



Module: Introduction

Page: Introduction

0.1 Please identify which of the following areas of your operation you will report on

Area of Operation	Included in Disclosure?
Physical Operations	Yes
Supply Chain Management	Yes
Impact of Customer Activities	Yes

0.2 Please identify the areas of your company for which you will report

Whole Company

0.3 Do you use materials or bought in goods that contain any of the forest risk commodities?

Forest Risk Commodity	Materials or bought in goods contain any of the forest risk commodities?
Timber	Yes
Palm Oil	Yes
Cattle Products	Yes
Soy	Yes
Biofuels	Yes

0.4 Which commodities will you be disclosing on?

Timber
Palm Oil
Cattle Products
Soy
Biofuels

0.5 Please select the period for which you are reporting. The reporting period for this project is the most recent financial year or the nearest reporting period to this for your company

Disclosure Period
Sun 01 Jan 2012 - Mon 31 Dec 2012

Further Information

With six decades of history, JBS is currently the world's leading producer of proteins. The company processes beef, pork, lamb and poultry meat products in addition to producing leather. The company also commercializes hygiene and cleaning products, collagen, cans and biodiesel among other products. JBS is divided into four business units – JBS Mercosul, JBS USA Beef (including operations in Australia and Canada), JBS USA Pork and JBS USA Poultry (including operations in Mexico and Puerto Rico). The group's diversified portfolio includes well recognized brands in Brazil and worldwide, such as Swift, Friboi, Maturatta, Cabana Las Lilas, Pilgrim's, Gold Kist Farms, Pierce, and 1855. Such product variety and presence in 22 countries across 5 continents (including production platforms and offices) serves over 300,000 customers in more than 150 nations. The company went public in 2007, with its shares traded on the BM&FBovespa in the Novo Mercado segment of corporate governance in the Brazilian capital market. In 2012 the company posted net revenue of R\$ 76 billion, 22.5% up on the previous year.

Module: Commodities

Page: 1. Profile of Materials Bought In (By Commodity)

1.1 Have you scoped the full range of products or services that use your selected commodities? (Please include direct and indirect impacts, such as catering for your staff)

Forest Risk Commodity	Scoped full range of products or services that use your selected commodities?	If partial, please select percentage of spending scoped	Please provide details of products and services covered
Timber	Partial	<10%	Boiler Fuels (woods, chips, cavaco, briquette)
Palm Oil	Partial	<10%	Soaps
Cattle Products	Partial	71-80%	Cattle
Soy	Partial	<10%	Bark and soybean meal
Biofuels	Partial	<10%	Carrier

Module: Evaluation

Page: 2. Risk Assessment

2.1a Have you undertaken a risk assessment of these commodities covering financial, reputational and operational deforestation risk?

Forest Risk Commodity	Risk Assessment Completed?
Timber	Partial
Palm Oil	No
Cattle Products	Yes or 100% third party certified raw materials already achieved

Forest Risk Commodity	Risk Assessment Completed?
Soy	No
Biofuels	No

2.1b Please explain the risk assessment process taken for each relevant commodity

Forest Risk Commodity	Risk Assessment Process
Timber	Process of creating Instruction Normative for Supply Biomass, which creates criteria and responsibility for purchasing fuels (Biomass).
Palm Oil	Palm oil is imported from Indonesia and Malaysia. The suppliers are members of the RSPO (Roundtable on Sustainable Palm Oil), but the product purchased by JBS is not certified.
Cattle Products	Social and Environmental Monitoring System for the purchase of raw materials (cattle) - Verified by IBAMA (deforestation) and MTE (analogous to slave labor) for 100% of the supplying farms in Brazil, and analyzed cases of deforestation and invasion of Indigenous Lands and Protected Areas of 100% of the supplying farms located in the Amazon.
Soy	
Biofuels	

2.2

For each of your selected commodities, please give each one a risk rating, where 1 is the highest risk and 5 is the lowest risk

Forest Risk Commodity	Risk Rating
Timber	2
Palm Oil	5
Cattle Products	1
Soy	4
Biofuels	3

2.3 What criteria did you use to assign the risk ratings in 2.2? Please select all that are applicable

- High profile
- Media coverage
- Potential impact on brand reputation
- Scale of our buying power
- Future sourcing risk/cost or availability
- NGO/Government concerns
- High level of consumption
- Reputation of supplier partner
- Scale of environmental impact

2.5

Do you have a list of products and/or suppliers for each of the relevant commodities?

Forest Risk Commodity	Products	Suppliers
Timber	Yes	Yes
Palm Oil	Yes	Yes
Cattle Products	Yes	Yes
Soy	Yes	Yes
Biofuels	Yes	Yes

Module: Traceability

Page: 3. Review of Your Supply Chain

3.1 Is there a formal system to identify the point of origin of the relevant commodities in your products or services?

Forest Risk Commodity	System to identify point of origin?
Timber	Yes
Palm Oil	Yes
Cattle Products	Yes
Soy	Yes
Biofuels	Yes

3.2 If you answered No or Don't Know to Q3.1, are you working with your direct suppliers to improve traceability to point of origin (e.g. grower or rancher)?

Forest Risk Commodity	Working with your suppliers?	Additional details
Timber		
Palm Oil		
Cattle Products		
Soy		
Biofuels		

3.3

Do you work beyond the first tier of your supply chain to manage and mitigate risk?

Yes

3.3a

Please provide supporting information

JBS knows that has an important role in your suppliers' engagement on sustainability. In order to improve your relationship with this public, the company created in 2012 an area which is responsible for facilitate the joint effort in the development of your supply chain for answering the market demand and creating value to the shareholders. The group promotes widely the human rights' defense in your operations and in the supply chain. The company is signatory of the Pact for the Eradication of Slave Labor and acts to avoid the introduction in your supply chain of raw materials that came from any kind of degrading working conditions. The company also consults the list of working analogous to slave labour elaborated by MTE before all of its cattle purchases. If there is any indication of irregularity, the purchase is canceled and the supplier remains locked until regularization. In 2012, JBS also improved its purchases process with the inclusion of socio-environmental criteria to select the biomass suppliers. The criteria adopted for the purchase of cattle are monitored by the area of sustainability, which also develops policies and guidelines to support other departments, making sure that the operations are always aligned with the commitment to combat the practices

of forced or child labor and deforestation. The Sustainable Farming Program was linked to the JBS' Sustainability area until August 2012, when its performance was modified. In 2012, 15 training sessions were conducted - with the participation of about 450 people - about animal welfare, animal nutrition, health management and JBS' sustainability criteria, for purchase of cattle, among other topics. The creation of the Sustainability Office has allowed more strategic activities to be implemented under the Program. JBS is committed in guarantee the origin of its raw material and don't purchase cattle from suppliers involved with deforestation, invasion of indigenous lands or conservation units, rural violence and land conflicts and use of slave work. To ensure this commitment, the company has developed since 2010 a system of environmental monitoring for the purchase of cattle that uses satellite images, geographic data and information from the farms and public agencies for the analysis of its more than 60,000 suppliers in Brazil. The system of environmental monitoring for the purchase of cattle consists of two analysis engines, which operate in an integrated manner. The first one refers to the systematic verification of the presence of suppliers of cattle enterprise in the lists published by the MTE and IBAMA, relating to Registration of Employers fined for Exploration Work Forced and embargoed areas for illegal deforestation, respectively. The second consists of a sophisticated tracking system and monitoring of geospatial properties that supply cattle in the states that make up the Amazon, with the purpose of identifying and blocking for the purchase of raw material suppliers located in areas of geographic restrictions as the company's social and environmental criteria. The monitoring system geospatial makes digital overlay of geographical coordinates and maps georeferenced of properties that supply cattle with the information published by INPE, related to development of areas of deforestation, and official maps of areas of indigenous land and protected areas in the Amazon region. This whole process of environmental analysis and monitoring of cattle purchase is annually audited independently. The environmental monitoring system of cattle purchase also seeks the fulfillment of agreements signed by JBS with the Federal Public Ministry (MPF) since 2009 and has recently been renovated by the company with the signing of the TAC Amazon on 20 March in 2013. This new agreement standardizes the obligations to be met by all JBS refrigeration units in the Amazon region, renewing the commitment of one of the largest processors of animal protein in the world in requiring their suppliers to comply with legal and socio-environmental criteria as a prerequisite for the purchase of animals for slaughter.

3.4 Can you map your supply chains geographically by region or country of origin

Forest Risk Commodity	Can you map your supply chains?	If partial, please provide details of supply chains mapped
Timber	Yes	
Palm Oil	Yes	
Cattle Products	Yes	Through the Environmental Monitoring System for the purchase of raw material (Cattle), JBS has georeferenced points of 100% of the Brazilian suppliers farms. In states that make up the Amazon (encompassing nine Brazilian states which correspond to 59% of the country), the company has a sophisticated tracking system and monitoring of geospatial properties that supply cattle, in order to identify and block for the purchase of raw material suppliers located in areas of geographic restrictions as the company's social and environmental criteria (deforestation, invasion of indigenous lands and protected areas, rural violence and land conflicts and the use of slave labor).
Soy	Yes	
Biofuels	Yes	

3.5 Can you identify the actual location of production?

Forest Risk Commodity	Can you identify the actual location of production?	Additional details
Timber	Partial	
Palm Oil	Yes	Palm oil is imported from Indonesia and Malaysia, the suppliers are members of the RSPO (Roundtable on Sustainable Palm Oil), but the product purchased by JBS is not certified.
Cattle Products	Partial	Only for direct suppliers (complexity of the supply chain of cattle).
Soy	Yes	
Biofuels	Yes	

Module: Commitments

Page: 4. Public Commitments by Forest Risk Commodity

4.1 Does your company have a climate change policy?

Yes

4.1a

Does this policy recognize the role of reducing deforestation in climate change mitigation?

Yes

4.2 Do you have commodity specific sustainability policies or position statements?

Forest Risk Commodity	Commodity specific sustainability policies/position statements?
Timber	Yes
Palm Oil	No
Cattle Products	Yes
Soy	No
Biofuels	Yes

4.3 Do you have any public targets related to achieving those commodity policies?

Forest Risk Commodity	Public targets?
Timber	No
Palm Oil	No
Cattle Products	Yes
Soy	No
Biofuels	No

4.4

Does your company have specific environmental or sourcing standards for the procurement of goods and services related to these commodities?

Forest Risk Commodity	Specific environmental or sourcing standards for the procurement of goods and services related to these commodities?	Are these standards in the public domain?	Please provide information about where these standards are to be found	Please provide details about these standards
Timber	Yes	Yes		
Palm Oil	No	Not Applicable		
Cattle Products	Yes	Yes	JBS Annual Report and JBS Sustainability Report 2012 (http://www.jbs.com.br/ri/)	JBS is committed in guarantee the origin of its raw material and don't purchase cattle from suppliers involved with deforestation, invasion of indigenous lands or conservation units, rural violence and land conflicts and use of slave work. To ensure this commitment, the company has developed since 2010 a system of environmental monitoring for the purchase of cattle that uses satellite images, geographic data and information from the farms and public agencies for the analysis of its more than 60,000 suppliers in Brazil. The system of environmental monitoring for the purchase of cattle consists of two analysis engines, which operate in an integrated manner. The first one refers to the systematic verification of the presence of suppliers of cattle enterprise in the lists published by the MTE and IBAMA, relating to Registration of Employers fined for Exploration Work Forced and embargoed areas for illegal deforestation, respectively. The second consists of a sophisticated tracking system and monitoring of geospatial properties that supply cattle in the states that make up the Amazon, with the purpose of identifying and blocking for the purchase of raw material suppliers located in areas of geographic restrictions as the company's social and environmental criteria. The monitoring system geospatial makes digital overlay of geographical coordinates and maps georeferenced of properties that supply cattle with the information published by INPE, related to development of areas of deforestation, and official maps of areas of indigenous land and protected areas in the Amazon region. This whole process of environmental analysis and monitoring of cattle purchase is annually audited independently. The environmental monitoring system of cattle purchase also seeks the fulfillment of agreements signed by JBS with the Federal Public Ministry (MPF) since 2009 and has recently been renovated by the company with the signing of the TAC Amazon on 20 March in 2013. This new agreement standardizes the obligations to be met by all JBS refrigeration units in the Amazon region, renewing the commitment of one of the largest processors of animal protein in the world in requiring their suppliers to comply with legal and socio-environmental criteria as a prerequisite for the purchase of animals for slaughter.
Soy	No	Not Applicable		
Biofuels	No	Not Applicable		

Module: Standards

Page: 5. Strategy Development

5.1 Do you belong to any multi-partnership or stakeholder initiatives relating to the sustainability of these commodities?

Forest Risk Commodity	Involved in initiatives?	Please list initiatives	Other information
Timber	No		
Palm Oil	No		
Cattle Products	Yes	The group is a founding member of the Committee and the Executive Board of the Global Roundtable for Sustainable Beef in the United States - and currently responsible for the Presidency of that body - and a board member of the Working Group of Sustainable Livestock (GTPS) in Brazil. Through these institutions, maintains frequent dialogue with non-governmental organizations such as the World Wildlife Fund (WWF), Solidaridad, the National Wildlife Federation (NWF) and The Nature Conservancy (TNC). To maintain transparency in reporting on emissions, the company is included in the portfolio of the Carbon Efficient Index BM & FBovespa (IC02). Since 2009, the company also integrates the Carbon Disclosure Project (CDP) and in 2012 the CDP recognized JBS in the categories of performance and transparency. JBS also participates in the Brazilian GHG Protocol Program, a platform that provides tools and international quality standards for accounting emissions and publishing Emissions Inventories of Greenhouse Gases. And participated in working groups to discuss issues of specific sectors, such as cattle. In the leather industry, the international organization Leather Working Group (LWG) granted JBS Leather seven gold medals and three silver by the best environmental practices and sustainability adopted in the production process. Issues such as control of restricted substances, water use, air emissions and traceability are among the items that had major developments impacting positively on recent awards.	Also, a Working Group (WG embargos) was created, formed by representatives from: JBS, other companies in the agricultural sector, associations of the sectors of livestock and soy, and the technical staff of the Center for Remote Sensing and technical staff of the Information Technology of IBAMA, in order to solve technical problems in downloading the lists and improve the operational quality of the information provided via the website "Embargoed Areas".
Soy	No		
Biofuels	No		

5.2

Do you specify any third party certification schemes for these commodities?

Forest Risk Commodity	Involved in initiatives?	Please list initiatives	Other information
Timber	No		
Palm Oil	No		
Cattle Products	Yes	Organic beef certification.	Organic product line JBS - Friboi. National market leader, facing the consumer concerned about health, quality of life and preserving the environment for future generations. Certified by IBD and exclusive partner with ASPRANOR - Brand Boi D 'Earth.
Soy	No		
Biofuels	No		

Forest Risk Commodity	Involved in initiatives?	Please list initiatives	Other information
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5.3

If you do not specify third party certification, what other actions have your company taken to implement sustainability standards within your supply chain?

JBS supports the Good Agricultural Practices Program of Embrapa and this attitude aims to cultivate transparency between the company and its cattle's suppliers as a way to promote long-term growth of the sector by strengthening the supply chain. The objective of BPA is to promote food production in a sustainable manner, while contributing to the properties become more profitable and competitive. To do so, establishes a set of standards and procedures to be followed by farmers. JBS is committed in guarantee the origin of its raw material and don't purchase cattle from suppliers involved with deforestation, invasion of indigenous lands or conservation units, rural violence and land conflicts and use of slave work. To ensure this commitment, the company has developed since 2010 a system of environmental monitoring for the purchase of cattle that uses satellite images, geographic data and information from the farms and public agencies for the analysis of its more than 60,000 suppliers in Brazil. The system of environmental monitoring for the purchase of cattle consists of two analysis engines, which operate in an integrated manner. The first one refers to the systematic verification of the presence of suppliers of cattle enterprise in the lists published by the MTE and IBAMA, relating to Registration of Employers fined for Exploration Work Forced and embargoed areas for illegal deforestation, respectively. The second consists of a sophisticated tracking system and monitoring of geospatial properties that supply cattle in the states that make up the Amazon, with the purpose of identifying and blocking for the purchase of raw material suppliers located in areas of geographic restrictions as the company's social and environmental criteria. The monitoring system geospatial makes digital overlay of geographical coordinates and maps georeferenced of properties that supply cattle with the information published by INPE, related to development of areas of deforestation, and official maps of areas of indigenous land and protected areas in the Amazon region. This whole process of environmental analysis and monitoring of cattle purchase is annually audited independently. The environmental monitoring system of cattle purchase also seeks the fulfillment of agreements signed by JBS with the Federal Public Ministry (MPF) since 2009 and has recently been renovated by the company with the signing of the TAC Amazon on 20 March in 2013. This new agreement standardizes the obligations to be met by all JBS refrigeration units in the Amazon region, renewing the commitment of one of the largest processors of animal protein in the world in requiring their suppliers to comply with legal and socio-environmental criteria as a prerequisite for the purchase of animals for slaughter.

Further Information

Also, a Working Group (WG embargos) was created, formed by representatives from: JBS, other companies in the agricultural sector, associations of the sectors of livestock and soy, and the technical staff of the Center for Remote Sensing and technical staff of the Information Technology of IBAMA, in order to solve technical problems in downloading the lists and improve the operational quality of the information provided via the website "Embargoed Areas".

Module: Targets

Page: 6. Managing for Performance Improvement

6.1 Does your company formally measure your consumption of these commodities?

Forest Risk Commodity	Does your company formally measure consumption?	Details
Timber	Yes	The consumption of biomass is monitored as an indicator of production.
Palm Oil	Yes	JBS keeps reports of purchasing of its units being possible to generate specific monitoring of Sustainability.
Cattle Products	Yes	The volume of slaughtered animals is the basis for generating environmental indicators such as consumption of water, energy, waste and others.
Soy	Yes	JBS keeps reports of purchasing of its units being possible to generate specific monitoring of Sustainability.
Biofuels	Yes	JBS keeps reports of purchasing of its units being possible to generate specific monitoring of Sustainability. In 2012, JBS carrier implemented a Fleet Intelligence Report, which enables making strategic, tactical and operational decision, measuring logistics efficiency, as well as report the emissions of greenhouse gases from the burning of fuels.

6.2 Do you hold data for the proportion of your procurement that currently meets your defined standards?

Forest Risk Commodity	Data held for the proportion of your procurement that currently meets your defined standards?	Details
Timber	Yes	
Palm Oil	Yes	
Cattle Products	Yes	JBS currently has 4% of suppliers blocked by environmental criteria in their supplier registration active.
Soy	Yes	
Biofuels	Yes	

6.3

Do you have quantified procurement targets for meeting your defined standards by commodity?

Forest Risk Commodity	Quantified procurement targets?	Additional information (including detail on % target)
Timber	No	
Palm Oil	No	
Cattle Products	Yes	100% of the supplying farms located in the Legal Amazon with georeferenced maps until December 2014.
Soy	No	
Biofuels	No	

6.4

Do you have internal programs in place to achieve those targets?

Forest Risk Commodity	Internal programs to achieve targets?	Details
Timber	No	
Palm Oil	No	
Cattle Products	Yes	JBS has constantly improved its Environmental Monitoring System for the purchase of raw materials (cattle), and moreover has assisted its suppliers in the process of environmental regulation, with getting the georeferenced maps and Rural Environmental Registry (CAR) of their farms.
Soy	No	
Biofuels	Yes	

6.5

Have you achieved or are you aiming to achieve 100% third party certified materials in your supply chains, and if so, how many years do you plan for it to take?

Forest Risk Commodity	Target Year
Timber	No Target
Palm Oil	No Target
Cattle Products	0-2 Years
Soy	No Target
Biofuels	No Target

Further Information

JBS is committed to guarantee the origin of its raw material and don't purchase cattle from suppliers involved with deforestation, invasion of indigenous lands or conservation units, rural violence and land conflicts and use of slave work. To ensure this commitment, the company has developed since 2010 a system of environmental monitoring for the purchase of cattle that uses satellite images, geographic data and information from the farms and public agencies for the analysis of its more than 60,000 suppliers in Brazil. The system of environmental monitoring for the purchase of cattle consists of two analysis engines, which operate in an integrated manner. The first one refers to the systematic verification of the presence of suppliers of cattle enterprise in the lists published by the MTE and IBAMA, relating to Registration of Employers fined for Exploration Work Forced and embargoed areas for illegal deforestation, respectively. The second consists of a sophisticated tracking system and monitoring of geospatial properties that supply cattle in the states that make up the Amazon, with the purpose of identifying and blocking for the purchase of raw material suppliers located in areas of geographic restrictions as the company's social and environmental criteria. The monitoring system geospatial makes digital overlay of geographical coordinates and maps georeferenced of properties that supply cattle with the information published by INPE, related to development of areas of deforestation, and official maps of areas of indigenous land and protected areas in the Amazon region. This whole process of environmental analysis and monitoring of cattle purchase is annually audited independently. The environmental monitoring system of cattle purchase also seeks the fulfillment of agreements signed by JBS with the Federal Public Ministry (MPF) since 2009 and has recently been renovated by the company with the signing of the TAC Amazon on 20 March in 2013. This new agreement standardizes the obligations to be met by all JBS refrigeration units in the Amazon region, renewing the commitment of one of the largest processors of animal protein in the world in requiring their suppliers to comply with legal and socio-environmental criteria as a prerequisite for the purchase of animals for slaughter.

Module: Support

Page: 7. Sustainable Supply Chain Development and Support

7.1a

Do you have full traceability in your supply chain for any of the commodities (going back to the originating forest, farm or ranch)? If so, please explain briefly how you have achieved this

Forest Risk Commodity	Explanation of How Full Traceability Achieved
Timber	
Palm Oil	
Cattle Products	JBS is committed to guarantee the origin of its raw material and don't purchase cattle from suppliers involved with deforestation, invasion of indigenous lands or conservation units, rural violence and land conflicts and use of slave work. To ensure this commitment, the company has developed since 2010 a system of environmental monitoring for the purchase of cattle that uses satellite images, geographic data and information from the farms and public agencies for the analysis of its more than 60,000 suppliers in Brazil. The system of environmental monitoring for the purchase of cattle consists of two analysis engines, which operate in an integrated manner. The first one refers to the systematic verification of the presence of suppliers of cattle enterprise in the lists published by the MTE and IBAMA, relating to Registration of Employers fined for Exploration Work Forced and embargoed areas for illegal deforestation, respectively. The second consists of a sophisticated tracking system and monitoring of geospatial properties that supply cattle in the states that make up the Amazon, with the purpose of identifying and blocking for the purchase of raw material suppliers located in areas of geographic restrictions as the company's social and environmental criteria. The monitoring system geospatial makes digital overlay of geographical coordinates and maps georeferenced of properties that supply cattle with the information published by INPE, related to development of areas of deforestation, and official maps of areas of indigenous land and protected areas in the Amazon region. This whole process of environmental analysis and monitoring of cattle purchase is annually audited independently. The environmental monitoring system of cattle purchase also seeks the fulfillment of agreements signed by JBS with the Federal Public Ministry (MPF) since 2009 and has recently been renovated by the company with the signing of the TAC Amazon on 20 March in 2013. This new agreement standardizes the obligations to be met by all JBS refrigeration units in the Amazon region, renewing the commitment of one of the largest processors of animal protein in the world in requiring their suppliers to comply with legal and socio-environmental criteria as a prerequisite for the purchase of animals for slaughter.
Soy	
Biofuels	

7.1b If your supply chain does not afford full traceability for any of the commodities, what are you doing to improve the situation?

Method	In action now?	Considered for action?
Substituting Materials	Yes	Yes
Bi-lateral Sourcing	No	No
Local Sourcing	Yes	Yes
Creating Alternative Sources of Supply	No	No
Other (please specify in Q7.1c)	No	No

7.1c

Please explain your choices in 7.1b and/or if you have found another strategy option, please provide details

TIMBER: JBS has developed a project for the reuse of waste energy from slaughter cattle (rumen content), performing the drying and burning this waste to generate steam and heat. Thus, there is partial substitution of plant biomass, reducing the demand for forest products, and thus avoids the waste disposal - hence the generation of methane due to decomposition. The development of secondary packaging (cardboard) of our finished products (raw meat), the company has implemented improvements in its process enabling to reduce the use of raw materials per unit produced, besides the use of recyclable materials.
CATTLE: In 2012, JBS has created the Board of Relations Ranchers and Sustainability Office, which facilitates working together to develop a supply chain with higher rates of productivity and social and environmental responsibility.

7.2 Have you identified sufficient sources of sustainable materials by commodity to meet your operational needs?

Forest Risk Commodity	Current demand	Future demand
Timber	Yes	Yes
Palm Oil	Yes	Yes
Cattle Products	Yes	Yes
Soy	Yes	Yes
Biofuels	Yes	Yes

7.3 If your organization has problems with the availability of sustainable materials, what are you doing to increase capacity?

JBS has constantly improved its Social and Environmental Monitoring System for the purchase of raw materials (cattle), and moreover has assisted its suppliers in the process of environmental regulation, with getting the georeferenced maps and Rural Environmental Registry (CAR) of their ranches. TIMBER: Project development for energetic reuse of industrial waste and other alternative fuels.

7.4

What are you doing to improve the capacity of the other organizations up and down your supply chain to provide or use sustainable materials?

In 2012, JBS has created the Board of Relations Ranchers and Sustainability Office, which facilitates working together to develop a supply chain with higher rates of productivity and social and environmental responsibility.

7.5 **Do you have Improvement Plans in place for specific suppliers to build capacity to meet your demand?**

Forest Risk Commodity	Supplier improvement plans in place?	Details
Timber	No	
Palm Oil	No	
Cattle Products	Yes	JBS has constantly improved its Social and Environmental Monitoring System for the purchase of raw materials (cattle), and moreover has assisted its suppliers in the process of environmental regulation, with getting the georeferenced maps and Rural Environmental Registry (CAR) of their ranches.
Soy	No	
Biofuels	No	

Module: Coverage

Page: 8. Coverage

8.1

What areas of your procurement spending do your commodity specific policies cover?

Forest Risk Commodity	Please explain level of detail and the value or volume of procurement that is covered by your commodity specific policies
Timber	
Palm Oil	
Cattle Products	100% of direct suppliers of cattle in Brazil are evaluated by the Environmental Monitoring System JBS.
Soy	
Biofuels	

8.2 **Which factors determined this selection?**

- Ensure that the supply chain of raw materials (cattle) meet the environmental criteria set by the company;
- The greater engagement of the supply chain;
- Reduce risks of the company and stakeholders and reputation thereof.

8.3

Does your organization have consumption data available for these commodities?

Forest Risk Commodity	Consumption data available?	Volume consumed	Please identify the parameters used to create this data
Timber	Yes	7.580.797 GJ	Data extracted from company's system - work developed for Annual and Sustainability Report - JBS 2012.
Palm Oil	No		
Cattle Products	Yes	16.359.300 animals	Management Report - JBS 2012
Soy	No		
Biofuels	No		

8.4

Please provide any additional information that you would like to disclose in this section

Module: Reporting

Page: 9. Public Reporting

9.1

Are you providing information in the public domain regarding the deforestation risks in your supply chain?

Forest Risk Commodity	Information in public domain?	Details
Timber	Yes	Annual and Sustainability Report - JBS 2012. Reuse of waste energy from slaughter cattle (rumen content), with the partial substitution of plant biomass, reducing the demand for forest products, and thus avoids the waste disposal - hence the generation of methane due to decomposition. http://mydigimag.rrd.com/publication/?i=160590
Palm Oil	No	
Cattle Products	Yes	Annual and Sustainability - JBS 2012. Environmental Monitoring System of the purchase of raw materials (cattle). http://mydigimag.rrd.com/publication/?i=160590 Environmental Audit Report In the first half of 2012, the non-governmental organization Greenpeace published a report alleging failures in process control of the company in relation to the acquisition of cattle in the Amazon Biome. After the analysis and not accordance with the data presented in the report, the JBS has filed a lawsuit against Greenpeace and presented an independent audit report, the results of which are available on its website (www.jbs.com.br). During the second half, to reaffirm its commitment to eliminate deforestation from their supply chain for cattle, JBS and Greenpeace resumed dialogue to implement an action plan under public commitment signed three years ago.
Soy	No	
Biofuels	No	

9.2

Do you report publicly on your progress against your commodity specific commitments?

Forest Risk Commodity	Report publicly on progress?	Details
Timber	Yes	Annual and Sustainability Report - JBS 2012. http://mydigimag.rrd.com/publication/?i=160590
Palm Oil	No	
Cattle Products	Yes	The Environmental Monitoring System for the purchase of raw materials (cattle) is annually audited independently, and the Audit Report is available on our website (www.jbs.com.br).
Soy	No	
Biofuels	Yes	Annual and Sustainability Report - JBS 2012. http://mydigimag.rrd.com/publication/?i=160590

Module: Governance

Page: 10. Governance Process

10.1

Are commodity related risks part of the company's Board level risk management process?

Yes

10.1a

Please provide information about the structure and management of your company

The JBS corporate governance structure is responsible for definition of investment strategies, decision-making and monitoring of company relations with shareholders and other strategic groups, ensuring continued value generation and conditions for the sustainable development of business. This structure observes the principles of transparency, equity, accounting and corporate responsibility recommended by the Brazilian Institute for Corporate Governance (IBGC). Employees are required to perform their duties in an ethical, transparent and result-oriented manner in line with the company's Mission, Vision and Values and the Ethical Conduct Manual of the company. Board of Directors The Board of Directors, senior administration body of JBS, is made up of 11 members serving a two-year mandate with a right to re-election. Among Board duties are definition of policies, business guidelines and strategies, monitoring of company performance and oversight of Executive Officer actions. Committees Committees advise the JBS Board of Directors in strategic deliberations. The structure of Audit, Finance & Risk Management and People Management Committees, created in 2008 in line with the corporate Bylaws, was enhanced two years later with formation of a Sustainability Committee. Sustainability Committee: this committee identifies and deals with critical matters which represent risks or may have a relevant impact on the company in the sustainability sphere. It also has the remit to recommend and monitor implementation of business sustainability policies and strategies. Audit Committee: the duties of this committee are to advise on and analyze standards, corporate regulations, processes of disclosure and transparency of financial accounting statements. The committee also evaluates the quality of internal control systems and internal and external audits. Finance and Risk Management Committee: this committee assists the Board of Directors and Executive Officers with the analyses of the national and worldwide economic scenario and its potential financial impacts on the company, assessing risks from situations and trends and creating strategic opportunities for adoption by the company in relation to financial policy. People Management Committee: this committee proposes performance assessment criteria, remuneration policy and the practice of meritocracy, both at senior management level and other hierarchical levels within the company. The committee also examines candidates for election to the Board, taking aspects such as professional experience, knowledge and economic, social and cultural representativeness into consideration. These information can be found at: - Annual and Sustainability Report - JBS 2012 (<http://mydigimag.rrd.com/publication/?i=160590>); - JBS - Investors Relations (<http://www.jbs.com/ri>)

10.2

Is there a named individual with responsibility at Board level?

Yes

10.2a

Please provide information about this individual's role within your organization

Board of Directors - Joesley Mendonça Batista
Sustainability Committee - Wesley Mendonça Batista

10.2b

What is the Board level action taken to evaluate that individual's management of these issues?

Please see the organizational chart attached in this chapter 10.

Attachments

[https://www.cdproject.net/sites/2013/30/9730/Forests 2013/Shared Documents/Attachments/Forests2013/10.GovernanceProcess/JBS_organizational_Chart.jpg](https://www.cdproject.net/sites/2013/30/9730/Forests%202013/Shared%20Documents/Attachments/Forests2013/10.GovernanceProcess/JBS_organizational_Chart.jpg)

Module: Risk&Opps

Page: 11. Identifying Risk and Opportunity

11.1

Is your company exposed to regulatory risk associated with any of these commodities?

Forest Risk Commodity	Risk present?	Further details
Timber	No risk	
Palm Oil	No risk	
Cattle Products	Material risk	The environmental monitoring system of cattle purchase also seeks the fulfillment of agreements signed by JBS with the Federal Public Ministry (MPF) since 2009 and has recently been renovated by the company with the signing of the TAC Amazon on 20 March in 2013.
Soy	No risk	
Biofuels	No risk	

11.2 Are there reputational risks for your company associated with buying these commodities?

Forest Risk Commodity	Risk present?	Further details
Timber	Material risk	To reduce the risks associated with the acquisition of wood from irregular sources, JBS has elaborated an Instruction to Supply Biomass that establish criteria and responsibility for the purchase of fuel (biomass).
Palm Oil	Non-material risk	
Cattle Products	Material risk	In the first half of 2012, the non-governmental organization Greenpeace published a report alleging failures in process control of the company in relation to the acquisition of cattle in the Amazon Biome. After the analysis and not consistent with the data presented in the report, JBS has filed a lawsuit against Greenpeace and presented an independent audit report, and the results are available on its website (www.jbs.com.br). During the second half, to reaffirm its commitment in eliminate

Forest Risk Commodity	Risk present?	Further details
		deforestation from their supply chain for cattle, JBS and Greenpeace resumed dialogue to implement an action plan under public commitment signed three years ago.
Soy	Non-material risk	
Biofuels	Non-material risk	

11.3

Are there operational risks for your company associated with buying these commodities?

Forest Risk Commodity	Risk present?	Further details
Timber	Material risk	Risk of an embargo in activities.
Palm Oil	Non-material risk	
Cattle Products	Material risk	Risk of an embargo in activities.
Soy	Non-material risk	
Biofuels	Non-material risk	

11.4Is your ability to purchase these commodities at risk from the impacts of climate change?

Forest Risk Commodity	Risk present?	Further details
Timber	Material risk	
Palm Oil	Non-material risk	
Cattle Products	Material risk	JBS is subject to laws and regulations related to climate change and compliance with these standards can be difficult and costly. Stakeholders in the countries in which we operate, such as government agencies, legislators and regulators, shareholders and NGOs, as well as companies that operate in many sectors, are considering ways to reduce GHG emissions. In the United States, for example, many states have announced programs to stabilize and reduce GHG emissions and the federal legislation was proposed in Congress, including the creation of a system of cap and trade. The EPA regulates emissions of greenhouse gases through the Clean Air Act. Some units of JBS are already required to monitor and report emissions of greenhouse gases, according to reports by the EPA. The existing or new restrictions of GHG emission can increase the cost of energy, environment and investment. Likewise, the Australian federal government has proposed a cap and trade system for greenhouse gases, while several states are considering implementing regulations that may be more stringent than the federal level. In addition, the Australian federal government recently approved the "Clean Energy Future", a legislative package that substantially reforms the rules on environmental regulation. Among other provisions, the legislative package "Clean Energy Future" provides a mechanism to price carbon for waste, which establishes an automatic limit of responsibility for emissions greater than 25,000 tons of CO2 over a given year. During a fixed price period (2012-2015), will be necessary that operators of any type of industry buy and surrender carbon units sufficient to cover their waste emissions that exceed the limit. JBS anticipates that it will incur additional costs as a result of additional investments that will bear to comply with the new regulations and the price of carbon which may need to pay as a result of their level of carbon emissions. In addition, Brazil has recently passed a legislation establishing a national policy on climate change and GHG reduction. Internationally, the Kyoto Protocol set targets for the reduction of greenhouse gases by some developed countries and created a mechanism for carbon trading.
Soy	Non-material risk	
Biofuels	Non-material risk	

11.5

Are there business opportunities within your sector associated with sourcing and marketing sustainably sourced materials?

Forest Risk Commodity	Opportunity present?	Further details
Timber	Yes	Enhanced reputation, Development of new products, increased market share, brand differentiation, mitigation of GHG emissions and optimization of operating costs.
Palm Oil	Yes	Enhanced reputation, Development of new products, increased market share, brand differentiation, mitigation of GHG emissions and optimization of operating costs.
Cattle Products	Yes	Enhanced reputation, Development of new products, increased market share, brand differentiation, mitigation of GHG emissions and optimization of operating costs.
Soy	Yes	Enhanced reputation, Development of new products, increased market share, brand differentiation, mitigation of GHG emissions and optimization of operating costs.
Biofuels	Yes	Enhanced reputation, Development of new products, increased market share, brand differentiation, mitigation of GHG emissions and optimization of operating costs.

11.6Please detail how your company is creating opportunities and adding value through providing solutions to the challenge of supplying these commodities sustainably

Forest Risk Commodity	Details
Timber	JBS has monitored the intensity indicators in relation to the consumption of biomass and to the production volumes, aiming to optimize their production. Investments in environmental improvements are being applied, for maintenance of existing equipment and purchase of new equipment, in order to operate efficiently. Development projects for full or partial substitution of fuel (e.g. burning of cattle rumen).
Palm Oil	
Cattle Products	JBS is committed to ensuring the origin of its raw material and therefore does not acquire cattle from suppliers involved in deforestation, invasion of indigenous lands and protected areas, rural violence, land conflicts and the use of slave labor. To ensure this commitment, the company has developed since 2010 a monitoring environmental system of cattle purchase for analysis of its more than 60,000 suppliers in Brazil. This environmental monitoring system is composed of two mechanisms of analysis, that work seamlessly. The first refers to the systematic verification of the presence of suppliers of cattle in the lists published by the Ministry of Labour (MTE) and IBAMA, relating to Registration of Employers fined for Exploration of Forced Work and embargoed areas for illegal deforestation, respectively. The second consists of a sophisticated tracking system and monitoring of geospatial properties that supply cattle to the company in the states that make up the Legal Amazon, with the purpose of identifying and blocking for the purchase of raw material the suppliers located in areas of geographic restrictions, in accordance with the company's social and environmental criteria. The geospatial monitoring system is a digital overlay of geographical coordinates and georeferenced maps of properties that supply cattle with the information published by INPE, referring to the development of areas of deforestation, and official maps of areas of indigenous land and protected areas in the Amazon region. This whole process of environmental analysis and monitoring of cattle purchase is annually audited independently. The environmental monitoring system for cattle purchase also seeks the fulfillment of agreements signed by JBS with the Federal Public Ministry (MPF) since 2009 and has

Forest Risk Commodity	Details
	recently been renovated by the company with the signing of the TAC Legal Amazon on 20 March in 2013. This new agreement standardizes the obligations to be met by all JBS' refrigeration units in the Amazon region, renewing the commitment of one of the largest processors of animal protein in the world in requiring their suppliers to comply with the criteria of social and environmental legality as a prerequisite for the purchase of animals for slaughter.
Soy	
Biofuels	JBS has a business unit dedicated to the production of biodiesel, with two biodiesel plants located in Colider (MT) and Lins (SP), with capacity to produce 240 million liters per year, using tallow as the main raw material. Fully automated, the plants have a modern production system and laboratory tests to ensure fuel quality and meet national and international standards.

Module: Challenges

Page: 12. Barriers and Support Needs

12.1 What does your organization see as the key barriers or challenges to achieving sustainable commodity use?

We see as barriers the complexity of the supply chain from cattle in Brazil, and the inexistence of government programs to enable the traceability of animals from birth to slaughter (indirect suppliers).

12.2 What would make the greatest difference to your management of these issues?

From the perspective of sustainable production, we believe that the advancement of environmental compliance of Brazilian agriculture through the implementation of the CAR (Rural Environmental Registry) under the new Forest Code, will represent a breakthrough in the effectiveness of our Environmental Monitoring System for purchasing of raw material (cattle), responsible for ensuring that the source of our raw material is not associated with deforestation, invasion of indigenous lands or conservation units, as well as use of slave labor.

CDP