BRAZIL BUSINESS BRIEF

APRIL 2015

NEWS FROM THE BRAZILIAN CHAMBER OF COMMERCE IN GREAT BRITAIN

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EDITORS' LETTER

LENA BERALDO & ALEX THOMAS
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Dear Members,

A very warm welcome to the April 2015 edition of the Brazil Business Brief.
Ahead of our gala dinner on May 12, this edition contains an interview with the Brazilian recipient of the Personality of the Year award for 2015, Marcos Molina (see page 16), as well as the usual diverse range of articles.
We're always keen to receive not only feedback but also suggestions for future articles and events, so don't hesitate to contact us at **www.brazilianchamber.org.uk/contact-us** and let us know your thoughts.
Kind regards,

Lena & Alex

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INVESTMENT OPPORTUNITIES IN HEALTHCARE IN BRAZIL?

BY THOMAZ FAVARO & FABIAN OLARTE - CONTROL RISKS

Due to the poor state of the public healthcare system in Brazil there has been an enormous increase in private health insurance over the last 20 years or so. Today, more than 25% of the Brazilian population pay for supplementary health plans.

On 19 January President Dilma Rousseff approved a bill that allows the participation of foreign investment and companies in hospitals, clinics and other health facilities. The measure had been approved by Congress in December last year.

The bill represents a positive step insofar as the government has finally acceded to a long-standing demand by industry players. Brazil's private health system has grown exponentially in recent years but remains dominated by Brazilian companies, most of them catering to regional markets. Several local hospitals have serious funding issues given the chronically high borrowing costs, and were therefore eager to seek international partners in order to expand hospital infrastructure. The lifting of similar restrictions in the health insurance industry, in 1998, has been instrumental in improving competition between providers and fostering a more robust market.

For now, this openness is unlikely to be extended to other healthcare sub-sectors. The bill does not herald a move towards a full-blown revision of protectionist policies in the sector. In particular there is little likelihood that the government will remove or ease policies aimed at promoting the national pharmaceutical industry. Since 2012 Brazil has applied preference margins of up to 25% to government purchases of locally-produced healthcare products and services.

Further liberalisation efforts are likely to be analysed on a case-by-case basis, as has recently been the case with hospitals. Aside from legal restrictions on foreign investment, the government also protects Brazilian industry with subsidised financing through the Brazilian Development Bank (BNDES) and tax incentives for companies reaching a certain level of local content. As a result, foreign investors will continue to face an uneven playing field in several subsectors of healthcare.

> SEVERAL LOCAL HOSPITALS HAVE SERIOUS FUNDING ISSUES GIVEN THE CHRONICALLY HIGH BORROWING COSTS, AND WERE THEREFORE EAGER TO SEEK INTERNATIONAL PARTNERS IN ORDER TO EXPAND HOSPITAL INFRASTRUCTURE

There is an upside for investors looking to invest in Brazilian hospitals, however. A cap on foreign participation, which featured in earlier versions of the bill, was removed from the final version. As a result the latest legislation lifts all previous restrictions, allowing for "direct or indirect participation, including controlling share, of foreign companies or capital" in hospitals, clinics and laboratories. While Brazil provides universal healthcare (known locally as the SUS), the system is underfunded, understaffed and inefficiently run. As a result a growing number of middle-class citizens have opted for private healthcare to receive better services. In the last decade the number of private healthcare users has increased from 32 to 51 million, and the private sector is now responsible for 54% of investments in the healthcare industry, accounting for 9% of the national GDP.

From a social standpoint the measure has been criticised by some public health authorities, who claim that the move represents another step towards privatisation and the dismantling of the SUS. Bodies such as the Brazilian Association of Collective Health (Abrasco) have threatened to challenge the bill's constitutionality in the Supreme Court.

The entry of foreign capital into the Brazilian health sector was forbidden by the 1988 constitution, but an exception was granted in 1998 when the government created a new regulatory framework for the health insurance industry. Foreign companies were then able to invest in the local health system via health insurance operators, some of which had their own hospitals. Another loophole allowed foreign players to purchase debentures from local hospitals. The new bill brings much-welcomed legal stability to international firms.

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CORRUPTION AND INTEGRITY RISKS: IS BRAZIL STILL ATTRACTIVE FOR INVESTMENT?

BY FLIP STANDER, WITH THE COLLABORATION OF LEONARDO FERREIRA - DELOITTE LLP

Brazil has been a very attractive market for foreign investors in recent years, with a steady flow of foreign direct investment averaging more than US$ 60 billion per year in the last four years. At the same time, however, many large foreign investors are now concerned about the risks associated with corruption and bribery, especially in large government-sponsored projects.

For companies wishing to operate in Brazil it is very important to consider corruption and integrity-related risks. A number of recent scandals and enforcement actions have shown there can be severe economic and reputational repercussions for investors who fail to take appropriate steps to identify and prevent exposure to bribery and corruption, either at the due diligence stage or as part of ongoing operations post-entry. Several local and foreign companies have been involved in police investigations following bribery allegations in Brazil, in some cases resulting in the criminal conviction of both corporate executives and senior government officials and heavy sanctions against the companies involved.

There continues to be a growing demand for investments in areas such as infrastructure, healthcare, education and oil and gas in Brazil, and we believe this demand, combined with a tougher approach on corruption and bribery, will open further opportunities for UK companies to acquire or establish a foothold in Brazil in sectors previously dominated by Brazilian companies.

HOME AND ABROAD: TOUGHER ANTI-CORRUPTION REGULATIONS

In January 2014 Brazil enacted the Clean Companies Act ("CCA") in a bid to conform more closely with international standards on the prevention of bribery and corruption. In addition to introducing civil and administrative penalties for corrupt offences committed by local and foreign companies operating in the country, the law also extends to offences committed by Brazilian companies abroad. In addition, the CCA holds affiliated firms, subsidiaries and joint-venture parties jointly liable for corruption offences, whether they are registered in Brazil or overseas (provided the offence relates to a Brazilian company). The CCA also introduces serious penalties for those in breach of the law, with fines reaching up to 20% of a company's gross revenue, and civil sanctions including seizure and confiscation of corporate assets and – in extreme circumstances – corporate dissolution.

The cross-border nature of anti-corruption legislation is a continuing trend worldwide. Businesses entering Brazil should of course also be aware of the global reach of the US Foreign Corrupt Practices Act ("FCPA") and the UK Bribery Act ("UKBA"). The UKBA, which covers a wider range of offences (and covers bribery of both public officials and private persons) adopts a strict-liability approach in respect of companies who fail to prevent corruption by their associated parties anywhere in the world, and applies to any company that carries out business (or part of its business) in the UK, irrespective of where they are headquartered. Accordingly, it has become imperative that UK and other foreign investors operating in or considering entering the Brazil market apply robust anti-corruption and due diligence procedures to identify the level and nature of their potential or current exposure to corruption risks locally. Regulators increasingly require effective management and mitigation of such risks, which translates

THE CCA ALSO INTRODUCES SERIOUS PENALTIES FOR THOSE IN BREACH OF THE LAW, WITH FINES REACHING UP TO 20% OF A COMPANY'S GROSS REVENUE, AND CIVIL SANCTIONS INCLUDING SEIZURE AND CONFISCATION OF CORPORATE ASSETS AND – IN EXTREME CIRCUMSTANCES – CORPORATE DISSOLUTION

to a compelling business case for companies to adopt proportionate and risk-based procedures in order to identify and assess hidden risk factors, especially in complex cross-border transactions.

MERGERS AND ACQUISITIONS AND THE RISKS OF USING LOCAL THIRD PARTIES

Cross-border mergers and acquisitions can give rise to significant integrity and corruption risks after the completion of the transaction, and it is particularly important for any foreign direct investor to understand not only the corruption and integrity risks associated with the target but also those associated with any third-party providers on which the target relies, such as agents and consultants. Without understanding the latter, a foreign direct investor risks their ability to operate smoothly once the acquisition has been completed, with the possibility existing that key third parties (on whom the target is reliant for significant revenue) can no longer be retained due to bribery and corruption concerns. Thus, identifying such risks is not only vital when it comes to the target itself but also in relation to those third parties on which it is reliant.

For companies wishing to operate in Brazil primarily through third parties – such as business partners, agents, and members of the supply chain – understanding and mitigating the corruption and integrity risks associated with them is critical; again, risk-based due diligence should be conducted, ensuring that such risks are not only identified but addressed prior to the formation of such relationships.

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IDENTIFYING AND MITIGATING BRIBERY AND CORRUPTION RISKS IN BRAZIL – THE IMPORTANCE OF INTEGRITY DUE DILIGENCE

In Brazil, as with other developing markets that present potentially lucrative opportunities, the identification and mitigation of corruption risks should play an important role in an investor's pre-entry and ongoing operational strategy. An effective anti-corruption toolkit should include clear policies and procedures, employee training, management commitment to prevent corruption, and a clear and effective process for conducting integrity due diligence (IDD) on targets and third parties, which takes a risk-based approach to the specific issues presented by the proposed transaction or relationship. In addition, such processes should be implemented within any subsidiary companies or the investor's joint ventures operating in Brazil.

While IDD used to be a "nice to have", it is now an established part of the overall due diligence process on targets and third parties, and should be conducted alongside other forms of financial and legal due diligence (as well as being undertaken as an ongoing compliance tool). The depth and scope of such IDD should be tailored to the level of risk presented by the target or third party – in terms of the risks presented by its sector, activities and the nature of the relationship (in particular the investor's dependence upon them) – and should seek to understand the potential corruption risks presented by the target or third party, as well as to understand who owns and manages the company, its activities, background and reputation, and prior involvement in potentially 'adverse' issues.

WHILE IDD USED TO BE A "NICE TO HAVE", IT IS NOW AN ESTABLISHED PART OF THE OVERALL DUE DILIGENCE PROCESS ON TARGETS AND THIRD PARTIES, AND SHOULD BE CONDUCTED ALONGSIDE OTHER FORMS OF FINANCIAL AND LEGAL DUE DILIGENCE

The importance of IDD for combating bribery and corruption is also now being emphasised by legislators and regulators around the world. In the UK, for example, the Ministry of Justice has issued guidance on the UKBA, with Principle 4 of this guidance being clear in stating that adequate risk-based IDD should be conducted on prospective or existing business relationships with associated persons or entities. In addition, Transparency International's 2013 guidance for assessing bribery risk also cites IDD as one of the good practice principles that should be included in any effective anti-bribery programme.

With IDD processes integrated into the investor's overall due diligence and compliance processes, an investor can gain greater reassurance that they fully understand those entities and individuals with which they are doing business, and that they have taken a major step towards protecting themselves against future regulatory enforcement actions.

In summary, UK companies should not shy away from investing in Brazil but it is important that they establish proper procedures to mitigate the risks associated with bribery and corruption.

THE CHANGES IN BRAZIL'S ENERGY SECTOR

BY IEDA GOMES - ENERGIX STRATEGY LTD

Brazil's energy sector is facing a very challenging situation in 2015, and the government is poised to make tough decisions in order to reverse the current negative momentum.

The largest energy companies in Brazil, Petrobras and Eletrobras, are controlled by the federal government: both of them are accountable to the Mines and Energy Ministry. Eletrobras is listed in Brazil and Frankfurt while Petrobras is listed in Brazil and New York. Since 2012 Eletrobras has lost 76% of its market value, in part due to the government decision to change a few of their concession contracts into operation & maintenance contracts, and also because of the prolonged dry season in Brazil which has impacted negatively on the output of hydro power generators. Petrobras shares have also lost 78% in value since the heady days of the company's huge capitalisation programme in 2010, the combined effect of a government-imposed freeze in fuel prices, the recent drop in oil prices, and the economic impact of corruption investigations as part of the so-called "Operation Car Wash" (Operação Lava Jato).

Commencing her second term of office at the start of this year, President Dilma Rousseff appointed Eduardo Braga, a former governor of the state of Amazonas, as mines and energy minister. He is a seasoned politician from the PMDB, a key party in the coalition supporting President Rousseff's Workers' Party (PT). The new minister has not yet made any substantial changes to the ministerial team, deciding instead to take a few months to better understand how it is organised and how it works.

There has been more dramatic change at Petrobras, however, with the collective resignation on 4 February of most of their management team, including CEO Graça Foster and CFO Almir Barbassa. They were promptly replaced by former Banco do Brasil executives Aldemir Bendine (CEO) and Newton Monteiro (CFO).

Investors are expecting changes at Petrobras' board of directors to be approved at the upcoming general meeting in April, as President Rousseff has indicated her intention to replace the

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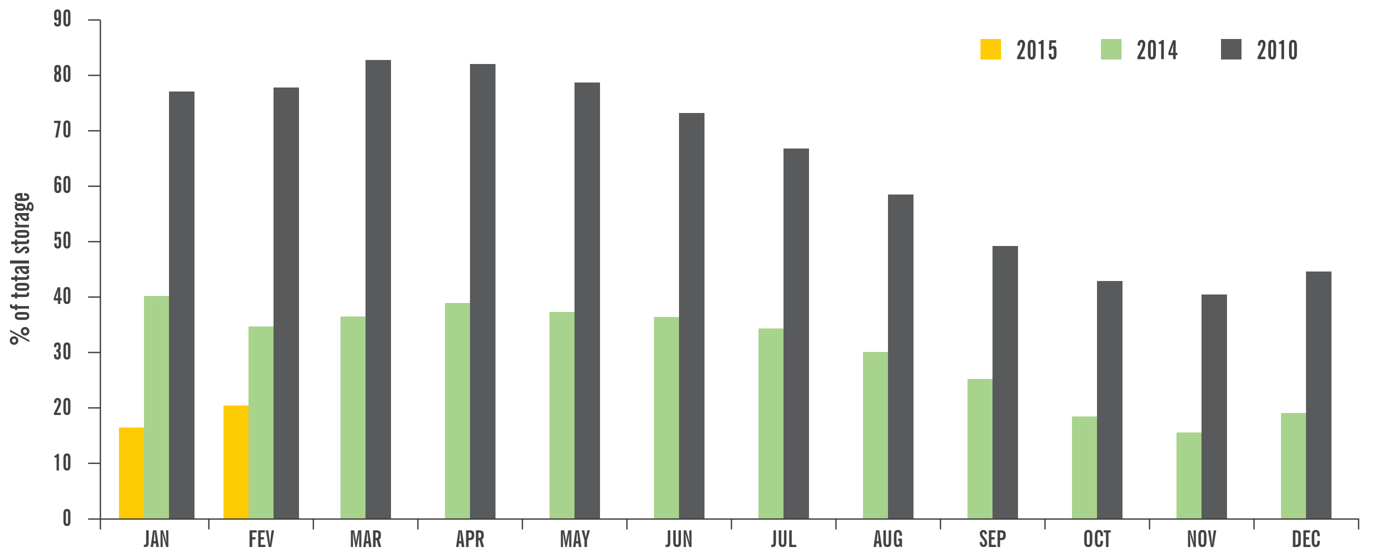
politically-appointed directors with private sector professionals.

Petrobras has had other recent setbacks, such as the external auditor's refusal to sign the company's third-quarter 2014 accounts in the wake of the corruption investigations. The company has also been downgraded by Moody's to Ba2, below investment grade; if another rating agency follows suit it could trigger the sell-off of Petrobras shares and bonds by institutional investors if. In addition, despite being allowed to increase domestic fuel prices even in the face of falling oil prices, Petrobras is now hampered by the weakening Brazilian real as it continues to import petrol and diesel to meet domestic demand for fuel.

The priority for Petrobras' new management is to publish the audited accounts as soon as possible, because their absence could trigger bonds covenants whereby the company will have to pay off a significant portion of its US$ 110 billion debt. Petrobras will then focus on a US$ 13.7 billion divestment programme, 40% of which will be in the area of gas & energy, 30% in exploration and production in Brazil and overseas, and 30% in refining and supply assets. The company has also announced that its 2015 investment budget is to be cut by 30%, or approximately US$ 10 billion.

As for the power sector, Brazil is a predominantly hydroelectric electricity producer but three years of lower-than-average rainfall have left the reservoirs in the high-consuming southeast and northeast regions depleted to a point where, in January, the south-eastern reservoirs contained only 17% of their maximum storage level. There was a slight recovery in February, but with the 2015 dry season approaching some analysts are predicting that rationing measures will be inevitable in the second half of this year.

ENERGY STORED SOUTHEAST RESERVOIRS (SOURCE ONS)



Power generation and distribution companies have suffered big losses, the former due to shrinking revenues whereas the latter have been forced to buy electricity in the spot market to meet their supply commitments to end-users. Electricity spot prices skyrocketed to almost US$ 350/MWh during 2014. In order to avoid a systemic default the power distribution companies are borrowing money from state and private banks and the costs will be passed on to the consumers' tariffs. It is expected that electricity tariffs will increase on average by 23% in 2015.

To compound the situation the drought has also reduced the level of the main drinking water reservoirs serving the metropolitan region of São Paulo, with a negative impact on businesses' and households' day-to-day activities.

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According to financial analysts the direct impact of Petrobras' lower capital spending, plus the effects of reduced investment from companies in the construction and shipbuilding sectors implicated in the Car Wash investigation, could reduce Brazil's GDP this year by between 0.3% and 0.5%. Analysts also estimate an additional loss of 0.3% to 0.6% of GDP due to the combined impacts of water and electricity rationing.

To counter these effects the government has already implemented a tariff flag system whereby consumers pay more for electricity when hydrological conditions deteriorate. When the flag is yellow, for example, consumers pay an additional R$ 2.50/100 kWh plus taxes; if the flag is red the additional tariff is R$ 5.50/100 kWh plus taxes. There are also plans to increase electricity imports from Argentina and Uruguay, and to allow consumers with emergency power generators to produce and sell electricity during peak hours. The government is also preparing another financing package for the power distribution companies, the third such measure in the space of one year, with the costs to be passed on to consumers over the next three years.

In summary, the next couple of years are going to be turbulent for the energy sector in Brazil. It is essential that the government implements energy-saving measures as well as much-needed changes in the regulation of the oil, gas and electricity sectors in order to increase private investment, reduce the dependency on hydroelectricity, and promote better governance within government-controlled companies.

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UK TIER 1 INVESTOR VISAS – IMMIGRATION AND TAX CONSIDERATIONS

BY SANJVEE SHAH & VIKKI WIBERG - TAYLOR WESSING

In London we continue to see an increasing number of high-net-worth (HNW) individuals and families exploring the immigration options available to them as they seek to stay in the UK on a longer-term basis or move here permanently. Global mobility in general is on the increase, and it is certainly the case that political and economic uncertainty in some parts of the world is causing people from those regions to look towards the UK. The UK is attractive for several reasons: it is seen as a safe haven for inward investment and it boasts a world-leading education system, relative political and economic stability, and a robust and highly-regarded legal system. Furthermore it offers a flexible visa for HNW individuals coming into the UK, and once these individuals are UK resident they are able to benefit from a highly favourable tax regime.

So why are Brazilian HNW individuals looking to come to the UK? Brazil is facing a period of economic uncertainty and Brazilian HNW families are increasingly looking to diversify their investment portfolios and move to the UK for personal reasons or to further their European corporate interests. There have also been changes to the Portuguese Investor visa regime in the wake of corruption allegations, which has boosted the attractiveness of the UK regime as an alternative.

In this article we explore the Tier 1 Investor route – the most common type of UK visa for non-EU citizens wanting to spend more time in the UK. All non-European citizens, regardless of nationality, need a visa to live or work in the UK for six months or more. We also briefly explain the benefits of the favourable UK tax regime available to foreigners who move to the UK. Both areas are complex, so detailed advice should be sought before moving to the UK.

TIER 1 INVESTOR VISA

Investors need at least £2 million to apply for the visa. To comply with the Investor conditions, and extend the visa or apply for future settlement, the funds must be invested in the UK within three months of arrival.

Unless the applicant wishes to apply for future settlement there is no requirement under this route to reside in the UK. The visa allows the holder and/or their family to travel to or live in the UK freely with no time commitment on UK stay. The visa may be a useful emergency tool, enabling holders and their dependants to travel to and reside in the UK at short notice. Under current rules the visa allows an unlimited number of extensions if the investment is maintained.

LEVEL OF INVESTMENT

Applicants must hold at least £2 million under their control in a regulated financial institution (anywhere in the world) which can be transferred to the UK.

Funds must be invested in UK Government bonds (gilts), or share capital or loan capital in active and trading UK-registered companies, other than those principally engaged in property investment, management or development. Holders need to invest the entire £2 million in this way: investments in UK assets (e.g. a home) or cash on deposit at a UK bank do not qualify. Changes to the permitted qualifying investments are expected in April 2015.

Holders do not need to “top-up” the value of the investment, but from 6 April 2015 they are required to maintain all their capital within their investment portfolios during the full visa period. Trading of capital is permitted provided the initial investment capital is not withdrawn. Any proceeds of sale must be re-invested into qualifying investments by the end of the reporting period or within 6 months of the sale date. It is important to invest more than £2 million so the surplus can cover portfolio management fees, transaction costs and tax on the investments, which cannot be paid from the minimum qualifying investment.

WHY CHOOSE THE UK INVESTOR ROUTE?

The visa is incredibly flexible, allowing varied investment opportunities in the UK. Investors can choose the risk profile of their portfolio depending on their risk appetite. Visa holders are not required to spend time in the UK unless they want to achieve settlement. Dependant family members can also reside in the UK to attend school or to work.

We have summarised the visa conditions beside.

UK RESIDENCY AND TAXATION

The UK residency and domicile status of an individual determines his exposure to UK direct taxes. An individual will have access to a favourable UK tax regime, known as the “remittance basis” of taxation, even if he becomes resident in the UK, provided that he is (and remains) domiciled outside the UK.

	RULE	REQUIREMENT	BENEFIT / COMMENT
VISA LENGTH	3 YEARS 4 MONTHS. UNLIMITED EXTENSIONS OF 2 YEARS	NO CAP ON NUMBER OF VISAS GRANTED	CERTAINTY
INVESTMENT	100% INVESTMENT IN APPROVED INVESTMENTS WITHIN STRICT 3-MONTH PERIOD	UK GOVERNMENT BONDS, SHARE OR LOAN CAPITAL IN ACTIVE AND TRADING UK-REGISTERED COMPANIES, OTHER THAN THOSE PRINCIPALLY ENGAGED IN PROPERTY INVESTMENT, MANAGEMENT OR DEVELOPMENT.	QUALIFYING INVESTMENTS MAY CHANGE IN 2015 – GOVERNMENT WANTS TO INCREASE ECONOMIC BENEFIT TO UK.
RESIDENCY	NO. IN ANY 12-MONTH PERIOD THE INVESTOR CAN SPEND UP TO 180 DAYS OUTSIDE UK AND STILL BE ELIGIBLE FOR SETTLEMENT.	WEIGH AGAINST IMPLICATIONS FOR UK TAX RESIDENCY.	BENEFICIAL FOR MIGRANTS WITH GLOBAL INTERESTS.
SETTLEMENT	AFTER 5 YEARS. APPLY FOR BRITISH PASSPORT 1 YEAR LATER	ONCE ACHIEVED, NO REQUIREMENT TO MAINTAIN INVESTMENT	DEPENDANTS ELIGIBLE FOR SETTLEMENT AND BRITISH PASSPORTS IF STAY IN UK WITH INVESTOR
	EXPEDITED SETTLEMENT : (A) AFTER 3 YEARS IF £5M + INVESTED IN UK; OR (B) AFTER 2 YEARS IF £10M + INVESTED IN UK		EXPEDITED SETTLEMENT FOR INVESTOR **ONLY**, NOT FAMILY MEMBERS (WHO MUST COMPLETE 5 YEARS RESIDENCY) STILL TAKES 5 YEARS TO BE ELIGIBLE FOR BRITISH PASSPORT REGARDLESS OF WHEN SETTLEMENT OBTAINED
BRITISH PASSPORT?	5 YEARS (6 YEARS WITH £2M INVESTMENT)	PERMITTED ABSENCE 90 DAYS PER YEAR	BRITISH PASSPORT PROVIDES ACCESS TO EUROPE
ABILITY TO WORK?	YES	INVESTOR AND ADULT DEPENDANTS CAN WORK IN ANY FIELD EXCEPT DOCTOR/DENTIST IN TRAINING OR PROFESSIONAL SPORTS PERSON/COACH	FLEXIBILITY
LANGUAGE REQUIREMENT	NO		ATTRACTIVE FOR APPLICANTS FROM NON-ENGLISH SPEAKING COUNTRIES

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Domicile is not the same as residence: the place where an individual is domiciled is not necessarily the place he has his habitual residence or citizenship. A person is born with a domicile of origin, which is usually the domicile of his father at birth. A domicile of origin can be displaced by acquiring a domicile of dependency (for example, if the individual's father acquires a new domicile while that individual is under 16) or a domicile of choice. A domicile of choice can be acquired if an individual resides in another country with the intention to reside there permanently or indefinitely. An individual can remain foreign-domiciled provided he does not form an intention to remain permanently or indefinitely in the UK.

In general terms a foreign-domiciled UK resident individual can choose the remittance basis so that only his UK-sourced income and gains and his foreign-sourced income and gains which he "remits" to the UK are subject to UK income and capital gains tax. The definition of what constitutes a "remittance" to the UK is broad and the rules are extremely detailed. Further, a foreign-domiciled UK resident individual will only be subject to UK inheritance tax on a worldwide basis once he has been UK tax resident for 17 out of 20 tax years. Until that point the foreign domiciliary will be subject to inheritance tax on death on his UK-situated assets only.

A DOMICILE OF CHOICE CAN BE ACQUIRED IF AN INDIVIDUAL RESIDES IN ANOTHER COUNTRY WITH THE INTENTION TO RESIDE THERE PERMANENTLY OR INDEFINITELY

In light of the above, it is essential that Brazilian HNW individuals wishing to move to the UK take appropriate tax advice and implement suitable pre-arrival planning in the tax year before they become UK tax resident to ensure their exposure to UK tax once tax resident is minimised as far as possible.

SIX ATTITUDES OF CREATIVE ENTREPRENEURS

LEARN TO THINK AND ACT LIKE THE WORLD'S MOST INNOVATIVE BUSINESSPEOPLE

BY IGOR TASIC - CO-FOUNDER & CEO AT AURORA NET VENTURES

No one is born an entrepreneur or a creative person, but we all have the potential to become both those things. So the question is, why do we often fall short?

Discipline, repetition, training: three words which might appear unconnected to the entrepreneurialism and creativity but which in fact relate very closely to the lives of the world's most creative entrepreneurs.

How many hours a week do you think a painter, a dancer or a musician spend preparing their creations? Well, experienced entrepreneurs also devote a huge amount of time to repeating ideas, testing concepts and honing skills which might or might not be immediately useful to them but which certainly increase their chances of coming up with "the big idea" in business in the future.

Several studies have shown the importance of persistence and hard work as precursors to truly innovative creations. Take Thomas Edison, for example, and his dozens of previous attempts before he came up with the electric light bulb; or the 10,000 hours of work which, according to Malcolm Gladwell in his book *Outliers*, are necessary before a person can master a subject and become a true innovator in their chosen field.

In my personal experience with entrepreneurs and with creative people in various countries, I've seen that they share certain attitudes which you too can develop in order to become a more innovative person (and none of them have anything to do with wearing colourful clothes or having the latest model of mobile phone).

1. Every day (or at least every week) they systematically practise a certain skill that already possess but which they need to maintain at the highest level in order to keep innovating;
2. They are extremely adept at dividing their time into periods of "creation" (thinking up something new) and periods of "work" (doing something routine, whether creative or otherwise);
3. They are productive and work well in a team, delegating tasks and ensuring that the objectives of everyone involved in an activity (whether creative or routine) are well aligned;
4. They strive constantly to be interesting people (best understood as the opposite of "boring"), attracting people with innovative ideas and concepts which they can then use as tools in their creative process;
5. They are always reflecting upon and learning from their personal and professional experiences – taking constant note of their own "internal feedback";
6. They always strive to do good, having altruistic goals and not caring about instant personal gratification – and therefore they attract partners, customers and supporters who share the same way of looking at projects.

Now, it's not easy to repeat these lessons on a day-to-day basis. But it's worth remembering that creativity (just like luck?) comes from mastering a particular ability, whatever that might be. Discipline, repetition and training: they can make all the difference to your personal story – and to that of your company.

This article, which reflects the personal opinions of the author, was originally published in the magazine *Pequenas Empresas & Grandes Negócios*. It has been reproduced here with the permission of the author.

INTERVIEW

MARCOS MOLINA

BY IEDA GOMES
BRAZIL BUSINESS BRIEF

CHAIRMAN OF MARFRIG GLOBAL FOODS AND PERSONALITY OF THE YEAR 2015

Marcos Molina is the founder of Marfrig Group and now chairs its board of directors. He opened his first business, a food distribution company, at the age of sixteen and has since accumulated almost 30 years' experience in the areas of consumer products and agribusiness.

He is dedicated to forging strong business relationships with Marfrig's customers both in Brazil and abroad, and to developing the company's industrial processes so as to meet and even exceed the expectations of its stakeholders.

Could you tell us a little about the history of Marfrig from its beginnings in Brazil in the 1980s?

I founded Marfrig in 1986 with the idea of providing special cuts of meat for chain restaurants, industrial kitchens and small supermarkets. By 2000 we already had a large distribution network in Santo André [in the São Paulo metropolitan region], with products imported from Uruguay, Argentina, Chile and Paraguay. That same year, the opening up of the domestic market allowed us to set up a beef processing unit in Bataguassu [in the state of Mato Grosso do Sul, central-west Brazil].

Marfrig has grown through the increase in exports and the expansion of the Brazilian domestic market – by 2006 we had slaughterhouses in every state in the country. The company expanded its geographical presence in Mercosur by purchasing the Tacuarembó meat processing unit in Uruguay in 2006, followed by new units in Argentina and Chile the year after.

In 2008 we began the process of acquiring Moy Park, today one of the 20 largest food companies in the UK and the largest in Northern Ireland, which allowed us to expand our presence in Europe in the poultry segment, all the while keeping our focus on the food-service market [i.e. the catering industry] and premium products. In 2009, in Brazil, Marfrig acquired Seara, a company focused on retail, and in the US we acquired Keystone, which also had a big presence in Europe and Asia. This made us even more of an international company. Then, in 2013, we made the strategic decision to sell Seara, enabling us to focus on the foodservice segment.

Marfrig's focus has always been on providing a service to restaurants, hotels and industrial kitchens, always striving to maintain the highest quality and highest standards of certification. Nowadays we're one of the world's biggest food companies; we have a presence in 16 countries and export to more than 120. Of our total exports, chicken meat represents 55%. Bovine meat represents 45%, of which half is *in natura* beef and the other half processed.

> MARFRIG'S FOCUS HAS ALWAYS BEEN ON PROVIDING A SERVICE TO RESTAURANTS, HOTELS AND INDUSTRIAL KITCHENS, ALWAYS STRIVING TO MAINTAIN THE HIGHEST QUALITY AND HIGHEST STANDARDS OF CERTIFICATION. NOWADAYS WE'RE ONE OF THE WORLD'S BIGGEST FOOD COMPANIES

How do you guarantee quality and safety?

Our production process consists of strict quality and sanitary procedures – we make a point of guaranteeing that we conform to international standards of quality and safety.

In 2013 we were the first company to receive a "Grade A+" certificate from BRC Global Standards, recognised as a leading safety and quality certification programme by the Global Food Safety Initiative (GFSI).

How big is Marfrig's presence in Europe?

We are present in Europe through the operations of Moy Park, which currently has 14 plants across the UK, Ireland, France and the Netherlands. The company specialises in animal protein – from poultry, specifically. In 2014 its total revenue was 1.42 billion pounds, more than 25% of the revenue of Marfrig Group as a whole.

As well as poultry meat the company sells a wide range of ready meals, pies, pasties and frozen foods, beefburgers, desserts and also non-meat products.

Do you think you'll expand your European presence in the near future?

In the UK and Ireland, with the expected growth in consumption of poultry meat outside the home in 2015, Moy Park is expected to increase production to around 19.1 million slaughters per week by the end of 2016. We want to expand our food-service operation, our high-quality retail and our ready meals. Moy Park is also preparing for an IPO, which is subject to market conditions and could still happen this year.

Growth in Brazil in 2015 is expected to be low. How might that impact on the food industry?

This year's going to be tough for the Brazilian economy but Marfrig is well positioned and our export business is much more firmly established than in the past, as shown by our results

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in 2014. In Brazil Marfrig is a huge producer of beef – the second biggest in the country, in fact, and the third biggest in the world. And consumer demand for beef continues to grow.

Does technology play an important role in your business?

You could say technology and innovation are in Marfrig's DNA. Major innovations have been made possible by using the latest generation of machines, allowing us to expand our range of ready meals and also to provide new cuts of meat. We also innovate in the socio-environmental field, employing technology to assist us in projects including alternative energy generation, using equipment such as biodigesters.

A good example is what we did in the Keystone plant in Malaysia, where we'd noticed that heat was accumulating in one of the compressors on the production line. We created a system to capture the heat and use it elsewhere in the production process, as there was a big demand for heated water in various parts of the plant.

How do you attract new staff?

Marfrig Beef, for example, has set up local partnerships with consultancies and employment agencies, as well as with Brazil's labour ministry and with local councils in municipalities where our plants our located. We also have training programmes for young people who come to us straight out of secondary education, just as we have for university graduates. In Europe, meanwhile, Moy Park has had its own trainee programme for young people since 2013.

YOU COULD SAY TECHNOLOGY AND INNOVATION ARE IN MARFRIG'S DNA. MAJOR INNOVATIONS HAVE BEEN MADE POSSIBLE BY USING THE LATEST GENERATION OF MACHINES, ALLOWING US TO EXPAND OUR RANGE OF READY MEALS AND ALSO TO PROVIDE NEW CUTS OF MEAT

What do you think is the long-term outlook for Marfrig? Do you have plans to diversify and enter new areas of business?

We won't be entering any new areas. Until 2018 we'll simply be following our current strategic plan, focusing on organic growth and increased revenues. By 2018 we're aiming to achieve an annual cash flow in excess of R$ 650 million and revenues of more than R$ 28 billion.

In the shorter term each of our subsidiaries has its own objectives. In 2015 Moy Park aims to expand its multi-protein retail sales and its presence in the food-service market in the UK and Ireland; to expand its sales of *in natura* meat in the UK and Ireland; and to strengthen its role as a European distribution platform for Marfrig.

DATES FOR YOUR DIARY

8 APRIL

IN THE EYE OF THE STORM: POLITICS IN BRAZIL TODAY
NORTON ROSE FULBRIGHT, 8.30 AM

24 APRIL

ANGLO AMERICAN'S MINAS RIO: COMPLETING A MEGA-PROJECT IN BRAZIL
ANGLO AMERICAN, 8.30 AM

12 MAY

GALA DINNER AND PERSONALITY OF THE YEAR AWARDS
LONDON HILTON ON PARK LANE, 7.00PM

We are delighted to announce that Brazil's finance minister, **Joaquim Levy**, will be the keynote speaker at the 17th annual gala dinner and 'Personality of the Year' awards on 12 May.

Mr Levy took office on January 1 this year at the beginning of President Dilma Rousseff's second term of office. Before his appointment as finance minister he was head of asset management at Banco Bradesco (2010-14); finance secretary in the Rio de Janeiro state government (2007-10); and secretary of the Brazilian national treasury (2003-06). He has also worked for the International Monetary Fund and the European Central Bank. He holds a PhD in economics from the University of Chicago.

The recipients of the 2015 Personality of the Year Awards will be Marcos Molina and Sir Martin Sorrell.

Marcos Molina is the chairman of Marfrig Global Foods, a multinational food-service company focusing on poultry, ready meals and processed foods. With operations in Brazil and 16 other countries it has become a major investor in the UK through Moy Park, one of the largest poultry producers in Europe.

Sir Martin Sorrell is the chief executive and founder of WPP, the world's leading advertising and marketing services group. WPP is an important investor in Brazil and owns several Brazilian businesses.

Tickets are already on sale via the Chamber's website

10 JUNE

PRESENTATION BY DALTON GARDIMAN, CHIEF ECONOMIST OF BRADESCO SECURITIES
VENUE TBC, 8.30 AM

14 JULY

SUMMER NETWORKING BARBECUE
NORTON ROSE FULBRIGHT LLP, 6.00 PM

EVENTS ROUND-UP

THE BRAZILIAN CHAMBER ORGANISES AROUND 20 EVENTS PER YEAR ON A VARIETY OF SUBJECTS, ALWAYS AIMING TO RAISE THE PROFILE OF BRAZIL AND TO PROMOTE NETWORKING OPPORTUNITIES. ON OUR PAST EVENTS PAGE YOU CAN DOWNLOAD PRESENTATIONS, SEE PICTURES AND LEAVE COMMENTS.

FOR MORE INFORMATION PLEASE VISIT WWW.BRAZILIANCHAMBER.ORG.UK/PASTEVENTS

ENERGY GEOPOLITICS AND THE NEW WORLD ORDER – THE IMPLICATIONS FOR BRAZIL

17 MARCH 2015

Lord Howell of Guildford (Crystol Energy Advisory Board, UK Energy Industries Council, Windsor Energy Group) and Dr Irene Mia (Economist Intelligence Unit) shared their views on the new energy geopolitics, shifts in energy markets, and trade and investment flows, suggesting possible implications for Latin America's largest economies. Dr Carole Nakhle (Crystol Energy) moderated the discussion. The event was followed by a networking reception.

This event was sponsored by

TaylorWessing

BUNZL AND INVESTMENT PROSPECTS IN BRAZIL

29 JANUARY 2015

Rodrigo Mascarenhas, MD for South America, Iberia and Israel at Bunzl, spoke about the Brazilian economy and why he thinks Brazil is an attractive investment destination.

Bunzl plc, a FTSE 100 company, is a multinational distribution and outsourcing company headquartered in London. The company is primarily a distributor of a diverse range of non-food consumable products with operations in 27 countries, including Brazil.

This event was sponsored by

MARRIOTT HARRISON

EDITORIAL

BRAZIL BUSINESS BRIEF, APRIL 2015

NEWS FROM THE
BRAZILIAN CHAMBER OF COMMERCE
IN GREAT BRITAIN

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EDITORIAL

THE BRAZILIAN CHAMBER OF COMMERCE
IN GREAT BRITAIN
PRESENTS

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Brazilian Chamber
of Commerce in Great Britain