FS GREEN BOND FRAMEWORK

July 2021





1. INTRODUCTION

We were born from the long-term vision and entrepreneurship of two groups that resulted in a joint venture: the Summit Agricultural Group, an investment fund that is based in the United States and the proximity to the production of ethanol from American corn, and Tapajós Participações S/A, with extensive experience in Brazilian agribusiness.

Our company creates sustainable values on the new agricultural frontier in Brazil with renewable energy and products for animal nutrition that feed responsible production chains. We integrate a new value chain: from the destination of local corn, in incentives for sustainable forest cultivation, in the sale of high-quality products for animal nutrition and ethanol, to the generation of bioenergy and steam.

In August 2017, an audacious plan came to light. We opened in Brazil the first corn-based ethanol plant in Mato Grosso State in the country's Midwest region. Through this sustainable and innovative business model, we at FS are now adding value and cutting-edge technology to the domestic production of corn ethanol, a biofuel which traditionally was based on sugarcane culture.

Brazil has finally begun to break through the corn ethanol industry. We believe that biofuels will play a relevant role for the future of the planet, and this involves balancing sustainable energy and food production. With its thriving agribusiness and natural vocation to produce biofuels, Brazil is bound to meet a relevant part of the demand arising from the growing world population, while helping to mitigate climate-related risks. Our plant in the municipality of Lucas do Rio Verde, Mato Grosso State, is the first in the country to produce 100% biofuel from corn with state-of-the-art technology and in large scale. In the first quarter of 2020, we will open our second unit in the municipality of Sorriso, totaling an investment of BRL 2.7 billion since the company's foundation in 2016.

Therefore, we have consolidated a company that aims to help build a low carbon future by providing society with renewable energy and animal nutrition products.



In just a few years of operation, our business has made a significant impact on adding value to corn growers in Mato Grosso. Historically, due to increasing production and low consumption in the local market, corn was negatively impacted by high transportation cost to ports, placing a considerable burden on farmers due to low prices and liquidity. It also burdened the country as it was required to invest public funds to subsidize freight to the ports. Today, these subsidies no longer exist, and corn ensures high profitability for farmers, who have increasingly adopted the latest technology to obtain productivity gains in the field.

We also produced new types of wet and dried distillers' grains, known as DDGs. These protein- and fiber-rich products are obtained through the FST[™] technology that we brought to Brazil and are used for animal nutrition in cattle, hog, poultry and fish farming. This innovative technology was introduced in Brazil exclusively by our company and has increasingly gained the confidence of local producers, bringing productivity and profitability gains. In 2020, we reached 919 thousand tons of DDGs sold, an 96.7% increase compared to the previous year.

In our plant, we use biomass in our boilers and generate enough electricity to supply operations and export surplus to energy consumers in the free market, thus benefiting the country with a new renewable source in its energy matrix. Through partnerships with farmers, we reforested 4 thousand hectares of marginal land with low grain yield potential, with eucalyptus trees that will supply our energy cogeneration plants. Our program provides for the planting of 30 thousand hectares of eucalyptus by 2023.

By producing ethanol, bioenergy and animal nutrition products, we have strengthened the entire agribusiness chain and broadened local positive economic impacts, while maximizing the yield of existing crops and contributing to environmental preservation.

Our activities are underpinned by our Code of Ethics and are in full compliance with the Brazilian Anti-Corruption Law and its US equivalent, the Foreign Corrupt Practices Act (FCPA). All our employees undergo training as soon as they are hired and then they go through periodic recycling programs to combat fraud and corruption cases across our value chain.

To ensure the safety of our employees and third parties working in our plants and minimize the risk of accidents, we have adopted several tools and controls. Since 2017, safety training almost reached 30 thousand hours and involved hundreds of employees and suppliers. In the 20/21 crop year, we identified 92% in the Safe Practice Index, one of our key indicators to assess the teams' adherence to our safety culture.



The number of FS employees grew more than 50% in the last crop year, with a focus on promoting internal employees and the development of professionals for new challenges. We also conducted our first organizational climate survey during that period, where we achieved an 88% satisfaction rating and the Great Place to Work (GPTW) certification, which recognizes companies with outstanding workplace culture.

FS activities are aligned with the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, that provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. We create value for nine Sustainable Development Goals (SDGs), which were strengthened in the crop year 20/21:



SDGs

Our commitments were structured to guide our action and ensure that our projects and investments are aligned with the SDG's and the ambitions of the Paris agreement. In terms of targets, FS confirms and accelerates its specific commitment, on the following SDG's:

Education and Community Development

• SDG 4 (Quality Education)

One of FS goals is to constantly invest in the development of its employees; hence, it currently offers Educational Studies Assistance to support a continuous learning process. In crop year 20/21, FS strengthened the digitization and availability of content for Distance Education, in order to leverage the training of our employees, through the launch of the EducaFS Platform.

In addition, the offers of scholarships in courses were maintained



when requested by employees, including undergraduate, MBA, postgraduate and languages. About BRL 200 thousand were allocated to scholarships and subsidies, benefiting 122 professionals. Enabling that way, a constant technical training within FS.

• SDG 8 (Decent Work and Economic Growth)

In terms of leisure time, FS offers an agreement with a club located in every city where the company has a branch. Currently in Lucas do Rio Verde our agreement with the AABB Club attends 68 employees and in the Sorriso unit, the Castellus Club attends 50 employees, providing leisure and sports practices adding a better quality of life for all employees and their families out of the working hours.

The Physical Activity Assistance is a benefit that helps the employees to keep a regular physical exercise practices, being able to choose the sport which fits them so they can request a refund of 50% of the amount paid in the monthly fee.

Another important benefit that FS recently joined was the Citizen Company Program, which aims to extend the Maternity Leave up to 6 months also the Paternity Leave up to 20 days, thus, emphasizing the importance of supporting the families in the first months of their baby's life.

We recently introduced an important update to our hiring policy, with the aim of guaranteeing the right of women candidates to be finalists in all selection processes for leadership positions, unconditionally supporting women in their professional careers.

The Employee Support Program (OPTUM) is also an ally of the employee, a free call service is available 24 hours to help the employees and their families in several topics such as: anxiety, alcohol and drug abuse, workplace conflicts and financial issues. Currently, this service is performed by a specialized consultant and attend 600 people. FS pays 100% of this service, thus, making sure that our employees and their families can have the necessary support to perform their duties in the best possible way.



Diversity and Inclusion

• SDG 5 (Gender Equality)

Our goal is to achieve higher diversity in leadership positions. We aim in achieving 30% of women and 40% of black and brown professionals in our leadership positions.

To expand the presence of women at all hierarchical levels and activities, we started in the 20/21 crop year some actions with the objective of transforming the vision of our leaders and strengthening the theme within the company. Furthermore, in the selection processes for positions of specialists and levels above, it was established as an internal guideline that the final list of candidates to be interviewed must have at least one woman. Currently, women hold nearly 23% of leadership positions, and in the last crop year 70% of our internship program positions were filled by women.

FS also joined the Brazilian government's Citizen Company program, which allows women to enjoy extended maternity leave of up to 6 months, a benefit that increases the attractiveness of our company to women.

We are strongly engaged in seeking mechanisms that promote the inclusion of people with disabilities and black, brown and other ethnic professionals in leadership positions. As an initiative, FS held in this crop year 20/21 a census of our employees in order to support actions to strengthen diversity, so it was identified that around 31% of our employees declare themselves as non-white.

Water, Waste and Effluents

• SDG 6 (Clean Water and Sanitation) and SDG 12 (Responsible Consumption and Production)

Our responsibility to the environment encompasses the goal of increasing the reuse of water after treatment for return to water bodies. In this way, we are committed to having 100% of treated effluents reused in fertigation processes by 2030. Currently, the effluents generated by our activities and operations are essentially domestic and from boiler discharges, and their quality is measured by sample analyzes and comply with environmental legislation.

The production process of our operations does not generate significant waste. We have technologies that allow the full use of corn grains to produce ethanol and animal nutrition products (DDGs and corn oil). Thus, the ash generated from burning biomass is the main material to be discarded, which has a high potential for reuse by agribusiness after undergoing a composting process, contributing to soil fertilization.

Over the past two years, we have worked to develop a partner specialized in composting. With this solution, 100% of our waste with



organic recycling potential will be send to this local partner. In addition, we are looking for a qualified supplier to perform the chipping of pallets and other types of wood in general. This residue will be used for the combustion process in our boilers. Together these two solutions will make it possible for us to achieve our goal of reducing waste disposal to landfills by 40%. More than 98% of our generated waste falls into the non-hazardous category, including ash, which represents 91% of this total. Other types of waste generated (plastic packaging, metal, paper) are sent for recycling by licensed companies with certificates for the destination or recycling of materials.

FS collects water in industries for use in cooling towers and boilers, in addition to supplying offices. Our artesian wells have licenses issued by the responsible environmental agencies and the volumes captured are measured by hydrometers, in addition to taking monthly and annual water quality samples.

With the projects to open new plants in the coming years, we are aware of the increase in water uptake to produce anhydrous ethanol, so our goal is to reduce water consumption by 5% (m³ of water/m³ of anhydrous ethanol produced). For this, we will continue to continuously develop innovations and improvements, as well as continue investing in solutions that improve FS' Environmental performance.

Social and Environmental Responsibility

FS' activities are guided by its Environmental Policy, which ensures the alignment of governance with the principles and concepts of sustainability. Our Policy establishes compliance with Environmental legislation and compliance with legal and regulatory frameworks. The commitments we have made within the scope of the ESG strategy allow the joint mobilization of all areas to improve performance and maintain a business model with low environmental impacts.

In the 20/21 crop year, we invested BRL 8.3 million in the scope of Environmental licensing of operations, an increase of almost 50% compared to the previous year.

• SDG 12 (Responsible Consumption and Production)

Corn and biomass from direct suppliers purchased have undergone a socio-environmental check list since December 2019. The areas of origination are assessed for the presence of recent deforestation (PRODES) and SEMA, IBAMA e ICMBio embargoes, overlap with conservation units, indigenous or quilombola communities (Brazilian maroons' settlements) and whether the supplier is present on the "blacklist" of slave labor.



On the strategic pillars, the Group plans the following:

a. Industrial growth: FS aims at a total capex expenditure of BRL R\$454MM in the 2020-2021 period, resulting in forecast of around BRL R\$1 billion total ordinary EBITDA.

FS has reclassified its capex plan according to the following categories that are more reflective of the nature of its current and future business. In terms of investments and growth in ordinary EBITDA, the three categories will contribute as follows over the plan period:

- Total capex expenditure of BRL R\$351MM on ethanol production;
- Total capex expenditure of BRL R\$103MM to increase forestry development (eucalyptus and bamboo biomass);
- Production goal of 1.229.000.000 liters of corn ethanol.
- **b. Human capital:** FS' strategy relates to management of human capital, fostering the economic and social growth of the local communities we engage and enhancing the roles and skills of the people within the organization.

• SDG 15 (Life on Land)

FS is committed by 2030 to apply its Social and Environmental Policy to 100% of its direct and indirect supply chain of corn and biomass, as well as all direct sales of DDG, ensuring zero legal and illegal deforestation, non-use of protected areas and no incidence of work analogous to slavery. In addition, we will develop commercial partnerships with intermediaries to create a mapping system in 100% of the indirect supplier chain.

One of the corporate goals we established and fulfilled for the 20/21 crop year was the application of the Sustainability Policy to 100% of the contracts for the purchase of corn and biomass and the sale of animal nutrition products. In this way, we ensured that 100% of the contracts followed our governance guidelines and for the coming years the target percentage will be maintained, expanding the scope to the requirement of zero deforestation on partner properties.

FS seeks to diversify the biomass used in boilers to produce ethanol, so that our industry works with a 100% renewable energy matrix. The origin of this input is strategic, and we are always looking for innovations in this raw material diversification.

Climate change

The production and sale of ethanol from corn contributes to the reduction of greenhouse gas (GHG) emissions and the intensity of CO₂



in the energy and fuel matrix in Brazil. FS is committed to driving this positive impact of our business by increasing the amount of carbon emissions avoided. In the 20/21 crop year, FS prepared its first emissions inventory following the GHG Protocol methodology, an environmental reference in the matter, and covered Scope 1, Scope 2 (both audited) and Scope 3 (to be audited) emissions, described below.

• SDG 7 (Affordable and Clean Energy)

For the LRV power grid in 2019, it was exported enough energy to supply an average of 18 thousand homes per month (3,93MWm). For 2020, the forecast is to supply 37 thousand homes with (8.0 MWm) per month.

In the 20/21 crop year, FS consumed around 121.8 thousand MWh of energy in its production processes, an increase of 6.8% compared to the previous period. Most of this energy was generated in our boilers, using biomass as an energy source, so that the purchase of electricity represented only 0.1% of the total (113.6 MWh).

• SDG 13 (Climate Action)

FS was recertified in the RenovaBio program in May 2021 with a carbon footprint of 17,71 gCO2eq/MJ for anhydrous ethanol and 17,68 gCO2eq/MJ for hydrated ethanol. By achieving these values of low carbon footprint, FS currently holds one of the lowest emissions of all fuels in Brazil for Anhydrous and hydrous ethanol.

Our goal by 2030 is to emit a total of 31.7 million CBIOs, as Renovabio's decarbonization credits are called, with each CBIO equivalent to 1 ton of CO_2 equivalent that is no longer released into the atmosphere.

In addition, in the long term, our commitment to mitigating human impacts on global warming also encompasses the installation of a carbon capture and storage unit at the LRV power grid. This technology applied to ethanol production is known as BECCS (Bioenergy with Carbon Capture and Storage). This project foresees the capture of CO_2 resulting from the fermentation process, its compression, dehydration and injection at great depth, being safely stored in geological reservoirs, avoiding its emission to the atmosphere. With the success of this initiative, the objective of FS is to make our operation negative in terms of carbon emissions.

Regarding our GHG Protocol Scope 1 emissions, those arising from direct operations, they are biogenic and do not contribute to global warming, as they are mainly due to the use of biomass in the energy matrix and represent only 1.3% of what is accounted for in this Scope. Scope 2



emissions (energy consumption) account for only 0.3% of the total GHG accounted for by FS. The major contribution of FS' corporate emissions is in Scope 3, related to the production of biofuels, where the cultivation of raw materials has a high carbon footprint. In the case of FS, the corn production is part of Scope 3 as the power grid does not have planting or control over cultivation. Corn accounts for 76% of Scope 3 emissions or 73% of corporate emissions.

Governance and Compliance

• SDG 16 (Peace, Justice and Strong Institutions)

Since its foundation, FS has adopted the best practices and has a corporate governance structure that guides decision-making on all aspects of the business, considering environmental, social and economic impacts. Our shareholders' long-term vision makes it possible to invest in innovative technologies and take advantage of the competitive advantages of the Brazilian market for a sustainable operation.

Our Governance structure has an Advisory Board, and the actions of all employees are governed by a Code of Ethics and Conduct. We also have Sustainability and Compliance committees to support this high level of governance in our company.

Related to this SDG, FS' commitment is linked to promoting continuous improvement and transparency in our governance processes, with the goal of achieving maximum scale in the main ESG Ratings. Last year, we carried out an assessment based on environmental, social and governance criteria, guided by Vigeo Eiris, an international agency affiliated with Moody's and specialized in the preparation of sustainability ratings for investors. At the end of the process, we achieved an A1 rating, the highest on the scale, and a score of 58 points out of a total of 100. For all the criteria analyzed, FS' strategy and performance was above the industry average, where the best assessments were related to aspects of human rights and people management.

2. RATIONALE

Our company aims to create sustainable value within Brazil's new agricultural frontier, with renewable energy and animal nutrition products that feed responsible supply chains. At FS, we work to add high technology and develop the Brazilian agribusiness production chain. We are the first plant in the country to produce 100% corn ethanol through a sustainable business model and connected to the global demand for renewable energy sources and lower greenhouse gas emissions.

FS business model includes a diversity of actors, who are related to multiple products originating in the field in different production models,



as well as in the sale of DDG, the main ones being: (i) **CORN** (Rural producers, cooperatives, cereal farmers and traders); (ii) **BIOMASS** (Promotion of exotic species [eucalyptus and bamboo]; industrial waste and forest waste); **DDG** (feedlots and semi-confinements, feed mill and cattle ranchers).

The components of this complex business model occur in different regions (Amazon, Cerrado and other biomes) and can present different types of negotiation (spot and/or future purchase and barter), receipt or delivery of the product negotiated for long windows of time, as well as several other factors intrinsic to the business. Our entire process is based on an intense flow of materials, which present a high seasonality of production processes, amidst strong competition without equality in the rules of relationship and negotiation with the market.

In this context, FS is broad and flexible, yet robust, since part of the understanding of the risks and nuances of the business model of each of its areas aims to respect its particularities, enable the operational flow and strengthen the achievement of goals and commitments.

We have a strong sustainability policy built on national and international market standards, best practices and based on the Brazilian Forest Code. It is a premise of FS' Sustainability Policy to understand the peculiarities inherent to Brazilian Biomes and to the different types of FS business partners, in order to calibrate their application in line with the respective particularities of each case, prioritizing risk management and monitoring socio-environmental factors involved in each operation.

Our corn, biomass and animal nutrition supply chain follows our socio-environmental background check, which , ensures that we do not buy or sell products to producers that: (i) have illegal deforestation on their farms, (ii) do not respect embargoes by environmental agencies, (iii) have overlap with protected lands (Indigenous Lands, Quilombolas communities – Brazilian maroons - and Conservation Units), or (iv) are in the Federal Government "Black list" of Employers due to work in a analogous situation to slave labor.

Our plants are in the state of Mato Grosso, in Brazil's Midwest region, the country's main corn producing area. Our first plant opened in August 2017 in the municipality of Lucas do Rio Verde, where our corporate headquarters are located. In the 2018/2019 crop year, we completed the expansion of this industrial plant, which now has the capacity to produce 530 million liters of biofuel a year.

FS' second factory was inaugurated in February 2020 in the municipality of Sorriso. We invested BRL 1.63 billion to build this new unit, which will increase our production capacity to 1.33 billion liters of ethanol a year. We also anticipate the installation of four more plants in Mato Grosso State.



The expansion of our operations is in line with the expectation of growing demand for this biofuel. Currently, Brazil consumes about 28 billion liters of anhydrous and hydrous ethanol per year, according to data from the National Agency of Oil, Natural Gas and Biofuels (ANP). This volume could reach about 45 billion liters if driven by programs such as RenovaBio and other incentive programs for a less carbon-intensive energy matrix, according to expert consultants. With a pioneer and innovative work in the Brazilian Midwest, FS believes that the transition to a low carbon economy can be led by the issuance of Green Bonds.

3. STRUCTURE OF THE GREEN BOND FRAMEWORK

FS' Green Bond Framework was first developed using the Green Bond Principles (GBP), which promote integrity in the Green Bond Market through guidelines that recommend transparency, disclosure and reporting. GBP (2018), published by International Capital Markets Association are voluntary process for broad use when issuing Green Bonds as well as in the development of the Green Bond market.

FS adapted its framework in Nov/20, considering, among other, climate change, in order to comply with CBI's (Climate Bonds Initiative) international standards, which are even more rigorous than GBP.

3.1 Use of Proceeds

The proceeds to be raised through green bond issuances will be used to finance projects in the following categories:

Bioenergy^{1,2}: Projects related to production of hydrous and anhydrous corn-ethanol biofuel, including:

- i. capital expenditures for development, construction, operation and maintenance of biofuel production facilities; or
- ii. operational expenditures or refinance of purchased corn feedstock for biofuel production. Feedstock will be purchased from suppliers in compliance with FS Sustainability Protocol and/or certified against the Climate Bonds Standard Agriculture Criteria Version 1.

⁽¹⁾ Excludes fossil biofuel production and blending facilities.

⁽²⁾ The hydrated ethanol is the common ethanol sold at gas stations, while anhydrous ethanol is that mixed up with gasoline. The difference between the two is the amount of water present in each of them. The hydrated ethanol has a range concentration of 95.2% to 93.8% (weight / weight) of ethanol with the remainder being water, while anhydrous ethanol has a minimum concentration of 99.3% (weight / weight).



Sustainable Forestry: Projects related to the purchase, development and maintenance of forests and biomass from forests, including:

- i. capital expenditures for the development, purchase, planting, and maintenance of exotics forests (like eucalyptus and bamboo plantations) to produce biomass feedstock for cogeneration of steam and electricity primarily dedicated to biofuel production facilities; or
- ii. operational expenditure or refinancing of exotic forest biomass raw material acquired for cogeneration of steam and electricity, mainly dedicated to biofuel production facilities.

Examples of Eligible Green Projects

As example of Eligible Green Projects, FS has selected forest conservation/restoration (Forest Promotion Program: https://api.mziq.com/mzfilemanager/v2/d/34aeec8a-d08e-440f-ad7f-324e1e1e7745/5172ac33-7807-ec38-1444-46d980913f7f?origin=2) and the production of bioethanol (https://www.fs.agr.br/negocios-e-atividades/bioenergia/)

3.2 Process for project evaluation and selection

In addition to defining a robust verification protocol for potential corn and forestry biomass purchases, FS expanded the interaction between the sustainability department and the commercial area, defining strict rules and an approval flow for purchases involving the company's senior management.

The socioenvironmental analysis currently verifies each intention to purchase corn and forestry biomass in terms of its origin, and for all direct purchase cases from producers a CAR request procedure is applied. The integrity (not deforestation) of the remaining native vegetation is verified since 2008 for Amazon biome and 2018 for Cerrado biome, as well as whether the agricultural and forests production areas are free of embargoes and or recent deforestation.

Once the contracts have deadlines (period) for the delivery of the products (corn and forestry biomass), after the purchase approval, a monitoring system is implemented through the interpretation of satellite images throughout the delivery period, and a socio-environmental statement (with date and time) is generated for each new corn and forestry biomass receiving.

In this way, FS maintains strict risk management and socioenvironmental monitoring processes applied to the field's origination



operations (corn and forestry biomass), using tools based on geoprocessing. FS also monitors all consultation and monitoring management through the Agrotools SAFE tool, which guarantees the quality of analysis and independent storage of evidence from consultations, necessary for an MRV process (measurable, reportable and verifiable).

The following criteria will be applied for sourcing of corn feedstock:

- From 2020, the suppliers included in the RenovaCalc program will be monitored for their annual productivity (tons per hectare), generating greater control over the area size used for FS bioethanol production.
- FS produces first generation hydrated and anhydrous bioethanol fuel from corn with a high sustainable standard. Its bioethanol production is already qualified and certified to generate CBIOs, emission reduction credits for the Brazilian RenovaBio Program, with a carbon intensity of 17.81 gCO₂e/MJ (anhydrous bioethanol) and 17.68 gCO₂e/MJ (hydrated bioethanol).
- The corn used for the bioethanol production is from second crop, so it is not necessary to expand new areas for its cultivation.
- The vulnerability conditions to climate changes are made through socio-environmental assessments (Agrotools SAFE tool) on the territories originating corn and forestry biomass. In these evaluations, the conversion of land use is evaluated and used in making purchase decisions, acting strongly in inhibiting deforestation, especially in sensitive Brazilian biomes, such as Amazon and Cerrado.
- FS also evaluates the cultivation of corn and biomass producers in protected areas in compliance with Brazilian national environmental laws. FS does not originate corn and biomass from farms that overlap with protected areas, establishing careful limits during the socio-environmental assessment of suppliers.

From December 2019 up to date, 100% of our corn suppliers have zero illegal deforestation from 2010 onwards, and only 10% have some type of legal deforestation according to our monitoring criteria and rules set out in our Social and Environmental Policy. For all grain and forestry biomass purchases, at contract closure and during the monthly monitoring accomplished, the deforestation criteria is evaluated throughout the entire supply chain.

If, by any means of chance, there is any type of deforestation after January 1, 2010, this volume will not be included in any of our green contracts certification.

The 10% of suppliers with deforestation detections had an environmental agency authorization to execute such activity following Brazilian legislation, the deforestation had also occurred before the cutoff date foreseen in our Policy or even there was a supplier's Action



Plan for recovery of area, to promote deforestation reversal.

It estimated that 90% of our suppliers are aligned with the Climate Bonds Standards Agriculture Criteria.

- All suppliers that participate in the RenovaCalc program present data on fertilizer consumption.
- We negotiate only with those suppliers that are not included on the slave labor lists, in order to preserve the best working conditions in the field.

The following criteria will be applied for sourcing of biomass feedstock:

The investment selection process was adjusted at the end of 2019 for direct suppliers of corn and biomass (producers), including a broad decision flow that includes in summary:

- Analysis of the territory (farm) in relation to its location and application of the sustainability protocol for corn or biomass (January 2020 version);
- Issuing evidence of socio-environmental assessment through the Agrotools SAFE tool;
- All cases that are not approved will have the contracts canceled.
- FS has a socio-environmental assessment protocol of not originating corn and forestry biomass in Amazon areas that have been deforested since 2008 and for the Cerrado biome since 2018, using the tool Agrotools SAFE for this.
- The overlapping of planted forest farms with indigenous lands is assessed before any negotiation, so that FS does not make purchases from suppliers that have invaded protected lands.

In case of any type of non-compliance with the criteria and rules established in our Sustainability Policy, the issue is always investigated by a specialized team in the subject. The detected issue is analyzed and followed by a request of technical and legal documents from the producer (if necessary) and subsequent approval by the FS Sustainability Committee. Besides, additional geospatial analyzes can be performed by specialists to generate evidence in order to confirm (or not) the non-compliance. The use of recent satellite images as well as the detection date of the problem, in addition to consulting with a geoprocessing team is also incorporated into the non-conformity assessment process if FS Committee deems necessary. Suppliers that are not in conformity with FS' policy are blocked in SAP, ensuring that negotiations do not take place.

FS conducted a climate risk study to identify and evaluate the climate change risks from a business perspective. The general climatic



risk associated with FS' performance is (i) high for events of extreme temperatures, extreme precipitation, and droughts; and (ii) moderate for geophysical risks. Based on this study, an Action Plan for Resilience to Climate Change (available on the website) was developed following CBI's (Climate Bonds Initiative) methodology. The potential impacts indicate the need for management practices that enhance the mitigation of negative effects on the corn cultivation. FS should act more actively and strategically with suppliers, to understand and identify vulnerabilities and to promote clear and efficient actions related to the mitigation of climate risks.

3.3 Management of Proceeds

The proceeds will be used up to 12 months after each green bond issuance. Until complete disbursement, these funds will be 100% invested in CDB / low risk commitments or used to repay outstanding debt (refinance). However, it should note that future issues may be allocated to CAPEX. The proceeds will be allocated on a maximum lookback period of 3 years, for both OPEX and CAPEX.

In order to ensure that the proceeds will not be used for nongreen activities, the corn purchase contracts that served as a collateral to the CDCA and that was the instrument used to back up the issuance of the CRA will prove that the funds will be used in a sustainable way. Debenture can also be used as an instrument for future green issuance.

3.4 Reporting

Annually, and until the maturity of the FS Green Bond issued, FS will provide to investors and general public on its website fs.agr.br with all the pertinent information available in the annual Sustainability Report. The projects linked to the issued Green Bonds will be selected and approved by FS' Sustainability and Finance sector.

The Report will include the taxonomy proposed by the Climate Bond Initiative. Some of the KPIs that will be monitored and disclosed are listed below:

- Share of proceeds allocated in each eligible category;
- Proceeds allocated to eligible assets vs total amount of proceeds raised from green bond issuances;
- Carbon intensity of ethanol production;
- Volume of biofuel produced;

All KPIs disclosed in the Sustainability Report, the allocation of financial resources and the respective projects will be audited by a third party, in order to give more transparency to the process.