MARFRIG SUSTAINABLE TRANSITION BOND

FRAMEWORK OVERVIEW
JULY 2019
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Marfrig may from time to time issue Sustainable Transition Bonds in line with this Sustainable Transition Bond Framework. This framework may also be used to govern other financings for which proceeds are intended to be allocated to the Eligible Projects that are defined, selected, tracked and reported on in accordance with this Framework.

**1. OVERVIEW OF THE ISSUER**

Marfrig Global Foods is a Brazilian multinational corporation with a broad international footprint and is the world’s second-largest beef company in capacity. It is a publicly held company with its shares listed on the Novo Mercado listing segment of the Brazilian Stock Exchange (MRFG3). Its business comprises 36 production units, distribution centers and offices located in South America, North America, Europe and Asia. Its activities include the production, processing, sale and distribution of foods made from animal proteins, primarily beef, as well as a variety of other food products, such as frozen vegetables, lamb, fish, sauces and desserts.

With around 30,000 employees, Marfrig operates in the foodservice, retail and wholesale channels offering innovative, safe and healthy solutions. It has a diversified and comprehensive portfolio of products that can be found in major restaurant and supermarket chains and that every day reach the tables of millions of consumers in nearly 100 countries. Its business structure comprises two operations with global reach:

**North America Operation:** fourth largest beef processor and the industry’s most profitable and efficient company in the country. The Company has two primary processing plants with capacity of 12,000 head/day, which corresponds to over 3 million head/year, or roughly 13% of U.S. primary processing capacity. Its products are sold domestically in the retail, wholesale and foodservice channels, and exported to various markets. It is also the U.S.’ leading exporter of chilled beef, with a focus on the Japanese and South Korean markets. The business also includes the sale of ancillary/complementary products and of sub products from the process, tannery and logistics operations and direct online sales to consumers. With a high value-added portfolio, the operation offers products with superior specifications and the highest quality, as well as widely recognized brands.

**South America Operation:** one of the region’s leading beef producers, with primary processing capacity of over 21,000 head/day, Marfrig is recognized for the quality of its products in both local and international markets and is one of the main exporters in South America. The Company is the second largest beef processor in Brazil, with primary processing capacity of 16,000 animals/day and capacity to produce 69,000 tons of beef patties per year. Focusing on the retail and foodservice channel in the local market, its clients include major restaurant and steakhouse chains. In Uruguay, it is the industry’s largest company and is distinguished by the production and commercialization of organic beef, especially for export. In Argentina, in addition to having two primary processing plants, the company is the leading producer and seller of beef patties and owns one of the region’s most valuable and recognized brands. In Chile, Marfrig is the country’s leading beef importer and has a lamb primary processing plant in the Patagonia region. In addition to the traditional brands that enjoy ample recognition for their excellence and quality, the operation has a broad range of processed and high value-added food products.
1.1. MARFRIG STRATEGIC PILLARS

Our mission is always be providing globally the best protein through long term relationship with our consumers, creating high quality products and safety, motivated to offer the best to our customers. Our vision is to be recognized as the best global protein company. This will happen with commitment to sustainability.

Marfrig’s strategy will be guided by the generation of sustainable value, and based on five pillars:  
**Sustainability**: Social and Environmental Responsibility, Partnerships with Producers and Organizations, and Animal Welfare;  
**Financial Strength**: with free cash flow, net income and distribution of dividends;  
**Operational excellence**: complementarity and integration among operations, management, performance and food safety;  
**Products and Clients**: higher-value added products, leveraging sales and the portfolio and increasing brand value; and lastly  
**Corporate Governance**: with best practices, greater transparency and constant enhancement of the Compliance system.

Sustainability is one of the pillars of our corporate strategy and permeates all of our activities and divisions. We are committed to always balancing the economic, social and environmental aspects of our business in order to contribute to the development of society and help preserve the planet.

This commitment is further reinforced by Marfrig’s strategic pillars of Sustainability, as follows:  
**Work Environment**: compliance, diversity and inclusion, employee development, ethics and integrity, safety and health and well-being.  
**Suppliers**: animal welfare, responsible supply, engagement and development supplier, supply chain assurance and sustainable cattle raising.  
**Social**: social engagement, volunteering among employees, social economic development and social entrepreneurship.  
**Environment**: climate change, energy, environmental management systems, materials and waste, natural resources, water.  
**Customers**: food safety, innovation and growth, engagement and communication with stakeholders, nutritional value and value generation.

We are a benchmark in sustainability in our industry and market segments. Always respecting local cultural aspects and business practices, we adopt a strategy of continuous improvement and technological innovation combined with high levels of transparency and robust corporate governance practices.

The Company has taken on and strengthened several public commitments in partnerships with large organizations, such as the Amazon Biome Pact and is committed to keep all thus ensuring the preservation of the environment and a more sustainable world.
Marfrig believes that the actions it has been taking in the past years place them in a distinct position in the sector. The certifications, programs, policies are sector disruptive and we hope that we can establish new standards to be demanded by the market for the whole beef sector.

The awareness of both consumers and producers are key to these changes, and Marfrig is proud to be one of the leaders of such challenging environment. The company intend to create more awareness over the theme with the issuance of a Sustainable Transition Bond.

By adhering to the main public commitments related to corporate sustainability in the sector, we are committed to a proactive approach to anticipate efficient solutions for our operations and supply chain, rather than merely reacting to legal requirements.

The most visible face of our commitment to sustainable practices can be found in the working groups we lead or participate in, and in the public commitments we have made in partnership with some of the most important world organizations in favor of sustainable production and biodiversity conservation.

1.2 MARFRIG CERTIFICATIONS & ACTIONS:

Environment:

Amazon Biome Pact: Marfrig reaffirmed its commitment not to source animals from deforested areas and/or areas that violate indigenous land rights and/or Conservation Units. The company is subject to annual audits by independent audit companies to verify compliance with the requirements of the agreement and proposed new advances in the context of the commitment signed in 2009. Marfrig continued to uphold its commitment even after the NGO Greenpeace left the Public Commitment on Amazon Cattle Ranching in 2017. According to the audit report published in the second half of 2018 by the international consulting firm DNV-GL, Marfrig remains in conformity with the commitment for the fourth consecutive year. Marfrig also is the only company with georeferenced maps for 100% of its suppliers in the Amazon Biome.

Rainforest Alliance Certified: after launching, in 2015, in partnership with European clients, the first Rainforest Alliance certified beef patty, which will serve retail chains in Europe with beef produced in accordance with the highest environmental, social, economic, animal welfare and production management standards. In 2016, Brazilian consumers also were able to buy products with this seal. We currently have 4 units certified to manufacture products using the Rainforest seal: Bataguassu, Mato Grosso do Sul; Promissão, São Paulo; Pampeano, Rio Grande do Sul; and Tangará da Serra, Mato Grosso.

CDP Forest: Marfrig Global Foods was recognized in Latin America by the Forest Program of the Carbon Disclosure Program (CDP), which addresses climate change, the environment and water resources in the value chain. The recognition is for the company’s efforts to reduce deforestation in the value chain, i.e., reducing Scope 3 carbon emissions.
Tacuarembó Unit: In Uruguay, a wind farm at the Tacuarembó meatpacking plant for internal generation was concluded and put into operation. The power generated will supply on average around 30% of the plant’s needs, with a focus on sustainable and cleaner production.

Alianza del Pastizal: in partnership with Marfrig, Alianza del Pastizal created a product seal to help consumers to identify and select quality meats produced in a way that helps to protect the native grasslands of the South American Pampas. To earn the seal, the properties of the NGO’s members undergo an evaluation and certification in accordance with the guidelines established by the Pastizal Meat Certification Board (CCCP). The evaluation also includes a verification of Omega 3 levels. The seal is aligned with Marfrig’s strategy to offer superior-quality products to the market.

The Nature Conservancy (TNC): since 2013, Marfrig maintains a partnership with the NGO The Nature Conservancy (TNC), one of the world’s largest environmental organizations, and Walmart, the world’s leading retailer, to promote sustainable cattle production in the southeastern Pará state. These efforts contribute to the preservation of the Amazon Biome and encourage the adoption of good social and environmental practices. Since then, the Company has, through partnerships, provided technical support to producers in both environmental and animal welfare aspects, through the project “Sustainable Meat: From the Field to the Table.” Since 2016, meat sourced from participating properties have been launched in the consumer market. The project was highlighted in TNC’s global annual report, which is distributed to thousands of representatives from companies, foundations, governments and other NGOs around the world.

1.2.1 SUPPLIERS:

As part of its Sustainability pillar Marfrig has built through its history a very good relationship with its suppliers, specially the farmers. Through internal initiatives, Marfrig’s goal is to promote the adoption of more sustainable cattle-raising and production practices, with the aim of reducing effect of the global protein chain on the environment. In line with this, Marfrig developed an internal system that helps its own controls of supplier’s quality and also helps strengthen this pillar:

MARFRIG CLUB:

The Company uses an internal system, called Marfrig Club, in order to achieve best practices in terms of sustainability and environment.

The Marfrig Club program is an initiative created in 2010 to promote a sustainable development of the rural properties of Marfrig Beef suppliers in order to ensure safer production and with fewer environmental impacts.

The aim of the program is to strengthen the relationship between producers and Marfrig and to encourage them to use good farming practices on their farms, particularly in relation to the origin, well-being and traceability of animals, management in relation to the environment and how the social aspects in the properties are managed.
Therefore, the MARFRIG CLUB Program is based on these three pillars (animal, social and environmental), which we call "Respect" (animal respect, environmental respect and social respect).

To verify the level of adherence of the properties to these items, a checklist is applied, fully adapted to the Brazilian conditions, through which it is possible to identify in which level the property is at the time of application. These levels are set as beginner, bronze, silver and gold. The program also maintains, at the disposal of the producers, in their slaughter units, a professional, to assist and advise the cattle ranchers, when necessary.

Marfrig established as an internal target the Check List Marfrig Club in 100% of suppliers by the end of 2020. By 2018 this level was completed with more than 83% of the slaughtered animals coming from more than 11,000 farms already inserted in some level of the program.

![Chart showing the number of affiliated farms from 2010 to 2018](http://www.marfrigbeef.com/Uploads/Arquivos/Guia/Guia-Praticas-Sustentaveis-Marfrig-Club.pdf)

Another important topic here, given it is part of the better relationship between Marfrig and its suppliers and also part of the sustainability pillar, is that Marfrig offers training for the farms on the better health treatment of the animal.

Marfrig makes available on its website the Guide to Sustainable Practices, which aims to guide producers in the main topics related to the pillars of the Marfrig Club program, such as Animal Health, Traceability, Food, Animal Welfare, Social Responsibility and Environmental Responsibility (Available at: http://www.marfrigbeef.com/Uploads/Arquivos/Guia/Guia-Praticas-Sustentaveis-Marfrig-Club.pdf). Marfrig also participates in the community in actions that promote these good practices.

The Company seeks, as far as possible, the five inherent freedoms of animals, defined by the Farm Animal Welfare Council (FAWC): to be free from hunger and thirst; of discomfort; of pain, disease and injury; to express natural behaviors of the species; and fear and stress. Treating animals responsibly and in a way that minimizes their suffering is the duty of every employee. Marfrig’s carries out a series of initiatives aimed at ensuring that its employees know what their ethical standards are, in accordance with practices determined by the Company and by client protocols, including the rules of the legislation of each country. There is a department that operates exclusively in the production chain, aiming to ensure animal welfare and proper management.
Marfrig team (“Bem Estar Animal” Team – Animal Welfare Team) goes in loco to offer training sessions. The Animal Welfare Sector promotes training for cattle ranchers on farms and also for truck drivers regarding handling and transportation of animals in order to reduce stress and hematoma in animals.

1.2.2 CATTLE PURCHASE POLICY

Marfrig's policy for the purchase of animals for slaughter was developed based on the commitments assumed and also in compliance with the procedures related to the Integrated Management System, Food Safety, Environment and Social Responsibility.

Thus, in order for a farm to be approved and permitted and become an animal supplier for the company, it must meet certain requirements regarding the type of management adopted in the property, in addition to not having restrictions with inspection agencies, such as, for example, in the list of Embargoed areas by IBAMA (Brazilian Institute of the Environment); and not having a record of forced and compulsory labor (List of the Ministry of Labor and Employment - MTE - Labor slave). Other mandatory documents are: proof of Land Regularity Registry (SNCR), Rural Environmental Registry (CAR), Guarantee Letter (Document requested by Marfrig with a statement on the application of medicines to animals -if there was any application- with detailed information on date of application, commercial name and active principle of the medicine and respective grace period), Check List Marfrig Club, Tax Receipt (official invoice issued by the farm), Animal Transit Receipt (GTA - Official document informing the origin of the animal - producer and farm- and the destination -unit where it will be slaughtered) and Model A and Model B (Official statement from the Secretaries of Defense of Agriculture and Livestock, in which the producer informs farm that originated the animals, that the animals were born and raised in Brazil, did not receive hormones, did not receive promoters of growth, no GMO among other animal health information).

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<thead>
<tr>
<th>Documents</th>
<th>Required by Law</th>
<th>Marfrig Policy</th>
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<tbody>
<tr>
<td>Tax Receipt</td>
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<tr>
<td>Animal Transit Receipt</td>
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<td>Model A / B</td>
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<td>Rural Environmental Registry</td>
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<td>Guarantee Letter</td>
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<tr>
<td>Check List Marfrig Club</td>
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Specifically, for the Amazon Biome, since 2009 Marfrig has implemented the geospatial monitoring of supplier farms with databases on satellite images (DETER and PRODES), made available by INPE - Instituto Nacional de Pesquisas Espaciais - to make sure that the properties from which it acquires animals are free from deforestation, conflicts with indigenous lands (based on indigenous land map that can be found at Funai website (http://mapas2.funai.gov.br/portal_mapas/pdf/terra_indigena.pdf) and conservation units. These requirements guarantee minimum impact on our production, on the community and on the environment.
In the process of buying animals for slaughter, in addition to the criteria mentioned above, the company also analyzes each new negotiation, through conversation with the producer, what are the characteristics of age, weight and carcass quality of the animals being traded. The knowledge of these is very important to understand if the animals are in accordance to the market of meat to be served in each unit of slaughter.

The company works by offering the supplier a value for the animals (referenced by quotes published by stock market and agencies such as BM&FBovespa, CEPEA, and internal guidance of the company according to its pricing department).

With both parties (Marfrig and Producer) being on agreement to the characteristics of the animals and traded values, an order to buy animals is carried out in the Marfrig system, which includes the name of the producer, farm, date of deliver of the animals, characteristics of them, prices and unit where the animals will be slaughtered.

From this note, the documents necessary for the continuity of the transaction are unfolded and, after the slaughter of the animals, the other official documents for the realization of billing and payment to the cattle rancher are released. If there is any change by either party, it is necessary to restart the process following the same rules already placed.

Marfrig is one of the very few companies in the industry with such an advanced level of requirements for selection of suppliers and animals for slaughter. The long-term relationship created via the Marfrig Club ensures farmers are well prepared to meet these high requirements and Marfrig supply is maintained.

As a way of giving transparency demonstrating respect for the consumer, those interested in knowing the origin of the meat they consume can access directly through the company’s website by digitizing the SIF information and date of slaughter located on the product packaging. There will be information of the name of the farm as well as details related to IBAMA and Ministry of Labor requirements. Thus, when buying beef from the Marfrig brands, the consumer will be sure that, in addition to the best quality, is consuming products with guarantee of origin and socio-environmental responsibility.

Website tracking for consumer: https://rastreabilidade.marfrig.com.br/GadoLegal/

1.2.3 Engagement & Participation for improving the global protein chain

Marfrig continues to support around the world the development of protein sustainability standards through engagement and participation with:

Global Roundtable for Sustainable Beef (GRSB): the Global Roundtable for Sustainable Beef (GRSB) is formed by producers, producers’ associations, retail and processing sectors, retail companies, civil society organizations and roundtables in Canada, Colombia and the United States, as well as the European roundtable. Its key principles include the conscientious use of natural resources, efficiency and innovation in cattle raising, respect for human rights and of communities involved in the cattle, food and health productive chains and animal welfare.
Brazilian Roundtable for Sustainable Beef (GTPS): the Working Group for Sustainable Cattle Raising is formed by representatives from all links in the cattle value chain, from producers and processors to research centers and universities. Its main objective is to discuss and formulate the principles, standards and common practices to be adopted by the industry, with the aim of developing sustainable, socially just, environmentally correct and economically viable ranching. Marfrig Global Foods has been a member of the GTPS since 2009 and a member of the Group’s Board of Directors since 2012. The actions conducted by the GTPS and other partners including developing the Sustainable Livestock Indicators Guide, which engages all links in the cattle production chain.

Tropical Forest Alliance (TFA 2020): TFA is a global alliance created in 2012 by the Consumer Goods Forum, which brings together leading executives from numerous consumer goods manufactures and the U.S. government. Based on the commitment shared by nations participating in the Rio+20 international convention on the environment, the alliance’s goal is to achieve zero net deforestation in productions chains for beef, palm oil, soy, paper and pulp by 2020. Marfrig is a member of the institution’s Executive Commitment, the alliance’s decision-making body.

National Pact to Eradicate Slave Labor Institute (InPACTO): Since 2014, Marfrig Global Foods has been a member of the National Pact to Eradicate Slave Labor Institute (InPACTO), which comprises companies, civil society organizations and workers’ associations with the goal of bringing the Brazilian civil society organizations and the private sector together to prevent and eradicate slave labor in production chains. Marfrig Global Foods is at the forefront of the fight against slave labor in the country. Already in 2005, the Company signed the Pact with the same name that gave rise to the institute. The aim is to strengthen and expand the initiative. Members must agree to undertake ten commitments to combat slave labor or conditions analogous to slavery in its businesses and the production chain. The initiative also aims to encourage initiatives to reintroduce vulnerable workers into the job market through professional qualification.

Research for Reduction of Carbon Footprint (Embrapa): Marfrig has a strategic partnership with the Brazilian Agricultural Research Corporation (Embrapa). The goal of this new strategic partnership is to promote the adoption of more sustainable cattle production practices with a view to creating more value in the chain. The initiative encourages the Carbon-Neutral Beef (CNB) and Low-Carbon Beef (LCB) production concepts developed by Embrapa to certify beef produced in systems that neutralize or reduce the methane gas emitted by the animals. The partnership represents an advance in the industry’s value chain and reinforces its commitment to sustainable production systems.

1.3. SOCIAL RESPONSIBILITY

Grounded in the principles of social responsibility, the units of Marfrig Global Foods develop important programs to support local communities. Some examples follow: Marfrig Institute: Created in 2011, Marfrig Institute “Fazer e Ser Feliz” is a non-profit organization that serves children in situations of social vulnerability and provides a series of physical and intellectual development programs, through sports and leisure activities, fostering citizenship and respect for the environment.
1.3.1 SOCIAL CAMPAIGNS

Toy and Food Drives;

Pink October: awareness campaign focusing on the importance of the prevention and early diagnosis of breast cancer;

Blue November: awareness campaign focusing on the prevention and diagnosis of prostate cancer;

Anti-Drug Campaign;

Campaign Against Discrimination;

Awareness Campaign on Yellow Fever, Zika, Chikungunya and dengue and, at some units, vaccination;

Campaigns on STDs and the distribution of condoms during the Carnival season;

Combating water waste and promoting conscientious water consumption;

Get-together on Children's Day for employees and their families to strengthen the bond between families and the company;

Combating slave labor;

Campaign on World No Tobacco Day to warn about avoidable smoking-related illnesses and death;

Financial and/or food donations to institutions supporting social causes. Some examples follow:

- Financial donations: Children with Disabilities Assistance Association (Aacd);
- Food donations: Hospital do Amor (around 10 tons of meat per month);
- Donations to local non-profit groups in communities near the National Beef plants (Wounded Warrior Project, TAPS Honor Gala, Special Olympics, homeless shelters, food drives, schools, etc.);
- First-aid campaigns (National Night Out, National Fire Safety, Drug Awareness Education)

Donations of trees to be planted in different parts of the city;

Donation of unused paper destined for recycling to Hospital de Pediatría Garrahan (Argentina);

Donation of cattle organs to schools for practical anatomy classes.
2. USE OF PROCEEDS

The main objective of the Issuance is to raise funds for the acquisition of cattle produced in the Amazon Biome only from suppliers that respect our environmental criteria (herein referred to as Eligible Sustainability Assets). Details of the Eligibility criteria are expanded upon below. Marfrig incentivizes the farmers to produce live cattle respecting the biodiversity, improving its environmental performance.

An amount equal to the net proceeds of the Sustainable Transition Bond will be allocated exclusively to the purchase of cattle:

1) from farmers located in the Amazon Biome;
2) in the States of Mato Grosso, Rondonia and Pará;
3) from suppliers respecting Marfrig’s eligibility environmental and social criteria

Marfrig has a cattle purchase policy. The origin of those animals must be from farms that respect deforestation criteria, must not hire labor force without complying with labor legislation (for further details please see our InPACTO initiatives listed above) and farms that do not overtake Federal Government Protection area (such as National Parks, Indigenous lands).

To the suppliers that are located in the Amazon Biome, Marfrig uses geo analysis to verify if there was deforestation inside producer’s farms. In order to do so, Marfrig uses information from PRODES available by the INPE as well as satellite images of the farms.

The proceeds of the issuance will not be used to refinance any debt or any other type of Sustainability Initiative debt.

2.1. Environmental objectives and benefits

Protection of the Amazon Biome:
1) Conservation of biodiversity and of protected areas;
2) Halting deforestation;

Protection of indigenous/Vulnerable People’s Right:
1) Protection of indigenous rights;
2) No use of forced labor/slavery within the supply chain;
3. PROCESS FOR PROJECT EVALUATION AND SELECTION

Marfrig will further strengthen the integration of sustainability into their business model by setting up a dedicated cross-departmental Sustainability Bond Committee (SBC) to identify and select Eligible Sustainability Assets. The SBC is expected to be comprised of members from the following member/teams/departments:

- Two members of the Board of Marfrig
- Sustainability Director
- One Independent Consultant
- Other functional teams/departments (Cattle Purchase Head, Compliance Director, Internal Audit Director - as needed)

The SBC’s role will be to:

1. Monitor the selection (made by Marfrig’s Cattle Purchase Department, given its relevant expertise) of the pool of Eligible Sustainability Assets to be financed with the Bond’s proceeds, based on the Sustainable Transition Bond Framework guidelines and commitments;
2. Validate annual reporting for investors;
3. Monitoring the on-going evolution related to the Sustainable Capital Markets in terms of disclosure/reporting in order to be in-line with market best practices; and
4. Review the Framework to reflect any changes with regards to the Company’s sustainability strategies and initiatives.

The verification and traceability are ensured throughout the process:

- The Committee will meet every 3 months;
- There will be minutes of the meeting;
- An internal auditor will verify the compliance of the Eligible Project with the eligibility criteria and process as defined in the Framework.

4. ELIGIBILITY CRITERIA

AMAZON BIOME PROTECTION

In order to respect the Amazon Biome, Marfrig only buys cattle from properties that respect the following: (i) Property must not be included in the IBAMA rejection list (list of farms and producers that do not respect Government Agency environmental criteria), (ii) Property must not be included in the Ministry of Labor Slave Work List (for further details please see our InPACTO initiatives listed above), (iii) Property must not be located in the monitored area that alerts for deforestation after October 2009, (iv) other criteria: property must have GTA (federal document for animal transit), property must have federal tax receipt, among others.

The characteristics of the cattle market nowadays suggests that there are two different types of suppliers. First, those who have the “full cycle”, in other words those that sells the cattle that
was born and raised in their farms. And the others that buys calves from one farm and continue the fattening process in their farm and then sells the animal to Marfrig.

For the first group (“full cycle”), which we easily have access and confirmation through our Marfrig Club program, we have 100% traceability of the cattle.

To the second group, one important topic related to this subject is the origin of the cattle. Marfrig utilizes a report called Request Form of Information (RFI) where the farmer needs to inform, in the case its farm hasn’t grown the cattle, from which supplier/farm the cattle was born. In those cases, during the purchase process, when the farm is delivering the cattle, the supplier should inform, for every cattle, the Name, the Tax Number and the Name of the Farm of its own supplier. With that information, Marfrig then applies the same research on those listed farms, applying the same minimum requirements.

In order to be eligible, the use of proceeds from the Bond for the purchase of the cattle must respect the following criteria:

- Cattle must be from Marfrig Club property;
- Cattle must be from “full cycle” supplier;
- If not from “full cycle” supplier, there will be the RFI (Request Form of Information). ¹

5. MANAGEMENT OF PROCEEDS

Marfrig will be managing the proceeds of the Issuance under its Treasury/Finance department. During this period, the Treasury will manage the proceeds using the same tools and skills it is currently using to manage the cash of the company. The proceeds will be invested in cash or cash equivalent banking products such as Time Deposits. Marfrig will only allocate the cash in banks that have higher levels of rating analysis.

The allocation of the proceeds will be tracked by following up the cattle purchased by the cattle purchase department. All the farmers selling cattle to Marfrig must issue federal tax receipt and have federal tax number that can be easily tracked by Marfrig. The balance of the tracked proceeds should be periodically adjusted (quarterly) in order to match allocations to Eligible Sustainability Assets (re)financed during this period. Net proceeds will finance the acquisition of cattle produced in the Amazon Biome as per the Eligibility Criteria. Marfrig’s Accounting Department will collect and consolidate the information on the use of proceeds provided by the Cattle Purchase Department and the Sustainability Department. The Sustainability Bond Committee will be responsible for monitoring and reporting on the social and environmental impacts of the Eligible Activities.

Marfrig commits to fully allocate the Bond’s proceeds within 36 months.

¹ Marfrig is increasing the utilization of the RFI and is engaging the best efforts to achieve 100% of its indirect suppliers covered by 2025 through RFI. In addition, our internal target of 100% of the suppliers in Marfrig Club by 2020, from the current 83%, will permit a higher traceability and incentivize even more compliance with the Amazon Biome standards.
6. REPORTING

Marfrig is committed to be as transparent as possible and publishes an annual Sustainable Report. The issuer will report within one year from the issuance of the Sustainable Transition Bond and annually thereafter. The issuer also commits to issue a report in the event of material development.

Process for monitoring, data collection, consolidation and reporting rely on internal expertise:
- Marfrig’s accounting department will collect and consolidate the information on the use of proceeds provided by the cattle purchase department and the sustainability team;
- The SBC will be responsible for monitoring and reporting on the social and environmental impacts of the Eligible Activities;

The annual sustainability report will include the report on the Sustainable Transition Bond, detailing target, allocation and impact metrics as follows:

**Target Report**
- Reaffirm commitment not to source animals from deforested areas and/or areas that violate indigenous land rights and/or Conservation Units;
- 100% of suppliers in Marfrig Club by the end of 2020;
- Maintain satellite monitoring of 100% of the areas where they source cattle in the Amazon Biome;
- Establishment of Sustainability Bond Committee (SBC) by middle 2019 – there are 3 meetings already schedule for this year;
- Continue to promote Training on Animal Welfare for suppliers, truck drivers and all involved in the cattle chain.

**Allocation Report**
- The list of Eligible Sustainability Assets financed;
- The aggregated amount of allocation of the net proceeds to the Eligible Sustainability Assets;
- The proportion of net proceeds used for financing; and;
- The balance of any unallocated proceeds invested in cash and/or cash equivalents.

After the full allocation of the Net Proceeds, company will stop issuing the Allocation Report.

**Impact Report**

Marfrig will, where feasible, report on a number of impact metrics associated with the Sustainability Eligible Assets funded with the net proceeds of the Sustainable Transition Bond. Quantitative metrics will include the number of animals purchased meeting the Eligibility Criteria. Marfrig will aim at developing further indicators both quantitative and qualitative around its suppliers’ properties environmental footprint. Environmental and Social Benefits indicators will also involve:
(i) share of total animals purchased that meets the environmental and social Eligibility Criteria;
(ii) share of areas where cattle are sourced within the Amazon Biome which are satellite monitored.
7. EXTERNAL REVIEW

The allocation of Sustainable Transition Bond proceeds, adherence to Sustainability Assets selection criteria, and environmental metrics will be reviewed by Marfrig Financials Auditor, given Marfrig is a public company and produces regularly/quarterly audited financial reports. The second party opinion (SPO) provider Vigeo Eiris has reviewed Marfrig’s Sustainable Transition Bond framework. The SPO and auditors’ report will be made available here (http://ir.marfrig.com.br/en/marfrig-group/sustainability).

Additionally the annual report will include further details about other initiatives such as water consumption, energy, climate change and emissions, materials, effluents and waste. The sustainability report for 2017 is available at Marfrig Investor Relation website and has more information on each of these topics. (http://www.marfrig.com.br/Uploads/Arquivos/Marfrig_RA17_eng.pdf)