



# ANNUAL SUSTAINABILITY REPORT 20/21



# SUMMARY



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# LEADERSHIP MESSAGE

## How do you rate the 20/21 period for FS?

The 20/21 period was great for FS. We doubled both our sales volume and the company's results, always respecting our strict safety, quality and sustainability processes. We made significant progress in the ESG scope.

One of our company's main deliveries on 20/21 was the startup of the Sorriso Unit, which positions us as the fourth largest ethanol producer group in Brazil, with the largest production unit individually. Our industries have one of the best Environmental Energy Efficiency (NEEA) scores in the RenovaBio program.

We also maintained the first place in the corn-based animal nutrition products segment and obtained GMP+ certification for product sales.

We achieved an A1 rating in the ESG rating of Vigeo Eiris, an affiliate of Moody's, with the best rating in our industry (Food Emerging Markets). We completed the issuance of a US\$600 million bond in the international market, classified as a green bond.

Furthermore, we formalized our commitments to society for 2030, in line with the UN Sustainable Development Goals (SDGs) and the Paris Agreement.

All of these achievements took place while working very closely with our community. We donated over 66 thousand gallons of 70° alcohol and supported the construction of a laboratory for testing Covid-19 at the Federal Institute of Mato Grosso.

## Why did FS decide to make ESG commitments and targets for 2030?

This is a process of evolution and maturation of our governance. Our purpose (Fueling Sustainability) is connected to the global demand for more sustainable businesses and aligned with the quest for energy transition

and food security, but we felt the need to challenge ourselves corporately so as to expand social and environmental benefits and, at the same time, make these positive impacts more tangible and noticeable to all our stakeholders.

The development of the FS 2030 Commitments, with goals to be achieved by our company in the next decade through the different projects that we will develop, is the result of a deep reflection on our business. And, in this Report, we disclose both the goals we will achieve and the way in which we will achieve these goals.

These commitments will help us to guide the company's strategy and speed up projects and innovations to have an even more positive impact in the environmental, social and governance spheres.

Our purpose “Energia que Abastece o Bem (Fueling Sustainability)” is connected to the global demand for more sustainable businesses and aligned with the quest for energy transition and food security

### **Which were the main challenges and lessons learned from 20/21?**

The extremely challenging scenario for crop year 20/21 showed that our company has great resilience in times of crisis. Between April and June 2020, when Brazil was impacted by the first wave of the pandemic and the oil war, the demand and price of ethanol decreased considerably, reflecting the reduction in the price of oil due to commercial issues in the foreign market and the smallest movement of people and goods. In the midst of this scenario, we had just started operations at the Sorriso Unit, in March 2020.

Even under these adverse conditions, we maintained the operation of our two units, doubled our market share and achieved

very positive margins in the sale of bioenergy and animal nutrition products. We took all precautionary measures to minimize the risk of contamination of our employees and went through the most critical moments of the disease in the state of Mato Grosso safely, contributing to the municipalities through donations and partnerships to support the distribution of sanitizing alcohol 70° and safety equipment.

At the end of the crop year, in March 21, we concluded the inauguration of the third phase of the Sorriso Unit, a project that we postponed for six months as a way of managing and mitigating risks. The production capacity expansion plans, with the construction of new units in other municipalities, are maintained and will be carried out as market conditions

allow. There is demand and space for corn ethanol in Brazil, and FS is prepared to take advantage of these opportunities with great efficiency and agility.

### **How will FS excel in the biofuels and animal nutrition market?**

The pandemic deepened the reflection of global society on the need for a transition towards a more responsible economic model. Major players in the financial sector indicated that there will be a reallocation of capital to businesses that represent a new and more sustainable way of generating value, with greater awareness and clarity of the impacts that production chains generate on all audiences.

FS is already recognized for its sustainable way of doing business, and we wish to further strengthen these attributes and differentials of our company. The first step towards this is to maintain a highly responsible supply chain, applying our social and environmental assessment policies and procedures to corn and biomass suppliers and animal nutrition products customers.

**The pandemic deepened the reflection of global society on the need for a transition to a more responsible economic model**



On the environmental front, climate change and the reduction of carbon emissions are the most prominent theme. There is a global convergence to strengthen, value and unify carbon markets as tools for pricing emissions and boosting public and private investment for the energy transition. There are already more than 60 such markets around the world, including RenovaBio, here in Brazil.

We long to play a relevant role in this scenario, expanding our capacity to generate carbon credits. The production of ethanol in our industries makes it possible to avoid emissions of almost 3 million tons of carbon per year. This is equivalent to not burning 1.8 million tons of coal. The current contribution of our business is already very relevant for combating global warming, but we desire to go further.

Our main project to further reduce our carbon footprint is Bio-energy Carbon Capture and Storage (BECCS). This technology will allow the biogenic and

extremely pure carbon emitted in the fermentation process to be liquefied and stored in underground wells. The studies we carried out in 2020 confirmed the geological feasibility of the Lucas do Rio Verde Unit and we have now started seismic and field analyses. This is a solution that will enable us to produce Brazil's first fuel with a negative carbon footprint.

The BECCS project, together with the construction of the four new units foreseen in our expansion plan, will ensure that by 2030 we will avoid more than 31.7 million tons of CO<sub>2</sub> in the atmosphere with the production and sale of our ethanol. In comparative terms, to capture this amount of CO<sub>2</sub> in the atmosphere, a forest with approximately 226 million trees would be needed.

**Rafael Abud**

is President of FS and has worked in all stages of the company's development since its foundation in 2014.







**FS IN**

**20/21**

In order to enhance the positive contribution of our business, we improved our governance with the definition of the **FS 2030 Sustainability Commitments**. In crop year 20/21, we established long-term corporate goals in line with the UN Sustainable Development Goals (SDGs) and the Paris Agreement.



Our company is the first in Brazil to produce ethanol, animal nutrition products and bioenergy 100% from corn. Since 2017, when we started our activities, we have evolved the governance model and management processes to generate and share value in a sustainable way, adding technology and innovation to make Brazilian agribusiness more competitive.



Despite these circumstances, we fulfilled our growth agenda and concluded, in March 2021, the expansion of the Sorriso Unit, which has the capacity to produce 224.5 millions gallons of anhydrous ethanol per year and has become the largest ethanol plant in the country. With this expansion, we more than doubled our production capacity and, consequently, our sales volume and revenues.



The 20/21 crop year was challenging for our business due to the Covid-19 pandemic. We take effective measures to protect people and minimize the risk of contamination for employee and third parties. Our industries continued to operate throughout the period, maintaining high operational excellence to ensure the supply of essential production chains for society.

Between December 2020 and January 2021, our company carried out the first international issuance of green bonds adhering to the guidelines of the Green Bond Principles, raising US\$ 600 million. These resources allowed for the improvement of leverage conditions and, thus, the delivery of more sustainable value to shareholders, customers, suppliers, agricultural producers, employees and society as a whole.



The trade dispute between oil-producing countries, mainly Russia and Saudi Arabia, also impacted the biofuels market. The international price of a barrel of oil reached historic lows in the last year, leading to a drop in the price of ethanol in the Brazilian market as well.



In terms of governance, we started to disclose our results and main developments through the Investor Relations website. The platform increases transparency and makes the relationship with external audiences even more agile.





# FUELING SUSTAINABILITY:

Here, we believe we can.

Big dreams move our initiatives with ethics and a pioneering spirit, illuminating what we say and do.

Our energy transforms agribusiness and innovates efficiently and safely to power a truly sustainable world.

We have the passion of competent people who are proud to be part of this challenge.

We crave to break new frontiers and make real what once seemed impossible.

This is FS' way of doing and being!

## Our vision

To be the world's largest and most sustainable ethanol producer.

## Our mission

To provide sustainable energy with excellence, fast learning to reach different markets and be the best option for our business partners.

## Our values

Always to the right thing: We always act an ethical, sustainable, safe and compliant manner.

Competent and Engaged People: We have a sense of ownership and work as a high-performance team.

Driven by challenges: We believe in sustainable business and ambitious deliveries.

Excellence in Execution: We produce consistent results in a safe, efficient and profitable manner.



## Our culture

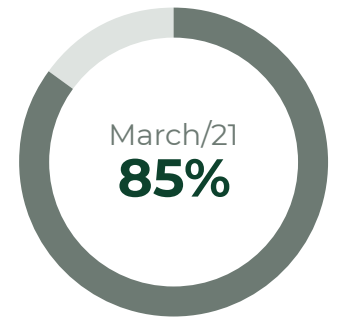
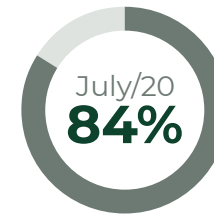
Our corporate culture, declared to employees and all audiences in May 2020, is daily strengthened in the relationship between people and by the example of our leaders.

The values that drive us are reinforced by the directors and other leaders through interactions such as Bom Dia FS ("Good morning FS"), a quarterly meeting that brings together our entire team to communicate the results achieved and the main projects in progress.

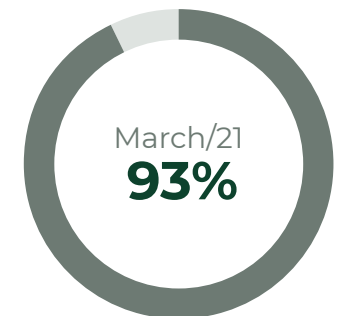
The People Cycle, our methodology for evaluating employee performance and setting individual goals, also expands knowledge and internalization of our culture.

In crop year 20/21, we carried out two engagement surveys with our employees to assess adherence to our culture. The first of them was carried out in July 2020 and the second in March 2021. Both were attended by 99% of the total employees of the company and brought positive results.

Overall Favorability Index



Would you recommend FS as a great place to work, even for a friend, relative or someone close?





## Our brand

"Fueling Sustainability". This is our purpose that accompanies our new logo, created to translate – in its stylized green and yellow lines – the purpose we have to nourish and increasingly value sustainability in our business. Inspired by corn, the raw material for our products, the logo represents the renewal of energy generated by FS and demonstrates its comprehensive performance in agribusiness.

In 2021, we launched a new campaign to reinforce the attributes of our brand, under the motto “The energy that is good for you”. The campaign's activations impacted the company's employees and external audiences, through insertions in digital media, radio, open TV and outdoors.

Our professionals received, in their homes, a commemorative kit with gifts decorated with the new brand. The campaign also included, among other actions, the rebranding of offices and the invitation for employees to give their testimony on social networks, answering the question: “How is your energy good for FS?”.





# FS HIGHLIGHTS

**BRL 3.1 billion** ■  
in net revenue  
+152.3%

**BRL 1.2 billion** ■  
in EBITDA

**BRL 321.1 million** ■  
in net income

**Net debt/EBITDA:** ■  
**2.56x**  
*Total net debt of BRL3.0 billion*

**US\$ 600 million** ■  
raised in international  
capital market issuances in line  
with the Green Bond Principles

**BRL 528.5 million** ■  
raised in national green issues  
*Agribusiness Receivables Certificate (CRA),  
Real Estate Receivables Certificate (CRI)  
and ESG Linked Loan Financing with  
the Santander Bank*



■ **2.6 million**  
tons of corn processed  
+99.1%

■ **290.60 million**  
**gallons\***  
of ethanol sold  
+114.6%  
*\*1 liter = 0.264 gallons*

■ **916.9 thousand tons**  
of DDGs sold  
+96.7%

■ **33.2 thousand tons**  
of corn oil sold  
+122.7%

■ **72.900 MWh**  
of surplus energy exported to the grid  
*Energy is co-generated through the steam  
needed to produce ethanol and produced  
by burning biomass*

# OPERATING GROWTH

Our company ended the 20/21 crop period with the two largest ethanol industries in the country in full operation. The Lucas do Rio Verde Unit was the first to be implemented, in 2017. The Sorriso Unit, inaugurated in February 2020, completed the expansion works in March 2021 and became one of the largest ethanol production plants in the world.

Our growth strategy foresees the construction of four more units in the state, the largest corn producer in Brazil. All of them are in the design phase, with the land acquired and the environmental installation licenses issued for the onset of the works. The forecast is that the next plant to be installed, in the municipality of Primavera do Leste, will start to be built in 2022 and operations will begin in July 2023.

## GROWTH OF OPERATIONS

2015

Start of construction at the Lucas do Rio Verde Unit

 **Ethanol production capacity\***  
\*1 liter = 0.264 gallons

 **Animal nutrition production capacity**  


2017

Inauguration of the Lucas do Rio Verde Unit, the first corn ethanol industry in Brazil

**74 million** gallons

**250 thousand** tons

2018

Startup of the second phase of the Lucas do Rio Verde Unit  
Launch of the cornerstone of the Sorriso Unit

**140 million** gallons

**470 thousand** tons

2020

Startup of phases 1 and 2 of the Sorriso Unit

**296 million** gallons

**995 thousand** tons

2021

Completion of phase 3 of the Sorriso Unit

**370 million** gallons

**1.25 million** tons

# WHERE WE ARE



**2 UNITS**  
in operation

Completion of the expansion of the **SORRISO UNIT** in March 2021

**4 UNITS**  
in project

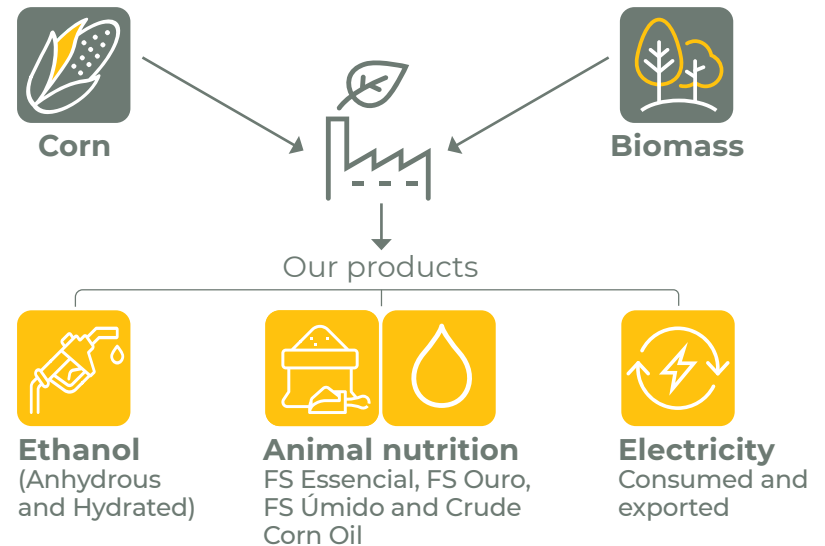
Annual productive capacity  
**370 million**  
gallons of ethanol

**1.2 million**  
tons of DDGs

**40 thousand**  
tons of corn oil

**415 thousand MW**  
of electricity

Processing capacity  
**3.2 million**  
tons of corn per year





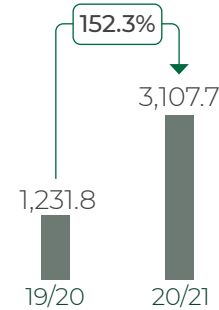
# ECONOMIC-FINANCIAL PERFORMANCE

The Sorriso Unit's first year of operation positively impacted the company's results in crop year 20/21. The sale of ethanol and animal nutrition products (DDGs and corn oil) more than doubled compared to the previous crop year, following the growth in production capacity.

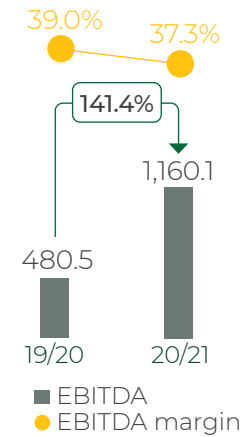
As a result, the financial results showed an exponential growth. The recovery in price and demand after the first wave of Covid-19, combined with the good execution of FS' commercial strategy, allowed for the positive evolution of margins.



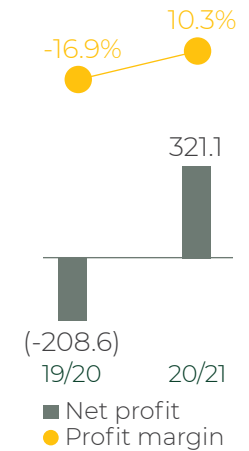
Evolution of Net Revenue (BRL million)



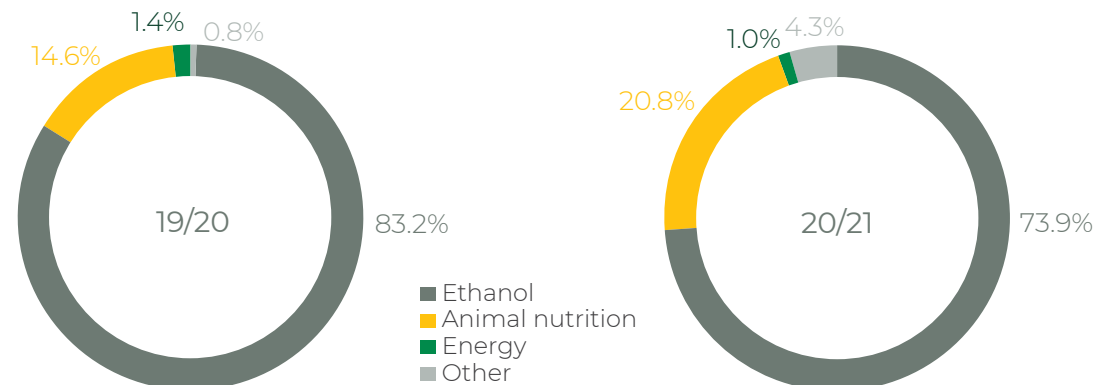
EBITDA evolution (BRL million)



Evolution of Net Profit (BRL million)



Net revenue by segment



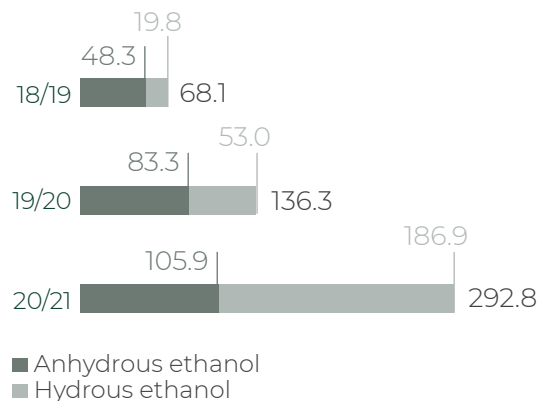
# Ethanol

In crop year 20/21, Brazil consumed approximately 7.5 billion gallons of ethanol. This volume represents almost 47% of the total fuel used in light vehicles in the country.

The decrease in displacements caused by the Covid-19 pandemic, associated with the crisis that led to the reduction of oil prices on the international market, also impacted the competitiveness of hydrous ethanol, whose consumption in Brazil decreased by 14.91% compared to the previous crop year.

Even with this scenario, our company registered an increase of 115% in the sale of biofuel, in the annual comparison. In addition to the entry into operation of the Sorriso Unit, the opening of new consumer markets contributed to the positive result.

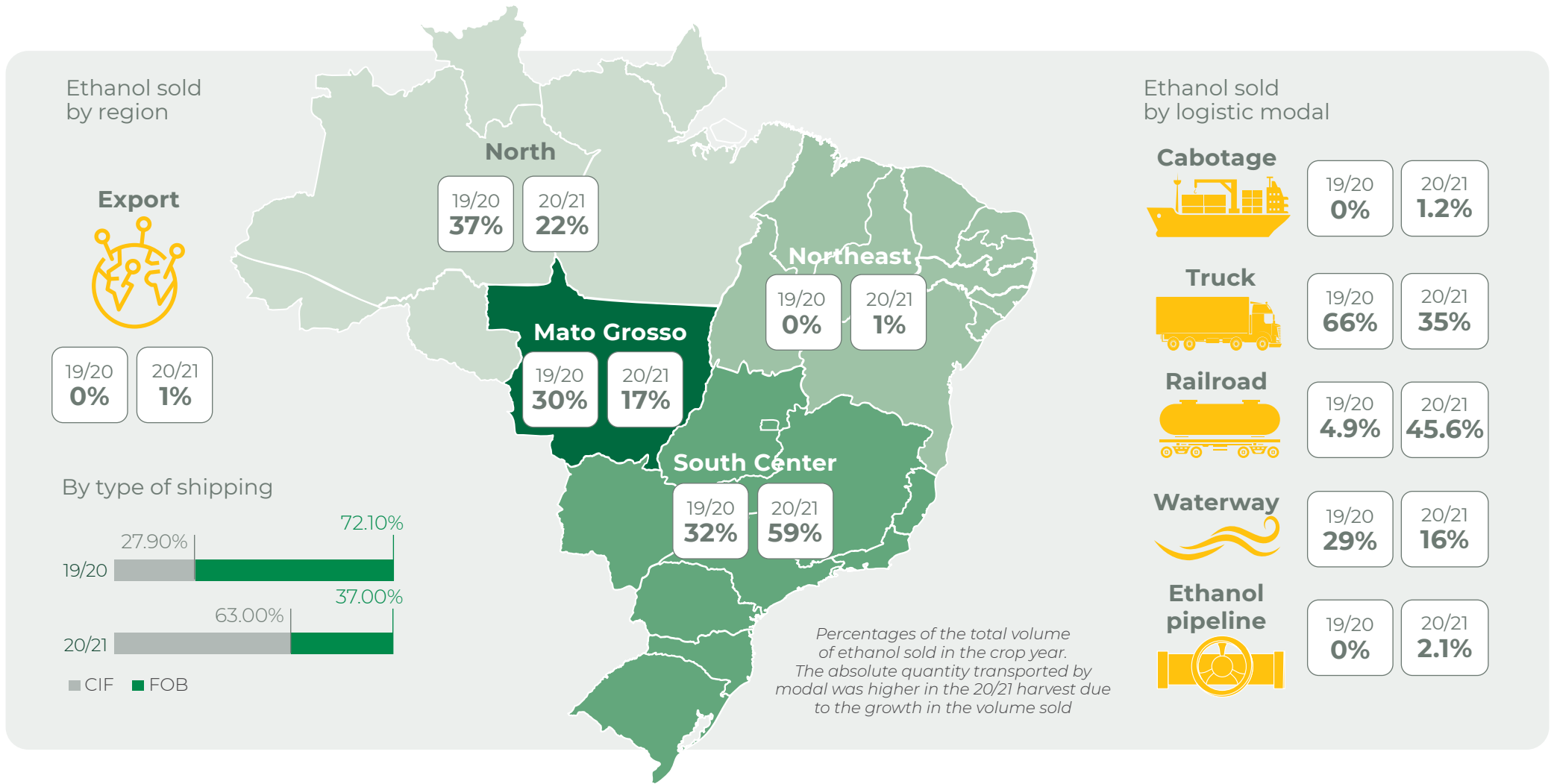
Ethanol sold by type (million gallons)\*



\*1 liter = 0.264 gallons

In 2020, transporting our ethanol through pipelines avoided the emission of 432 tCO<sub>2</sub>e, which is equivalent to the impact of 162 thousand kilometers avoided by tanker truck on highways





Sales growth was also driven by innovation in our logistics structure. The greater use of railroads and the use of ethanol pipelines increased efficiency in serving the Southeast region, where we had an increase in the volume loaded and a reduction in delivery time. We also made our first sales to the Northeast region and increased the regularity of supply to the North region.

In addition, we carried out our first sale of ethanol abroad. During the months of May and August, a period when the pandemic was beginning to reach worrying levels in the country and ethanol consumption was below expectations, our biofuel was sold to the Netherlands and Chile, destined to supply industries with products of cleaning and asepsis.

Another highlight are the expanded sales with CIF freight, whose transportation is under the responsibility of our company. Hirings of this type grew almost 40% compared to the last crop year. With this configuration, we added value to the logistics operation and expanded the diversification of modals, using railroads, waterways and pipelines, which are options that bring more efficiency and environmental gains to the operation.



# Animal nutrition

Our sustainable business model goes beyond bioenergy and biofuels. Our energy is present and also transforms the animal protein production sector, contributing to Brazil's vocation to produce and export food around the world. Through the FST® technology, separating corn fibers, and the dry milling process, we produce DDGs (distillers' dried grains with solubles), a highly nutritious supplement for feeding cattle, pigs, poultry and fish.

The volume of products for animal nutrition sold grew 98% in crop year 20/21 compared to the previous period. Part of this evolution is related to our company's strategic repositioning and new commercial approach, which has sought to present the competitive advantages of DDGs, available for supply throughout the year and which result in the best cost-benefit ratio for an accurate diet.

An important breakthrough in the period was the diversification of geographic markets served. In crop

year 20/21, clients in the Midwest region accounted for 85% of the total sold in this segment – in the previous period, the share was 94%. On the other hand, we increased our sales to producers in Mato Grosso do Sul, Minas Gerais, Paraná and Rio Grande do Sul.

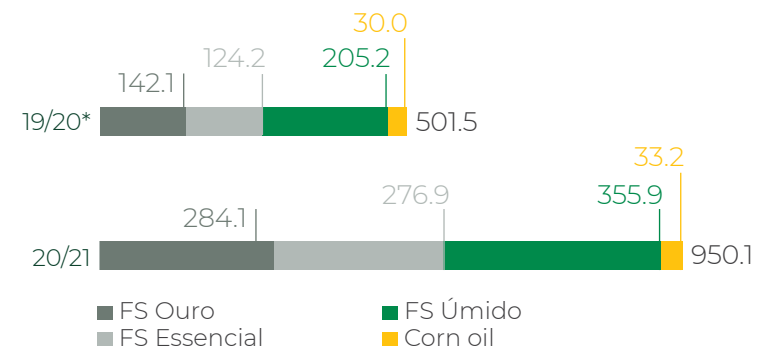
In the last crop year, we also carried out our first sale of animal nutrition products in the international market, with an operation to sell corn oil (FS Vital) to Tunisia.

Our animal nutrition portfolio consists of four different products:

- **FS Essencial** (rich in protein, suitable for poultry, swine and cattle)
- **FS Ouro** (rich in energy and non-degradable fiber in the rumen, indicated in diets for cattle and swine)
- **FS Úmido** (a complete product, with energy, protein and rich in fiber, suitable for cattle)
- **Corn Oil**, marketed under the FS Vital brand



Animal Nutrition Products sold (thousand tons)



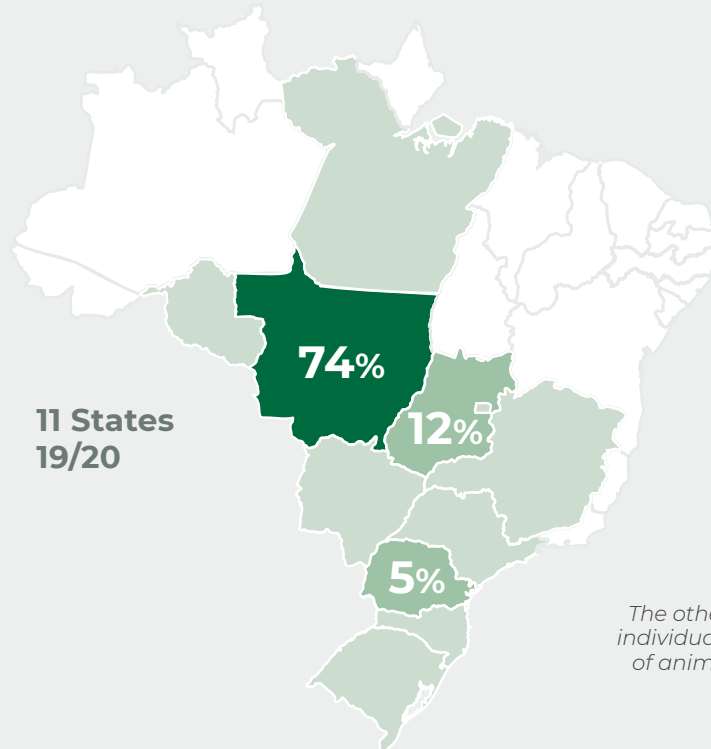
\*Represented values.

## Animal feed certification

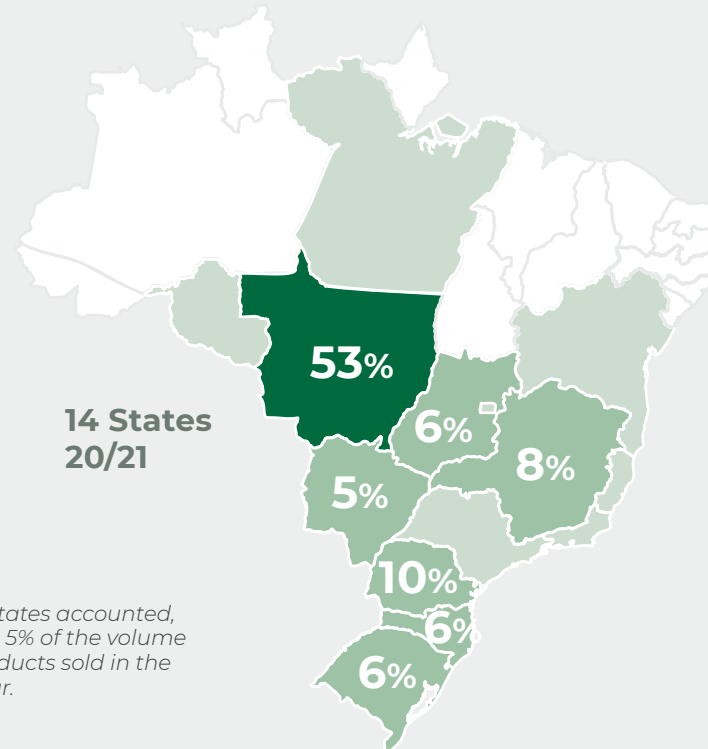


On 20/21, we were awarded the **GMP+ Good Manufacturing Practices** certification for animal nutrition products at the Lucas do Rio Verde and Sorriso Units. With this qualification, we assured our clients in Brazil and abroad the safety, quality and credibility in the production and marketing of DDGs and corn oil.

The GMP+ certification, one of the most complete in the market, is already required by more than 18 thousand companies in 66 different countries. In Brazil, we are the only one to have the seal for the production of DDGs. This achievement strategically positions our company to conquer new markets by offering premium animal nutrition products from corn, in a safe and sustainable manner.



11 States  
19/20



14 States  
20/21

*The other highlighted states accounted, individually, for less than 5% of the volume of animal nutrition products sold in the crop year.*

+ Export to Tunisia







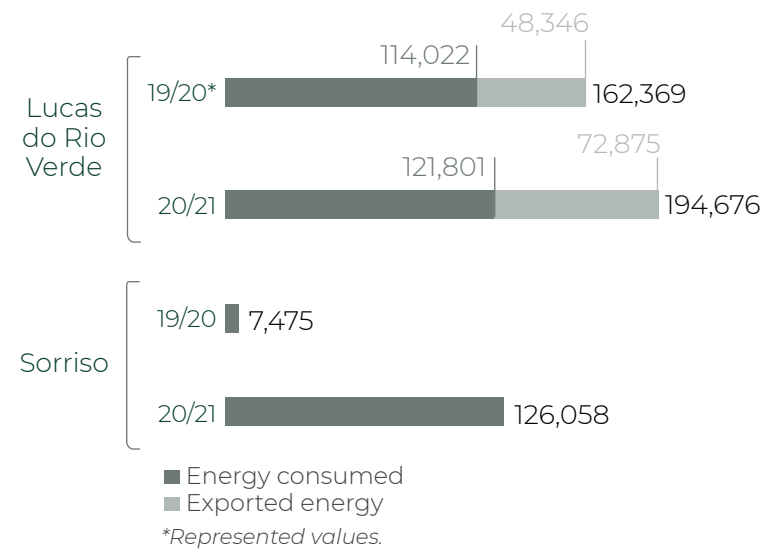
# Electricity

Co-generation of renewable electricity from biomass complements our sustainable performance in generating value from the corn chain.

The Lucas do Rio Verde Unit is certified for the sale of RECs (Renewable Energy Certificates), which guarantee the traceability of the energy exported to the grid, ensuring a renewable source.

Issued by the I-REC Standard, a global tracking system, these certificates have gained relevance as they represent an opportunity to neutralize emissions related to the consumption of electricity by companies. For us, they are an additional lever for the generation of sustainable value, contributing to the increase in revenue and the impulse to mitigate the climate impacts of our clients.

Energy consumption and export (MWh)





# IMPACTS AND CHALLENGES IMPOSED BY THE PANDEMIC



Preserving the health of employees and third parties was a priority throughout the 20/21 crop year, marked by the Covid-19 pandemic around the world. As the production of biofuels is an essential activity, we continued operations following safety protocols and procedures, in line with the recommendations of the health and sanitation authorities in Brazil and the World Health Organization (WHO).

Our crisis management plan was structured before the significant increase in cases in Brazil and the state of Mato Grosso. A committee formed by FS leaders, including the president, holds daily meetings and monitors the implementation of preventive measures that we adopt, evaluating their effectiveness in the face of changes in the scenario.

One of the main actions to minimize the risk of contamination among people was the adoption of the remote work system, based on the internal procedure we created. Employees in the administrative areas at the industrial units and at the corporate office started to work from home, with full support from the company, following the social isolation guidelines recommended by the health authorities.

We also reviewed our operational routines so that we could reduce the number of employees in the industries and maintain the operation with maximum safety and quality. Access to the units was limited and everyone who entered the facility, including third parties, underwent a body temperature check to identify any symptoms of Covid-19.

**We donated around 66 thousand gallons of 70° alcohol to help sanitize hospitals, schools and health centers in the state of Mato Grosso, Santa Catarina and Pará.**



We invested more than BRL 1 million in the purchase of tests to detect the new coronavirus and entered into partnerships with local laboratories to carry out controls. We also structured, in partnership with the company that manages the medical assistance service for employees, a special procedure for air transport to ICUs, in case there was any emergency with our company's professionals.

We also offered a digital platform so that employees could carry out medical appointments online, consult specialists and ask questions about Covid-19 without having to leave their homes. Further, we maintained our annual internal flu vaccination campaign, which also involved employees' families.

We also work alongside communities in an attempt to contain the spread of contagion. We donated more than 66 thousand gallons of 70° alcohol

for use in cleaning hospitals, ambulances and other public health services. The donations benefited the residents of Lucas do Rio Verde and Sorriso, as well as other municipalities in the states of Mato Grosso, Pará and Santa Catarina. In addition, we supported the construction of a laboratory for testing Covid-19 at the Federal Institute of Mato Grosso (IFMT) for communities in northern Mato Grosso.

All employees who contracted the disease were monitored throughout the period by the outsourced medical team, hired by FS. In these cases, medical attention and care also covered the relatives of our professionals.

As of June 2021, 153 professionals in our company had been infected by the new coronavirus and got over it. An employee of the Lucas do Rio Verde Unit died of health complications after contracting the disease.





# BUSINESS MODEL



# BIOENERGY AND CLIMATE CHANGES



Our company pioneered the construction of a new business model in Brazil, connected to the country's and the world's demand for cleaner and more sustainable energy sources. The production of ethanol from corn in the Midwest expands the supply and distribution of the biofuel to regions where there was previously a deficit for the Brazilian product.

In our industries, ethanol is produced throughout the year, with no interruption during the off-season. The storage of corn in their own warehouses, leased and on the farms of the producers themselves ensures the supply of quality raw material for the continuity of industrial operations after the harvest period.

The greater offer of ethanol is strategic for the sustainable development of Brazil. As a signatory of the Paris Agreement, signed in 2015, the country has committed to reduce total greenhouse gas (GHG) emissions by 37% by 2025 and by 43% by 2030. One of the levers to achieve this result it is the expanded use of biofuels to replace fossil sources such as gasoline.

With this objective in mind, the federal government instituted RenovaBio, a public policy aimed at decarbonizing the national fuel matrix and at valuing solutions such as ethanol. Our Lucas do Rio Verde Unit is certified by RenovaBio to issue CBIOs, decarbonization credits that back up GHG emission reductions, and has one of the best scores for environmental energy efficiency (NEEA). The Sorriso Unit was in the certification process until July 2021. Learn more about the topic on page 33.





# AGRIBUSINESS VALUATION

Our performance directly benefits and strengthens Brazilian agribusiness. Our corn-derived animal nutrition products (DDGs and corn oil) increase the competitiveness and efficiency of protein production (beef, pork, poultry and fish). The arrival of DDGs on the market is encouraging a more sustainable and efficient production model in beef cattle raising, with greater intensification and use of confinement and semi-confinement systems.

The advantages of intensifying livestock are diverse. One of them is the lesser need to open new areas for pastures. Another positive aspect is the decrease in the average age of slaughtered animals, which reduces methane emissions that cause the greenhouse effect. Moreover,

our animal nutrition products provide a better cost-benefit ratio for producers, strengthening agriculture and the entire food production chain.

For corn producers in Mato Grosso, the installation of industries provided opportunities and more security for the marketing of grains. The formation of new commercial partnerships has enabled the signing of contracts and sales options with more competitive prices for suppliers.

In addition, the increased demand for corn encourages investment in research to improve agricultural production. With the development of new cultivars, the efficiency and productivity of the maize crop may be even greater.



# INNOVATION AND SUSTAINABILITY

Since the onset, we have adapted corn ethanol production technology to the Brazilian reality, which allows the use of biomass as 100% of energy source for our industries. These renewable resources are acquired mainly from planted eucalyptus forests, but we also use other types of materials – such as bamboo, cotton stumps, açaí seeds, sawmill residues, saw dust and rice husks.

We use second-crop corn, cultivated without competition with other types of crops and without a marginal use of land. Climatic and soil conditions in Mato Grosso allow producers to intercrop corn and soybean crops in the same crop year and in the same planted area, without the need to open new planting areas.

In areas with less agricultural suitability, where this practice is not adequate, we encourage the planting of eucalyptus (biomass) by local producers. In this way, our business promotes the integration between farming and industry and strengthens a more sustainable production system from an environmental and socioeconomic perspective.





# THE DIFFERENTIALS OF BRAZILIAN CORN ETHANOL

The climatic conditions and cultivation techniques applied by agribusiness in Brazil, the use of biomass as an energy source for industries and the continuity of supply throughout the crop year, without interruptions, make 100% Brazilian corn ethanol one of the most efficient biofuels in the world from an environmental perspective, a benefit that was further enhanced with the full use of grains and the manufacture of products for animal nutrition and efficiency gains in livestock.

Unlike the United States, a country in which corn ethanol is more used, Brazil uses second-crop corn, cultivated under no-tillage and in the same planted area for other crops – mostly soybeans. This technique also guarantees greater protection for the microbiota, increases the capacity to store carbon in the soil and reduces the risk of erosion.

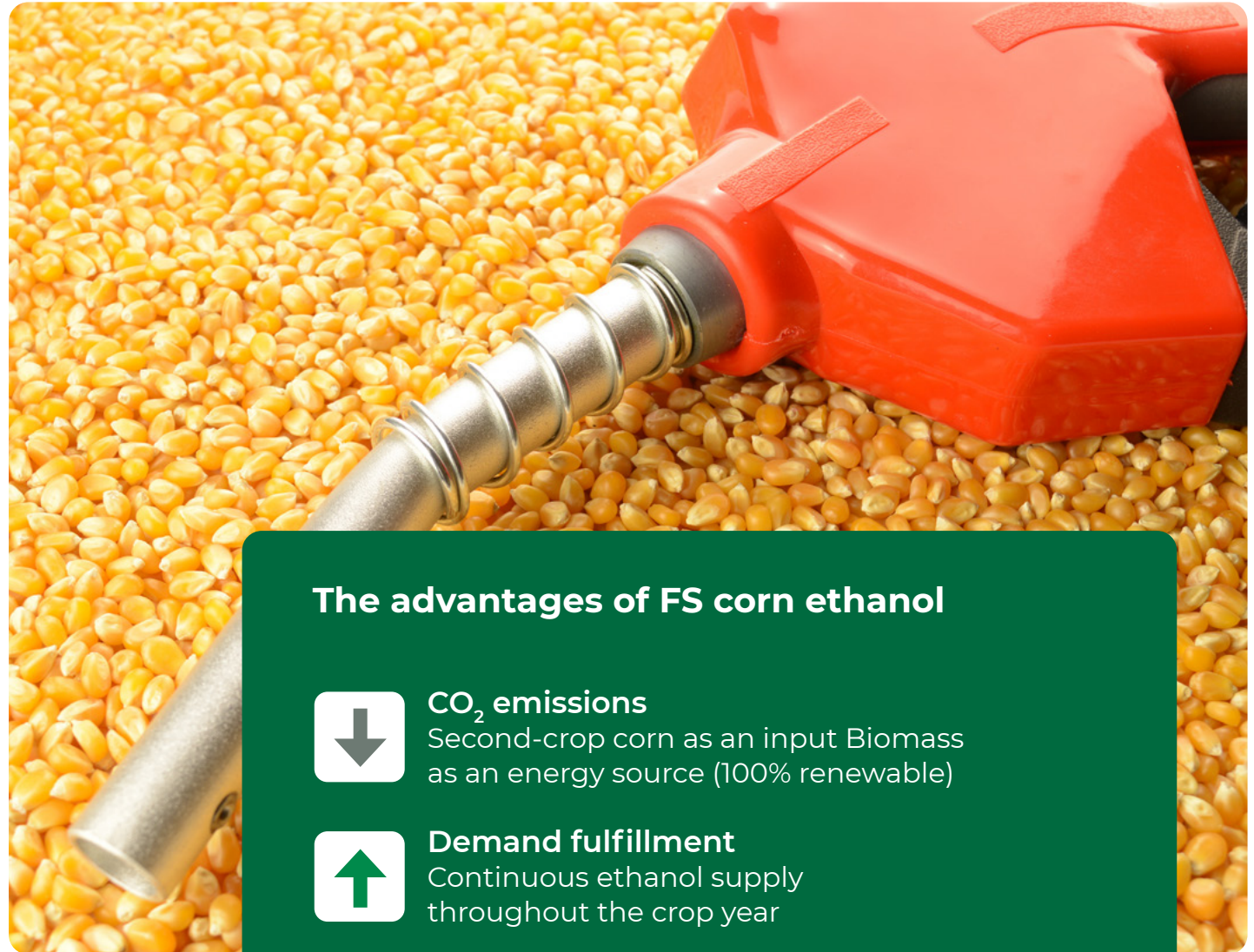
**The 100% Brazilian corn ethanol is one of the most efficient biofuels in the world from an environmental perspective**



Besides, Brazil uses biomass, mainly eucalyptus chips obtained from planted forests, as the main 100% renewable energy source for industries. In the United States, the production plants are powered by natural gas, a fossil fuel that emits greenhouse gases.

Compared to sugarcane ethanol, a technology that has been used for the longest time in Brazil, our biofuel has advantages related to land use, year-round ethanol supply and the absence of residues from the production process. The high-quality corn storage capacity allows for the continuous production of ethanol throughout the crop year, while the sugarcane mills reduce supply during the off-season.

The sugarcane production process also generates vinasse, a type of industrial waste that requires high standards of environmental management to prevent soil and river contamination. In the case of corn ethanol, the grain is 100% processed, generating ethanol and animal nutrition products that increase competitiveness and strengthen the entire food production chain.



### The advantages of FS corn ethanol



#### CO<sub>2</sub> emissions

Second-crop corn as an input Biomass as an energy source (100% renewable)



#### Demand fulfillment

Continuous ethanol supply throughout the crop year



#### Environmental impact

Absence of vinasse for external destination



# VOLUNTARY COMMITMENTS



Voluntary participation in external and multi-sector initiatives and forums expands our company's commitment to promoting sustainable development. Along with the evolution of our governance, we joined different platforms connected to this agenda.

In the 20/21 crop year, our company became a signatory of the Global Compact, an initiative promoted by the UN to guide the strategic incorporation of ten universal principles on human rights, decent work, the environment and the fight against corruption. As participants in this action, we are committed to integrating the 10 Sustainable Development Principles and Goals (SDGs) into our culture and corporate strategy.

In line with the demand from investors and analysts about the strategy for combating climate

change, we started to participate in the CDP global platform, which gathers and disseminates information on the strategy of organizations aimed at improving environmental performance. In 2021, we will voluntarily respond to the CDP Climate Change questionnaire, with data on the governance, management and performance of atmospheric emissions.

We joined the network of the Business Council for Sustainable Development (CEBDS), which aims to promote the concept of sustainability in the business ecosystem. We also became a member of the Coalizão Brasil Clima, Florestas e Agricultura ("Coalition Brazil Climate, Forests and Agriculture"), a multi-sector movement aimed at reducing greenhouse gas emissions and promoting a low-carbon economy.



# FS 2030 SUSTAINABILITY COMMITMENTS

Our commitment to developing a sustainable business was strengthened in 20/21 crop year with the formalization of the FS 2030 Sustainability Commitments. This platform was structured to guide our performance and ensure that our projects and investments are aligned with the Development Objectives Sustainable Development (SDG) and the ambitions of the Paris Agreement.

The **FS 2030 Sustainability Commitments** were formalized at our last annual leaders' meeting. The event to review and assess the strategic plan had, as a backdrop, the growing stimulus of the market and investors to improve the management of environmental, social and corporate governance impacts and opportunities – summarized by the acronym ESG (Environmental, Social and Governance).

Approved by the shareholders, these became long-term goals (until 2030), which now guide projects and actions in all areas of the company. As of crop year 21/22, these goals were divided into annual sub-goals for the entire company and became part of the criteria for the distribution of variable compensation, including directors and CEO.

With this initiative, we strengthened our positioning in sustainability: **Fueling Sustainability**. Our objective is to speed up the transformation of the agribusiness and biofuels industry in Brazil, engaging employees and working in partnership with customers and suppliers. Our ambition is to expand the benefits and positive impacts for society, developing a business that drives a cleaner energy matrix, social and environmental responsibility in the countryside and the social protagonism of communities in the Brazilian Midwest.



# 2030 FS GOALS

The FS performance generates shared value with society and the environment. To demonstrate these financial and non-financial benefits, we started a movement to reflect on our business in the light of the Integrated Reporting (IIRC) framework, which establishes six types of value-generating capital.

## FS 2030 Sustainability Commitments

### Connection with the SDGs



### Material themes



### Integrated Reporting Capitals



 **Click on the FS 2030 Sustainability Commitments** to understand the positive impacts of our operations and better understand how we generate and share value.







# CO<sub>2</sub> REDUCTION

## OUR COMMITMENT



Avoiding the emission of 31.7 million tons of CO<sub>2</sub> into the atmosphere

Having a negative carbon emission in one of our industrial units with the implementation of the BECCS system (Bio-Energy with Carbon Capture and Storage)

# OUR PERFORMANCE AND EVOLUTION



The production and sale of ethanol from corn contributes to reducing greenhouse gas (GHG) emissions and the intensity of CO<sub>2</sub> in Brazil's fuel matrix. Since 2019, this benefit has been accounted for and monetized through RenovaBio, a national policy aimed at promoting the decarbonization of the fuel sector in which we actively participate.

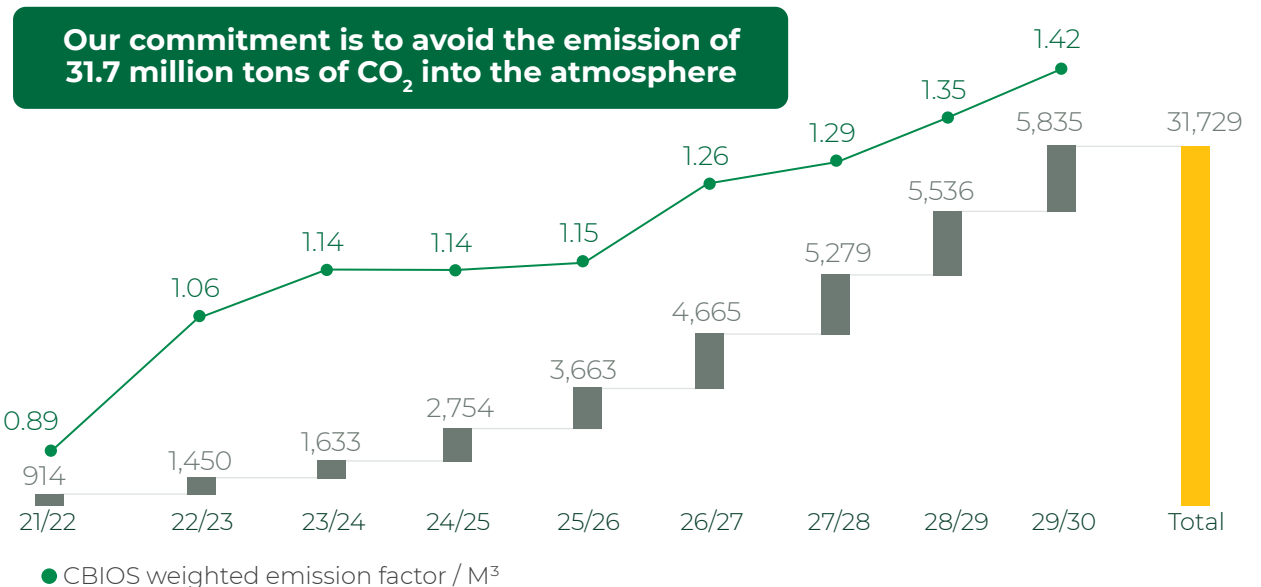
We are committed to driving this positive impact of our business, increasing the amount of carbon emissions avoided. Our goal is, by 2030, to issue a total of 31.7 million CBIOS – as RenovaBio's decarbonization credits are called.

To achieve this result, we will carry out different projects to increase the supply and sale of ethanol and, at the same time,

reduce our carbon footprint in the production process. We will invest, for example, in the implementation of new industries in the design phase and in the installation of a system for carbon capture and storage (BECCS) at the Lucas do Rio Verde Unit (learn more about the BECCS project on page 36).

In addition, we will continue to work to constantly improve our Energy-Environmental Efficiency Score (NEEA) and increase the fraction of processed corn eligible for RenovaBio certification. Our expectation is to reach almost 1 million by 21/22, with the conclusion of the certification at the Sorriso Unit and the increase in eligibility at the Lucas do Rio Verde Unit.

## Projection of C BIO issuance in our units



# Increased Eligibility at RenovaBio

The Lucas do Rio Verde Unit was certified by RenovaBio for the first time in crop year 19/20, obtaining the best Energy-Environmental Efficiency Note (NEEA) for anhydrous ethanol and the second best for hydrated ethanol in Brazil. On 20/21, we renewed this certification with the second best NEEA for anhydrous ethanol (69.59).

We also achieved, in the recertification, a significant increase in the traceability of corn and eligibility of the volume of ethanol produced. In 2021, we have been able to issue 247,000 CBIOs at the Lucas do Rio Verde Unit – in the previous year, we issued a total of 68 thousand. To make this leap, we reviewed our internal processes and relied on the support of external consultants to engage our partners.

We invited more than 130 rural producers to participate in RenovaBio by providing data related to the inputs used in the cultivation of corn (fertilizers, diesel, seeds, total production) to

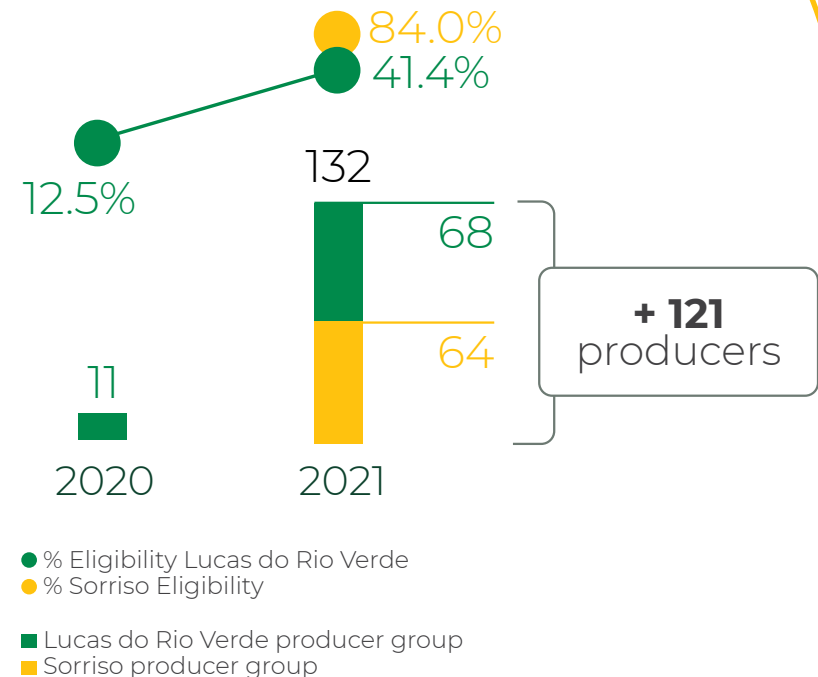
calculate the agricultural carbon footprint. We also involved regional accounting offices to collect data from producers that did not have an agricultural data management system.

This effort resulted in the collection of primary data from 68 groups of producers, which totaled more than 472,000 tons of tracked corn and an eligibility of 41.4% of the total processed in 2019. With the calculation of the moving average between the certifications established by the program, we issue CBIOs with an eligibility of 32.05%.

At the Sorriso Unit, the engagement of partners was carried out throughout the first quarter of 2021. The collection of primary data covered a total of 64 groups of agricultural producers. Our expectation is to achieve 84% eligibility for certification in this industry.

## We are the first state-of-the-art corn ethanol industry to obtain RenovaBio certification with primary agricultural production data

Evolution of eligibility at Renovabio



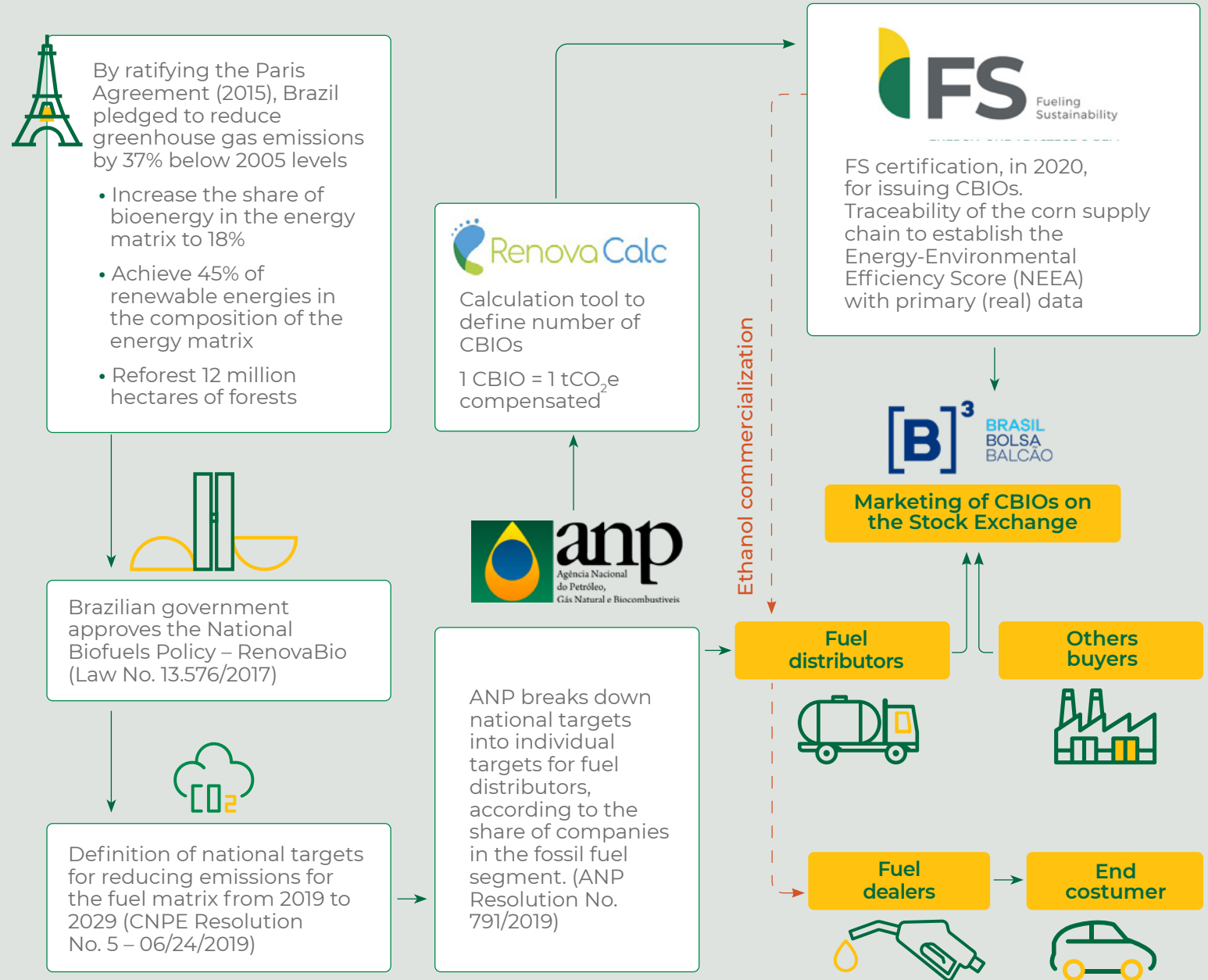


## How RenovaBio works

RenovaBio was created in 2017 to encourage the use of biofuels to replace fossil fuels and help the country achieve the goals assumed in the Paris Agreement. The program encourages the increase in the production of ethanol with more energy efficiency, establishing goals to reduce CO<sub>2</sub> emissions.

Through RenovaCalc, a tool developed specifically for the program, certified ethanol producers can issue decarbonization credits, called CBIOs, and sell them on the financial market. This accounting follows specific parameters and considers energy efficiency throughout the ethanol production cycle – in the cultivation and harvesting of corn, in industry and in transport. The lower the GHG emissions in these processes, the more CBIOs can be emitted.

Each CBIO represents 1 ton of carbon (tCO<sub>2</sub>e) avoided. Certificates are marketed to fuel distributors and other types of organizations interested in offsetting their GHG emissions.



# International certification

On 20/21, we started the process to obtain the LCFS-CARB certification for our two production units. Joining this initiative is necessary for us to be able to export ethanol to the US market.

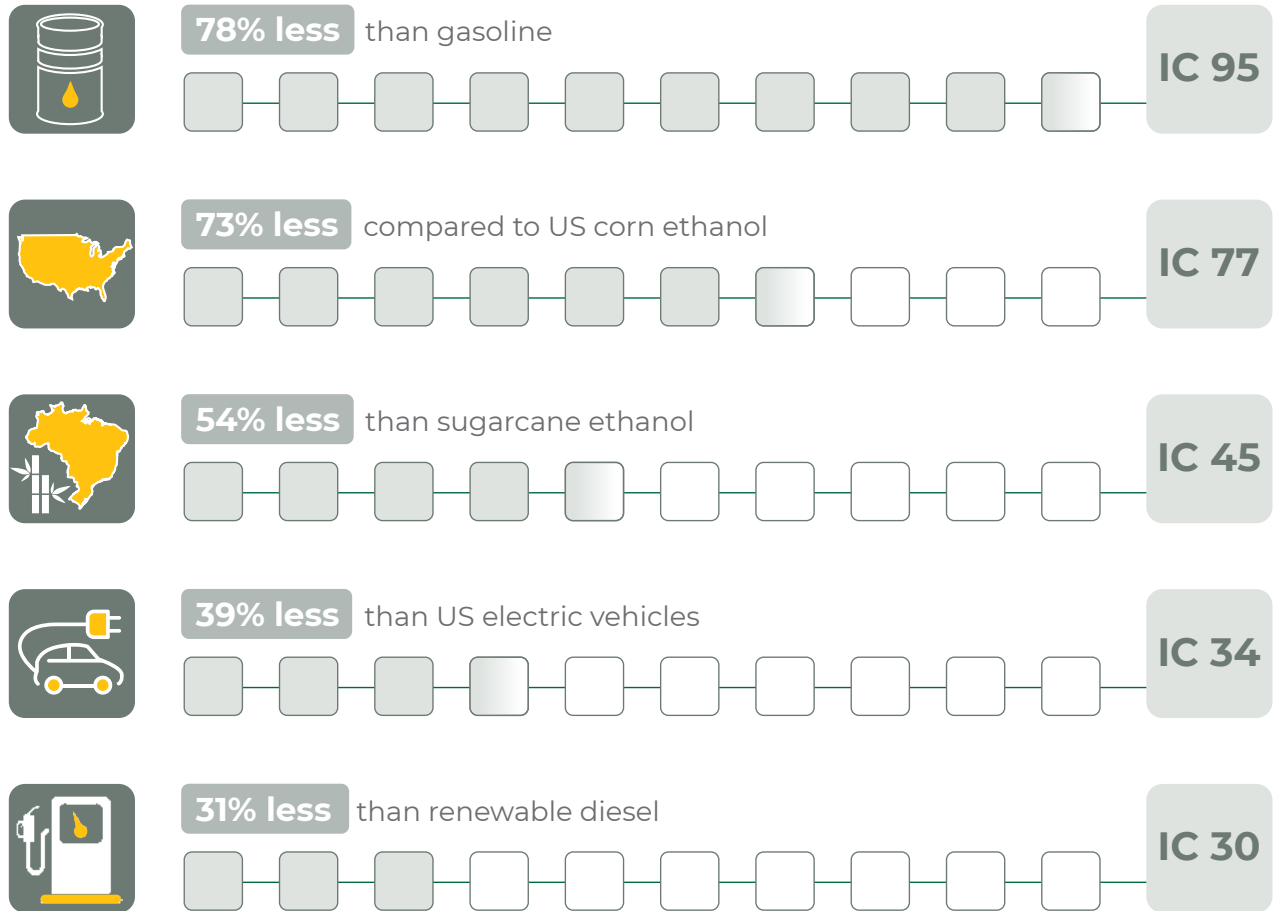
The evaluations and studies we've carried out indicate that the corn ethanol we produce will have one of the best efficiency ratings in relation to carbon intensity (CI). The IC index of 20.7 was submitted by FS and is in the process of approval by the California Air Resources Board (CARB).

The LCFS (Low Carbon Fuel Standard) is a program developed by the CARB (California Air Resources Board), of the State of California (USA), to encourage the use of low carbon fuels.



**Carbon Intensity (CI) of FS corn ethanol**

**20.7\***  
\*Submitted to CARB.



Notes: It does not include the CCS project. CI considers the CA-Greet methodology.

# BECCS AND THE FUTURE OF CARBON

Mechanisms for the sale and purchase of carbon credits – such as the one instituted in Brazil by RenovaBio – are one of the most efficient ways to encourage investment and innovation in the search for solutions to reduce emissions and sequester carbon. This type of market is already more mature in Europe and the United States, and other countries aligned with the 2030 Agenda should follow this trend, establishing a legislation that will encourage the decarbonization of the economy. According to World Bank data, there are already 64 carbon market jurisdictions in the world, covering almost 22% of global carbon emissions.

Our view is that, in the long-term, the value of carbon certificates (such as CBIOS) tends to increase as more companies (and people) seek to offset and mitigate the impacts of activities that contribute to global warming. Thereby, our strategy is to position the company at the forefront of this movement to take advantage of new opportunities.

Our long-term commitment includes the installation of a carbon capture and storage unit at the Lucas do Rio Verde Unit. This technology applied to ethanol production is known by the acronym BECCS (Bio-Energy with Carbon Capture and Storage).

The project envisages capturing the CO<sub>2</sub> resulting from the fermentation process, compressing it, dehydrating it and injecting it at great depth, so that it is safely and permanently stored in the geological

saline reservoirs of the Parecis Basin, preventing its emission into the atmosphere.

On 20/21, we advanced in the evaluation of studies for the implementation of this innovative project. We identified that the geological conditions in Lucas do Rio Verde allow the implementation of the technology in our Unit and,

now, we are starting a detailed study, with the acquisition of new geophysical data and the performance of reservoir modeling, which will allow us to analyze the feasibility technical and economic-financial of this solution. With the success of this initiative, our goal is to make our industry the first in Brazil with a negative carbon footprint.





# Emissions and Energy Efficiency

In crop year 20/21, we prepared our first emissions inventory following the methodology of the GHG Protocol, the most used international reference for the management of this environmental aspect. This tool allows us to identify the main sources of GHG emissions and supports the development of action plans to increase our efficiency. In this first edition, with data for the period between January and December 2020, the information made available covers Scope 1, Scope 2 and Scope 3 emissions.

Most Scope 1 emissions (direct operations) are biogenic and are considered to be neutral in terms of climate impact, as they are mostly due to the use of biomass as an energy source. This means that the carbon emitted in the production

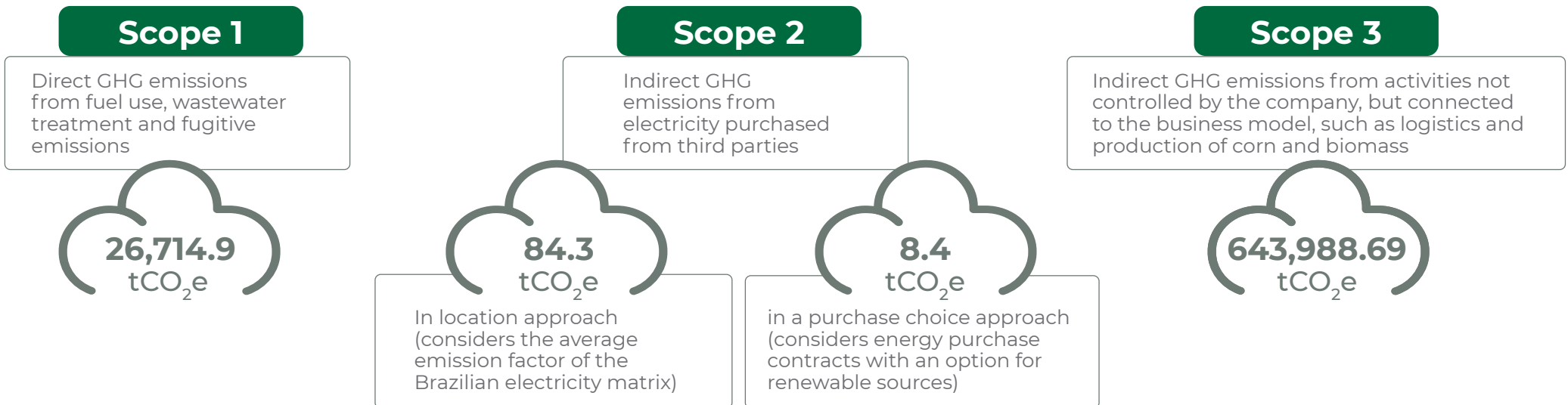
process was previously captured by eucalyptus forests during their growth.

The volume of non-biogenic emissions, mainly caused by the use of fuels in stationary and mobile sources and waste disposal, represented 1.3% of the total accounted for in Scope 1.

Scope 2 emissions (energy consumption), in turn, account for only 0.3% of the total GHG accounted for. In crop year 20/21, we consumed 121.8 thousand MWh of energy in our production processes, an increase of 6.8% over the previous period. Most of this energy was generated in our boilers, using biomass as an energy source, with the purchase of electricity representing 0.1% of the total (113.6 MWh).

Scope 3 emissions (indirect operations) refer to activities carried out by other stakeholders – such as corn producers and logistics operators. In this sense, the largest volume of non-biogenic emissions occurs in agricultural production. Corn accounts for 76% of total Scope 3 emissions.

**Our emissions inventory was verified by a third party and received the Gold Seal of the Brazilian GHG Protocol Program**

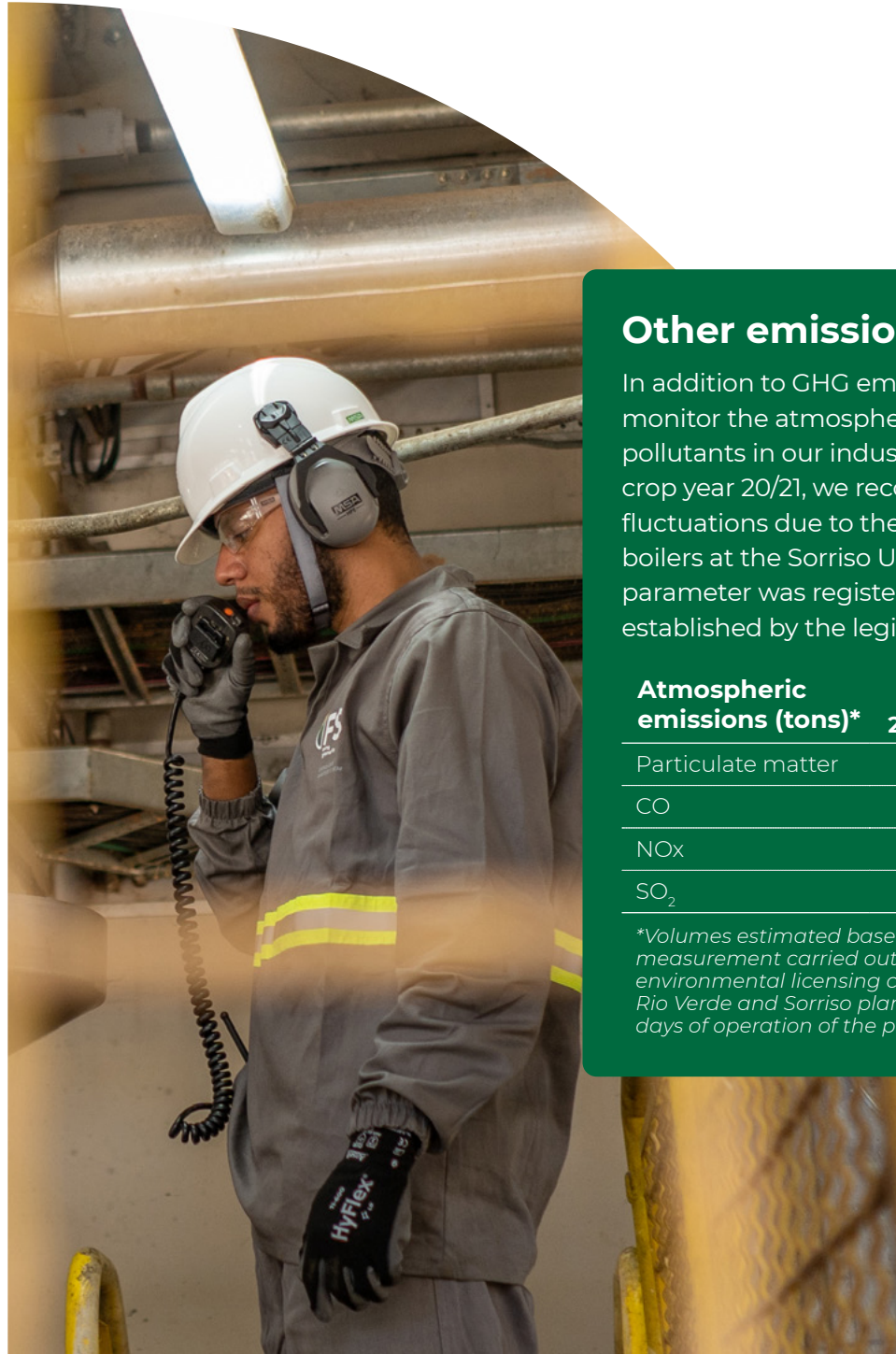


# Adaptation plan to climate change

On 20/21, we carried out an analysis of the exposure of our business to climate risks and prepared a Plan for Adaptation to Climate Change to guide actions and projects to be carried out internally and together with our partners. The assessment followed the approach proposed by the Climate Bonds Initiative (CBI) for the bioenergy sector and was based on data and scenarios from widely recognized secondary sources.

The analysis identified that our activities and corn production in Mato Grosso may be impacted by extreme weather events, caused by a possible increase in the average temperature (up to 5°C) in the region as a result of climate change. Among these weather events are records of heat, precipitation and extreme winds, droughts and geophysical hazards.

The Adaptation Plan identified several measures to be structured to manage climate risks, address adaptation actions, structure monitoring and reporting systems, and ensure alignment with the National Policy on Adaptation to Climate Change. In the 21/22 harvest, we will continue with the process of structuring a multidisciplinary group responsible for the governance and implementation of the Plan.



## Other emissions

In addition to GHG emissions, we also monitor the atmospheric emissions of pollutants in our industrial operations. In crop year 20/21, we recorded significant fluctuations due to the start-up of three boilers at the Sorriso Unit. Even so, no parameter was registered outside the limits established by the legislation.

Atmospheric emissions (tons)*	20/21	19/20	18/19
Particulate matter	69.4	45.0	87.3
CO	311.6	112.0	44.1
NOx	133.1	45.0	35.4
SO <sub>2</sub>	0.0	0.2	11.3

*\*Volumes estimated based on the quarterly measurement carried out as part of the environmental licensing conditions for the Lucas do Rio Verde and Sorriso plant. It considers the effective days of operation of the plant in each period.*





# RESPONSIBILITY IN THE VALUE CHAIN

## OUR COMMITMENT



Apply our social and environmental policy to 100% of the direct and indirect corn and biomass supply chain, as well as all direct sales of DDG, ensuring zero legal and illegal deforestation, non-use of protected lands and no incidence of slave-like labor.

Develop commercial partnerships with intermediaries (trading, warehouses, etc.) to create a mapping system in 100% of the indirect supplier chain.



# OUR PERFORMANCE AND EVOLUTION



Our commitment to sustainability encompasses building ethical and responsible relationships with suppliers and customers who work in agribusiness. In addition to specific aspects of social and environmental management, we require suppliers and customers to fully align with our corporate values and our Code of Conduct, in addition to full respect for human rights, including the commitment to actions to combat child labor and forced labor.

In crop year 20/21, we approved our **Sustainability Policy: Social and Environmental Responsibility in the Supply and Sales Chain** with guidelines and procedures to mitigate risks and ensure social and environmental compliance in strategic areas for our company – the origination of corn and biomass and sale of DDGs.

The Social and Environmental Responsibility Policy establishes the evaluation and approval criteria for

each type of supplier with which we sign long-term contracts or make punctual purchases (spot). On 20/21, we installed a Sustainability Committee that monitors the implementation of the Policy and carries out monthly assessments. Whenever applicable, the Committee discusses the measures to be taken for more complex cases – our objective is to annually disclose the evolution of the main indicators of adherence to the Policy.

Our objective is to increasingly strengthen the dissemination of good practices and the commitment to sustainability in our value chain. Therefore, one of our 2030 goals involves the development of systems and mechanisms for identifying and tracing the corn we acquire from intermediaries (tradings, warehouses etc.), combining efforts with these partners to improve the traceability of the originating corn.



## Goal achieved

One of the corporate goals we established for crop year 20/21 was the application of the Sustainability Policy to 100% of the corn and biomass contracts and the sale of animal nutrition products. The achievement of this goal was one of the criteria used to determine the distribution of variable compensation to all employees, including senior management.

We fully met the target on 20/21 and ensured that 100% of contracts were in compliance with our governance guidelines. For 21/22, we maintained the percentage for this goal, including it in the composition of corporate goals that establish the variable compensation of all employees.

The Sustainability Policy: Responsibility in the Supply and Sales Chain covers 100% of our chain.

Criteria evaluated	Categories of Evaluated Partners					
	Corn producers	Biomass producers (eucalyptus and bamboo)	Cooperatives (corn and biomass)	Trading companies, cerealists and brokers	Biomass projects (forest and industrial waste)	Animal protein producer customers
Current and historical list of work analogous to slavery (SIT-ME)	✓	✓	✓	✓	✓	✓
List of embargoed areas for deforestation (Ibama, Sema and ICMBio)	✓	✓	✓	✓	✓	✓
Illegal Deforestation List – LDI (Applicable to purchases in the state of PA)					✓	
Prodes Project (Project for Monitoring Deforestation in the Legal Amazon)	✓	✓	✓			
Areas embargoed for deforestation (Ibama, Sema and ICMBio)	✓	✓	✓			✓
Overlapping Indigenous Territories	✓	✓	✓			✓
Overlapping quilombola territories	✓	✓	✓			✓
Overlapping full protection conservation units	✓	✓	✓			✓
Overlapping sustainable use conservation units	✓	✓	✓			✓

To learn +

[Click here](#) and see our Sustainability Policy

# Social and environmental assessments of suppliers and customers

The social and environmental monitoring process is carried out by using technology and innovation. All suppliers and customers with active contracts in the ERP system are analyzed by means of the TerraMatrix platform, developed by the company Agrotools. This system has a rich geospatial database that is constantly updated, through which we are able to monitor the situation of agents and territories linked to the contracts and identify potential significant impacts.

The operational teams for the purchase of corn and biomass and the sale of animal nutrition products are responsible for applying the protocols and procedures provided for in our Policy. Whenever liabilities are detected in the analysis extract issued by TerraMatrix, these teams ask the corporate sustainability area for an advanced analysis of the case, carried out in accordance with procedures, decision tree flow and internal regulations established in our corporate governance

model. The case report process also provides for the deliberation of the Sustainability Committee if there is no consensus on the decisions.

The corporate sustainability area monitors and supervises all the assessment and approval of partners (suppliers and customers of DDGs) on a daily basis. Suppliers and customers with long-term contracts undergo social and environmental reassessment every 30 days. When any change in the partner's compliance status is identified, our areas execute action plans to seek the appropriate negotiations, which may lead to the termination of the contract.



**2,504** corn and biomass contracts

**1,310** animal nutrition sales contracts

**3,814** commercial contracts evaluated

*(Learn more on page 43)*

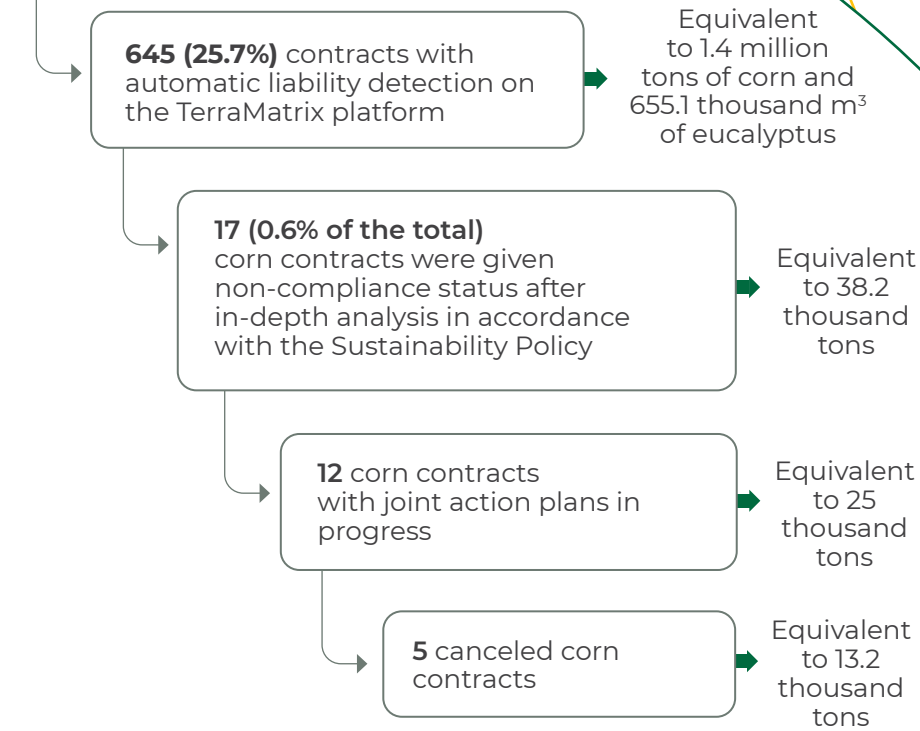


## Social and environmental assessments in crop year 20/21

### Corn and biomass



2,504 corn and biomass contracts closed and evaluated



### Animal nutrition



1,310 sales contracts closed and evaluated



The cancellations made in the corn and animal nutrition contracts were due to disrespect for embargoes by Ibama and Sema for illegal deforestation. No social impacts were identified in the monitoring of contracts. The analysis carried out on the TerraMatrix platform includes the consultation of any inclusion of the partner in the list of work analogous to slavery of the Sub-department of Labor Inspection of the Ministry of Economy (SIT-ME), including the consultation of individuals who have already been included in this list through the historical basis. The mitigation of risks related to child labor, in turn, is guaranteed through explicit contractual clauses in our standard contractual draft.

## Biomass diversification

Our industries work with a 100% renewable energy matrix from biomass. The origin of this input is strategic and, since the beginning of our operations, we have been seeking innovations to diversify energy sources.

Eucalyptus chips are one of the main sources we use. We work in partnership with local producers in Mato Grosso, through the Development Program, to expand the area of planted forests. We have already promoted about 8 thousand hectares in the state.

We also formed a partnership with Lacan, an investment fund specializing in the forestry sector, for the development of forestry in areas close to our industrial units. Until July 2021, planting had already been carried out on almost 5 thousand hectares.

Another work front is research related to the use of bamboo as a source of biomass. A new planting of this species was carried out in the last crop year, totaling a area of 5 thousand hectares.

We also advanced in the use of alternative biomasses for industrial processes. We have already successfully used cotton stumps, rice husks, sugarcane bagasse, sawmill waste, saw dust and bamboo as fuel. We are evaluating the use of açaí seed residue as another option for a biomass source for our boilers.







# WATER, WASTE AND EFFLUENTS

## OUR COMMITMENTS



Reducing water consumption by 5% and waste disposal to landfills by 40% until 2030.

Having 100% of the effluents used for fertigation by 2025.

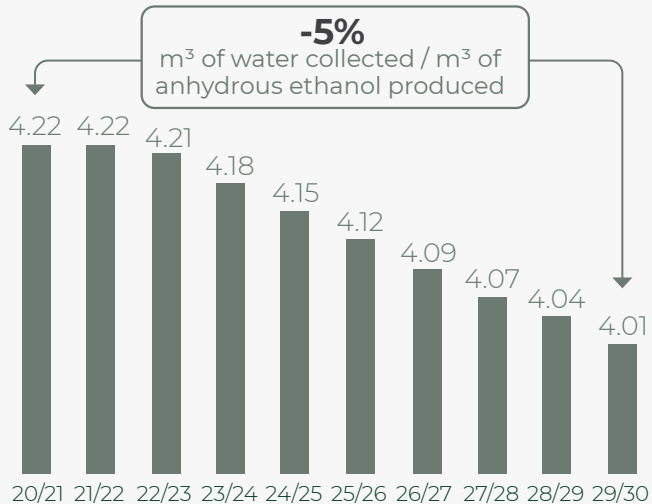
# OUR PERFORMANCE AND EVOLUTION

The goals that we formalized with a focus on improving our environmental performance were broken down into annual sub-goals, applicable to the operations of the Lucas do Rio Verde and Sorriso units. As of crop year 21/22, these annual targets will be part of the criteria for distributing variable compensation to all employees, including senior management.

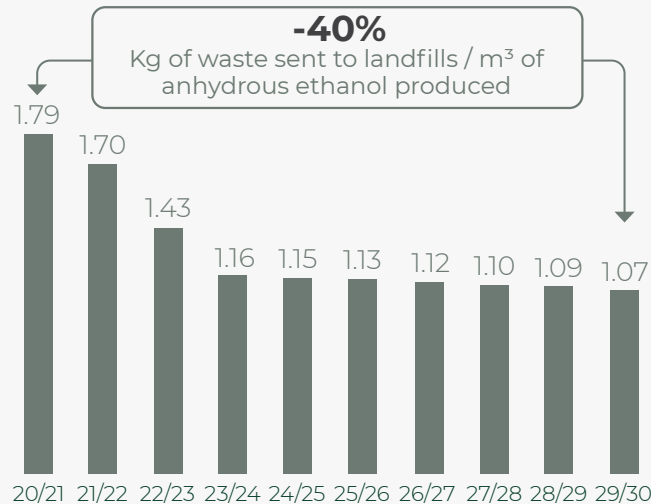
By improving performance each year, we will achieve our long-term commitment in line with the Sustainable Development Goals (SDGs).



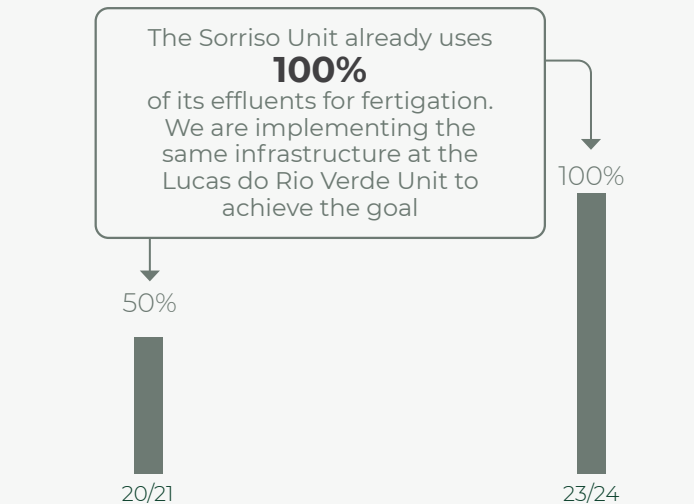
## Our commitment is to reduce water consumption by 5% by 2030\*



## Our commitment is to reduce waste to landfills by 40% by 2030\*



## Our commitment is to have 100% of the effluents used for fertigation by 2025\*\*



\*Values for units in LRV and SMT operation. Units under construction are not being considered in the calculations.

\*\*It only considers the Lucas do Rio Verde and Sorriso units, already in operation. The units in the project are not considered in the calculation.



# Water and effluents

We collect water in our industries for use in cooling towers and boilers, in addition to supplying offices. We have artesian wells with licenses issued by the state agency responsible for the Lucas do Rio Verde and Sorriso units. The volumes captured are measured by hydrometers, and water samples from the wells are analyzed in accordance with applicable regulations, with the periodicity ranging from monthly to annually, in accordance with the respective standards.

With the startup of the Sorriso Unit, in crop year 20/21, we recorded a collection rate of 4.25 (m<sup>3</sup> of water collected/m<sup>3</sup> of anhydrous ethanol produced). Our goal is, by 2030, to achieve a reduction of at least 5% of this index compared to 20/21.

Thus, we will continue to develop innovations and invest in solutions that improve our environmental performance. Our industries already have closed circuit systems, which reuse water in the production process and can be improved to reduce the need for new collections.





Our effluents are essentially domestic and come from discharges originated in boilers and cooling towers

Another objective is to increase the reuse of water after treatment for return to water bodies. We are committed to, by 2030, having 100% of treated effluents reused in fertigation processes, for example. In crop year 20/21, we discarded a total of 134.28 thousand m<sup>3</sup> of effluents, after undergoing a biological treatment process in our industrial units' own systems. Of this volume, approximately 50% was reused in fertigation processes.

Our effluents are essentially domestic and come from discharges from boilers and cooling towers. Its quality is measured through sample analyses, in compliance with environmental legislation and the requirements defined by the respective environmental licenses.

**Effluent quality indicators in crop year 20/21**

	Lucas do Rio Verde	Sorriso
Phosphorus discharged into water (tons)	0.1653	0.2219
Nitrogen discharged into water (tons)	0.0616	0.1599
Chloride discharged into water (tons)	7.4212	7.9371
Chemical Oxygen Demand (COD)	11.6259	8.5404
Biological Oxygen Demand (BOD)	4.1980	2.9834



# Waste

Our production process does not generate any significant waste. Our fiber removal technology allows the full utilization of corn grains for the production of ethanol and animal nutrition products (DDGs and corn oil).

Thus, the ash generated from burning biomass is the main material to be discarded. After going through the composting process, this type of waste has a high potential for reuse by agribusiness, as it has nutrients that contribute to soil fertilization.

Over the past two years, we have been working to develop a local partner specializing in the composting of ashes and other types of waste from refrigeration industries (learn more in the table opposite).

Other types of waste generated in our activities – such as plastic, metal and paper packaging – are destined for recycling. All disposal is carried out by duly licensed companies and monitored on a monthly basis by receiving certificates of disposal or recycling of materials.

## FS 2030 commitment

Our company works in partnership with a local partner to develop a solution that will allow organic recycling, through composting, of all waste that has this potential.

We are also in the development phase of another supplier to perform the chipping of pallets and wood in general that we receive together with inputs in our units. This material will be used as biomass in our boilers.

Only 4.4 thousand tons of waste (9% of the total) were sent to landfills in 20/21

Waste by disposal method (tons)	20/21	19/20*
<b>Non-hazardous</b>		
Compost (ashes)	43,296.11	25,142.2
Sanitary landfill (various materials)	4,428.36	886.0
Reverse logistics (plastic containers) – units	363.0	0.0
Recycling (paper, plastic and metals)	287.7	90.1
Reuse (containers) – unit	1.442	0
Reuse (pallets)	11.06	12.0
<b>Total** (tons)</b>	<b>48,023.23</b>	<b>26,130.3</b>
<b>Hazardous</b>		
Co-processing	60.97	62.4
Re-refining – m <sup>3</sup>	48.25	10.2
<b>Total*** (tons)</b>	<b>60.97</b>	<b>62.4</b>

\*Represented historical data.

\*\*It does not count "Reverse Logistics and Container Reuse" waste as it is not presented in tons.

\*\*\*It does not count "Re-refining" residues as they are not presented in tons.

In the period, 48,500 tons of waste were disposed of, an increase of 85% compared to the previous year, mainly due to the startup of the Sorriso Unit. Most of the waste (48.3 thousand tons) belongs to the non-hazardous category, including ash, which represents 91% of this total.

# Guidelines for environmental management

To maximize the positive impact of our products, we seek to achieve maximum environmental efficiency and develop excellent management of natural resources, waste and effluents. Our performance is guided by the **Environmental Policy**, which ensures the alignment of governance with the principles and concepts of sustainability.

Our Policy establishes, as a premise, full compliance with environmental legislation and compliance with legal and regulatory frameworks relevant to the operation of our industrial units. This monitoring is carried out with the support of a digital system (LEMA), which organizes and updates environmental regulations related to federal, state and municipal legislation.

Our management model also has the objective of expanding the training and engagement of employees in the area of environmental management, through training and awareness campaigns. Through innovation and the use of new technologies in production processes, we have increased the environmental efficiency of our industrial units. 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.



One of the most relevant fronts of action is the environmental licensing of operations. In crop year 20/21, we invested BRL 8.3 million in this area, an increase of almost 50% compared to the previous period. In this way, we maintained full compliance with environmental conditions, which rose from 52 to 260 in the period. As in previous years, we did not have any significant fines or sanctions related to environmental aspects.

The management of environmental aspects in our direct operations is complemented by proactive action and the formation of partnerships with suppliers and customers, which promotes the expansion of positive impacts throughout the production chain. This form of action is guided by the Social and Environmental Responsibility Policy in the Supplier and Customer Chain, with guidelines for the assessment and monitoring of social and environmental impacts on agribusiness (read more on page 42).





EDUCATION AND  
DEVELOPMENT OF

COMMUNITIES

OUR COMMITMENTS

4 QUALITY  
EDUCATION



8 DECENT WORK AND  
ECONOMIC GROWTH



Developing a technical training program and reaching, by 2030, 70% of our industry employees hired from our communities.



# OUR PERFORMANCE AND EVOLUTION

The expansion of our company with the implementation of new industries in the countryside of the state of Mato Grosso generates positive social impacts. The opening of new direct and indirect jobs contributes to boost the local economy and create opportunities for local development.

A socio-environmental impact study of the corn ethanol chain published by the scientific journal Nature Sustainability identified that the installation of a unit as the one in Lucas do Rio Verde generates and maintains approximately 4,500 direct and indirect job vacancies. During the construction phase, new jobs may reach 8,500 and approximately 19% of them benefit the population of Mato Grosso.

Due to the construction of the Sorriso Unit, the number of employees in our company increased from 285 in April 2019 to 557 in February 2020 – an increase of 95.4%. Our growth strategy foresees the opening of four more units in other municipalities in Mato Grosso.

Our objective is to combine this growth with a local sustainable development project, supporting the professional training of residents of these cities to work in the corn ethanol industry. The new business model that we inaugurated differs from traditional production chains supported by agricultural operations, and the demand for specialized labor has still been met by professionals from other states in Brazil.



The study by Brazilian researchers on the social and environmental impacts of corn ethanol was published in March 2020, in the Nature Sustainability magazine. The conclusions point to positive impacts of the business in different aspects

**High contribution of corn ethanol to avoid fossil fuel emissions**

**Better environmental performance compared to US biofuel using biomass**

**Positive impacts on industry, labor market, GDP and tax collection**

To learn +

[Click here](#) and see the full study



# LOCAL DEVELOPMENT

To achieve our goal of increasing local employability, we are committed to developing a professional training project for the corn ethanol sector focused on industrial and technical operations, such as maintenance of machinery and equipment. Currently, 52% of the professionals working in our industries already lived in Mato Grosso.

We plan to train the first group in this initiative in August 2021, in the cities of Lucas do Rio Verde and Sorriso. The start of this action, which requires face-to-face interactions and specific training at our units, depends on the improvement of the Brazilian scenario impacted by the Covid-19 pandemic.

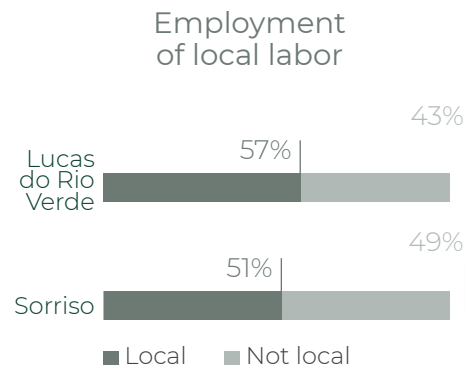
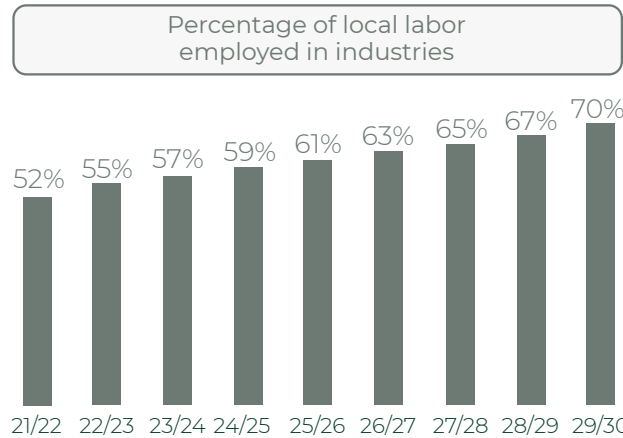
One of the main benefits anticipated from this initiative is the creation of new opportunities for local communities. The corn ethanol sector is expanding in Mato Grosso, including the

installation of other companies. Thus, the training project will be able to allow the insertion of these people in a new professional segment, connected to the reality of the local agribusiness.

In our company, the lowest salary paid to professionals who fill the entry vacancies is 62% higher than the minimum wage established by the Brazilian legislation. Moreover, all employees are eligible for variable compensation through the Profit Sharing Program (PPR).

Employees also have additional benefits such as medical and dental assistance, agreements with pharmacies for the purchase of medication, support for leisure and physical activities, food stamps and transportation assistance. The Employee Assistance Program (EAP) offers support for psychological, financial or legal advice. In crop year 20/21, the amount paid in wages and benefits totaled BRL 77.172 million.

**Our commitment is to develop a technical training program and reaching, by 2030, 70% of our industry employees hired from our communities**



## Connection with communities

To strengthen the positive social impact of our operations, we are also appraising mechanisms so that we can participate in initiatives aligned with public policies for local development and connected to the actual demands and needs of the communities in the municipalities where we operate.

Our objective, in crop year 21/22, is to structure a model for mapping local demands and defining investments in human and financial resources to support social projects. This process involves the hiring of an external consultancy firm specializing in the development of private social investment projects, which is in progress.



# INCLUSION AND DIVERSITY

## OUR COMMITMENT



Reaching at least 30% women and 40% blacks\* in leadership positions by 2030.

*\*Terminology used by the Brazilian Institute of Geography and Statistics (IBGE), including blacks and browns.*



# OUR PERFORMANCE AND EVOLUTION

We value our employees and offer ongoing opportunities for professional development and growth. We value respect, ethics and transparency in building relationships between leaders and their teams, united by a corporate culture aimed at achieving positive results for our company, customers and suppliers.

In crop year 20/21, we made significant progress in structuring policies and standards that guide people management in our company, such as the Training and Development Policy, the Performance and Career Management Policy, the Education Assistance Policy, the Compensation Policy and PPR. We improved the mechanisms for attracting and selecting talents, strengthening the identification of candidates connected to our values and corporate purpose.

Another 20/21 front was the development of policies and benefits to support our employees during the pandemic. We structured the Home Office Policy, aiming to provide more safety and quality to the new type of work, we readjusted the value of the food card and offered a platform for online medical appointments (learn more on page 20).

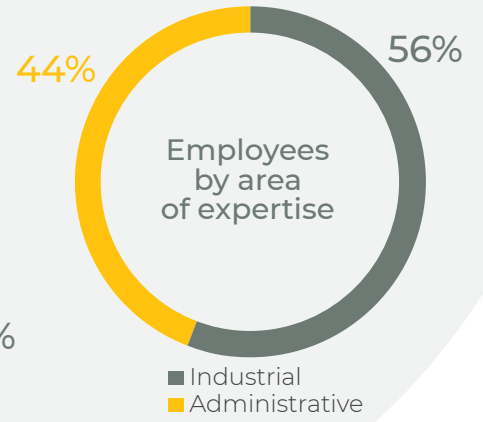
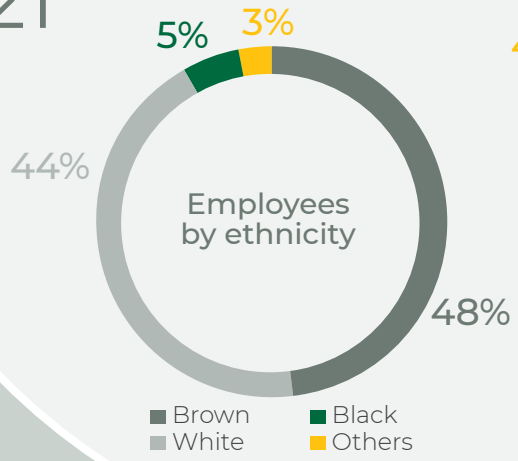
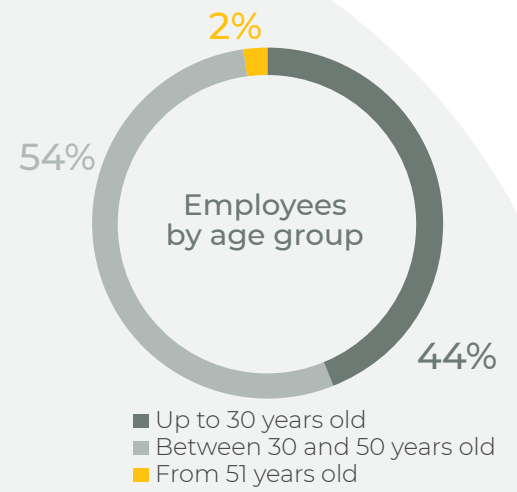
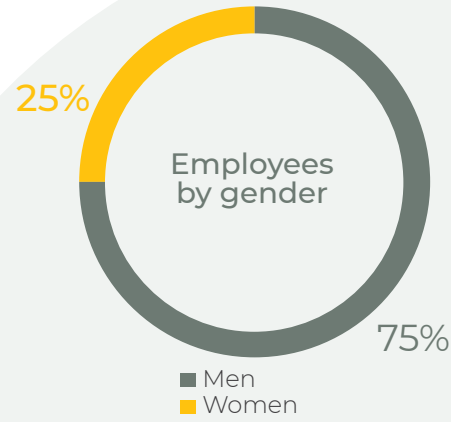
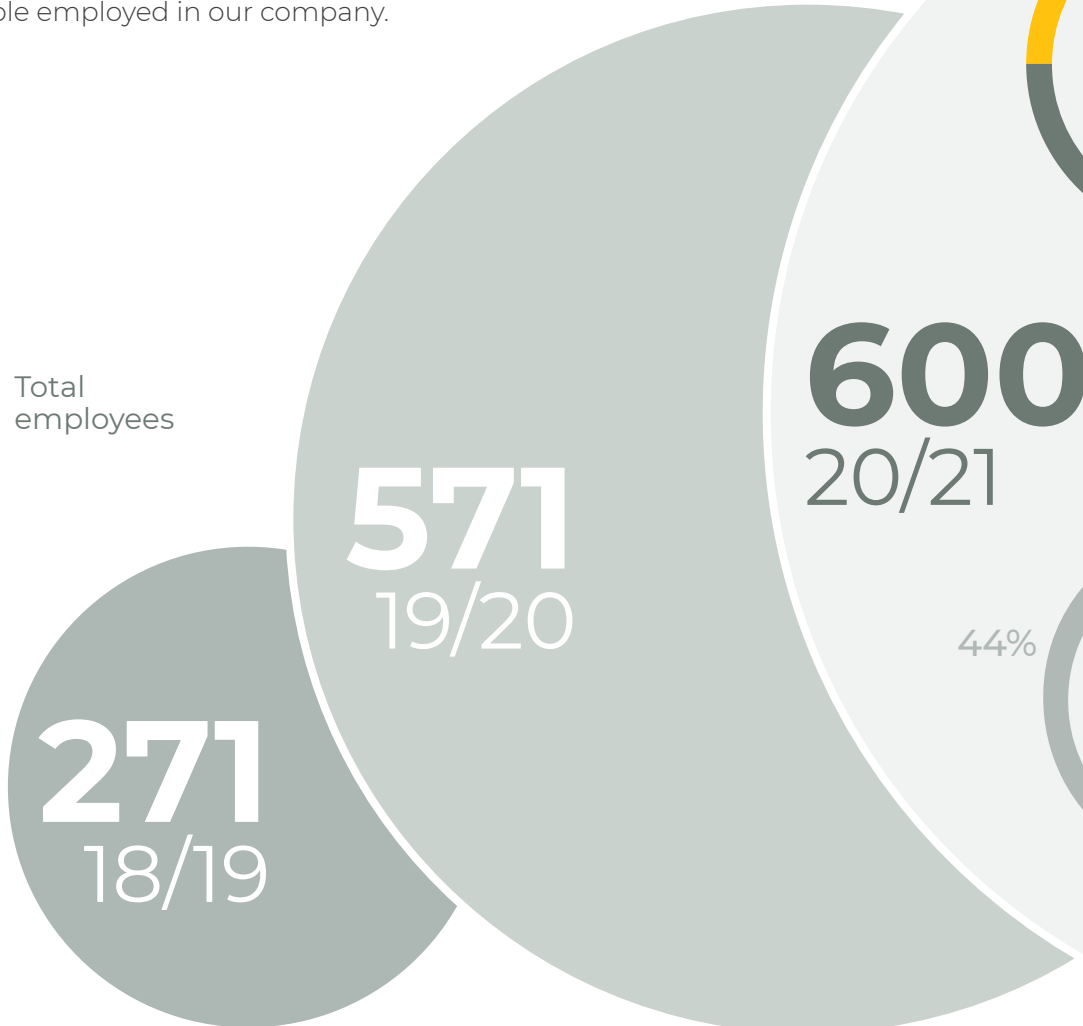
We also conducted a solid process for evaluating the performance of 100% of our employees, prioritizing the identification of opportunities for professional improvement and potential talents to fill new positions in the company. Our management model is connected to promoting diversity as a lever to drive innovation, efficiency and the achievement of strategic objectives.



# Promoting diversity

Our team is made up of 600 employees who work at the Lucas do Rio Verde and Sorriso units and at the administrative office we have in the city of São Paulo. Women represent 25% of the total people employed in our company.

Total employees





To expand the presence of women at all hierarchical levels and activities and achieve the commitment we made for 2030, we started in crop year 20/21 some actions with the objective of transforming the vision of our leaders and strengthening the theme internally. In the selection processes for specialist positions and levels above, we established, as an internal guideline, that the final list of candidates to be interviewed by the vacancy manager must have at least one woman. After this first process, the decision to hire the leader is based on exclusively technical and behavioral criteria.

We also joined the Brazilian government's Empresa Cidadã ("Citizen Company") program, which allows women to enjoy extended maternity leave (up to six months). We understand that this benefit increases our company's attractiveness to the female audience.

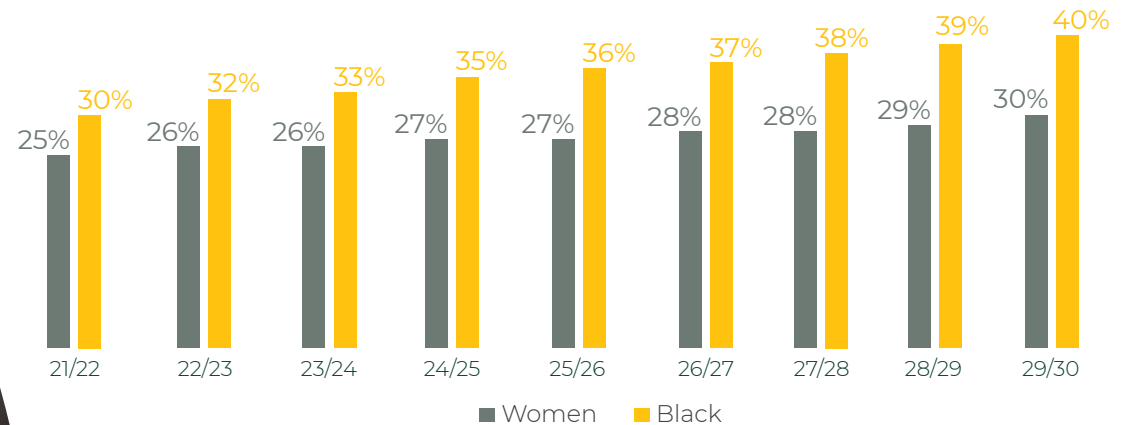
With these actions, together with the improvement of the people management model, we ended crop year 20/21 with 18 women employed in leadership positions (leaders, supervisors, coordinators and managers). This figure represents 21.70% of the positions that exist in our corporate structure. Furthermore, 70% of

the positions offered in our Internship Program in the last crop year were filled by women.

In addition to gender equity, we are also seeking mechanisms to promote the inclusion of People with Disabilities (PCDs) and black, brown and other ethnic professionals in leadership positions. Among the initiatives in this regard, on 22/22, we will carry out a diversity census with our employees, to support actions to strengthen diversity.



**Our commitment is to reach at least 30% women and 40% blacks\* in leadership positions\*\* by 2030**



*\*Terminology used by the Brazilian Institute of Geography and Statistics (IBGE), including blacks and browns.  
\*\*Considers supervisory, management and board positions.*

# People Cycle

The People Cycle is the annual performance evaluation process of our employees and covers 100% of our company's professionals. Only new hires, who are still on a trial period (up to 90 days), do not participate in this process.

The methodology provides for two stages of evaluation. The first consists of evaluating the achievement of individual deliveries agreed with the employee, considering the context in which these results were achieved. In the second stage, employees are evaluated regarding the demonstration of attitudes and behaviors connected with the values of IFS.

After completing the steps of self-evaluation, the evaluation of the leader and other stakeholders, we held consensus meetings, in which we validate 100% of the evaluations of our employees with the company's leadership, pointing out strengths and opportunity points and calibrating each employee according to our performance matrix. With these results, leaders direct individual feedback to each professional, with guidelines for improving and strengthening their professional performance.

Based on these analyzes and assessments, employees prepare their Individual Development Plan (PDI). It systematizes various actions to be taken based on the feedback received to enhance performance and prepare for career development. The PDI considers what

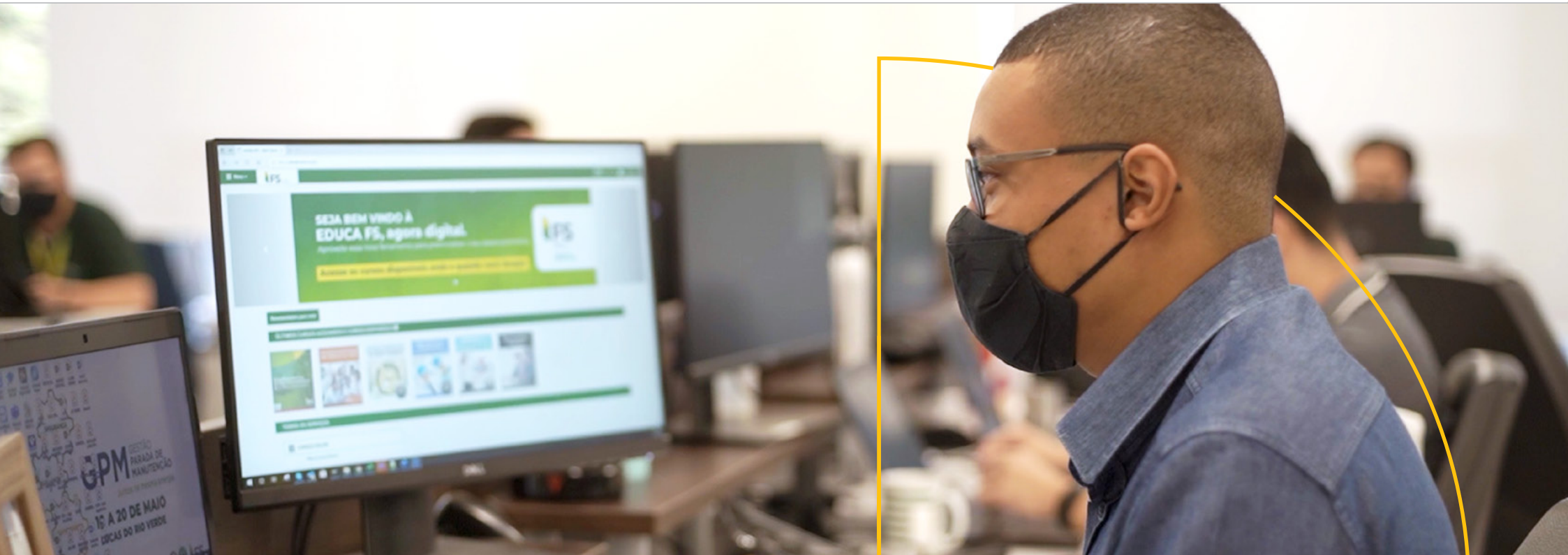


needs to be developed for the employee to have a high performance in their current position and, together, enable their next professional step.

In addition to the individual assessment, the Cycle of People provides the mapping of potential successors to the positions of specialist, supervisor, coordinator, manager and director. The model allows the identification of professionals capable of this evolution, as well as their readiness to take on new challenges.

**On 20/21, 42% of vacancies were filled internally. This percentage represents a leap from the 12.7% of internal use in the 19/20 crop year**





## Continuous qualification

In crop year 20/21, we strengthened the digitization and availability of content for Distance Education (EAD) as levers for training our employees. We launched EducaFS, a corporate distance learning platform with a series of materials for the self-development of professionals.

We also maintained the schedule of technical operational and safety related training. Besides, we promoted

the Academy of Leaders, aimed at managers, in addition to offering and supporting scholarships for undergraduate, MBA, postgraduate and language courses.

Another evolution in the period was the implementation of a specific platform for monitoring training, which contributed to the improvement of controls and planning in this field.

Corporate training  
in the 20/21 crop year

**BRL 1.3 million**  
invested

**9,600 hours**  
of training promoted

**11.6 hours**  
of training per employee (average)

**BRL 207 thousand**  
for scholarships and grants,  
benefiting 122 professionals

**99.8%**  
of the employees were trained

# Operations safety

The care for the health and safety of employees and service providers in our industrial units and offices is continuous and systematic. In crop year 20/21, we completed the formalization of this process into an Occupational Health and Safety Management System (SSO) that drives the planning, execution and review of protection mechanisms and dissemination of the safety culture.

One of the main actions provided for by the Management System is the creation of OHS Committees, aimed at discussing strategic, tactical and operational topics that make up the safety agenda at the units. Due to differences in activities, we implemented the Corporate SSO Committee (offices and administrative units) and the Industrial SSO Committee (industrial units).

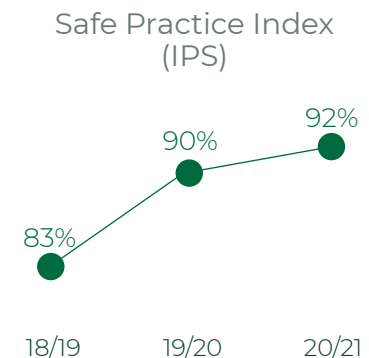
We also structured the Caring FS Program, which brings together the tools to be used by employees and leaders for the correct planning of activities, with a focus on identifying and mitigating safety risks. The purpose of this set of procedures is to encourage the observation and assessment of the work environment by the employees themselves, who are trained to identify risks and practice a culture of safety in their daily lives.

## The tools of the FS Care Program are

- Safety Personnel Assessment (APS)
  - Activity Safety Analysis (ASA)
    - Safe Behavior Observation (OCS)
      - Quality Review (RQ)
        - Incident Investigations (II)
          - Safety Intervention (IS)



One of the main instruments to strengthen the safety culture is the Safe Practice Index (IPS), measured from behavioral observations focused on safety carried out by leaders. Each year, the improvement in the index demonstrates our company's commitment to preserving a healthy work environment for all.





In addition, training in health and safety aspects reinforces the procedures and practices for employees and third parties. These training sessions are part of the principles of the Management System that we have structured and that are carried out continuously.

Our goal on the operations safety front is to prevent accidents from occurring with employees and third parties. In crop year 20/21, we recorded four incidents – two occurred in machinery and equipment maintenance operations and two have taken place during the works at the Sorriso unit. These cases led to an increase in the accident frequency rate compared to the previous crop year.

Since the onset of our activities, there has never been an accident that resulted in the death of employees and third parties. In addition, in the last three years, we did not record any accident that caused a leave of absence for more than 15 days.

The accident investigation process is conducted by the area's leadership, with technical support from the SSO team, and aims to find the causes of the incident and promote learning to avoid the occurrence of similar events in the future. This process is registered in a digital system, ensuring the traceability and follow-up of action plans.



### OHS training indicators

	20/21		19/20		18/19	
	Employees	Third parties	Employees	Third parties	Employees	Third parties
Number of people trained	750	1,050	170	450	190	580
Hours of training performed	7,528	4,200	10,357	1,800	7,538	2,320

### Accident indicators

	20/21		19/20		18/19	
	Employees	Third parties	Employees	Third parties	Employees	Third parties
Number of man-hours worked (thousand)	1,246.2	548.9	855.7	360.0	577.6	1,040.0
Total number of recordable accidents	4	0	2	0	3	3
Recordable accident frequency rate*	0.64	0.00	2.34	0.00	5.19	2.88
Accident Severity Rate*	0.00	0.00	0.00	0.00	3.45	85.60

\*Rates calculated on the factor of 200,000 man-hours worked. The days of absence, used to calculate the accident severity rate, are computed as calendar days. Recordable accidents include all occurrences, including those that required only first aid.



# GOVERNANCE AND COMPLIANCE

## OUR COMMITMENT



Promoting continuous improvement and transparency in our governance processes, with the goal of achieving maximum scale in the main ESG Ratings.



# OUR MANAGEMENT

Since its foundation, our company has adopted the best practices and has a corporate governance structure that guides decision-making on business, considering the economic, social and environmental impacts of our innovative business model. Risk and opportunity assessments take into account analyzes and projections of the biofuel, bioenergy and animal nutrition markets, seeking to generate value for shareholders and strengthen agribusiness.

Our shareholders, Summit Agricultural Group and Tapajós Participações S/A, are business groups with diverse experience and investments in agribusiness in the United States and Brazil. The long-term vision makes it possible to invest in innovative technologies and harness the competitive advantages of the Brazilian market for a sustainable operation with the capacity for rapid growth.



**Our leaders** are executives with comprehensive and **complementary professional experiences**, responsible for conducting the business towards strategic objectives and aligned with our corporate purpose

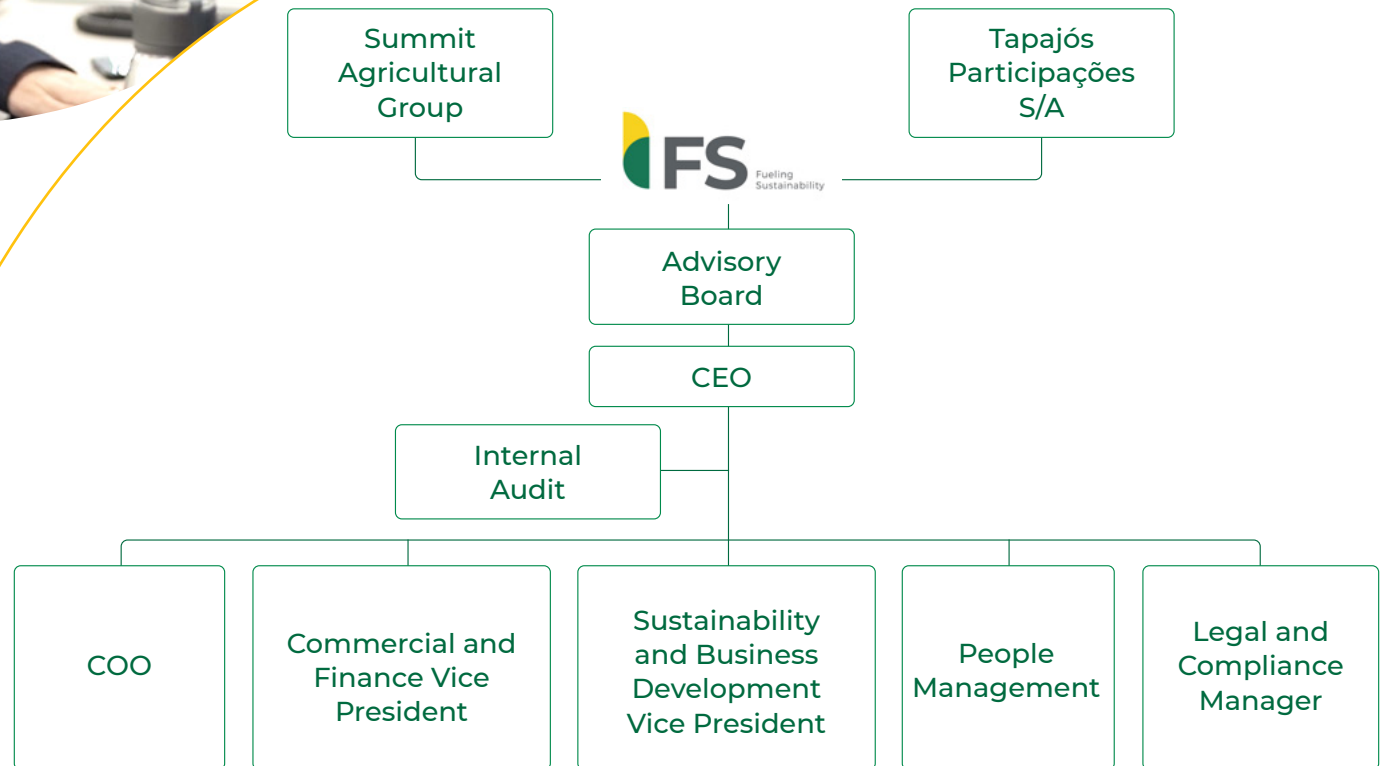


The performance of the Executive Board and all employees is guided by the principles expressed in our Code of Ethics and Conduct, disclosed through internal campaigns and available on our institutional website. Further, we have an internal anti-corruption policy, with guidelines to identify and mitigate risks related to the topic in our business.

We also count on the Sustainability and Compliance committees to support this high level of governance in our company.

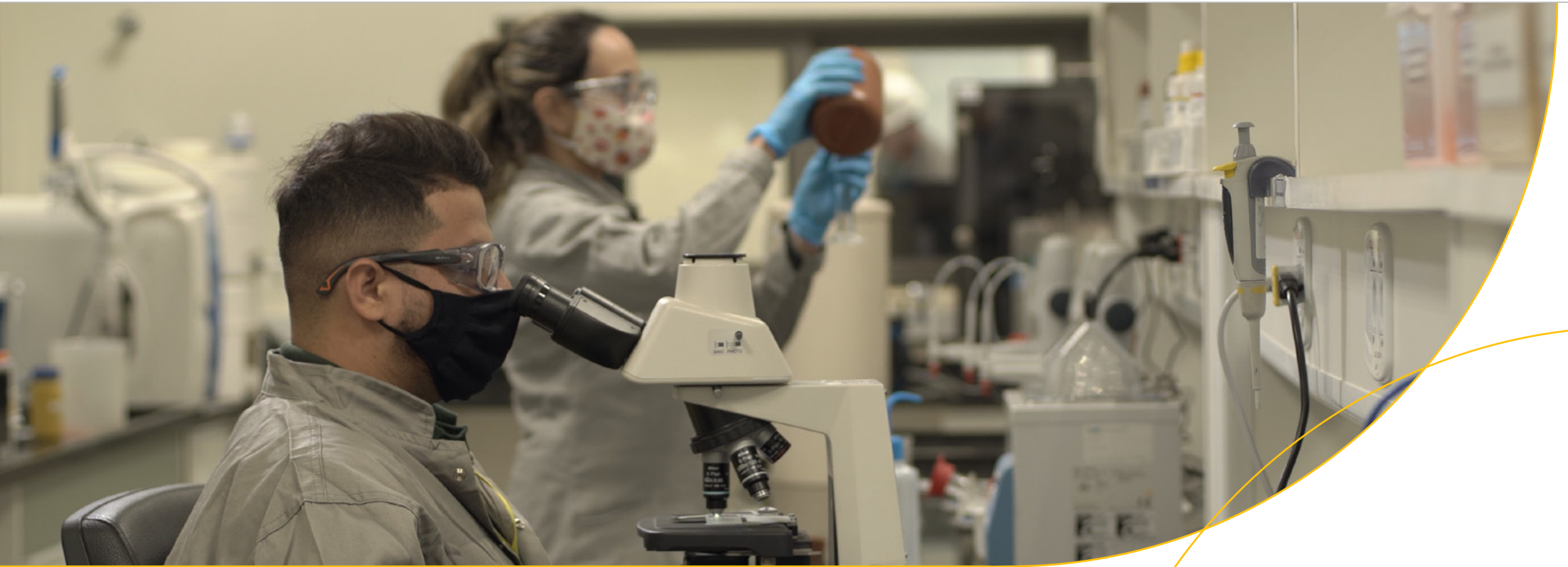
In our governance structure, we have an Advisory Board, made up of seven members with extensive business experience and comprehensive knowledge of economic, finance and research and development issues that can influence our strategic planning. The role of this body is to support shareholders in decision-making and monitor the performance of the Executive Board in implementing the strategy.

### Governance structure\*



\*FS Fueling Sustainability is a company incorporated as a limited company.





## OUR PERFORMANCE

In crop year 20/21, we continued to improve our governance structure and business monitoring mechanisms. The creation of the Compliance area, including the hiring of an executive specialized in the subject, strengthened our commitment to an ethical and transparent conduct in all our actions.

Even before this new corporate structure, we already had tools to combat attitudes,

behaviors and actions that were at odds with our values. The main one is the Confidential Channel, open to all audiences to receive communications about practices that do not comply with legislation or with the principles of our Code of Ethics and Conduct. The channel is managed by an external company and is open 24 hours a day (every day), accessible via the website, telephone or email.

Since the foundation of FS, no case of corruption has been registered by the control and monitoring areas

Complaints received are analyzed by the Compliance area, which conducts the procedures for investigation and decision-making. We also have the Ethics Committee, a collegiate body that monitors the execution of these activities and decides on the approach to be followed for any more serious cases.

In addition to the Confidential Channel, the training offered to all employees on ethics and compliance contributes to the sustainable development of our business. These training sessions, held every six months, address and reinforce points of specific legislation on combating corruption and unfair competition, with emphasis on the Clean Company Law (Law No. 12846/13) and the Foreign Corrupt Practices Act (FCPA).

In the last recycling, carried out in February 2021, 100% of the active employees hired until December 31, 2020 were trained. For employees hired after this period, training was carried out in the integration process. We recently expanded this training platform to third parties that represent our company in specific activities, such as law firms and consulting.

To mitigate the risk of corruption and fraud in our operations, we also rely on the work of the Internal Controls and Internal Audit areas. These two frameworks support corporate risk management, helping leaders and managers identify opportunities to improve controls, reporting systems and data traceability, and appraising and testing processes and procedures. Since the foundation of FS, no cases of corruption have been registered by the control and monitoring areas.

**Active employees\* trained in anti-corruption guidelines by functional level**

	20/21	19/20
Board of Directors	8	7
Management	20	12
Coordination	12	33
Administrative	177	153
Industrial	297	222
<b>Total</b>	<b>514</b>	<b>427</b>

*\*Active employees excludes professionals on vacation or on leave*





# ESG RATING

In order to assess the adherence of our operating and management model to the best market practices, we carried out an assessment based on environmental, social and governance criteria (ESG) guided by Vigeo Eiris, an international agency affiliated with Moody's and specialized in preparing sustainability ratings for investors. At the end of the process, we obtained an A1 rating, the highest on the scale, and a score of 59 out of 100 possible.

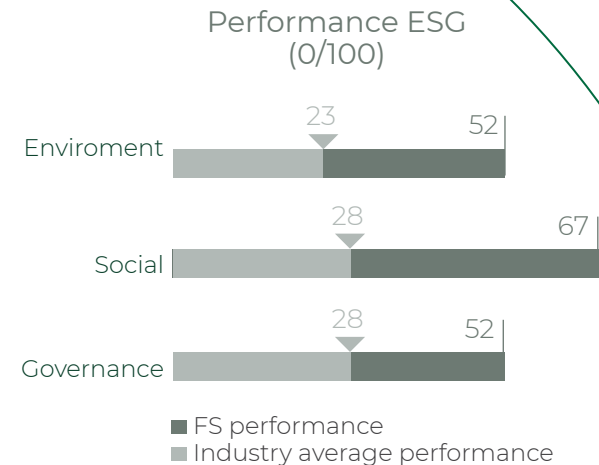
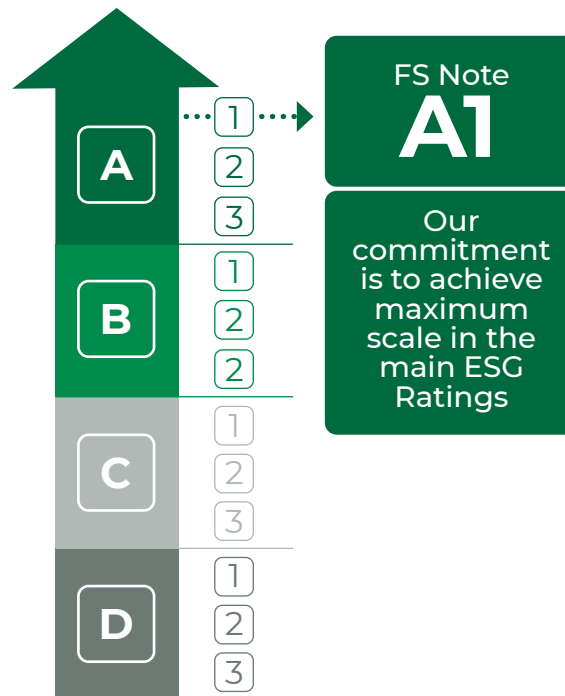
In all criteria observed, the assessment of our strategy and performance was above the industry average. The best assessments occurred for the aspects of human rights and people management (human resources). The work also allowed us to identify opportunities for improvement in other areas, such as internal controls and management of atmospheric emissions.

The assessment lasted five months and involved analysis of our company's public documents, audits and interviews with executives. We are committed to maintaining this rating and constantly improving our score, enhancing our reporting processes and systems.

ESG Overall Score



by **V.E**  
Part of  
**MOODY'S** | ESG Solutions





# GREEN BONDS



We were the first company in Brazil to carry out a national issue linked to sustainable goals. This pioneering condition is the result of two operations carried out in June 2020 – a CRI (Certificate of Real Estate Receivables) and a bilateral loan with Santander – which totaled BRL 318.5 million raised with conditions that allow the reduction of rates applied by financial institutions in view of the achievement of previously established corporate sustainability objectives.

These fundings were framed in the FS Green Bond Framework, released in March 2020 and which received, in June of the same year, independent validation with the Second Party Opinion, from SITAWI. The Framework ensures the alignment of the company's investment plans with the Green Bond Principles. Based on it, we were also able to classify as green the issuance of Agribusiness Receivables Certificates (CRA) that had been carried out in February, in the amount of BRL 210 million.

Together, the three operations totaled BRL 530 million raised in green bonds in the year. Already significant, this amount was surpassed, in December, with our first international issuance of green bonds. In the same month, US\$ 550 million were obtained with the offer, which attracted more than 80 investors, most of them foreigners. In January 2021, the green bond was reopened to raise an additional US\$ 50 million.

## Green bonds



FS recently received certification from the Climate Bonds Initiative (CBI), an international non-profit organization that assesses sustainable projects and assets. In this case, it is a programmatic certification, which signals that FS is able to issue green bonds to finance its projects with the CBI seal on a recurring basis.

To learn +

[Click here](#) for details on the CBI certification process (only in Portuguese)

## Main consolidated indicators of funding in green bonds already carried out by FS\*

*\*In addition to these, the Framework foresees, for Forestry Incentive projects, the disclosure of the area and the carbon inventory per hectare of the standing forest maintained by the initiatives financed by the green bonds.*

**BRL 3.58 billion**  
raised

**100%** classified in the  
Bioenergy category

**BRL 2.81 billion**  
for Capex

**BRL 776 million**  
destined to Opex

**4** financial  
instruments

**1.09 million m<sup>3</sup>**  
of total anhydrous  
ethanol produced

**17.81 gCO<sub>2</sub>e/MJ**  
anhydrous ethanol LRV\*

**17.83 gCO<sub>2</sub>e/MJ**  
anhydrous ethanol SMT\*\*  
of biofuel carbon  
footprint (RenovaCalc)

*\*Second certification data from Lucas do Rio Verde.  
\*\*Sorriso data audited by the inspection firm.*



# Management and Transparency Guidelines

The Framework defines parameters to appraise and select projects, allocate and manage the funds raised in green bonds and report, with transparency, the activities related to these projects.

There are two categories for framing initiatives: Bioenergy and Forestry. The first covers projects related to the production of ethanol, such as investments for the development, construction, operation and maintenance of facilities and operating expenses with the origination of corn. The second covers initiatives aimed at the purchase, development and maintenance of forests and biomass sources, such as investments in the cultivation of bamboo and other forest crops and operating expenses with the origination of biomass.

The eligibility criteria meet the requirements of the Green Bond Principles in five themes: limitation of greenhouse gas emissions in the product's life cycle; impacts on food security; climate change resilience and adaptation strategy; indirect impacts on land use; and production practices in the origination chain.

## Eligibility criteria for green bonds

1

### Limiting greenhouse gas emissions in the product life cycle:

The ethanol we produce must have a carbon footprint smaller than 18.8 gCO<sub>2</sub>e/MJ. According to the RenovaCalc tool (endorsed by the Green Bonds Principles), our current carbon footprint is 17.8 gCO<sub>2</sub>e/MJ, one of the lowest in RenovaBio.

2

### Impacts on food safety:

Brazil is an international agricultural power and has a low food security risk, according to the Global Hunger Index (GHI) of the International Food Policy and Research Institute. Additional land area is not used to produce corn supplied to the ethanol chain in the Midwest. Our industrial technology maximizes the use of this second-crop input, extracting starch for ethanol production and processing fiber, fat, and protein for the manufacture of animal nutrition products, promoting the production of animal protein. Thus, each job in our industries creates another 13 jobs in our production chain, generating income for the region and increasing the community's access to food.

3

### Climate change resilience and adaptation strategy:

We are committed to developing and implementing, by the end of 2021, a climate risk mitigation and adaptation strategy.

4

### Indirect impacts on land use:

Our risk is low, as we use second-crop corn, which prevents the opening of new cultivation areas. Even so, we started to monitor the productivity (in tons per hectare) of suppliers classified under RenovaCalc. Combined, these approaches ensure low risk of significant impacts on land use and conversion.

5

### Production practices in the origination chain:

Our Social and Environmental Responsibility Policy in the Supply and Sales Chain and the social and environmental assessments carried out for corn and biomass partners ensure proper management of climate and environmental aspects in the supply chain.



**REPORT**

**ANNEXES**



# ABOUT THE REPORT

Our Annual Sustainability Report has been prepared since 2019 to strengthen our transparency and broad accountability to all stakeholders. This third edition covers the period from April 1, 2020 to March 31, 2021 and has the same scope as FS' Financial Statements. As in previous years, the publication was subject to independent verification (see the assurance report on page 83).

This report was prepared in accordance with the GRI Standards: Essential option. As an evolution compared to the previous edition of our report – published in 2020 –, we aligned the structure of this document to the FS 2030 Sustainability Commitments (read more on page 30) and incorporated additional indicators to the GRI content, which strengthen the dissemination of our ESG (Environmental, Social and Governance) management. Questions and suggestions related to the publication can be submitted to [comunicacao@fsbioenergia.com.br](mailto:comunicacao@fsbioenergia.com.br).

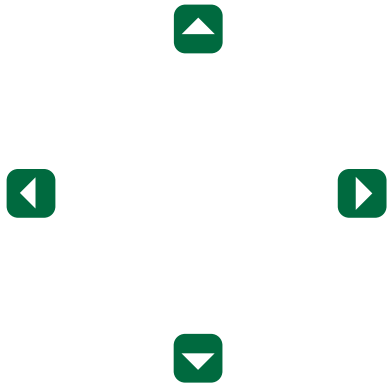


# SUSTAINABILITY MATRIX

The content of this report was defined based on the materiality process that we conducted in crop year 19/20, which resulted in the FS Sustainability Matrix. This work involved a set of internal and external listening fronts over eight months:

- Benchmarking evaluation, sustainability management and reporting guidelines and sectorial studies
- Individual interviews with the leadership
- Face-to-face and online interviews with stakeholders
- Internal audience engagement workshop

Employees, corn and biomass suppliers close to our headquarters (Lucas do Rio Verde – MT), clients, regulatory bodies and financial institutions were engaged in these consultations, totaling more than 50 participations. The research inputs were consolidated and validated by the FS Board, resulting in eight material themes grouped into five pillars of the Sustainability Matrix.



  
**Click on the Sustainability Matrix pillars**  
 to learn about the material topics

GRI 102-3 | 102-40 | 102-42 | 102-43 | 102-44 | 102-47 || 103-1



# COMPLEMENT TO THE GRI CONTENT

## 102-1 | Name of organization

FS Agrisolutions Indústria de Biocombustíveis.

## 102-8 and 102-41 | Information on employees and other workers and Collective bargaining agreements

Our staff grew year over year. In addition to our own employees, we count on third-parties for construction, security, cleaning and entrance control activities and hire other specialized tasks as needed.

Number of employees on 03/31/2021*	20/21		19/20**	18/19**	
	Men	Women	Total	Total	
<b>By employment contract</b>					
Indefinite term (CLT/Statutory)	436	121	<b>557</b>	<b>544</b>	<b>265</b>
Deadline (Apprentices/Interns/Seasoners)	14	29	<b>43</b>	<b>27</b>	<b>6</b>
<b>By daily workday</b>					
4 hours (apprentice)	1	0	<b>1</b>	<b>9</b>	<b>6</b>
6 hours (industrial scale)	82	36	<b>118</b>	<b>108</b>	<b>27</b>
6 hours (interns)	12	28	<b>40</b>		
8:48 hours (administrative)	161	62	<b>223</b>	<b>234</b>	<b>137</b>
12 hours	194	24	<b>218</b>	<b>220</b>	<b>101</b>
<b>By functional level</b>					
Board of Directors	9	0	<b>9</b>	<b>6</b>	<b>2</b>
Management	19	5	<b>24</b>	<b>14</b>	<b>10</b>
Coordination	10	3	<b>13</b>	<b>10</b>	<b>5</b>
Administrative	133	100	<b>233</b>	<b>211</b>	<b>100</b>
Industrial	279	42	<b>321</b>	<b>330</b>	<b>154</b>

\* Information obtained from the payroll on the base date March 31<sup>ST</sup>, each crop year. All employees work in Mato Grosso (Midwest region), except for twelve men and six women with an indefinite contract and a daily shift of 8:48 hours, and one man and two women with a fixed-term contract and a daily shift of 6:00 hours working in the São Paulo office. The São Paulo team consisted of 9 people (7 men and 2 women) at the end of the 2019/2020 crop. 100% of employees are covered by collective labor agreements.

## 102-45 | Entities included in the consolidated financial statements

The Annual Sustainability Report covers the same operations considered in FS' Financial Statements. All operating units of the company are in the entity FS Agrisolutions Indústria de Biocombustíveis Ltda.

## 401-1 | New employee hires and employee turnover

Hiring and turnover in crop year 20/21	Number of hires	Number of lay-offs	Hiring rate <sup>1</sup>	Turnover rate <sup>2</sup>
<b>By gender</b>				
Women	46	37	8.5%	6.8%
Men	100	116	18.4%	21.4%
<b>By age group</b>				
Up to 30 years of age	66	59	12.2%	10.9%
Between 31 and 50 years old	76	88	14.0%	16.2%
From 51 years of age onwards	4	6	0.7%	1.1%
<b>Total</b>	<b>146</b>	<b>153</b>	<b>26.9%</b>	<b>28.2%</b>

1. Hiring rate = number of hires divided by the average headcount for the year.

2. Turnover rate = number of lay-offs divided by the average headcount for the year.

#### 404-1 | Average hours of training per year per employee

Average hours of training per employee	20/21	19/20
<b>By gender</b>		
Women	11.07	5.65
Men	15.30	5.73
<b>By functional level</b>		
Board of Directors	16.22	6.95
Management	17.49	11.04
Coordination	21.14	6.67
Administrative	13.57	5.49
Industrial	9.23	5.01
<b>Consolidated statement</b>	<b>11.35</b>	<b>5.66</b>

#### 102-49 | Changes in reporting

There were no significant changes in the reporting scope.

#### 403-3 and 403-6 | Occupational health services and Promotion of worker health

We have a specialized consultancy firm in occupational health and safety, responsible for managing the periodic medical examinations of our employees. This service also conducts an annual flu vaccination campaign and makes telemedicine services available to FS professionals through an app.

#### 405-1 | Diversity of governance bodies and employees

Our Advisory Board is made up entirely of men over the age of 51 years. In the composition of our workforce, 25% are women and 54% are aged between 31 and 50 years.

##### Composition of functional levels on 03/31/2021 by gender

	Men	Women
Board of Directors	100.0%	0.0%
Management	79.2%	20.8%
Coordination	76.9%	23.1%
Administrative	57.1%	42.9%
Industrial	86.9%	13.1%

##### Composition of functional levels on 03/31/2021 by age group

	Up to 30 years of age	Between 31 and 50 years old	From 51 years of age onwards
Board of Directors	0.0%	100.0%	0.0%
Management	4.2%	91.7%	4.2%
Coordination	23.1%	69.2%	7.7%
Administrative	58.4%	40.8%	0.9%
Industrial	38.6%	58.6%	2.8%



### **102-9 | Supply chain**

In addition to corn and biomass suppliers, whose management is carried out by the origination areas in accordance with the guidelines of the Sustainability Policy (learn more on page 40), we have a corporate Supplies team for the relationship with partners in other materials and services. Within this scope, most of the expenses in crop year 20/21 were directed towards contracting services and purchasing materials for construction works at the Sorriso Unit and improvements at the Lucas do Rio Verde Unit. The amount allocated to the compensation of the 252 companies involved in these activities totaled BRL 165 million. Another BRL 193 million was paid to 291 suppliers for operational and administrative activities. During this period, we implemented our Supplier Relationship Portal (COUPA), which made the quotation, contracting and billing processes more agile.

### **102-10 | Significant changes to the organization and its supply chain**

There were no significant changes in the period.

### **102-13 | Membership of associations**

We are associated with the National Union of Corn Ethanol (UNEM), the Union of Sugar and Alcohol Industries of the State of Mato Grosso (Sindalcool-MT), the Federation of Industries of the State of Mato Grosso (FIEMT), the Association of Reforesters of the State of Mato Grosso (Arefloresta) and the Union of Construction, Generation, Transmission and Distribution of Electric Energy and Gas in the State of Mato Grosso (Sindienergia). In these entities, we discuss key aspects for the development of the sectors in which we operate. In crop year 20/21, discussions related to initiatives to combat Covid-19, RenovaBio legislation and the theme of climate change were highlighted on this agenda.

### **307-1 and 419-1 | Non-compliance with environmental laws and regulations and Non-compliance with laws and regulations in the social and economic area**

No non-compliances with laws and regulations in social and environmental aspects were identified in crop year 20/21. The company considers significant monetary sanctions in an amount equal to or greater than BRL 31 million (1% of sales calculated in the crop year), and non-monetary sanctions that may affect the regular operation of the company or the validity of operating licenses. Therefore, we had no case of non-compliance with laws and/or regulations in the socioeconomic area.

# GRI CONTENT SUMMARY



GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
<b>GRI 101   Foundation 2016</b>					
<b>General disclosures</b>					
	<b>Organizational profile</b>				
	102-1   Name of the organization	75	-	-	-
	102-2   Activities, brands, products, and services	7, 12, 13, 15, 16 and 17	-	-	-
	102-3   Location of headquarters	7, 13 and 74	-	-	-
	102-4   Location of operations	12 and 13	-	-	-
	102-5   Ownership and legal form	64	-	-	-
	102-6   Markets served	7, 13, 15, 16, 17, 18 and 19	-	-	-
	102-7   Scale of the organization	11 and 56	-	-	-
	102-8   Information on employees and other workers	56 and 75	-	6	8 and 10
GRI 102   General disclosures 2016	102-9   Supply chain	77	-	-	-
	102-10   Significant changes to the organization and its supply chain	77	-	-	-
	102-11   Precautionary Principle or approach	20, 21, 40, 44, 46 and 50	-	-	-
	102-12   External initiatives	28	-	-	-
	102-13   Membership of associations	28 and 77	-	-	-
	<b>Strategy</b>				
	102-14   Statement from senior decision-maker	3, 4 and 5	-	-	-
	102-15   Key impacts, risks, and opportunities	12, 14, 23, 24, 25, 29, 30 and 44	-	-	-
	<b>Ethics and integrity</b>				
	102-16   Values, principles, standards, and norms of behavior	8 and 64	-	10	16
	102-17   Mechanisms for advice and concerns about ethics	65 and 66	-	10	16

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content summary has been submitted in a clear way and that references to 102-40 to 102-49 disclosure items are aligned with the respective sections along the Report. The service was carried out in the Portuguese version of the Report.

GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
GRI 102   General disclosures 2016	<b>Governance</b>				
	102-18   Governance structure	63 and 64	-	-	-
	<b>Stakeholder engagement</b>				
	102-40   List of stakeholder groups	74	-	-	-
	102-41   Collective bargaining agreements	75	-	3	8
	102-42   Identifying and selecting stakeholders	74	-	-	-
	102-43   Approach to stakeholder engagement	74	-	-	-
	102-44   Key topics and concerns raised	74	-	-	-
	<b>Reporting practice</b>				
	102-45   Entities included in the consolidated financial statements	75	-	-	-
	102-46   Defining report content and topic Boundaries	73	-	-	-
	102-47   List of material topics	74	-	-	-
	102-48   Restatements of information	17, 19, 49 and 75	-	-	-
	102-49   Changes in reporting	76	-	-	-
	102-50   Reporting period	73	-	-	-
	102-51   Date of most recent report	73	-	-	-
	102-52   Reporting cycle	73	-	-	-
	102-53   Contact point for questions regarding the report	73	-	-	-
	102-54   Claims of reporting in accordance with the GRI Standards	73	-	-	-
	102-55   GRI content index	78	-	-	-
102-56   External assurance	83 and 84	-	-	-	



GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
<b>Material topic   A valuable business</b>					
GRI 103   Management approach 2016 <sup>1</sup>	103-1   Explanation of the material topic and its Boundary	12, 14, 23 and 32	-	-	-
	103-2   The management approach and its components	14, 23 and 32	-	-	-
	103-3   Evaluation of the management approach	23 and 32	-	-	-
GRI 201   Economic performance 2016	201-2   Financial implications and other risks and opportunities due to climate change	26, 27, 30, 33 and 36	-	7	13
GRI 305   Emissions 2016	305-1   Direct (Scope 1) GHG emissions	37	-	7 and 8	3, 12, 13, 14 and 15
	305-2   Energy indirect (Scope 2) GHG emissions	37	-	7 and 8	3, 12, 13, 14 and 15
	305-3   Other indirect (Scope 3) GHG emissions	37	-	7 and 8	3, 12, 13, 14 and 15
GRI 307   Environmental compliance 2016	307-1   Non-compliance with environmental laws and regulations	77	-	8	16
<b>Material topic   People and culture</b>					
GRI 103   Management approach 2016 <sup>2</sup>	103-1   Explanation of the material topic and its Boundary	9 and 55	-	-	-
	103-2   The management approach and its components	9 and 55	-	-	-
	103-3   Evaluation of the management approach	9 and 55	-	-	-
GRI 202   Market presence 2016	202-1   Ratios of standard entry level wage by gender compared to local minimum wage	53	-	6	1, 5 and 8
GRI 401   Employment 2016	401-1   New employee hires and employee turnover	53, 58 and 75	-	6	5, 8 and 10
	401-2   Benefits provided to full-time employees that are not provided to temporary or part-time employees	53 and 58	-	-	3, 5 and 8
GRI 404   Training and education 2016	404-1   Average hours of training per year per employee	59 and 76	-	6	4, 5, 8 and 10
	404-2   Programs for upgrading employee skills and transition assistance programs	59	-	-	8
	404-3   Percentage of employees receiving regular performance and career development reviews	59	-	6	5, 8 and 10
GRI 405   Diversity and equal opportunity 2016	405-1   Diversity of governance bodies and employees	57 and 76	-	6	5 and 8

<sup>1</sup> The management approach refers to all GRI disclosures within the material topic "A valuable business".

<sup>2</sup> The management approach refers to all GRI disclosures within the material topic "People and culture".

GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
<b>Material topic   Innovation and technology</b>					
GRI 103   Management approach 2016 <sup>3</sup>	103-1   Explanation of the material topic and its Boundary	32, 74 and 38	-	-	-
	103-2   The management approach and its components	32 and 38	-	-	-
	103-3   Evaluation of the management approach	32	-	-	-
GRI 203   Indirect economic impacts 2016	203-2   Significant indirect economic impacts	36, 53 and 57	-	-	1, 3 and 8
<b>Material topic   Ethics within and outside</b>					
GRI 103   Management approach 2016 <sup>4</sup>	103-1   Explanation of the material topic and its Boundary	40, 41 and 64	-	-	-
	103-2   The management approach and its components	40 and 41	-	-	-
	103-3   Evaluation of the management approach	40 and 41	-	-	-
GRI 205   Anti-corruption 2016	205-1   Operations assessed for risks related to corruption	63, 64, 65, 66 and 67	-	10	16
	205-2   Communication and training about anti-corruption policies and procedures	65 and 66	-	10	16
	205-3   Confirmed incidents of corruption and actions taken	65 and 66	-	10	16
GRI 307   Environmental compliance 2016	307-1   Non-compliance with environmental laws and regulations	77	-	8	16
GRI 308   Supplier environmental assessment 2016	308-1   New suppliers that were screened using environmental criteria	41, 42 and 43	-	8	-
	308-2   Negative environmental impacts in the supply chain and actions taken	41 and 43	-	8	-
GRI 408   Child labor 2016	408-1   Operations and suppliers at significant risk for incidents of child labor	41 and 43	-	5	8 and 16
GRI 409   Forced or compulsory labor 2016	409-1   Operations and suppliers at significant risk for incidents of forced or compulsory labor	41 and 43	-	4	8
GRI 414   Supplier social assessment 2016	414-1   New suppliers that were screened using social criteria	41, 42 and 43	-	2	5, 8 and 16
	414-2   Negative social impacts in the supply chain and actions take	41 and 43	-	2	5, 8 and 16
GRI 419   Socioeconomic compliance 2016	419-1   Non-compliance with laws and regulations in the social and economic area	50 and 77	-	-	16

<sup>3</sup> The management approach refers to all GRI disclosures within the material topic "Innovation and technology".

<sup>4</sup> The management approach refers to all GRI disclosures within the material topic "Ethics within and outside".

GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
<b>Material topic   Care for people and environment</b>					
GRI 103   Management approach 2016 <sup>5</sup>	103-1   Explanation of the material topic and its Boundary	40, 50, 52 and 74	-	-	-
	103-2   The management approach and its components	40, 50 and 52	-	-	-
	103-3   Evaluation of the management approach	40, 50 and 52	-	-	-
GRI 303   Water and effluents 2018	303-1   Interactions with water as a shared resource	47 and 48	-	8	6 and 12
	303-2   Management of water discharge-related impacts	47 and 48	-	8	6
	303-3   Water withdrawal	47	-	7 and 8	6
GRI 305   Emissions 2016	305-4   Water discharge	47 and 48	-	7 and 8	6
	305-1   Direct (Scope 1) GHG emissions	37	-	7 and 8	3, 12, 13, 14 and 15
	305-2   Energy indirect (Scope 2) GHG emissions	37	-	7 and 8	3, 12, 13, 14 and 15
	305-3   Other indirect (Scope 3) GHG emissions	37	-	7 and 8	3, 12, 13, 14 and 15
GRI 306   Waste 2020	305-7   Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	38	-	7 and 8	3, 12, 14 and 15
	306-1   Waste generation and significant waste-related impacts	49	-	8	3, 6, 11 and 12
	306-2   Management of significant waste-related impacts	49	-	8	3, 6, 11 and 12
	306-3   Waste generated	49	-	8	3, 11 and 12
	306-4   Waste diverted from disposal	49	-	8	3, 11 and 12
GRI 403   Occupational health and safety 2018	306-5   Waste directed to disposal	49	-	8	3, 11 and 12
	403-1   Occupational health and safety management system	60 and 61	-	-	8
	403-2   Hazard identification, risk assessment, and incident investigation	60 and 61	-	-	8
	403-3   Occupational health services	76	-	-	8
	403-4   Worker participation, consultation, and communication on occupational health and safety	61	-	-	8 and 16
	403-5   Worker training on occupational health and safety	61	-	-	8
	403-6   Promotion of worker health	20, 21, 53 and 76	-	-	3
	403-7   Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	20, 21 and 61	-	-	8
	403-8   Workers covered by an occupational health and safety management system	61	-	-	8
403-9   Work-related injuries	61	-	-	3, 8 and 16	

<sup>5</sup> The management approach refers to all GRI disclosures within the material topic "Care for people and environment".



# ASSURANCE REPORT



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## Limited assurance report issued by independent auditors

To the Board of Directors, Shareholders and Stakeholders  
**FS Agrisolutions Industria de Biocombustíveis Ltda.**  
 São Paulo - SP

### Introduction

We have been engaged by FS Agrisolutions Industria de Biocombustíveis Ltda. ("FS Bioenergia" or "Company") to apply limited assurance procedures on the sustainability information disclosed in FS Bioenergia's 2020/2021 Annual Sustainability Report, related to the crop year 2020/2021, which comprise the period from April 1st, 2020 to March 31st, 2021.

### Responsibilities of FS Bioenergia's Management

The Management of FS Bioenergia is responsible for adequately preparing and presenting the sustainability information in the 2020/2021 Annual Sustainability Report in accordance with the Standards for Sustainability Report of Global Reporting Initiative – GRI (GRI - Standards), as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

### Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the 2020/2021 Annual Sustainability Report based on a limited assurance engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI - Standards) and the methodology developed globally by KPMG for assurance of social and environmental information disclosed in sustainability reports denominated KPMG Sustainability Assurance Manual - KSAM, applicable to historical non-financial information.

These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the FS Bioenergia's 2020/2021 Annual Sustainability Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards) and the KPMG Sustainability Assurance Manual - KSAM consists mainly of questions and interviews with the Management of FS Bioenergia and other professionals of the Company involved in the preparation of the information disclosed in the 2020/2021 Annual Sustainability Report and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the 2020/2021 Annual Sustainability Report taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the 2020/2021 Annual Sustainability Report, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) engagement planning: considering the material aspects for FS Bioenergia's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the FS Bioenergia's 2020/2021 Annual Sustainability Report. This analysis defined the indicators to be checked in details;
- (b) understanding and analysis of disclosed information related to material aspects management;
- (c) analysis of preparation processes of the 2020/2021 Annual Sustainability Report and its structure and content, based on the Principles of Content and Quality of the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI - Standards);
- (d) evaluation of non-financial indicators selected:
  - understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
  - application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the 2020/2021 Annual Sustainability Report;
  - analysis of evidence supporting the disclosed information;
- (e) analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

**Scope and limitations**

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the 2020/2021 Annual Sustainability Report.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

**Conclusion**

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in the 2020/2021 Annual Sustainability Report of FS Bioenergia is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI - Standards), as well as its source records and files.

São Paulo, August 10<sup>th</sup>, 2020

KPMG Assessores Ltda.



Marcio Barreto  
Principal

## Credits

### General coordination

Sustainability & Business  
Development Dept

### Content, consulting and design

usina82

### Photos

FS's collection and Shutterstock

