegetable protein. In Chile, where it is the country's main importer of beef, the Company has lamb slaughter operations. This activity is also carried out in Uruguay.

With more than 32,000 employees, Marfrig Global Foods, whose head office is located in the city of São Paulo (SP), is a publicly traded company whose shares are listed on B3's Novo Mercado - Brazil, Bolsa, Balcão stock exchange, the listing segment that features companies that have spontaneously adhered to differentiated Corporate Governance practices.



ABOUT MARFRIG

INNOVATION  
STRATEGY  
OPERATIONS  
GOVERNANCE  
SUSTAINABILITY  
PEOPLE  
SOCIETY  
FINANCIAL  
GRI

MISSION

To supply the best protein globally and forge long-term relationships with our consumers, creating high quality and safe products.

VISION

To be recognized as the best global proteins company:

- growing with our clients, suppliers and partners through innovative products and by operating in the best markets;
- promoting the Company's development and creating value for shareholders;
- employing a team of motivated employees who are committed to serving the entire production chain with operational excellence and in a sustainable manner; and
- respecting the society in which we operate.

VALUES

**Focus on the Client**

Fully committed to our internal and external clients.  
Attention and passion in what we do, to serve our clients in all stages of the production chain.  
Act with integrity and do what is right about our products and procedures.

**Simplicity**

Clarity, objectiveness and simplicity in taking decisions, seeking to facilitate all our processes. The idea of "less is more" permeates all that we do.

**Transparency**

We don't conceal our problems. Our behavior and conduct are aimed at helping us learn from our mistakes and not repeat them. We encourage dialogue with our stakeholders, which helps us generate trust and improve ourselves as professionals and individuals.

**Respect**

We are guided by our ethical principles and are constantly motivated to develop our relationships.

**Excellence**

We constantly encourage provision of innovative solutions and pursue excellence in all that we do. We have developed these capacities across the organization to build loyalty among our internal and external clients.

**Entrepreneurship**

Awareness of the market scenario in which we operate, adapting ourselves to it. We perform our tasks with passion and know how to resiliently recover in the face of adversity. Adopt a sense of ownership, taking care of our processes, productivity and resources Being alert to quickly adapt to needs, problems and opportunities.

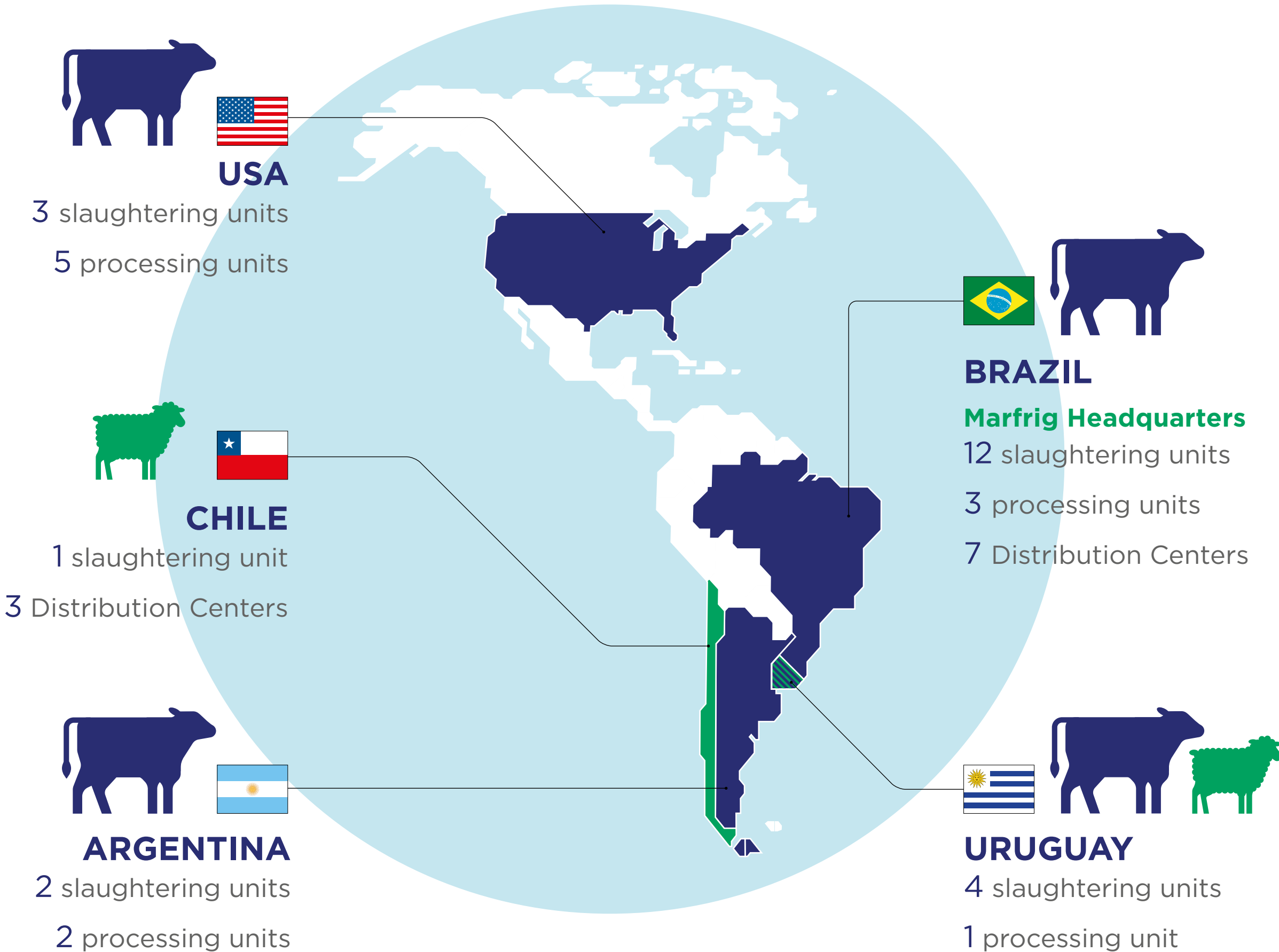


ABOUT MARFRIG

INNOVATION  
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GRI

FROM THE AMERICAS, TO OVER 100 COUNTRIES

Focused on beef protein, with a diversified production platform in the Americas and access to the world's main consumer markets. It has 21 slaughtering units, 11 processing facilities and eight distribution centers in Brazil, Argentina, Uruguay, Chile and the United States.

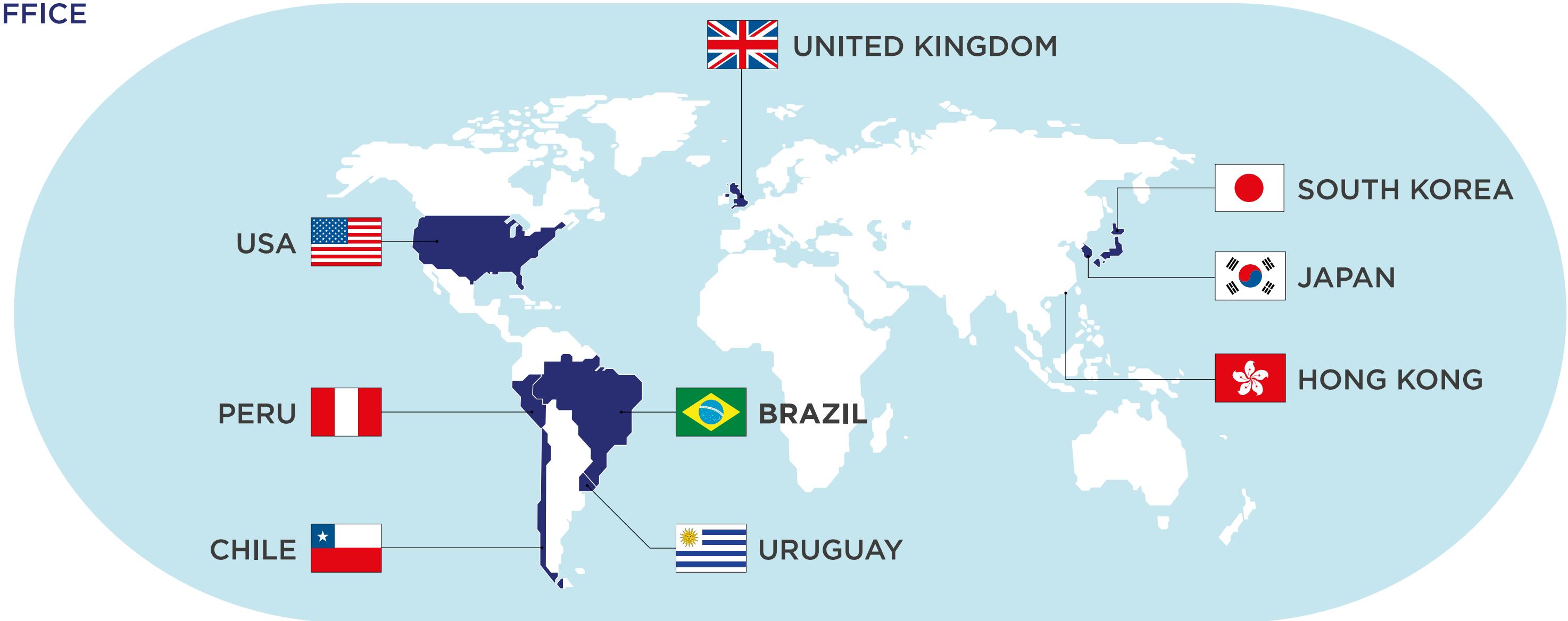




#### ABOUT MARFRIG

INNOVATION  
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GRI

## SALES OFFICE



## BRANDS

[GRI 102-2]

### NORTH AMERICA



### SOUTH AMERICA





## :: INNOVATION IN PRODUCT LAUNCH

In 2019, Marfrig initiated large-scale production of 100% vegetable hamburgers, which have a similar flavor and texture as meat. A pioneer on this front, it formed a partnership with the U.S.-based Archer Daniels Midland Company (ADM), one of the world's major food ingredients suppliers.

This joint venture will not be restricted to the production of hamburgers. Several other vegetable protein items will be produced from the vegetable base supply, the main raw material used in the process, by ADM. Marfrig is responsible for producing, distributing and selling finished products for foodservice and retail purposes. The Várzea Grande unit, in Mato Grosso, will centralize this effort.

The partnership already has delivered results: the first product to be marketed — a vegetable hamburger — was developed for Burger King®, one of the world's largest fast food chains. Made from an exclusive recipe, it can be found in the chain's stores in Brazil: the Rebel Whopper® sandwich.

The Company's insertion in the vegetable product line was strengthened with the launch of **REVOLUTION BURGUER**, a brand of hamburgers produced with these ingredients that Marfrig has begun to sell. Launched at the end of 2019, the brand was being offered to retailers and foodservice in 2020, and will begin to be exported, initially to the Chinese market.

Marfrig's entry into this niche is in line with the strategy of expanding the product portfolio with innovative, high added value options that reflect the new consumption habits. In addition to the hamburger, other products will be introduced, under the **REVOLUTION** brand name used by Marfrig for all plant-based items, currently under development at the Várzea Grande unit.



Together with the launch of its own brand, Marfrig announced another important partnership: this time with the Outback Steakhouse chain. This approach resulted in a vegan sandwich. It features an exclusive recipe for plant-based hamburgers developed by the Company, which will begin to be sold by the chain in 2020.



## ■ ■ BUSINESS STRATEGY

Marfrig Global Foods' businesses are divided into three fronts: meat processing, which accounts for 90%; industrialized products, which represent 10%; and plant-based products, a high added value segment it entered into during 2019. Through this new front, Marfrig is expanding its portfolio and is notable as a vegetable protein pioneer, meeting growing world demand. The positioning is part of the business strategy adopted, based on five pillars, which seeks to augment efficiency gains in meat processing as well as boost the share of processed foods and vegetable protein in the financial results.

### STRATEGIC PILLARS

Some advances in 2019:

#### SUSTAINABILITY

- Brazilian company best placed in the FAIRR ranking.
- Issuance of the Sustainable Transition Bond, with funding of US\$ 500 million, with a 10-year maturity and the Company's lowest historical rate. The funds will be used to purchase cattle in the Amazon Biome region, promoting sustainable livestock.

#### OPERATIONAL EXCELLENCE

- The Brazilian company with the largest number of beef slaughtering plants qualified to export to China: 13 units in South America: seven in Brazil, four in Uruguay and two in Argentina, representing 70% of the region's installed capacity.





- Duplication of the production capacity of the Várzea Grande Industrial Complex (MT), in Brazil.
- Purchase of Iowa Premium, specialized in high quality animals (Black Angus), adding 1,000 heads/day of slaughter capacity to the operation in the United States.

## PRODUCTS AND CLIENTS

- Acquisition of Quickfood, Argentine leader of beef food products.
- Exclusivity agreement with the U.S. Archer Daniels Midland Company (ADM) to produce and sell products based on vegetable protein, from Brazil.
- Production and sales of 100% vegetable hamburger, through an exclusive recipe for Burger King.
- Launch of Revolution Burguer, its own vegetable-based hamburger brand.

## FINANCIAL SOLIDITY

- Increased shareholding in National Beef, USA.
- Primary offering of 90.1 million shares, generating a capitalization of more than R\$ 900 million.
- The capital structure with 2.74x leverage (net debt/EBITDA) in dollars, one of the lowest levels in the sector.

## CORPORATE GOVERNANCE

- Continuous evolution of CG practices, with the creation of the Sustainability Committee.
- Improvement of the Compliance system, with the introduction of new policies.

## SUSTAINABILITY APPLIED TO THE STRATEGY

Sustainable business development — which includes, for Marfrig, respect for the environment, animal welfare and conservation of natural resources — is fundamental to the Company's strategy. To strengthen the management of these issues, a Sustainability Committee was added to the structure, designed to assist the Board of Directors in making decisions about issues regarding the topic. A Sustainability Department also was created. A part of the operations area, it implements tactical guidelines for the topic while also introducing best practices in all business lines and units in the various countries in which the Company operates. The sustainability director sits on the Sustainability Committee, together with two members of the Board of Directors and a coordinator.

Marfrig is committed to constantly improve its performance regarding sustainability issues. Thus, the changes represent the continuity of other projects that have been underway over several years, many of them pioneering initiatives. One example was the issuance of bonds linked to sustainability performance, also conducted in 2019, unprecedented in Brazil. Classified as Sustainable Transition Bonds, the securities are linked to environmental, social and corporate governance projects. The funds, raised through an issue of US\$ 500 million in international markets, will be used to purchase



cattle in the Amazon Biome region that do not originate from deforestation areas. The purchases are controlled using systems that ensure the origin of the raw material, which includes other criteria, such as not using slave labor or that which is analogous to slave labor or child labor; not involving cattle production in indigenous reserves, conservation or embargoed areas.

Furthermore, Marfrig was the first company in the sector in Brazil to be recognized for meeting the requirements and good practices of sustainability determined by the International Capital Market Association (ICMA), an association based in Switzerland that represents the main global debt market investors. To obtain this seal of approval, the Company underwent an audit conducted by the French company Vigeo Eiris, one of the largest global certifiers. The process, which lasted for five months in 2019, involved several stakeholders and a detailed analysis of Marfrig's work routines and actions.

## PIONEERING SUSTAINABLE ACTIONS

Marfrig has been notable for its sustainable initiatives, which have led to a differentiated product line for clients

- :: **2019** – 1st company in Brazil to issue Sustainable Transition Bonds, with the funds to be used for projects that ensure that cattle purchased in the Amazon Biome are not from deforestation areas.
- :: **2018** – An unprecedented partnership with the Brazilian Agricultural Research Corporation (Embrapa) to encourage the adoption of more sustainable livestock practices. It covers the Carbon Neutral Meat (CCN) and Low Carbon Meat (CBC) production concepts developed by Embrapa for the certification of meat produced in systems that neutralize or reduce the emission of animal methane. This initiative is a breakthrough in the industry's value chain, and reinforces Marfrig's

commitment to a sustainable production system. Through it, both the domestic and export meat markets — and especially the more demanding ones — are strengthened, as they differentiate the Brazilian product in non-tariff negotiations that encompass issues related to good sustainability practices.

- :: **2015** – Launch of the **first Rainforest Alliance certified hamburger** made from meat produced according to the highest production, environmental, social and animal welfare management standards. Introduced to the market in partnership with European customers, initially it was aimed at retail chains on that continent. In 2016, products with this seal of approval also were made available to the Brazilian consumer. Currently, the Company has four units certified for products with the Rainforest seal of approval: Bataguassu (MS), Promissão (SP), Pampeano (RS) and Tangará da Serra (MT).
- :: **2015** – Creation of a specific seal of approval to help consumers identify and select products made from quality meat, using production models that preserve the South American Pampas native pasturelands, in partnership with Alianza del Pastizal. To obtain it, the NGO's member properties are evaluated and certified according to the guidelines established by the Pastizal Meat Certification Council (CCCP). This analysis also verifies the meat's Omega 3 levels.
- :: **2013** – Partnership with **The Nature Conservancy (TNC)** to promote sustainable livestock in southeastern Pará and contribute to the preservation of the Amazon Biome by encouraging good socio-environmental practices. In this initiative, with participation of Grupo Big retail chain, technical advisory services are offered to producers, both for environmental as well as animal welfare issues as part of the "Sustainable Meat: from the Field to the Table" project.



## OPERATIONS

**Divided into two platforms: North America and South America**, which have a slaughtering capacity of 31,200 heads/day, and a production capacity of 232,000 tons of hamburger per year, in addition to 209,000 tons of other processed products. Both have a diversified production structure, prepared to serve the main and most profitable consumer markets in the world.

### NORTH AMERICA

Performance concentrated in National Beef (NB), the fourth largest and most efficient beef company in the United States, whose operational consolidation was the milestone of the year:

- Acquisition of more shares by Marfrig, boosting the ownership stake from 51% to 81.73%. The stock had belonged to the Jefferies Financial Group Inc., which withdrew from the partnership. The transaction was carried out through NBM US Holdings, a Marfrig wholly owned subsidiary.
- Purchase of Iowa Premium, a company based in the city of Tama, Iowa, in the United States, merged with NB. With a slaughter capacity of 1,100 heads/day, Iowa specializes in the Angus breed and in the sale of “prime” and “choice” beef, and increases NB’s slaughtering capacity by 10%. In addition, the carcass classifications it uses are more valued in the American market, following the parameter defined by the United States Department of Agriculture (USDA). The business also brings geographical diversification to NB. Until the merger, the Company only had operations in Kansas. With the acquisition, it has been expanding more northerly within the United States, close to the country’s agricultural belt. Iowa Premium belonged





to Sysco, an American food distribution company. The deal, worth about US\$ 150 million, was financed by the then shareholders of National Beef, through a capital increase in the Company.

- Integration of the hamburger factory in North Baltimore, Ohio, with National Beef's operations. The unit is one of the largest and most technologically equipped hamburger plants in the U.S. Sold by Marfrig to NB, as part of the payment for the purchase of Iowa, this unit has a production capacity of 106,000 tons of hamburgers per year, frozen and chilled, directed to foodservice clients.

National Beef accounts for approximately 14% of the country's total slaughter and has three plants for this purpose, which add up to a capacity of 13,100 animals/day, more than 3.7 million head/year.

With a high added-value portfolio, the operation offers products with the best specifications and quality, in addition to widely recognized brands.

The items produced are marketed domestically to the retail, wholesale and foodservice channels, and also exported to a number of markets. Japan and South Korea, for example, are the main destinations for chilled beef, a product in which National Beef is notable as the leading U.S. exporter. It also markets allied/complementary products and by-products originating from the process, tannery and logistics operations, which adds to the online sale of products directly to the consumer.

In 2019, operations demonstrated a high level of animal availability. This scenario coincided with a strong demand for quality meat, reflecting the heating up of the North American economy, which resulted in record margins for the sector. High availability also impacted the average reference price for cattle (USDA KS Steer), which reached US\$ 116.0/cwt, 0.7% lower than the previous year's value. The cost reduction coupled with the higher price – given the strong demand – resulted in an increase of the cutout ratio (average price of beef divided by the average cost of cattle) of 5.2% in comparison with the prior year.





## SOUTH AMERICA

One of the main beef producers in the region, with a slaughter capacity of more than 18,000 animals/day, Marfrig Global Foods is recognized for the quality of its products both in the domestic and international markets, since it is one South America's main exporters. It has 13 plants qualified for export to China, the most among companies in the sector.

The operations are concentrated in the Mercosur region, which consolidated itself as the main beef export bloc in the world in 2019, with an annual increase of 14.3%, or 332,000 tons of weight shipped. Foreign sales totaled 2.65 million tons, with Argentina and Brazil responsible for the expansion.

The growth in international demand has accompanied not only changes in eating habits in Asia, but also the reflexes of the African Swine Fever that decimated large numbers of pigs in China. One of the countries most impacted by this scenario was Brazil, causing exports of beef protein to set volumes and sales records. The domestic market, however, went in the opposite direction, in the face of the country's slow economic growth.

### 13 plants approved for export

In 2019, more Marfrig units were authorized to export beef to China. In Brazil, Tangará da Serra, Várzea Grande and Pontes e Lacerda, in Mato Grosso, and São Gabriel, in Rio Grande do Sul, made the list. Including them, there are seven plants in the country with permission to sell products to the Asian country, in addition to four in Uruguay and two in Argentina.





## X-RAY

**18** cattle slaughtering units

**6** processing units

**18,100** heads/day  
of slaughtering capacity

**126,000** tons/year  
of hamburger production  
capacity

**105,000** tons/year  
of production capacity for  
other processed products

## OPERATIONS DISTRIBUTED BETWEEN BRAZIL, URUGUAY, ARGENTINA AND CHILE

- In **Brazil**, it is the second largest beef processor, with a slaughtering capacity of 13,200 animals/day and hamburger production capacity of 69,000 tons. Focusing on the retail and foodservice channels for the local market, its clients include the best restaurants and steakhouses.
- In **Argentina**, in addition to operating two slaughtering plants, it is a leader in the production and sale of hamburgers, having acquired Quickfood, one of region's most valuable and recognized brand names.
- In **Uruguay**, it is the largest company in the sector, distinguished by the production and sales of organic meats, mainly for export.
- In **Chile**, it is the main beef importer, also operating a lamb slaughtering plant in Patagonia. Besides the traditional brands, with wide recognition for excellence and quality, it has an extensive processed and high added-value food line.

## HIGHLIGHTS IN 2019

**ARGENTINA.** Completion of the purchase of 91.89% of the capital stock of Quickfood, previously controlled by BRF. The company owns some of the most recognized brands in the Argentine market, such as Paty, for hamburgers, and Vieníssima, a leader in the sausage segment, and operates three factories, which add up to a production capacity of around 72,000 tons per year of processed products.

## Argentina - Brazil Synergy

Paty brand hamburgers, a point of reference in Argentina for almost 60 years, are now available in Brazil, for *foodservice* customers. Leaders in the neighboring country, with a share of more than 50% in the Argentine retail market, Marfrig produces the hamburgers at the San Jorge unit in the province of Santa Fé. This new operation is the result of the commercial integration between the activities of Brazil and Argentina, which also led to the introduction of the Quickfood brand steak to the Brazilian *foodservice* customer.



▄▄ **BRASIL.** The advances were concentrated on the optimization of operations and the inclusion of new channels of contact with customers and consumers.

## Operational progress

▄ **Várzea Grande.** Conclusion of the process to take over the operation in Várzea Grande (MT), focused on the production of hamburgers, meatballs and kibbehs. The unit also received investments for the construction of three new high-tech hamburger production lines. With the expansion, it reached the production mark of 5,500 tons of hamburger meat per month, double the figure registered at the beginning of the year. The Industrial Complex was also authorized, in May, to serve the main fast food chains in the world. To meet this customer profile, more than half of the total produced corresponds to the premium hamburger line. Another highlight was the beginning of a product supply partnership with BRF.

▄ **Optimization of production.** The slaughtering unit located in Várzea Grande also saw an increase in production – as well as the Bataguassu (MS), Mineiros (GO) and Promissão (SP) plants – due to the closure of activities in Pirenópolis (GO), Paranaíba (MS) and Nova Xavantina (MT). The movement follows the strategies of concentrating production in units with greater industrial potential, asset evaluation and management, cost optimizations and higher profitability capture.





## Customer and consumer contact channels

**B2B E-commerce.** An exclusive B2B e-commerce platform was launched for clients in the foodservice and small retail segment: [www.mercadomarfrig.com](http://www.mercadomarfrig.com). A pioneer in the meatpacking segment, it is possible to directly buy all Marfrig products through it in total security and using the credit card payment system.

**Bassi container.** Marfrig introduced the Bassi container to offer greater convenience to customers. It showcases the entire Montana, Bassi and Steakhouse brands portfolio, including barbecue items and distinctive cuts of beef. In 2019, the space was set up on two occasions:

- During the summer, in Guarujá, on the coast of São Paulo, installed in the Carrefour hypermarket parking lot.
- In the winter, in Campos do Jordão, interior of São Paulo.

**Montana House in Várzea Grande.** The city of Várzea Grande (MT) now has a unit at Casa Montana, a Marfrig concept store where customers can find cuts of meat from the Montana, Bassi and Stakehouse brands. In addition to the sales area – which also includes items produced at the processing unit in Rio Grande do Sul, such as carreteiro rice, vegetables, feijoada and fish, among others – there is a gourmet space to receive guests, presentations, gatherings and tastings. This is Casa Montana's second address. The other unit is located in Itupeva, in the São Paulo hinterland.

**Partnership with Carrefour.** Responsible for the Butcher's Shop sector project at the Carrefour Market unit in Granja Viana, in Cotia (SP). In the exclusive space – the result of a partnership between Marfrig and BRF – supermarket clients can find the entire portfolio of Marfrig's Bassi and Montana, and BRF's Sadia and Perdigão, brands.

■ **CHILE.** Expansion of the Distribution Center (DC) located in the metropolitan region of Santiago. The area, which previously was 3,300m<sup>2</sup>, was doubled to 6,800m<sup>2</sup>. With modern facilities for chilled and frozen products, the DC bolsters the logistics base, allowing access to the most important consumer markets and optimizes Marfrig's strong commercial presence in the country.

**Greater share of the Angus market.** In order to maintain long-lasting relationships with cattle raisers and business partners, Marfrig constantly invests in Angus, which features meats of superior quality and with excellent acceptance in the national and international markets. Toward this end, the Company started to certify Angus production in the Várzea Grande (MT) and Bagé and Alegrete (RS) units, directly benefiting breeders and users of the breed, since the measure increases the demand for live cattle in these regions and results in higher payments for certified carcasses. The three units are in addition to the four Brazilian states where Marfrig already has certified slaughtering operations: São Paulo (Promissão), Goiás (Mineiros), Mato Grosso (Tangará da Serra) and Mato Grosso do Sul (Bataguassu). As a result, breeders in these regions will also be able to receive bonuses on animals slaughtered under the scope of the Certified Angus Beef, program run by the Brazilian Angus Association. The largest premium meat program in Brazil, Carne Angus certifies those animals that, having at least 50% Angus blood, are slaughtered young and within strict quality specifications and carcass finishing.



## MANAGEMENT AND GOVERNANCE

### CORPORATE GOVERNANCE

The Board of Directors and the Executive Board are the two main bodies of Marfrig's Corporate Governance structure, which also is strengthened by a permanent Fiscal Council. Made up of three members, two of whom are representatives of minority shareholders, the Fiscal Council is independent from internal controls and the consolidated corporate governance structure.

Another measure adopted to improve governance practices was the creation of the Sustainability Committee in 2019. It assists the Board of Directors in making decisions related to the environment, animal welfare and the conservation of natural resources, topics Marfrig consider to be of strategic importance.

### Governance Structure

**Board of Directors.** Collegial body that decides upon the direction of the businesses. Responsible for supervising executive management, its defines the strategies and is accountable for ensuring the Company's long-term sustainability. At the end of 2019, it consisted of eight members, half of whom were independent. No Board members have executive functions in the Company. The composition of the Board, as well as the profile of each director, is available at <http://ri.marfrig.com.br>.





To perform its duties, the Board of Directors is supported by four Advisory Committees, each dedicated to a specific topic:

- **Audit.** Advises on analysis of the financial statements and regarding the development of internal controls. It also supervises and coordinates the work of internal and external auditors, especially in matters related to accounting, internal financial controls and other legal compliance controls. The composition of the Committee is coordinated by an independent member and the members have experience in the accounting and corporate area.
- **Compensation, Corporate Governance and Human Resources.** Supports the decision-making process for internal HR strategies, policies and standards, as well as compensation and benefits for officers, employees and service providers. It also advises on operationalization of processes and the control and development of corporate governance practices.
- **Finance and Risk Management Committee.** It periodically examines the Company's investment and financing plans, in addition to the impacts on the capital structure. It also monitors the maintenance of predetermined liquidity and capital structures.
- **Sustainability.** Assists in making decisions related to issues involving the environment, animal welfare and conservation of natural resources.

To assess the performance of the Board of Directors, members undergo a self-assessment process. The process covers several aspects, divided into three fronts: business strategy and corporate risks, dynamics of the Board of Directors and Board Members' Participation and Individual Performance. These issues are addressed through a 30-question survey — 28 multiple choice and two discursive — sent to the directors by the Company's Governance Secretariat. The results make it possible to ascertain differences

in directors' perceptions, and indicate improvements in the evolution of Corporate Governance practices.

**Executive Board.** Responsible for executing the general policies and guidelines established by the Board. Its members are elected by the Board of Directors to three-year terms, re-election is permitted, and they may be dismissed at any time. At the close of 2019, it was composed of six members: one chief executive officer and three other executive officers for Planning and Management, Legal and Financial and Investor Relations; there were also two executive officers without specific designation. Details regarding the composition and professional experience of the executive officers can be consulted on the Investor Relations website (<http://ri.marfrig.com.br>).

■ Another measure adopted to improve governance practices was the creation of the Sustainability Committee. It assists the Board of Directors in making decisions related to the environment, animal welfare and the conservation of natural resources



## Policies

Ten policies guide Marfrig's Corporate Governance practices and processes. These documents are available in full on the Investor Relations website (<http://ri.marfrig.com.br>).

- Disclosure
- Negotiation
- Dividends
- Market Risk Management
- Management's Compensation
- Related Party Transactions and Conflict of Interest Situations
- Stock Option Plan
- Anti-Corruption Manual

## Capital Stock

Marfrig's shares are traded on the B3's Novo Mercado, a listing environment for companies that commit to adopting differentiated Corporate Governance rules, under the ticker symbol MRFG3. The Company also has American Depositary Certificates (ADRs) level 1 listed over the counter (OTC) in the United States.

Marfrig's shares are part  
of 10 index B3 portfolios:



### SHAREHOLDERS\*

	%
Controlling Shareholders	41.98%
Board of Directors	0.01%
Executive Officers	0.01%
Treasury Stock	1.46%
Free float	56.53%

The "Controlling Shareholders" group is composed of MMS Participações Ltda. and its partners individually. MMS Participações Ltda. is controlled by Marcos Antonio Molina dos Santos and Marcia Aparecida Pascoal Marçal dos Santos, each with a 50% stake.



## ETHICS AND COMPLIANCE

Publication of policies and employee awareness of these documents were the main work focal points of the Compliance Program in 2019, a project structured for disseminating and engaging with employees about the values and principles of ethics and integrity that guide Marfrig's business activities.

Eight policies were published in the period. Approved by the Board of Directors, two of them were revised: Anti-Corruption Policy and the Code of Ethics and Conduct. Among the changes to the Code of Ethics are, for example, specific chapters to address issues related to environmental and social responsibility. Other important matters, such as conflicts of interest and the receipt of gifts, which had been included in the Code of Ethics and Conduct, gained the status of specific Policies.

Global in scope, the policies are published in three languages - eventually adjusted to suit the reality of the countries in which Marfrig operates - and were disclosed simultaneously to all operations.

As for training, there was an extensive activities agenda throughout the second half of the year, aimed at disseminating ethical guidelines and zero tolerance for any form of corruption among employees. Covering all hierarchical levels, this cycle commenced with face-to-face training for members of the Fiscal Council and, subsequently, the Board of Directors, with 100% participation. For administrative employees, the training was conducted over a web platform created especially for this purpose.

Companywide, the compliance agent position was established in all operational facilities. In addition to being focal points for issues related to the topic, these agents are training multipliers, personally transmitting the information about policies in team meetings with work colleagues. These different

[GRI 102-16; 205-2]

### Compliance Policies

- Code of Ethics and Conduct
- Anti-corruption
- Donations, Sponsorships and Contributions
- Use of Social Media
- Competitive
- Conflict of Interests
- Public Agent Relations and Communications
- Giveaways, Gifts and Hospitality





initiatives made it possible to reach 80% of the company's employees in Brazil during the second half of the year.

In parallel, we strengthened disclosure of the policies through internal communication channels, such as corporate TV. A Compliance Portal also was created on the intranet, where employees have access to the relevant documents.

Integrity Week was another action that was introduced, designed to buttress the principles of integrity and ethics in relationships. The annual program was developed simultaneously in units in Brazil in December 2019 and included a variety of distinct initiatives to reinforce messages and principles related to integrity and ethics, such as the Integrity Game. It is presented in a board game format, light-heartedly imparting information while fostering employee interaction with the topics covered in the policies. Another alternative involved cafeteria trays with an informational printout featuring the subject.

Policies and training sessions are part of the Program's improvement phase, started in 2019 after a 12-month study by KPMG into how far along was Marfrig's diagnosis of the maturity of the issue. This work also resulted in the preparation of a Compliance Risk Matrix, used by the Company to orient management of the topic. Also addressing mitigation measures, this document covers the assessment of risks related to cases of corruption in 100% of its operations. **[GRI 205-1]**

The Compliance Department manages this topic, reporting to the legal department at the vice-presidential level. It has unconditional support from senior management for all its actions, considered an essential element for the program's effective implementation. The structure also has an Ethics and Compliance Committee, which meets quarterly and monitors ethics and conduct, including the effectiveness of the Code of Ethics and Conduct, the Compliance Program and related issues.

## Continuous improvement

Since it was created, the Marfrig Compliance Program has been improved so that it remains ahead of the best market practices

**2015** - Creation of the Compliance Program

**2017** - Campaign "Pride of Being Correct. Good for the Company. Good for Life"

**2017/2018** - Diagnosis of program maturity, prepared by KPMG

**2019** - Implementation of improvements, publication of eight policies and focus on training

In 2020, Marfrig will continue to offer training, reaching 100% of employees in Brazil and extending its efforts to other countries. A compliance platform for third-party management also is underway, which will make it possible to evaluate all suppliers from this perspective. Another measure, already in practice, concerns the guidelines given to employees regarding political donations. Because it is an election year in Brazil, Marfrig recommends that its employees do not make party-political contributions. The Company, for its part, does not make such contributions or donations, a conduct foreseen in current legislation.



## Helpline

Questions about the policies or communication of behavior and practices that do not correspond to the principles determined by the rules and policies of the Compliance Program, or by the current legislation, can be directed to Marfrig's internal channels. The reported information is treated confidentially, and the user can file the report either by identifying himself/herself or anonymously.

The reporting channels are available to all employees, partners and third parties in general, and are managed locally by Marfrig. In Brazil, 226 reports were filed over the Helpline in 2019, of which 95% were related to Human Resources issues. No cases of corruption, of any nature, of public cognizance or confirmed, were reported. **[GRI 205-3]**

## About the Compliance Program

Based on Marfrig's Governance and Culture, the Program is structured around three assumptions:

- **Prevention:** covers norms, training and the dissemination of information on these guidelines, in addition to the management of risks related to the topic
- **Detection:** related to control mechanisms, such as data analysis, monitoring and reporting channels.
- **Response:** investigates and manages non-compliance incidents, reporting to Senior Management.

More information, [here](#).



## Institutional participation

In Brazil, Marfrig is a member of the Corporate Responsibility and Anti-Corruption Commission of the **International Chamber of Commerce (ICC)**, an organization based in France that promotes and consults on international trade and globalization, in line with the principles of free competition defended by the Company. The commission of which the Company is a member aims to contribute to the strengthening of compliance policies in the private sector and to restore the country's international credibility. The activities developed within the scope of the ICC cover various topics, such as commercial arbitration and the fight against corruption. More information at <https://iccwbo.org/>

In 2019, the Company was not involved in any lawsuits, pending or concluded, regarding unfair competition, monopoly practices and against free competition. **[GRI 206-1]**



## CORPORATE RISK MANAGEMENT

Two approaches are used by Marfrig to manage the corporate risks to which it is exposed:

- **Significant business risks** are supported by specific policies, supported by the Board of Directors. Thus, issues such as exchange rate variations, interest rate fluctuations, changes in commodity prices and liquidity, which can be mitigated, are addressed based on the Risk Management Policy. Transactions with related parties and situations of conflict of interest, for their part, also are guided by a specific policy, which establishes guidelines, procedures and limits for the financial (loans) and operational (purchase and sale) transactions between the parties to be carried out at market values. The document also ensures transparency for shareholders, investors and the market in general, and promotes equal treatment with suppliers and customers, in line with the best Corporate Governance practices adopted by the market. The risks covered by the policy are detailed in item 5.2 of the Reference Form. (<http://ri.marfrig.com.br>).
- **Risks in which there is no direct control**, such as regulatory changes, environmental and market conditions – inherent to the Company’s activity – do not have specific policies and are managed through continuous monitoring. Analyzed individually, these risks are managed by structured procedures and processes to minimize the possible impacts they may cause. The main risks to which the Company is exposed are subject to internal and external factors, of differing complexities. The organizational structure, practices, procedures and internal control policies operate in a systematic and consistent manner in identifying changes, in the evaluation of and more effective responses to the effects of those risks. In this context, the Company is improving its structure, practices, procedures and policies to mitigate exposure to the main risks inherent to the business.

These risk factors are presented respectively in items 5.1 and 4.1 of the Reference Form, available on the Company’s Investor Relations website (<http://ri.marfrig.com.br>).

### Management structure

In addition to the Financial and Risk Management Committee – an advisory body to the Board of Directors – the structure dedicated to the topic includes the Risk Management Group (GGR). Created to support risk management activities and set up guidelines on actions and decisions about strategic matters, pursuant to the laws, ethics and internal controls established by the Company, the GGR is responsible for advising the Board of Executive Officers to achieve the strategic objectives through activities that protect and increase the value of the Company’s equity. It includes the financial officers of the business divisions. Also participating are the Treasury and Controllership directors, and the Risk Management specialist.

Risk management is the responsibility of the divisions and is based on the aforementioned policies and internal procedures. Compliance with the controls of these documents and processes is carried out by in-house auditors, who are responsible for assessing the performance of the areas on this front. The effectiveness of the internal controls is checked by independent auditors. When necessary, Marfrig also hires consultants and market specialists to assist it in the management of the risks.



## ■ ■ SUSTAINABILITY PLATFORM

Sustainability is one of Marfrig’s strategic pillars. It translates into a series of concrete actions adopted not only in operations, but also throughout the value chain, engaging suppliers and producers in efforts to reduce environmental impacts throughout the production cycle.

The practices observed and encouraged are divided into **five strategic axes**:

- 1. Control of Origin:** manages the source point of the raw material, which must observe criteria related to biodiversity conservation and good practices in the production chain. Livestock from areas free of deforestation and respect for human rights, prohibiting slave and child labor are, among others, crucial issues.
- 2. Reduction of Greenhouse Gas Emissions:** continuous improvement in the efficiency of processes to minimize the impact its operations on climate change.
- 3. Animal Welfare:** strictly follows the animal welfare principles, applying the World Animal Protection recommendations and in line with the most stringent international standards for humane slaughter.
- 4. Use of Natural Resources (water and energy):** promotes, in the production processes, the conscious use of water and energy, seeking alternatives for generation from clean and renewable sources.
- 5. Effluent and Waste Management, Treatment and Disposal:** guarantees environmentally responsible disposal practices with regard to the treatment and management of these by-products.

Together, these pillars form Marfrig’s Sustainability Platform, which is complemented by strict **quality** control and **food safety** encompassing processes and procedures aimed at observing the use of antibiotics, hormones and controversial substances in raw materials and production. The totality of these work fronts is what allows Marfrig to offer its customers superior quality products.

### Sustainability management

For Marfrig, sustainability is a strategic issue. Hence, the topic was included in its overall business guidelines and falls within the decision-making scope of the Board of Directors, which set up a Sustainability Committee in 2019 to assist in making determinations related to the subject. The Sustainability Department is tasked with preparing the strategic plan. Closely monitored by the CEO, it analyzes the risks and opportunities related to the topic, while also establishing performance targets for the operating units.

## STRATEGIC AXES

### 1. CONTROL OF ORIGIN

Marfrig adopts social and environmental criteria when **purchasing raw materials** to assure **reliable and superior quality products** to customers and consumers, including:

- Commitment to **zero deforestation in the Amazon Biome**. Commercial relations are maintained only with suppliers located outside areas of deforestation, conservation or indigenous lands.
- Respect for workers and local communities, **repudiating the use of slave-like labor**.

Marfrig was the **first company in the sector to track the complete cycle of beef production**. Moreover, **it is the only company in Brazil that since 2014 has 100% georeferenced maps of its suppliers** in the Amazon Biome:

- **2010:** introduction of the supplier tracking routine, with the creation in Brazil of the **Marfrig Club Program**, in which producers are recognized for their good animal welfare practices and socio-environmental compliance.
- **2012:** with the seal of approval of the Forestry and Agricultural Management and Certification Institute (Imaflora), Marfrig starts to use the Rainforest Alliance Certified™ (RAC) seal, which validates that beef supply ranches follow strict international standards for environmental conservation practices and respect for workers, local communities and animal welfare rules.

### Support for small cattle ranchers

Another initiative adopted by Marfrig to combat deforestation in the Amazon Biome aims to develop a sustainable livestock program focused on small-sized calf raisers in the states of Mato Grosso, Pará and Rondônia. The project, developed in partnership with the Sustainable Trade Initiative (IDH), aims to develop a network of partners for technical assistance and financial mechanisms to support ranchers in adopting the best breeding practices. It also includes a system for monitoring impact indicators on the territory and on the production of quality calves. The protocol of intentions, signed in September 2019 between the IDH and Marfrig, foresees a working period of 12 months.

- **2014:** Marfrig becomes the first company in Brazil to have georeferenced maps to monitor the performance of farms located in the Amazon Biome. The system, which covers 100% of suppliers in the region, is based on satellite images and monitoring of official data from public agencies. Farms that do not comply with the established socio-environmental criteria are blocked from supplying animals for slaughter at Marfrig units. This monitoring system is independently audited every year. See the reports [here](#).



## RESPONSIBLE CATTLE PURCHASES

In order for a ranch to be approved and authorized to become an animal supplier to Marfrig, it must comply with requirements regarding the type of administration adopted on the property, good environmental conservation practices - which include respect for the deforestation criteria - and the legal compliance of the operation. These principles follow a specific policy, developed based on the commitments assumed by the Company and in accordance with the procedures related to the Integrated Management System, Food Security, Environment and Human Rights practices.

Towards this end, the producer can not be included on the list of Embargoed Areas maintained by the Brazilian Environment Institute (IBAMA) and must have no record of forced or compulsory labor on the Slave Labor black-list published by the Secretariat of Labor Inspection, Ministry of Economy. In parallel, documents must be presented such as proof of Land Regularity Registration (SNCR), Rural Environmental Registry (CAR), Guarantee Letter, Marfrig Club Checklist, Tax Registration and Animal Transit Receipt and Model, among others. Additionally, Marfrig monitors the suppliers in each plant, by sampling, through a questionnaire based on the international social responsibility SA8000 standard. Suppliers provide data regarding working hours, adequate remuneration, appropriate working conditions, non-discrimination of any kind and no use of child labor. Supply is blocked upon identification of any irregularity. **[GRI 408-1; 409-1]**

Slaughter animals are purchased from rural properties located close to the plants. Thus, 100% of suppliers are considered local. **[GRI 204-1]**



## Geospatial monitoring

Marfrig encourages ranchers to produce livestock while respecting biodiversity. Therefore, the supplier ranches located in the Amazon Biome are continuously monitored through geospatial technology, a tool adopted by Marfrig since 2009. Using ranch satellite imaging databases (DETER and PRODES, made available by Inpe), Marfrig seeks to ensure that the properties from which it acquires animals are free from deforestation, conflicts with indigenous lands and conservation units. These requirements, when complied with, minimize the impact on production, the community and the environment.

To assess whether the property is in conflict with indigenous lands, there is constant monitoring by a specialized company, complemented by information requested annually from FUNAI, the body responsible for the management of indigenous affairs in Brazil, among other procedures, all audited by DNV.GL consultants based in Norway. In the case of the Amazon Biome, the result of the audit is made public and posted on the Marfrig website. Irregular suppliers in this regard are blocked from the supplier list. In 2019, there were no cases of violations of the rights of indigenous peoples. **[GRI 411-1]**

In addition to cases of deforestation and overlapping with indigenous lands and conservation units, in 2019, Marfrig began to monitor hotspots (fires) in the Amazon Biome. This process was adopted in order to inform its suppliers about possible fires on their farms, alerting them to preventive actions on the properties.

Thus, 100% of the suppliers of beef protein are evaluated and selected according to environmental criteria, verified with each new purchase of animals. If there is any non-compliance, the supplier is prevented – or blocked – from selling animals to the Company until the issue is resolved. As a result of this procedure, 15,488 suppliers were assessed throughout the year, in Brazil,

## 100% compliance with Amazon preservation practices

In 2018, for the seventh consecutive year, our cattle purchase processes from farms located in the Legal Amazon region were verified to be 100% compliance with the Public Livestock Commitment in the Amazon. This result was certified by an audit from DNV-GL, a Norwegian consulting firm specializing in business and environmental risk analysis. Check the report [here](#).

for environmental impacts. Within the criteria of the monitoring carried out, 909 presented significant negative environmental impacts. Of these, 63% demonstrated progress based on an assessment made by Marfrig. The supply contract was terminated with the others. **[GRI 308-1; 308-2]**

The animal purchase process also involves the analysis of each new sale, based on conversations with the producer, to identify the characteristics of age, weight and carcass quality of the animals purchased. This personalized procedure, a Marfrig competitive advantage, is considered important to understand if the animals are acceptable for the meat markets served by the purchasing slaughtering unit.



## Auditing

Every year, Marfrig is submitted to **external audits**, aimed at certifying the purchasing socio-environmental control system. This routine follows the Livestock Public Commitment, a sectorial movement aimed at preserving the Amazon Biome.

## Biodiversity

To minimize the influence of its operations on biodiversity, Marfrig manages this issue to cover the direct and indirect impacts of its activities. **[GRI 304-2]**

- **Direct impacts** are administered through operating licenses issued by environmental agencies, since these documents become available only after authorities have checked and evaluated the risk potential of the operations to the ecosystems and surrounding communities. The licenses themselves contribute to the adoption of good practices as they are conditioned to the acceptance of actions and ongoing monitoring, in line with the environmental regulations and laws of the respective locations. All of Marfrig's units have these operating licenses.
- **Indirect impacts** — that is, those understood to have been caused in the entire value chain — are minimized through responsible purchasing practices. They establish strict criteria to be observed by suppliers in relation to the care need to be taken with respect to biodiversity. An example is the Sustainable Livestock Platform, used in Brazil to ensure that cattle are purchased from farms located in areas free of deforestation, from producers who respect conservation standards and respect human rights.



## Institutional commitments

Marfrig's responsibility for sustainability-related best practices is also expressed in the strengthening of several public commitments, undertaken in partnership with recognized global and local organizations. These forums focus their agendas on social and environmental issues, including those related to zero deforestation and animal welfare, among others.

**Rainforest Alliance Certified™:** As recognized by the Institute for Forest and Agricultural Management and Certification (Imaflora), since 2012 Marfrig has been tracking the full cycle of its beef production. The Company was the first in the animal protein industry to adopt this practice, which gives it the right to use the Rainforest Alliance Certified™ (RAC) seal of approval. The seal certifies that beef farms adhere to strict international standards for environmental conservation and respect for workers, local communities, and animal welfare.

**Amazon Biome Pact:** Through this agreement, Marfrig reaffirms its commitment to not buy animals from areas of deforestation and/or those where conflicts are taking place over indigenous lands and/or conservation units. These practices are subject to annual audits by an independent company.

**Global Roundtable for Sustainable Beef (GRSB):**

An initiative whose principles focus on the conscientious use of natural resources, efficiency and innovation in livestock husbandry, and respect for the human rights of individuals and communities situated within the production chain involving the raising, feeding, health and welfare of cattle. This includes producers, who are also organized in associations; the commercial and processing sectors; retail companies; and civil society organizations.

**Working Group on Sustainable Livestock**

**Production (GTPS):** Comprised of producers, industries, research centers, and universities, the group discusses and formulates common principles, standards, and practices to be adopted by the sector to build a sustainable, fair, environmentally-sound, and economically-viable livestock production sector. Among the initiatives developed by the GTPS and its partners, a standout is the Guide to Indicators of Sustainable Livestock Production (GIPS), whose goal is to orient all links in the production chain toward best sustainability practices related to livestock production activities. Marfrig Global Foods has been a part of the GTPS since 2009 and has held a seat on its board since 2012.

**Tropical Forest Alliance:** Seeks to achieve zero deforestation in the beef, palm oil, soybean, pulp and paper production chains. Established by the Consumer Goods Forum in 2012, TFA is a global alliance, which brings together top executives from various consumer goods industries and the U.S. government. Marfrig is a member of the TFA Steering Committee.

**The Institute for the National Compact for the**

**Eradication of Slave Labor (InPACTO):** This organization aims to unite the private sector and Brazilian civil society organizations toward the prevention and eradication of slave and child labor in production chains. Through professional training initiatives, InPACTO also promotes activities to reinstate rescued and vulnerable workers into the labor market. InPACTO members – companies, civil society organizations, and organizations that represent workers – adhere to ten commitments to combat slave, slave-like or child labor in their businesses and within production chains. Although Marfrig has been an InPACTO member since 2014, it has been engaged in the struggle against slave and child labor prior to that date. In 2005, the Company became a signatory of the referenced compact, which eventually gave rise to InPACTO.



## 2. GHG EMISSIONS

Global greenhouse gas (GHG) Scope 1 emissions in 2019 exceeded the previous year by 17.4%. This variation, however, is impacted by the change in the methodology adopted, which was adjusted in the period to cover more criteria, such as emission factors and global warming potentials, which will allow Marfrig to be more assertive in monitoring the impacts of its activities. This change also increased energy intensity by 13.1%.

Global Scope 2 emissions, related to electricity, were reduced by 0.8%. Observing the Operations separately, it could be seen that, in South America, the decrease was 28%, reflecting the adoption of energy efficiency measures, such as the use of renewable alternatives made in Uruguay, where a wind farm is located in the operating units. In North America, there was an increase of 4.5%, due to the expansion of operations deriving from the acquisition of companies and higher production volumes. **[GRI 305-5]**

GHG emissions management is based on the Climate Change and Natural Resources Policy, a document that establishes operational levels for industrial, commercial and service activities aimed at a low-carbon economy, and the annual inventories conducted since 2010, published in the system provided by the Carbon Disclosure Program (CDP).

Marfrig established 2020 as the deadline to reduce its GHG emissions by 15% from its recorded output in 2012. Continuous improvements in the efficiency of its processes allowed the Company to attain this objective by 2018, two years ahead of schedule. The Company is now working on a new target plan, with 2019 as the base year. The ongoing planning will consider sales and acquisitions made in recent years, and set targets for the two Operations, considering local conditions for mitigation of associated emissions. Scope 1 + 2 emission intensity targets will continue to be pursued, and a criterion that follows the guidelines of the Science-based Target (SBTi) methodology will also be included.

### Focus on Multimodal Transport

An example of one of the GHG reduction measures adopted by Marfrig comes from Brazil where, in 2019, more than 1,000 trucks stopped travelling that country's roads carrying Company products. Instead, road transportation was replaced by rail. With the support of Brado, a benchmark company in Brazil for multimodal logistics services, Marfrig is using trains to transfer its export products to port from its Tangará da Serra, Várzea Grande, Pontes, and Lacerda units in the state of Mato Grosso, and its Ji Paraná and Chupinguaia units in the state of Rondônia. This decision produced a 62% drop in CO<sub>2</sub> emissions, reduced exposure to the risk of accidents on Brazilian highways, and translated into a savings of R\$ 2.3 million.

### Emissions inventory performance **[GRI 305-1; 305-2]**

In tCO <sub>2</sub> e	2019	2018	%
Scope 1	432,248.8	368,087.1	17.4%
Scope 2	201,141.3	202,708.6	-0.8%

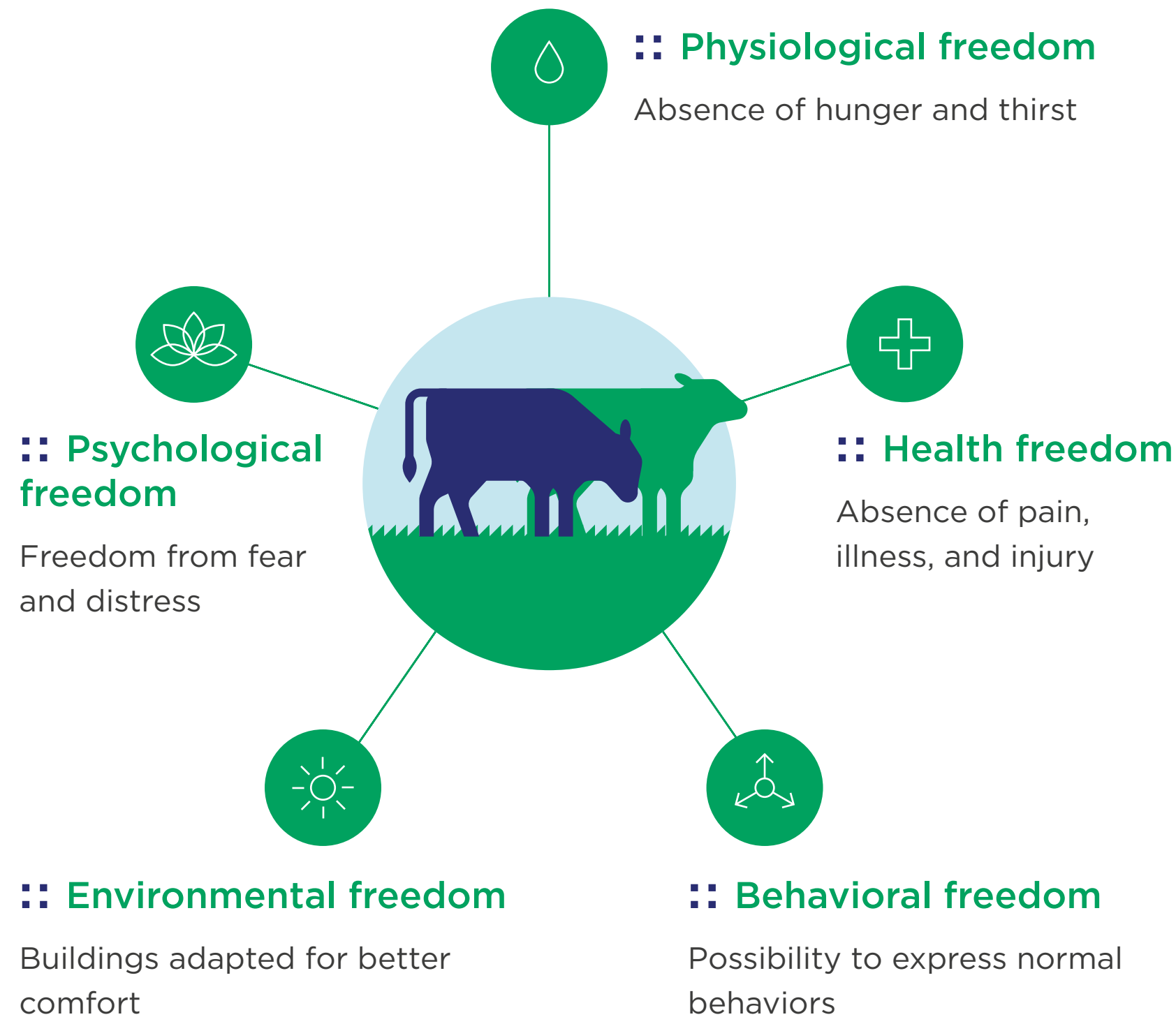
### Energy intensity **[GRI 305-4]**

In tCO<sub>2</sub>eq / thousand tons produced

<b>0.190</b>	<b>2019</b>
<b>0.168</b>	<b>2018</b>

### 3. ANIMAL WELFARE

This topic is guided, to the greatest degree possible, by the animal handling steps embraced by the five freedoms set forth by the Farm Animal Welfare Council, an independent British organization that is a global benchmark in this field:



For Marfrig, animal welfare is a fundamental part of its business strategy. To address this issue, the Company has established a specific policy. Management is based on ethical principles and applicable laws and regulations, as well as attentiveness to the requirements of customers in the different markets the Company serves.

In pursuit of continuous improvement, Marfrig invests in modern technologies, equipment, and structures, as well as training to sensitize employees about these issues and disseminate best practices. Work is also carried out with several universities and research centers, in addition to a partnership with World Animal Protection (WAP), one of the largest NGOs in the world. This approach, for example, meant that much of the didactic materials that demonstrate good management practices, distributed by the WAP, was recorded and photographed at the Company's facilities.

Click [here](#) to learn more about Marfrig's animal welfare program for its South American Operations

Click [here](#) to learn more about Marfrig's animal welfare activities in its North American Operations

#### Management structure

To ensure that practices are in line with the Company's policies and customer protocols, including the laws of each country in which Marfrig operates, a department has been established that operates exclusively in the production chain. Through multidisciplinary training, Marfrig's highly qualified team, which includes zootechnicians and veterinarians, continually monitor animal welfare indicators, decision-making and training programs.



The Company also regularly monitors its operations. The indicators in use have been developed largely in accordance with the protocols established by the North American Meat Institute (NAMI), an international benchmarking organization in this field, and has certifications based on their standards. Various indicators are considered, such as the number of slips and falls, vocalization, electric prod use, stunning efficiency, deaths, and injured animals in general, as well as data resulting from the classification of bruises and transportation, among others. As regards internal audits which were carried out in 2019, the average rates reported in Brazil fell within parameters that are considered acceptable.

## Training

Marfrig maintains an ongoing training program, which assures that up-to-date information is regularly being disseminated among animal management personnel. Related issues are always addressed in the employee integration program and are permanently reinforced as part of regular work routines. In Brazil, this program is led by those responsible for overseeing these areas of the Company's operations and is regularly reviewed. Periodic awareness campaigns are also undertaken. One example is World Animal Day, on October 4, which includes activities aimed at a cross-section of workers that address animal welfare issues.

## Logistics

Logistics and the transportation of animals is an important topic for the Company.

Through regular training, drivers are instructed to ensure the welfare of the animals for which they are responsible during the entire transportation process. Transporters are invited to visit Marfrig's facilities and observe the

Company's processes, designed to disseminate knowledge and awareness about the significance of logistics and transportation. Contracts with carriers contain specific animal welfare clauses. If any requirements are infringed and according to the severity of any given occurrence, the Company takes appropriate action, up to and including contract termination.

Among others, these requirements, which are verified on the shipping manifest, include schedules, handling conditions and physical state of the animals and density. As regards transportation, vehicle type, quality, and state of maintenance are also taken into consideration. The proper density, driver training, care and comfort of the animals are also checked.

In this regard, Marfrig also encourages the development of initiatives in conjunction with equipment manufacturers to facilitate the Company's transportation operations and provide improved welfare for animals and employees. An example of this was the development of Move Boi (Move Cattle) project, which resulted in the design and deployment in one of the cattle management units of unique equipment that runs along the corridor through which animals travel. The equipment encourages animals to walk and thus avoid being poked by an electric prod at the entrance to the slaughterhouse. In addition, after management identified specific problems, an investment was recently made in reconditioning the corral flooring materials.

## Antibiotics

Due to the nature of its operations, cattle for slaughter are supplied to Marfrig by producing ranches; this means the Company neither uses nor applies any types of antibiotics on the animals. Beyond this, Marfrig does not encourage the use of these substances by suppliers. Such use is accepted only when it is prescribed by the veterinarian responsible for the property. In such cases, the Company recommends that information on the application of controlled

medications be recorded individually or, at least, by lot. The use of medications such as quinolones, third- and fourth-generation cephalosporins, and ractopamine, in addition to hormones, is prohibited. If applicable, surgical procedures such as castration, dehorning, calf delivery, and cesarean section must be performed by a competent technician, with pre- and post-surgical care strictly adhering to best practices.

Control of medication use by Marfrig is focused on two procedures:

- **Letter of Guarantee:** A producer-signed document that certifies the non-use of medications or prohibited substances, such as growth promoters, as well as the humane treatment of animals.
- **National Meat Waste Control Plan (PNCRC):** An initiative that requires verification, through random sampling in all slaughterhouses, of the veracity of what cattle ranchers have attested to previously. As regards all animals that arrive at slaughterhouse facilities, monitoring and management routines include the issuance of a declaration by every rural producer, which attests to the non-use of hormones, growth promoters, and antibiotics.

## Differentiated products

Best animal welfare practices, carried out in partnership with livestock suppliers, allow Marfrig to offer customers and suppliers differentiated products:

- **Grass-Fed** from Uruguay, VIVA Grass Fed Beef offers cuts of beef fed exclusively on grassland grazing, an attribute that satisfies the demands of the North American market. Developed in partnership with local cattle suppliers, the animals, besides being raised on free-range pastures, do not receive antibiotics, growth hormones or feed with products of animal origin. Approved by the U.S. Department of Agriculture (USDA), VIVA Grass Fed Beef products are sold in major North American supermarket chains.
- **Grain-Fed** from National Beef in the United States, the Natural – Certified Angus Beef® brand is a line of premium products derived from exclusively grain-fed animals. These corn-fed animals are raised on farms in the American Midwest. Cattle are raised without antibiotics or hormones on a 100% vegetarian diet.





## 4. USE OF NATURAL RESOURCES

### WATER

An essential input for food safety and quality, as well as sustainable business growth, water and its consumption are managed according to best practices and the requirements of the different markets to which Marfrig exports its products.

Adopting a single policy for the entire company, management is based on water risks and the continuous improvements to water efficiency, which includes continuous measurement and monitoring. Based upon the Company's 2013 data, Marfrig has been working toward the goal of reducing consumption (water intensity rate) by 30% by 2020.

- **Measurement and monitoring** In line with the requirements set forth by environmental agencies of the respective countries in which Marfrig operates, water consumption is measured and monitored at 100% of the Company's operating units. This allows Marfrig to identify improvements and operational opportunities, as well as manage the costs associated with the chemicals used for water treatment. In addition, measuring water intake by source is important to assess local risks related to water shortages or pollution.
- **Water risk-based management.** In Brazil, regarding available water quality or quantity, Marfrig uses a Brazilian National Water Agency (ANA) map to identify sensitive areas. ANA's information indicates that ten of the Company's units – in the states of São Paulo, Pará, Mato Grosso, and Rio Grande do Sul – are in sensitive areas. In other countries, water management is through the use of the World Resources Institute's (WRI) AQUEDUCT tool that identifies and evaluates overall water risks. This gives





the Company valuable insights about facilities that are exposed to such risks, such as in Colônia, Uruguay, measuring the total average volumes water intake. In 2020, the Company will conduct a new water stress survey of its plants: the study will consider factors such as productive capacity, degree of qualitative and quantitative risk and opportunities to enhance input management to reduce associated risks.

Another practice is the participation of representatives of the business units in the local drainage basin management committees, in order to influence and share information related to the Company and to seek improvements. An example, in Brazil, is the project developed in Tangará da Serra (MT), aimed at preserving the quantity and quality of water and restoring the riparian forest in local watershed areas. Projects included construction of contour lines, adaptation of local roads and construction of containment basins, as well as installation of drainage mechanisms that accelerate rain-water soil infiltration to replenish the water table.

- Water efficiency** All of Marfrig’s units adopt measures to reduce water consumption from routine work activities. Examples include the use of flow-reducing equipment installed on sinks, animal carcass and workers’ boot washers, automation of viscera table feeds, among other solutions.

### Water volume capture, by source

[GRI 303-1]

For the year, water consumption totaled 26.5 million m3. As there was a greater volume of production throughout 2019, in addition to acquisitions of operations in the United States and Argentina, the data is not comparable with that of 2018.

In South America, the main source of use is surface water, which accounts for 62.5% of the total; underground water follows (36.9%). This is different from North America, where underground and public networks maintain a balanced share at 55.1% and 44.9%, respectively.

In m³	North America	South America	GLOBAL TOTAL (by water source)
Surface water	0	8,547.755	8,547.755
Groundwater	7,081.215	5,046.788	12,128.003
Municipal Water Supply via Public Network	5,773.591	80,373	5,853.964
<b>TOTAL (by operation)</b>	<b>12,854.806</b>	<b>13,674.916</b>	<b>26,529.722</b>

Regarding groundwater capture, in North America, some units use water from a combination of wells. In South America, Company operations use 32 drilled wells and 11 points of surface capture. All units have water-use permits, which are fully complied with. No water capture exceeds specified limits, which are set to protect supply sources.



In Brazilian units that rely on surface capture, the Company works to protect permanent protection areas (APPs) near its operations. In so doing, Marfrig is helping to preserve water resources and protect native Brazilian flora and fauna species, as determined by the Ministry of Health and the National Environment Council.

**Reuse**

During the year, throughout the Company’s global operations, 423,300 m3 of water were reused.

**Volume of water reused and recycled**

[GRI 303-3]

In m³	North America	South America
Total volume of water reused and recycled	51,103	372,250
Total volume of water reused and recycled (% of total water extracted)	0	2,7

In the United States, the operations independently manage their water reuse programs, but it is estimated that for all units an average of 1,900 m3 were reused in 270 days of operation. One initiative during the year took place at the Company’s plant in Liberal, Kansas, where a water treatment and reuse center was implemented.

Current legislation in Brazil restricts the practice of water reuse. In plants where the practice is allowed, water is reused for cleaning effluent treatment stations, while animal bath water is repurposed for cleaning corrals. In Argentina, the San Jorge unit has a reverse osmosis plant, which makes it possible to reuse water for specific processes, such as cleaning corrals and animals.

**Investments**

In 2019, a project to expand and improve effluent treatment systems was initiated in Brazil. Covering nine units, selected for their productive characteristics and the number of markets served, the initiative involves investments of R\$ 40 million over the next two years, and includes improvements that seek efficiency and savings in the use of chemicals. Several fronts are being studied, such as the implantation of activated sludge systems, for biological treatment, and mechanisms to digest the organic waste generated in the treatment of effluents, converting them into electrical and thermal energy, which would make the effluent treatment plants self-sufficient. Marfrig has been conducting research and seeking technologies to replace various industrial processes, always with a view to obtaining environmental gains, which includes:

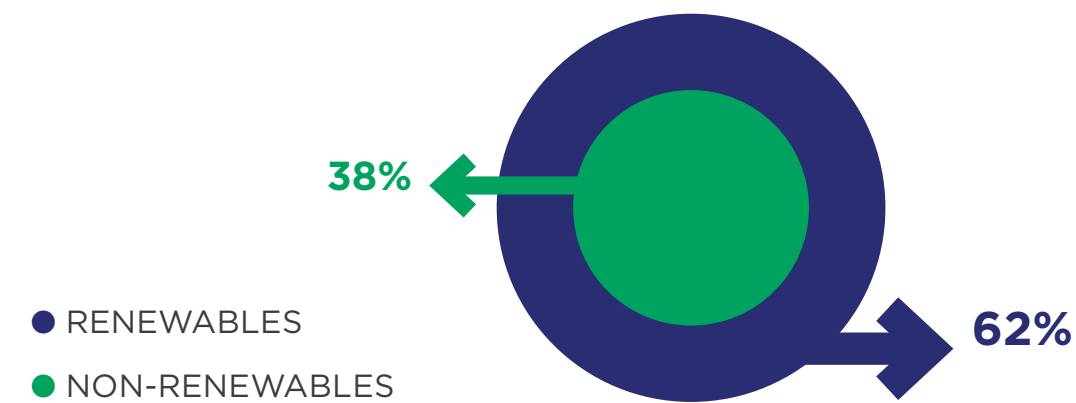
- Reducing environmental impacts through the release of better-quality effluents.
- Reduction of greenhouse gas emissions, both associated with the old effluent treatment systems and the replacement of electric and thermal energy with renewable alternatives, such as biogas generated the Company’s own operations.
- Greater efficiency in the use of energy and chemicals in the treatment of effluents.

## ENERGY

Marfrig has adopted several measures to promote the rational use of energy in its operations. Among them is the replacement of traditional sources with more sustainable ones, such as in Uruguay, where the Company has a wind farm for its own electricity consumption. It also has introduced initiatives aimed at using more efficient equipment and reuse thermal energy in boilers and animal fat processes, among other examples. As a result, 62% of the energy consumed in the year was derived from renewable sources. Consumption reached 15.7 million GJ in the period. South America, most of its plants are located, accounted for 72.4% of this total. The information collected in 2019 followed a new methodology. This fact, added to the acquisitions and changes in the company's operating structure, led to the data not being comparable to those of the previous year.

### Energy consumption

[GRI 302-1]



In Gj	Renewables	Non-Renewables	Total
North America	228,021	4,112.629	4,340.650
South America	9,522.187	1,856.996	11,379.183
<b>Total</b>	<b>9,750.208</b>	<b>5,969.625</b>	<b>15,719.833</b>

### Wind Farm in Uruguay

In Uruguay's largest state, located in its central-north region, construction was completed and operations began at a wind farm to generate electricity for Marfrig's Tacuarembó refrigerated slaughterhouse. The wind power will enable energy generation to meet, on average, approximately 30% of the plant's demand, which is in line with the Company's efforts to move towards increasingly sustainable and clean production.





## 5. EFFLUENT & WASTE MANAGEMENT, TREATMENT, AND DISPOSAL

In 2019, the waste generated from Marfrig’s operations reached a volume of 1.057 billion tons. Units in South America, the region with the largest number of plants, accounted for 87% of the total.

As regards discharge disposal, landfills received 857,300 tons, while another 69,300 tons went for recycling.

### Waste disposal

[GRI 306-2]

In tons	North America		South America	
	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Landfill	38	56,729	268	800,306
Composting	-	75,823	-	45,623
Incineration	-	-	26	8,363
Recycling	-	1,359	3	67,962
Other disposal	-	-	32	912
<b>Total volume</b>	<b>38</b>	<b>133,911</b>	<b>329</b>	<b>923,166</b>

All units dispose of generated and un-reused effluents and waste. Management is focused on the following areas:

- **Proper disposal** of materials, adhering to legal obligations and the requirements of the environmental agencies of each country. To raise employee awareness about these practices, specific types of training are offered.
- **Environmental impact studies** in the different phases of their development and licensing processes to better understand the specific nature of local biodiversity and to minimize the impact of the Company’s operations. This also contributes to the application of necessary technologies for proper treatment and disposal which, in some cases, includes the release of effluents into bodies of water in each region where the Company maintains facilities.
- **Strict procedures** for storage, transportation, and disposal of products considered dangerous. Environmental monitoring and contingency planning are also carried out, segmented by type of occurrence and substance. Events are registered and submitted to an extensive cause-assessment process designed to establish necessary adjustments to current procedures. In Brazil, all monitoring of controlled chemical product purchases and the disposal of hazardous waste is handled through an environmental management system established in all the Company’s units.

In addition to these practices, Marfrig supports the use of recyclable packaging. It even has a significant customer that requires product shipping boxes to contain at least 25% post-consumer recycled material and 40% fully recycled materials.

## QUALITY AND FOOD SAFETY

[GRI 103-2; 103-3]

Issues related to environmental management, food safety, occupational health and safety, and social responsibility are seen as critical to business management. All of these issues, which are equally important to the Company, are handled by an Integrated Management System (SGI), whose main objective is to continuously improve processes on all of these fronts.

As a multinational company, Marfrig Global Foods also seeks, through SGI, to encourage exchanges and synergies between its operations in different countries. For this reason, the management model is based on four, complementary international standards:

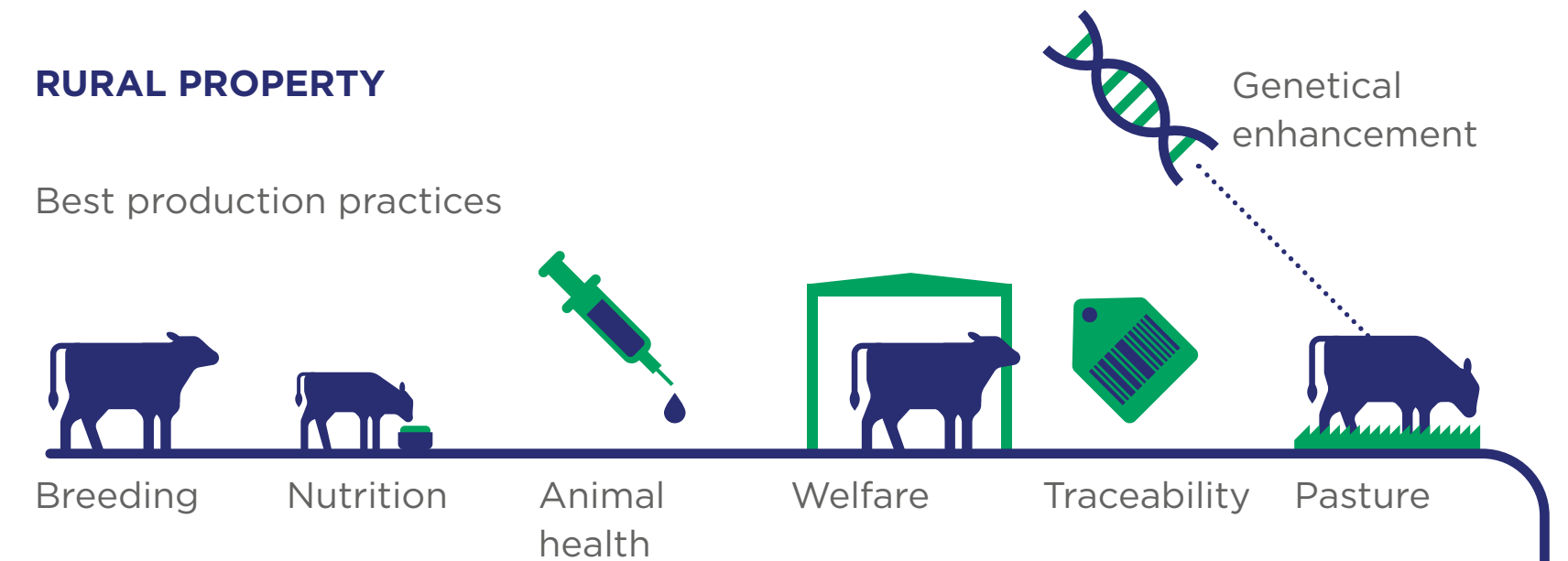
- **ISO 14000:** A series of standards in which guidelines are established on environmental management within companies.
- **ISO 22000:** A set of rules focused on food safety.
- **OHSAS 18000:** Developed by the BSI Group, this British standards series focuses on Occupational Safety & Health Management and Certification.
- **SA8000:** A voluntary standard based on International Labour Organization (ILO) and other United Nations conventions, which attest to a company's ethical and responsible approach to societal problems related to labor, such as occupational health and safety, freedom of association, child and slave labor, among others.

## Production Cycle

[GRI 102-9]

### RURAL PROPERTY

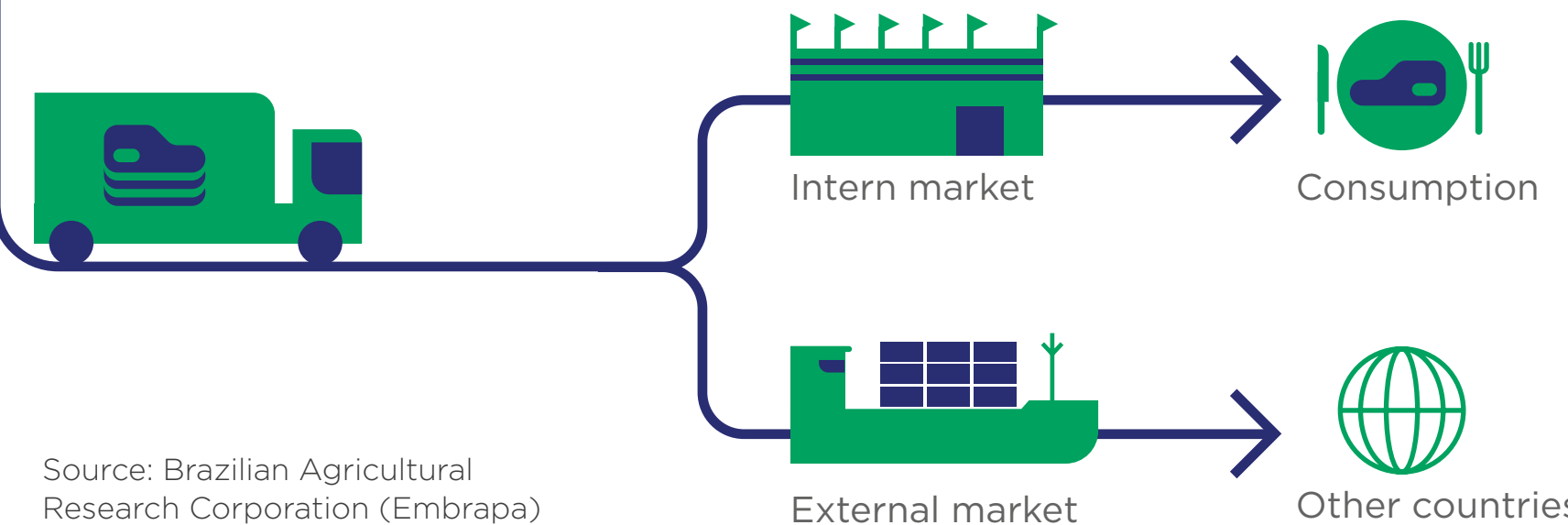
Best production practices



### AGRIBUSINESS



### DISTRIBUTION



Source: Brazilian Agricultural Research Corporation (Embrapa)



## ADOPTED PRACTICES

[GRI 416-1; GRI 416-2]

In addition to being one of the global leaders in bovine protein, Marfrig distinguishes its operations by dedicating itself to the premium segment. To have its products recognized with this seal requires the Company to conform to the highest standards of quality and food safety, which are in line with the demands of consumer markets. To satisfy these criteria, Company operations adopt a set of practices, which include control and process methodologies, in addition to audits and certifications, which translate into greater requirements throughout the entire production chain. As a reflection of these controls, no cases of non-compliance related to the impacts that Company products could have on consumer health were registered in 2019.

**Quality control.** In Brazil, to guarantee the safety of products and processes, samples of raw materials are collected on a daily basis in all units. These undergo analysis in Company-owned laboratories, strategically located in the Tangará da Serra, Várzea Grande, Promissão, and Pampeano plants. This routine process includes microbiological, physicochemical and drug residue analysis. Marfrig's laboratories are ISO 17025 accredited or in the process of accreditation by Brazil's National Institute of Metrology, Standardization, and Industrial Quality (INMETRO). Additionally, samples of water supplies (raw and treated) and specific wastes are submitted to external, accredited laboratories for analysis. In the United States, food safety assessments required by the U.S. Department of Agriculture's Food Safety and Inspection Service (USDA-FSIS), are conducted at all plants. These units also operate under a set of quality control requirements developed by Marfrig's Department of Corporate Technical Services. All processes are reviewed and audited by technical service inspectors from the units themselves, and monitored by USDA-FSIS inspection personnel.

**Training.** Marfrig's laboratory employees participate in continual training related to analysis procedures and techniques, and undergo proficiency testing through external laboratories. This process is maintained to provide even higher levels of reliability and security in relation to obtained results.

**Audits.** Marfrig's plants are subjected to frequent audits, both internal and those carried out by third parties. An example is the monitoring in Brazil by the Company's Quality Assurance Team, which conducts microbiological analyses of raw materials, finished products, inputs, and ingredients. A similar process is in place to check equipment and implements used in pre-operational and operational stages, always with the objective of ensuring that proper hygienic measures are being applied.

Another example is Marfrig's National Beef (USA) brand, which uses a proprietary system to manage audits, thus allowing it to operate at higher levels than are required by the beef industry's standards. Known as the BioLogic Food Safety System, it introduces the "clean room" mentality into Company's operations. The process includes training employees, routines to control levels of pathogens and microorganisms in production environments and continuous monitoring of activities.

All of these practices are in addition to assessments made by Brazil's Ministry of Agriculture, Livestock, and Food Supply (MAPA) as part of the country's National Waste and Contaminants Control Plan (PNCRC). The monitoring system aims to promote the chemical safety of foods of animal origin produced in Brazil. Tests include a wide range of authorized veterinary drugs (for which applicable limits are verified) and prohibited drugs (including hormones), pesticides, inorganic contaminants, mycotoxins, and dioxins. Analyses are

carried out by Brazil’s National Agricultural Laboratories Network. As a reflection of these controls, in 2019, no cases of non-compliance related to the impacts that Company products could have on consumer health were registered.

**Certifications.** To demonstrate the excellence of its products, Marfrig’s operations and processes periodically are evaluated by independent certifiers, who adhere to international standards and act in accordance with the requirements of customers and importing markets.

Most of Marfrig’s operating units have secured certification from the British Retail Consortium (BRC), whose internationally recognized seal of approval attests to a company’s adoption of quality, safety and food responsibility practices. In addition, the Company’s operations have several certifications; some are specific to certain markets or countries, such as in Uruguay, where our plants have their own certifications for the production of items made with organic meat.

Marfrig’s units also undergo annual external audits to maintain their certifications from the Global Food Safety Initiative (GFSI), whose standards are internationally accepted by retail chains and other stakeholders in the food industry.

UNITED STATES	Nº of certified units	
	2019	2018
BRC GLOBAL STANDARDS	6	2
GLOBAL STANDARD FOR FOOD SAFETY	6	2
McDONALD’S STANDARDS OF BUSINESS CONDUCT & McDONALD’S SUPPLIER CODE OF CONDUCT	3	1
McDONALD’S SUPPLIER QUALITY MANAGEMENT SYSTEM (SQMS)	3	1
COSTCO CODE OF CONDUCT	2	2
HIGH QUALITY BEEF QUOTA (EU)	1	1
HALAL CERTIFIED BEEF	3	1
NORTH AMERICAN MEAT INSTITUTE-NAMI (ANIMAL WELFARE)	3	1
LEATHER WORKING GROUP (LWG)	1	1
CERTIFIED ANGUS BEEF	3	2
CERTIFIED ANGUS BEEF - PRIME	3	2
NATURAL CERTIFIED ANGUS BEEF	2	2
BLACK CANYON® ANGUS BEEF - NATIONAL BEEF	2	2
BLACK CANYON® ANGUS BEEF PREMIUM RESERVE - NATIONAL BEEF	2	2
CERTIFIED HEREFORD	2	2
CERTIFIED HEREFORD CHOICE & PREMIUM	2	2
EU ANGUS	2	2



BRASIL	Nº of certified units	
	2019	2018
ISO 14001	8	8
OHSAS 18000	8	8
SA 8000	2	2
BRC GLOBAL STANDARDS	18	15
HAZARD ANALYSIS AND CRITICAL CONTROL POINTS-HACCP (U.S. FDA)	18	15
INTERNATIONAL FEATURED STANDARD (IFS) FOOD	2	2
RAINFOREST ALLIANCE CERTIFIED™	4	4
McDONALD’S SUPPLIER CODE OF CONDUCT & McDONALD’S STANDARDS OF BUSINESS CONDUCT	17	16
McDONALD’S SUPPLIER QUALITY MANAGEMENT SYSTEM (SQMS)	17	14
BURGER KING GLOBAL SUPPLIER	1	12
HALAL CERTIFIED BEEF	15	15
NORTH AMERICAN MEAT INSTITUTE-NAMI (ANIMAL WELFARE)	15	15
ASDA PROTOCOL	1	1
CHILE		
BRC GLOBAL STANDARDS	1	1
KOSHER CERTIFIED BEEF	1	1
HALAL CERTIFIED BEEF	1	1

ARGENTINA	Nº of certified units	
	2019	2018
BRC GLOBAL STANDARDS	3	3
ANIMAL WELFARE	2	1
MCDONALD’S SUPPLIER CODE OF CONDUCT & McDONALD’S STANDARDS OF BUSINESS CONDUCT	2	2
MCDONALD’S SQMS	1	1
ISO 22000	1	-
ANGUS CERTIFICATION	1	1
HALAL CERTIFIED BEEF	1	1
HAZARD ANALYSIS AND CRITICAL CONTROL POINTS-HACCP (U.S. FDA)	1	-
URUGUAY		
BRC GLOBAL STANDARDS	5	5
HAZARD ANALYSIS AND CRITICAL CONTROL POINTS-HACCP (U.S. FDA)	5	5
McDONALD’S SUPPLIER CODE OF CONDUCT & McDONALD’S STANDARDS OF BUSINESS CONDUCT	4	4
McDONALD’S SUPPLIER QUALITY MANAGEMENT SYSTEM (SQMS)	2	2
BURGER KING GLOBAL SUPPLIER	4	4
NORTH AMERICAN MEAT INSTITUTE-NAMI (ANIMAL WELFARE)	4	4

## PRODUCTION CHAIN QUALITY

Marfrig is dedicated to the processing of beef protein, acquiring raw material from producing farms. All suppliers are evaluated according to purchasing criteria adopted by the Company, which cover issues related to animal welfare, food safety, social responsibility, environment, and health and safety.

Suppliers often undergo audits, depending on the criticality of the material supplied. As non-conformities arise, corrective actions are taken according to the type of deviation, always linked to legal norms. In general, any corrective action requires the adoption of some attitude towards an affected product, such as segregation, blocking, or conditional use or disposal.

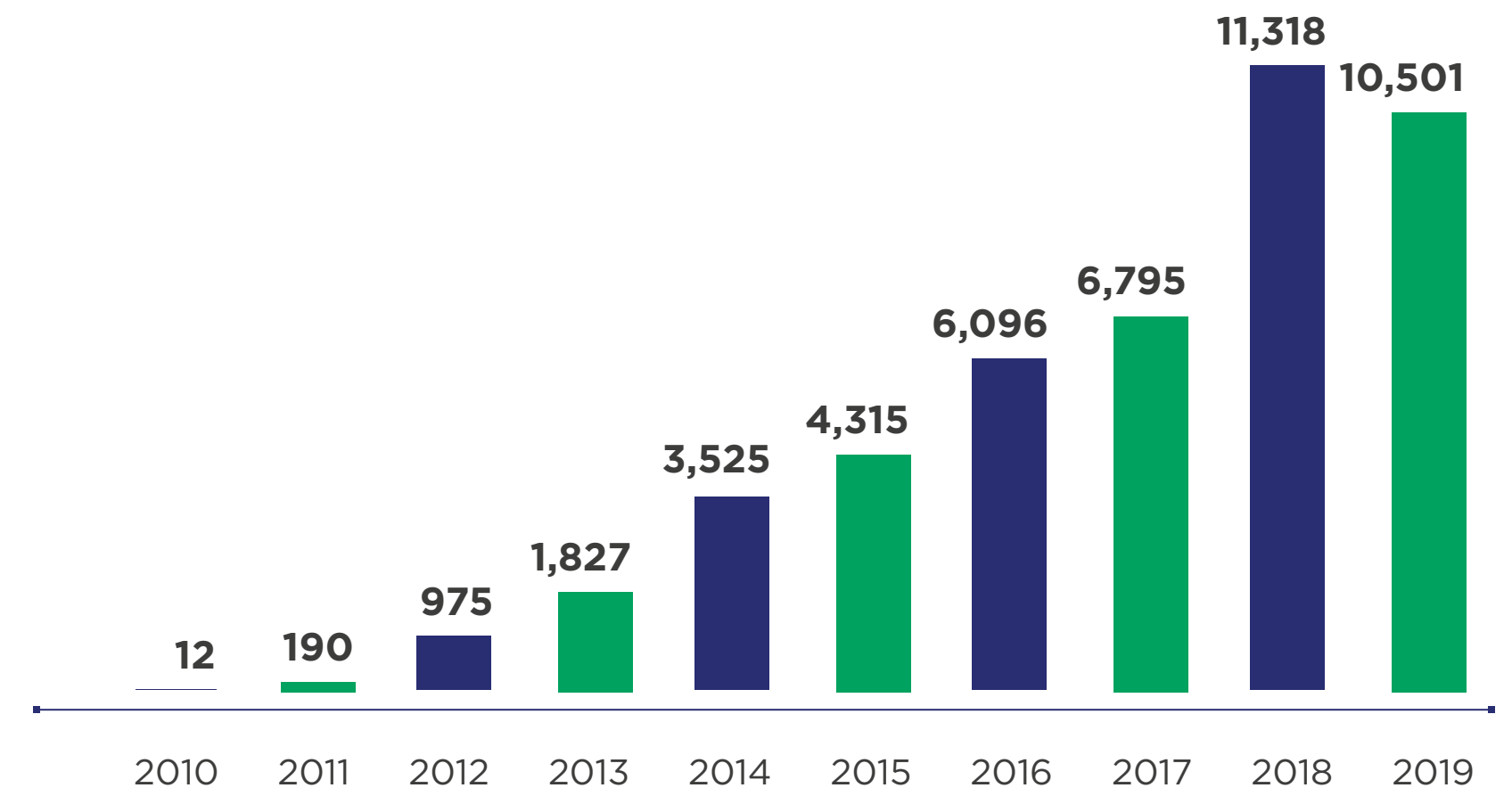
In addition to these practices, Marfrig develops activities and programs to ensure that quality and food safety principles permeate the value chain:

**Marfrig Club Program.** This initiative seeks to strengthen the relationship between producers and the Company. Developed in Brazil, it encourages the adoption of best farming practices, which contribute to the sustainable development of rural properties and ensure safer production with less environmental impacts. In force since 2010, it embraces three areas of concern: animal welfare, respect for the environment, and social responsibility. Guidelines related to each of these topics are contained in the Guide to Sustainable Practices, available [here](#).

To encourage the adoption of these best practices, producers are classified as beginners, bronze, silver, or gold, according to their adherence to Marfrig Club principles. Recognition results from periodic checks of properties, which are carried out to confirm adherence to best practices and to identify progress.

## Number of Marfrig Club-affiliated ranches

The goal is to have 100% of suppliers participating in the Marfrig Club by the end of 2020. In 2019, 88.4% had already joined the initiative, a share equivalent to 10,501 farms.





**Supplier Regularization Program** Provides support to suppliers to enable their capacity to obtain environmental licensing and registration in the National Rural (Properties) Registration System (SNCR). Cattle ranchers are welcome to request information from Marfrig during Company visits to their properties.

**Sustainable Meat Program.** The objective of this initiative is to promote sustainable livestock in the Amazon biome and contribute to its preservation by encouraging best socio-environmental practices on rural properties. By working to boost the productivity of already deforested pasturelands and preserve forests in the region, the Company is helping to encourage more sustainable meat production chain in the Amazon. Through the program, Marfrig offers technical assistance to producers, thereby allowing participating properties to adapt their operations to the standards of the Brazilian Forest Code.

**Pampa Biome Program.** This is a partnership initiative whose objective is conservation of the native fields and native animals of this biome. Concentrated in Brazil's South region, it also disseminates concepts related to profitable and sustainable livestock production, including monitoring of deforestation and enhancement of environmental conservation.

**Compliance with the Public Commitment on Amazon.** Since 2009, ranches located in the Amazon biome have been continuously monitored by geospatial technology. Using databases of satellite images of the ranches, which are made available by the Brazilian National Institute for Space Research (INPE), Marfrig seeks to ensure that animal supply properties are free from deforestation activities and conflicts related to indigenous lands and conservation units.

## Product recalls

Operation South America has developed a recall system based on national and international standards, with procedures tested periodically. Semiannual traceability exercises are carried out on the inputs used in a given product, plus an annual recall simulation with selected customers. In 2019, no recall action was required at any plant in the Marfrig group, nor were there any export bans related to food safety issues. For the period, there were also no cases of non-compliance related to marketing communications. **[GRI 417-3]**

## Labeling

To inform customers and consumers about the composition of its food products and to ensure food quality and safety, all Marfrig products satisfy the different labeling requirements of the markets in which they are present and where its products are sold. Product labels may contain information including name, net weight, nutritional table and dates of manufacture and expiration. Consumers can learn about the origin of raw materials and/or ingredients, as the traceability of the meat is included on the labels of 100% of Marfrig products. All items also include information regarding ideal storage temperature and conservation, safe usage advice, and disposal guidance.

In the United States, for example, all labels are verified by Corporate Technical Services to assure they satisfy labeling regulations of the U.S. Department of Agriculture's Food Safety and Inspection Service (USDA-FSIS). For products going abroad, this same department also checks and ensures that all labels comply with additional export labeling rules, which include declarations of ingredients and components that may cause allergies, among others. In 2019, no cases of non-compliance related to information and labeling were registered. **[GRI 417-1; 417-2]**

## PEOPLE

By the close of 2019, there were over 32,000 employees working in Marfrig Global Foods operations. Of these, 71% were in South America and 29% in North America.

This number exceeds by 2% the verified total verified for the previous year, an increase that came about through the purchase of Iowa Premium, which resulted in an expansion of U.S. operations. In South America, there was a reduction in the number of jobs, given the closure of activities at two plants in Brazil and, following the acquisition of Quickfood, the resizing of operations in Argentina.

### Training and capacity building

In Marfrig's view, employees play a leading role in the development and success of its businesses. In its relationship with these stakeholders, Marfrig values respect for diversity and human rights, strictly following the guidelines and laws applicable to these issues in the different countries in which it operates. Human resources management adheres to a policy aimed at offering opportunities for professionals to develop their careers within the Company, which includes training and certification programs, as well as an internal promotions culture, which is reflected in professional retention and stability.

For the year, training programs totaled 197,469 hours. Of this total, 54% were offered in the Company's South American operations. Participation per employee in training and capacity building programs was 9.6 hours/year in North America and 5.0 hours/year in South America. **[GRI 404-1]**



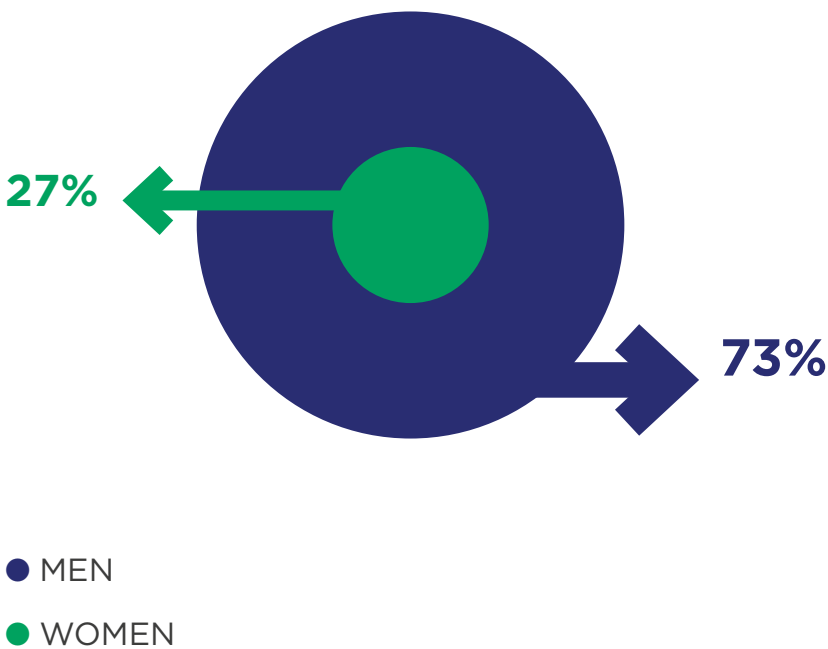


## TOTAL EMPLOYEES

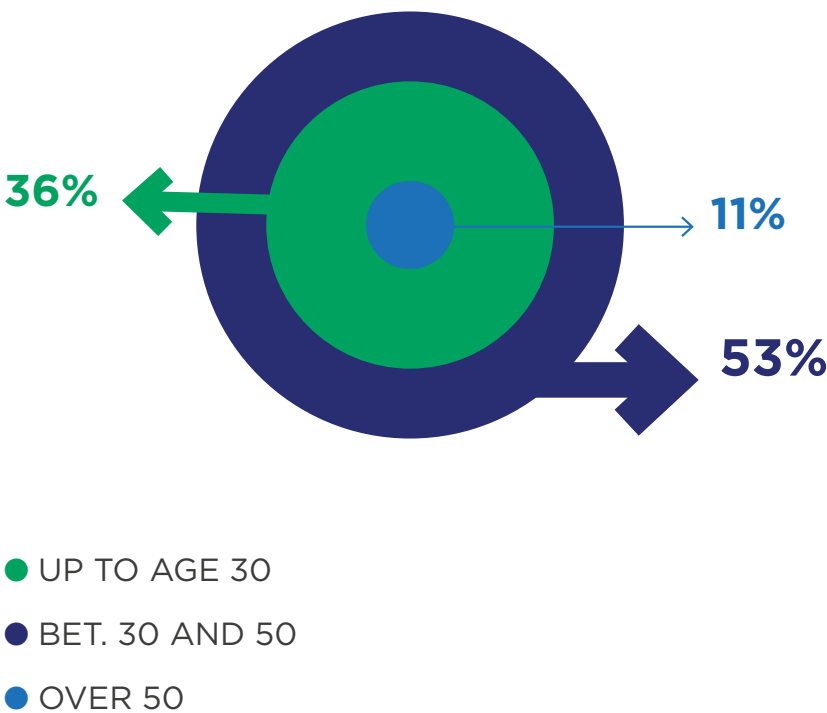
By gender	North America		South America	
	2019	2018	2019	2018
Women	3,289	2,795	6,256	6,728
Men	6,078	5,330	16,619	16,797
<b>Total</b>	<b>9,367</b>	<b>8,125</b>	<b>22,884</b>	<b>23,525</b>

By age group	North America		South America	
	2019	2018	2019	2018
Up to age 30	2,939	2,577	8,315	8,236
Bet. 30 and 50	4,134	3,582	12,114	12,574
Over 50	2,294	1,966	2,455	2,715

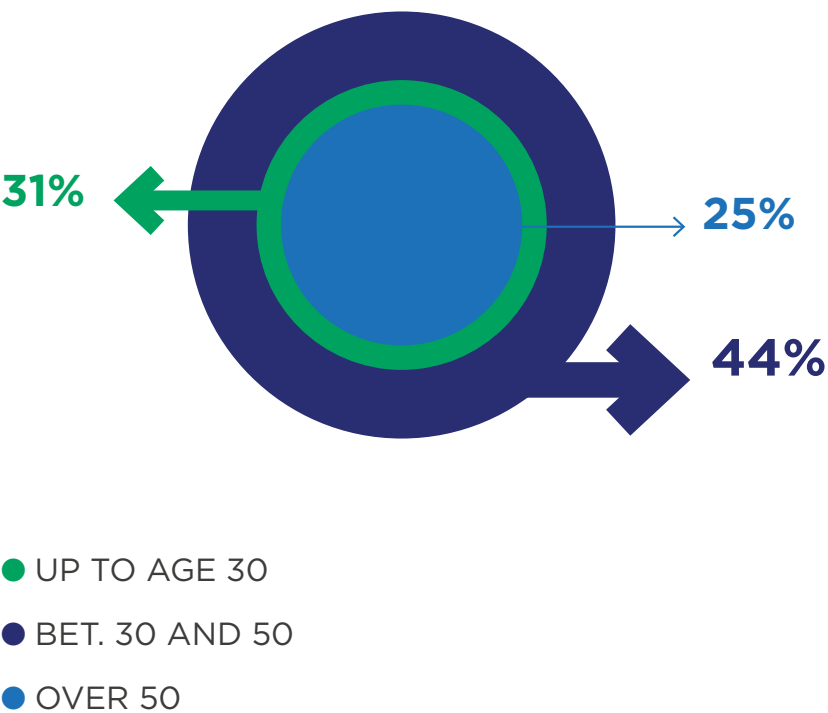
**32,251**  
Employees



**22,884**  
South America operations employees



**9,367**  
North America operations employees



In Chile, training was directed at employees in supervisory positions. In Argentina, as training was concentrated on specific routines, employees were selected following personnel evaluations. In the U.S., most of the training courses covered workplace safety including, for example, specific programs related to the handling of equipment. There was also an initiative developed for leaders; approximately 400 managers and supervisors participated. In addition to the above, training and capacity building programs maintain partnerships with language schools, which offer English classes in the workplace. This initiative is motivated because Marfrig's workforce is composed of more than 15 nationalities. To accommodate this variety of cultures, the Company seeks to facilitate its employees' access to language classes.

Personnel receive periodic performance and professional development assessments. In Chile, Argentina, and Uruguay, all employees receive these reviews, in which topics such as responsibility, discipline, productivity, commitment to work, and collaboration with colleagues, among others, are assessed. In the U.S., approximately 90% of the workforce receives evaluations through formal and informal processes throughout the year. These, in turn, contribute to determinations regarding salary increases for those in managerial positions. **[GRI 404-3]**

In Brazil, assessments are made based on the performance of employees in relation to goals, which are determined annually and are in line with the Company's strategies. The targets are defined by the departments and validated by the Corporate Human Resources division. Individual performance is monitored on a monthly basis; at the end of the period, staff members are considered for recognition as high-performance employees. In 2019, employees in coordination and specialist positions became part of those eligible for such recognition, a group that already included directors and managers. **[GRI 404-3]**

The Company offers benefits in accordance with the laws established in each country in which it operates. In addition, some units, such as those in Uruguay and Argentina, have transition assistance programs, which offer bonuses to recognize and support people who retire from the Company. **[GRI 404-2]**





## OCCUPATIONAL HEALTH AND SAFETY

[GRI 103-2; 103-3]

Providing safe working conditions is a Marfrig priority. For this reason, unit routines strictly follow the regulatory standards and laws regarding occupational health and safety in the markets in which it operates.

In Brazil, the Company's plants are guided by the Corporate Workplace Health and Safety Guidelines Program (PDSSTC), which seeks to promote safe and adequate work environments that are in keeping with current legislation and technical standards, and to define unique standards for all operational units. In addition to premises and standards, the program includes instructions for training and mobilizing employees, suppliers, partners and service providers in this direction, as well as establishing the necessary resources to ensure a safe workplace environment. Activity results and related risks are continuously monitored against a set of indicators.

Argentina's operations establish an annual program for the prevention of risks and reduction of claims, and for improvements in health, hygiene and workplace safety. Over the period, these guidelines are closely monitored in meetings of committees created for this purpose. These are occasions when accident indicators and other issues related to this subject are analyzed.

Operational units in the various countries employ specialists in this field and have Safety Committees, such as the Internal Accident Prevention Committee (CIPA), Specialized Services in Safety Engineering and Occupational Medicine Committee (SESMT), the Workplace Health and Safety Committee, and Ergonomic Committee. Additionally, North American plants undergo safety assessments based on the DuPont Behavior Based Observation (BBS) process.

Among other functions, it is the responsibility of the safety committees to investigate and communicate the cause of accidents, and to ensure the adoption of practices as established in the Company's action plans. They also contribute to identifying and mapping work process risks, developing preventive action plans, participating in quality control of prevention measures, and assessing workplace action priorities.

In Brazil, the Company's operations rely in their Internal Accident Prevention Committees (CIPAs). Established in 20 units – including factories, distribution centers, and administrative offices – they are made up of 374 employees, including active and alternate members. Equivalent committees are installed in the other plants in South America and the eight North American units. **[GRI 403-1]**

The units also have teams of safety engineers, safety technicians, occupational physicians and nursing technicians, all of whom focus their attentions on the care and control of health risks for workers who are exposed to illnesses related to the work routines in which they are involved. Sectors in which activities can trigger illnesses are monitored and mapped, always with an eye toward prevention. Should any case arise, the given employee is referred to the occupational physician or appropriate medical specialists. **[GRI 403-3]**

To ensure an equilibrium in labor relations, collective bargaining agreements can occasionally address issues relating to health and safety matters. **[GRI 403-4]**

In 2019, there were 3,858 accidents were recorded in-house globally, which resulted in 23,253 lost days. These figures are not comparable with those for the previous year due to the acquisitions and restructuring of units made in the period. **[GRI 403-2]**



## ■ ■ SOCIETY

In the countries where it maintains facilities, Marfrig implements significant programs that are designed to contribute to the development and social well-being of the communities in which it operates. To this end, highlights include the Marfrig Institute and the Company's partnership with the Hospital de Amor, in addition to a variety of campaigns and corporate donations.

### MARFRIG SUSTAINABILITY INSTITUTE

Created in 2011, Instituto Marfrig Fazer e Ser Feliz (Marfrig Act and Be Happy Institute) is a non-profit organization aimed at promoting social assistance, culture, education, health, food security, and sports. Its focus is on children, ages 6-11, in at-risk situations who are enrolled in public schools in the municipalities where the Company is present. The institute provides them with a series of physical and intellectual development programs, sports and leisure activities, designed to foster good citizenship and respect for the environment.

### PARTNERSHIP WITH HOSPITAL DE AMOR

Launched in 2017, Marfrig's partnership with Hospital de Amor – a center of excellence in oncology located in Barretos in the state of São Paulo – concentrates on providing a steady supply of meat to satisfy the daily consumption needs of the hospital, which serves approximately 16,000 people per month. To involve ranchers in this initiative, Marfrig created the Agro against Cancer program through which partners can donate to the hospital R\$ 1.00 per animal slaughtered. These resources are earmarked for the maintenance of treatments, cancer prevention, and early diagnosis, which are offered by the hospital to the public free of charge through the Unified Health System (SUS), Brazil's national health care service. For the year, Marfrig donated XX tons of Montana brand meat to the institution.





## COMMUNITY CAMPAIGNS, WITH INTERNAL STAKEHOLDERS

- Collection of toys and food;
- **Pink October:** Societal awareness-raising campaign about the importance of prevention and early diagnosis of breast cancer.
- **Blue November:** Societal awareness-raising campaign emphasizing the importance of prevention and early diagnosis of prostate cancer.
- Combating Drugs: Featuring lectures and awareness-raising activities in the units.
- Combating slave labor.
- **Anti-Discrimination:** Featuring lectures and awareness-raising activities in the units
- Yellow fever, zica, chikungunya and dengue fever awareness and, in several units, vaccination campaigns.
- Campaigns on sexually transmitted diseases and distributions of condoms during Carnival.
- First aid campaigns in U.S. units (e.g., National Night Out, National Fire Safety, and Drug Awareness Education).
- **World No Tobacco Day:** Featuring lectures and the distribution of materials aimed at making employees aware of the ills caused by cigarettes.

## DONATIONS

Financial, food, and material donations for various causes, in Brazil and abroad:

- Financial resources: In Brazil, for the Disabled Children's Assistance Association (AACD) and the Fundação Infantil Ronald McDonald (Ronald McDonald House); and in the U.S., for local non-profit groups in communities close to Marfrig's National Beef plants (e.g., military families support: Wounded Warrior Project, TAPS Honor Guard Gala-Tragedy Assistance Program; Special Olympics; and homeless shelters, food campaigns, among others).
- First aid campaigns in U.S. units (e.g., National Night Out, National Fire Safety, and Drug Awareness Education).
- Donations of trees for planting in different regions.
- Disused paper: Sent for recycling to the Garrahan Pediatric Hospital in Argentina.
- Donation of bovine organs to schools for use in practical anatomy classes.

■ ■ ECONOMIC-FINANCIAL  
PERFORMANCE – PROFORMA

A year of record results, which reinforces the Company’s correct decision to focus on beef protein, highlighted by a

**33.7%**  
growth in adjusted EBITDA and an

**11.2%**  
in net revenue.

Among the factors that drove these numbers are geographic diversification – a significant presence in South America, as well as in the North American market, which is going through an excellent period in the beef cycle, with a greater availability of animals and a growing demand for beef. In South America, Marfrig has the largest number of units authorized to export products to China, thus positioning it favorably to capture the benefits generated by that country’s increased demand for protein.





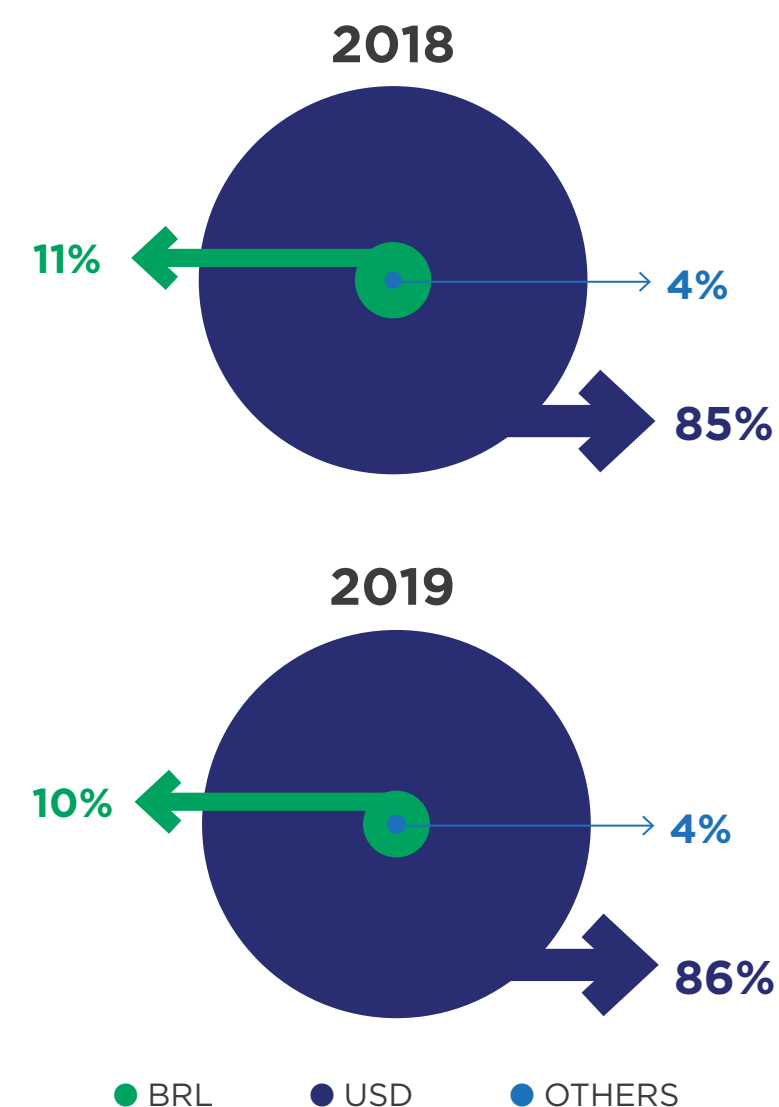
## NET REVENUE

**R\$ 49.9 billion,**

an increase of 11.2%.

### Revenue by currency

As a multinational, much of Marfrig's revenue comes from different markets outside of Brazil, which is the firm's host country. In 2019, international currencies accounted for 90% of total revenue.



### Revenue from operations

In **North America**, the operation's net revenue was

**US\$ 8.9 billion,**

an increase of 4.9% over 2018.

The increase is mainly explained by the 5.9% rise in the average price in the domestic market and a higher volume of total sales, reflecting an improved moment for the North American economy, and higher industry utilization rates linked to the large availability of cattle. In Brazilian reais, net revenue from the operation was R\$ 35.1 billion.

In **South America**, revenue was

**R\$ 14.8 billion,**

up 7.3% over 2018. The factors that drove this result included an 8% currency devaluation and price increases, both in the export market, of 14.5%, and in the domestic market, of 8.5%.

## NET RESULT

**R\$ 218 million,**

reflecting the profit obtained in all quarters of the year.

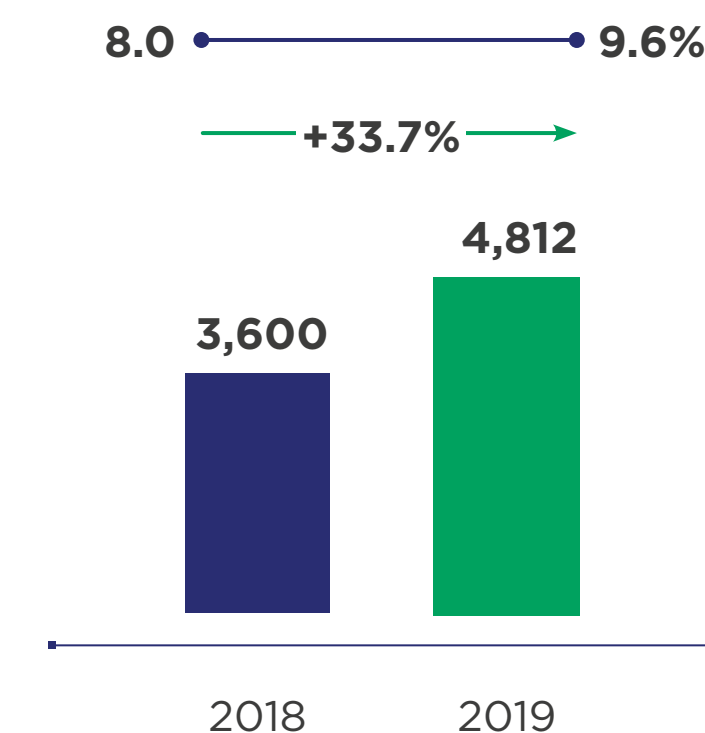
### PRO FORMA ADJUSTED EBITDA

Record for the year, this totaled

**R\$ 4.8 billion,**

which surpassed the prior year by 33.7%. The adjusted EBITDA margin, in turn, changed 9.6%, an expansion of 160 bps compared to 2018, when it reached 8.0%.

In millions of R\$

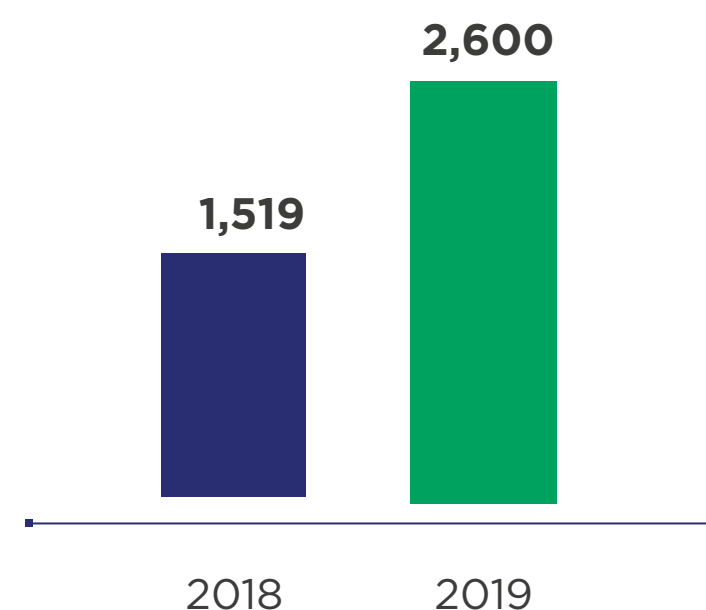


## OPERATING CASH FLOW

**R\$ 2.6 billion,**

driven by an excellent moment for the Company's North American operations and operational improvements made in its South American operations.

In millions of R\$



## RECURRING CAPEX

**R\$ 814 million,**

which was 19% higher than in 2018. The increase is mainly explained by the effect of an exchange rate devaluation in the translation of investments made in foreign currency, disbursements in North American operations, and readjustments for some South American units, such as Várzea Grande in Brazil.

## NET DEBT

In dollars, an 59% increase in net debt, which is mainly explained by the US\$ 849 million purchase of an additional stake in National Beef. Totals, in December 2019:

**US\$ 3,301 million**

(R\$ 13.4 billion), comprising a gross debt of US\$ 5,518 million and a cash and investments balance of US\$ 2,087 million.

## Leverage (in reals):

2019:	2018:
<b>2.77x</b>	<b>2.39x</b>





## PRINCIPAL INDICATORS

Economic-financial (R\$ billion)	2019 Proforma	2018 Proforma	2017	2016	2015
Net revenue	49.9	44.8	34.6	18.8	18.9
CPV	43.4	39.5	30.8	16.7	16.6
Gross profit	6.5	5.3	3.7	2.2	2.3
Gross margin	12.9%	11.8%	10.8%	11.5%	12.2%
Adjusted EBITDA	4.8	3.6	2.5	1.6	1.8
Adjusted EBITDA Margin	9.6%	8.0%	7.2%	8.6%	9.5%
Net debt	13.4	8.0	11.8	5.9	7.1
Leverage ratio (Net Debt/EBITDA UDM Adj.)*	2.8x	2.4x	3.5x	3.7x	2.3x
Shareholder equity	3.9	4.0	2.6	0.9	0.7
<b>Operational</b>					
Number of employees	32,251	29,600	28,765	29,927	30,276
Women	27%	30%	31%	36%	38%
Men	73%	70%	69%	64%	62%
Revenue per employee (R\$ '000)	1,550.00	1,513.51	1,202.85	628.20	624.26
<b>Socio-environmental</b>					
Socio-environmental investments (R\$ million)		9.4	57.9	11.1	29.5
Water consumption (millions m <sup>3</sup> )	26.5	12.6	20.1	18.7	19.9
GHG Emissions - Scope 1 ('000 tCO <sub>2</sub> e)	432.2	368.1	348.5	355.8	316.9
GHG Emissions - Scope 2 ('000 tCO <sub>2</sub> e)	201.1	202.7	269.6	261.6	277.4
<b>Occupational health and safety</b>					
Total accidents	3,858	2,804	773	2,205	2,476
Lost time due to accidents	23,253	18,454	14,375	20,309	8,728

VALUE ADDED STATEMENT (VAS)

[GRI 201-1]

For the year, the total added value to be distributed (consolidated) totaled R\$ 10.2 billion. The largest portion of this total (42%) was earmarked for third party capital remuneration, such as interest payments or rents.

	Consolidated (in thousands of R\$)	
	2019	2018
Revenue	49,744.936.00	35,649.644.00
Added value distribution	10,194.146.00	10,894.516.00
Personnel	3,995.282.00	2,489.589.00
Taxes, fees, and contributions	327,616.00	1,840.544.00
Remuneration from third-party capital	4,289.009.00	4,410.413.00
Remuneration on Equity Capital	1,582.239.00	2,153.970.00



GRI CONTENT SUMMARY

GRI Standards	GRI Topcs	Definitions	Page/Answer
GRI 102 – General Disclosures	102-14	Statement from senior decision-maker	7
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	102-2	Activities, brands, products, and services	17
	102-3	Location of headquarters	14
	102-4	Location of operations	14.16
	102-5	Ownership and legal form	14
	102-6	Markets served	14
	102-7	Scale of the organization	14
	102-8	Information on employees and other workers	56
	102-41	Collective bargaining agreements	Conventions or collective bargaining agreements may address matters pertaining to health and safety, issues that are managed by the Company in accordance with Regulatory Norms and laws related to these matters in the respective markets.
	102-9	Supply chain	50
	102-10	Significant changes to the organization and its supply chain	19
	102-11	Precautionary Principle or approach	34
	102-12	External initiatives	4
	102-13	Membership of associations	40
	102-45	Entities included in the consolidated financial statements	Marfrig Global Foods S.A. and subsidiaries, such as NBM US Holdings, Inc. Marfrig Argentina S.A, Marfrig Chile S.A., Quickfood S.A, among others.

GRI Standards	GRI Topcs	Definitions	Page/Answer
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	103-1	Explanation of the material topic and its Boundary	5
	102-48	Restatements of information	3
	102-49	Changes in reporting	3
	102-40	List of stakeholder groups	4
	102-42	Identifying and selecting stakeholders	4
	102-43	Approach to stakeholder engagement	4
	102-44	Key topics and concerns raised	4
	102-50	Reporting period	3
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	102-53	Contact point for questions regarding the report	3
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	102-55	GRI content index	67
	102-56	External assurance	This report was not submitted to a third party audit
	102-18	Governance structure	28
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Materiality topic	GRI Standards	GRI topics	Definitions	Page/Answer
High Value Added Products	GRI 102: General Disclosure	102-2	Activities, brands, products, and services	17
	GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	51
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	51
	GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	55
		417-2	Incidents of non-compliance concerning product and service information and labeling	55
		417-3	Incidents of non-compliance concerning marketing communications	55
	GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	5
		103-2	The management approach and its components	50
		103-3	Evaluation of the management approach	50
Generation of Sustainable Value	GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	37
	GRI 302: Energy	302-1	Energy consumption within the organization	48
	GRI 303: Water	303-1	Water withdrawal by source	46
		303-3	Water recycled and reused	47
	GRI 304: Biodiversidade	304-2	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	39
	GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	41
		305-2	Energy indirect (Scope 2) GHG emissions	41
		305-4	GHG emissions intensity	41
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	GRI 306: Effluents and Waste	306-2	Waste by type and disposal method	49

Materiality topic	GRI Standards	GRI topics	Definitions	Page/Answer
Generation of Sustainable Value	GRI 308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	38
		308-2	Negative environmental impacts in the supply chain and	38
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