

# ANNUAL REPORT 2012

Sadia



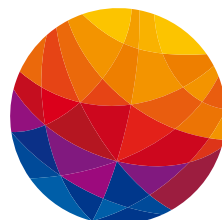
PERDIGÃO



Batavo

Elegê

Qualy  
Sadia



brf

# MISSION

To be a part of people's lives by offering tasty foods, with high quality, innovation and at affordable prices anywhere in the world.

# VISION

To be one of the leading food companies in the world, admired for its brands, innovation and results, contributing to a better and sustainable world.

# VALUES

Our values represent the basis for the development of our businesses.

- **Integrity** as the basis of any relationship
- **Focus on the consumer** is a fundamental ingredient of our success
- **Respect for people** makes us even stronger
- **Developing people** is fundamental to sustain our growth
- **High performance** is what we strive for permanently
- **Quality** in our products and excellence in our processes
- Constant **innovative spirit**
- **Sustainable growth**
- **Global vision**, local agility
- Commitment to **diversity** and the **acceptance** of differences

[GRI 4.8]

The BRF logo was created to represent our essence. The adopted symbol represents the globe, with all of its cultural, social, territorial and racial diversity.

Each small part is assembled in a larger element, which shows that despite our differences we complete each other, communicate and create ties.

In short, we are close to one another. The BRF logo expresses our positioning and our goal of uniting families and friends, of bringing lives together.



The brand which brings lives together also brings the world together.

01 BRF



06 NATURAL CAPITAL

05 SOCIAL CAPITAL

04 HUMAN CAPITAL





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02 FINANCIAL AND  
CONSTRUCTED  
CAPITAL

03 INTELLECTUAL  
CAPITAL

## PRINCIPAL INDICATORS [GRI 2.8]

R\$ million	2007	2008	2009 <sup>1</sup>	2010	2011	2012
<b>Net sales</b>	<b>6,633</b>	<b>11,393</b>	<b>20,937</b>	<b>22,681</b>	<b>25,706</b>	<b>28,517</b>
Domestic market	3,482	6,424	12,148	13,515	15,419	16,668
Export market	3,151	4,969	8,789	9,166	10,287	11,849
<b>Gross profit</b>	<b>1,873</b>	<b>2,759</b>	<b>4,220</b>	<b>5,730</b>	<b>6,659</b>	<b>6,454</b>
Gross margin (%)	28.2	24.2	20.2	25.3	25.9	22.6
<b>Operating income</b>	<b>504</b>	<b>709</b>	<b>392</b>	<b>1,874</b>	<b>2,001</b>	<b>1,389</b>
Operational margin (%)	7.6	6.2	1.9	8.3	7.8	4.9
<b>EBITDA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>2,890</b>	<b>2,348</b>
EBITDA margin (%)	NA	NA	NA	NA	11.2	8.2
<b>Adjusted EBITDA</b>	<b>803</b>	<b>1,159</b>	<b>1,166</b>	<b>2,635</b>	<b>3,244</b>	<b>2,680</b>
Ajusted EBITDA margin (%)	12.1	10.2	5.6	11.6	12.6	9.4
<b>Net income</b>	<b>321</b>	<b>54</b>	<b>225</b>	<b>804</b>	<b>1,367</b>	<b>813</b>
Net margin (%)	4.8	0.5	1.1	3.5	5.3	2.9
<b>Net adjusted income</b>	<b>321</b>	<b>155</b>	<b>357<sup>2</sup></b>	<b>804</b>	<b>1,582<sup>3</sup></b>	<b>813</b>
Net adjusted margin (%)	4.8	1.4	1.7	3.5	6.2	2.9
<b>Market value</b>	<b>8,230</b>	<b>6,155</b>	<b>19,792</b>	<b>23,853</b>	<b>31,776</b>	<b>36,810</b>
<b>Total assets</b>	<b>6,543</b>	<b>11,219</b>	<b>28,384</b>	<b>27,752</b>	<b>29,983</b>	<b>30,772</b>
<b>Shareholder's equity</b>	<b>3,226</b>	<b>4,111</b>	<b>12,996</b>	<b>13,637</b>	<b>14,110</b>	<b>14,576</b>
<b>Net debt</b>	<b>429</b>	<b>3,390</b>	<b>4,193</b>	<b>3,634</b>	<b>5,408</b>	<b>7,018</b>
Net debt/EBITDA	0.53	2.92	3.60	1.38	1.67	2.62
Earnings per adjusted share - R\$ <sup>(3 and 4)</sup>	1.73	0.26	0.28	0.92	1.82	0.94
Number of shares	185,957,152	206,958,103	436,236,623	872,473,246	872,473,246	872,473,246
Number of treasury shares	430,485	430,485	1,226,090	781,172	3,019,442	2,399,335

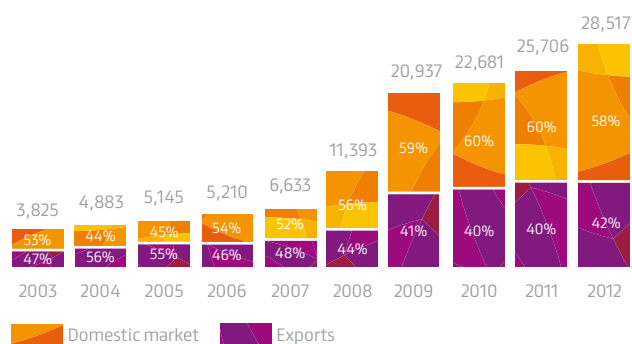
(1) Pro-forma data for 2009, as if the incorporation of the association with Sadia had occurred on January 1, 2009.

(2) Net adjusted result - not considering the absorption of tax losses amounting to R\$ 132 million due to the incorporation of Perdigão Agroindustrial S.A. in 1Q09

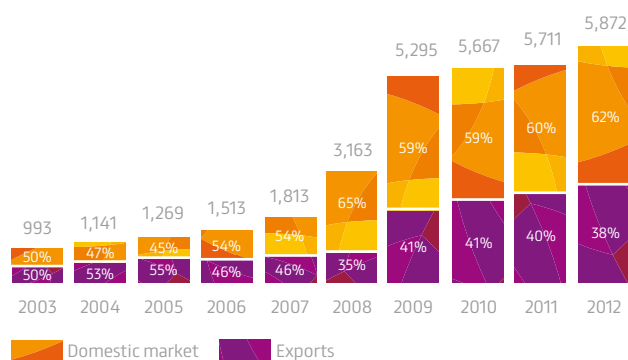
(3) Net adjusted result - not considering the absorption of the forecasted loss of R\$ 215 million in Income Tax with respect to the incorporation of Sadia S.A., expected to take place in 2012.

(4) Consolidated excluding shares held as treasury stock

### Net sales R\$ million CAGR= 25.6%



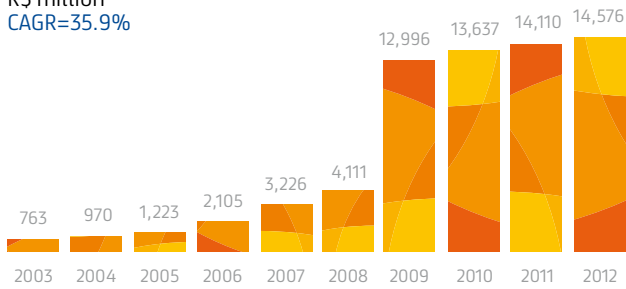
### Sales\* In thousands of tons CAGR= 20.6%



\* Including meat, dairy and other processed products

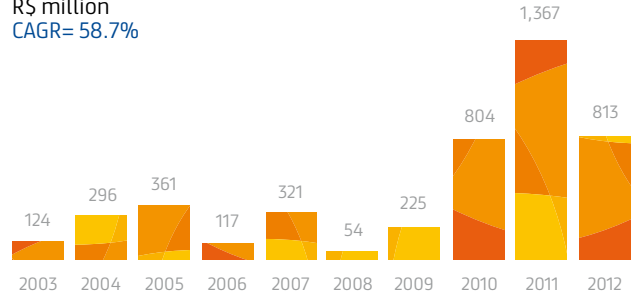
### Shareholder's equity

R\$ million  
CAGR=35.9%



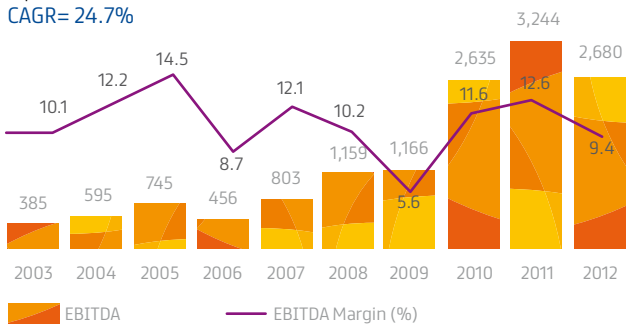
### Net income

R\$ million  
CAGR= 58.7%



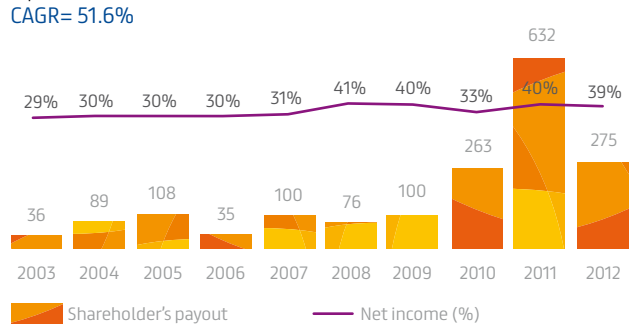
### EBITDA (adjusted)

R\$ million  
CAGR= 24.7%



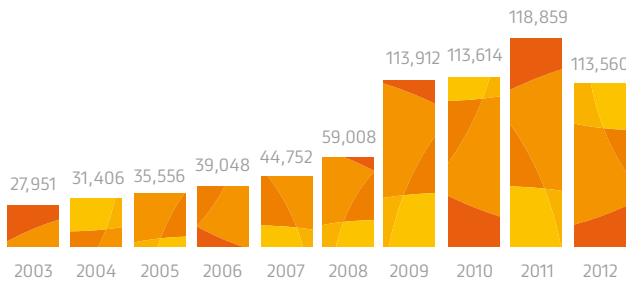
### Shareholder's payout

R\$ million  
CAGR= 51.6%



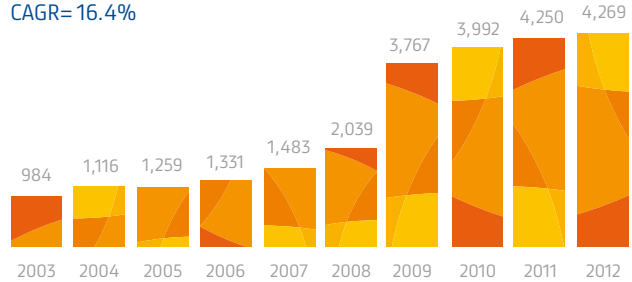
### Number of employees

CAGR= 16.8%



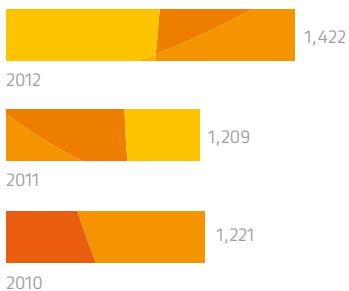
### Production of meat

In thousands of tons  
CAGR= 16.4%



### Social investments\*

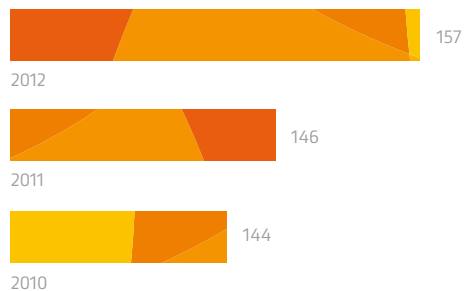
R\$ million  
CAGR=7.9%



\*Include internal investments

### Environmental investments

R\$ million  
CAGR=4.4%



## BRAND

### BRF has a new visual identity

A logo full of symbolism which seeks to reflect the essence of the Company and its global footprint: more than producing food, BRF creates products able to bring lives together and to provide moments of wellbeing. And this principle is also present in the relations with all the brand's stakeholders, producing a veritable dialog with the world.

The BRF logo has been created to represent our essence. The adopted symbol represents the globe with all its cultural, social, territorial and racial diversity.

Each small component combines into a single larger element showing that despite the differences, we are all-embracing, converse with one another and create bonds.

In short, we are close to our consumers. The BRF logo expresses our positioning and our objective of bringing families and friends together, of approximating lives.

## BUILDING A GLOBAL BRAND

### Has Energy

- Relishes major challenges;
- Values high performance;
- Has a youthful spirit and a vocation for entrepreneurship;
- Produces foods which inject energy into the lives of people.

### Is a protagonist

- Has strength and solidity;
- Adopts the attitude of a leader;
- Multiplies sustainable practices along the entire production chain;
- Adopts the role of educator;
- Transforms positively the communities in which it operates.

### Cultivates bonds

- It is committed and dedicated;
- Enhances its talents;
- An integrator of the production chain;
- Develops customized solutions with suppliers and clients;
- Has brands which are dear to the hearts of consumers.

### Dialogs with the world

- Has a worldwide footprint;
- Is multicultural and plural;
- Is flexible;
- Is simple and uncomplicated;
- Is disposed to learn.





## BRF STATEMENT

At BRF, we produce food in a special way: we bring ideas together to discover new possibilities and opportunities.

And this begins at the farm gate. We bring together the work of thousands of partners in an unending chain. This is our starting point for food production in various places around the world.

When we combine this driving force and knowledge, we multiply our sustainable practices and influence the communities where we work in a positive way.

Here in the Company, we bring together different views and preferences. In this way we discover new possibilities for products that connect people and a universe of tastes.

We have a team with a youthful spirit and a vocation for entrepreneurship. These are committed people, open to dialog, who deliver their best results with great energy. All are driven by the mission of being a global food company with admired brands and innovation and which delivers what it promises. For us, major challenges such as this are what motivate us!

We want to increasingly participate in the lives and the world of people.

This is the way we are going to achieve our purpose, producing food and offering services which bring lives together, share experiences and promote new discoveries.

**BRF: Bringing lives together.**

**Welcome to BRF's new visual identity:**

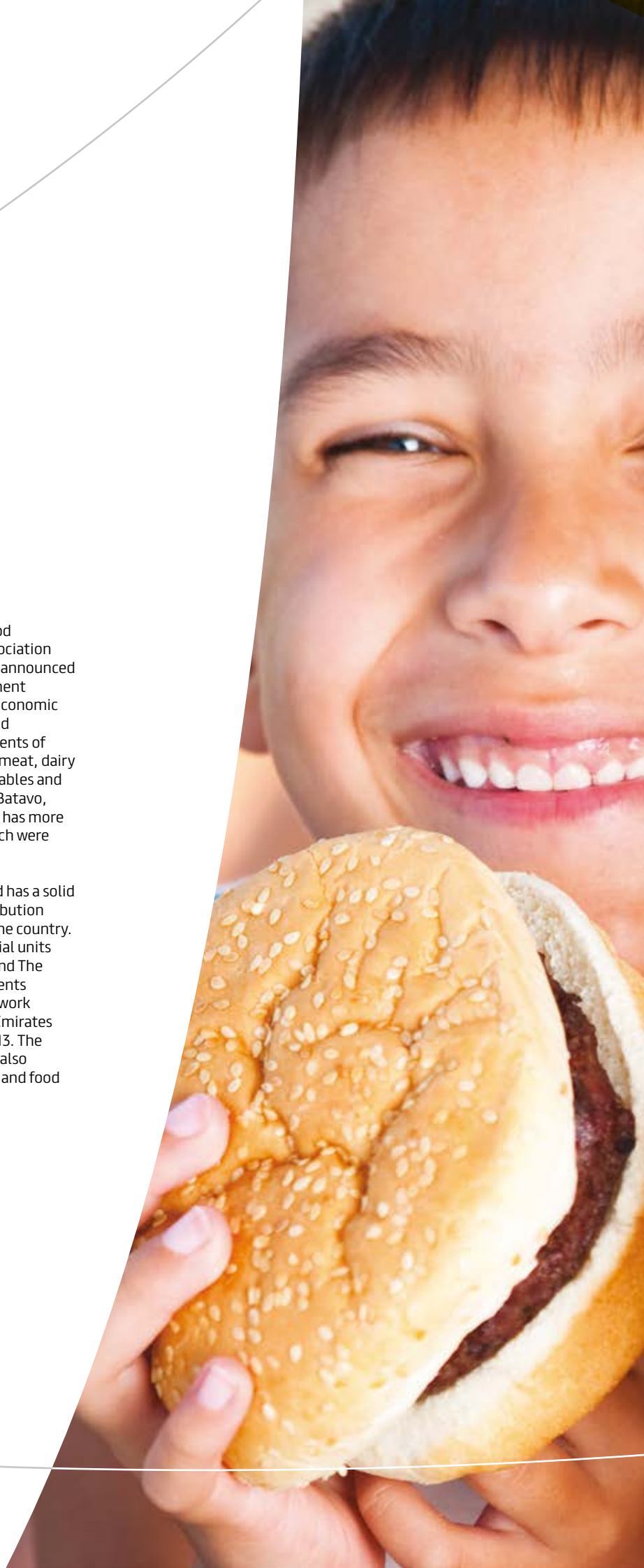





## BRF

One of the largest protein-based chilled and frozen food producers in the world, BRF was created out of the association between Perdigão and Sadia, the merger of which was announced in 2009 with the signing of the Performance Commitment Agreement (TCD) with the Administrative Council for Economic Defense – the Brazilian anti-trust authority – (Cade) and concluded in 2012. The Company operates in the segments of meats (poultry, pork and beef), processed foods from meat, dairy products, margarines, pastas, pizzas and frozen vegetables and sold under such household names as Sadia, Perdigão, Batavo, Elegê, Qualy, Chester, Perdix, Paty, among others. BRF has more than 3.3 thousand products in its portfolio, 450 of which were launched on the market in 2012. [GRI 2.1, 2.2]

BRF operates 50 plants installed throughout Brazil and has a solid domestic distribution network which through 33 distribution centers delivers its products to consumers in 98% of the country. In the overseas market, the Company has nine industrial units in Argentina and two in Europe (the United Kingdom and The Netherlands) and 19 commercial offices for serving clients in more than 120 countries in five continents. In 2012, work began on a new plant in Abu Dhabi in the United Arab Emirates - scheduled to be inaugurated in the second half of 2013. The joint venture with Dah Chong Hong Limited (DCH) was also consolidated and now distributes to the Chinese retail and food services sectors. [GRI 2.3, 2.5, 2.7]







The brand which brings lives  
together also brings the world  
together.



The Company's shares have been listed on the stock exchange for 32 years. Since 2006, BRF has been a component of BM&FBovespa's Novo Mercado. For eight years now, the corporate commitment to sustainable development has been recognized through inclusion in the Exchange's Corporate Sustainability Stock Index and from 2013, the Emerging Markets portfolio of the Dow Jones Sustainability Index. The Company is a widely held company, its securities also trading on the New York Stock Exchange (NYSE - ADR level III). One of the largest employers in Brazil, the Company ended the year with a payroll of 109,473 and approximately 20,000 integrated outgrowers. **[GRI 2.6, 2.8]**

The most significant structural change undergone by the Company in 2012 was the full integration of the Sadia subsidiary. The year also saw the complete implementation of the TCD agreed with Cade, resulting in the divestment of assets and

the suspension of certain brands. BRF ceded to Marfrig ten food and four animal feed processing plants, two hog and two poultry slaughtering facilities, 12 chicken breeder stock farms, two poultry hatcheries and eight distribution centers. Brands transferred under the agreement were Rezende, Wilson, Texas, Tekitos, Patitas, Escolha Saudável, Light Elegant, Fiesta, Freski, Confiança, Dariana and Delicata. Cade ordered the temporary suspension from three to five years of some categories sold under the Perdigão and Batavo names. **[GRI 2.9]**

In compensation, BRF took control of Quickfood in Argentina, owner of Paty, the leading hamburger brand name in the local market. In expanding its footprint and operations in South America, the company underscored its target of overseas growth and this in conjunction with organic growth in Brazil currently underway, provides the foundations for sustained expansion in line with the objectives of the BRF 15 Strategic Plan.

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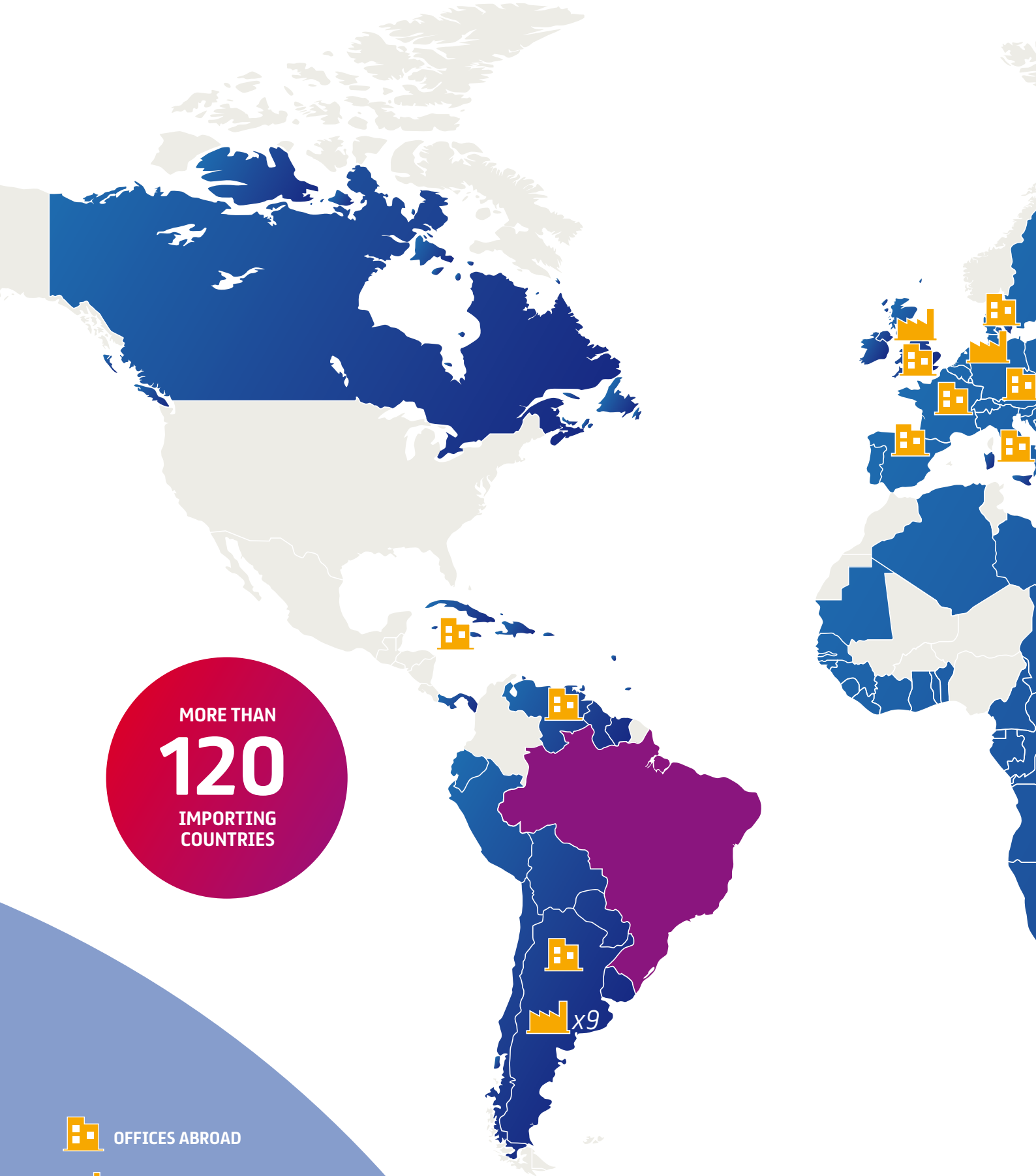
Industrial units in Brazil | GRI 2.31



- Industrial units BRF
- Distribution centers BRF

Distribution centers	33
Industrial units (meat, soybean and processed foods)	37
Industrial units (dairy products)	13



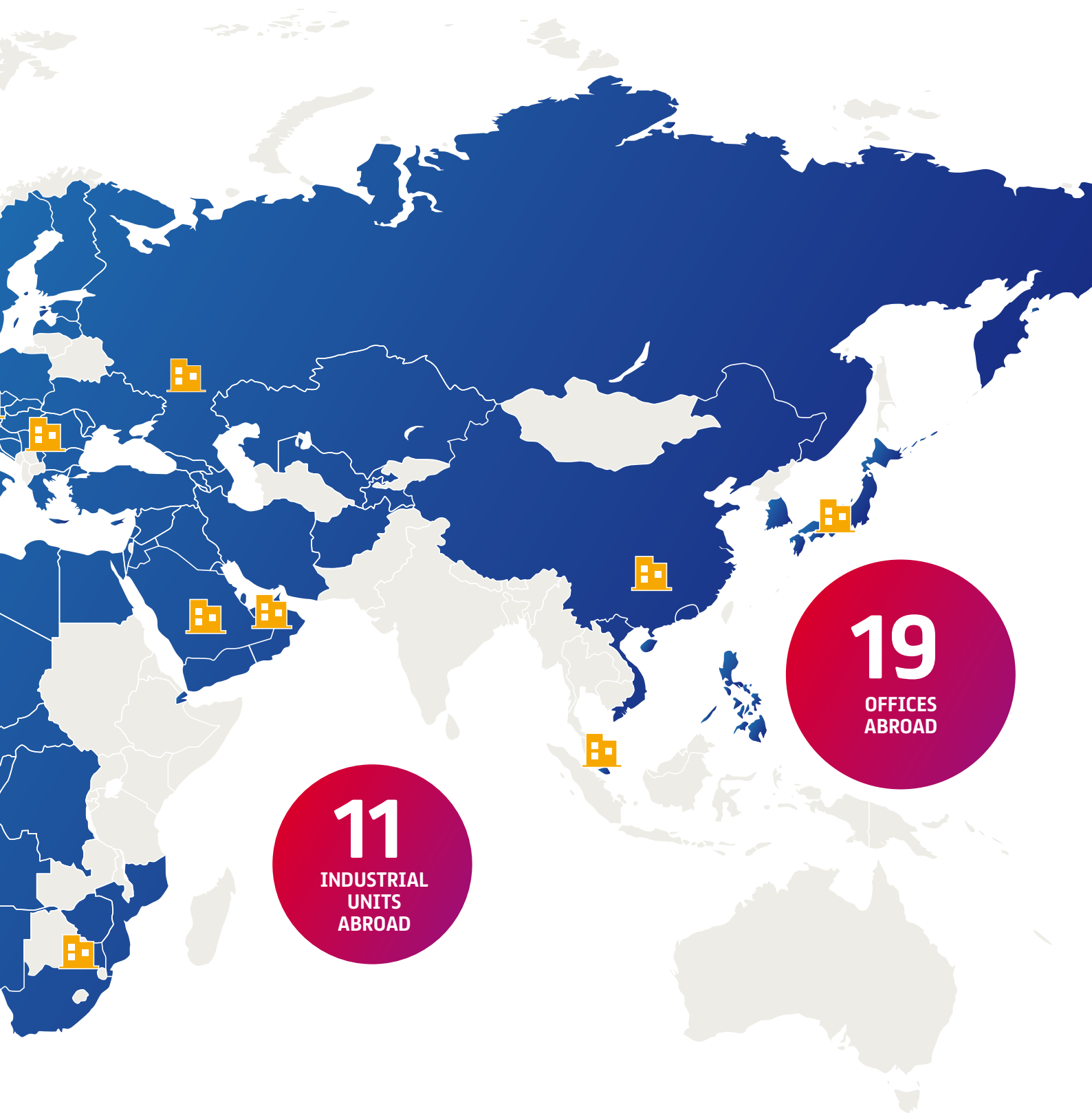


MORE THAN  
**120**  
IMPORTING  
COUNTRIES

 OFFICES ABROAD

 INDUSTRIAL UNITS

 EXPORTS



**11**  
INDUSTRIAL  
UNITS  
ABROAD

**19**  
OFFICES  
ABROAD

## MESSAGE FROM MANAGEMENT | GRI 1.1

Dear Shareholders,

The year will go down in the annals of BRF as the one in which we implemented one of the most complex mergers anywhere in the world - that between Perdigão and Sadia - with the Company embarking on a new cycle. During the year, we complied in full with the agreement signed with the Administrative Council for Economic Defense (Cade), the Brazilian anti-trust authority, selling off plants, brands and distribution centers as well as temporarily suspending the use of the Perdigão brand for some product categories. We successfully ended the year by completing the merger process, including the incorporation of Sadia.

In the business field, we were faced with an international economic crisis and an unprecedented spike in costs on the back of highly volatile and rising grain prices, characterizing one of the most difficult years for the world animal protein segment. But despite the transfer of assets and the suspension of brands representing about a third of our sales volume to the domestic market, we successfully increased consolidated net sales by 10.9% to R\$ 28.5 billion. Adjusted EBITDA reached R\$ 2.7 billion, and EBITDA reached R\$2.3 billion, while net income totaled R\$ 813.2 million, a negative variation of 40.5% over the preceding year. It should be pointed out that in the second half of 2012 following the agreement with CADE, domestic market sales rose 50% on the same comparative basis.

This result is a reflection of extremely arduous and consistent work on a process which involved the Company in the implementation of two agendas in parallel: the daily operational routine together with the commitments surrounding the execution of the merger. The result proved a reaffirmation of the capacity of the Company to plan as a critical element in its success and one of its competitive advantages. Since the announcement of the merger, we have reached an average of 30.2% per year in Total Shareholder Return with our market capitalization standing at R\$ 36.8 billion, BRF ranking as the 7th largest food company in the world.

We experienced a particularly challenging period, executing several hundred projects during the year, this involving the adjustment of plants for the production of product lines displaced due to the transfer of units, new distribution centers and the redesign of the logistics network. At the same time, we continued to focus on innovation, launching more than 454 products, underscoring our presence in the market and receiving the recognition of Forbes magazine as one of the hundred most innovative companies in the world.

Emphasis was also given to our internationalization plan, most notably the start on construction of the Abu Dhabi plant to be concluded in 2013. We also consolidated the acquisitions made in Argentina with the merger of three companies, the purchase of the distributor, Federal Foods in the Middle East and the initiation of operations in China through the Dah Chong Hong Limited joint venture. We continue alert to opportunities for strategic acquisitions overseas so that we can evolve towards having our own local activities on the ground rather than being represented through the intermediary of exports only. The efforts to expand internationally have contributed - together with those made in the direction of ramping up organic growth in Brazil - towards building the BRF of our dreams, a world class company with unequalled competitiveness.

We reiterate our commitment to sustainability, increasingly part of our culture and our brands, and to progress in all the facets of the business. As a result, we have improved occupational safety

indicators with a reduction of 35.6% in accidents involving time off work compared with 2011. Since the inception of the Health, Safety and Environmental Program (SSMA) in 2008, the Company has successfully reduced this accident rate by 77.1%.

Underlying this progress is an important cultural change: the individual attitude of our more than 114 thousand employees which make the difference in terms of safety, health and preservation of the environment. We provide employment in the places where people live: 80% of our employees are located in the interior of the country - in addition to the approximately 20 thousand integrated outgrowers with whom we have supply contracts. In this way, BRF brings economic and social development to small municipalities and helps maintain the population rooted in the countryside.

Our values are aligned to the ten principles of the United Nations Global Compact. We are active on all operating fronts in conjunction with clients, employees, suppliers, government and society for ensuring respect for human and labor rights, protection for the environment and combating corruption. These values are immutable, forming the bedrock of our business and underscoring our ambitions for growth.

With the merger now consolidated, we have intensified the focus on the performance of assets through the increase in productivity and efficiency. We are reiterating our objective of being one of the largest food companies in the world, admired for its brand names, its innovative initiatives and its results, capable of maintaining and expanding its position of market leadership. To register this moment, we have adopted a new corporate brand with a new look, highlighting the building of a single company, which has energy, is a protagonist, cultivates relationships and dialog with the world. Our new corporate brand underscores our vocation for bringing lives together.

In terms of business, the outlook for 2013 is extremely positive. During the course of the second semester, we undertook some important adjustments to ensure compatibility between the operations and the new reality of costs for the segment. We shall also focus on the synergies to be captured and take full advantage of market opportunities, especially in the sphere of exports which are already showing a gradual and promising recovery and providing the basis for improving margins.

Deliveries in 2012 together with those we are preparing for 2013 are absolutely aligned with the BRF-15 strategic plan which is focused on internationalization and the enhancement of the value chain.

Finally, we would especially like to thank the unceasing support of our shareholders - instrumental in achieving our strategic objectives - and register our recognition of the effort and competence of our teams in generating results, with the creation of sustainable value for all stakeholders.

We are prepared to meet new challenges, identifying the role of each business segment, each product category and each brand. Our strategic focus is a long-term one and we have already begun to discuss our operation in the next decade in a process for outlining a vision of BRF in 2020. Unquestionably, we want to achieve even more.

**Nildemar Secches**  
Chairman of the Board  
of Directors

**José Antonio do Prado Fay**  
Chief Executive Officer



## STRATEGIC MANAGEMENT | GRI 1.2 |

The Company adopts a long-term strategic stance and begins 2013 aligned with the objectives and goals laid out in the BRF15 Strategic Plan to be one of the world's premier food companies by 2015, admired for its world-class brands, innovation and results. On the cusp of the new cycle, internal discussions are to begin on the BRF 20 Strategic Plan, preparing the Company for the coming decade.

All the work done in 2012 laid the foundations for a new cycle that now begins. After consolidating the agenda of obligations and tasks associated with the BRF-Sadia merger, the Company shifts focus to strategies for meeting the existing organic growth plan, including the goal of doubling 2010 sales within five years.

It will be a period of slower investments. Although the numbers are not small, the curve will drop in 2013-14. The focus will be on efficiency via increased productivity and the optimization of and return on invested capital, exploiting existing capacity in order to consolidate a globalized BRF with a wide and innovative portfolio of products to satisfy the diverse consumer profiles around the globe.

Domestically, the Company will make efforts to identify the role and positioning of each product category. The potential of the Sadia name as an iconic brand will be exploited for its characteristic of vitality and as a source of pleasure and enhancing the concept of sociability. The Perdigão brand, in turn, will be addressed in order to keep it relevant in consumers' minds, even with the volume loss arising from the agreement with Cade, conveying a sense of caring and protection.

Synergic gains are linked to increased productivity and efficiency at a low cost, the result of distribution centers able to operate with the full spectrum of brands, deliveries using the same trucks, and joint bills-of-sale to invoice products from a single legal entity.

The cornerstone of internationalization is based on four points: brand, portfolio, progress in distribution and local production, themes that are complementary and directed towards the desired change in the overseas market. Long-term planning will change BRF's international profile and position it to focus less on commodities and more on processed goods. To this end, strategic moves will be based on acquisitions of processors and distributors in the international market, the construction of factories and the development of products and marketing campaigns for different cultures and tastes, consolidating Sadia as a premium brand.

## BRF 15 Objectives

### Domestic market

- **Meat products** – Consolidate position in active markets; grow in categories capable of expansion; correctly position brands; add new categories/innovation to the business; focus on market share value; and promote service excellence.

### Foreign market

Expand operations via acquisitions of processing and distribution units and local brands, using raw materials produced especially in Brazil due to competitive production costs; consolidate active markets, reaching retail and food-services customers and developing products according to each market's demands, in order to reduce export margin volatility; and maintain a specific strategy for each area of operations:

- **Middle East** – Build a factory with capacity for 80 thousand tons of processed foods; consolidate lead; strengthen brands, specially the Sadia brand which is already top of mind in the region; and increase retail and food-services penetration.
- **Latin America** – Expand processed foods production; make progress on the distribution chain and brands; add synergies from newly acquired businesses; have enriched brands and portfolios with a production base in Argentina.
- **Far East** – Reposition the Sadia brand as premium; strengthen the value-added products mix for the transformation industry, particularly in China – maintain joint venture to improve product distribution and processing; focus on retail and food services.
- **Europe** – Improve the product mix; customers portfolio; footprint and progress along the distribution chain.
- **Africa** – Strengthen the Perdigão and Sadia brands and enter new markets with significant consumer potential.

### Dairy Products

- Consolidate lead in the cheeses segment; capture synergies in the sales and distribution areas; pursue return with lower capital requirement; review dry goods positioning; and increase the brands' competitive edge and the portfolio's added value.

### Food Service

- Strengthen competitive position in the food-services market, building basic and distinctive competencies at BRF, generating growing profitability.



**Sustainability as a strategic pillar [GRI 1.2]**

In a year of major challenges, the sustainability factor continued a priority for BRF. The concept is already crystallized in its culture, being part of its strategy and daily management processes with the attitudes of the organization based on a set of guidelines, practices and actions for simultaneously attaining positive results at economic, environmental and social levels. In this context, the Company instills sustainability in the organization through the education-reward method with practical applications and concrete impacts on the daily lives of employees, using variable compensation goals for the executives (*More information in the sections on Corporate Governance and Human Capital*).

In addition, sustainability is an integral part of the Company's mission, vision and values. There is a dedicated sustainability team although all projects are implemented in conjunction with the various departments and units. And all projects are designed so that BRF meets and anticipates the needs and potential of its stakeholders and are recognized as sustainable and are worthy of occupying an outstanding market position.

The principal tendencies in consumption and nutrition guiding strategy and the identification of opportunities for new businesses are:

- Healthiness
- Convenience and practicality
- Reduction in the size of the families (number of members)
- Growth in the class C social grouping
- Increase in away-from-home eating

Income growth in the class C grouping of the Brazilian market

for example has allowed new consumers to access BRF's products and other categories of the Company's portfolio. This factor represents major growth potential in sales although at the same time, bringing with it the challenge of growing without increasing the operation's impact on the environment.

Six priority pillars have been established for the implementation of this strategy, the pillars permeating all areas of the Company. These pillars were created at the end of 2010 bearing in mind the positive and negative impacts BRF has on society as well as its ambitions. They have been used to guide the management of sustainability in alignment with the strategic BRF 15 plan.

The pillars of sustainability are:





With growing internationalization, the culture of sustainability which has been developed in Brazil has also permeated the countries where the Company is expanding its business. The statement of values represents the way in which the Company believes that the basis for development of the businesses should be conducted, irrespective of region of operations, emphasizing the commitments to sustainable development with diversity and the acceptance of differences; integrity as the basis of any relationship; and respect for people.

In 2012, the Company continued to work with the six pillars with a view to fulfilling commitments adopted and to meet stakeholder demands. During the year, the following progress was made according to each pillar:

#### **1) Full commitment to sustainability**

- GRI Report 2012 (published 2013) maintained level A. The Company reached this level in the Annual Report released in 2012;
- Maintenance of Company in the BM&FBovespa ISE – Sustainable Index for the eighth edition. In 2013, the Company is included in the Emerging Markets portfolio of the Dow Jones Sustainability Index;
- The Company takes part in the IC02 Index in the BM&FBovespa, for the third edition;
- Reply to the Communication on Progress (COP) of the Global Compact at an advanced level;
- Adherence to the Rio+20 commitment for sustainable development document: Corporate Contribution to the promotion of the green and inclusive economy;
- Commitment to the future: progress in the performance of market sustainability indicators.

#### **2) Leveraging sustainability along the value chain**

- Improving the management of suppliers through the Program for Monitoring the Suppliers Chain, with progress on all business fronts: Beef Cattle, Dairy Products, Logistics, Supplies, Procurement of Grains, Meal and Oil, and Ranching (*More information in the Value Chain section*);
- Dissemination of the Suppliers' Code of Conduct and the preparation of BRF's teams in the context of the sustainability guidelines.

#### **3) Engagement with stakeholders**

- Holding of three stakeholder panels (employees, suppliers and multi-stakeholders (*More information in Social Capital and About the Report*));
- Larger focus on engaging in-house stakeholders in the light of the merger to align sustainability objectives and commitments and the building of the new BRF; Commitment to the future: improve the response to stakeholder demands.

#### **4) Promoting sustainable consumption**

- Offer of healthier and more sustainable products (*More information in the section Responsibility for the Product/ Nutrition*);
- Commitment for meeting the provisions of the National Solid Waste Policy (*More information in the section on Responsibility on Product/Recycling*).

#### **5) Enhancing human capital**

- Education for sustainability: training of negotiators for the procurement areas, drivers, interns (*More information in the section Human Capital and Supply Chain*);
- Improvement in occupational health and safety indicators with a reduction of 35.6% in the Accident Frequency Rate (*More information in the section Human Capital*).

#### **6) Adapting to climate change**

- Emissions inventory now includes some scope 3 items (emissions from the outsourced logistics network and business air travel) and received the Brazilian Greenhouse Gas Program's (GHG Protocol Brazil) Gold Seal;
- New buildings built according to Leadership in Energy and Environmental Design (LEED) certification: Technology Center in Jundiá and the Curitiba Administrative building;
- Commitments adopted with respect to energy efficiency, development of new technologies and dissemination of good practices and initiatives for reducing GHG emissions along the supply chain. In the case of the 2012 emissions inventory, BRF is to expand scope 3 to include fluvial transportation and also terrestrial business travel (taxi and bus).

#### **Goals**

With a view to reinforcing BRF's commitment to sustainable development and in order to mitigate the impact of the respective operations involving the environment, the Company has set indicators and goals to be reached as part of the long-term 2011-15 strategic plan with the aim of:

- 10% reduction in the carbon intensity indicator by 2015;
- Energy rationalization – with the objective of saving 120,000GJ in 2013;
- Treatment and correct disposal of waste – reduce by 2% (by weight) total waste generated in 2013;
- Reduction in consumption of water and its reuse – the objective being to save 1 billion liters of water in 2013;
- Alignment of suppliers to the Suppliers' Code of Conduct – this covered 20% of all suppliers in 2011 but with a target of reaching 100% by 2015.

With a view to reinforcing BRF's commitment to sustainable development and in order to mitigate the impact of the respective operations.

## CORPORATE GOVERNANCE

With ethics, transparency and equitability as the pillars of its corporate governance model, BRF was the first company in the food and beverages industry to adjust to the listing regulations of BM&FBovespa's Novo Mercado of which it has been a member since April 2006.

The Company adheres to best practices: maintaining all its shares as common stock; providing equality of rights; a premium in the event of public offerings of shares and mechanisms for investor protection; relevant decisions must be approved by at least two thirds of the votes of collegiate bodies; shareholders and executives are forbidden to secure advantages arising from access to privileged information; securities trading and material facts disclosure policies; and recognizing arbitration as the fastest and most specialized way to address conflicts of interest. **[GRI 4.6]**

In addition, to prevent stock concentration, any shareholder or group of shareholders who gains control over shares in excess of 20 percent of the total is required to hold a public tender for the acquisition of shares (OPA). Under these circumstances, each share acquired will give existing holders an additional remuneration of 35% above the average value of the price for 30 days prior to the offering date. The offered price may also be based on the economic value recorded in the evaluation report, or again, 135% of the issue price of the shares of any capital increases in the past 24 months, whichever represents the higher value. **[GRI 4.6]**

The company's control is widely held and its stock is traded on the São Paulo Stock Exchange (BM&FBovespa – BRFS3) and the New York Stock Exchange (Level III ADRs – BRFS). Based on best practices, the Company publishes financial statements aligned to international accounting principles (IFRS) and the edicts of the Financial Report Internal Control System (SCIRF) in line with the Sarbanes-Oxley Act (SOX).

The Executive Board meets monthly to monitor general performance when set against Brazilian and international institution parameters. Governance bodies include the General Shareholders Meeting, the Board of Directors, the Fiscal Council which serves as an Audit Committee, Advisory Committees to the Board of Directors and the Executive Board. **[GRI 4.1]**

A Governance, Sustainability and Strategy Committee in support of the Board of Directors and an Executive Sustainability Committee made up of Vice Presidents evaluate and monitor performance, as well as sustainability-related risks and opportunities. Every three months, results are submitted for approval by the Board of Directors and then publicly disclosed in line with international accounting standards (IFRS). **[GRI 4.9]**

BRF has a dedicated team to service individual investors, ensuring transparency in market relations. The Company makes announcements of material information, promotes meetings at entities representing investment analysts and investor entities such as Apimec, and holds conference calls every three months as well as domestic and international road shows. It also ensures that the investor relations website is kept up to date ([www.brf-br.com/ri](http://www.brf-br.com/ri)). The Company holds one-on-one meetings and upon request of leading financial institutions, meetings with investors.

## Shareholders meeting

Meetings are the principal means by which shareholders make recommendations to the Company's management. Meetings are held with a minimum quorum of 70% of shareholders, the presence of which is encouraged through direct contact with investors. A reference manual is also circulated containing general guidance on the process and details of the reasons behind the convening of the meeting as well as emphasizing the importance of shareholder participation. Attendance is encouraged by directly approaching investors and providing a reference manual that contains general guidance on the process and details on the reasons for the meeting. Shareholders approve financial statements, incorporations and other matters, elect the Board of Administration and the Fiscal Council and set the managers' compensation, among other topics. **[GRI 4.4]**

## Board of Directors

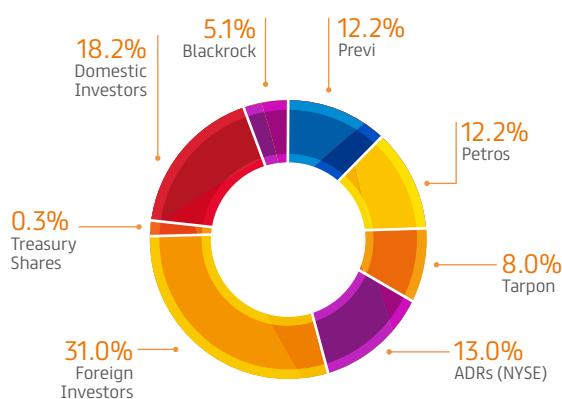
In December, the Board was made up of ten members, seven of whom independent, a proportion that exceeds the 20% recommended by Novo Mercado listing regulations. The concept of an independent director is defined in the listing regulations themselves. In line with best governance practices, the Chairman of the Board does not have an executive function. The Board for fiscal year 2012 was elected in April 2011 for a two-year term of office. **[GRI 4.2, 4.3]**

As set forth in the Bylaws, eligibility to Board membership includes aspects such as having an unblemished reputation, not holding positions with competitors or representing conflicting interests. Board of Director performance is assessed using a customized process and developed by a specialized and independent consultancy. Members of the Board, as well as of the Committees and the Executive Board, are subject to a formal individual performance evaluation tool that includes a 360-degree evaluation and addresses sustainability-related issues. **[GRI 4.7, 4.10]**

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

## Shareholder's composition

Difuse control – equal rights  
 Capital stock: R\$ 12.6 billion  
 Number of common shares: 872,473,246  
 Basis: 12.31.12



## BOARD OF DIRECTORS



**Nildemar Secches – Chairman**  
Independent member



**Paulo Assunção de Sousa**  
Vice-Chairman – Member



**Décio da Silva**  
Independent member



**Heloisa Helena Silva de Oliveira**  
Member



**José Carlos Reis de Magalhães Neto**  
Independent member



**Luis Carlos Fernandes Afonso**  
Member



**Luiz Fernando Furlan**  
Independent member



**Manoel Cordeiro Silva Filho**  
Independent member



**Pedro de Andrade Faria**  
Independent member



**Walter Fontana Filho**  
Independent member

### Committees | GRI 4.1

The Company has had Advisory Committees accountable to the Board of Directors since 2006. These committees are made up of members of the Board of Directors and the Executive Board. In 2012, the following committees were active:

**Governance, Sustainability and Strategy** – Plays a consultative role in relation to corporate governance practices; strategies; guidelines and strategic planning; annual and multi-annual investment budgets; investment opportunities and/or disinvestment in new businesses; mergers, spin-offs and acquisitions; management system; institutional and socio-environmental responsibility policies and activities; monitoring of work developed by the Audit Committee and the Sarbanes-Oxley Disclosure and Internal Controls Committee in compliance with the legislation established by the US Securities and Exchange Commission (SEC).

**Finance and Risk Policy** – Responsible for advising on the corporate and financial risks policies; funding policies; processes of internal financial and accounting controls systems; and appropriate capital structure.

**Best Practices** – Is responsible for monitoring the processes for capturing synergies as a result of the merger and for the returns from the Company's new projects.

**People** – Performs a consultative function for monitoring the execution of the human resources policy; compensation criteria for members of the Executive Board, including short and long-term incentive plans and criteria for evaluating Executive Board performance as well as monitoring the Board's succession plan. The Company also has a Disclosure Committee in accordance with Sarbanes-Oxley Act rules.

**Rating** – The Company has been assigned an Investment Grade rating by Fitch Ratings, Standard & Poor's and Moody's rating agencies.

**Novo Mercado** – BRF signed up to the BM&FBovespa's Novo Mercado listing regulations on April 12, 2006, agreeing to settle disputes through the Market Arbitration Panel as enshrined in the commitment clause in the Bylaws and in the regulations.

## FISCAL COUNCIL/AUDIT COMMITTEE



\*Financial specialist

## BOARD OF EXECUTIVE OFFICERS





## Fiscal Council/Audit Committee

Made up of three members, one of whom is a finance expert, meeting monthly or when necessary, it participates in joint meetings with the Board of Directors. In line with United States law, the Fiscal Council also carries out the functions of an Audit Committee.

Employees and shareholders are able to voice their opinions, complaints, recommendations and allegations (whistle blowing) through the in-house Ombudsman and the Audit Committee. The Audit Committee has powers to act independently, at its discretion being able to forward complaints/allegations to the Internal Audit area to investigate or engage an independent company and if necessary activate the Board of Directors. **|GRI 4.4|**

## Executive Board

Made up of ten members who answer directly to the Board of Directors and are responsible for running the business in full compliance with strategic guidelines as set forth by the Executive Board members and approved by the Board of Directors.

## Compensation

Members of the Board of Directors and Fiscal Council/Audit Committee receive fixed compensation contingent upon their attendance at meetings. Their compensation was R\$ 3.7 million in 2012. Members of the Executive Board earn fixed and variable compensation associated with goals and performance indicators. The Executive Board's total compensation in 2012 was R\$ 29.3 million.

Individual and collective goals are based on strategic and budgetary plans and linked to the Company's and/or the respective operational area's general productivity indicators, in addition to those of resource and people management optimization, associated with the long-term outlook for the business. The metrics of project analysis and viability take into account questions relating to the longevity of the Company. Monitoring of the indicators is conducted throughout the fiscal year by the Financial Control and Human Resources areas and then formally validated by the Board of Directors once the accounting procedures for the annual results are complete. **|GRI 4.5|**

## ETHICAL BEHAVIOR **|GRI 4.8|**

Published at the beginning of 2012, the new BRF Ethics and Code of Conduct is a compendium of best practices inherited from the former Perdigão and Sadia companies clearly explaining the behaviors and attitudes the Company expects from all of its employees. The Code sets forth guidelines for issues such as integrity, ethics and combating any type of corruption – covering questions such as conflicts of interest, use of insider information, relationships with co-workers, suppliers and clients, among others.

Conduct under the Code is expected from all employees, who are trained in anti-corruption practices in the New Employee Induction Program. Simultaneously, each new hire signs a commitment instrument, agreeing to comply fully with the ethical guidelines and principles contained in the Code of Conduct. In addition, whistle blowing policies and a channel for this purpose are available on the Intranet/Internet with Internal Audit in charge of establishing the facts. **|GRI 503|**

In 2012, Auditors evaluated 45 percent of the 211 locations (units) identified as showing the highest corruption-related risk. Over the course of the year, non-compliance with corporate policies led to the termination of 45 employees and the discontinuation of business with 13 service suppliers. **|GRI 503, 502, 504|**

With the implementation of the Supplier Chain Monitoring Program, partner companies must also adhere to BRF's ethical guidelines. Subsequently, at the end of 2011, a Suppliers' Code of Conduct was introduced reiterating the commitment to responsible management and sustainability. The document covers ethical behavior, important socio-environmental themes (such as the combating of child or forced labor, freedom of association and correct environmental management) as well as minimum standards to be followed. Dissemination of the Code began in 2012 when it was sent to 893 suppliers and by December 2009, 209 (10% of suppliers of inputs) had returned the Awareness and Agreement Instrument. The self-evaluation questionnaire was sent to 232 suppliers, of which 162 (13% of the total) responded to the questions. The aim is for 60% of all input suppliers to have accepted the Code of Conduct by the end of 2013.

BRF has a specific avenue for the whistle blowing on infringements of ethical principles and Code guidelines. E-mail: denuncia@brf-br.com and telephones: 0800.702.7014 (domestic) and 55.11.3466.8510 (international). The in-house Ombudsman is able to deal with different types of allegations made by whistle blowers such as corruption, bad behavior, drug addiction or any other problem that may threaten the integrity of BRF and its stakeholders.

Allegations relating to possible irregularities or improper acts in the accounts, internal controls of an accounting nature and audit matters – in other words, those relating to issues covered by the Sarbanes-Oxley legislation – must be sent directly to the Audit Committee to e-mail comitedeauditoria@brf-br.com, or in the form of correspondence.

## HUMAN RIGHTS

The Employee Induction Program addresses the subject of human rights as they relate to ethical behavior. In 2012, 36,092 people attended the program (31 percent of all employees), corresponding to a total 12,030 hours dedicated to the subject. Leaders training totaled 780 hours with human rights-related content, where 195 individuals (0.17 percent of the workforce) received instruction on the application of disciplinary measures; labor law; civil, criminal and labor liability of managers; moral and sexual harassment. With the updated Ethics and Conduct Code, the Company held orientation sessions on the new version of the document for 11,186 participants (9 percent of all employees) summing a total of 11,186 hours devoted to the topic. **|GRI HR3|**

As all property security services are rendered by third parties specialized in the function, the Company required evidence that personnel undergo instruction as certified in the National Security Guard Card (CNV). Approved by the Federal Police, the program content includes a section on Human Rights. In addition, when beginning their activities at the Company, all outsourced personnel receive two hours of training on the Code of Ethics, Occupational Safety, Good Manufacturing Practices - GMP, the 5S Program, among others. In 2012, all security guards took part in CNV training while all doormen and receptionists participate in an in-house course. **|GRI HR8|**





## RISK MANAGEMENT [GRI 1.2]

The risk management policy is developed in a participative manner that involves all of the Company's areas, under the lead of a specialized unit. This unit is responsible for providing the entire Company with a risk dashboard to assist in understanding the importance of the factors and the cost of their mitigation. Preventive action involves comprehensively and continuously monitoring factors capable of interfering with business or affecting results.

Following the strengthening of financial and operational aspects, risk management at BRF is now evolving towards a more business and strategy-oriented approach, in a gradual reformulation process, so that factors that are already managed at the sectorial level may be managed in an integrated manner. The objective is to reach the Expanded Corporate Risk Management stage by 2015, with maximum decision-making transparency. The aspects currently regarded as most relevant include:

**Financial** – The Financial Risk Management Committee is responsible for evaluating full compliance with the Financial Risk Management policy and proposing applicable alternatives. In addition, the Committee has the authority to veto proposed operations that it may deem inappropriate to BRF at the time of their evaluation. The Committee's responsibilities are to:

- Supervise the financial risk management process;
- Formalize and approve those concepts and methodologies within its prerogative applied in the management of financial risk;
- Evaluate the Company's position for each identified risk and notify the Executive Board in the event of divergence;
- Plan and verify the impact of decisions on the Company's positions;

- Evaluate and approve – within its prerogative – hedging alternatives in line with the established policy;
- Monitor and track levels of exposure of the Company to risk and the compliance to the Financial Risk Management Policy;
- Evaluate stress scenarios to be used in Company operations, cash flow and debt projections;
- Disseminate a risk management culture in the Company.

**Supplier chain** – The risk management policy for inputs covers different components of the chain using preventive and remedial mechanisms. In 2012, the Company expanded its Supplier Chain Monitoring Program precisely to identify and mitigate risk controlled by third parties, which although not under the direct management of the Company, may influence the business. These factors include, for example, discontinuing relationships with suppliers in breach of human rights or suppliers contributing to deforestation in the Amazon region; or again, possible risks in the transportation of livestock with excessive distances between suppliers and processing plants, absence of electrical safety, etc. The Company has set the norms and criteria to be followed by the suppliers in accordance with BRF's own quality standards and which are monitored and evaluated by the various areas which enjoy a relationship with the suppliers: inputs; beef cattle; dairy products, procurement of grains, meal and oils; ranching; and logistics.

**Operational** – Operational risks at the manufacturing units and distribution centers have been mapped based on 144 risk inspections, carried out by outside consultants and by the Risks Unit, complete with determination of impact and probability of occurrence. The Operational Risk Management Project (*"Projeto de Gestão de Risco Operacional"* – PGR) was adopted in 2010, and focuses on preventing potential damage to assets, involving several areas. In addition, an area constantly monitors aspects which can reduce productivity and business continuity (such as scarcity and cost of labor, logistics network infrastructure, industrial operations, etc.). BRF embraces the Precautionary Principle, according to which the absence of scientific certainty must not be used as justification for failing to prevent serious or irreversible damage to the environment or human health. The principle is observed in product development, conception, manufacturing and distribution phases. Based on this philosophy, the Company takes out insurance against property damage and loss of profits involving plant, equipment, transportation of products and third party liability on products and operations. In 2012, the Company implemented the Operational Control Center. This is a proactive system with employees drawn from different areas sitting in the same room in Curitiba where they administer eventual problems in order to avoid risks which might threaten the continuity, productivity and efficiency of the operations.

## [GRI 4.11]

**Sanitary control** – Permanent updates on practices used in proprietary and integrated outgrowers' operations, process improvements and a strict industrial operations system comprise the set of steps taken to eliminate or minimize risk of this kind. Slaughtering units are strategically spread across different regions in Brazil and abroad to reduce the impacts arising from sanitary issues or eventual international embargoes against imports from any one region.

**Food safety** – Items produced at any unit can be traced from the breeding stock to animal rearing farms through to products distributed to end consumers. This process includes controls on livestock feed and medication and the use of metal detectors and X-ray machines at the plants. All suppliers sign agreements with clauses guaranteeing the safety of the products we market.

**Commodities** – The commodities risk policy is discussed monthly at meetings of the Executive Board meeting and the Financial Risks Committee based on the monitoring of the entire production chain using the six pillars in an attempt to anticipate shifts that may have a positive or negative impact on operating costs. Inventory and hedge policies are validated in Committee and where necessary, in conjunction with the Executive Board to ensure the supply of inputs and offset the risk of major volatility in grain prices. The acquisition of inputs is made through competitive bidding, helping to better control costs. Grain supplies and infrastructure for transportation of production are key to the geographic location of the Company's units. Used decisively, risk management strategies offset a good part of the impacts of the spike in grain costs during 2012, this directly related to adverse climate conditions in various parts of the world, most notably the poor crops in the United States and Argentina.

**Image and reputation** – With a clear image and reputational risk policy adjusted to every business and segment, BRF seeks to maintain its image associated with sound corporate governance and values such as trust, ethics and transparency. Standards for commercial areas also cover relationships with strategic international partners. In addition, the Company acts in all cases where events may expose the Company's image and its relationship with stakeholders. Rated highly by all its stakeholders, the value of the corporate image will be underscored in 2013 with the launch of the new brand logo.

**Environmental** – Every manufacturing unit has technical teams specialized in environmental, industrial and ranching issues such as the treatment of manure, solid waste, effluent, noise and atmospheric emissions, procedures that comply with the Brazilian legislation and which the Company fully applies. The teams are trained to improve procedures whenever called for as well as to act correctly and effectively in emergency situations.

**Legal/Tax** – Ethical standards attempt to safeguard the Company from the risk of failure to comply with laws and regulations at the federal, state and local levels. In this sense, the Committee permanently monitors any aspects questioned by government authorities, thus reducing the potential for administrative and court claims.

## Climate change

BRF also takes the impact of climate change into consideration as part of the overall interaction with other business risks. One particular concern relates to the supply of commodities (grains, beef and milk); the availability of water and power; and logistics. To this end, the company adopts preventive practices such as regional procurement, research into new ways of using water, reuse and treatment technologies, power generation, reduced emission of greenhouse gases, verticalization of the supply chain, among others. In 2012, investments worth R\$ 39.8 million were made in projects focusing on the reduction of electricity consumption, reuse of water and improvements in steam generation efficiency.

**The impact of climate change** – such as alterations in average temperature, in rainfall amounts or other extreme events – directly affect productivity and the cost of production. This may be reflected in the availability and quality of grains and pasture, in damage to equipment and structures or affecting the conditions for livestock confinement and animal wellbeing. In addition, long periods of drought tend to interfere with the energy matrix in Brazil since the main source of the country's energy is hydro generated.

Among the measures for anticipating or mitigating these questions are the internationalization of the operations, diversifying operations in areas with different impacts due to climate change and the constant monitoring of the climate, inventory planning and negotiation of long-term agreements. A further measure worth mentioning is the dissemination throughout the Company of the use of renewable energy sources such as small hydroelectric power plants (HPPs), biomass-fired plants and wind and solar power since these are tending to become more competitive. There are also incentives for the construction of cisterns on integrated outgrowers' properties for storage of rain water.

The grain, meal and oil procurement department establishes the strategic plans for adapting to risks such as the active management of inventories, the dispersal of the supply matrix in the principal producing regions, the constant monitoring of the climate and the negotiation of long-term agreements with suppliers based on the future market to ensure the availability and competitiveness of costs. The inputs department responsible for the acquisition of energy, subject to climate risks which can increase costs and availability, also conducts a constant monitoring of costs and availability to define procurement strategy. **[GRI EC2]**

The risk management policy is developed in a participative manner that involves all of the Company's areas, under the lead of a specialized unit.



# FINANCIAL AND CONSTRUCTED CAPITAL

## SECTOR SCENARIO

Deceleration was the hallmark of the food industry in 2012, a sector which represents 9% of the country's GDP. Nominal sales grew 11.3% in Reais, but discounting inflation, growth was 4.96% compared with 5.90% in 2011, according to the Brazilian Food Industries Association (Abia). The indices used to seasonally adjust prices for inflation are the Fipe/USP for industrialized and semi-elaborated foods (70%) and the IPCA/IBGE for away-from-home foods (30%).

In accordance with Abia data, nominal sales of meat products expanded by 9.8% and dairy products by 9.9%. Export markets reported a decline – the effect of the international crisis. Exports of processed foods (specialty meats and semi-elaborated) fell by 3.3% – from US\$ 44.8 billion in 2011 to US\$ 43.4 billion in 2012. Out of total exports, 24% corresponds to high added value industrialized foods.







**BRF: has energy**  
This is what drives us to meet  
major challenges and deliver  
what we promise.





### **Brazilian Exports**

The year 2012 reported a good year-on-year performance for Brazilian exports of beef and pork, albeit for both meats the percentage growth in volume exceeded sales revenue, an indication of the decline in average price. Chicken meat exports in turn recorded a decline in volume and principally revenue.

Exports of chicken meat reached 3.92 million tons in 2012, 0.6% below 2011 (3.94 thousand tons). Sales revenue in 2012, US\$ 7.70 billion, was 6.7% below the US\$ 8.25 billion for 2011. Sales volumes to the African continent reported the strongest growth in 2012 (+20.1% or +100.1 thousand tons year-on-year), the importing countries posting a particularly robust performance being Egypt (+65.6% or +47.3 thousand tons), South Korea (+155.4% or +39.7 thousand tons), China (+16.1% or +31.6 thousand tons) and the United Arab Emirates (+11.4% or +24.4 thousand tons). Despite the good performance in exports to the Arab Emirates, total shipments to the Middle East reported a decline of 1.2% in the full year (-171 thousand tons), principally due to the decline in volumes of more than 20% to Kuwait, Iran and Iraq, which together amounted to a drop of 77.3 thousand tons (2012 vs 2011). A similar volume shortfall occurred with

Venezuela where Brazilian exports in 2012 recorded a drop of 43.7% (-77.3 thousand tons). Export business with Europe also contributed to a reduction of 8.2% or 40.0 thousand tons in the same period.

Shipments of pork amounted to 581.5 thousand tons in 2012, 12.6% up on 2011 while sales revenue posted an increase of 4.2% in the period totaling US\$ 1.5 billion. During 2012, the Ukraine became a major market for Brazilian exports with 138.7 thousand tons (+125% or +77.0 thousand tons vs 2011), while business with Russia remained largely stable at close to 127 thousand tons, a growth of 0.5% in the period. Other important destinations were Angola, Uruguay, Singapore, Georgia, China and Bolivia, which together imported an additional 26.0 thousand tons from Brazil in 2012. On the other hand, Argentina was the leading negative performer with a decline of 18.6 thousand tons (-44%) as well as Albania, Venezuela and Hong Kong, each of which registered a decline of 5 thousand tons.

Beef exports reached 1.24 million tons in 2012, 13.3% or 146.3 thousand tons up on 2011. Sales revenues reached US\$ 5.77 billion in the period, a growth of 7.3%. Egypt, Hong Kong and Chile were leading importers, ramping up volumes by more than 25 thousand tons each. Iran was the principal negative highlight in the year, reducing its imports of beef from Brazil by 48.7% a reduction equivalent to (63.5 thousand tons).

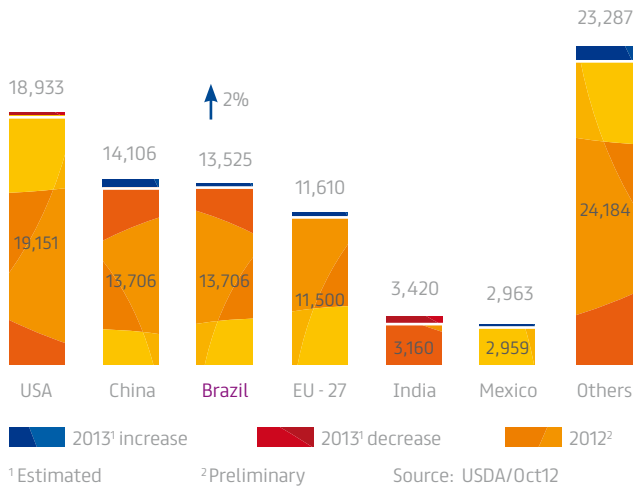
We are one of the largest and most profitable food Company in the world.

## WORLD POULTRY PANAROMA\*

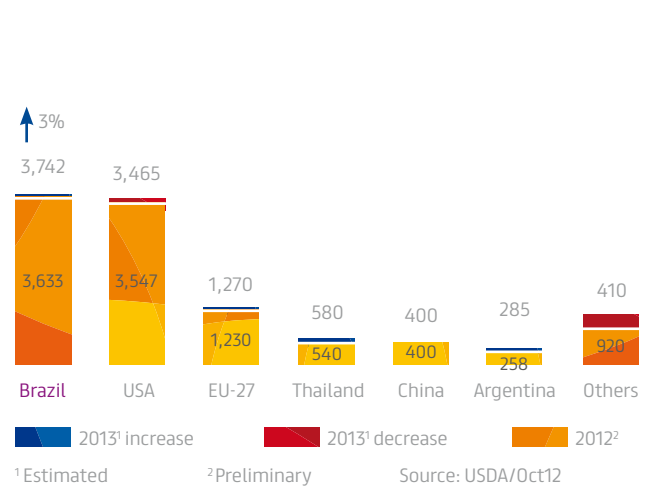
Thousand tons – “ready to cook” equivalent

\*Chicken, special poultry and turkey

### Production



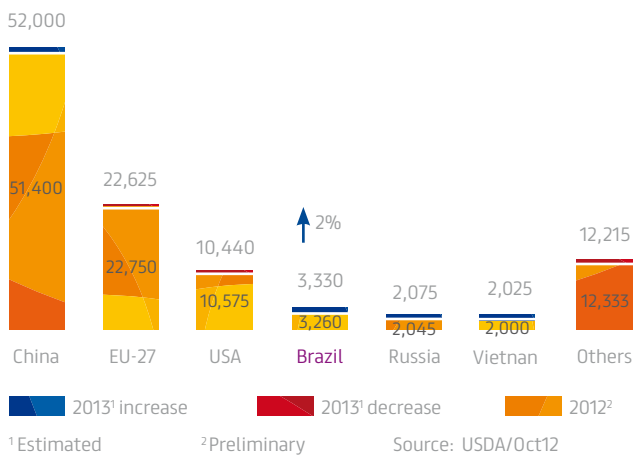
### Exports



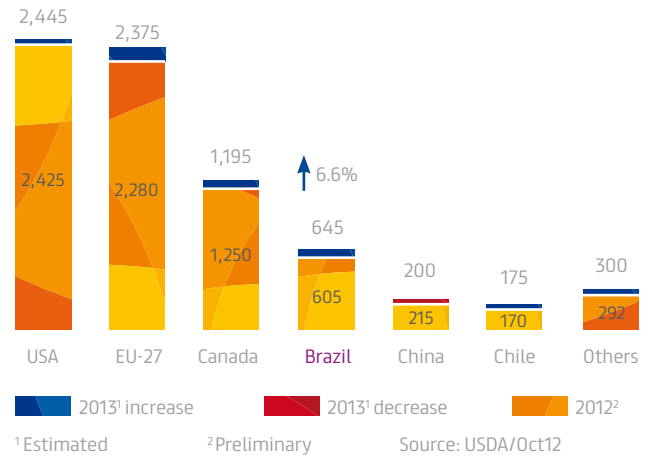
## WORLD PORK PANORAMA

Thousand tons – equivalent carcass

### Production



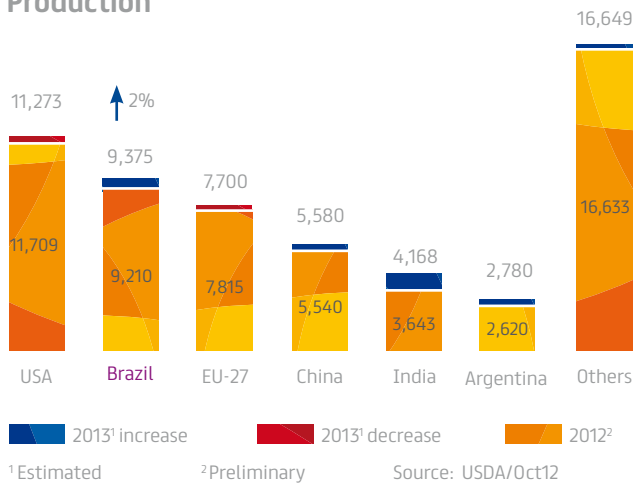
### Exports



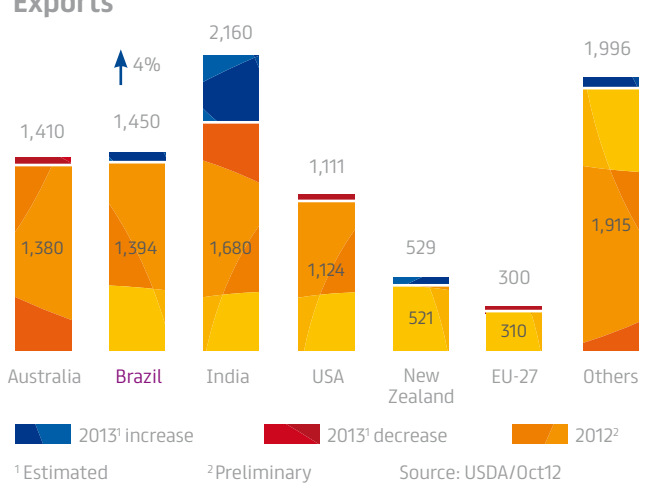
## WORLD BEEF PANORAMA

Thousand tons – equivalent carcass

### Production

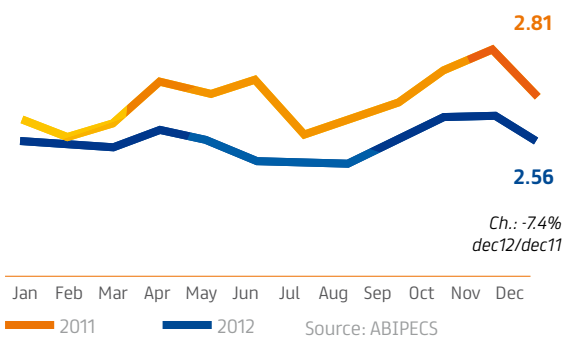


### Exports



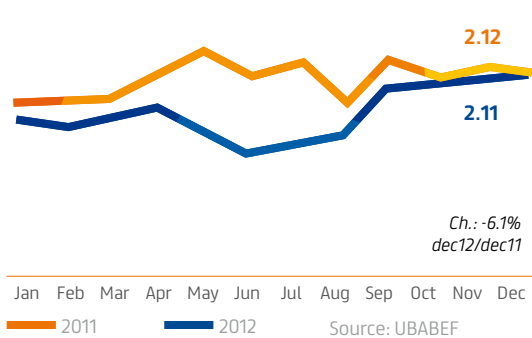
### Exports average price – pork

US\$/kg



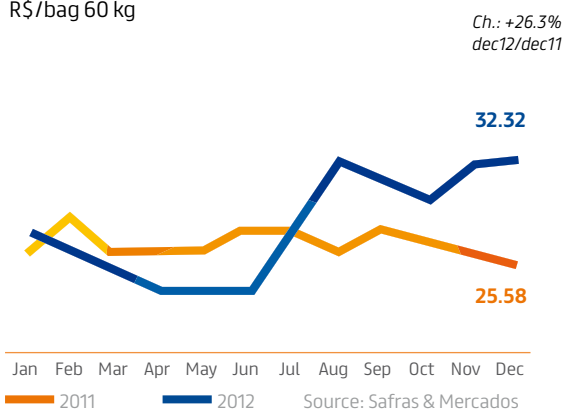
### Exports average price – poultry

US\$/tons



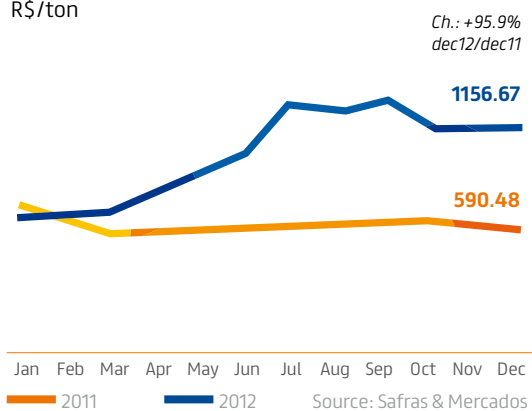
### Grains price – corn

R\$/bag 60 kg



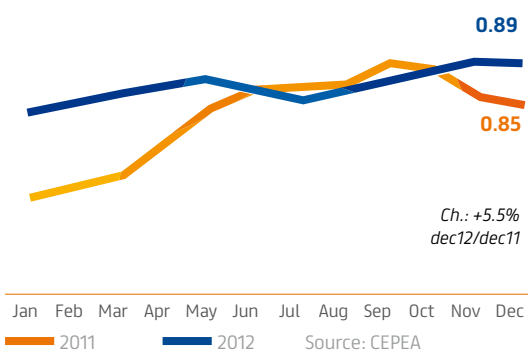
### Grains price – soybean

R\$/ton



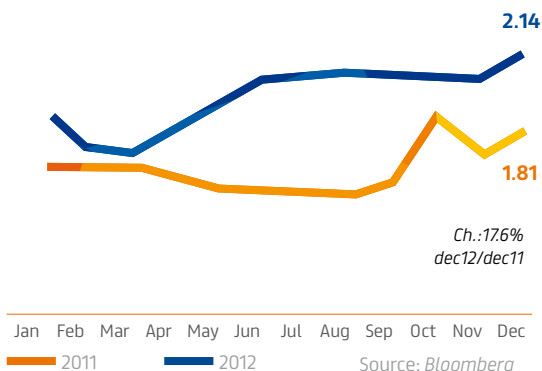
### Milk price

R\$/litre



### Exchange rate

R\$ x US\$



## OPERATIONAL PERFORMANCE

### Production

A total of 5.8 million tons of foodstuffs was produced in the year, in volume terms, 0.3% less than reported in 2011. Adjustments were made in the meat production segment in the light of the implementation of the Commitment Agreement Instrument (TCD) and a reduction in dry line dairy products (UHT milk) – a strategic decision in view of the focus on profitability.

Production by the Argentine companies Avex and Dánica has been incorporated since January and Quickfood's output in Argentina has been consolidated since July 2012, and recorded in the Company's overall numbers for the meats and other processed products segments.

A total of 454 new products were launched during the year as part of portfolio expansion, the repositioning of the brands and categories and the creating of added value: Food Service – 82; domestic market – 99; exports – 219; and 54 in the dairy product segment. The principal innovations were made in the lines and brands for Ready-to-Eat Dishes, Pizzas, *Meu Menu*, Ouro, Breaded Products, Processed Products, Dairy Products, Frozen Vegetables and Margarines.

Production	2012	2011	% Ch.
Poultry slaughter (million heads)	1,792	1,756	2
Hog/cattle slaughter (thousand heads)	10,874	10,848	-
Production (thousand tons)			
Meats	4,269	4,250	0
Dairy products	989	1,102	(10)
Other processed products	522	445	17
Feed and premix (thousand tons)	11,832	11,239	5

[GRI FP9]

### DOMESTIC MARKET

The principal challenge to BRF's domestic operation in 2012 was to mitigate or minimize the impact of asset sales and the suspension of brands both from the operational point of view as well as from that of restoring the scale of the business. There were other challenges as well: the spike in grain prices with the impact on the cost of production, and the oversupply of finished product due to different problems in the export market, among them, Russian restrictions on imports of pork meat for protectionist reasons and excess inventory in Japan.

Between asset sales and suspended brands, there was a reduction of a third by volume in the domestic market. The objective of minimizing this impact was achieved: a growth of 9% on the revenues of the 4Q12 compared with 2011, despite taking into account the ceding of R\$ 850 million in quarterly sales with respect to our commitment under the TCD agreement. The Company adopted the strategy of using the Sadia brand to recover the scale lost as a result of the suspension of some of the categories under the Perdigão brand, the latter in turn innovating in other categories or in new ones where there was no restriction.

A large part of the Company's success is due precisely to innovation, research and planning. In 2012, 58 innovation projects were developed leading to the launch of 99 new products in the domestic market and accounting for 8.5% of total domestic sales

revenue for the year. Among new product launches under the Sadia brand were: pork sausage, pizzas, lasagnas, beef cuts, processed products and ready-to-eat dishes; under the Perdigão brand name: the Sanduba and *Meu Menu* line; specialty meat and frozen products; and margarines with the relaunch of the Claybon brand.

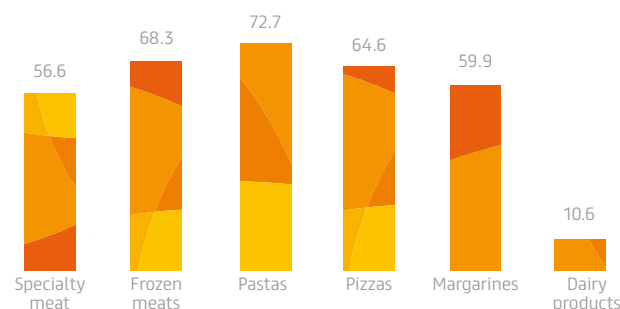
There were also some important launches of convenience foods, with the Assa Fácil line for example and new festive line products. Using spare capacity at the Dánica plant in Argentina, the Company launched Perdigão mayonnaise in the retail market.

These options seek to track trends in convenience foods to meet the demand for health-related products with brands aligned to a balanced life style.

Sales to the domestic market reached R\$ 12.6 billion, a 8.5% increase, with a 1.1% decrease in volume and average prices 9.7% higher against an increase of 16.3% in average costs, reflecting operating profits of R\$ 1.0 billion in this segment, 16.9% down, the operational margin recording 8.2% in 2012 compared with 10.7% in 2011.

Three strategic initiatives have been established for domestic market business in 2013, the first full year as a completely unified operation: identify the role and positioning of each category in the market; establish strategies for each brand; and effectively capture synergies through the increase in productivity and efficiency at low cost. This will be possible thanks to the seamless operation of a single company using distribution centers operating all the brands and deliveries being realized in a single vehicle.

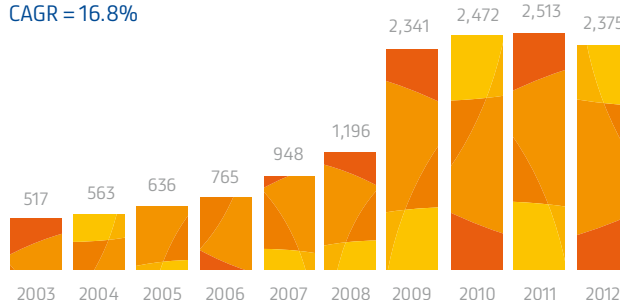
### Market share (%)



\*AC Nielsen basis had methodological change in 2010, hindering comparisons with historical data.  
Source: AC Nielsen

### Elaborated / processed product sold\*

Thousand tons  
CAGR = 16.8%



\* Including meat, other processed products and dairy products  
(1) Pro-forma



## EXPORTS

Export operations reflected the international scenario characterized by excess inventory in the Middle East, Japan and Russia and by the sharp rise in grain prices creating worldwide oversupply and squeezing the Company's margins – albeit with some recovery in sales, prices and profitability in the last quarter of the year. Exports reached R\$ 11.6 billion in the year, a growth of 15.2% in revenues with 9.6% higher volume, totaling 2.5 million tons. Average prices reported a gradual recovery as supply adjusted to demand in the leading markets, rising by 5.1% in local currency terms. However, this proved insufficient for a total recovery in operating margins which declined from 5.5% to 1.6% for the year due to the 8.8% hike in production costs – principally driven by significant increases in the main raw materials and the prevailing conditions in the Company's principal markets.

In the year, BRF recorded progress in its international operations based on its four key pillars of brand, portfolio, advances in distribution logistics and local production. The following initiatives are of note:

**Argentina** – Initiation of a process of consolidation and capture of synergies of five companies through concentration on BRF Argentina, with nine plants and 22 chilled and frozen distribution centers. Work has been accelerated since June when the company took full control of Quickfood, leader in the hamburger market with the Paty brand, as part of the asset exchange agreement. Integrated operations in the Argentine market represented R\$ 1.2 billion of sales/year.

Company	Activity
Avex	Slaughter and sale of whole chicken and chicken parts.
Dánica	Leader in margarines, vice leader in sauces, manufacturer of pasta and cooking oil. Has two plants and 22 distribution centers.
Levino Zaccardi	Exports cheeses to Brazil. Has a plant.
Quickfood	Leader in hamburgers with the Paty brand. The company has four plants.
Sadia Argentina	Imports foodstuffs from Brazil.

**Middle East** – Start of work on the construction of a processed foods plant in Abu Dhabi (United Arab Emirates) with inauguration scheduled for 2013. The first to be built outside Brazil, the unit will have a capacity to produce approximately 80 thousand tons per year of breaded products, hamburgers, pizzas and specialty meats products. A 49% stake in Federal Foods was also acquired, a company which for more than 20 years has distributed products under the Sadia brand name in the region. The company has six branches in the United Arab Emirates and one in Qatar, serving two thousand points of sale. The company also distributes Hilal and Perdix brands.

**Europe** – A new high productivity line was installed at Plusfood with technological improvements and a 75% expansion in production capacity to 20 thousand tons annually of breaded, cooked and grilled chicken products as well as hamburgers and other items.

**China** – A company was constituted with Dah Chong Hong Limited (DCH) for the distribution of the Sadia brand to the retailing and food services segments in Hong Kong and Macau. The joint venture is responsible for BRF's businesses in the Chinese market including the Perdix brand and all the Company's operations - for which DCH's existing storage, sales and distribution infrastructure will be used. During the year, feasibility studies were initiated for building a processing plant in China using raw material imported from Brazil or acquired locally.

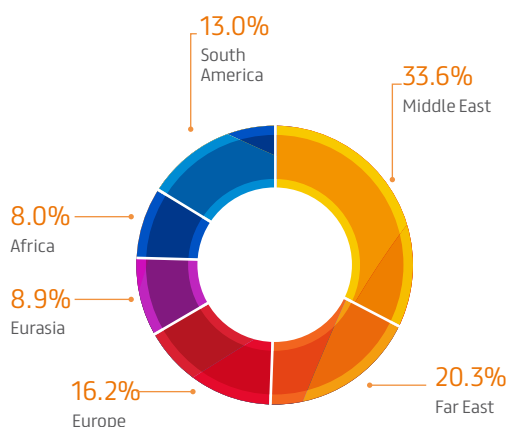
**Africa** – Sadia-branded products, previously commercialized to trading companies and wholesalers, were substituted by the Perdix brand. The Sadia brand will be relaunched in 15 countries in Africa in 2013 with the focus on retailing and food services and a new portfolio to include breaded products, pastas, frankfurters and hamburgers.

More than 210, products were launched on the international market during the year. In Europe, a novelty was the launch in August of the Chixxs line of breaded products with specific flavors (Indian, Mexican, Italian).

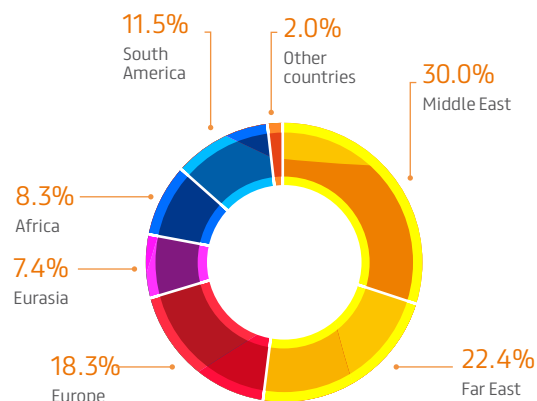
A new international marketing strategy is designed to position Sadia as a premium brand. The new concept evaluated in 22 countries and by more than 7 thousand people presents a single visual identity but with regionalization of packaging and communication through colors and images.

## Exports by region

2012



2011



During the year, the leading markets recorded the following performance in revenues and volumes comparing 2012 with 2011.

Main market	Revenues	Volume
Middle East	+28.8%	+13.1%
Far East	+4.4%	+11.2%
Europe	+2.0%	+1.8%
Eurasia	+38.7%	+32.8%
South America	+29.5%	+37.2%
Africa	+10.2%	(1.3)%

## DAIRY

During the year, the Company repositioned the Batavo and Elegê brands, investing in new packaging to communicate the new concepts of the product lines in a more efficient way. Another initiative which gained traction was the 'Cheese you ask by the brand and it's Sadia' (*Queijo se pede pela marca, e é Sadia*) marketing campaign. The objective is to reinforce BRF's presence, expanding its market share of higher value-added products such as processed and refrigerated items. The Company ended 2012 as the third largest dairy products manufacturer in Brazil with a 10.5% share of domestic business in the segment.

In line with Mundo Batavo guidelines, the brand adopted the 'Thinking about your nature' (*Pensado para sua natureza*) signature. This is printed on the packages and conveys the concept of a sustainable waste-free world with attributes of wellbeing, balance and nature, proposing solutions for the life of the modern man. The entire project is focused on innovation. The Pense Zero line added functional products to the yogurts line such as Bio Fibras. With the launch of the *Pedaços* line (with fruit chunks), a yogurt with up to ten times more fruit than similar products in the market, the brand reported a 3.3 percentage points growth by volume in the cups category between April and November (Nielsen data).

With the Elegê brand, restyled packaging helps disseminate the new brand slogan: One gesture, two smiles (*Um gesto, dois sorrisos*). On the back of the packages are stories of affection and on the side, there is space where consumers can leave messages. Market leader in various categories in the states of Rio Grande do Sul and Rio de Janeiro, BRF is now seeking to expand and strengthen the brand's footprint throughout the country. For example, the strategy includes the launch of products customized to habits of the Northeast Region such as milk-based drinks in sachets.

Revenue from milk products amounted to R\$ 2.7 billion, a growth of 6.9% with volumes 0.7% down and average prices 7.7% higher while average costs rose 7.6%. The operating margin recovered from a 1% decline in profitability in 2011 to stability in 2012.

The major challenge in 2012 was to fully integrate the dairy products business into BRF's operational structure. The capture of synergies will benefit production and this process should be complete by the end of 2014, involving: distribution centers, and sales, technical and management teams; definition of the optimum size of the business prioritizing results; improving execution and growth in a sustainable manner.

Plant remodeling has adopted these guidelines. In 2012, 11 units of the dairy products business underwent expansion and modernization with an increase in the number of shifts and the hiring of additional labor. More than R\$ 30 million was invested in the cheese plant in Itumbiara (GO) which is now producing a thousand tons per month. Building work began on a modern factory in Barra do Piraí in the state of Rio de Janeiro with a capacity of 15 million liters per month for efficiently meeting demand from one of the largest markets for fluid milk in Brazil at lower cost.

The Company also signed a joint venture with Carbery to improve the processing of whey protein ingredients, a byproduct of cheese manufacture, using the Irish group's technology. The agreement involves a shared investment of US\$ 50 million for the construction of a production unit which is scheduled to begin operations in 2014.

## FOOD SERVICES

The focus during the year was in the harmonization of commercial models in a challenging period for the sector. The strong upward trend in the consumption of away-from-home eating which has characterized the last few years suffered from inflation in the services segment driven by spiraling rental and labor costs.

In meeting the challenge of these difficulties, the food services unit expanded its commercial force, consolidated services provided to 62 thousand companies and gained market share with strategic clients. In spite of a less positive scenario, the business was able to report growth of 10%. Investments were also made in a new category of product: sachets of ketchup, mustard and mayonnaise produced by the plant acquired in Argentina. This launch represents part of the strategy of increasing innovation for leveraging the growth and value of the business.

Revenues from the food services segment rose 7.9% to R\$ 1.6 billion with volumes 0.9% higher on an operational margin of 10.7% against 15.1% in 2011 and R\$ 166.9 million in operational results – a 23.3% decline in relation to the year 2011.

The segment's growth has been driven principally by two important factors: level of employment and income which will tend to maintain upward momentum. Another important element is the change in life style with the emergence of a new consumer profile with greater purchasing power and seeking practicality in eating. This sector of the population have their meals more frequently away from home being principally made up of retirees, small families or those living alone.

Away-from-home meals should receive a further boost from tourism and services thanks to the major sporting events programmed for future years such as the Confederations Cup in 2013, the World Cup in 2014 and the Rio Olympics in 2016.

Another growth catalyst is the international market with the opportunities that are opening up in China as a result of the joint venture with Dah Chong Hong Limited (DCH) for food services in that country as well as meeting demand from the global fast food network accounts.

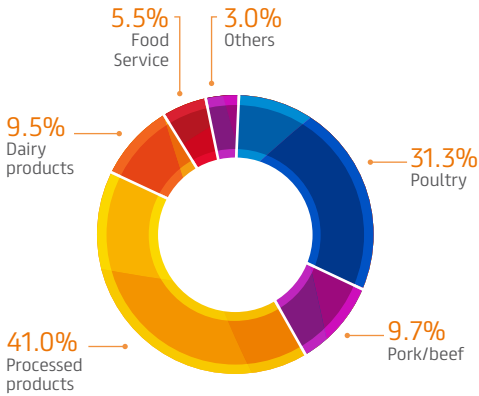
## ECONOMIC-FINANCIAL PERFORMANCE

### Net Operating Sales

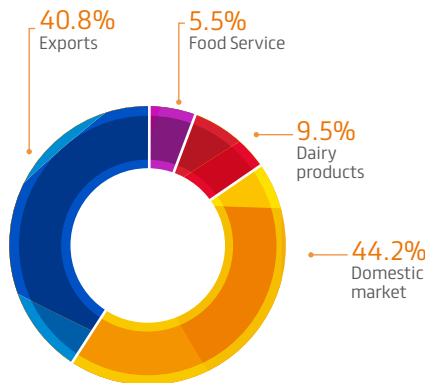
BRF reported net operating sales of R\$ 28.5 billion in the year, a growth of 10.9% the result of organic growth, the incorporation of companies acquired in Argentina, more especially Quickfood, and an expanded portfolio thanks to innovation with the launch of various products and categories designed to cushion the impact of asset transfers in 3Q12 in accordance with the agreement signed with Cade (TCD).

### Net sales (%)

By product - 2012

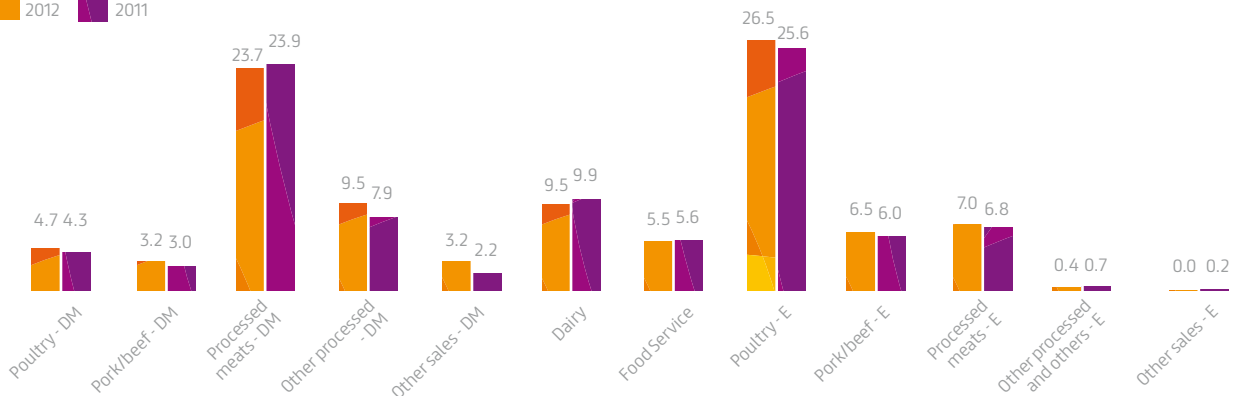


By market - 2012



### Breakdown of net sales (%)

2012 2011



### Cost of Sales (CPV)

Cost of sales rose 15.8% year-on-year to R\$ 22.1 billion, reporting an increase proportionally greater than sales revenue, squeezing margins during the year. The principal impacts on costs of products sold were: 1) the significant increase in the cost of the principal raw materials – corn and soybeans due to failure in the American grain crop; 2) readjustments in the industry as a whole as a result of collective wage bargaining; 3) an increase in items restated against the foreign exchange rate such as: packaging, freight, vitamins; 4) temporary spike in production costs due to the breakup of certain parts of the Company with the implementation of the TCD process.

### Gross Profit and Gross Margin

Gross Profit amounted to R\$ 6.5 billion, a 3.1% reduction in the year with a gross margin 3.3 percentage points lower than reported for 2011, declining from 25.9% to 22.6%. In spite of the positive commercial performance in sales, margins remained under pressure from rising costs.

### Operating Expenses

Thanks to efforts to reduce overall expenses, BRF was able to maintain operating expenses at the same level as 2011 at 16.5%.

Commercial expenses increased 12.5%, reflecting the growth of variable expenses due to: 1) investments in the development of new lines and products (innovation), product launches and marketing campaigns; 2) an increase of operations in the logistics chain, which was also significantly impacted by the TCD process (transfer of assets and repositioning of the portfolio and distribution channels); 3) port and truck driver strikes.

Administrative expenses and fees fell 8.9% due to the simplification of the administrative structure of the relationship between BRF and its subsidiaries and the lower disbursements of consultancy fees in the quarter (in 2011, there were significant payments to consultancies advising the Company in its negotiations with CADE for approving the merger).

## Debt profile | GRI EC1

R\$ million	As of 12.31.12			As of 12.31.11	
	Current	Non current	Total	Total	%Ch
Local currency	(1,933)	(2,210)	(4,143)	(3,600)	15
Foreign currency	(761)	(4,867)	(5,628)	(4,724)	19
<b>Gross debt</b>	<b>(2,694)</b>	<b>(7,078)</b>	<b>(9,772)</b>	<b>(8,324)</b>	<b>17</b>
<b>Cash investments</b>					
Local currency	1,106	61	1,242	1,227	1
Foreign currency	1,480	107	1,512	1,690	(11)
<b>Total cash investments</b>	<b>2,586</b>	<b>167</b>	<b>2,753</b>	<b>2,916</b>	<b>(6)</b>
<b>Net accounting debt</b>	<b>(108)</b>	<b>(6,910)</b>	<b>(7,018)</b>	<b>(5,408)</b>	<b>30</b>
<b>Exchange rate exposure</b>					
<b>US\$ million</b>			(412)	(471)	(13)

## Value added distribution | GRI EC1

R\$ million	2012	2011	%Ch
Human resources	4,035	3,608	12
Taxes	3,542	3,743	(5)
Interest	1,852	1,645	13
Interest of shareholder's equity	275	632	(57)
Retention	538	735	(27)
Minority interests	7	(2)	-
<b>Total</b>	<b>10,250</b>	<b>10,360</b>	<b>(1)</b>

### Other Operational Expenses

Despite the pre-operational phase of the new industrial units, insurance claims, provisions for tax risks, results of TCD-related divestments, the other operational expenses item posted a decline of 5.4% in the year due to revenues from the reversal of provisions, recovery of expenses and leasing with third parties. Expenses with profit sharing are also booked under this item and recorded a decline as a reflection of the operating results.

### Operating result before financial expenses and operating margin

In the light of the above explanations, the operating result before net financial expenses reached R\$ 1.4 billion in the year –30.6% down in relation to the operating margin of 4.9% of net sales against 7.8%. The 2.9 percentage point decrease is due to a combination of factors during the year of a one-off nature such as: inflated inventories in the Japanese market; pressure on variable commercial costs and expenses; and extraordinary expenses due to the transitory process of transferring assets in accordance with the provisions of the TCD.

### Financial result

Net financial expenses totaled R\$ 570.6 million, a 19.0% increase, especially due to higher debt levels as a result of the currency effect and the need to allocate cash to support investments in Capex and working capital, the result of reduced cash generation in the period.

In the light of the high level of exports, the Company conducts operations with the specific purpose of currency hedging. In accordance with hedge accounting standards (CPC 38 and IAS 39), the Company uses financial derivatives (for example: NDF) and non-derivative financial instruments (for example: foreign currency debt) for hedge operations and concomitantly, to eliminate the respective unrealized foreign exchange rate variations from the income statement (under the Financial Expenses line).

The use of non-derivative financial instruments for foreign exchange cover, continues to permit a significant reduction in the net currency exposure in the balance sheet, resulting in substantial benefits through the matching of currency liability flows with export shipments and therefore contributing to a reduction in the volatility of the financial result.

On December 31, 2012, the non-financial derivative instruments designated as hedge accounting for foreign exchange cover amounted to USD 614 million, and a proportional reduction in book currency exposure of the same value. In addition, the financial derivative instruments designated as hedge accounting according to the concept of a cash flow hedge for coverage of highly probable exports, totaled USD 1,007 million + EUR 197 million + GBP 53.4 million and also contributed directly to the reduction in currency exposure. In both cases, the unrealized result for foreign exchange rate variation was booked to shareholders' equity, thus avoiding the impact on the Financial Expenses.



## Cash flow

R\$ million	2012	2011
<b>Cash flow from operating activities</b>		
Result of the fiscal year	813	1,367
Adjustments to the result	2,860	1,907
Changes in assets and liabilities		
Accounts receivable from clients	90	(640)
Inventory	(362)	(539)
Interest on Shareholder's Equity received	9	6
Suppliers	669	567
Payment of contingencies	(203)	(203)
Interest payment	(495)	(466)
Payment of income tax and social contribution	(98)	(38)
Salaries, social obligations and others	(841)	(809)
<b>Net cash provided by operating activities</b>	<b>2,443</b>	<b>1,152</b>
<b>Investments activities</b>		
Financial investments	46	29
Acquisition of companies	(11)	(230)
Other investments	(52)	(9)
Acquisition of fixed assets	(1,884)	(1,130)
Acquisition of biological assets	(494)	(492)
Revenue from the sale of fixed assets	51	6
Intangible investments	(15)	(59)
<b>Cash from invested investment activities</b>	<b>(2,373)</b>	<b>(1,885)</b>
<b>Financing activities</b>		
Loan and financing	911	259
Interest on shareholders' equity	(440)	(502)
Acquisition of treasury shares	13	(72)
Goodwill on acquisition of non-controlling shareholders	(34)	(12)
<b>Cash from (invested) in financing activities</b>	<b>450</b>	<b>(326)</b>
<b>Currency variation on cash and cash equivalents</b>	<b>43</b>	<b>116</b>
<b>Net increase (decrease) in cash</b>	<b>564</b>	<b>(944)</b>
Cash and equivalents at the beginning of the period	1,367	2,311
Cash and equivalents at the end of the period	1,931	1,367

The Company's net debt was R\$ 7 billion, 29.7% more than reported for December 31, 2011, resulting in a net debt to EBITDA ratio (last twelve months) of 2.6 times with a book currency exposure of US\$ 411.6 million, a 12.5% decline.

## Income Tax and Social Contribution

Income tax and social contribution totaled a positive R\$ 2.4 million in the year against a negative R\$ 156.5 million reported in 2011 due to the differences in tax rates on the results of overseas subsidiaries and foreign exchange variation on overseas investments. This deterioration is a combination of reductions due to the results of the overseas subsidiaries and payment of interest on equity before the provision for tax losses as a result of the incorporation of Sadia recorded in 2011.

## Participation of non-controlling shareholders

The result of R\$ 7.4 million negative against R\$ 2.3 million positive in 2011 recorded for this item reflects the consolidation of results of the subsidiaries acquired in Argentina through Avex and, as from 3Q12, the incorporation of the results of Quickfood plus those of the Al Wafi and Plusfood subsidiaries, among others.

## Net Income and Net Margin

In the light of the foregoing, the net income was R\$813.2 million in 2012 with a net margin of 2.9%, a decline of 40.5% compared with 2011 due to the squeeze on margins during the year from production costs which reported a proportionally greater increase than revenues.

## EBITDA

Adjusted EBITDA (operating cash generation) reached R\$ 2.7 billion, a 17.4% decline, recording an adjusted EBITDA margin of 9.4% against 12.6% in 2011, down by 3.2 percentage points.

EBITDA reached R\$ 2.3 billion in 2012 (18.7% lower than 2011), with EBITDA margin of 8.2% against 11.2% in 2011.

## EBITDA (adjusted) | GRI EC1

R\$ million	2012	2011	% Ch.
Net income	813	1,367	(41)
Income tax and social contribution	(2)	157	(102)
Net financial income	571	480	19
Depreciation, depletion and amortization	967	886	9
<b>= EBITDA</b>	<b>2,348</b>	<b>2,890</b>	<b>(19)</b>
Other operating results	347	366	(5)
Equity income	(22)	(9)	150
Non-controlling shareholders	7	(2)	-
<b>= adjusted EBITDA</b>	<b>2,680</b>	<b>3,244</b>	<b>(17)</b>

The expenses net of Operating Results are shown in explanatory note 33. The disclosure of adjusted EBITDA is in line with what the Company has already informed in the presentations of previous quarterly and/or annual results or in other publications released to the market.

## Sales

Domestic market	Thousand tons			R\$ million		
	2012	2011	% Ch.	2012	2011	% Ch.
<b>In natura</b>	<b>463</b>	<b>379</b>	<b>22</b>	<b>2,263</b>	<b>1,887</b>	<b>20</b>
Poultry	329	251	31	1,351	1,112	21
Pork/beef	134	128	5	911	774	18
<b>Processed</b>	<b>1,643</b>	<b>1,810</b>	<b>(9)</b>	<b>9,462</b>	<b>9,188</b>	<b>3</b>
<b>Other sales</b>	<b>456</b>	<b>402</b>	<b>14</b>	<b>894</b>	<b>555</b>	<b>61</b>
<b>Total</b>	<b>2,562</b>	<b>2,591</b>	<b>(1)</b>	<b>12,619</b>	<b>11,630</b>	<b>9</b>

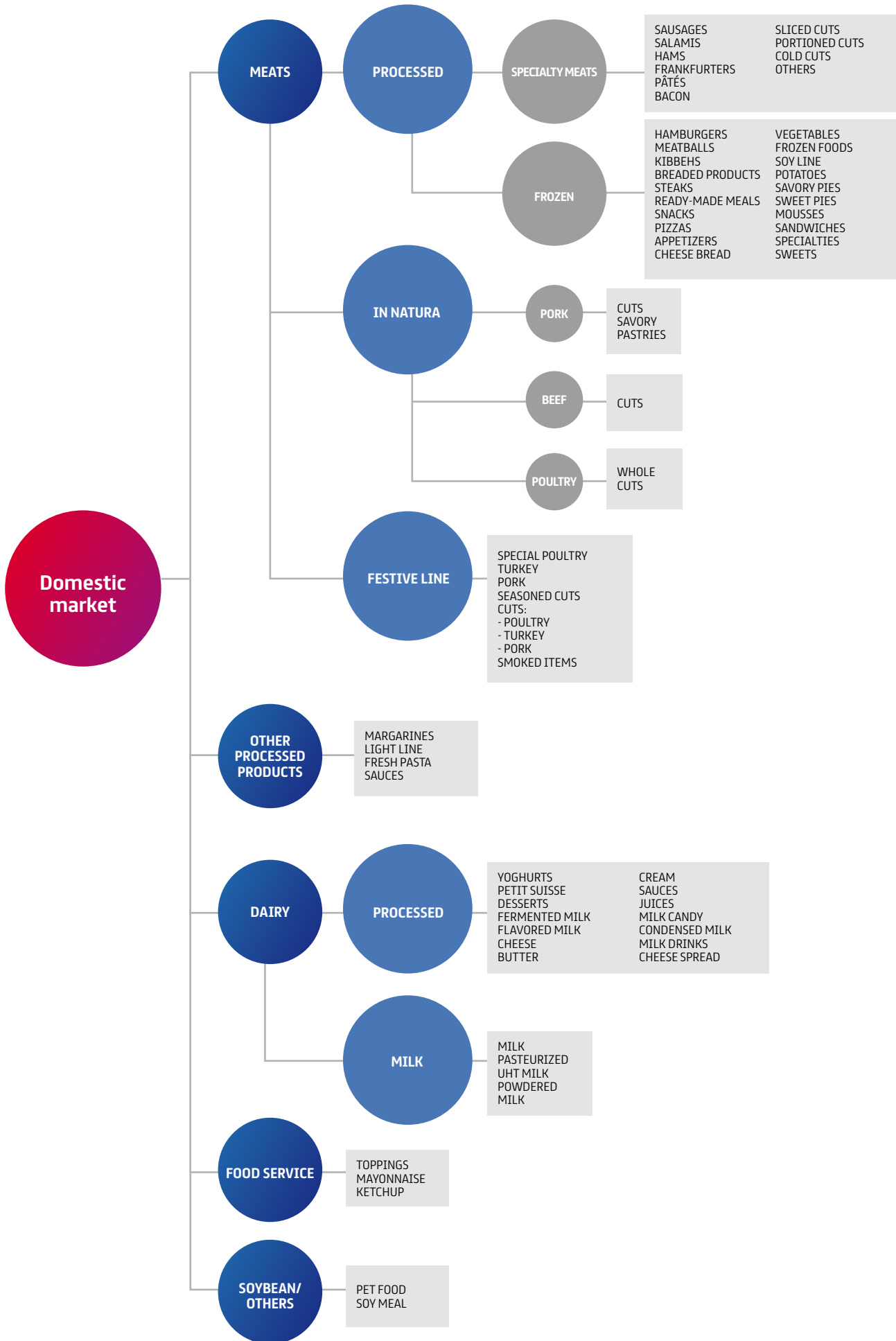
Exports	Thousand tons			R\$ million		
	2012	2011	% Ch.	2012	2011	% Ch.
<b>In natura</b>	<b>2,101</b>	<b>1,882</b>	<b>12</b>	<b>9,436</b>	<b>8,126</b>	<b>16</b>
Poultry	1,795	1,624	11	7,569	6,572	15
Pork / beef	307	258	19	1,866	1,554	20
<b>Processed</b>	<b>372</b>	<b>342</b>	<b>9</b>	<b>2,182</b>	<b>1,925</b>	<b>13</b>
<b>Other sales</b>	<b>9</b>	<b>40</b>	<b>(78)</b>	<b>8</b>	<b>42</b>	<b>(82)</b>
<b>Total</b>	<b>2,482</b>	<b>2,264</b>	<b>10</b>	<b>11,626</b>	<b>10,093</b>	<b>15</b>

Dairy	Thousand tons			R\$ million		
	2012	2011	% Ch.	2012	2011	% Ch.
Dry division	762	834	(9)	1,636	1,706	(4)
Fresh and frozen division	216	236	(9)	1,018	833	22
Other sales	85	-	-	60	-	-
<b>Total</b>	<b>1,063</b>	<b>1,071</b>	<b>(1)</b>	<b>2,714</b>	<b>2,539</b>	<b>7</b>

Food service	Thousand tons			R\$ million		
	2012	2011	% Ch.	2012	2011	% Ch.
<b>Total</b>	<b>230</b>	<b>228</b>	<b>1</b>	<b>1,558</b>	<b>1,444</b>	<b>8</b>

Total	Thousand tons			R\$ million		
	2012	2011	% Ch.	2012	2011	% Ch.
<b>Total</b>	<b>6,337</b>	<b>6,153</b>	<b>3</b>	<b>28,157</b>	<b>25,706</b>	<b>11</b>

Domestic market



# Exports





## Incentives [GRI EC4]

BRF enjoys the benefits of tax and financial incentives in the federal, state and municipal spheres for fostering local production or commercialization or for the socio-economic development of the regions, the quid pro quo being investments in the creation of direct and indirect jobs. In 2012, incentives were granted to offset the crisis in the agro-industrial sector, caused by the rise in the costs of infrastructure and grain prices as well as increased competitiveness of the international trade in chicken meat, pork and processed products.

Highlights of incentives in the federal area include the Reintegra and Brasil Maior programs of tax breaks in the payrolls for the poultry and pork meat industries and the technological innovation incentives under the 'Lei do Bem' (Law 11.196).

Incentives granted in the state sphere linked to tax breaks on ICMS sales tax for attracting investments such as Fundopem (RS), Prodeic (MT) and Fomentar (GO).

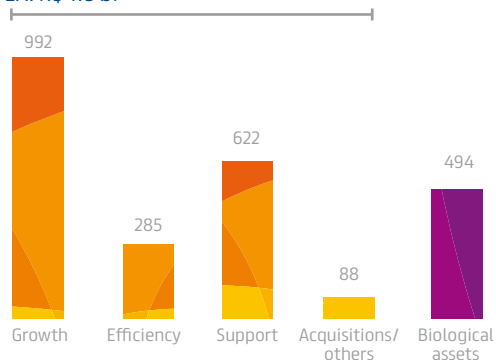
## INVESTMENTS

In all investments, BRF ensures that its partners use business processes that respect human rights, including verification of any indication of child labor or inhumane working conditions. In the case of mergers and acquisitions, joint ventures, associations and joint operations with other companies, these procedures are evaluated by means of internal and external audits, visits, meetings and questionnaires. During the feasibility assessment phase of investment projects, the Company also considers environmental impacts and endeavors to ensure the use of more environmentally efficient technologies. [GRI HR1]

## Investments - 2012

R\$ million

CAPEX: R\$ 1.9 bi



Investment in Capex during the year amounted to R\$ 2.5 billion, 25% higher than the preceding year and directed to growth, efficiency and support projects. Investments of R\$ 494 million in biological assets (breeder stock) for supplying growth projects are also considered in this amount.

Two joint ventures were created in 2012 – the Rising Star Food Company Limited (China) and the Carbery Group (Brazil) – and two companies were acquired – Quickfood (Argentina) and Federal Foods (United Arab Emirates). There were also investments in plants – new units for margarine, in Vitória do Santo Antão (PE), and for sausages, in Lucas do Rio Verde (MT); expansions to poultry slaughtering facilities in Lucas do Rio Verde (MT), Rio Verde (GO), Dois Vizinhos (PR), Toledo (PR), Dourados (MS) and Nova Mutum (MT); the alignment of the Rio de Janeiro (RJ) Distribution Center; and the construction of the new Technology Center in Jundiaí (SP).

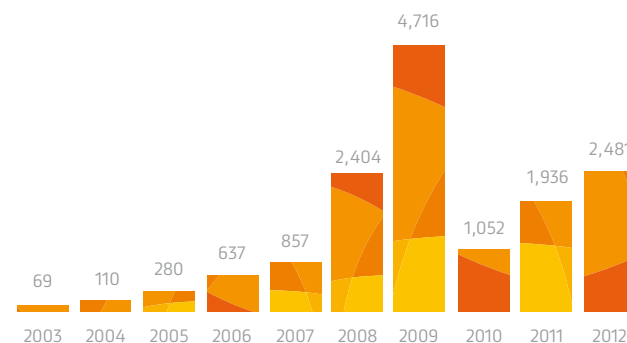
## Environmental investments (R\$ million) [GRI EN30]

R\$ million	2010	2011	2012
Prevention and management	24.3	37.8	60.2
Allocation, treatment and mitigation	74	80.2	61.2
Investment in forestry plantation <sup>(1)</sup>	45.8	28.2	35.5
<b>Total</b>	<b>144.1</b>	<b>146.2</b>	<b>156.9</b>

## Investments\*

R\$ million

CAGR = 49.0%



\* Considering the incorporation of shares of Sadia (2009) and Eleva (2008)  
(1) Proforma

Investment in Capex during the year amounted to R\$ 2.5 billion, 25% higher than the preceding year and directed to growth, efficiency and support projects.

## SHARES AS AN INVESTMENT

BRF shares reported a year-end price of R\$ 42.19 on the São Paulo Stock Exchange (BM&FBovespa) while the Company's ADRs closed at US\$ 21.11 on the New York Stock Exchange, appreciating 15.8 percent and 8.0 percent, respectively. Performance exceeded the Ibovespa, the stock index comprising the most liquid stocks traded on the Brazilian bourse, the latter increasing by 7.4 percent, and the Dow Jones index (up 7.3%). The Company's market value reached R\$ 36.8 billion, up 15.7 percent from 2011.

For the third consecutive year, and as part of the objective of intensifying its relationship with the stock market, the Company held the BRF Day during the Apimec National and the São Paulo, Rio de Janeiro, Belo Horizonte and Porto Alegre regional chapter meetings. In São Paulo, the public meeting was followed by ringing the opening bell of the trading day at the invitation of BM&FBovespa, with live transmission and simultaneous translation.

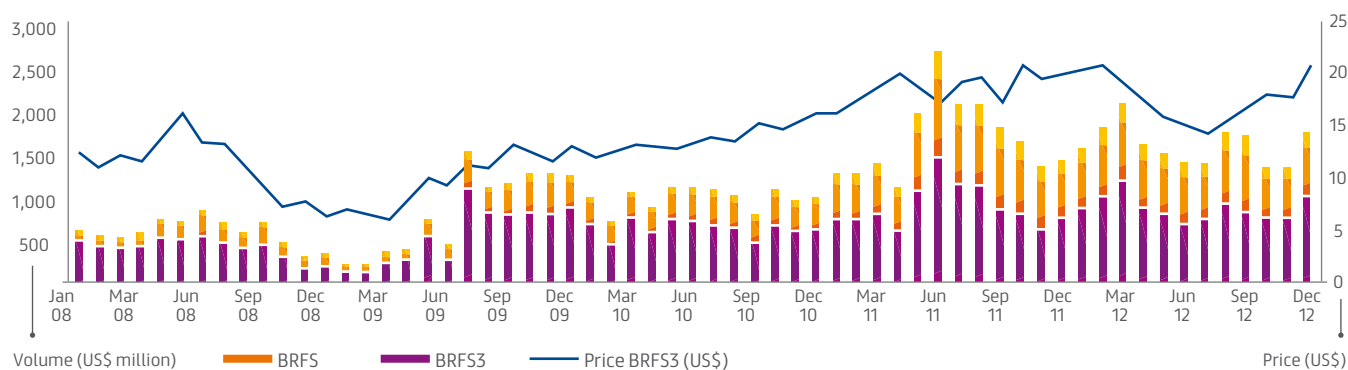
In addition, BRF's CEO and CFO also hosted BRF Days in New York and London. Several conferences were also held together with one-on-one meetings, conference calls and visits with domestic and international investors, revealing expressive demand from investors and capital market analysts.

### Remuneration paid out to Shareholders

The Board of Directors approved shareholder remuneration in the amount of R\$274.7 million, corresponding to R\$ 0.31585520 per share with payouts on August 15, 2012 (R\$ 0.11501051 per share and on February 15, 2013 (R\$ 0.20084501 per shares) as interest on equity with withholding tax at source as per the legislation in effect. In Ordinary and Extraordinary Shareholders Meeting, will be proposed the amount of R\$45.3 million. The amount distributed to the shareholders during fiscal year 2012, represented 39.3% of the net income reported in the period.

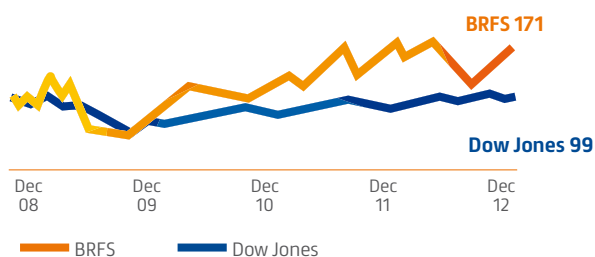
### Monthly traded volume

2012: US\$ 76 million/day  
4.5% less than 2011



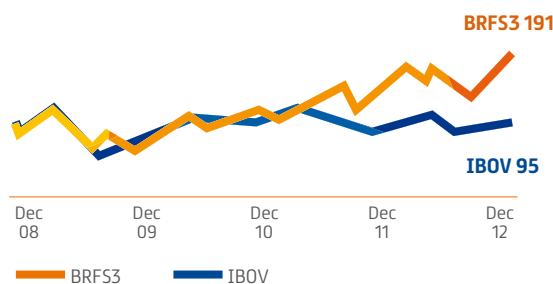
### ADRs X Dow Jones

Basis 100 - Dec 08 - 5 years serie



### Shares X Ibovespa

Basis 100 - Dec 08 - 5 years serie



### Performance on the BM&FBovespa

	2012	2011
Closing prices (R\$)	42.19	36.42
Stock trading volume (millions)	584.0	593.7
BRFS3 change	15.8%	33.2%
Bovespa index	7.4%	(18.1%)
IGC	19.0%	(12.5%)
ISE	20.5%	(3.3%)

### Performance on the NYSE

	2012	2011
Closing prices (US\$)	21.11	19.55
ADR trading volume (millions)	480.6	488.8
BRFS change	8.0%	15.8%
Dow Jones index	7.3%	5.5%



# INTELLECTUAL CAPITAL

## COMPETITIVE ADVANTAGES

BRF's distinctive characteristics allow it to stand out from the competition and maximize growth opportunities. A portfolio of brands and products positioned to serve different consumer profiles, plus a robust physical structure, efficient operational capabilities and human capital make up a set of intangible assets that give the Company a competitive edge.

**Brands** – As the owner of strong brands that enjoy widespread public recognition and are benchmarks for quality – such as Sadia, Perdigão, Chester, Batavo, Elegê and Qualy, in Brazil; and Perdix, Sadia, Hilal, Paty and Dánica, abroad, to name a few –, BRF has invested in the positioning of its corporate image and is now making progress towards being recognized as a leading brand in its segment and also admired in all its chosen markets in Brazil and overseas. *(See page 27 for additional information)*

**Portfolio** – With a sound and diverse portfolio that includes over 3.3 thousand products, BRF reaches different consumer audiences and conveys a sense of trust to all of them. Over the year, around 450 products were launched on the domestic and international market among processed, frozen, industrialized, ready-to-consume, pizza and dairy lines.



**BRF: is a protagonist**  
This is our attitude of leader  
and the desire to innovate  
in all that we do.



**Innovation and technology** – Acknowledged as one of the 100 most innovative companies in the world according to the 2012 Forbes magazine ranking, the Company invested R\$ 106 million in a new technology center. Built in the city of Jundiaí (SP), in the same complex already occupied by a distribution center and a laboratory, the research facility houses the activities previously carried out at the Vieira (SC) and São Paulo (SP) centers. Concentration in a single site will bring synergies to research and development activities as will the single team of 250, facilitating interaction with the marketing teams based at the São Paulo headquarters. The new building was constructed using the most environmentally advanced techniques according to LEED certification guidelines. The center has physical-chemical and microbiological laboratories as well as those for sensorial analysis, materials and packaging in addition to eight experimental kitchens. There are also facilities for developing and testing food service products. Another highlight in 2012 was the implementation of a unified Information Technology system at all units so that activities and processes may now operate under the same management and procedures model.

**Production structure** – The operational structure is distinguished by the geographic location of its production units, which, in line with the agreement with Cade and the implementation of a unified manufacturing management model, mark the beginning of a new phase of optimized production capacity. The new model was responsible for defining and implementing identical procedures and practices for all operations and will be replicated in the dairy products area during 2013. The high level of automation at our plants and our skilled labor force are additional competitive advantages, further improved in 2012 with the introduction of new technology intended to automate repetitive processes.

**Logistics and distribution network** – BRF's supply chain is one of the largest operations of its kind among Brazilian companies. Products are shipped from 50 units in 11 states and are distributed to 150 thousand points of sale across Brazil to feed dozens of millions of consumers. There is perfect coordination between the distribution chain's component links enabling it to operate with clockwork precision with a sales team always abreast of customer

requests and, where possible, anticipating demand. The physical distribution matrix and the production system are synchronized such that production is able to meet demand in terms of quantity, quality and range of orders. Logistics is responsible for making deliveries at the precise place and time agreed. BRF employs practically every mode of transportation to get its products to the points of sale. In the domestic market, most of the cargo is shipped by trucks of various sizes (an outsourced fleet of 8 thousand vehicles) and rail although there was an increase in the use of coastal shipping in 2012. Distribution will become even more synergistic and efficient in 2013 with deliveries of all segments and brands made possible from a single truck and also as a result of the integration of warehouses. Internationally, the development of the distribution network is a challenge. In 2012, progress was made in distribution in Saudi Arabia: with the incorporation of the joint venture partner responsible for importing and distributing our products in the local market, BRF gained more than 2 thousand points of sale. Again, in May 2012 the joint venture in Asia also helped boost retail and food service distribution in Hong Kong, Macao and Continental China.

**Human capital** – All employees at BRF are critical to the Company's expansion and consolidation process and regarded as its most important intangible asset. With a team of experienced, professional executives, the Company maintains training courses that include a leadership program which serves as a forum for the exchange of experiences. Although employee profiles change from one job position to another, our human capital is made up of people who are aligned with the Company's values, adaptable to a constantly changing arena and committed to the results and goals set out in the BRF 15 Plan.

**Management** – BRF's management model focuses on planning and is aligned with the best transparency practices in the market. Its main distinction lies in the ability to execute and maintain operations under complex scenarios. The major work done in 2012 to comply with the conditions in the agreement with Cade is proof of the Company's managerial efficiency.

All employees are a key component in the Company's process of expansion and consolidation.



## Awards |GRI 2.10|

Awards and Recognitions	Reason	Institution
Among the Best Companies in Corporate Governance	Meeting with the investment analyst community Conference call Company in socio-environment sustainability (7 <sup>th</sup> placed) Corporate IR Program in Latin America	Investor Relations Magazine Awards
World's 100 most innovative companies	Products and processes innovation	Forbes magazine (international)
Best Companies to Shareholders	Best Companies to Shareholders	Capital Aberto Magazine
Top of Mind 2012 Awards	Sadia and Qualy brands	Folha de S.Paulo newspaper
Large Agribusiness Company and Exports Highlight	Large Agribusiness Company and Exports Highlight	A Notícia newspaper and Instituto Mapa
Best & Biggest	Best agribusiness company	Exame magazine
Executive of Valor	CEO José Antonio do Prado Fay	Valor Econômico newspaper
Best of Dinheiro	Best company in the food industry and best in Social Responsibility and Corporate Governance management in food sector.	IstoÉ Dinheiro magazine
Best in Agribusiness 2012	Largest company in the meat industry	Globo Rural magazine
Aberje 2012 Award	Integrated Communication (regional and national)	Brazilian Business Journalism Association ("Associação Brasileira de Jornalismo Empresarial" – Aberje)
Sesi Award for Workplace Quality	BRF's Videira unit placed first in the Occupational Safety and Health category, with Automation of Industrialization of Frankfurter Sausage Activity.	Serviço Social da Indústria (Sesi)
500 Biggest in Southern Brazil	Food and Beverage industry	Amanhã magazine
Abre Brazilian Packaging Award	Best Graphic Design in the Food and Beverage category, for the new Batavo visual identity	Brazilian Packaging Association ("Associação Brasileira de Embalagens" – Abre)
Green Wave Trophy of the Expressão Award for Ecology	Automation Project for the Monitoring of the Capinzal Reactor Aeration System Waste Water Treatment in the Conservation of Production Inputs – Energy.	Editora Expressão



# HUMAN CAPITAL

With its focus on the performance of people, BRF is constantly analyzing the market scenario, adapting to tendencies and implementing improvements in programs and processes. In 2012, the Company prioritized alignment and standardization to ensure that employees at all levels are in harmony with the BRF Culture so that development can proceed in accordance with the BRF15 strategic plan.

The Company is a major employer in the agro-industrial sector – more than 80% of its employees are located in small cities –, driving local economies and collaborating with the development of society. The corporate culture's values and mission are beginning to be disseminated outside Brazil in line with BRF's internationalization thus preparing the Company's executives to operate in an intercultural environment.

## EMPLOYMENT

BRF's human capital incorporates a universe of more than 120 thousand people, between direct and outsourced employees. The Company adopts a policy of internal recruiting and the selection process is decentralized through the individual units. The principal purpose is to attract, select and direct manpower in accordance with its profile and potential, hiring those aligned with BRF's values, seeking to satisfy company demands for labor and the selection of professionals. The practice is to give priority to candidates originating from the location where there is a vacancy and for this purpose, the Company endeavors to arrange partnerships with local entities for disseminating opportunities and hiring candidates.







**BRF: cultivates bonds**  
This is our commitment to  
building long-term relations.

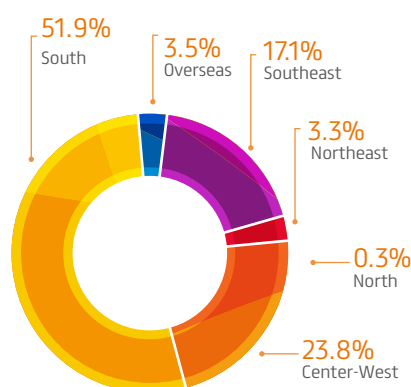


Other partnerships and projects for the attraction of labor were also upgraded during the course of the year. Examples are the Itinerant Recruitment Program, where traveling Attraction and Selection teams go to other locations to hire candidates to fill available positions, and 'Eu Recomendo', a channel through which existing employees indicate candidates for positions. In 2012, 14% of all new hires were indicated through this program.

The targets for internal recruitment in 2012 for leadership posts were maintained, 84% of all vacancies being filled by candidates from among the Company's employees – an advance in relation to the 78% for 2011. As a matter of principle, BRF adopts an internal recruitment and promotion policy for filling leadership positions. [GRI EC7]

Traditionally, the Company hires people with disabilities and prepares leaders appropriately at its various units. In 2011, the Company signed an agreement with the Public Prosecutors Office for Labor for complying with the legal quota over the next few years. BRF is being advised by Sesi in preparing Human Resources teams and for raising the awareness of managers for the inclusion, development and retention of disabled employees.

## Employees by region<sup>1</sup> [GRI LA1]



<sup>1</sup>Including employees in Brazil, at Plusfood/Dánica/Avex and BRF-Sadia expatriates

## Employees by labor contract and gender [GRI LA1]

Type of contract	2010 <sup>1</sup>	2011 <sup>1</sup>	2012		Total
			Men	Women	
No fixed duration	113,059	116,889	65,571	43,902	109,473
Fixed duration	647	1,237	299	132	431
Outsourced <sup>2</sup>	13,267	12,301	ND	ND	10,166
Interns and apprentices	454	299	731	768	1,499
Employees outside of Brazil	555	1,970	ND	ND	4,087
<b>Total employees<sup>3</sup></b>	<b>127,982</b>	<b>132,696</b>	<b>66,601</b>	<b>44,802</b>	<b>125,656</b>

<sup>1</sup>Data for 2009, 2010 and 2011 includes employees in Brazil, at Plusfood, Dánica, Avex and expatriates.

<sup>2</sup>BRF still does not monitor this information by gender.

<sup>3</sup>Pursuant to the Performance Commitment Agreement (TCD) signed with CADE, 8,849 employees were transferred to the company which acquired BRF's assets.

## Terminations by region, gender and age group<sup>1</sup> [GRI LA2]

Number of terminations <sup>2</sup>	Female			Male			Total
	Below 30	Between 30 and 50	More than 50	Below 30	Between 30 and 50	More than 50	
Center-West	2,686	1,516	44	6,597	2,588	92	13,523
Northeast	52	77	2	380	323	1	835
North	5	4	-	20	26	-	55
Southeast	960	988	35	2,210	1,522	100	5,815
South	4,101	2,642	203	5,300	2,537	374	15,157
<b>Total</b>	<b>7,804</b>	<b>5,227</b>	<b>284</b>	<b>14,507</b>	<b>6,996</b>	<b>567</b>	<b>35,385</b>

<sup>1</sup>Data for the Brazilian operation only

<sup>2</sup>This chart does not include the 8,849 employees who were transferred to the company which acquired BRF's assets in accordance with the Performance Commitment Agreement (TCD) signed with Cade.

## Employees by region | GRI LA1

Region		2011 (%)	Number of Employees by region 2012	2012 (% employees)	Number of outsourced employees by region 2012	2012 (% outsourced employees)
Brazil <sup>1</sup>	North	0.3%	342	0.30%	9	0.09%
	Northeast	4.2%	3,784	3.28%	411	4.04%
	Center-West	22.9%	27,529	23.84%	2,598	25.56%
	Southeast	16.9%	19,802	17.15%	1,558	15.33%
	South	54.1%	59,946	51.91%	5,590	54.99%
Overseas	Latin America	1.6%	3,059	2.65%	ND	ND
	Europe		660	0.57%	ND	ND
	Asia		311	0.27%	ND	ND
	Expatriates <sup>2</sup>		57	0.05%	ND	ND
<b>Total</b>	<b>100%</b>	<b>115,490</b>	<b>100%</b>	<b>10,166</b>	<b>100%</b>	

<sup>1</sup> Total number of employees in Brazil (the sum of fixed and indeterminate duration employees, interns and apprentices).

<sup>2</sup> Brazilian employees working overseas.

## Workforce composition | GRI LA13

Categories	Total	Men	Women	Aged up to 30	30-50	Over 50
Officers	52	46	6	0	36	16
Managers	519	418	101	8	454	57
Supervisors/coordinators	2,110	1,746	364	246	1,741	123
Administrative <sup>2</sup>	10,903	5,830	5,073	4,913	5,581	409
Operational	96,320	57,830	38,490	41,377	49,751	5,192
Interns and apprentices	1,499	744	755	1,480	19	0
<b>Total<sup>1</sup></b>	<b>111,403</b>	<b>66,614</b>	<b>44,789</b>	<b>48,024</b>	<b>57,582</b>	<b>5,797</b>
<b>Percentage</b>	<b>100%</b>	<b>60%</b>	<b>40%</b>	<b>43%</b>	<b>52%</b>	<b>5%</b>

<sup>1</sup> BRF does not monitor this information on the basis of gender.

<sup>2</sup> In accordance with the Performance Commitment Agreement (TCD) signed with Cade, 8,849 employees were transferred to the company which acquired BRF's assets.

## Turnover (monthly average)<sup>1</sup> | GRI LA2

Turnover	2010	2011	2012
Employee terminations	33,996	31,035	35,385
Employees transferred in accordance with the TCD <sup>2</sup>	NA	NA	8,849
Turnover (%) <sup>3</sup>	2.33%	2.07%	2.34%

<sup>1</sup> Data relates to the operation in Brazil only.

<sup>2</sup> In accordance with the Performance Commitment Agreement (TCD) signed with CADE, 8,849 employees were transferred to the company which acquired BRF's assets.

<sup>3</sup> Turnover rate was calculated excluding transferred employees under the TCD.

## Base salary women/men<sup>1</sup> | GRI LA14

Function	2012
Officers	0.96
Managers	0.95
Supervisors/Coordinators	1.03
Administrative	0.91
Operational	0.82

<sup>1</sup> Proportion between base salary for women and for men in each category.

## Private pension plan

BRF believes that the complementary pension plan is an important benefit for the future of their employees and family dependents. In 2012, the Company concluded the Private Pension Plans Harmonization Project, the decision being taken for Brasil Foods Sociedade de Previdência Privada (BFPP) to administer four plans, all of them of a voluntary and independent nature from the asset and accounting point of view (plans I, II, III and FAF). Plans I and II are structured as variable contribution plans and the FAF Plan is a defined benefit plan – the three plans being closed for further membership. Plan III, established in 2011 and structured on the basis of a defined contribution plan, is open for additional members and available to all employees that are not part of any other BRF private pension plan. At the end of 2012, 34,691 employees were members of the I, II, III and FAF plans. The plans are reviewed annually by Actuaries and Independent Auditors and are currently have no unfunded liabilities. In the case of Plans I, II and III, expenses were fully underwritten by the sponsors.

The percentage contribution for Plan I is 0.7% on the portion of the salary corresponding up to 10 URBF (Brasil Foods reference unit, equivalent to R\$ 3,536.70) and 3.7% on any excess of the salary, where the case. The sponsors' contributions are made as a percentage of the base contribution of the participants as follows: 100% of the contribution (up to 50) and 200% (above 50). For Plans II and III, the basic contribution is 0.7% on the part of the salary corresponding to 10 URBF and 3.0% to 7.0% on any excess of the salary, if the case. In both plans (II and III), sponsors' contributions correspond to 100% of members basic contribution.

Members of the I, II and III plans may make supplementary contributions on a totally voluntary basis, corresponding to a percentage of the salary or a value freely chosen by them. FAF's monthly contribution corresponds to 0.42% of members' salaries while the sponsors contribute 0.21%. **[GRI EC3]**

## RELATIONSHIP BETWEEN EMPLOYEES AND COMPANY

Different initiatives were adopted in 2012 to improve and monitor employee satisfaction. These included the upgrading of the Godfathers' Program for welcoming new employees at the units; training of organizational climate professionals; installing the SAP tool for processes undertaken by the area (monitoring and termination and psycho-social interviews); upgrading of the experience monitoring interview for the administrative units, DCs and sales branches, measuring the satisfaction of recently hired employees with focus on retention; improvement in indicators for the area (reasons for termination, working conditions, opportunities for growth and development, etc.); and expanded action plans on questions raised by the area involving HR and managers responsible for decisions and improvements.

In the context of best market practices of transparency, the communication process involves all areas and managers in the disclosure of material information as well as meetings for prior communication to the labor unions. In the event of important operational changes, the Company notifies on a timely basis both the employee representatives, namely the labor unions, as well as the employees themselves. **[GRI LA5]**

Periodicity for communication is not predefined. Due to the significant level of disinvestment in 2012 as a result of the agreement with Cade under the Performance Commitment Instrument, multiple meetings were held with employee representatives. All the units involved in asset transfers were notified of decisions by the Executive Board prior to official publication in-house and in the media.

BRF maintains its line of communication with the labor unions continually open. The only labor stoppage in 2012 was partial and took place at the Ponta Grossa (PR) unit during salary negotiations, involving 80 employees (7% of the unit's total manpower). During the collective bargaining negotiations, the Company reached an agreement with the labor union on a wage increase - upon which the stoppage came to an end. A discount of eight days was agreed for the time not worked, of which 5 days will be deducted from vacation leave. **[GRI FP3]**

## HEALTH AND SAFETY

The dissemination of the Health, Safety and Environment (SSMA) culture is one of Human Resources' priorities, the process being adapted to area characteristics, although sharing the basic premise that all personnel must be aware of the principles to be applied on an individual and corporate basis.

The SSMA program shows significant progress from year to year. The accident Frequency Rate with time off work for example has shown a reduction of 77.1% since 2008. In 2012, the rate was 35.6% down on 2011, exceeding the target for an annual reduction of 10%. In 2013, the objective is to reduce the rate by a further 5% on the result for 2012. **[GRI LA7]**

Since 2008, 60,116 employees have received SSMA training. The SSMA committees have an auxiliary and advisory role and represent all employees. There are general committees with the participation of senior management as well as committees at the regional and units levels. Monitoring is also undertaken by 120 Internal Accident Prevention Commissions (Cipas) and present at each unit. In all, the Cipas have a total membership of 1.4 thousand people, each Cipa having at least one member responsible for accident prevention in the workplace at locations where a full Cipa is not mandatory. The Company also provides specialized occupational safety and medicine. **[GRI LA6]**

## OCCUPATIONAL HEALTH AND SAFETY

### Safety indicators [GRI LA7]

Indicators	2010	2011	2012
Accident Frequency Rate - with time off work <sup>1</sup>	5.01	3.06	1.97
Frequency Rate - occupational diseases <sup>1</sup>	0.96	0.2	0.11
Severity Rate <sup>1</sup>	473	216	197
Percentage Absenteeism <sup>2</sup>	3.38%	3.25%	3.38%
Fatalities (absolute figures)	4	5 <sup>3</sup>	3 <sup>4</sup>
Accidents with time off work	1,078	690	441
Accidents without time off work	2,693	2,266	2,176

<sup>1</sup> Frequency and severity rates per each one million man-hours of work, according to NBR 14.280.

<sup>2</sup> Rate of absenteeism relates to absences from work due to failure to appear or delay due to some intervening reason.

<sup>3</sup> Two typical accidents and three in transit.

<sup>4</sup> Two typical accidents and one in transit.

The SSMA offers training to employees for preventing conduct which infringes the safety rules as well as prevention of incidents and accidents. This training is tailor-made to employees' activities and possible health, safety and environmental risks in the workplaces. The SSMA is supported by the Emergency Brigade, a highly trained team of employees which responds to emergency situations in the workplace.

The programs include the Occupational Health, Safety and Environmental Dialog, a simple and systematized way of looking at questions inherent to these themes and held every week; SSMA seminars, an annual event held in various regions of the country for disseminating good practices and critically analyzing the indicators for these areas; and the Internal Accident Prevention Commission (Cipa), made up of representatives of the Company and employees, the aim being to identify potential occupational risks.

Some of the initiatives contributing to these results are:

- **Ergonomics Program and Ergonomics Committees** – These entities are designed to disseminate a set of ergonomic actions, the target being excellence. The program exceeds minimum legal requirements and continually adds value to best practices and approaches in this field.

- **Quality of Life at Work Program** – Initiatives for transforming postural/behavioral habits. Different initiatives in the work environment are taken, priority being given to monitoring work breaks, job rotation and physical workouts (fitness center).
- **Environmental Risks Prevention Program** – For identifying and assessing existing risks in the workplace. Those identified as harmful should be eliminated or neutralized to acceptable levels in line with the prevailing legislation.
- **Medical Control and Occupational Health Program** – The aim is to promote and maintain employee health within the scope of the parameters affecting the individual and collectivity.
- **Management of Occupational Health** – A global approach, establishing guidelines for adopting and monitoring standardized procedures for promoting and preserving health as well as how to detect medical conditions at an early stage.
- **Process Risk Analysis** – This is a SSMA Program tool for identifying, evaluating and managing risks where there is potential for work-related accidents from the phase of conception, operation through to decommissioning any installation or process. This program is designed to preserve health and safety, reiterate commitment to the environment and ensure continuity of the processes.

The occupational safety policy adopted by BRF during 2012 resulted in discussions between business leaders, employees' representatives and the Public Prosecutors Office for the Labor Ministry on the preparation of a Regulatory Norm for the Meat Processing Sector, publication being expected for the first half of 2013. [GRI LA9]

Negotiations with the authorities have concluded that a two-year timeframe will be needed to adjust the manufacturing cadence to the six interval breaks proposed in the legislation. This new situation will require additional investments involving adjustments to the production lines so that they can absorb more employees as well as hiring and training the new intake. There is no mention in the international legislation which covers this topic.

### Quality of life

Various programs are designed to achieve better conditions of health and quality of life, such as the New Being (*Novo Ser*), BRF Smile (*BRF Sorridente*), Male Health, Female Health, *Viva Saúde*, Health Moment (*Momento Saúde*) and other one-off initiatives held in accordance with a calendar of events and allusive dates, among them campaigns for the prevention of HIV/Aids, combating smoking, narcotics and dengue fever. Other initiatives are the Quality of Life at Work, which prioritizes the monitoring of work breaks, job rotation and physical workouts (fitness center), the Ergonomics Program and the Medical Control and Occupational Health Program. [GRI LA8]



- Since 2001, the New Being program has attended pregnant employees through talks and guidance on pregnancy, birth and childcare. The program also provides future mothers with a baby kit (bag/diapers/certificate and sterilizing products) and handed out at the end of the course which is divided into seven modules.
- The BRF Smile Program offers dental treatment and guidance on oral health to all employees in their place of work. Various company units run dental clinics on site at the plants; where this is not available, the Company has a mobile service (the Dentalmobile).
- Begun in 2011, the Male Health Program offers specific services for male health such as the prevention of prostate cancer involving activities which take place at least on a quarterly basis. Meanwhile, the Female Health Program consists of talks, guidance and a partnership with the public health network for free on site preventive examinations. There are also activities for enhancing the value of women such as commemoration of International Women's Day.
- *Viva Saúde* Program's purpose is the prevention and monitoring of chronic diseases such as high blood pressure, diabetes and obesity among employees that have been previously identified by the Company's health service. The Program runs seminars at least once every quarter with four modules presented by a multidisciplinary team.
- Health Moment is a simple and systematized way of discussing matters which are key to the health of the entire community, principally considering current incidence and seasonality. Information is monthly and available to employees by e-mail and disseminated to the units in the form of banners, wall notices and talks.
- The Prevention of HIV/Aids Campaign takes place each year and prioritizes guidance issued by the Ministry of Health on the prevention of sexually transmitted diseases. It is aimed at all employees and approaches the theme in a simple and creative fashion. Normally this initiative takes place during the National SSMA Week and is extensive to family members.
- Campaigns against Smoking, Narcotics and for Combating Dengue Fever and other one-off initiatives generally are run together with government campaigns, being designed to arouse the awareness of employees on health-related problems which can potentially spread to the community as a whole.
- The calendar of events sends a reminder of the date allusive to health on a monthly basis, an example being the commemoration of the World Health Day which falls in April.

## TRAINING AND EDUCATION

In a year of major challenges, BRF sought to upgrade its team through training and education. Development initiatives – such as the Performance Cycle, Feedback and the Individual Development Plan – were expanded to more areas. Advances were made in training parameters, an indication of the focus on preparing employees to better exercise their functions and to take advantage of future opportunities arising internally, thus contributing to the retention of these professionals.

BRF continues to run its interns and trainees programs for students and those that have recently graduated from college. The interns program selects young people early in their careers to form professionals aligned to BRF's culture and objectives. The trainees program is aimed at developing and retaining new talents, guaranteeing the formation of professionals prepared to take on senior positions over the short-term and strategic positions in the medium/long-term. The Company also adopts an incentive policy for partially subsidizing specialization, technical and language courses – on a co-participative basis with the employee.

The Leaders Development Plan, which prepares individuals for future vacancies in supervisory jobs, has been extended to the productive units. An e-learning program was launched for Integration of leaders with content covering from institutional aspects to essential information for the daily routine of the new manager. This is aimed not only at recently hired or promoted leaders but also for recycling of all professionals that already hold positions of leadership.

The sustainability theme has been included in several training initiatives and is now enshrined in the Company's internal culture. Three key themes for the business have been chosen for inclusion in the trainees program: diversity, emissions and waste while the 30 youngsters who participated in the program in 2012 worked with goals and the creation of solutions involving these themes in different areas of the Company.

Performance and development analyses have also been improved in 2012. In all, appraisals were conducted for 3,218 leaders, representing 2.8% of the total number of employees. The system for management and evaluation of competencies was implemented during the year, its focus on positions of leadership. The aim in 2013 is to evaluate all employees irrespective of career level. **[GRI LA12]**

In a year of major challenges, BRF sought to upgrade its team through training and education.



## Hours of training |GRI LA10|

Training Position	Hours of training			Average hours of training per employee		
	Male	Female	Total	Male	Female	Total
Officers /Managers	932	221	1,153	2.21	2.21	2.21
Supervision/Coordination	15,667	3,117	18,784	7.83	6.36	7.54
Administrative	27,129	16,416	43,545	2.18	2.19	2.18
Operational	337,721	227,828	565,549	6.62	6.34	6.51
<b>Total</b>	<b>381,449</b>	<b>247,582</b>	<b>629,031</b>	<b>5.79</b>	<b>5.62</b>	<b>5.72</b>

## Major training programs |GRI LA11|

Name	Purpose	Participants
Our Way of Leadership Program	Prepares leadership on themes pertinent to the management of people.	1,097
Taste for Serving Program	Prepares employees at the Shared Services Center for ensuring the development of competencies, systemic vision and improvement in the quality of rendering services.	229
Leadership Development Program	Prepares professionals as candidates for future supervisory vacancies, ensuring their development and succession.	195
E-Learning for Induction of Leaders	Provides an overall view of the Company for an employee beginning activities in a position of leadership and highlighting the importance of BRF's processes for this manager.	1,086
Leadership Development Program	Prepares executives for establishing and strengthening their professional role as multipliers of cognizance and as agents for change.	51
Individual Development Program	Develops individually key competencies in the executives.	113
Collective Development Plan	Develops collectively key competencies in the executives.	572
Initial Formation in Sales	Instills in the new salespeople knowledge and skills essential for their indicators and sales results.	703
Promoter Development Program	Develops the merchandising team in terms of the competencies required.	3,596

<sup>1</sup> The Improve Program and the Retirement Program mentioned in 2011, were not run in 2012



# SOCIAL CAPITAL

BRF periodically reviews the relevance of its sustainability programs and actions by engaging its stakeholders, a decision having been made on strategy and management in 2009.

In 2012, BRF ran panels comprising its internal audience and multistakeholders, both in São Paulo, for identifying perceptions on the Sustainability Pillars, the changes which occurred in the relationship with the Company and the involvement of the stakeholders in the challenges of sustainability facing them and BRF. Representatives from key stakeholder groups (shareholders, clients, consumers, sector entities, specialists, suppliers, employees, academia and NGOs) took part in the process involving 81 people, 28 drawn from inside the Company, 31 external stakeholders and 22 suppliers.

In addition, the Company's vice-presidents opined on themes of relevance to sustainability to be prioritized. The innovation in 2012 was a specific panel with suppliers from the inputs area in Curitiba (PR), which opened the way for dialog as part of the Supply Chain Monitoring Program. **[GRI 4.14, 4.15, 4.16]**







**BRF: dialogs with the world**

This is our disposition to  
talk, learn and be receptive  
to the new.



## VALUE CHAIN

Committed to the dissemination of sustainable practices at all production phases in 2012, BRF expanded its initiatives under the Supply Chain Monitoring Program. The aim is to identify and minimize the principal social and environmental risks by reducing impacts, developing new operational opportunities, disseminating sustainability and improving the relationship with suppliers on six fronts: beef, grains/meal/oil, logistics, ranching, supplies and dairy products.

Along all these fronts, supplier sustainability criteria such as human rights (child labor and forced labor), labor rights (freedom of association and collective bargaining) and compliance with environmental legislation are evaluated. In 2012, no suppliers were identified where rights to freedom of association or collective bargaining were deemed to be at risk. BRF places no restriction on association of its suppliers and even stimulates it in order to strengthen the sector, thus facilitating management and negotiation with the suppliers. On the basis of the Ministry of Labor and Employment's Forced Labor List and through evaluation, no suppliers were identified as using child and/or forced labor in their operations. As a rule, BRF has no relationships with suppliers that do not adhere to minimum standards of human rights and respect for the environment. **[GRI HR2, HR5, HR6, HR7]**

The Company began disseminating the Code of Conduct for Suppliers in early 2012 to reiterate the commitment to responsible management and sustainability. The document was sent to 893 suppliers and, by the end of December, 209

(10% of suppliers) had returned the Instrument of Awareness and Agreement. The self-evaluation questionnaire was sent to 232 suppliers of which 162 replied to the socio- environmental questions (such as the combat of child or forced labor, freedom of association and correct environmental management). The target for 2013 is to have a 60% acceptance rate among critical suppliers for the Code of Conduct. **[GRI HR2]**

In addition, all suppliers are in agreement with the Company's procurement policy which has some variations depending on the specifications of the item purchased. In the event that irregularities are detected and depending on the gravity of the occurrence, the supply agreement is canceled. In 2012, there were some cases in which the agreement with suppliers was terminated (integrated outgrowers, suppliers of grains, meal and oil and freight services) due to contravention of some item in the Procurement Policy (as an example: the loss of an environmental license). **[GRI FP1]**

The Program's focus was on the training and raising the awareness among negotiators and suppliers of the standards of sustainability. Participants are able to understand the details and targets for meeting the requirements of the Program, involving the signature to the Code of Conduct, the execution of socio-environmental evaluations and audits. These actions cover 50% of the negotiators in the supplies and grains, meal and oils departments, a total of 90 people, and should reach 100% of the group in 2013.

### Conformity with international norms and certification **[GRI FP2]**

Supplier areas	Certification	Material	% acquired in conformity with international certifications	Geographical origin
Supply Chain	Forest Stewardship Council (FSC) Seal	Pulp-based packaging	75%	Brazil (South and Southeast)
Grains, meal and oil	EU – Renewable Energy Directive for biofuels (EU-RED), International Sustainability and Carbon Certification (ISCC), Hazard Analysis Critical Control Point (HACCP), Proterra Standard, ISO 9001, ISO 14001, ISO 18001, GMP +2, GMP +3	Soybean meal <sup>1</sup>	93%	Brazil (South, Southeast, Center-West and Northeast)
		Soybean oil <sup>1</sup>	48%	Brazil (South, Southeast, Center-West and Northeast)
	Round Table on Sustainable Palm Oil (RSPO)	Palm oil and palm kernel oil	100%	Malaysia

<sup>1</sup> The volume represents suppliers which have at least one of the certifications, some having more than one.

Note: Certification for purchase of beef cattle does not exist. The Company works with export licenses in accordance with each importing country. There is no requirement for internationally accepted certification for purchases from dairy product suppliers or from suppliers of logistical services.

**The principal highlights on the labor front in 2012 were:**

**Logistics** – Expansion of the Occupational Health, Security and Environment Program for transportation companies. This initiative is developed through the Excellence in Logistics Program with the objective of promoting logistics chain sustainability. Standards are monitored using the Suppliers Integrated Management system, which classifies and awards partners on the basis of the criteria of quality, cost competitiveness, sustainability of the business and care with people and the environment. As part of the commitment under the In the Right Direction Program against sexual exploitation of children and adolescents on Brazilian highways, 1,050 outsourced drivers and assistants were trained to become protection agents and co-responsible in the elimination of the problem.

**Ranching** – More than 800 agricultural extension agents periodically evaluate and guide conditions at the integrated outgrowers and at third parties on the care taken with animal production and slaughter of poultry. In 2012, the Suppliers Code of Conduct was included as an attachment to the integrated outgrowers production contracts and implemented at all producers where hogs are reared through to the final

slaughtering phase (approximately 4.5 thousand producers). The target is to extend the Code of Conduct to the other animal categories by December 2013.

**Beef Cattle** – Technical personnel addressed and visited more than 300 producers in the state of Mato Grosso providing guidance on procedures for maintaining high levels of quality and compliance with all legal requirements.

**Grains, meal and oil** – Given the use of family labor in agriculture, all contracts carry specific clauses on the requirement not to employ those under the age of 18 or maintain any working condition which does not comply with the prevailing legislation.

**Supplies** – In 2012, two procurement negotiators training programs were offered to 44 employees, for presenting BRF's Sustainability Management strategy and the Suppliers Monitoring Program. In 2013, onsite audits of suppliers are scheduled.

**Dairy Products** – Pilot project at 32 properties, the Good Practices on the Farm Program evaluates quality, sustainability and human rights aspects such as child and forced labor. The Company plans to expand the program to its remaining milk producers.

**Suppliers submitted for human rights screening<sup>1</sup> |GRI HR2|**

Supplier group	Reply to questionnaires	Audit/technical visit	% that signed the Code of Conduct
Ranching (integrated outgrowers – poultry and hogs)	100%	100%	30%
Supplies <sup>2</sup>	23%	0%	10%
Grains, meal and oil	63%	30%	82%
Dairy product producers <sup>3</sup>	2%	2%	N.A. <sup>5</sup>
Beef Cattle producers	74%	74%	N.A. <sup>5</sup>
Logistics suppliers – GIF Program (secondary fleet)	44%	44%	0%
Logistics suppliers – SSMA Program	8%	8%	66%

<sup>1</sup> Percentages represent value expended with suppliers involved in the activity in relation to the total value spent with suppliers in the category.

<sup>2</sup> Considers only critical suppliers in accordance with the representativeness of expenditures with suppliers as a whole.

<sup>3</sup> A pilot project was run at 32 properties in 2012.

<sup>4</sup> The "Contracts with human rights clauses" column reported in the Annual Report 2011 has been removed on the understanding the columns shown above best reflect BRF's practices for disseminating human rights in its value chain.

<sup>5</sup> Dairy product and beef cattle purchases are conducted via spot contracts and given the one-off nature of the relationship, signature of the Code of Conduct is not requested.

In 2012, BRF expanded its initiatives under the Supply Chain Monitoring Program.



## LOCALLY-BASED SUPPLIERS | GRI EC6|

BRF recognizes the benefits to be had in purchasing from locally-based suppliers, such as reduction of transportation costs and greenhouse gas emissions as well as enhanced integration with the community. Consequently, local purchasing is prioritized although there is no specific policy to this end.

The Company operates on the basis of a regionalized structure with trained procurement personnel in the principal producing regions - the department for grains, meal and oils negotiating directly with producers, thus reducing the number of intermediaries along the value chain and benefiting local communities. In 2012, more than R\$ 20 million was invested in infrastructure in order to consolidate this strategy, resulting in an increase of 16% in the volume of purchases from local suppliers compared with 2011. In 2012, 58% of grain, meal and oil purchases were made from local suppliers. On the other hand, 100% of all beef cattle were acquired in the state of Mato Grosso where the Company's slaughtering facilities are based.

## Participation of locally-based suppliers in overall procurement<sup>1</sup> | GRI EC6|

State <sup>1</sup>	Supplies <sup>3</sup>	Grains, meal and oils	Dairy Products	Integrated Production	Beef cattle
Alagoas	89%	NA	NA	NA	NA
Amazonas	98%	NA	NA	NA	NA
Bahia	68%	99%	100%	1%	NA
Ceará	78%	NA	NA	NA	NA
Distrito Federal	39%	24%	100%	2%	NA
Espírito Santo	64%	NA	NA	NA	NA
Goiás	35%	87%	100%	16%	NA
Maranhão	96%	NA	NA	NA	NA
Mato Grosso	37%	100%	NA	17%	100%
Mato Grosso do Sul	28%	100%	100%	NA	NA
Minas Gerais	35%	69%	100%	9%	NA
Pará	58%	NA	NA	NA	NA
Paraná	31%	52%	100%	20%	NA
Pernambuco	25%	1%	100%	NA	NA
Piauí	92%	NA	NA	NA	NA
Rio de Janeiro	57%	NA	100%	NA	NA
Rio Grande do Sul	48%	64%	100%	13%	NA
Santa Catarina	37%	10%	100%	23%	NA
São Paulo	79%	80%	100%	NA	NA

<sup>1</sup>Locally-based suppliers are those that invoice in the same state as the addresses for delivery of services and/or materials.

<sup>3</sup>Supplies covers the purchase of packaging, investments and energy, inputs, partnerships, meats and sales, freight and logistical services.

## RESPONSIBILITY FOR THE PRODUCT

The Company understands its responsibility in offering safe and healthy food and consequently conducts research, the latter continually responsible for adjusting the product portfolio to world tendencies in health and wellbeing. The assessment of the impact on consumer health and nutritional safety involves the conception of all products and extends through to the production phases, packaging and storage. Laboratory analyses are instrumental in ensuring products comply with prevailing legislation and internal standards.

The life span for warehousing and stocking of products is evaluated and sensorial, physical-chemical and microbiological characteristics verified. Animal protein sector researchers prepare and indicate operating standards for new products to the manufacturing plants with a technical description of the stages and parameters of the process. The same personnel monitor the initial manufacturing phase of the products. **[GRI PR1]**

BRF works with the Brazilian Food Industries Association (Abia) in discussing pertinent and strategic themes for the sector such as the amounts for reducing the content of sodium, saturated/trans fats, total fats and carbohydrates (total sugars) in processed foods/industrialized meats and dairy products. The entity has already signed agreements and commitments with the Ministry of Health for reducing trans fats (in 2008) and salt/sodium (in 2010).

Gradually, different sectors of the industry are preparing proposals for reducing sodium content, in the case of the margarine and vegetable cream category. Values for meat products are also under discussion – such as frankfurters, hams, hamburgers, breaded products, sausage, salami, bologna sausage and ready-meals (pizzas and lasagnas) – and dairy products – such as cheese spread, mozzarella cheese, petit suisse and milk-flavored drinks.

The Company has undertaken a study to identify improvements and establish nutritional criteria for dairy products using as references Smart Choice, Dietary Guide for Americans, School Meals, Minha Escolha and Company Nutrition. As a result, the principal healthiness project in 2012 was the Batavo cup yogurt line with the substitution of sucrose for fructose, adding more fruit in the chunks line and launching new flavors and versions such as grains (flaxseed and rye).

The total fat and sodium content such as saturated and trans fats in several of BRF's products has either been eliminated or reduced. Among the projects where sodium has been reduced are Sadia Smoked Bologna Sausage, Sadia Escondidinho (meat and chicken flavors) and Salami for the Subway chain (Food Services). Other products have also been developed with 0% trans fats and a reduced salt content – such as Perdigão Maionese (light and traditional), which is made exclusively from sunflower oil and has a sodium content of less than that stipulated by the Ministry of Health as its target for the category by 2014. In dairy products, in 2012, sucrose in the Batavo yogurt cups line was substituted by fructose. **[GRI FP6]**

## Reduction of ingredients<sup>1</sup> **[GRI FP6]**

Category	% products with ingredient reduction	Improvements / reductions
<b>Domestic market</b>		
Breaded products	4.80%	Sodium and fats
Desserts	96.17%	0% trans fat
Frankfurters	14.12%	Sodium and fats
Ready-to-eat dishes	6.96%	Total fats, saturated fats, sodium and calories
Sausages	4.31%	Fats
Hamburgers	1.37%	Sodium and fats
Spreads	2.08%	Fats, calories and absorption of cholesterol
Cold cuts <sup>2</sup>	12.05%	Sodium and fats
<b>Dairy products</b>		
Chilled products	6.52%	Fat and sucrose
UHT milk	23.65%	Fat and lactose
Powdered milk	4.39%	Fats
Grocery products	4.15%	Fats
<b>Export market</b>		
Margarines – Africa	17.39%	0% trans fat
<b>Food Services</b>		
Smoked items	10.00%	Sodium (monosodium glutamate)
Sausage	3.00%	Sodium

<sup>1</sup> Data for saturated fat, trans fats, sodium or sugar with respect to the products with sales in 2012.

<sup>2</sup> The Escolha Saudável Line was contemplated which due to the TCD agreement, is no longer owned by BRF.

In addition to producing healthy and safe products, BRF is also working on the dissemination of the benefits of consuming food which contributes to a more balanced life style through the distribution of educational fliers or in its marketing messages on packaging, outdoor advertising and fan-pages. In Africa, the Company has implemented the Brand Ambassadors project through which representatives are trained to instruct consumers as to the benefits of adequate nutrition.

The Company has undertaken studies and worked as partners to municipal and state governments on the development of products for school meals in accordance with the Ministry of Education's Resolution CD/FNDE 38 of July 16, 2009 (the Deliberative Council for the National Education Development



Fund). This Resolution offers guidance to nutritionists responsible for the preparation of school menus and guidelines that should followed on fat, sugar and sodium content. The key new product which was developed for school meals in 2012 was chicken breaded items with carrot prepared for the Educational Foundation of Paraná (Fundepar).

In 2012, 880 municipal public school meal monitors were trained by BRF's nutritionists on aspects of nutrition and good practices in food handling. The Company sees the meal monitors as educators as well, helping the development of healthy habits and for this reason should be trained to provide balanced, healthy and safe nutrition for the children who are in the development phase. Such nutrition is considered also as being fundamental for improvements in the way students perform at school. City governments receiving training were: Bofete (SP), Santa Isabel (SP), Cesário Lange (SP), Poá (SP), Alumínio (SP), Pirapozinho (SP), Orlandia (SP), Pirassununga (SP), São José dos Campos (SP), Conchas (SP), Jaboticabal (SP) and Pinhais (PR).

BRF benefits the community as a whole through these awareness programs for a healthier and more balanced nutrition. With its campaigns for healthier products, the Company covers a wide consumer spectrum and through the intermediary of its work with government and the school meal monitors, benefits both the monitors themselves as well as the children who will learn the benefits of a healthy diet from an early age. **[GRI FP4]**

## Global Nutrition

The year was also one of product launches focused on consumers in the C and D social groupings with a popular line in frankfurters under the Perdigão label. In the milk products area, the highlight was the fermented Elegê Batmilk beverage in sachets of 900g (with a focus on the Northeast of Brazil). **[GRI FP4]**

Among products with more nutritive ingredients launched during 2012, were new nutritionally balanced ready-to-eat quickly prepared meals in the Sadia Sabor & Equilíbrio and Sadia Mini Chefs lines, important sources of fiber, protein, low cholesterol and saturated fat content, in addition to lasagnas with whole meal pasta, which has less fat and more fiber. In Food Services, a new type of bread was launched for the Subway network with the addition of cereals – such as oatmeal, rye, barley, flaxseed – and honey. In dairy products, worthy of mention are the Batavo yogurts with fruit chunks that contain ten times more fruit than traditional formulations and contains natural fruit sugar.

In 2013, studies are in progress as to the possibility of enriching foods with vitamins for the African market such as frankfurters, a product which is an accessible source of protein in Africa. Food enrichment is an important tendency for the future of this market.

## Increase of nutritive ingredients and additives<sup>1</sup> **[GRI FP7]**

Category	% products with an increase in nutritive and functional ingredients	Improvements
<b>Domestic market</b>		
Breaded products	4,39%	Addition of vitamins
Hamburger	0,04%	Addition of proteins
Margarines	5,65%	Addition of soluble fiber and omega 3
Chilled	32,02%	Addition of vitamins, fruits, grains, soy and fructose
UHT Milk	0,23%	Addition of vitamins and minerals
Powdered milk	74,27%	Addition of vitamins
Breaded products	0,02%	Addition of carrots (source of vitamin A)
Milk	50,55%	Addition of iron and vitamins

<sup>1</sup> Fibers, vitamins, minerals, phytochemical and functional data applies only to products with sales in 2012.  
Note: For BRF, the definition of a food additive is identical to that of Anvisa (the Brazilian Food and Drug Administration): all and any ingredient added intentionally to foods with no nutritional purpose with the objective of modifying the physical, chemical, biological or sensorial characteristics, during the manufacture, processing, preparation, treatment, packaging, storage, warehousing, transportation or handling. (Ordinance SVS/MS 54 of October 27, 1997).

## International certification<sup>1</sup> **[GRI FP5]**

Certification	Producing Units	Representativeness of production volume in domestic market	Representativeness of production volume in export market
BRC - Global Standard for Food Safety	Capinzal, Carambeí, Chapecó, Concórdia, Francisco Beltrão, Marau, Mineiros, Mirassol D' oeste, Rio Verde, Serafina Correa, Toledo, Várzea Grande	8.19%	45.95%
IFS - International Food Standard	Capinzal, Carambeí, Chapecó, Concórdia, Marau, Mineiros, Mirassol D' oeste, Rio Verde, Toledo	5.23%	7.48%
LDV - ALO (LDV - ALO - Agricultural Labeling Ordinance - Swiss Law SR916.15)	Capinzal, Marau, Mineiros, Serafina Correa, Uberlândia, Toledo	1.25%	20.15%
Global GAP (Eurepgap)	Marau, Chapecó	1.02%	7.84%
ISO 17025:2005	Jundiaí (research center)	Not applicable	Not applicable

<sup>1</sup> In addition to certification relating to the food safety management system, some units of the Company hold ISO 9001, ISO 14001, ISO 18001, Halal, Kosher certification.

## LABELING | GRI PR3, FP8 |

The labels on all BRF's products carry complete information on nutritional values, content, conservation methods and traceability as well as ingredients classified as allergens. Company policy is to use only ingredients approved in Brazil or in the countries to which it exports in addition to labeling of all the information required by the legislation of the country to which the products are being sold.

The labels highlight low levels of fat and sodium and high fiber content as part of the process of influencing consumer choice for healthier products. Some products also contain information in Braille in situations where the structure of the packaging allows printing using this system for those with visual impairments – products where this is possible include boxes for lasagna, pizza, ready-to-eat meals and some breaded food stuffs.

Recycling symbols have been included on some packaging. Food cartons also carry the FSC seal (Forest Stewardship Council), certifying the material originated from forests that have been sustainably planted.

## Recycling

One of the principal challenges for Brazilian industry is to make adjustments for the new National Solid Waste Policy (PNRS). For BRF, this is critical due to the complexity of the actions required as well as the size of the supply and distribution chain. Under the umbrellas of the Brazilian Food Industry Association (Abia), in 2012, the Company took part in sector discussions which debated the principal initiatives to be included in the final PNRS document.

The text was prepared within the scope of the business coalition which consists of 27 associations (of industry, wholesalers and retailers as well as packaging manufacturers) in work coordinated by the Business Commitment for Recycling (Cempre). The coalition aims to work jointly through synergies in the business sector to obtain the best results in relation to the increase in percentages recycled in Brazil and to meet PNRS targets. The government has determined the requirement of a 22% reduction in the percentage of dry, recycled waste disposed in landfills by 2015, this also being the sector's target. | GRI EN27, S05 |

Again in 2012, the Company held discussions with the state of Paraná environmental protection authorities on the second phase of the program for the construction of recyclable waste enhancement collection plants in the state, an investment of R\$ 60 thousand having been allocated to this project for 2013.

In November 2012, BRF presented a new recycling project to the Morro dos Prazeres community in Santa Teresa in the city of Rio de Janeiro. Known as Reciclação, this is a pilot program developed on the back of an intersectorial initiative (public and private sector and not-for-profit institutions), representing an opportunity for developing an innovative project exceeding the legal requirements under the National Solid Waste Policy and the sectorial agreements to which BRF is a party.

The project's proposal – scheduled for implementation in 2013 – is the creation of a self-sustainable cycle for waste recycling and investment in community development. The entire project presupposes community mobilization and involves the donation of recyclable materials by local householders and partners to a collection center, this material to be sold to the recycler partners in the project. Revenue generated from the sale of the material will be used to run the project and invest in programs in the locality. Once the project has been implemented and the first year of operations duly evaluated, BRF is prepared to study jointly with the other partners the possibility of expansion to other communities from 2014 onwards.



The Batavo World (Mundo Batavo) campaign was another project for encouraging the consumer to recycle packaging and materials in general reaching millions of people in early 2012 and featuring in Globo TV Network's *Big Brother Brasil* program. The campaign involved participants in the reality show building characters and elements from Batavo World using packaging materials.

The Company still has no control over a percentage of recovered packaging given that the reverse logistics projects are still at an initial phase.

## BRF Brigade

Since 2012, the BRF Brigade in partnership with the TerraCycle NGO has endeavored to raise the awareness of consumers on the correct disposal of packaging by sending frozen product and margarine receptacles to the entity. An amount is donated to welfare institutions for each container received. Thanks to the enthusiasm of 104,828 people making up 1,342 collection teams throughout Brazil, 444,834 container units were collected in 2012, the majority in the states of São Paulo, Rio de Janeiro, Rio Grande do Sul and Paraná.

Other benefits arising out of the initiative are the positive experience from the way the material was disposed and the support of social initiatives with the donation of accumulated points to entities selected by the consumers themselves. During the year, the amount involved totaled R\$ 9,366.62. The initiative also gave the Company spontaneous media coverage by associating its image to a project with a social impact and one which is environmentally positive.

## CONSUMER SATISFACTION

BRF's communication and marketing initiatives in line with its ethical principles, adhere to the guidance of the National Advertising Self-Regulation Council (Conar) and the Consumer Protection Code (CDC). Since 2009, the Company has assumed a public commitment with the Brazilian Food Industry Association (Abia) and the Brazilian Advertisers Association (ABA) to voluntarily establish strict criteria regarding communication directed at children. **[GRI PR6]**

The international market also adheres to local legislation and the Company's commitments and values in communication and marketing. BRF seeks to inform its consumers on the concepts of sustainability and habits for a healthy life. The Company offers training and makes presentations and visits to its clients or, in the case of food services, the chefs, on how to set up a sustainable kitchen. **[GRI PR6]**

Packaging is also used to notify the consumer. An example is the new nomenclature on the Batavo milks line, which helps the consumer identify what milk is most suitable for him: Total (whole milk), Ideal (low-fat milk), Leveza (fat-free milk). Another channel used by Batavo Naturis, the soy-based product line, is the fan-page of the Facebook social network. This has become an important avenue for discussion with those consumers who are lactose intolerant and are always demanding information on the product line.

Particularly in the European market, there is a demand for products which are not genetically modified. Soybean products and milk are both foods which prompt consumer questioning. Inquiries such as these are handled by a specialized partner nutritional consultancy.

Additionally, the Customer Assistance Service (SAC) is manned by attendants qualified to reply or contact the technical area as appropriate on eventual consumer doubts or suggestions. For Food Services, in addition to nutritional information, the channel also offers by phone recipes, food safety tips, information on preparation, conservation and a nutritional table. Consumer satisfaction surveys also seek to support the continual improvement in products and services. In 2012, 81,977 people took part in a survey by SAC, 99% of these declaring themselves satisfied with the products and the Company's level of service. **[GRI FP8, PR5]**

The Consumer Services Center has customer satisfaction as its key principle. Mindful of this, the Company will be investing in improvements to the SAP/CRM tools with an expansion in the scope and development of fresh projects in new media channels, increasing the Company's contact channels.

## Reasons for contacting the SAC **[GRI PR5]**

	2011	2012
Seeking information	42%	39%
Recipe requests	33%	35%
Complimenting/suggestions	4%	5%
Sundry matters	15%	15%
Complaints about products and criticisms	6%	6%

## ANIMAL WELLBEING

The Company's policy respects the five animal freedoms: freedom from hunger and thirst; freedom from discomfort; freedom from pain, injuries and disease; freedom to express their normal behavior; and freedom from fear and stress. The process, which involves careful handling up to the pre-slaughter phase, complies with all technical, legal and religious principles and covers the full supply chain spectrum from confinement on the farm, shipment, transportation, unloading and holding in corrals, conducting to the slaughtering area and rendering unconscious (also known as stunning) to bleeding.

BRF complies with all Brazilian and European regulations for animal wellbeing duly certified by both European and Asian institutions. In addition, the more moderate temperatures in Brazil and the longer periods of sunshine make the rearing process in Brazil a more natural environment for achieving the five principles for animal wellbeing.

The use of hormones in the rearing of beef cattle is prohibited in Brazil and in international markets and banned products are not used at any stage in the animal production process. Antibiotics, anti-inflammatory medications and vitamin complexes used are approved and liberated under domestic and international legislation required by consuming markets. Medications are only used in the event of need and are strictly controlled. **[GRI FP12]**

All legal notifications that relate to animal wellbeing are sent for analysis by the Quality Guarantee team, responsible for verifying the origin of the problem, adopting corrective measures eventually necessary and taking action to avoid repetition of the event. In 2012, 3 cases of non-compliance with laws and regulations related to conditions of transportation, slaughter, irregular handling and death of animals were reported. Of this total, two cases resulted in fines amounting to R\$ 6,259.40 and one incident awaits the decision of the regulatory body. **[GRI PF13]**

The labels highlight low levels of fat and sodium and high fiber content as part of the process of influencing consumer choice for healthier products.

Improvements in husbandry and biosecurity reduced the use of antibiotics in 2012 in BRF's cattle lots. The corporate animal health team updates the list of operating units with the principal assets in which use of antibiotics in hogs and poultry (chicken and turkeys) is permitted in consuming markets. The list contains information on the manner and dosage of the application and its duration. The principal assets are rotated in an effort to avoid bacterial resistance.

In addition, all collected milk undergoes several analyses including to detect antibiotics. If the analysis proves positive, the milk is destroyed. **[GRI FP12]**

**Poultry** – All broiler chickens reared by BRF are slaughtered without physical alterations. Producing units meet the parameters for density, elimination, ambience and transportation according to the requirements of the Ministry of Agriculture, Ranching and Supply. Those chickens produced for export also comply with animal well being guidelines for the European Union and client specifications. In order to enhance the thermal comfort of the poultry, heaters, ventilators and humidifiers are used. Temperature and water consumption are controlled on a daily basis. The practice of debeaking broiler breeder chickens (proprietary poultry farms) was discontinued in 2012 and now only the cocks are debeaked in order not to wound the hens when copulating. All turkeys are debeaked. **[GRI FP10, FP11]**

**Beef Cattle** – In 2012, immunocastration of beef cattle was implemented, a less invasive method than other methods of castration (surgical, burdizzo, etc.) which avoids animal stress, pain and death during and after the procedure. Immunocastration is conducted through two applications of the product to the lateral side of the neck, dispensing the use of an anesthetic. **[GRI FP10]**

BRF practices two systems of confinement: Intensive Confinement System which respects the gregarious habits of beef cattle herds. In this system, spacing inside the cattle pen (m<sup>2</sup>/animal) is respected and as well as the natural behavior of animals to lie down, rest and ruminate following eating. The other practice is the Extensive System for Backgrounder Cattle and in Semi-Confinement where the animals are reared on pasture and are able to express their natural behavior. Sick animals are separated, medicated and released back into the pasture or a cattle pen close to the corral for convalescence. Care is taken in the way the animals are handled avoiding aggression with electric batons or shouting to avoid stress in the animals, ranch hands receiving training on an annual basis. **[GRI FP11]**

Beef cattle medicated with antibiotics, anti-inflammatory drugs and vitamin complexes are approved and authorized according to the national and international legislation as required by the market. Control of each animal is through the use of rings and buttons on which are recorded applications and the necessary periods for removal of each product. No form of hormone is used and growth treatment is via nucleus and premix (supplements/ additives) purchased from third party animal nutrition companies approved by the Ministry. **[GRI FP12]**

**Hogs** – All hog farming installations are projected and designed to maintain an appropriate environment for the animals with equipment permitting thermal comfort. Suckling pigs are identified with a ring or a notching or branding system to the ears for the purposes of traceability. Some units have abandoned the practice of cutting or filing teeth of suckling piglets for reducing

injuries to other piglets or wounds to the mother's teats. The process is being gradually adapted for use in exceptional situations only, in which only problem hog litters undergo this procedure. The practice of caudectomy (removal of the tail) is recommended since hogs have very low sensitivity at this extremity and there is a risk the other animals in the same pen could bite the tail in acts of cannibalism so causing abscesses in animals and possible rejection at the processing plant.

**[GRI FP10, FP11]**

## Percentage and total of animals reared by type of housing<sup>1</sup> **[FP11]**

Type of Animal	Rearing System	Percentage by type of housing
Poultry	Intensive	100%
Hogs	Intensive	100%
Beef cattle	Extensive <sup>2</sup>	45%
	Intensive	55%

<sup>1</sup> Data not available for dairy cattle

<sup>2</sup> Data for backgrounding and semi-confinement

## SOCIETY **[GRI S01]**

BRF's social initiatives in 2012 focused on the development of the communities in which it is inserted – a reflection of the Company's concern for promoting transformational initiatives which have continuity. Key to this activity was the work of 33 Social Investment and Community Relations committees. Made up of about 400 employees, these committees mapped the priorities for each region to ensure that partners, investors and community are fully integrated. In the Company's view, this is a strategic process along which three types of resources are invested: volunteer workers, financial injections and training.

BRF has invested approximately R\$ 4.7 million in the BRF Institute, more than 50% being directed to the beneficiary communities. The year was marked by the consolidation of the strategy for social investment, symbolized by the formal launch of the BRF Institute. This established a methodology for action divided into four fronts – Public Policies, Entrepreneurship & Employability, Inter-sector Networks and the Third Sector. Transversal to these work fronts is the support of the BRF Volunteers Program.

Direct investment of more than R\$ 2 million was expanded to 37 municipalities, 10 more than 2011, benefiting more than 29 thousand people. For 2013, the target is to expand the Institute's footprint in four new municipalities where BRF has operations and upgrade the instruments and methodology for the qualitative and quantitative measurement of the impacts.

## INTERSECTOR NETWORKS

**Active Community Program** – Implemented in 2010, the principal objective is to take development to the city districts where there are BRF units, using an intersectorial and systematic approach between public, and private sectors and civil society. In 2012, the program was installed in Ravena, a district of the city of Sabará (MG) and is now in place in another seven municipalities: Chapecó and Concórdia in the state of Santa Catarina; Francisco Beltrão, Dois Vizinhos and Toledo in the state of Paraná; Lucas do Rio Verde in the state of Mato Grosso and Uberlândia in the state of Minas Gerais.



A total of 29 projects have been developed out of a dialog between the three sectors of the economy and the mobilization of civil society, in large part all directed to environmental, educational, social inclusion, sporting and cultural themes. In 2012, the projects involved about 50 partners in executing actions benefiting more than 15 thousand people. The Active Community Program begins by a diagnosis for verifying problems and opportunities to be explored in the districts contiguous to the Company's plants. This stage is followed by the listing of hypotheses and possible solutions. In this process, it is fundamental that the community assume a hands-on posture for achieving social transformation in order to recognize what is development and to find viable and innovative solutions to its socio-environmental challenges.

In September 2012, efforts made over the course of two years by the Concórdia Development Council (CDC) resulted in the inauguration of a public space for general and leisure use for residents in the Flamengo district, equipped with children's toys and gymnastics apparatus for adults. In addition to the community, government was also involved through a participative budget and the execution of works, together with private partners – which contributed infrastructural and complementary services. **[GRI EC8]**

**Protection Links Project** – In 2012, the project was responsible for upgrading intersectorial networks based on the theme of eradicating sexual exploitation of children and adolescents in the municipalities of Vitória de Santo Antão and Bom Conselho (PE) in partnership with Childhood Brasil. The project focused on a more detailed preliminary diagnosis on the situation of organizations which promote actions for protecting, defending and controlling the rights of children and adolescents, making the community school more aware of the theme. Four training sessions were held during the year for 300 teaching and Rights Guarantee System (SGD) professionals on the process for prevention, identification and attendance of situations of domestic and sexual violence against children and adolescents. Another initiative was the support of task forces from the two municipalities in the structuring and implementation of a plan for improving the effectiveness of the local SGD for confronting situations of domestic and sexual violence in an efficacious manner.

### THIRD SECTOR

At the end of 2012, the BRF Institute launched the Inspire Program for strengthening the strategic role of the social organizations in the promotion of local development in municipalities which are party to the Program as well as those on their boundaries. About 150 organizations enrolled in the selection process from which 75 are to be chosen for training in 2013.

Each participating organization is to receive R\$ 40 thousand during the course of the 16 months of the program. In 2013, the Program is offering five bimonthly onsite workshops amounting to 80 hours of professional formation for the organizations which can also be accompanied online. The hope is that by the end of the program, the organizations will have broadened their horizons on their particular areas and be better equipped with a more realistic outlook on what results can be effectively achieved and a greater perception of intersectorial operations permitting strategies of financial sustainability and management to be incorporated.

### PUBLIC POLICIES

This activity seeks to develop projects in partnership with government and not-for-profits organizations which contribute to the improvement in public policies for fostering development. In 2012, two projects were executed and work on a third begun at the end of the year for implementation during 2013:

**Concórdia Digital** – Implemented in 2009, the project to include educational informatics in the Concórdia (SC) public school network is in its final stage with a teaching training platform being transferred to the municipality. Run jointly with the Concórdia Municipal Secretariat and the Jaborandi Institute, the project saw the graduation of 18 multiplier teachers in 2012.

**Educate is to care (*Educar é cuidar*)** – In 2012, the project's activities were concluded in partnership with the Avisa Lá Institute and the Buriti Alegre (GO) Education Secretariat for upgrading infant education in the town, contributing to the improvement in its quality.

**Sustainable Cities** – At the end of 2012, the BRF Institute joined the Sustainable Cities Program as a partner. The Program consists of a network of civil society organizations with the aim of increasing awareness, mobilizing and offering tools for permitting Brazilian cities to develop economically and socially and in an environmentally sustainable manner. In 2013, with a focus on partnership, the Program will launch an online platform for all city governments for the evaluation, planning and monitoring of sustainability indicators in public management. BRF will be the exclusive source of financing of this platform. The Company's participation involves the commitment to local development, collaborating on priority themes for the municipalities, which include coordination between municipal, state and federal policies.

### ENTREPRENEURSHIP AND EMPLOYABILITY

This focuses on two projects:

**Digital Station** – After three years of offering basic computer skills courses to young people in Bom Conselho (PE), the Digital Station expanded its scope in 2012 by offering three types of course: basic and intermediate computer skills and computer skills for adults, during the year with a participation of 278 students divided into 26 groups. The partnership with the Support to the University of Pernambuco Institute has been instrumental in preparing new programs and content. The City Government of Bom Conselho, the Banco do Brasil Foundation and the Oi Futuro are all partners in the Digital Station.

**Time for Entrepreneurship** – Held in Lucas do Rio Verde (MT) in partnership with the Camargo Corrêa Institute, Sebrae and local partners, the project is nearing conclusion and is designed to arouse the social and economic entrepreneurial spirit among youngsters in the municipality for developing activities in their communities. The purpose of the project is to stimulate entrepreneurship and sustainability based on a rural and urban fronts. It operates on the basis of education for sustainability and the fostering of new business such as support for existing agribusiness in the rural area by endeavoring to keep people in the countryside with dignity and recovering the regional biodiversity.

## BRF VOLUNTEERS

Central to all work fronts is the BRF Volunteers Program. Integral to its methodology is the mapping of the cities where the program is in place. Mapping takes place in five stages for identifying possible partners, potential in the municipalities themselves and beneficiary organizations and their needs.

In 2012, the second year of the program, about 14 thousand people and 66 organizations in 35 municipalities (ten more than last year) benefited from the scheme. They are: Embu (SP), Itajaí (SC), Itumbiara and Sabará (MG), Mirassol d'Oeste (MT) and the municipalities in the state of Rio Grande do Sul of Fontoura Xavier, Santa Rosa, Teutônia, Três de Maio and Ijuí. About 2.7 thousand volunteer employees took part in the program during the year with 160 actions and amounting to more than 820 hours of activities. Among these, 80% were related to the environment, notably selective collection and solid waste, education, social inclusion, social welfare and organizational management.

Out of the 20 infrastructure interventions, highlights were the My School, My Future project in Fontoura Xavier (RS) and the

re-urbanization of the Praça Vista Alegre in Várzea Grande (MT). In the city of Fontoura Xavier, volunteers represented by the Lajeado (RS) Committee, in 2012 undertook a series of actions for upgrading the Dom Pedro I Municipal School. The project had its inception in 2011 and is divided into three stages, the objective being to restructure the management process of the school and introduce elements for its local and cultural transformation in the community. In 2012, some modifications were made to the building structure (repair of installations, reroofing, the installation of anti-slip flooring in the corridor of the school's principal access, among others).

With the support of residents from the Vista Alegre and Vila Sadia districts in the city of Várzea Grande (MT), BRF's volunteers executed the modernization of the Praça Vista Alegre. The objective was to reurbanize and preserve the existing environmental area as well as create a space for leisure, recreational and sporting activities. Located adjacent to BRF's unit, in 2012, the squares sidewalks were repaired, seedlings planted and identified, painting undertaken and protective fencing erected around the court for sporting activities. **[GRI EC8]**

## Investments in Infrastructure **[GRI EC8]**

Location	Action	Start	Finish	Identification of need	Investment (R\$)
Concórdia (SC) <sup>1</sup>	Building of a public square in a district of Concórdia	Mar/11	Sept/11	Participative consultation of householders in the community	
Várzea Grande (MT)	Modernization of the Praça Vista Alegre	Sep/12	Jul/12	Preliminary survey	R\$ 17,552
Fontoura Xavier (RS)	My school Project, my future	Nov/11	Feb/13	Preliminary survey	R\$ 14,996
Lucas do Rio Verde	Upgrading and expansion of the leisure area study of the institutional shelter	Jan/12	Oct/12	Community request; joint survey with municipal secretaries	R\$ 5,000

<sup>1</sup> Without cost to BRF. The Company's participation was through the CDC which identified the need, the space and entered with a request to the city government for the construction of the public square.

## Representativeness of the social investment programs **[S01]**

Operating front	% of BRF operation covered
BRF Volunteers	56%
Intersectorial Networks (Active Community and Links of Protection)	16%
Third Sector (Inspire)	37%
Entrepreneurship and Employability (Recycling, Digital Station)	5%
Public Policy (Concórdia Digital, Educate is to Care)	3%

At the end of 2012, the BRF Institute launched the Inspire Program for strengthening the strategic role of the social organizations.



## SPORTS PLATFORM

BRF's sports platform is based on two pillars: participation and high performance through sponsorships under the Sadia brand granted to confederations, athletes and events.

Highlight in 2012, the athletes sponsored by Sadia were among the Brazilian medalists at the London Olympics. Of Brazil's 17 medal winners at the London Olympics, four were to sportsman belonging to confederations which receive sponsorship money from Sadia such as judo and swimming. A further three were awarded to athletes sponsored directly by Sadia: the gymnast who won gold in the Rings, Arthur Zanetti, and the judokas Sarah Menezes, gold, and Mayra Aguiar, bronze.

Back in Brazil, Sarah, Zanetti and Mayra took part in a ceremony in August at BRF's headquarters in São Paulo where Sadia awarded R\$ 50 thousand to each Olympic gold medalist. Mayra received R\$ 20 thousand. The purpose of the company is to honor, encourage and support sportsmen so that they can continue serving as an example. In December, gymnast Arthur Zanetti was elected the best athlete of 2012 among the men in the Olympic Brazil Awards, organized by the Brazilian Olympic Committee (COB).

BRF also supports the *Lançar-se para o Futuro* Institute which fosters the practice of athletics as a way of promoting the development of children and young people. BRF also supports the development of high performance young athletes, part of the *Lançar-se para o Futuro* Institute.

The Company encourages employees and the community to participate in the practice of physical activities. Since 2007, BRF has organized walks and road races in various cities in the interior regions of Brazil where it has units. In 2012, BRF organized 11 road races with the support of city governments, municipal departments of Sport and Health, Fire Fighters and the Para-Military Police.

## Brazilian Medalists

Athlete	Type of Sport	Medal
Sarah Menezes	Judo	Gold
Arthur Zanetti	Gymnastics	Gold
Mayra Aguiar	Judo	Bronze
Felipe Kitadai*	Judo*	Bronze
Rafael Silva*	Judo*	Bronze
Thiago Pereira*	Swimming*	Silver
Cesar Cielo*	Swimming*	Bronze

\*Athletes indirectly sponsored by Sadia through the judo, gymnastics and aquatic sports confederations

## ASSOCIATIONS [GRI 4.13]

The associations of key importance to BRF are those more specifically related to the market segments in which it operates such as the Brazilian Poultry Union (Ubabef) and the Brazilian Association of Pork Producers and Exporters (Abipecs). The Company currently holds the board chairmanship of both entities. The Company is also represented on the Executive Board of The Brazilian Association of Listed Capital Companies (Abrasca), the Brazilian Institute of Finance Executives (Ibef), the Brazilian Corporate Governance Institute (IBGC), the Brazilian Institute of Investor Relations Professionals (Ibri) and the Committee for Pronouncement of best Practices and sits on the Capital Markets Technical Commissions (Codim). BRF also participates in the following organisms and associations with a focus on sustainable development:

**The Brazilian Business Council for Sustainable Development (CEBDS)** – This is a coalition of the most significant business groups in Brazil with the mission of contributing to the construction of solutions that leverage quickly and on a large scale the principles and practices of sustainable development. Brazil is represented on the World Business Council for Sustainable Development (WBCSD) with nearly 60 national and regional councils in 36 countries covering 22 industrial sectors as well as 200 business groups that act across all continents. BRF became a member in 2012.

**The Ethos Social Responsibility and Companies Institute** – A not-for-profits organization which has a mission to mobilize, arouse and help companies manage their businesses in a socially responsible manner, becoming partners in the building of a sustainable and just society. The Ethos Institute provides the exchange of knowledge and experience and the development of tools for helping companies to analyze their management practices and to enhance their commitment to social responsibility and sustainable development. BRF became a member in 2011.

**Institutes, Foundations and Companies Group (Gife)** – A network of organizations of a business, family, independent and community origin which invests in projects with a public objective. Its work contributes to the promotion of sustainable development in Brazil through political-institutional strengthening and supporting the strategic operations of the private social investors. BRF has been a member since 2007 and in 2012 formalized its participation in the name of the BRF Institute.

**Comunitas** – In 2011, BRF joined the organization, the purpose of which is to promote the social development of Brazil through the engagement of various sectors of society, stimulating and fostering collective action for meeting the challenge of social inequality and promoting a more sustainable Brazil. The initiative is in line with the objective of collaborating with community development.

**RedEAmerica** – This is aligned to the strategy for developing the municipalities where BRF has its operations, in 2012 the BRF Institute becoming a member of RedEAmerica, set up in 2002 with the support of the Inter-American Foundation (IAF). Currently, it has more than 70 business organizations which have private

social investments in 11 Latin American countries. Its strategy is to operate at the base of society as a key element in reducing poverty, social inclusion and in the consolidation of democracy. RedE coordinates the efforts of foundations and business organizations interested in finding new and better ways of investing their resources in the community development.

## DEMOCRACY

In line with the strictest legal, ethical and moral standards pursuant to the United States FCPA Foreign Corrupt Practices Act and the Sarbanes-Oxley Act (SOX), BRF contributes to the electoral process by making donations to political

campaigns with the aim of nurturing Brazilian democratic rule. In 2012, contributions to municipal elections amounted to R\$ 3,105 thousand with values detailed in the Superior Electoral Court's website (TSE) <http://inter01.tse.jus.br/spceweb.consulta.receitasdespesas2012>.

These contributions are made specifically in electoral periods and always according to the electoral legislation (including legislation relating to the publicity of the donations in the TSE site). BRF's support for political parties (and not people) is based on criteria established internally which respect transparency in its relations, the reputation of the candidacies and the support of government projects for the development of agribusiness. **IGRI 5061**

## External commitments [GRI 4.12]

Commitments	Aims	Highlights 2012
<b>Global Compact (UNO)</b>	To adhere to the ten principles related to human rights, labor rights, environmental protection and anti-corruption.	<ul style="list-style-type: none"> <li>For the first year, BRF replied to the Communication on Progress (COP) at an advanced level.</li> <li>Donation to the Global Compact of US\$10 thousand.</li> <li>Presentation of a successful case at BRF in the COP report during training for the Global Compact.</li> <li>Disclosure of the Compact through the Suppliers' Code of Conduct.</li> <li>Adherence to the Commitment Letter to Rio+20 led by the Global Compact in which BRF commits to Sustainable Development and the Eradication of Poverty. (<a href="http://www.pactoglobal.org.br/carta_compromissos.aspx">http://www.pactoglobal.org.br/carta_compromissos.aspx</a>)</li> </ul>
<b>Millennium Development Objectives (UNO)</b>	To collaborate with the global objectives for eradication of hunger and poverty; universal education of quality; non-discrimination; reduction in infant mortality; improved maternal health; combating disease; quality of life and respect for the environment; and decent work for all.	<ul style="list-style-type: none"> <li>Education – Institute's project (Our Digital Language).</li> <li>Respect for the Environment – Program for Monitoring the Suppliers Chain (deforestation).</li> <li>Links of Protection.</li> <li>New Being Program – guidance and assistance to guarantee the health of pregnant employees.</li> </ul>
<b>Business Pact for Integrity and Against Corruption</b>	To adopt ethical standards in the relationship with government.	<ul style="list-style-type: none"> <li>Disclosure of the Pact through the Suppliers' Code of Conduct.</li> </ul>
<b>National Pact for the Eradication of Slave Labor</b>	To combat slave labor (or analogous to slave labor) in the operations of BRF and those of its suppliers.	<ul style="list-style-type: none"> <li>Completion of the Pact's Monitoring Platform.</li> <li>Disclosure of the pact through the Suppliers' Code of Conduct.</li> <li>No relationship with suppliers on the Slave Labor List.</li> </ul>
<b>Brazilian GHG Protocol Program</b>	To list atmospheric emissions inventory causing the greenhouse gas effect.	<ul style="list-style-type: none"> <li>Inventory with the Gold Seal for the GHG Protocol Brazil methodology.</li> </ul>
<b>Carbon Disclosure Project (CDP)</b>	To include the greenhouse gas emissions inventory in the CDP global database.	<ul style="list-style-type: none"> <li>Publication of the BRF inventory (baseline year 2011).</li> </ul>
<b>Sustainable Connections / Ranching Pact</b>	To collaborate with the conservation of the Amazon region through the non-association with suppliers that conduct illegal deforestation.	<ul style="list-style-type: none"> <li>Disclosure of the Pact through the Suppliers' Code of Conduct.</li> <li>Completion of the Pact Monitoring Platform.</li> <li>Verification of the Ibama list of Embargoed Areas prior to beef cattle purchases.</li> <li>Monitoring Program: talks and visits to more than 300 producers of beef cattle in the state of Mato Grosso.</li> </ul>
<b>In the Right Direction Program</b>	To combat the sexual exploration of children and adolescents on Brazilian highways principally through the engaging of contracted transportation companies.	<ul style="list-style-type: none"> <li>Disclosure of the Pact through the Suppliers' Code of Conduct.</li> <li>Distribution of material for disseminating the In the Right Direction Program to outsourced drivers: one thousand audio CDs; one thousand "The safety of the truck driver" and one thousand "Narcotics and alcohol on the highways" primers.</li> <li>Commemoration of the Day of the Driver (July 25), with tasting of products, health tests (measuring blood pressure, eye sight, glycemia, etc.) and talks to the Health Department of some municipalities, with the Federal Police and with the Highway Concessionaires.</li> <li>Presentation of a successful case at BRF on health and safety of the truck driver in an event organized under the program (August/2012).</li> <li>BRF Institute's initiative with the Links of Protection Program.</li> </ul>



# NATURAL CAPITAL

The management of BRF's natural capital is concentrated on issues related to the ecosystems and the healthy use of natural resources which include water, land, minerals and forests. Engagement on climate change involved the entire corporation in 2012 from the training of trainees to compliance with goals for sustainability by the executives.

During the course of the year, the Company was a party to the discussion of the sector agreement for the implementation of National Solid Waste Policy through its participation in the Business Coalition coordinated by the Business Commitment for Recycling (Cempre). *(More information in Responsibility for the Product)*

The Company has structured a selective waste collection system for the new administrative building in Curitiba (PR) and at the head office in São Paulo (SP), further enhancing its operations in this area. The 'Recycle your Ideas' in-house campaign was another initiative in 2012 for raising the awareness of employees as to the importance of recycling and rational consumption. A recycling standard has been created for the administrative buildings with the purpose of raising awareness for the need to change habits both in and outside the home.

Two new constructions finished during the year (the administrative building in Curitiba and the Jundiaí Technology Center) adopt the technical concepts and criteria of the Leadership in Energy and Environmental Design (LEED) system. A creation of the United States Green Building Council, the LEED seal is the most used standard in the world for certifying that buildings are sustainable: constructions which use ecologically correct methods and materials. The Curitiba building was unveiled in December 2012 and the Jundiaí Innovation



We do more than just  
make food, we bring lives  
together.



Center began operations in the first half of 2013. Among key characteristics of both buildings are the use of natural light, the reuse of water and the employment of energy-saving technologies.

Another important initiative is the Renewable Forests Program, which is designed to increase forest productivity reducing the need for the cultivated area to supply biomass as an energy source for the industrial area, with a consequent reduced impact on the ecosystem. The forestry production cycle will be reduced by approximately two years and by 2017 it will be possible to reduce the area for cultivation of renewable forests by more than a third due to new technologies for increasing the productivity and quality of the forests.

### GHG EMISSIONS

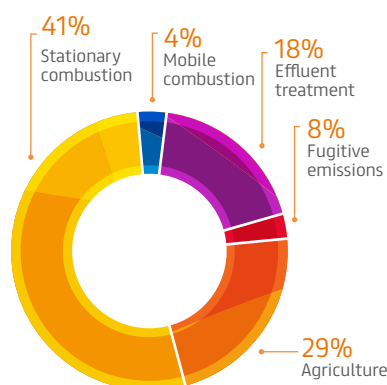
Although it has published its GHG emissions since 2009, BRF now considers 2011 as the baseline year for its inventory. Based on the 2011 inventory, it has structured the indicator for evaluating the performance of its activities, setting out its commitments and reduction targets. The Company received the Brazilian Greenhouse Gas Program's (GHG Protocol Brazil) Gold Seal following verification by a third party.

BRF used a more complete methodology in 2011 to compile its inventory based on an integrated database for operations in Brazil. As a result, the evaluation is more precise, permitting results and variations to be visualized by area, operational unit, source of emissions, fuel types, etc. The measurement of agricultural waste was also refined. The incorporation of Sadia and the sale of assets following the agreement with Cade have also meant the need to recalculate the GHG inventory, justifying the lower volumes in 2011 in relation to 2010.

The inventory - already covering Scopes 1 and 2 of Brazilian proprietary operations - has been made more complete through the involvement and participation of several areas of the Company in the collation and validation of the data. Thus, it is possible to map with precision where there are opportunities for reducing emissions and discussing solutions jointly with the units. As a commitment for the next inventory, BRF is to begin calculations of emissions of its international operations. **[GRI EN16]**

As a result of the work on climate change, BRF has established and standardized the performance evaluation of direct GHG emissions using the carbon intensity indicator related to production emissions. For the year 2011, this indicator was 53.55 kg CO<sub>2</sub>e/ton produced.

### Emissions sources – Scope 1



The target is to reduce the intensity of BRF's direct carbon emissions (scope 1) by 10% by 2015 using the 2011 inventory as a base. For this purpose, the following commitments were adopted:

- Energy efficiency with a priority for renewable sources and an incentive for the rational use of resources;
- Development of new technologies, products and processes with low environmental impact; projects involving new enterprises which use sustainable concepts (management of waste and energy efficiency);
- Dissemination of good practices and actions for reducing GHG emissions along the value chain;
- Transparency and disclosure of the results for emissions verified by a third party (scopes 1 and 2).

### Greenhouse gas emissions **[GRI EN16]**

Emissions (tons of CO <sub>2</sub> equivalent)	2009 <sup>1</sup>	2010 <sup>2</sup>	2011
Scope 1 (direct – proprietary sources or controlled by the Company)	410,507	300,668	288,322
Scope 2 (indirect – as a result of the acquisition of electric energy and steam)	53,858	112,760	64,060

<sup>1</sup> Emissions estimated according to the BM&FBovespa/BNDES IC02 theoretical portfolio.

<sup>2</sup> Data for 2010 emissions was recalculated following the introduction of improved methodology.

Using a more complete methodology, the atmospheric emissions inventory was awarded the Brazilian Greenhouse Gases' (GHG Protocol) Gold Seal.



- In 2011, the source which most contributed to direct emissions (scope 1) was stationary combustion, with a fraction of 41% from the use of fuel for steam, heat and electricity.
- The emissions from ranching occurred in the treatment of manure from animals housed on proprietary farms and totaled 29%.
- Effluent treatment plants contributed a further 18% of the direct emissions of methane gas generated in the units which have anaerobic or facultative lagoons.
- Fugitive emissions from the replacement of refrigeration gases and solvents represent 8%.
- Emissions from a moveable source are the result of the use of fuel in the fleet of proprietary vehicles or those controlled by BRF and representing 4% of the total.

In addition to mapping scopes 1 and 2, BRF still has to refine the process for identifying and measuring other indirect emissions (scope 3) emissions. GHG emissions for 2011 were calculated for the terrestrial fleet (road and railway) and employee business air travel, the total amounting to 521,651.77 tCO<sub>2</sub>e. These emissions are disclosed in the IC02 (BM&FBovespa's Carbon Efficient Stock Index) where BRF has been listed for the third consecutive year.

[GRI EN17, EN29]

### Greenhouse gas emissions [GRI EN17]

Scope 3 source	Emissions (tCO <sub>2</sub> e)
Logistics fleet	512,677
Employee air travel	8,974.77

The Company has introduced a further innovation for identifying the use of ozone layer depleting substances. The most used industrial refrigeration fluid is ammonia which does not impact the ozone layer and does not have a greenhouse effect. BRF uses a small amount of HCFC (hydrochlorofluorocarbon) for industrial refrigeration and the rest is employed in commercial air conditioning systems. Compared with 2011, there was a decline in the replacement of refrigeration gases, particularly CFC 12 (Chlorofluorocarbon). The Oosterwolde (The Netherlands) plant substituted R22 refrigeration gas for ammonia, a substance which has no impact on the ozone layers.

### Emissions of ozone depleting substances (ODS)

[GRI EN19]

ODS	2011		2012	
	Amount (kg)	Kg eq. CFC-11	Amount (kg)	Kg eq. CFC-11
CFCs	16	16	2	2
HCFCs	20,127	1,109	15,457	854

### Other significant atmospheric emissions

[GRI EN20]

Type	Tons per year
Particulate Material	1,271.30
SO <sub>x</sub>	55.46
NO <sub>x</sub>	663.48
CO	3,202.70
HC	NA

The Company's logistics fleet is totally outsourced, the Logistics Excellence Award (PEL) – an in-house competition among the Distribution Centers – being used to evaluate emissions. This evaluation also requires the presentation of substantiating documentation covering the correct disposal of transportation waste (tires, oil, parts, etc.). In 2012, 52 units took part in the PEL, 11 of them for the first time.

BRF has reviewed its logistics network and is installing a Route Management System for rationalizing journeys, reducing kilometers traveled, fuel consumption and pollutant emissions both in the transportation of raw materials and finished products such as in vehicles used by the sales area. Another project with the same objective is the Mother Truck system for delivery using various small vehicles instead of using large trucks run over great distances. Implemented in 2013, this was first applied in Campos dos Goytacazes (RJ). [GRI EN18]



For atmospheric pollutant emissions, 15% of the vehicles in the secondary fleet were tested and certified in 2012, nearly 150 more than 2011. BRF has standard requirements for vehicle acquisition, including reduced noise levels; gas used in the refrigeration system of the trucks (lower use of ozone depleting substances); and the establishment of set periods for fleet renewal (newer vehicles with lower emissions). In 2012, 38% of the vehicles acquired by the secondary fleet were within the required standard, representing more than 250 vehicles if compared to 2011. There was also a 300% increase in the number of secondary fleet drivers who received training in defensive driving (a total of 2,045 drivers).

All actions for reducing emissions conform to the Suppliers Integrated Management (GIF) and Occupational Health, Safety and Environmental (SSMA) programs. In the context of the SSMA, in 2013, all BRF's operations will implement the Depollution Program, currently in effect in the Southern Region only. As from 2014, this initiative will be integrated into the GIF under the responsibility of the transportation contractors themselves. **[GRI EN29]**

### Initiatives for reducing emissions **[EN18]**

**Enzymes Program** – Development and application of technology for using enzymes in accordance with the effectiveness of each product, type and phase to reduce the level of animal excretion of nutrients into the atmosphere. In the case of phosphates, there was a reduction of more than 33% in demand and excretions in manure compared with situations where enzyme technology was not used.

**Nutrition Efficiency Program** – Research continues into the nutritional requirements for each type and phase associated with the best rearing, bio-security and genetic practices, producing gains in nutritional efficiency of the order of 1 to 2% annually, consequently requiring fewer natural resources for production.

**Sustainable Hog-Farming System** – The program supports the integrated outgrowers in the construction of biodigestors and systems for burning gases generated from the treatment of animal manure, the third verification phase of program terminating in October 2012 and now pending completion of verification by the UNO.

**Recovery of methane gas** – Project implemented at the Toledo (PR) unit for the treatment of effluent for burning as boiler fuel, was concluded in October 2012.

**Biomass-fired boilers** – Equipment was installed using renewable energy sources (biomass) at dairy product units and at processing plants producing for the overseas market, with lower emissions, in substitution for fossil fuels (BPF oil).

**Conservation of energy and heat** – New processes and equipment with a reduction in fuels for generating steam.

**Effluent treatment** – Increase in the efficiency of effluent treatment at the Jataí (GO) and Dourados (MS) units for reducing organic content released to the anaerobic system.

The Zero Carbon project, implemented in 2009 at the Vitória de Santo Antão (PE) unit as an environmental offset through reforestation, is undergoing restructuring.

## Initiatives and reductions achieved in GHG emissions **[GRI EN18]**

Program	Reductions in tons of CO <sub>2</sub> equivalent/2012
Sustainable Hog Farming	300,000
Logistics projects	6,559

## CONSUMPTION OF RESOURCES

### Materials

In 2012, the Company used 11.2 million tons of grains and derivatives, all of it received in bulk. All purchased products underwent processing (meal and corn into animal protein; oils into animal protein and margarine; soybeans into meal and soybean oil) thus not permitting calculation of direct inputs in the final product. By the nature of the products and due to a question of food safety, the use of recycled raw material is restricted to secondary packaging – where there is no contact with foodstuffs – and material for office use and merchandising. **[GRI EN1, EN2]**

Various projects were undertaken in 2012 to reduce the consumption of packaging or materials, in particular: **[GRI EN26]**

- Optimization of pallets to diminish the numbers to be acquired and consequently the consumption of raw materials. The management of supplies has been centralized in Curitiba, a team being made responsible for the acquisition of new pallets and the repair of used ones. The work included the organization of pallets with clients (delivery and retrieval), the designation of the "owners" of the pallets at the units, transportation company Distribution Centers and the installation of "papa-pallets" (a system for the collection of pallets by truck) in Rio de Janeiro, Jundiá, Embu and Fortaleza for retrieval from clients. As a result, the Company purchased 81,720 PBR pallets (Brazil standard) less than in 2011 with utilization rates reaching 4.3 times in December 2012 compared with 3.4 times at year-end 2011.
- Ratification of a new supplier of 119 types of cardboard for three manufacturing plants which use raw material which is 100% recycled, significantly reducing the consumption of virgin raw material.
- Change in the material used in the film for packaging of small filets for the export market, allowing a reduction of 20% in the consumption of resin and the maintenance of the same characteristics and performance of the material previously used. The recycling symbol has been changed from type seven (other resins) to type four (low density polyethylene), recycling of which is easier.
- Change in the material used for powdered milk cans resulting in a reduction of 35% in packaging weight equivalent to about 83 thousand kilos of packaging/year.
- Development of a new stretch film material for use in all dairy product units with the same performance as the film previously used, but using 30% less material, equivalent to approximately 25 thousand kilos of plastic/year.
- Optimization of the Batavo milk carton, representing a reduction of 20% in area per liter of product, equivalent to about 18 thousand kilos of cardboard/year.
- Through the appropriate seal, identification of the recycling properties on all plastic merchandising materials.

## Inputs and packaging materials (tons) – 2012

[GRI EN1]

Materials	Direct	Indirect	Renewable
<b>Inputs and raw materials</b>			
Agricultural inputs	408,488		No
Ingredients/dairy products	320,601		No
Meat inputs (poultry, hogs and beef cattle) (1)	73,106		No
Grains (soybeans and corn) / soybean meal/ vegetable oils		11,193,742	Yes
<b>Inputs for packaging and for administrative processes</b>			
Cardboard	165,837		Yes
Cartridges	16,820		Yes
Glass	2,143		No
Polymers	6,702		No
Long-life	19,587		No

(1) Inputs and meat cuts that go directly into the products (example: beef cuts used in lasagna).

## Materials resulting from recycling [GRI EN2]

Bought materials	% recycled
Cardboard boxes	40%
Paper for office use	87%
Merchandising material – rigid plastic	16%

1 Given the need for enhanced resistance of the cartons (frozen and chilled products with exposure to low temperatures), a good part of the material (carton lids) must be virgin, only internal parts being susceptible to the use of recycled material if the shelf life of the product is not to be impacted.

## Energy

In 2012, BRF's Energy Excellence Program was consolidated across all the industrial meat processing units responsible for 79% of total energy consumption. In the final quarter of the year, the units were audited by in-house teams according to the criteria of ISO 50001 – Energy Management Systems norms, achieving 80% conformity with the norm. The program will be extended to dairy products during 2013, when the critical analysis of the Energy Management System is also expected to be prepared together with attention being given to non-conformities and updating to ensure continued improvements.

The Company is pursuing the objective of seeking an increasingly renewable energy matrix and has achieved 96.9% of direct energy from renewable sources, beating its target of 95.8%. The target for 2013 is 96.0% of direct energy from a renewable sources, this reduction due to an increase in the volume of processed products with higher added value, the available technology for which uses petroleum derivatives as its energy source.

There was an increase of 46.3% in consumption of direct energy in 2012 compared with 2011, basically because the increase in internal processing of flour and animal fat, data not previously measured has been included, such as agricultural activities, receipt of grains and logistics. As a result, 2012 direct energy consumption covered 100% of the Company's proprietary operations in Brazil. [GRI 3.10, EN3]

Growth in indirect energy consumption was 5.3% compared to 2011 and is principally due to the larger number of units making up the database. The report includes all processing plants, units for the industrialization of meats, dairy products and animal feed and milk collection points. Figures do not include hatcheries, poultry farms and the logistics installations except when located within the manufacturing complexes. [GRI EN4]

According to the Brazilian Electricity Monitoring System Bulletin of August 2012, there was a growth of 9.46% in indirect energy consumption from renewable sources in spite of the 1.3% reduction in the national energy matrix. Investments were made in improving co-generation at the Chapecó unit and to maintain other self-production systems using biomass in full production. All energy acquired in the free contracting environment was from renewable sources. In the light of these actions, BRF's target for 2012 was exceeded, the Company using 6.1% more renewable energy than the national average. The Company's goal for 2013 is to acquire at least 90% of all energy purchased in the free market from renewable sources and to maintain a cleaner energy matrix than that of the National Interconnected System (SIN).

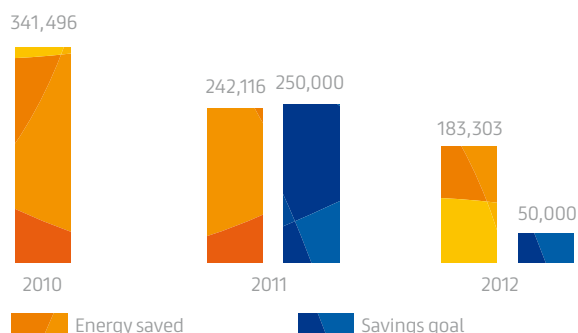
The Company's new projects are prepared on the basis of concepts and technologies for achieving substantial energy savings. For example, energy consumption at the plant under construction in the Middle East is scheduled to be 32% less than for a conventional project; at the new corporate office in Curitiba, this saving stands at 25% due to the sustainable technologies used.

Savings of 5% have been made at the European Union plants with the use of heat from cooling/compression equipment and the transfer of heat from the thermal oil system for heating the internal building, supply of hot water and defreezing. [GRI EN5]

## Energy saved [GRI EN5]

	2010	2011	2012	Accumulated 2010-2012
Energy saved	341,496	242,116	183,303	766,915
Savings Goal	-	250,000	50,000	

## Energy saved (GJ)



## Energy consumption | GRI EN3

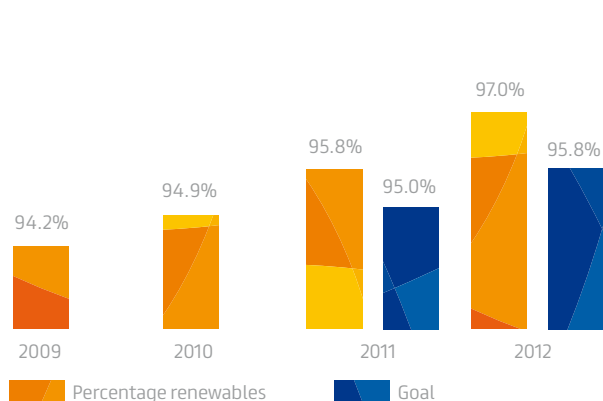
	2010 <sup>1</sup>	2011 <sup>1</sup>	2012	(%) Ch
<b>Renewable sources</b>				
Sugar-cane ethanol <sup>2</sup>	735.24	2.39	266.82	1425.73%
Sugar-cane bagasse	-	1,566.73	-	
Rice husk briquettes	9,635.33	-	-	
Wood briquettes	-	94,807.97	74,880.47	-21.02%
Wood chips	11,441,207.14	7,351,144.37	9,500,503.97	29.24%
Firewood	4,978,860.14	10,880,429.93	17,345,620.74	59.42%
Vegetable or animal oil	404,915.22	32,092.96	398,608.96	1142.04%
Offcuts	-	518,749.26	645,178.95	24.37%
Sawdust	2,247,976.38	25,339.35	24,058.74	-5.05%
Biodiesel <sup>3</sup>	-	-	7,469.15	
<b>Subtotal</b>	<b>19,083,329.47</b>	<b>18,904,132.96</b>	<b>27,996,587.80</b>	<b>48.1%</b>
<b>Non-renewable sources</b>				
BPF	478,347.06	395,329.99	68,440.14	-82.69%
Diesel <sup>3</sup>	77,472.64	79,355.45	141,913.89	78.83%
Natural gas	101,287.13	120,303.41	154,199.64	28.18%
Gasoline <sup>2</sup>	2,571.67	232.66	921.38	296.02%
LPG	266,035.74	198,940.44	404,021.47	103.09%
Kerosene	334.28	66.63	7.99	-88.01%
Shale	102,018.39	38,121.07	100,660.01	164.05%
<b>Subtotal</b>	<b>1,028,066.91</b>	<b>832,349.65</b>	<b>870,164.52</b>	<b>4.54%</b>
<b>GRAND TOTAL</b>	<b>20,111,396.38</b>	<b>19,736,482.61</b>	<b>28,866,752.32</b>	<b>46.26%</b>
Percentage of renewables	94.89%	95.78%	96.99%	

<sup>1</sup>Data includes 100% of the factory units (meat processing, meat and dairy products industrialization plants, animal feed plants and meat collection depots) but does not encompass logistics installations; hatcheries and poultry farms, except when located in factory complexes.

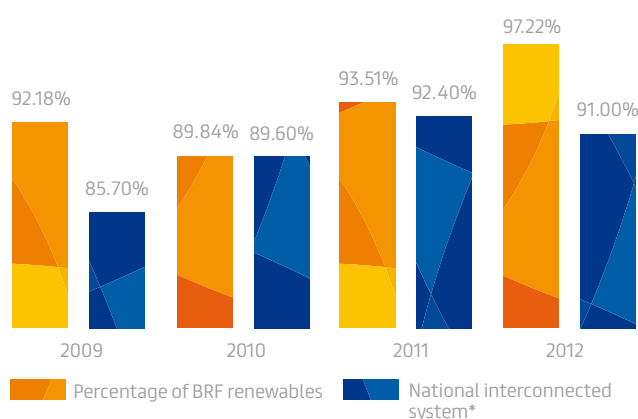
<sup>2</sup>Gasoline acquired in Brazil is made up of about 20% ethanol.

<sup>3</sup>Diesel oil acquired in Brazil is made up of 5% biodiesel.

### Direct energy from renewable source (%)



### Indirect energy from renewable sources (%)



\*Source: Brazilian Power System Monitoring Bulletin with consolidated data to November 30, 2012

## Indirect energy consumption (GJ)<sup>1</sup> | GRI EN4

	2010	2011	2012	(%) Ch
<b>Renewable sources</b>				
Hydroelectric	6,287,132.78	6,839,404.02	7,466,566.84	9.17%
Biomass	107,271.12	105,507.45	143,332.35	35.85%
Wind	21,623.09	25,140.89	19,845.15	-21.06%
Photovoltaic	1.97	7.78	7.78	
<b>Subtotal</b>	<b>6,416,028.96</b>	<b>6,970,060.14</b>	<b>7,629,752.12</b>	<b>9.46%</b>
<b>Non-renewable sources</b>				
Gas	374,717.01	163,415.78	106,667.71	-34.73%
Oil	137,861.90	-	12,403.22	
Nuclear	213,204.85	201,127.11	69,458.04	-65.47%
Coal	-	119,419.22	29,767.73	
<b>Subtotal</b>	<b>725,783.76</b>	<b>483,962.11</b>	<b>218,296.70</b>	<b>-54.89%</b>
<b>TOTAL</b>	<b>7,141,812.72</b>	<b>7,454,022.25</b>	<b>7,848,048.82</b>	<b>5.29%</b>
Percentage of BRF renewables	89.84%	93.51%	97.22%	

<sup>1</sup> Data includes 100% of the factory units (meat processing, meat and dairy products industrialization plants, animal feed plants and meat collection depots) but does not encompass logistics installations; hatcheries and poultry farms, except when located in factory complexes.

## Water

BRF's Natural Resources Rule covers the management of hydraulic resources and establishes the basic guidelines on the question. In the 2012, the Company began a diagnosis for evaluating the water sources scheduled to terminate in 2015. The survey shows data on river flow and critical periods in each region for drought or flooding. The study provides a basis for possible plant expansion, specific procedure for the operations, projects for improving efficiency, reduction in consumption and increased reuse. Participation of the units in Hydrographic Basin committees for coordinating discussions on availability and competing uses of water is encouraged.

During the year, water consumption fell by 1.7%, equivalent to more than 1 billion liters. These savings were due to the implementation of efficiency projects at several units for reducing consumption such as the substitution of equipment for others that are more productive as well as the development of new production technologies and reuse – which increased 1.5% compared with 2011. In 2013, the target is to keep the level of reuse above the 20% mark. | GRI EN8, EN10 |

The Company uses 22 sources of surface withdrawal, 5 of them with a percentage withdrawal of more than 5%. In the majority of cases, almost 95% of water withdrawn is returned to the originating water sources after waste water treatment. The quality of the water which is disposed is better than the quality of river water from which it is extracted. | GRI EN9 |

## Hydraulic resources significantly affected by water withdrawal | GRI EN9

Unit	Source of consumption/ withdrawal of water	Size of source (th. m <sup>3</sup> )	% water withdrawal from river	Preservation of the area
Capinzal	Rio Santa Cruz	13,140	23.51%	APP fully preserved
Marau Aves	Rio Marau	23,652	5.85%	APP fully preserved
Chapecó	Rio São José	14,942	21.91%	APP fully preserved
Dois Vizinhos	Rio Iguaçu	13,400	17.50%	APP fully preserved
Carambeí	Rio São João	17,250	16.95%	APP fully preserved





### Consumption of water (m<sup>3</sup>/year) [GRI EN8, EN10]

	2010	2011	2012	(%) Ch
<b>Total</b>	<b>61,212,306</b>	<b>62,299,437</b>	<b>61,238,582</b>	<b>-1.70%</b>
Surface	42,139,557	42,251,876	38,732,576	-8.30%
Underground	17,486,230	18,143,816	20,597,104	13.50%
Supply by Public Utility	1,554,365	1,903,745	1,868,339	-1.90%
Rain	32,154	N.A.	40,563	N.A.
<b>Total reuse</b>	<b>15,701,346</b>	<b>15,486,705</b>	<b>15,723,175</b>	<b>1.50%</b>
% of reuse	20.40%	19.90%	20.43%	

### EFFLUENT AND WASTE

With specific guidelines for the management and disposal of waste, the Environmental Control Norm has been implemented at all BRF's meat operational units in 2012, a year when the Company also began a corporate project for reducing the level of organic waste emanating from the plants. The aim is to achieve a minimum loss of products during the slaughtering and industrialization processes, thus reducing the generation of waste. The target for 2013 is to reduce by 2% (in weight) total generated waste. [GRI EN22]

Innovation in animal husbandry department also works towards the reduction of effluent volume. The new technological standard for raising hogs has diminished the generation of liquid manure by 35% not to mention the resulting potential

for reducing water consumption. In 2012, 280 tons of Health Service Waste (RSS) was collected at the integrated properties and correctly sent for treatment. In addition, based on the information raised during the Life Cycle Analysis project, it has been possible to diagnose where the impacts on the value chain are, identifying the actions needed for expanding the efficiency of the processes and reducing the negative impact on the environment. [GRI EN26]

Treated effluent is discharged into the receiving water bodies, meeting or exceeding the standards of quality required by federal and state legislation, the aim being to maintain the classification of the receiving body and to preserve the life of the aquatic species therein. At some units, the quality of effluent is superior to the water initially withdrawn. [GRI EN21]

In 2012, accidents involving overturned freight at locations in Laranjeiras (PR), Castro (PR), Morretes (PR) and Faxinal dos Guedes (SC) resulted in four significant spills of clarified fat, vegetable oil and fertile eggs. In all cases, BRF was on the spot rapidly to prevent contamination of the soil and groundwater, specialized teams going into action to quickly clean the location and correctly dispose of the material. Total volume spilt amounted to approximately 60 tons.

Again in 2012, the Company reported three effluent leakages. One of them, a small quantity, leaked in water (Uberlândia) without occasioning any impact. The second occurrence was into the soil (Mineiros) and the third into a lake (Itumbiara). In all three cases,

every measure was taken to immediately verify and mitigate the impact. The volume of the three leakages amounted to about 13 tons of residual water/effluent.

All units have Emergency Attendance Plans containing all the measures to be adopted in cases of environmental accidents. The Company's Environmental Communication Norm is followed when notifying environmental events – even if of only small proportions – with the completion of a form permitting the verification of actions adopted and to disseminate the information to all units. A task force manages and monitors accidents that take place during the transportation of products. **[GRI EN23]**

## Effluent disposal (m<sup>3</sup>) **[GRI EN21]**

Destination	2009	2010	2011	2012
Surface source	52,758,568	52,233,375	54,843,866	54,285,284
Ground	1,050,429	862,317	846,238	1,402,034
Public network	-	-	-	54,843
<b>Total</b>	<b>53,808,997</b>	<b>53,095,692</b>	<b>55,690,104</b>	<b>55,742,160</b>
<b>Kg of pollution load (DQO)</b>				<b>5,744,631</b>
m <sup>3</sup> /t produced				9,6

## Waste by type and disposal method **[GRI EN22]**

Disposal	2010 (%)	2011 (%)	2012 (%)	2012 (t)
Incorporation in the soil	1.55%	1.67%	3.74%	20,089
Landfill	3.86%	2.28%	8.29%	44,480
Recycling	8.80%	12.84%	12.76%	68,467
Incineration	0.01%	0.03%	0.01%	55
Composting	85.78%	83.18%	75.19%	403,389
Type				
Class I (hazardous)	0.20%	0.10%	0.08%	427
Class II (non-hazardous)	99.80%	99.90%	99.92%	536,053
<b>Total</b>	-	-	-	<b>536,479</b>

## BIODIVERSITY

BRF remains committed to submitting a study on the impact of its proprietary activities on the biodiversity by 2015. Initiated in 2012, the mapping of the protected areas at the manufacturing plants revealed violations in Areas of Permanent Protection (APP) requiring the implementation of projects for restoring areas surrounding the Várzea Grande (MT), Lajeado (RS) and Mirassol d'Oeste (MT) units.

In 2012, mitigating actions were taken (such as restoration and preservation of the original vegetation and protection of rivers) in every case where the Company's operations caused an impact on the biodiversity. Cases in point occurred in Salvador, where the Distribution Center was built on land with a spring or in the case of constructions and expansion at some plants such as the Barra do Piraí (RJ), Itumbiara (GO), Vitória de Santo Antão (PE) and Três de Maio (RS) units. **[GRI EN12]**

The status of the environmental licenses for all integrated outgrowers is evaluated on a monthly basis and agricultural supply agreements with BRF require compliance with the environmental legislation in the case of properties situated in Legal Reserve and APP areas. In addition, BRF provides technical support to the integrated outgrower in the event of need to regularize environmental situations. **[GRI EN11]**

## CONFORMITY **[GRI EN28]**

In 2012, ten cases of non-conformity relating to environmental issues were reported. Notifications resulted in two warnings and a Conduct Adjustment Agreement with payment of a fine in the amount of R\$ 555,991.31. Occurrences involved environmental accidents, non-conformities at waste water treatment plants, degradation of the environment and the absence of a license. There were two events in the judicial sphere, one of them resulting in an agreement with the payment of an insignificant amount (R\$ 2,488.00). Over the years under review, BRF paid fines in the amount of R\$ 12,909.76. With the coordination of the legal department, BRF has implemented the Obligation for Functioning Project for diagnosing and regularizing all obligations so that future cases of non-conformity can be avoided. **[GRI EN28]**

## Location of operational units by activity, total area and biome<sup>1</sup> | GRI EN11

State	City	Activity	Total area (m2)	Biome	
GO	Rio Verde	Processing & animal feed	2,000,000	Savannah	
	Mineiros	Processing, animal feed plants and reforestation	18,505,360	Savannah	
	Buriti Alegre	Processing	631,000	Savannah	
	Itumbiara	Dairy Products	55,690	Savannah	
	Jataí	Processing & animal feed	200,000	Savannah	
MG	Sabará	Dairy Products	79,000	Atlantic Rain Forest	
	Uberlândia	Margarine plant and Processing	1,548,229	Atlantic Rain Forest	
MS	Terenos <sup>2</sup>	Dairy Products	420,000	Savannah	
	Dourados	Processing and animal feed	340,996	Savannah	
MT	Nova Mutum	Processing	650,638	Savannah	
	Mirassol D'oeste	Processing	242,000	Amazon Rain Forest	
	Várzea Grande	Processing	1,217,500	Savannah	
	Lucas Do Rio Verde	Processing, animal feed plant, warehousing of grains & reforestation	3,600,000	Savannah	
	Campo Verde	Feed, hatcheries and poultry farms & proprietary poultry farms	22,680,000	Savannah	
PE	Bom Conselho	Dairy Products	51,506	Semi- arid	
	Vitória de Santo Antão	Industrialized products	1,512,456	Atlantic Rain Forest	
PR	Francisco Beltrão	Processing	27,100	Atlantic Rain Forest	
	Toledo	Processing, Animal Feed, hatcheries & proprietary poultry farms	10,797,598	Atlantic Rain Forest	
	Francisco Beltrão	Processing and Animal Feed	135,150	Atlantic Rain Forest	
	Carambeí	Processing, dairy products, ETA, SERP	245,385	Atlantic Rain Forest	
	Dois Vizinhos	Processing, Animal Feed, hatcheries and proprietary poultry farms	16,239,638	Atlantic Rain Forest	
	Paranaguá	Margarine	323,398	Atlantic Rain Forest	
	Ponta Grossa	Industrialized products	1,134,313	Atlantic Rain Forest	
RS	Marau	Processing, animal feed plants, industrialized products plant	542,871	Atlantic Rain Forest	
	Serafina Corrêa	Processing	372,599	Atlantic Rain Forest	
	Lajeado	Processing	181,533	Atlantic Rain Forest	
	Gaurama	Animal Feed	36,850	Atlantic Rain Forest	
	Porto Alegre / Lami	Animal Feed	442,500	Atlantic Rain Forest	
	Teutônia	Dairy Products	256,367	Atlantic Rain Forest	
	Ijuí	Dairy Products	215,000	Atlantic Rain Forest	
	Santa Rosa	Dairy Products	15,264	Atlantic Rain Forest	
	Três de Maio I	Dairy Products	47,049	Atlantic Rain Forest	
	Três de Maio II	Dairy Products	290,407	Atlantic Rain Forest	
	Arroio do Meio	Dairy Products	34,815	Atlantic Rain Forest	
	SC	Campos Novos <sup>2</sup>	Processing & reforestation	47,322,712	Atlantic Rain Forest
		Videira	Processing & animal feed plant	321,585	Atlantic Rain Forest
Capinzal		Processing	629,200	Atlantic Rain Forest	
Herval D'Oeste		Processing	44,818	Atlantic Rain Forest	
Concórdia		Processing and dairy products	1,280,423	Atlantic Rain Forest	
Chapecó		Processing	459,613	Atlantic Rain Forest	
Catanduvas		Animal feed plant	37,795	Atlantic Rain Forest	
SP	Tatuí	Industrialized products plant	159,651	Atlantic Rain Forest	

<sup>1</sup> Producing units and animal feed plants

<sup>2</sup> Units acquired in 2012

<sup>3</sup> Units that were in the 2011 table and were sold under the TCD: São Gonçalo dos Campos (BA); Feira de Santana (BA); Brasília (DF); Duque de Caxias (RJ); Bom Retiro do Sul (RS); Três Passos (RS); Salto Veloso (SC); Lages (SC)

<sup>4</sup> The Itatiba (SP) unit – in the table in the 2011 report – has been excluded due to its decommissioning in 2012

# ABOUT THE REPORT

This BRF Annual and Sustainability Report is a compendium of the company's economic, financial, social and environmental information for the period from January 1 to December 31, 2012, and adheres to Global Reporting Initiative (GRI) guidelines, for the second consecutive year reporting on the food processing sector indicators. The application of G3.1 version guidelines, confirming adherence to Level A, has been verified by BSD Consulting. **[GRI 3.1, 3.3]**

Priority was given to transparency in relation to the commitments made in the preceding document for fiscal year 2011 during the production of the report. The principal advances and challenges on the work fronts established in accordance with BRF's six Pillars of Sustainability are also shown.

The materiality of the items comprising BRF's Pillars of Sustainability was reviewed by engaging the Company's stakeholders which have also set out the items in order of priority. (For additional information, see the item, engagement with stakeholders). **[GRI 3.5]**

The document is directed to all stakeholders, principally those which took part in the engagement process: the Company's employees and leaders, suppliers, clients, consumers, communities contiguous to the plants, representatives of government bodies and civil, social and environmental organizations. **[GRI 3.5]**

Financial statements are provided in accordance with Brazilian accounting standards and the International Financial Reporting Standards – IFRS as required by CVM Instruction 457/07 and

CVM Instruction 485/10. They have been audited by Ernst & Young Auditores Independentes. BRF complies with the international principles for preserving the independence of the work of the auditors, who shall not exercise managerial functions in the Company, shall not act on the Company's behalf and shall not be responsible for auditing its own work. Financial indicators cover all of the operational units and subsidiaries in Brazil, Argentina, the United Kingdom and the Netherlands. **[GRI 3.6, 3.7, 3.8, 3.13]**

Based on corporate standards, information of a socio-environmental character was verified internally and is restricted to operations in Brazil. The calculations for the inventory of Greenhouse Gas (GHG) Emissions in 2011 now use a more complete methodology in a system in which the calculation tool incorporated the database for the operations of Perdigão and Sadia. The CO2 emissions indicator includes scopes 1 and 2 (the Company's direct and indirect emissions) only, although BRF has complied with its commitment and published part of its indirect emission (scope 3) of the terrestrial logistics fleet (highway and railway) and employee business air travel. The GHG emissions inventory was audited by KPMG Auditores Independentes. Where necessary, reformulations of information inserted in previous reports is presented and justified in the text. There have been no significant changes compared with previous years in relation to the scope, boundary or measurement methods used in the Report. **[GRI 3.6, 3.9, 3.10, 3.11]**

The organization of the content is aligned with the parameters in the Sustainability Integrated Guidelines for Management (Sigma), covering the aspects which determine the sustainable results of a company: financial, constructed, intellectual, human, social and natural. The broader perspective and the interdependence/connectivity between these parameters, require consideration of the resources used and the risks and opportunities along the Company's value chain.

Questions on this document may be addressed by calling (55 11) 2322-5052 / 5061 / 5048 or by e-mail [acoes@brf-br.com](mailto:acoes@brf-br.com) **[GRI 3.4]**

## MATERIALITY **[GRI 4.17]**

The following topics deemed of critical significance for each Sustainability Pillar were noted as a result of the materiality review:

### Total commitment to sustainability

- Culture of sustainability.
- Transparency in addition to economic aspects, including social and environmental information.
- In-house and external communication of BRF's sustainability objectives.
- Product innovation and new technologies.

### To leverage sustainability in the supply chain

- Policies and criteria for selection and evaluation of suppliers.
- Compliance with social and environmental legislation by the integrated outgrowers and suppliers.
- Traceability along the supply chain.
- Expand the conduct of life cycle analysis along the entire value chain.

### Promoting sustainable consumption

- Health, nutrition and healthy eating.
- Investment in the development of packaging with less environmental impact.
- Responsible communication, labeling and product information.
- Changes in the form of dialog and interaction with the consumer. To have greater transparency using clear language to ensure the understanding of this audience.

### Enhancing the value of human capital

- Disseminate among employees the meaning of sustainability initiatives taken by BRF with a focus on communication and commitment.
- Suitable working conditions and human rights.
- Occupational health and safety.
- Create and disseminate an internal culture of sustainability and awareness with respect to alignment, training and transparent communication.

### Engagement with stakeholders

- Continuous process of engagement and relationship with an ongoing agenda with stakeholders.
- Alignment of culture, definition of concepts and constancy of purpose.

### Adaptation to climate change

- Rational and efficient use of water, materials and energy
- Cleaner production, prevention of pollution, reduction of negative impacts, operational efficiency (effluent, emissions and waste).
- Socio-environmental impacts of transportation.



# PRACTICES ALIGNED WITH THE GLOBAL COMPACT

Global Compact Principles	Millennium Development Goals	Actions
<b>Human Rights</b>		



- Code of Ethics and Conduct
- Suppliers Code of Conduct
- Mission, Vision and Values
- Supply Chain Monitoring Program
- Training for the procurement areas to ensure sustainable practices along the supply chain
- Investments of R\$ 14 million in projects and social and cultural sponsorships
- Social investment focused on local development (Community Development Committees)
- Support of sporting projects:  *Lançar-se para o Futuro*; Brazilian Judo Confederation; Brazilian Gymnastics Confederation; Brazilian Water Sports Confederation; Toledana Rhythmic Gymnastics Association; Sadia Athletes Family.
- Projects developed in communities: Active Community Program; Inspire Program; Concórdia Digital; *Educar é Cuidar*; *Estação Digital*; *Laços de Proteção*
- 57,593 people attended in 2012 through the Social Action Program
- Participation in the Innovation and Sustainability in the Value Chain initiative of the GVCES
- Event commemorating Drivers' Day, disseminating In the Right Direction program: distribution of 2 thousand primers and a thousand audio CDs
- Health, Safety and the Environment Program: average 39% drop in the frequency of accidents with time off work.
- Adherence to the Declaration of the Global Compact in the context of Rio+20: Corporate contribution to the promotion of the green and inclusive economy
- Skills upgrading and training in Sustainability for Company employees: new hires, interns, trainees and negotiators

<b>Labor rights</b>		
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- Code of Ethics and Conduct
- Mission, Vision and Values
- Code of Conduct for Suppliers
- Non-involvement with suppliers named on the Ministry of Labor and Employment's List of Forced Labor
- Professional training and development programs
- Confidential channels for whistle blowing
- Human Resources health, safety and quality of life projects
- Health, Safety and Environment Program
- Labor union relations

<b>Environment</b>		
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- Code of Ethics and Conduct
- Suppliers Code of Conduct
- Mission, Vision and Values
- ISO 14001 certification
- BRF Environment Policy
- Voluntary response to the Carbon Disclosure Project
- Non involvement with suppliers associated to the deforestation of Amazonia; consult Ibama's embargoed areas list
- Health, Safety and Environment System
- Performance of Lifecycle Analysis for the poultry and hogs system
- Third part preparation and verification of BRF's consolidated greenhouse gases inventory (baseline year: 2011), scopes 1 and 2 and some items of scope 3.
- Development of environmental projects to reduce the use of resources in operational processes: CO2; energy; water.

<b>Anti-Corruption</b>		
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- Code of Ethics and Conduct
- Code of Conduct for Suppliers
- Mission, Vision and Values
- Corporate governance
- Governance, Sustainability and Strategy Committee
- External audit for validation of economic-financial data
- Constant process of internal auditing

## SOCIAL REPORT/IBASE

1. Basis for Calculation		2012 (Value in R\$ millions)			2011 (Value in R\$ millions)		
Net revenue (NR)		28,517			25,706		
Operating result (OR)		871			1,522		
Gross payroll (GP)		4,134			3,948		
2. Internal social indicators		Value (R\$ million)	% of GP	% of NR	Value (R\$ million)	% of GP	% of NR
Nutrition		171.70	4.15%	0.60%	147.45	3.73%	0.57%
Mandatory payroll taxes		854.40	20.69%	3.00%	761.18	19.28%	2.96%
Private pension plan		15.30	0.37%	0.05%	13.11	0.33%	0.05%
Health		117.80	2.85%	0.41%	100.70	2.55%	0.39%
Occupational safety and health		5.00	0.12%	0.02%	6.36	0.16%	0.02%
Education, training and professional development		20.00	0.48%	0.07%	12.44	0.32%	0.05%
Transportation		100.60	2.43%	0.35%	90.10	2.28%	0.35%
Culture		-	0.00%	0.00%	0.00	0.00%	0.00%
Daycare and daycare allowance		3.50	0.08%	3.50%	1.52	0.04%	0.01%
Profit and results sharing		103.70	2.51%	0.36%	50.40	1.28%	0.20%
Others		29.50	0.71%	0.10%	26.11	0.66%	0.10%
Total – internal social indicators		1,421.50	34.39%	4.98%	1,209.37	30.63%	4.70%
3. External social indicators		Value (R\$ million)	% of OR	% of NR	Value (R\$ million)	% of OR	% of NR
Education		0.10	0.01%	0.00%	0.52	0.03%	0.00%
Culture		3.60	0.41%	0.01%	1.50	0.10%	0.01%
Health and basic sanitation		-	0.00%	0.00%	-	0.00%	0.00%
Sport		9.24	1.06%	0.03%	4.73	0.31%	0.02%
Combating hunger; nutritional safety		-	0.00%	0.00%	-	0.00%	0.00%
Others		1.24	0.14%	0.00%	0.31	0.02%	0.00%
Total contributions to society		14.18	1.63%	0.05%	7.06	0.46%	0.03%
Taxes (excluding mandatory payroll taxes)		2,801.03	321.59%	9.82%	3,103.41	203.90%	12.07%
Total – external social indicators		2,815.21	323.22%	9.87%	3,110.47	204.37%	12.10%
4. Environmental indicators		Value (R\$ million)	% of OR	% of NR	Value (R\$ million)	% of OR	% of NR
Investments relating to company production/ operation		156.89	18.01%	0.55%	146.17	9.60%	0.57%
Investments in external programs and/or projects		-	0.00%	0.00%	0	0.00%	0.00%
Total environmental investments		156.89	18.01%	0.55%	146.17	9.60%	0.57%
Regarding 'annual targets', to reduce waste, consumption in general in production/ operations and increase efficiency in the use of natural resources, the company				( ) has no targets ( ) fulfills from 0 to 50% ( ) fulfills from 51 to 75% (X) fulfills from 76 to 100%			( ) has no targets ( ) fulfills from 0 to 50% ( ) fulfills from 51 to 75% (X) fulfills from 76 to 100%
5. Workforce indicators		2012			2011		
N° of employees at the end of the period		109,894			117,209		
N° hired during the period		36,096			29,651		
N° of apprentices		1089			N,D		
N° of outsourced employees		10,166			12,301		
N° of trainees		410			299		
N° of employees over 45		13,845			15,116		
N° of women working for the company		44,034			46,041		
% supervisory posts occupied by women		17.63%			18.74%		
N° of afro-descendants working for the company		5,096			6,302		
% of supervisory posts occupied by Afro-descendants		1.63%			1.55%		
N° with handicaps or with special needs		1727			1.445		

6. Key information on the exercising of corporate citizenship	2012	2013 targets
Relationship between the highest and the lowest compensation in the company	51 times	N/A
Total number of work-related accidents	441	N/A
Social and environmental projects developed by the company were decided by:	( ) management (X) management and managers (X) all employees	( ) management (X) management and managers (X) all employees
Standards of occupational health and safety were decided by:	( ) management and managers ( ) all employees (X) all + Cipa	( ) management and managers ( ) all employees (X) all + Cipa
Regarding labor union freedom, the right to collective bargaining and internal representation of the employees, the company:	( ) does not get involved ( ) adheres to ILO norms (X) encourages and adheres to ILO norms	( ) will not get involved ( ) will adhere to ILO norms (X) will encourage and adhere to ILO norms
The private pension plan includes:	( ) management ( ) management and managers (X) all employees	( ) management ( ) management and managers (X) all employees
Profits and results sharing contemplates:	( ) management ( ) management and managers (X) all employees	( ) management ( ) management and managers (X) all employees
In the selection of suppliers, the same ethical standards and standards of social and environmental responsibility adopted by the company:	( ) are not considered ( ) are suggested (X) are required	( ) are not considered ( ) are suggested (X) are required
Regarding the participation of employees in voluntary work programs, the company:	( ) does not get involved ( ) supports it (X) organizes and encourages it	( ) will not get involved ( ) will support it (X) will organize and encourage it
Total number of consumer complaints and criticisms:	to the company: ND to Procon: 11 to the courts: 42	N/A
% of complaints and criticisms attended or solved:	by the company: 100% by Procon: 45.45% by the courts: 100%	by the company: 100%
Total value added to be distributed (in R\$ million):	10,250	10,519
Distribution of Total Value Added (DVA)	35% Government 39% Employees 18% Third Parties 8% Shareholders	N/A

## 7. Other information

All information with respect to Workforce Indicators relates to operations in Brazil only.

Projects and sponsorships considered under Culture: Planeta Atlântida, Campus Party, Risadaria, Lollapalooza, Planeta Terra, Circo Turma da Mônica.

Projects and sponsorships considered under Education: Concórdia Digital, Educar é Cuidar and Estação Digital.

Projects and sponsorships considered under Sport: Lançar-se Institute; Brazilian Judo Confederation; Brazilian Gymnastics Confederation; Brazilian Water Sports Confederation -CBDA; Toledana Rhythmic Gymnastics Association; Sadia Athletes Family.

Projects and sponsorships considered under Others: Active Community, Laços de Proteção, Sustainable Cities, Inspire, BRF Volunteers, Recycling, incentive for local social investment

Pursuant to the Performance Commitment Agreement (TCD), signed with Cade, 8,849 employees were laid off and transferred to the company which acquired BRF's assets.

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<b>ECONOMIC PERFORMANCE</b>			
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S08	Não-conformidade com leis e regulamentos.		R\$ 3,320,000.00 was paid in civil actions, notifications and administrative inquiries for reasons of disputes on the understanding of the legislation (rhythm, ergonomics, filing of CATs labor actions, work breaks, moral harassment). The Company signed an agreement/TAC to gradually adjust to established demands. In the fiscal year, a TAC was signed due to a supposed irregularity in products. The Company committed to the payment of R\$ 120,000.00 and the donation of 109 thousand units of Elegê whole milk to charity institutions in Rio de Janeiro
<b>PRODUCT RESPONSIBILITY</b>			
<b>CUSTOMER HEALTH AND SAFETY</b>			
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PR2	Compliance with health and safety regulations	1	In 2012, 29 consumer complaints were filed. All notifications were sent for due consideration and analyzed by the Quality Control team, responsible for verifying the reason which originated the problem, adopting corrective measures eventually necessary and taking preventive steps to avoid reoccurrence. Of the actions, 8 resulted in fines amounting to R\$ 72,164.38. 42 complaints were filed by consumers at the judicial level, 35 due to alteration of the product at the point of sale and 7 due to supposed ingestion of products. Of the total, 9 cases resulted in payment of insignificant amounts (R\$ 17,175.38) and in 8, agreements were reached in the amount of R\$ 158,092.00
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FP6	Products lowered in saturated fat, trans fats, sodium and added sugars.		56
FP7	Products containing increased nutritive ingredients and food additives		60
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PR3	Labeling requirements	8	60
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		Global Compact Principle	Page / Comment
PR4	Non-compliance with information and labeling requirements	8	In 2012, 22 complaints were filed on problems involving labeling, such as packaging of products on sale with errors, switched tags in supermarkets, among others. All notifications were sent for due consideration and analyzed by the Quality Guarantee team, which verified the reason and adopted corrective measures eventually necessary and the preventive actions to avoid reoccurrence. Nine complaints resulted in fines, together totaling R\$ 70,007.06. The Company has the commitment in 2013 to adjust its nutritional labels in accordance with Anvisa's new legislation by the cut-off date of January 1, 2014. Among the principal changes is the alteration of the criteria for classifying light products with low sodium and fat content as well as the manner for stating this on the front panel of the packaging.
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PR7	Cases of non-compliant marketing communications		"No events registered"
	<b>COMPLIANCE</b>		
PR8	Breaches of privacy and losses of customer data	1	not informed
PR9	Non-compliant provision and use of products and services		In 2012, two events were reported in the judicial sphere for supposed non-compliance with laws and regulations with respect to the supply of products. One did not reach the point of being examined by the courts due to an out-of-court settlement for an insignificant amount (R\$ 18,700.00).
	<b>ANIMAL WELL-BEING</b>		
	<b>BREEDING AND GENETICS</b>		
FP9	Animals raised and/or processed		31
	<b>ANIMAL HUSBANDRY</b>		
FP10	Physical alterations and use of anesthetic.		63
FP11	Animals raised by housing type.		63
FP12	Use of antibiotics, anti-inflammatory, hormone and/or growth promotion treatments		62-63
	<b>TRANSPORTATION, HANDLING AND SLAUGHTER</b>		
FP13	Non-compliant animal transportation, handling and slaughter		62

## CONFIRMATION OF THE APPLICATION LEVEL OF THE GRI G3 GUIDELINES

### Sustainability Report 2012 of BRF – Brasil Foods

BSD Consulting has undertaken the verification of the level of application of the Guidelines to the Sustainability Reports of the Global Reporting Initiative GRI (G3version) in this edition of BRF's Annual Sustainability Report 2012. The organization has declared conformity with the level of Application A in its report.

On the basis of the verification of the content undertaken, we are able to confirm that the level of application A of the GRI-G3 has been reached by the reporting organization, including the indicators of the sectorial supplement for food processing. However, there still exist opportunities for improvement in the list of performance indicators and economic aspects considering climate change in the management of risk. Environmental issues can be looked at in greater depth in relation to the post-consumption chain, in the recovery and disposal of packaging and, in relation, to social and sectoral aspects, its territorial and social coverage can be explored detailing its operations for fostering the quality of life and healthy life styles.

It was not BSD's brief to verify the content and veracity of the information and replies given to indicators in this report.

São Paulo, May 29, 2013.

**BSD Consulting**

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BRFS3 – common – Novo Mercado  
**New York Stock Exchange – NYSE**  
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**Official Newspapers**  
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*Diário Catarinense*  
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*The results of the fiscal year 2012 consolidate the BRF Companies - Brasil Foods S.A. and Sadia S.A. (wholly - owned subsidiary). All statements contained in this report with regard to the Company's business prospects, project results and potential growth of its business constitute mere forecasts and were based on management's expectation in relation to the Company's future performance. These expectations are heavily dependent on changes in the market and on the country's general economic performance, that of the sector and the international markets and, therefore, being subject to changes. On July 13, 2011, the plenary session of the Administrative Council for Economic Defense - Cade approved the association between BRF and Sadia S.A., subject to compliance with the provisions contained in the Performance Commitment Agreement - TCD signed between the parties concerned. These documents are available in the website: [www.brf-br.com/ir](http://www.brf-br.com/ir)*



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