MATERIAL FACT

JBS S.A. ("JBS" or "Company" - B3: JBSS3; OTCQX: JBSAY) in accordance with the terms of CVM Regulation Number 358, dated January 3, 2002, as amended, communicates to its shareholders and to the market in general, the manifestation of the Company's Management in relation to the items of the Agenda of the Extraordinary Shareholders Meeting, to occur on September 1st, 2017, as follows:

In response to the voting intention announcement of August 14, 2017, made by the shareholder BNDES Participações S.A. – BNDESPAR ("BNDESPAR"), in connection with the matters to be deliberated during the Extraordinary Shareholders Meeting ("ESM") of JBS S.A. ("JBS" or "Company"), scheduled for September 1st, 2017, the Company, with the objective of prioritizing transparency, and in accordance with the best corporate governance practices, informs its shareholders and the market in general of the following:

(i) Presentation of the set of measures adopted by the Management of the Company, in light of the issues related to the Leniency Agreement with the Federal Public Prosecutor's Office executed by managers and executives of the Company, in order to assure the adoption of the best corporate governance, compliance practices and the protection of the Company's interests, including the assessment of potential losses that have been caused to the Company;

In light of the announcement of the facts related to the Plea Bargain Agreement signed between the Company's administrator and former administrators with the Public Prosecutor's Office, JBS' management has taken a series of measures with the objective of implementing the best corporate governance practices, strengthening and improving its compliance programs, and protecting its social interests, including potential losses caused to the Company. The measures are summarized below:

1. Appointment of Tarek Farahat as Chairman of JBS' Board of Directors, in substitution of Joesley Batista;

2. Appointment of Gilberto Xandó as member of the Board of Directors, to be ratified by the shareholders at the ESM, in substitution of Joesley Batista, who resigned as member of the board of directors and from the committees in which he participated;

3. Creation of a Global Compliance Department, reporting directly to the Board of Directors of JBS, with the objective of implementing the best practices in corporate governance while creating controls to avoid the recurrence of all described facts;

4. Hiring of White & Case LLP to support the development and supervise the implementation of a compliance program that includes the best international practices while fully meeting JBS' obligations and objectives of increasing corporate governance and establishing the Company as a reference for global compliance. White & Case is among the world's most well recognized law firms with a highly experienced team of professionals to support its clients in the evaluation and implementation of compliance programs.

5. Creation of a Corporate Governance Committee led by the Chairman of the Board, with the objective of implementing the best practices in corporate governance and compliance. The Corporate Governance Committee also includes a board member appointed by BNDESPAR and an independent member appointed by the Chairman of the Board.

6. Change in the reporting line of the Risk Management department, which will report directly to the Financial and Risk Management Committee of the Board of Directors.

7. Authorization to hire an independent, specialized consulting firm, to evaluate the activities and controls of the Risk Management Department.

8. Announcement of a Divestment Plan ("Divestment Plan") that will generate estimated cash proceeds in the total amount of ~ R$6 billion, in addition to reducing net debt and, consequently leverage, strengthening the Company's financial structure.

9. Definition of new compositions for the Audit Committee, Sustainability Committee, Financial and Risk Management Committee and Related Parties Committee.

10. Signing of a Stabilization Agreement between the Company and commercial banks, enabling the extension of the Company's debt with financial institutions in Brazil, in the amount of R$20.5 billion, providing for the substitution of debt and extension of principal amounts, according to terms and conditions presented to the Board of Directors.

11. Creation of an Executive Committee to support the Board of Directors and Executive Board with the main objective to support the Executive Board in managing the Company in general, including the suggestion of certain policies, guidelines and strategic efforts, as well as recommending improvements to the Company's Administration.

12. Approval of the work plan for the "Always Do It Right" Compliance Program with the support of White & Case. The implementation of the program is in line with the Company's objective of instituting a best in class global compliance program.

13. Appointment of Alfred "Al" Almanza as Global Head of Food Safety and Quality Assurance. Based in Greeley, Colorado, he will lead the company's global food safety efforts, ensuring that JBS operations around the world implement the highest food safety, quality control and risk management systems, while expanding access to global export markets. Prior to joining JBS, Almanza spent nearly 40 years with the U.S. Department of Agriculture, Food Safety and Inspection Service (USDA, FSIS). Almanza is globally recognized as an expert on food safety, risk management, the development of modern inspection systems, and international sanitary standards that govern market access for meat and poultry products.

14. In the context of the signing of the Leniency Agreement between J&F Investimentos S.A. ("J&F") and the Public Prosecutor`s Office on June 5, 2017, and following legal opinion as to the possibility of anticipating the Company's access to the terms and conditions of the Leniency Agreement, considering that such agreement was still under legal confidentiality, pending ratification by the 5th Chamber of Coordination and Review of the Public Prosecutor's Office, which only took place on August 24, 2017.

15. After the signing of a confidentiality agreement on August 11, 2017, the Company's legal counsel has recently had access to the Leniency Agreement. Based on an analysis of the Leniency Agreement and recommendation of its legal support team, the Board of Directors decided, on August 16, 2017, on adherence to the Leniency Agreement by the Company, while determining the adoption of legal measures to sign an adherence term with the Public Prosecutor's Office. On August 17, 2017, the Company's legal counsel requested the adherence to the Leniency Agreement, prior to its ratification by the 5th Chamber of Coordination and Review. The Company still awaits for the formalization of such adherence terms. Adhering to the Leniency Agreement will ensure the following benefits, amongst other factors: (i) the guarantee of no improbity actions against the company, as well as indemnity actions or sanctions by the Public Prosecutor's Office; and (ii) the possibility of asset sales by the Company and its controlling entities without any implications on the acquiring party regarding the facts described in the Leniency Agreement and the Plea Bargain Agreement.

As already announced as material fact, the Leniency Agreement foresees certain pecuniary obligations to be met exclusively by J&F. By adhering to the Leniency Agreement, JBS will only need to meet non-pecuniary obligations, such as improving its compliance program and collaborating with an internal and independent investigation.

Such internal and independent investigation to be held at JBS in accordance to the Leniency Agreement, which ensue benefits and legal protection to the Company, represents one more measure taken by the Company to prove the facts described in the Plea Bargain Agreement and Leniency Agreement. Additionally, the referred investigation will certainly contribute to the further development and implementation of the Company's compliance program.

(ii) At the request presented by the shareholder BNDES Participações S.A. – BNDESPAR, with grounds on sub item "c" of paragraph 1 of Article 123 of Law No. 6.404/76, "discussion and deliberation on the measures to be taken by the Company in order to defend its rights and interests, including in regard to the responsibilities for losses caused to the Company by managers, former managers and controlling shareholders involved with illegal acts confessed in the Leniency Agreement and other agreements which execution was disclosed through Notices to the Market or Material Facts disclosed by JBS";

BNDESPAR announced in its voting intention, its desire for the Company to initiate a process, within 90 days of the Extraordinary Shareholders' Meeting, that would allow for: (i) a civil responsibility action against its administrator Wesley Batista and against its former administrators Joesley Batista, Florisvaldo Caetano de Oliveira and Francisco de Assis e Silva; and (ii) a civil responsibility action against the controlling shareholders. It also proposes the hiring of a well-recognized external independent forensic auditor to assess and quantify the financial damage caused as a result of the confessed actions according to the Plea Bargain Agreement and the Leniency Agreement and to eventually identify other persons responsible for theses damages.

As widely known, JBS is currently going through a particularly challenging period in terms of its future and, in this context, its administrators should, in the decision making process regarding actions and investigations related to the Leniency Agreement and the Plea Bargain Agreement, employ all discretion and diligence in acting in the Company's name, especially to ensure all the benefits and advantages from its adherence to the Leniency Agreement.

With that purpose, the Company's Management has attempted to access the Leniency Agreement (which was confidential), and therefore precisely and diligently identify its rights and responsibilities. In this context, management must act with the necessary sobriety to, in a well-informed, reflected and neutral manner, with the support of advisors specifically hired for this purpose, initiate the internal and independent investigation required by the Public Prosecutor's Office under the terms of the Leniency Agreement. The Company still waits for a reply from the Public Prosecutor's Office to formalize its adherence to the Leniency Agreement. Once its adherence is formalized, JBS will be able to take measures and hire the service providers (already pre-selected) who will conduct the internal and independent investigation. The approval of such service providers will be made by an independent supervisory committee, whose composition is foreseen under the Leniency Agreement and that will be responsible, amongst other factors, to adjust the respective work plans for the execution of the investigation.

Both the specialized professionals who will lead the internal independent investigation and its respective work plans are subject to the prior approval of the Public Prosecutor's Office. Investigation efforts, under the terms of the Leniency Agreement, must be concluded in up to 180 days after ratification and may be postponed by the Public Prosecutor's Office.

The internal and independent investigation under the terms of the Leniency Agreement will enable the Company's management to adequately clarify the facts related to the Plea Bargain Agreement and the Leniency Agreement. Therefore, at the end of the investigation, it is expected that management will have all information to take the necessary measures in order to protect JBS' best social interests.

It is important to highlight that, under Brazilian legislation, to impose responsibility not foreseen under contract, it is necessary to prove (i) the illicit acts, (ii) the causal relationship and (iii) the effective damage. However, up to this moment, there is an absence of the legal elements described above, which are necessary to ensure the success of legal indemnifying measures to be implemented by the Company. In fact, before proposing eventual legal measures such as the ones proposed by BNDESPAR, it is essential to complete the investigation efforts highlighted above.

In addition, it is important to consider that, after the announcement of the Plea Bargain Agreements, the Company, in a period of a few months, under the leadership of its current administrators, has significantly advanced towards ensuring the stabilization and expansion of its activities (adherence to the Leniency Agreement and to the Stabilization Agreement). In this context, it is certain that the adoption of premature and disruptive measures may cause negative effects to the continuity of the measures highlighted in item (i) and to the safe and stable development of the Company's operations.

In light of the above mentioned factors, the Company's management, aiming to defend its rights and interests, understands that, at this moment, the filing of any responsibility actions against its administrators and former administrators, as presented by BNDESPAR in its voting proposition, does not protect its social interest as there is absence of the legal elements described above, which are necessary to ensure the success of legal indemnifying measures to be implemented by the Company. For the same reasons, management understands that the proposal made by BNDESPAR to hire a forensics external auditing firm, parallel to the hiring of the same professional services for the internal independent investigation that will be held under the terms of the Leniency Agreement, also is not in the Company's best social interests.

Finally, JBS' Board of Directors understands that an eventual approval to file a responsibility action suit against the Company's CEO would, from the perspective of JBS' best interests, be undesirable: (i) for the same reasons commented above and for the fact that, up to this moment, there are no objective elements, based on professional studies and evaluations, that conclude that Mr. Wesley Batista has caused damages to the Company; (ii) there are concrete reasons to conclude that the removal of Mr. Batista, as a consequence of a responsibility action against him, would be premature, and therefore damaging to JBS, particularly to the Company's economic and financial stability and its capacity to commercially thrive. Therefore, the majority of JBS' Board of Directors are in favor of maintaining Mr. Wesley Batista as the Company's CEO.

(iii) Review of the current compensation structure and a proposed increase in the global amount of annual compensation for Company Management, including the members of the Fiscal Committee (Conselho Fiscal), which was established in the Company's Ordinary and Extraordinary Shareholders' Meeting held on April 28, 2017;

The Company, in order to ensure the principles of transparency and information symmetry, clarifies to its shareholders that if the proposed amount of up to R$27,000,000.00 is approved for the global amount of annual compensation for Company Management, it will be distributed between the management bodies, as indicated below.

Management Body	**Remuneration**
Board of Directors	R$ 14,620,000.00
Executive Officers	R$ 11,747,891.78

Fiscal Committee	R$ 625,838.40
Total	**R$ 26,993,730.18**[1]

At the same time that Corporate Governance and Compliance measures are being reinforced, the Company has been implementing various changes in its Management, including the creation and installation of the Executive Committee by the Company's Board of Directors, the election of members to integrate the Governance Committee, a change in the structure of the Advisory Committees of the Board of Directors, as well as the increase in the frequency of meetings and interaction between management bodies, dialogue and cooperation between the Company's officers and executives. These measures are aimed at facilitating the development and implementation of the Company's operational, strategic and corporate goals.

In implementing and monitoring the measures required for this purpose, the new Chairman of the Company's Board of Directors will play a fundamental role, being responsible for leading the process of transformation and improvement of Corporate Governance and Compliance practices of JBS, to raise them to the best international standards. Additionally, he will be responsible for the restructuring of the Board and its committees, including attracting executives of recognized reputation to serve on the Board of Directors and its committees.

It is necessary to reassess the Company's remuneration structure, including by creating variable compensation to the members of the Board of Directors (which is still restricted to the Board of Executive Officers), due to an increase in the attributions and attendance of Board of Directors meetings as a whole, an increase in functions and responsibilities of its new Chairman, the creation and election of members for new committees of the Board of Directors and the entry of independent third parties into the Company's Management.

Finally, it should be highlighted that for this purpose, the studies mentioned in the Management Proposal have been carried out, in order to identify the standards adopted by the market for the remuneration of the Board of Directors. Mercer Human Resource Consulting and Hay Group, the contracted companies, identified the increase in compensation as appropriate for the Company, as well as the introduction of variable compensation as a form of incentive and retention. It should be noted that the variable remuneration proposal for the members of the Board of Directors is linked to the Company's medium and long-term results.

(iv) Inclusion in Chapter X of the Company's Bylaws of a statutory provision that authorizes the Company to indemnify and hold harmless its Managers, Members of the Fiscal Council and employees that execute a position or perform duties in the management of the Company and its controlled companies ("Beneficiaries"), including by means of the execution of an indemnity agreement between the Company and each Beneficiary.

Primarily, it is important to clarify that this subject of the Agenda of the ESM contemplates only the inclusion of provisions in the Bylaws that will allow the Company to indemnify its administrators, members of the Fiscal Council and employees who hold a management position

[1] As indicated in item 13.2 of the Company's Reference Form.

or function in the Company and its subsidiaries ("Beneficiaries") for regular management acts that have been practiced. Therefore, it is not proposed to deliberate in the ESM on the specific conclusion of any agreement on indemnity.

The proposal to amend the Bylaws has as its purpose the promotion and maintenance of an alignment between the Company's practices and those adopted in the international market by mature companies, as a way to ensure the attraction and retention of administrators, tax advisers and qualified employees. In this sense, the Company intends to provide officers, directors and employees with a clear and transparent indemnification policy, in addition to the D&O insurance policies it regularly contracts.

The proposed wording of the statutory amendment is clear as to the objective of ensuring that any compensation for damages or loss effectively suffered by the Beneficiaries is always in the context of the regular exercise of the duties of these persons in the Company. In this context, it establishes the wording proposed for Paragraph 1 of Article 64 of the Bylaws that if a Beneficiary is convicted of guilt or malice, he must reimburse the Company for all costs and expenses incurred, including legal assistance, in accordance with current legislation.

In fact, the proposal submitted to the ESM is in line with the best positioning and market standards adopted by several publicly-held companies[2] in order to assure their managers that, in the exercise of their duties, they are not personally liable for the obligations they incur on behalf of the Company and by virtue of regular management acts, in the strict terms of Law 6,404 / 76. It should be noted that the bylaws of B3 S.A. - Brasil, Bolsa, Balcão, reviewed recently by CVM, contain substantially the same wording as that submitted by Management to ESM.

The Company, also for the fact that it is submitting such proposal to be included in its by-laws, is closely monitoring the current discussions between ABRASCA (Brazilian Association of Public Companies) and the CVM regarding the content of indemnity agreements so that, when such agreements are signed, its terms and conditions are fully aligned with the recommendations made by these institutions

JBS' management would also like to clarify that all items to be deliberated during the Extraordinary Shareholder's Meeting were carefully discussed and will be addressed in a well-founded and detailed manner, and is available to shareholders for any further clarifications that may be necessary for their full comprehension.

São Paulo, August 28, 2017.

Jeremiah O'Callaghan
Investor Relations Officer

[2] Ambev S.A., B3 S.A. – Brasil, Bolsa, Balcão, Embraer S.A., Lojas Americanas S.A., amongst others