Green mindset

Localiza also drives efficiency in the use of the planet's natural resources

IN THIS CHAPTER

At Localiza, sustainability has gained even greater importance in recent years, both in terms of its place in business strategy and in the reinforcement of our sustainability program, involving the implementation and roll out of a series of activities.

We recognize the role we play in society and pursue efficiency in the use of natural resources through the rational use of energy and water, the development of renewable sources, the correct disposal of waste generated by our operations, control over greenhouse gas (GHG) emissions, as well as the dissemination of sustainable practices in our supplier chain and reinforcing environmental awareness among our employees.

As well as ensuring good practices in work routines, we also seek to make a positive contribution to discussions on mobility, the intelligent use of cars and fleet efficiency. These questions are interrelated and debating them and exchanging experiences enables us to drive effective improvements for the planet.

LEGAL INITIATIVES

GRI 103-2, 103-2, 103-3

Localiza has a legal team responsible for the environmental licensing of agencies that are subject to this regulatory requirement. In spite of the fact that federal legislation does not require licensing for the car rental sector, Localiza monitors compliance with auxiliary activities undertaken internally at its units, such as vehicle cleaning, oil changes and fueling. This ensures that these activities are carried out in an environmentally correct manner.

Currently the legal area has specific indicators for compliance with legal requirements in all the municipalities in which the company operates, with environmental targets linked with the variable remuneration of the staff responsible.

In 2019, Localiza did not receive any monetary or non-monetary sanctions for violation of environmental laws and regulations. In addition to controlling licensing for the units subject to this requirement, the company has a control system designed to meet any potential requirements from regulatory agencies. There were no cases of non-compliance during the reporting cycle.

GRI 307-1

SUPPLIER CHAIN

GRI 102-9, 103-1, 103-2, 103-3, 308-1, 414-1

Localiza analyses the documentation of suppliers that may present the risk of environmental impacts and, when necessary, requests proof of compliance with environmental and labor requirements. This analysis encompasses training certificates, risk and accident prevention plans and other documents, the objective being to ensure the company's supply chain is complaint with legal and regulatory requirements, as well as to promote socioenvironmental value.

SUPPLIERS IDENTIFIED AS CAUSING ACTUAL OR POTENTIAL NEGATIVE ENVIRONMENTAL IMPACTS IN 2019 GRI 308-2

Number of suppliers screened for negative environmental impacts	0
Number of suppliers identified as causing negative environmental impacts	1
Percentage of suppliers identified as causing negative environmental impacts, with whom improvements were agreed on as a result of assessment	100%
Number of suppliers identified as causing negative environmental impacts, with whom relations were terminated as a result of assessment	1
Percentage of suppliers identified as causing negative environmental impacts, with whom relations were terminated as a result of assessment	100%

EFFICIENT USE OF NATURAL RESOURCES

GRI 103-1, 103-2, 103-3

Climate change has posed a major challenge for companies in the most diverse sectors worldwide. The need to adapt to climate change has led to the incorporation of sustainability into the strategic planning of corporations, given that competitiveness is increasingly linked with responsibility and environmental care.

Localiza conducts campaigns to drive the conscious consumption of natural resources such as energy and water. The company also monitors consumption targets on a monthly basis, with the agencies tracking their meters on a daily basis.

ENERGY

GRI 103-1, 103-2, 103-3

The company's agencies, stores, fleet operation centers and headquarters use low and medium voltage electricity supplied by the utility companies in each location, meaning that the source of power is the same as the Brazilian energy matrix. We also use fuel in activities such as the transportation of cars between regional units by semi-trailer, vehicle maneuvers on agency patios, the transportation of vehicles for maintenance. Other uses include the vehicles employed by the sales team and generators used in the offices.

Our energy consumption is calculated based on the Brazilian NBR ISO 14054 standard and the Brazilian GHG Protocol Program. The company has a series of policies and procedures in place to control and promote conscious electricity consumption, such as the replacement of lamps with ones using LED technology, consumption targets in employee contracts (consumption x budget), the migration of air conditioning equipment in the branches to more efficient Inverter models, the use of programmed timers for external lighting and advertisements to prevent wastage from prolonged use, as well as the use of renewable energy. GRI 302-1

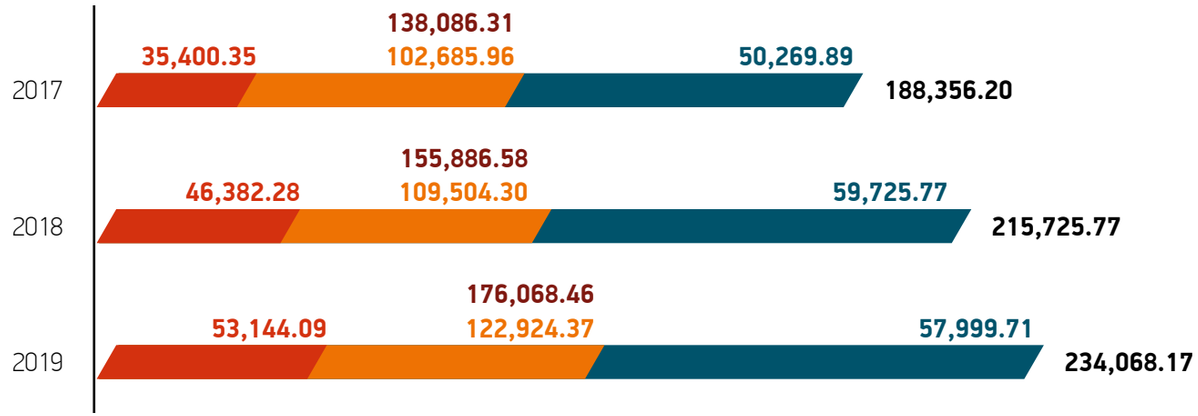
ENERGY CONSUMPTION WITHIN THE ORGANIZATION GRI 302-1

Non-renewable sources(GJ) **Diesel** **Gasoline**

Activities: transportation of cars between regional units by semi-trailer, vehicle maneuvers on agency patios, transportation of vehicles for maintenance, vehicles used by the sales team and the use of generators in the offices.

Renewable sources (GJ) **Electricity**

Activities: energy consumption in operational and customer service activities.



ENERGY CONSUMPTION OUTSIDE THE ORGANIZATION (GJ) GRI 302-2[1]

Fuel group	Activities	Fuel	2017	2018	2019
Non-renewable sources	employee commuting and business travel.	Diesel	362,954.16	3,198.46	3,468.10
		Gasoline	81,038.70	NA	NA
		Aviation fuel	7,862.84	12,694.22	13,779.66
Subtotal			**451,855.70**	**15,892.68**	**17,247.76**
Electricity acquired	electricity consumption in franchised agencies.	Electricity	NA	NA	1,940.96
Solid waste		Lubricant oil	29.84	7.53	16.35
Total			**451,885.54**	**15,900.21**	**19,205.07**

[1] The data for 2017 and 2018 were restated and are reported here without being rounded up or down.

Energy efficiency

Built in 2017, our administrative head office incorporates initiatives to optimize energy efficiency in routine activities. This is also the case with our branches, where we have increased measures to reduce energy consumption. For example, in 2019 we replaced 85 air conditioners with Inverter models, which provide energy savings of up to 60% compared with the previous model.

ENERGY INTENSITY GRI 302-3

Total energy consumption (GJ)

Net revenue (R$)

2017

GJ 188,356.89 / R$ 6,058,300,000 = **31.09**

2018

GJ 215,612.39 / R$ 7,895,700,000 = **27.30**

2019

GJ 234,068.17 / R$ 10,195,637,000 = **22.95**

Solar project

With the objective of further reinforcing our commitment to sustainability and driving a cleaner energy matrix, in 2017 Localiza decided to adopt solar energy as the main source of energy for company operations. This led to the creation of the “Solar Project – an idea full of energy” through which we are engaged in generating our own clean and renewable energy.

According to the initial planning 100% of the eligible units – that is the 490 agencies, stores and distribution centers in operation when the plan was undertaken – would operate on solar energy by the first half of 2020. Progress has been made in this plan. The feasibility of some locations has been brought into question as the project has progressed. This may be due to insufficient sunlight, fragility of building roofs or other problems, meaning the number of locations may be altered. The numbers for this project are not static and may change as it progresses.

However with the outbreak of the Covid-19 pandemic in the first quarter of 2020, our deadline for a 100% supply of solar energy will not be met. We are analyzing the current conjuncture and the consequences of the restrictions imposed by the crisis to establish a new time limit.

The type of photovoltaic system adopted for each eligible unit is chosen in accordance with the region and the conditions pertaining in each installation. A description of the two models:

Solar farms – installed in regional units in which there is land available and the minimum load, the operation, and interaction with the local power utility company are feasible. These farms operate under a distributed model whereby the energy generated is channeled into the local grid, resulting in credits that will be deducted against the consumption of the units connected to the same grid. The model involves large-scale construction for the assembly and installation of the photovoltaic panels.

Rooftop power plants – this strategy is adopted in the regions where solar farms are not feasible. It involves the installation of the photovoltaic panels on the roofs of the agencies. With these installations the energy generated is consumed directly by the agency, while the surplus is injected into the local power grid. This results in credits to be deducted against the consumption of the units connected to the same grid.

WATER

GRI 103-1, 103-2, 103-3

We adopt conscious water consumption in all our activities, ranging from the Localiza administrative headquarters to the rental agencies and used car stores. The company uses this resource rationally, avoiding any type of waste.

The main activity that consumes water at Localiza is cleaning the car fleet. Since 2015 Localiza has adopted dry car washing throughout its network, enabling savings of up to 82 liters of water in each operation. In addition to reducing consumption from 83 liters to 200 ml, this ensures greater control over the waste and effluents generated in the branches.

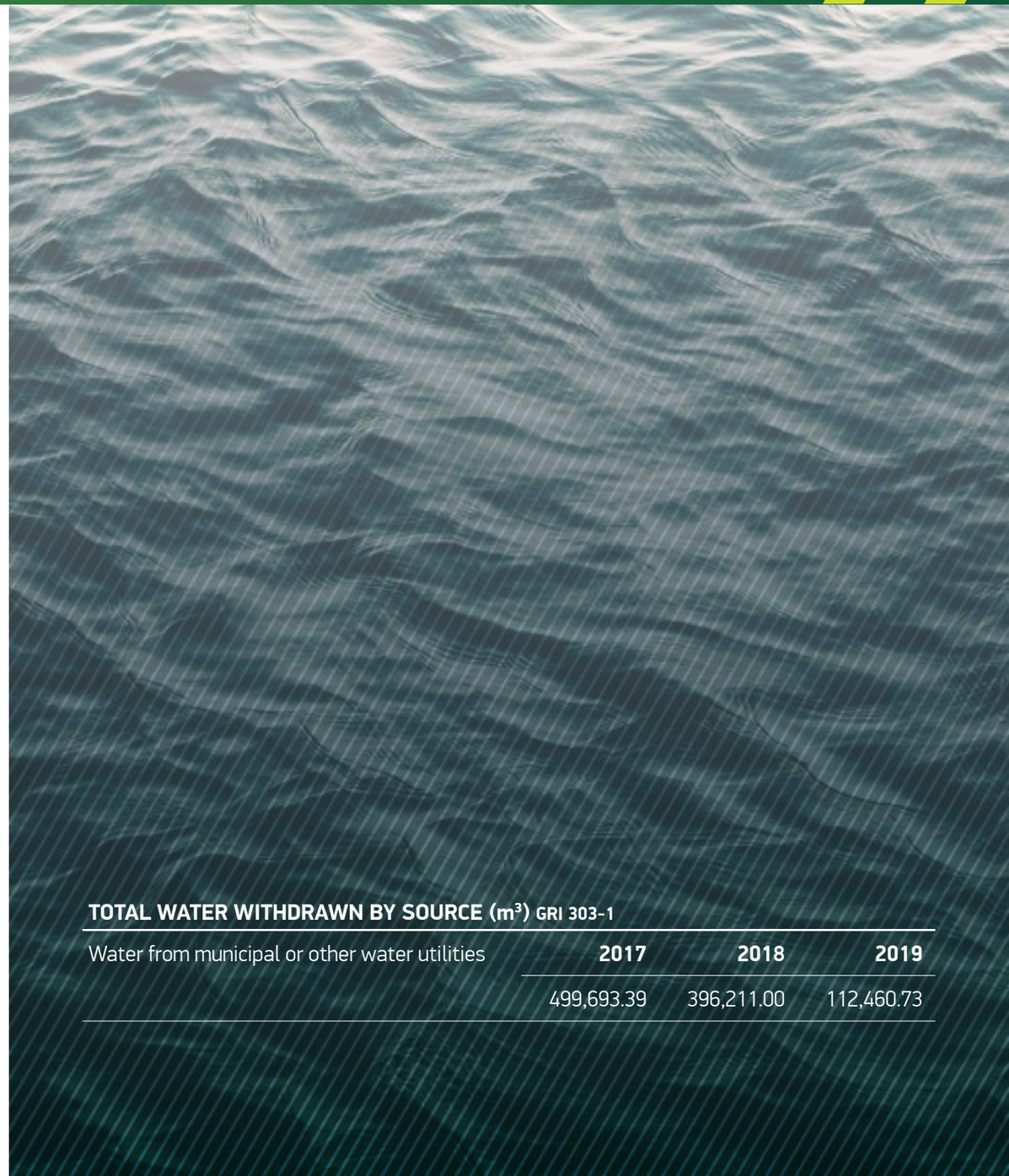
All the products used in the dry washing operations are from approved brands and are duly checked before use. This avoids the use of materials that may damage the environment or jeopardize the health of company employees. However, the removal of specific types of dirt does require the use of water.

DRY CLEANING

The performance of the agencies in the use of dry washing is monitored on a monthly basis. Tracked closely by the Sustainability Committee in 2019, the 50% target for the year was linked with the company's material topic efficient use of natural resources and waste management. This target was exceeded, reaching the mark of 56%. For 2020, the target is to dry clean 59% of the cars in the agencies. Furthermore, productivity improvements in the washing process are scheduled for the year through the application of Lean methodology, involving management and control of indicators, in addition to audits.

Employees involved in car washing are trained on an annual basis, ensuring access to the most efficient cleaning techniques, boosting quality and water savings.

Additionally, we have initiated a dry cleaning training program to encourage our external washing providers to adopt this system. The program will have a distance learning module so that third-party providers will be able to learn dry cleaning procedures and work in alignment with our team.



TOTAL WATER WITHDRAWN BY SOURCE (m^3) GRI 303-1

Water from municipal or other water utilities	2017	2018	2019
	499,693.39	396,211.00	112,460.73

WASTE MANAGEMENT

GRI 103-1, 103-2, 103-3

The use of diverse types of materials and inputs in our operations requires the proper management of the waste generated – in particular waste from fleet maintenance. Waste is managed by means of reports on the items consumed, indicating where they were consumed and the firm that supplied them.

Localiza's concern for the proper disposal of this waste is evident in the two different procedures adopted:

- **Direct responsibility** – Related to internal maintenance carried out at the Localiza agencies nationwide: much of this waste is returned to the companies that supply it, who are responsible for complying with the legal requirements of reverse logistics, incinerating the waste or using it as an alternative fuel. Other waste is sent to duly licensed companies that dispose of it, issuing the applicable certificates attesting to its environmentally correct destination. In addition, these branches are equipped to ensure that car maintenance operations do not pose any environmental risks, minimizing operational impacts by installing containment sumps around the perimeter of maintenance areas and water-oil separators to avoid soil contamination in the event of leaks. Furthermore, the maintenance and cleaning of the water-oil separators is carried out by qualified third-parties to ensure environmental responsibility and efficiency.
- **Indirect responsibility** – This is applicable to maintenance operations carried out by third-party providers, who are responsible for the proper disposal and destination of waste. In this case, Localiza policy is to engage only suppliers that comply with environmental regulations and have the capacity to perform maintenance and waste disposal activities in accordance with environmental standards.

The company also develops initiatives to handle the different types of waste in specific ways, ensuring greater efficiency. Focused on major suppliers with lower prices than retail rates, the following projects also take into account other aspects of sustainability, such as reductions in wastage and reverse logistics.

Oil Project – The first and best established initiative of this type. Under this program, the licensed manufacturers from whom we buy oil are responsible for delivering it to our fleet (rather than the opposite, as is normal). Accordingly, by acquiring the oil and disposing of it through these suppliers, there is a reduction in wastage due to the use of

more sophisticated equipment. In parallel, this method guarantees proper recycling and disposal of the waste material.

Tire Project – Localiza tire suppliers are responsible for collecting tires at the end of their working life and sending them to companies specialized in recycling the material.

Paint Project – Partnerships with large paint manufacturers who offer our suppliers better quality product at lower than market prices, as well as consultancy services to optimize consumption. As a result, we reduce the wastage of chemical products, raise supplier awareness and ensure we are working with environmentally responsible companies.

SELECTIVE COLLECTION AND COMPOSTING

Concern about correct waste disposal extends beyond the operational areas to our administrative headquarters. To improve control over waste disposal, the company acquired a set of industrial scales. As a result, common waste has been measured more accurately since November.

Another initiative was the composting of food leftovers at our headquarters. Previously conducted by the internal staff, in September this process was outsourced. This service helped optimize costs and enabled measurement of the volume disposed of. Since then this material has been collected by a third-party and transformed into fertilizer for use in the green areas of the building, making the process even more sustainable.

WASTE BY TYPE AND DISPOSAL METHOD GRI 306-2

Items consumed	Legal reverse logistics	Unit	2018	2019[1]
Engine oil	Yes	liter	1,334,292	1,702,527
Oil filters	Yes	unit	297,879	381,684
Fuel filters	No	unit	278,642	341,917
Tires	Yes	unit	174,420	156,800
Air filters	No	unit	108,799	88,548
Hubcaps	No	unit	62,156	86,116
Light bulbs	No	unit	N.A.	77,699
Brake pads	No	sets	53,143	69,843
Windshields	No	unit	27,332	30,852
Anti-pollen filters	No	unit	N.A.	30,073
Brake discs	No	unit	28,055	28,925
Spark plugs	No	unit	47,003	21,838
Mudguards	No	unit	N.A.	21,387
Bumpers	No	unit	20,951	21,370
Brake fluid	Yes	liter	12,309	10,215
Radiator coolant	Yes	liter	18,162	6,055
Gearbox oil	Yes	liter	4,522	3,516
Transmission oil	Yes	liter	266	912
Compressor oil	Yes	liter	540	630
Hydraulic steering fluid	Yes	liter	N.A.	618

[1] 494,855 liters of the oil volume consumed in 2019 were from the Oil Project.

WASTE BY TYPE AND DISPOSAL METHOD GRI 306-2

Office materials consumed in the head office	Legal reverse logistics	Unit	2018	2019
Paper	No	unit	18,580,500	26,461,241
Toner	Yes	unit	1,810	350

DISPOSAL OF NON-HAZARDOUS WASTE (KG) GRI 306-2

2019	Recycling	34,681
	Composting[1]	15,488
	Landfill[2]	4,458
	Total	**45,140**

[1] Measurement of the composting process was initiated in September 2019.

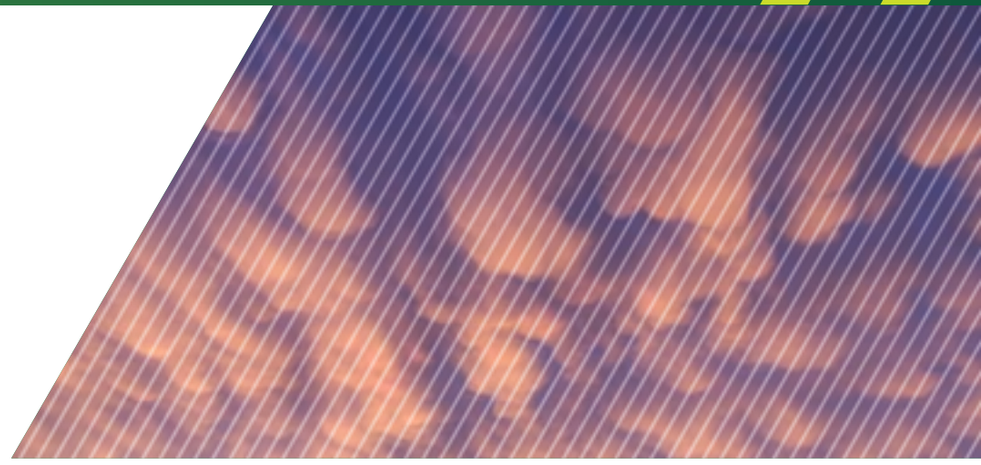
[2] Amount refers only to December 2019, when monitoring of the indicator began.

WASTE RECYCLED IN THE HEAD OFFICE (KG) GRI 306-2

2019	Paper/Cardboard	32,784
	Plastic	626
	Glass	1,023
	Scrap metal	248
	Total	**34,681**

ATMOSPHERIC EMISSIONS

GRI 103-1, 103-2, 103-3



As in previous years, in 2019 Localiza continued to improve its practices related to greenhouse gas (GHG) emissions, pursuing the highest possible level of control over its emission sources.

The company elaborated its third GHG inventory aligned with internationally recognized methodologies: the Brazilian GHG Protocol Program and the ISO 14064-1 standard. These methodologies enabled the company to identify the sources of emissions in its activities, ordering them within the Localiza organizational structure. The company measured both emissions whose report is mandatory (Scope 1 and Scope 2) and optional (Scope 3).

DIRECT (SCOPE 1) GHG EMISSIONS GRI 305-1

Scope 1		2018			2019		
Category	**Activity**	**Emissions (tCO_2e)**	**Emissions (%)**	**Total (tCO_2e)**	**Emissions (tCO_2e)**	**Emissions (%)**	**Total (tCO_2e)**
Stationary combustion	Sporadic generator rental	0.53	0.00	13.67	2.97	0.00	9.88
	Generator	13.14	0.10		6.91	0.00	
Mobile combustion	Semi-trailers for vehicle transportation between regional units	3,170.89	17.40	9,507.09	3,613.06	17.20	10,725.78
	Own fleet/unproductive km	5,584.72	30.60		6,214.16	29.60	
	Company vehicles used by sales team	682.15	3.70		898.58	4.30	
	Company vehicles used by Fleet Management sales team	69.34	0.40		(Grouped above)		
Fugitive	Fleet air conditioning	6,151.53	33.70	6,372.26	7,027.90	33.50	7,615.56
	Air conditioning in buildings	217.40	1.20		576.14	2.70	
	Replacement of fire extinguishers	3.33	0.00		11.52	0.10	
Total				**15,893.03**			**18,351.21**

INDIRECT (SCOPE 2) GHG EMISSIONS GRI 305-2

Scope 2				2018			2019
Category	**Activity**	**Emissions (tCO_2e)**	**Emissions (%)**	**Total (tCO_2e)**	**Emissions (tCO_2e)**	**Emissions (%)**	**Total (tCO_2e)**
Acquisition of electricity	Consumption of electricity	1,157.99	6.30	**1,157.99**	1,188.27	5.70	**1,188.27**

INDIRECT (SCOPE 3) GHG EMISSIONS GRI 305-3

Scope 3				2018			2019
Category	**Activity**	**Emissions (tCO_2e)**	**Emissions (%)**	**Total (tCO_2e)**	**Emissions (tCO_2e)**	**Emissions (%)**	**Total (tCO_2e)**
Employee travel	Employee commuting (subsidized by company)	219.60	1.20	**219.60**	236.49	1.10	**236.49**
Waste generated in the operations	Solid waste contaminated by oil for incineration	54.21	0.30	**54.79**	34.79	0.20	**153.40**
	Sump oil	0.00	0.00		0.01	0.00	
	Solid waste head office building	Not reported	Not reported		72.31	0.30	
	Oil waste for landfill	Not reported	Not reported		45.04	0.20	
	Oil for re-refining – reverse logistics	0.58	0.00		1.26	0.00	
Business air travel	Business air travel	916.48	5.00	**916.48**	994.88	4.70	**994.88**
Franchises	Electricity	Not reported	Not reported	**Not reported**	40.26	0.20	**40.26**
Total				**1,190.87**			**1,425.02**