



ANNUAL AND
SUSTAINABILITY REPORT

2018/2019

 **São Martinho**





CONTENTS

Welcome to São Martinho's *2018/2019 Annual and Sustainability Report*. Through this document, published annually, the Company communicates to its stakeholders - employees, customers, suppliers, shareholders, governments, etc. - its main projects, impacts and financial and non-financial performance indicators for the period.

This edition covers the period from April 1, 2018 to March 31, 2019 and covers the four mills in operation: Iracema, São Martinho and Santa Cruz (in São Paulo) and Boa Vista (in Goiás). Information on joint ventures and minority interests is not included in the indicators.

The report construction follows the guidelines of the Global Reporting Initiative (GRI), Standards version, and the criteria of the Brazilian Association of Publicly-Held Companies (Abrasca, in Portuguese) for publication of annual reports. The most relevant management themes are prioritized based on the materiality process. The United Nations Sustainable Development Goals (SDGs) also have their connection with the business presented throughout the document.

Questions and requests for information about the content can be addressed through the *e-mail* comunicacoes@saomartinho.com.br. GRI 102-53

Enjoy your reading.

MESSAGE FROM THE PRESIDENT 04

THE SEASON IN HIGHLIGHTS 06

SÃO MARTINHO 08

Our business 10

Our beliefs 12

GOVERNANCE 14

Ethics and transparency 18

STRATEGY 20

Competitive advantages 22

Risks and opportunities 24

Investments and projects 26

Integrated management system 30

Engagement and materiality 32

BUSINESS RESULTS 36

Operating and financial performance 37

SOCIAL DEVELOPMENT 38

Human capital 39

Communities 54

Supply chain 60

Government, sector and market 62

ENVIRONMENTAL MANAGEMENT 66

Water resources 68

Waste 72

Emissions 76

Use of soil 78

ABOUT THIS REPORT 80

GRI content summary 81

OFFICE HOURS 90





MESSAGE FROM THE PRESIDENT

GRI 102-14

With a robust and flexible business model, able to adapt to the challenges of our industry, São Martinho experienced a season of confirmation of its resilience in 2018/2019. Impacted by climate issues at our mills, we had an operating performance below the previous year; nevertheless, we recorded consistent economic and financial results, due to the efforts of our people.

We remain committed to our strategic planning, anchored in competitive differentials that include leadership in the incorporation of technologies in the sugar and ethanol sector, integrated agroindustrial management and investment in new sugarcane planting and harvesting models, which increase our competitiveness in the global market.

During the season, we continued projects such as the adoption of the pre-sprouted seedlings (MPB, in Portuguese) and Meiosi method and the implementation of 4G connectivity in the mills. These initiatives reinforce our position as main players in key innovation themes in the field - as we have been in the past, with harvest mechanization - and ensure the maximum use of sugarcane, as well as the rational use of assets and full tracking of the entire operation. Another highlight was the partnership we established with Embrapa Cerrado (CPAC) to improve biological pest control. With this work, we

hope to accelerate the implementation of mechanisms to ensure the mill health and efficiency of our sugarcane fields.

In industrial and agricultural operations, we started a continuous improvement program based on lean production methodology, with over 80 projects started in 2018/2019.

To these measures are added projects aimed at valuing our employees, building partnership relationships with suppliers and environmental management. In the first pillar, we invested in capacity building and structured a new Human Resources Master Plan, with ten strategic pillar and key indicators to assess our progress on such fronts as careers, succession, health, safety and culture. Proof of our commitment to the theme, the recognition of São Martinho as Company of the Year in *Você S/A's* 2018 Guide of Best Companies to Work, after seven consecutive participations, makes us proud and demonstrates the coherence between discourse and practice in our people management.

In relation's with partners, the priority has been to advance the dialogues on agricultural productivity and prepare the entire chain for certifications in the National Biofuels Policy (RenovaBio), with socio-environmental guidelines that, 100% adopted, will guarantee us a reference position in ethanol production.



Regarding environmental management, we have sought to find innovative solutions to improve our performance on issues such as waste, emissions and water and soil use; one of the outstanding projects, integrated to the productivity strategy, is the use of concentrated and localized vinasse, with benefits for fertigation efficiency.

These and other initiatives are described in detail over the next few pages, reflecting our commitment to adequately account for our strategy, our investments and the generation of results for the Company and its stakeholders.

Fabio Venturelli
President of São Martinho

We remain committed to our strategic planning, anchored in competitive differentials that include leading technology incorporation in the sugar and ethanol sector

THE SEASON IN HIGHLIGHTS

A summary of the Company's results on its most relevant sustainability topics

Economic performance of the business

R\$ 3,382 million
Net revenue

R\$ 1,645 million
Adjusted Ebitda

1.46x
Harvest debt

Innovation and technology

R\$ 40 million
by 2020
In investments in the 4G coverage project in the mills

R\$ 24 million
in 2018/2019

99.9%
Mechanization percentage

Development of neighboring regions and communities

R\$ 7.48 million
Investment in education and social development (includes incentive laws)

R\$ 1.1 million
invested by the Company in *Primeiro Emprego Projovem* and *Patrulheiros*

Human capital attraction, retention and development

10 pillars
of management addressed in the new Human Resources Master Plan

+ 1.6 thousand
hires of its own employees during the season

28 hours
Average training per employee

Climate strategy

95%

of energy consumption from renewable sources (ethanol and sugarcane bagasse)

Scope 1 GHG emissions per mill
(tons of CO₂ equivalent)

Iracema – 80,437
São Martinho – 197,672
Boa Vista – 134,151
Santa Cruz – 184,061

Governance, transparency and business ethics

+ 90%

of complaints received in the Ethics Channel resolved during the season

Human rights and diversity

91%

Compliance in 2018/2019 to the Occupational Health and Safety Management System

76.19%

of employees trained in human rights

Biodiversity

100%

of rural properties included in the Rural Environmental Registry

+ 4.4 million seedlings

planted in the *Viva a Natureza* Project

Waste

99%

of reused waste in agricultural activities

19%

Increase in the percentage of non-hazardous waste recycling in 2018/2019



SÃO MARTINHO

GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-10

With businesses that cover the production, processing and conversion of sugarcane into products capable of serving the national and international sugarcane market, São Martinho S.A. is a 100% Brazilian business group, founded in the early twentieth century by immigrants of Italian origin.

The origin of the business goes back to the work of the Ometto family, which founded its first mill in the countryside of São Paulo in the 1910s. Since then, the Company has evolved and diversified its operating model; today, it has an agricultural and industrial production structure that directly employs more than 12 thousand people, with a crushing capacity of 24 million tons/year.

Direct operations comprise four agroindustrial mills: Iracema, in Iracemápolis (SP); São Martinho, in Pradópolis (SP); Boa Vista, in Quirinópolis (GO); and Santa Cruz, in Américo Brasiliense (SP). São Martinho also has a corporate office in the capital of São Paulo and the Shared Services Center (CSC, in Portuguese) of Pradópolis, where the support areas are concentrated.

IN THIS CHAPTER

- Our business 10
- Our beliefs 12

ODS

Objectives connected to this chapter:



Historical highlights

- 1914** • Assembly of the first sugar cane mill (Olaria ranch)
- 1932** • Beginning of sugar production at Fazenda Boa Vista (Limeira region)
- 1937** • Purchase of Iracema Mill, then focused on ethanol production
- 1946** • Start of sugar production in Iracema
- 1949** • Purchase of São Martinho Mill as part of the expansion of the sugarcane cluster in the Ribeirão Preto region
- 2000** • Unification of the administrative structure of the Iracema and São Martinho mills
- 2007** • Company's public listing
- 2008** • Boa Vista Mill Inauguration
- 2010** • Creation of the Nova Fronteira Bioenergia S.A. joint venture, parent company of the Boa Vista Mill, and SMBJ Agroindustrial S.A.
- 2011** • Purchase of 32.18% of Santa Cruz S.A. Sugar and Ethanol and 17.97% of Agropecuária Boa Vista S.A.
- 2012** • Inauguration of its own railroad terminal at Usina São Martinho Mill with a production flow capacity of 2 million tons of sugar per year (transshipment)
- 2013** • Start-up of the São Martinho Mill thermoelectric unit
- 2014** • Conclusion of the Santa Cruz Mill acquisition
- 2017** • The Company acquires Nova Fronteira Bioenergia and now owns 100% of the Boa Vista Mill capital
- 2018** • Consolidation of the Boa Vista Mill in the management structure of São Martinho S.A.; partial acquisition of biological assets (sugarcane) and rights to sugarcane contracts of Usina Açucareira Furlan

100% Brazilian group, founded by immigrants of Italian origin

Publicly traded since 2007 under ticker SMT03 (B3 S.A. – *Brasil, Bolsa, Balcão*, former BM&FBovespa), São Martinho is part of *Novo Mercado*, the highest corporate governance segment of the Brazilian stock exchange - which attests to the maturity of its management model and ensures the Company's commitment to strict corporate governance standards.

During the 2018/2019 season, the Company achieved 20.5 million tons of sugarcane crushing and exported a total of 829 thousand MWh of electricity. Combined with several efficiency and productivity measures, this production resulted in a net income of R\$ 314 million and an adjusted EBITDA of R\$ 1,645 million.



Our business

GRI 102-2, 102-4, 102-6, 102-7



2. São Martinho

Where: Pradópolis (SP)

What it produces: Sugar, ethanol, bioenergy and byproducts

Employees: 4,575

Crushing capacity: 10.4 million tons of sugarcane/season

The São Martinho Mill is, today, the largest sugarcane processor in the world and has, in its structure, a railway branch with a flow capacity of 16 thousand tons per day; a pre-sprouted seedling (MPB, in Portuguese) factory with a production capacity of 40 million seedlings/year; a thermoelectric unit capable of producing renewable and sustainable energy from sugarcane bagasse, supplying the unit and trading the surplus; and a storage area capable of housing 480,000 tons of sugar.

1. Iracema

Where: Iracemápolis (SP)

What it produces: Sugar, ethanol and byproducts

Employees: 1,875

Crushing capacity: 3.5 million tons of sugarcane/season

The Bonsucro-certified mill serves the domestic and foreign sugar and ethanol markets with products such as white sugar and exported industrial hydrous ethanol.

3. Boa Vista

Where: Quirinópolis (GO)

What it produces: Ethanol and bioenergy

Employees: 2,464

Crushing capacity: 5 million tons of sugarcane/season

Exclusively focused on ethanol, the mill is one of the most modern in the world in its segment, with a high degree of industrial automation, 100% mechanized harvesting and a rate of 93 kWh of electricity generation per ton of sugarcane.

4. Santa Cruz

Where: Américo Brasiliense (SP)

What it produces: Sugar, ethanol, bioenergy and byproducts

Employees: 3,262

Crushing capacity: 5.6 million tons of sugarcane/season

With Bonsucro and ISO 9001 and 14001 certifications, which attest to the quality of its processes and management, the mill was acquired and incorporated in recent years, offering a diversified portfolio of sugarcane products and by-products, as well as having a thermoelectric mill in its structure, aimed at producing energy from renewable sources.

SÃO MARTINHO

Our portfolio

SUGAR



The Company produces several modalities for domestic and foreign markets, including white type and high polarization sugars (VHP and VVHP types).

ETHANOL



Three types of ethanol are sold by São Martinho: hydrous fuel used in flex cars or cars powered by ethanol; anhydrous, applied as an additive to gasoline and automotive engines; and industrial, used by the paints, cosmetics and alcoholic beverage industries.

ENERGY



São Martinho meets its internal energy demand and sells surpluses in the regulated and free contracting markets. To this end, it produces electricity from sugarcane bagasse, which is used as fuel after it is generated by grinding sugarcane in the mills.

SPECIALTIES



The Company enhances value generation through the production of specialties aimed at the nutrition sector. Inactive Dry Yeast are produced in different modalities and other derivatives for a diverse range of customers in the domestic and foreign markets.



Our beliefs

GRI 102-16

São Martinho has a strong and consolidated organizational culture, the target of investments in recent years that sought to disseminate the essence and way of working of the Company among the mills and support areas.



Manifest

At São Martinho we believe that caring is an essential attitude for the success of our business.

Therefore, we take care of people with respect; supporting human and vocational training and offering continuous and shared technical training.

We take care of our attitudes through careful and consistent management that does what it says, generating trust in all employees, shareholders, customers, governments, suppliers, partners and communities.

We take care of our business through an unremitting pursuit to improve the production process with the goal of achieving excellence.

We believe that we are not only taking care of our Company alone, but also of the environment and society through the creation of value.

We believe it is the right way to do and perpetuate the business. If we can't do the best, why do it at all?



Mission

Offer food, energy and other sugarcane products that generate value for humanity in an innovative and sustainable manner.

Vision

Triple sugarcane processing by 2020 (base year 2008) and lead in value creation through the production and marketing of sustainable products and the conquest of new markets.

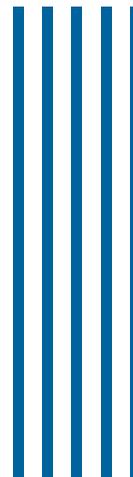
Values

- Integrity and ethics
- Respect for people and the environment



Pillars

- Safety
- Relationships with partners and suppliers, customers, shareholders, employees and collaborators and the community
- Technology
- Sustainability
- Value generation
- Growth





IN THIS CHAPTER
Ethics and transparency 18

ODS
Objectives connected to this chapter:

16

GOVERNANCE GRI 102-18

Equal treatment
of shareholders
is one of the
highlights

São Martinho's 12-year accumulated experience in the Brazilian capital market, with shares traded on Novo Mercado, the highest corporate governance segment of the stock exchange (B3), ensured the incorporation of best practices into the Company's governance model, with equal treatment of all shareholders, risk management and transparency in decision making and market communication processes.

In 2018, as part of its evolution, the Company expanded the number of independent members of its Board of Directors to two and defined a plan to achieve 100% adherence to the latest version of the Novo Mercado regulation within the stipulated deadline for publicly-held companies (until 2021).

The current governance model has the following bodies: Board of Directors; three Advisory Committees (Technological Innovations, Finance, Audit and Risk Management and People Management); Fiscal Council; and Executive and Operations Board.



BOARD OF DIRECTORS

The general business guidelines are the responsibility of this body, which promotes collegiate deliberation to define long-term strategies, elect directors and oversee executive management. The By-Laws provide for seven members on the Board, at least two of them independent. Members are elected at the General Shareholders' Assembly for two years. The current composition described below was ratified at the Annual General Assembly held on July 27, 2018.

Marcelo Campos Ometto

Chairman

João Guilherme Sabino Ometto

Vice-Chairman

Guilherme Fontes Ribeiro

Member

Maurício Krug Ometto

Member

Nelson Marques Ferreira Ometto

Member

João Carlos Costa Brega

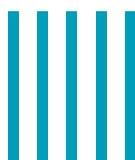
Independent Member

Murilo César Lemos dos Santos Passos

Independent Member

Best Practices

Member of B3's Novo Mercado,
the highest corporate governance
segment in the stock market



FISCAL COUNCIL

São Martinho's Bylaws provide for a non-permanent Fiscal Council, elected exclusively at the request of the Company's shareholders at the General Meeting. The Fiscal Council is responsible for supervising management activities, reviewing the financial statements and reporting conclusions to shareholders, with the performance of three effective members and their alternates.

To see our financial statements please access the Results Center on: [Results Center](#)

Massao Fábio Oya

Effective Member

Maurício Curvelo de Almeida Prado

Effective Member

Carlos Alberto Ercolin

Effective Member

Marcos Ribeiro Barbosa

Alternate

Maria Elvira Lopes Gimenez

Alternate

Isabel Cristina Bittencourt Santiago

Alternate

MANAGEMENT

In line with the Bylaws guidelines, the Board of Executive Officers has the function of fulfilling and executing the Strategic Planning in the Company's routines, with positions that can be performed cumulatively, according to a decision by the Board of Directors.

Fabio Venturelli

CEO

Agenor Cunha Pavan

Vice-President Director Agroindustrial Superintendent

Felipe Vicchiato

Chief Financial and Investor Relations Director

Helder Luiz Gosling

Commercial and Logistics Director

Elias Eduardo Rosa Georges

Legal, Compliance and Institutional Relations Director

Plinio Sergio Ferraz de Campos

Managing Director and CSC

Carlos Fernando Zaneti de Andrade

Iracema Mill Agroindustrial Director

Ricardo Azevedo Gonçalves

São Martinho Mill Agroindustrial Director

Ivan Barcellos Dalri

Boa Vista Mill Agroindustrial Director

Marcos Helder Pavan Mônaco

Santa Cruz Mill Agroindustrial Director

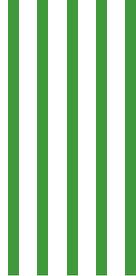
Mario Ortiz Gandini

Agricultural and Technology Director

Luciana Cortes Carvas

Human Resources Director

In 2018, as part of its evolution, São Martinho expanded to two the number of independent members of its Board of Directors.



The current governance model has the following bodies:

- Board of Directors
- Advisory Committees (Technology Innovations, Finance, Audit and Risk Management and People Management)
- Fiscal Council
- Executive and Operations Board

ADVISORY COMMITTEES

Three committees support the decisions of the Board of Directors in specific areas within its remit, composed of board members and external guests:

Technological Innovations

Evaluates the incorporation of new business opportunities, technologies and strategic growth alternatives, including product/service reviews and marketing mix, adding more value to the Company.

Finance, Audit and Risk Management

Its functions include evaluating financial matters, reporting, tax planning and auditing; analyzing risks of significant financial investments and operations; ensure the adoption of good governance practices; and optimize the risk-return ratio and capital allocation.

People Management

It addresses topics such as strategic HR planning, compensation policies, talent attraction and retention, succession plans for key positions, and executive performance appraisal.

Committees cover everything from technology issues to human capital management



Ethics and transparency

GRI 102-11, 102-16, 103| 205, 103| 415, 103| 419, 205-1

Risk monitoring and opportunities for improvement regarding integrity are part of São Martinho's leadership routine and are continuously communicated to employees. In the 2018/2019 season, one of the highlights was the incorporation of the Legal, Compliance and Institutional Relations Board into the Bylaws, making it a statutory arm with greater presence and relevance for the implementation of the strategy.

Continuing the work of the past two years, the Company has evolved in understanding threats and strengths in the area of compliance and is working on the preparation of a Compliance Plan. The establishment of the plan is linked to the structuring of the Compliance area and will include the disclosure of five major principles related to the theme, definition of the communication strategy and training.

The Company's main ethics and compliance management instruments are the Code of Ethics and Conduct; São Martinho's Governance Manual; the Ethics Channel; and management policies, which cover Financial Transactions, Disclosure and Trading of Securities, Anti-Corruption and Related Party Transactions and Conflict of Interest.

ETHICS CHANNEL

Available by phone (0800 777 3131, free call), *e-mail* (etica@saomartinho.com.br) or mail (Alameda Caiapós, 243, Barueri, CEP: 06460-110, São Paulo/SP). The channel received about 300 demonstrations in the crop year (see table). The calls are managed by a third party company and guarantee confidentiality and secrecy, if the complainant wants it so. Cases are investigated by committees and working groups, as follows:

- Receipt of records by the outsourced company and referral to the Corporate Working Group, consisting of a Compliance Analyst, the Legal and Compliance Manager and the Legal, Compliance and Institutional Relations Director;
- The communicator decides whether or not to be identified. Receives a protocol number, password, and expected date of service;
- Sending to working groups of units (mills, CSC and administrative center) for opinion and return to the Corporate Working Group;
- Ethics and Compliance Committee, composed of the President, Vice-President/ Superintendent, the Legal, Compliance and Institutional Relations Director, the Chief Financial and Investor Relations Director, the Commercial and Logistics Director, the Managing Director/CSC and the HR Board, who track quarterly channel results and analyze/direct critical cases;
- Emergency Committee: for cases where those involved are members of the Corporate Working Group.



The Company has evolved in understanding threats and strongholds in the Compliance area and is working on preparing a Compliance Plan

Channel balance sheet reports are reported quarterly to the Board of Executive Officers, through the Ethics and Compliance Committee, and annually to the Board of Directors and Fiscal Council.



Integrity: key theme of every team's routine

CHANNEL BALANCE

Complaints received via Ethics Channel*	2017/2018	2018/2019
Total complaints ¹	351	291
Complaints that were addressed ²	285	283
Number of complaints resolved ³	285	283
Number of complaints filed before the period covered by the report resolved during this period ⁴	n.a.	n.a.

1 For complaints, the Ethical Channel classification is considered: denunciations, complaints and occupational health and safety and vehicle safety (OH&S).

2 Not all communications can be addressed and verified (insufficient information).

3 Not all records are resolvable.

4 The channel stipulates a deadline to attend to the communications (they must be resolved quickly).



Quarterly

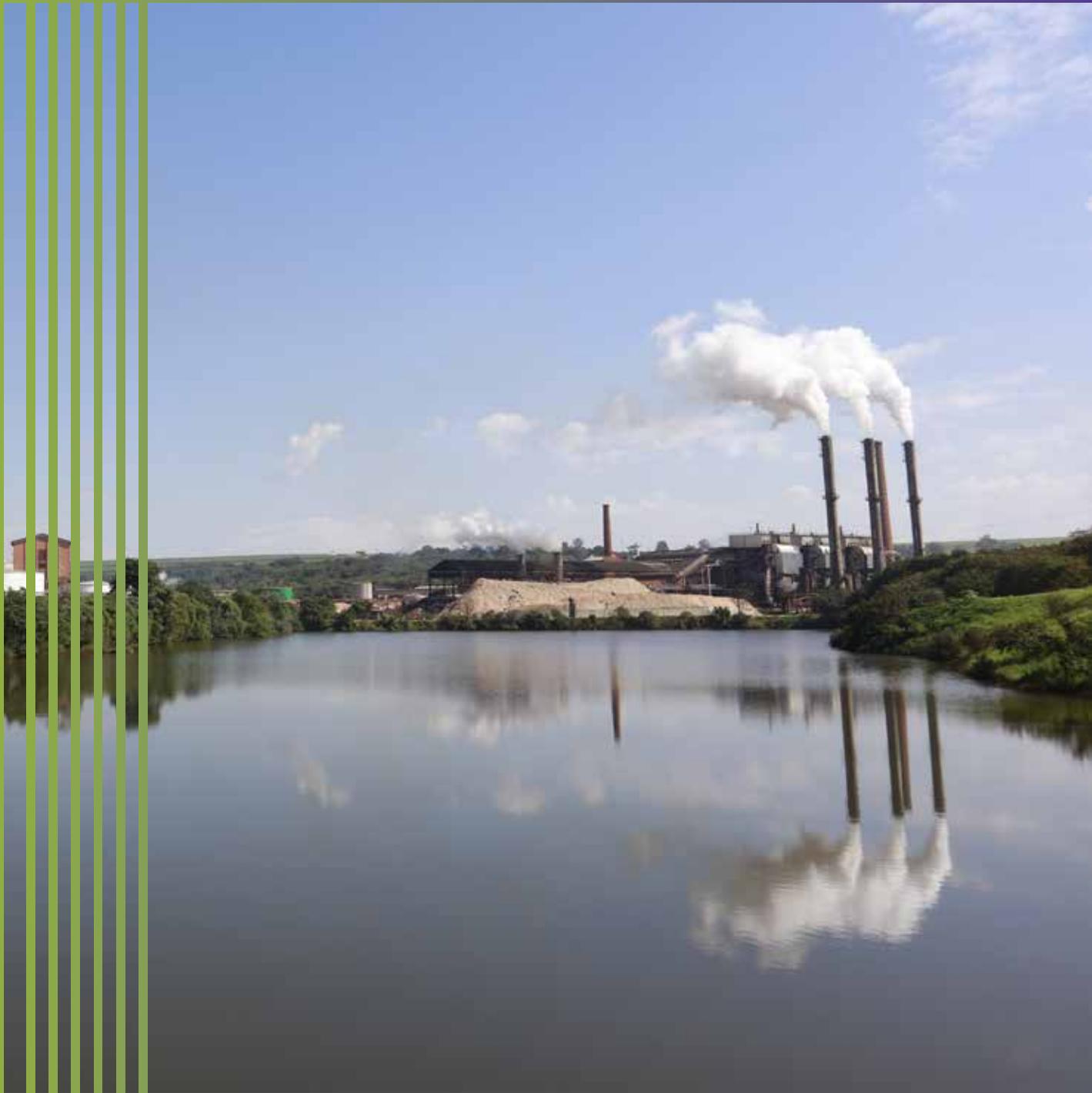
Reports to the board about the Ethical Channel occur frequently. Annually, they are also presented to the Board of Directors and Fiscal Council

ETHICS CODE

Established in 2010 and last revised in June 2016, it is available to all employees since the integration process, as well as being part of the approval process of new suppliers and being disseminated in training. It addresses, among others, the topics of stakeholder relations, management of conflicts of interest and the environment.

INTERACTION WITH OTHER RELATED AREAS

In the performance of its duties, the Compliance area is in constant dialogue with the Internal Controls and Risk Management areas, forming the GRC - acronym for Governance, Risks and Compliance.



IN THIS CHAPTER

- Risks and opportunities 24
- Investments and projects 26
- Integrated Management System 30
- Engagement and materiality 32

STRATEGY

ODS

Objectives connected to this chapter:



Including job and income generation, technological innovation and agroindustrial modernization are among the main impacts that can be generated by a company like São Martinho - part of a crucial sector for the development of the country. To reinforce these contributions and remain a reference in the sugar and ethanol market, the Company carries out its Strategic Planning based on the pillars of Excellence, Productivity, Technological Modernization and Financial Strength.

Data from the Sugarcane Industry Union (UNICA, in Portuguese) indicate that more than 1,000 Brazilian municipalities are influenced by the sugar and ethanol chain, which generates 950 thousand formal jobs and connects 70 thousand farmers and family and publicly traded companies. The sector represents 2% of Brazil's Gross Domestic Product (GDP), with \$ 40 billion annually directly generated and \$ 100 billion in the entire production chain.

SUGAR AND ETHANOL CHAIN

+ 1,000
municipalities
influenced

950 thousand
formal jobs

70 thousand
rural producers

2% of the Gross
Domestic Product
(GDP)

\$ 40 billion
generated/year

\$ 100 billion
in the entire
production chain

Competitive advantages



POTENTIAL AND FLEXIBILITY OF OPERATIONS

São Martinho has high capacity mills, above the national average, that produce and process sugarcane at levels responsible for diluting production costs and ensuring promptness of service to national and international customers - something fundamental in the agricultural commodities market. We highlight the possibility of converting the business model to a more ethanol or sugar mix in most of its mills, according to the needs, as occurred during the 2018/2019 season.

6 million
tons of cane/season

Average capacity of mills



APPLICATION OF AGROINDUSTRIAL TECHNOLOGY

A leader in the field mechanization process in recent years, the Company currently acts as an inducer of good planting and harvesting practices, through investments in pre-sprouted seedlings methods (MPB, in Portuguese) and simultaneous mid-rotational method (Meiosi, in Portuguese) (*read more at Investments and Projects*). Regarding mechanization, São Martinho's consolidated percentage was 99.9% in the crop year.

500 hectares of sugarcane in the field are generated per hectare of sugarcane planted and deployed via MPB/Meiosi, a volume 120 times higher than that achieved by conventional mechanized planting.



RAW MATERIAL AND ITS OWN LANDS

Today, approximately two-thirds of the sugarcane processed at São Martinho mills is produced directly by the Company on its own lands* and from partnership and lease agreements.

This greater chain control ensures a safe stock of agricultural production and strengthens the Company's ties with partners in the field, based on criteria of efficiency, mechanization and proximity to the mills.

40,424 ha of São Martinho owned lands

204,316 ha of partnership and lease land, belonging to 918 agricultural partners and lessors

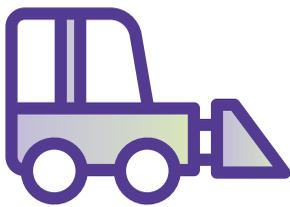
*Areas owned by its subsidiary SM Terras Agrícolas.



STORAGE CAPACITY

Being able to plan the sale of sugar and ethanol according to pricing, supply and demand aspects is a differential for São Martinho, which is capable of storing 70% of its total production in its own spaces.

70% production storage capacity in 2018/2019



STRATEGIC ASSET LOCATION

São Martinho's mills are located in the main sugar and ethanol hubs in the country - Goiás and São Paulo states - with easy access to highways and commodity flow corridors that allow agile service to customers in Brazil and abroad. In the case of São Paulo, we highlight the São Martinho Mill and its own railway branch, which ensures the production flow in periods pre-agreed upon with customers, with competitive cost, flexibility and high level of service.

420 km separate the São Martinho mill from the port of Santos



CONSOLIDATED DEBT

In the 2018/2019 crop year, São Martinho reduced its net debt by 2.5% and ended the season with a Net Debt/Ebitda ratio of 1.46x, allowing the cost reduction and lengthening of the average debt term.

R\$ 2,401.90 million is the Company's consolidated indebtedness in 2018/2019



LIQUIDITY AND ACCESS TO CAPITAL

With a history of gradual increase in its debt levels, São Martinho differs from other players in the sector by having differentiated access to credit lines and financing, as a result of management focused on reducing the debt cost, extending maturities and consistent cash generation. As a result, in the 2018/2019 crop year, the Company increased its liquidity through debt renegotiations and collateral release. It also accessed the capital market with a new issuance of Agribusiness Receivables Certificates (CRAs, in Portuguese).



ENGAGED AND EXPERIENCED LEADERSHIP

The policies of attraction, selection and development of leaders guarantee to the Company a body of managers, directors and advisors engaged in values and organizational culture, as well as minimizing risks regarding the succession of key positions and increasing levels of engagement.

Company of the Year

São Martinho was voted Company of the Year, the Best Company in the Agro Sector, the Best Large Company and was Featured in the Leadership category, according to the Best Companies to Work 2018 Survey by Você S.A.

Risks and opportunities GRI 102-15

Risk management is inherent to São Martinho's routine and involves monitoring various financial and non-financial variables that may affect the Company's image, liquidity, relationships and ability to generate value, based on agency guidelines, standards and institutions, including ISO 31.000, COSO, IBGC, CVM and Novo Mercado by B3.

São Martinho's Risk Management Policy is based on the identification of the main business risk factors and their positioning in a matrix, according to impact and probability of occurrence, with responsible leaders and key indicators that guarantee the monitoring, detection and treatment of occurrences. The responsibility lies with the Risk Management area, submitted to the CEO.

The current management model prioritizes topics such as revenue generation, currency exposure, liquidity, financial leverage, flow conditions and service to markets, people management and availability of raw materials (sugarcane). Through a connected Governance, Risk and Compliance (GRC) committee, work has evolved consistently in recent years, with monthly group meetings to monitor key themes for the strategy.

In the 2018/2019 season, a risk assessment review process was initiated, following a methodology that mobilized the agroindustrial managers of the mills and other leaderships. The dialogue between them and senior management resulted in a new survey that covered more than 100,000 overall risks, subjected to filtering, which in turn resulted in 20 risks classified as most relevant and material.

Risk map review

involved more than 100 thousand risks and pointed out the 20 most relevant

Risk management is in the field and support areas



RISK MANAGEMENT MODEL

Category	Nature	Treatment & response actions
Production flow	Sugar is a commodity, and agility in its transportation is an opportunity and a risk. Unfavorable conditions, congestion or logistical difficulties may affect the Company's revenue flow and business relationships.	<ul style="list-style-type: none"> • Rail flow preference • Adoption of rail terminal within São Martinho mill, in partnership with Rumo Logística, with transshipment capacity of up to 2 million tons of sugar/year
Sugarcane availability	Part of São Martinho's production is made from sugarcane purchased from third parties or harvested from partner/lessor lands. For this reason, and due to the climatic impacts on the harvests, the Company lives with the risk of not having its raw material demand met	<ul style="list-style-type: none"> • Increase in supplier relationship level • Detailed control of purchase agreements and partnerships/leases (short, medium and long term) • Monitoring of external cane acquisition percentage and guaranteed supply volume
Availability of people	Business growth is closely linked to the increase and hiring of labor, as well as its development and qualification. The issue is especially relevant regarding hiring people in strategic positions	<ul style="list-style-type: none"> • Monitoring key positions and human capital demands by area and mill • Definition of competencies to be developed in the organization to improve people's performance
Revenue	Prices of São Martinho products are affected by changes in supply and demand conditions, as well as by economic, political and financial instability in Brazil and the world. A reduction in the price of sugar or ethanol could have an adverse effect not only on the business regarding this product, but also on the production mix	<ul style="list-style-type: none"> • Well-defined hedge strategy to guarantee product contribution margin • Business environment monitoring • Production mix flexibility according to supply, demand and pricing aspects
Currency position	With relevant revenue originating in the foreign market, the Company may be directly affected by the exchange rate, with possible profitability losses.	<ul style="list-style-type: none"> • São Martinho's Foreign Exchange Policy, linked to the Sugar Pricing Policy
Financial leverage and liquidity	Debt is constantly monitored by the Company and related to its equity and cash generation. Similarly, liquidity may be affected depending on the nature of the business	<ul style="list-style-type: none"> • Analysis of equity and cash generation versus debt • Debt profile consistent with financial obligations • Profit expectation and equity position in favor of sustainability

Investments and projects

During the 2018/2019 season, São Martinho's investment targeting aimed at increasing productivity, in line with the technological and socio-environmental trends of the sugar and ethanol sector and with market challenges experienced in recent years.

With a leading role history in the segment, the Company sees opportunities to mitigate the impacts of fluctuations in *commodity* prices and increase the productivity and quality of its agricultural and industrial processes. Field and plant, therefore, are the target of investments in research, modernization, maintenance and operational improvements that totaled more than R\$ 1,281.7 million in the season alone (+ 9.8% compared to the 2017/2018 season).

Field and plant receive investments in research, modernization, maintenance and operational improvements that totaled over R\$ 1.2 billion in the season



120x

is the productivity leap achieved through the use of the pre-sprouted and meiosis seedling system compared to conventional mechanized planting

INNOVATION IN AGRICULTURAL PRACTICES

The Company's research, development and innovation structure encompasses different areas, in a decentralized model that values the efforts of the agricultural and industrial areas. After a consolidation cycle of mechanized sugarcane planting and harvesting processes, in which São Martinho was a pioneer and leader, the 2018/2019 season was marked by the deepening of digital transformation and the pursuit of productivity and business diversification. From incremental to disruptive improvements, the studies cover the search for new products from sugarcane, advances in field connectivity and the incorporation of new processes and technologies.

Agricultural Chemistry Laboratory

Building on incremental improvements focused on excellence and productivity, the projects have sought to evolve in the use of biological assets, soil management and agroindustrial efficiency. Since the 1970s, for example, the Agricultural Chemistry Laboratory (LQA, in Portuguese), located in Pradópolis, studies, tests and applies solutions for land use optimization.

The laboratory is recommended for accreditation by Inmetro, in the scope of Soil Chemical Analysis and Sampling (standard ABNT NBR ISO/IEC 17025:2005), and has allowed the Company to reflect on its environmental impacts and gain

efficiency in sugarcane planting and harvesting. In the 2018/2019 crop year, the results of soil analysis, validated by proficiency test of the Campinas Agronomic Institute (IAC, in Portuguese), had an average rate of excellence of 100%, placing the laboratory among the best of the period. In addition, the LQA is rated "A" in the proficiency program of the São Paulo Department of Agriculture.

Partnerships with research institutes and centers are another significant front for enabling technology transfer applicable to production. In the 2018/2019 season, a new partnership was signed between Embrapa Cerrado (CPAC) and São Martinho, aimed at the study of sugarcane pests biological control mechanisms. The work began with meetings between 35 employees from all four mills and researchers from Embrapa Cerrado and will evolve through lectures, training and rehearsals for the implementation of new technologies.

Still in the process front, São Martinho began the implementation of the Continuous Improvement Project. Based on Lean methodology, focused on lean production - a model recognized by the automotive sector - the system collected a total of 105 projects, of which 84 were already started during the season. The expectation is to obtain earnings and savings between 2 to 3 R\$/ton of cane after the full deployment of the projects.

MPB and Meiosi: excellence in planting and cultivation

In recent years, São Martinho has invested in technologies to increase the efficiency and plant health of its sugarcane fields. As an example of these innovations are the use of pre-sprouted seedlings (MPB, in Portuguese) and the mid-rotational



method, used simultaneously (Meiosi, in Portuguese). With the potential to generate a 20% jump in productivity, according to the Campinas Agronomic Institute (IAC, in Portuguese), these tools are in advanced implementation at São Martinho mills and should reach 80% of the renovation areas (planting).

The pre-sprouted seedlings are produced in the São Martinho biofactory, by cutting minidisks (sugarcane stem segments, in which the bud is to be sprouted) treated and developed in greenhouses to generate high quality seedlings from nurseries free from pests and diseases. Subsequently, the seedlings already formed are able to go to the field in the Meiosi system.

At Meiosi, the first phase is to transplant the MPB into grooves ("mother street"), interspersed with "gaps" or areas adjacent to sugarcane, where other crops of economic interest are planted - notably soybeans and peanuts. - or green manure, such as *crotalaria*, in a ratio of 1:14. After 5 to 6 months, the interleaved planting is harvested, and the mother street unfolds into the available interim space, with soil that has

been protected from erosion and fertilized by the residues of previous crops.

This conjugate system achieves high multiplication rates, higher than traditional planting. From an area of 1 hectare of nursery for MPB production, seedlings can be produced for the equivalent planting of 35 hectares. Through meiosi, it is possible to reach a planted commercial area of about 500 hectares within a year. By avoiding the transport of seedlings, it contributes to cost reduction. In addition, grinding is added to the nurseries' sugarcane production that would previously have been intended for planting.

Integrated field operations

Aligned with its industrial counterpart (COI, in Portuguese, or Industrial Operations Center), the Agricultural Operations Center (COA, in Portuguese) is still in the implementation pace. The process is already advanced at the São Martinho Mill, with the other mills in progress. During the 2018/2019 crop year, the Company completed its investment in agricultural automation, which contributes to the integration of technologies and the modernization of the operation.

R\$ 40 million

will be invested to expand 4G coverage at mills by 2020

DIGITAL TRANSFORMATION

Connectivity and the promotion of precision-driven agriculture are promising elements for the innovations horizon in the agricultural sector. Aware of these issues, in 2015, São Martinho initiated a partnership with the Telecommunications Development Research Center (CPqD, in Portuguese) to develop connectivity devices applicable to its operations.

With over 240,000 hectares of land under its management, the Company sees real-time data provision as a tool to make its business more competitive, streamlining logistics processes and making planting and harvesting more efficient.

The expansion of 4G coverage in

the mills will be targeted at R\$ 40 million in investments by 2020, covering all units of the Company. The São Martinho Mill, with its 130,000 hectares, was the first to have the system in place, and the other three are expected to receive the system during 2019. The project is challenging, as locations far from urban centers tend to face more difficulties in deploying telecommunication technologies, and offer at least three axes of business benefits:

- **Better asset management**, with computerized and real time control reported to the Agricultural Operations Center and prevention of operational failures;
- **Logistics optimization**, with more efficient transit of equipment and vehicles through the sugarcane field;
- **Promoting precision agriculture**, based on instruments and data that allow crop planning and the rational use of natural resources, pesticides and fertilizers.



A more technological agricultural operation is the focus of recent investments

NEW ASSETS

São Martinho, together with another important sugar and ethanol company, acquired the biological assets and entered into agricultural and supply agreements of Usina Açucareira Furlan S.A., which totaled approximately 1 million tons of sugarcane in the Santa Bárbara do Oeste (SP) region, with about 70% being its own sugarcane and 30% from third parties.

The transaction amounted to R\$ 118 million, proportionally paid by the companies involved, and São Martinho's share was around 1/3. São Martinho will process its sugarcane plot at the Iracema Mill in Iracemápolis (SP). The Iracema Mill, with annual capacity to crush 3 million tons of sugarcane, will expand its capacity to 3.5 million tons. Industrial and agricultural investments to increase crushing and absorb all the sugarcane crushing total R\$ 12.4 million.

Investment impact

Additional annual milling capacity of the Iracema Mill:

+ 500 thousand tons of sugarcane

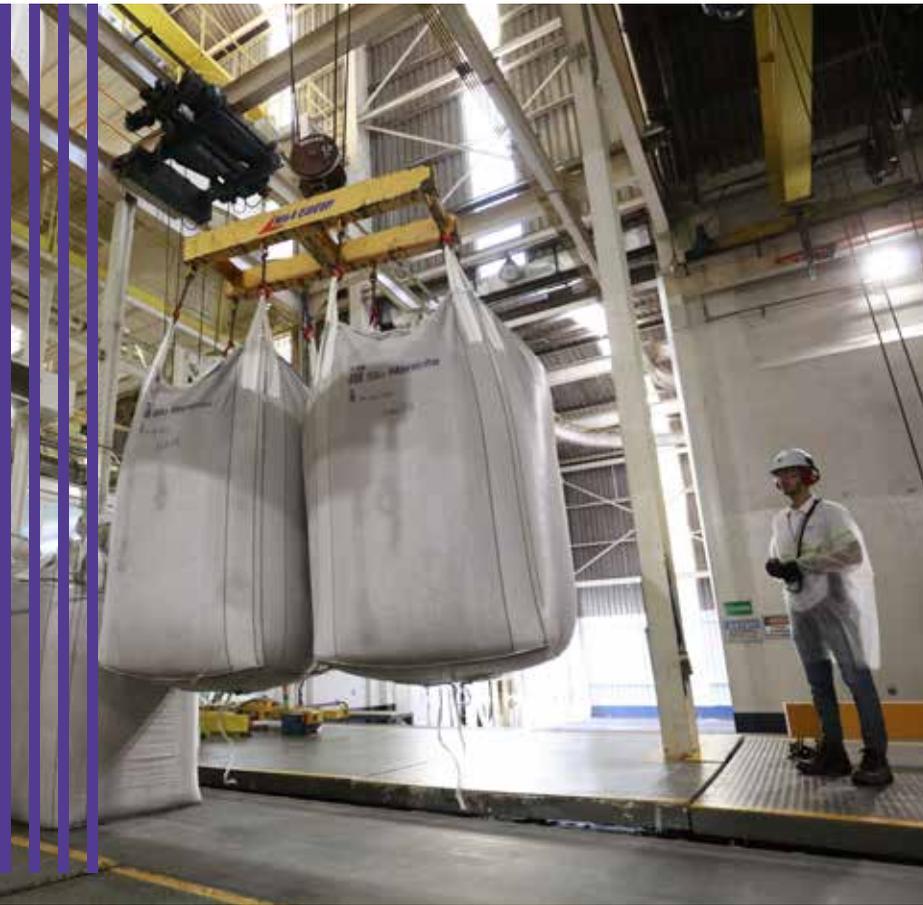
Additional potential production of the Iracema Mill per crop:

+ 30 thousand tons of sugar or
+ 30 thousand m³ of ethanol,
besides the 18 thousand MWh increase in energy

VINASSE MANAGEMENT

Vinasse, one of the main by-products of agroindustrial processes in the sugar and ethanol sector, is increasingly understood as part of business solutions. In line with the creation of value based on social and environmental criteria, the management of vinasse makes it an important fertilizer for sugarcane cultivation, able to reduce costs and minimize environmental impacts.

With the advent of the concentrated vinasse method, the Company is now making targeted or localized distribution on each sugarcane line. This practice improves the quality of the application and broadens the area in which the vinasse is adopted, without changing the amount of potassium supplied to plants, while maintaining the benefits of fertigation. In addition to fuel economy - which represents a reduction in greenhouse gas emissions - and more efficient application, the better targeting of vinasse also allows it to reduce costs with the purchase of mineral fertilizers.



11 certifications

serviced by the São Martinho mills, including quality, safety and environmental

Integrated Management System

Given the capillarity and geographical distribution of the business, São Martinho recognizes the importance of standardizing processes and management tools, aligning its mills to national and international compliance, quality, safety and environmental criteria.

The 2018/2019 season represented a period of consolidation for the Integrated Management System (SGI, in Portuguese), which brings together various tools adopted in agroindustrial units and corporate and support areas. Through it, the Company monitors requirements performance and compliance against reputable certifications and guidelines (such as ISO standards), making management processes auditable and transparent to various stakeholders.

Today, SGI is adopted to accompany

the fulfillment of 11 certifications, highlighting the ISO 9001 (quality management) and ISO 14001 (environmental management) standards.

Another relevant and specific certification of the sugar and ethanol sector is Bonsucro, a worldwide initiative that establishes socio-environmental principles and criteria in sugarcane growing regions. The standard establishes performance-based indicators and standards for production, considering local conditions and circumstances and a credible and transparent process focused on the sustainability factors of sugarcane fields. It is a certification focused exclusively on the production and chain of custody of sugarcane and its products and serves both the national market (Bonsucro) and the European market (Bonsucro EU).

There are also standards aimed at meeting specific consumer segments - such as Kosher, intended for the Jewish community, and Halal, its own certification for Muslim markets. In the case of California, in the United States, the Company is authorized to market products that meet the Low Carbon Fuel Standard (LCFS) criteria, which are linked to the state environmental agency (CARB).



QUALITY ASSURED

Certification	Nature	Certified mills
BONSUCRO	Sustainability	UIR and USC
GMP + B2	Food Safety	UIR, USM and USC
Kosher	Food Safety	UIR and USM
Halal	Food Safety	UIR
ISO 9001	Quality Management System	USC
ISO 14001	Environmental Management System	USC
ISO 17025	Laboratories and Calibration Tests	USM
Green Ethanol	Memorandum of Understanding between the São Paulo State Departments of Agriculture and Environment, the Organization of Sugarcane Planters in the Central South Region of Brazil (ORPLANA, in Portuguese) and the Sugarcane Industry Union (UNICA, in Portuguese).	UIR, USM and USC
Green Energy Seal	Certification granted to companies that use energy generated from sugarcane biomass.	UIR, USM and USC
RFS2 Renewable Fuel Standard – EPA	Registration with the US environmental agency to market ethanol in the US.	UIR, USM and USC
LCFS Low Carbon Fuel Standard – CARB	Registration to market ethanol in the state of California	UIR, USM and USC

Biofuels Policy seeks to increase demand for less polluting products, boost domestic industry and ensure competitiveness and free competition

RenovaBio: scenario and perspective

Considered as a strategy consistent with the projections of energy demand in the Country, which will require policies for the valuation of renewable sources and of lower environmental impact, the National Biofuels Policy (RenovaBio) was launched at the end of 2017, established by Law no. 13.576, of 2017, and had its final regulation based on a decree published in the Official Gazette of the Union on March 16, 2018.

Maintained on the debates agenda by the federal government, the Legislature and bodies such as the National Council for Energy Policy (CNPE, in Portuguese), the program seeks to increase the demand for less polluting energy products, boost national industry and ensure the competitiveness and

free competition of the sector. To this end, it sets annual targets for reducing greenhouse gas emissions for the fuel matrix and certifying biofuels production by private inspectors, as well as creating the Biofuel Decarbonization Credit (CBIO, in Portuguese) - a financial asset, traded on the stock exchange, issued by the producer from the marketing of his production.

Attentive to RenovaBio's discussions at the sectoral level, São Martinho identifies a promising character in the initiative, which induces investments in its sector and has the potential to expand the ethanol market in Brazil. Throughout the 2018/2019 season, debates still focused on the ways in which the policy was implemented, especially the certification process; RenovaBio is expected to enter into force officially in 2020.

Engagement and materiality

GRI 102-40, 102-42, 102-43, 102-44, 102-46, 102-47

Aware of its impacts and responsibilities, São Martinho seeks to work on social dialogue in order to generate shared value, covering strategic audiences such as employees, the government, communities, shareholders, investors and clients.

In recent years, an opportunity to strengthen ties was focused on materiality processes based on the Global Reporting Initiative (GRI) guidelines. In 2018, a new cycle of engagement was conducted, raising the most relevant social, environmental and economic-financial themes for the Company,

from the perspective of the audiences consulted.

The methodology adopted considered the analysis of sector studies (Sustainability Topics for Sector (GRI), RobecoSAM Sustainability Yearbook (DJSI) and SASB Standard) and internal documents of São Martinho (latest materiality performed, policies, codes, among others). As a result, a long list of themes focused on São Martinho's business was built. In the following stage, interviews were conducted with three leaderships and seven representatives of sectoral entities, the government and the production chain; a broad online consultation with more

than 2,700 participants (government, trade union, press, employees, associations and sugarcane suppliers); and a prioritization panel, with 11 participants from various areas of São Martinho.

In the end, themes such as contribution to local development, responsible use of soil and water resources and economic management were highlighted (see *table*), contributing to the planning of São Martinho's actions and to the definition of the content of this report. The topics also dialogue directly with the United Nations Sustainable Development Goals (SDGs).

ODS



COMPANY PRIORITIES

Material theme	Focus and challenges	Risks and opportunities	Impacted audiences*	How is it reported?	ODS
Economic performance of the business	Maximization of return on investment; operational cost management; access to credit; trading and stock strategy, investment strategy and management and corporate debt	<ul style="list-style-type: none"> Commodity market (susceptible to regulatory changes, governance guidelines, pricing, etc.) Business risks and opportunities 	<p>Internal: senior management</p> <p>External: government</p>	GRI 201: Economic performance	8: Decent work and economic growth
Innovation and technology	Strategic partnerships with universities and researchers; integration with private or public research centers, such as Embrapa; interaction and application of innovative solutions	<ul style="list-style-type: none"> Production improvement and competitiveness gain Product list diversification 	<p>Internal: senior management and employees</p> <p>External: government and sectoral entities</p>	Its own: Partnerships with other institutions to promote innovation	12: Responsible consumption and production

Material theme	Focus and challenges	Risks and opportunities	Impacted audiences*	How is it reported?	ODS
Development of neighboring regions and communities	Engagement with the community and local government; development of the area of influence of operations; development and prioritization of local suppliers; social and environmental investments in the surroundings; social projects and cultural actions	<ul style="list-style-type: none"> • Reputation building and positive perception about the Company • Specific guidelines to guide investments in local communities • Supplier development and local labor 	<p>Internal: managers and employees</p> <p>External: community</p>	GRI 102-43 and 102-44: Stakeholders engagement GRI 103-2: Complaints GRI 202: Market presence GRI 203: Indirect economic impact GRI 204: Purchasing practices GRI 413: Local communities GRI 415: Public policy Its own: Social projects and cultural actions, including investments and number of participants.	11: Sustainable cities and communities 16: Peace, justice and effective institutions
Human capital attraction, retention and development	Talent attraction and retention; career management; employee training and development; employee preparation for retirement; employee satisfaction	<ul style="list-style-type: none"> • Career plan consolidation for talent retention • Adaptation to the new fully mechanized scenario (training, compensation, health and safety, etc.) 	Internal: managers and employees	GRI 102-8: Organizational profile GRI 103-2: Complaints GRI 401 GRI 404 GRI 404 Training and education	4: Quality education 8: Decent work and economic growth
Climate strategy	Mitigation and adaptation to climate change; monitor and implement initiatives aimed at minimizing emissions throughout the cycle: planting, harvesting and transporting sugarcane to the plant; participation in the development of state and national climate and energy policies	<ul style="list-style-type: none"> • Monitoring and mitigation plans during season periods • Minimization of the environmental impact of the operation • Disaster and/or climate crisis resilience 	<p>Internal: senior management and employees</p> <p>External: suppliers, sugarcane producers, the government and sectoral entities</p>	GRI 302: Energy GRI 305: Emissions	7: Clean and affordable energy 13: Action against global climate change



Material theme	Focus and challenges	Risks and opportunities	Impacted audiences*	How is it reported?	ODS
Governance, transparency and business ethics	Governance profile; publication of reports; operational and environmental licensing; legal and regulatory management; company reputation, image and credibility; risk and crisis management; stakeholder engagement	<ul style="list-style-type: none"> Value crisis environment in business and in the country More information on negative topics associated with the sector 	Internal: directors and managers	GRI 102-43 and 102-44: Stakeholders engagement GRI 205: Fight against corruption GRI 307-1: Environmental compliance GRI 415: Public policy GRI 419-1: Socioeconomic compliance Its own: Compliance with operating licenses, environmental licenses and right granting ordinances	16: Peace, justice and effective institutions
Human rights and diversity	Fundamental labor rights; collective agreements and union relations; compliance with standards related to health, safety and other NRs; fire and emergency response plans; seasonal work; quality of life development programs	<ul style="list-style-type: none"> Cutting edge performance in the sector Mitigation of its own risks in developing countries 	Internal: managers and employees External: society and government	GRI 102-8: Employee information GRI 102-41: Collective bargaining agreements GRI 403: Occupational health and safety GRI 405: Diversity and equal opportunities GRI 406: Non-discrimination GRI 412: Human rights assessment Its own: Quality of life development programs.	5: Gender equality 8: Decent work and economic growth 10: Reduction of inequalities

Material theme	Focus and challenges	Risks and opportunities	Impacted audiences*	How is it reported?	ODS
Biodiversity	Consumption, reuse and generation of effluents in all mill operations; impacts of operations on water bodies, groundwater and surface water quality monitoring	<ul style="list-style-type: none"> Productivity maintenance Anticipation of laws and regulations 	<p>Internal: managers and employees</p> <p>External: suppliers, sugarcane producers, the government and sectoral entities</p>	GRI 303: Water GRI 304: Biodiversity GRI 306: Its Own Effluents: Groundwater and surface water quality monitoring	14: Life below water 15: Life on land
Waste	Treatment, management and proper disposal of solid waste and effluents associated with production processes	<ul style="list-style-type: none"> Fight against nonconformities Generation of business opportunities (power generation or sale of by-products) 	<p>Internal: managers and employees</p> <p>External: suppliers, sugarcane producers, the government and sectoral entities</p>	GRI 306: Effluents	12: Responsible consumption and production

* It points out key internal and external audiences that stressed the relevance of the themes during the consultation and prioritization process.





BUSINESS RESULTS

The performance is aligned with the business adaptation to the sectoral challenges

Impacted, like all agribusiness, by climatic factors especially relevant for sugarcane, such as the irregular and late occurrence of rainfall, São Martinho dealt with a challenging season throughout 2018/2019.

A relevant aspect in the crop year was the mix change to an essentially ethanol profile - this was mainly due to the fluctuation of sugar prices in the global market and the more competitive demand and pricing conditions for ethanol in Brazil.

IN THIS CHAPTER

Operating and financial performance 37

ODS

Objectives connected to this chapter:



Operating and Financial Performance GRI 103 | 201, 201-1

In the operational field, processing reached 20.5 million tons of sugarcane in 2018/2019 - down 7.9% over the previous season. Despite this drop, average TRS* increased by 1.7% (142.2 kg/t), so that total TRS produced, an indicator that shows the use of sugarcane in the form of products, dropped 6.3%. compared

to the previous season. The productivity drop was a result of the severe drought observed throughout the season. 992 thousand tons of sugar were produced, as well as 1,097 thousand m³ of ethanol and 829 thousand MWh of exported energy.

The Company achieved net revenues of sugar of R\$ 1,108 million, ethanol of R\$ 2,009 million and R\$ 209 million of electricity revenues. On a consolidated basis, net income was R\$ 314 million, 36.1% below the 2017/2018 season.

*Acronym for Total Recoverable Sugar.

Direct economic value generated (R\$ Thousand)	2016/2017	2017/2018	2018/2019
Revenues	4,273,037	5,111,822	5,399,172
Economic value distributed (R\$ Thousand)			
Operational costs	2,232,652	2,950,885	3,226,981
Employee salaries and benefits	577,672	796,061	838,409
Payment to capital providers	1,046,092	703,701	849,281
Government payments	199,307	285,919	244,711
Community investments	866	331	331
Total economic value distributed	4,056,589	4,736,897	5,159,713
Economic value retained (R\$ Thousand)			
"Direct economic value generated" minus "Economic value distributed"	216,448	374,925	239,459
Total Net Revenue (R\$ Thousand)			
Sugar	1,644,630	1,781,545	1,108,295
Ethanol	1,238,876	1,572,009	2,009,052
Energy	152,089	207,293	209,082
Real state business	21,289	8,419	2,730
Others	65,463	52,721	52,504
Total Net Revenue	3,122,347	3,621,987	3,381,663

* Excludes hedge accounting effect of the Santa Cruz Mill foreign currency debt and PPA.

Positive market assessment

Historically, São Martinho has maintained positive ratings after being subjected to risk assessments by global agencies; in the 2018/2019 season, it remained in the BB+ (global) and BrAAA (national) classification by the Standard & Poor's global agency. Once again, this level is above the sovereign rating, demonstrating financial strength and the ability to generate results.



SOCIAL DEVELOPMENT

Potential to generate progress and development in the regions where it operates

IN THIS CHAPTER

Human capital	39
Communities	54
Suppliers	60
Government	62
Customers	64

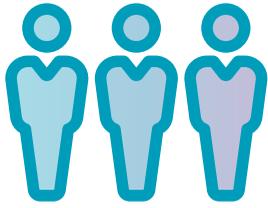
ODS

Objectives connected to this chapter:



Highlighted by stakeholders in the latest materiality process (*read more in Engagement and Materiality*), the impact on communities and the contribution to employment and income generation are aspects that reflect the Company's potential to generate progress and development in the regions where it operates.

In addition to its workforce of over 12,000 professionals, São Martinho has in its dialogue with public entities and business partners a fundamental instrument to have a positive impact on its surroundings; in addition, the dissemination of good practices and projects in the value chain contributes to mitigating risks and strengthening the Company's reputation.



12
thousand

people make up
São Martinho's workforce

1,677

professionals were
hired in the
2018/2019 season

Human capital

GRI 102-44, 103| 401, 103| 406, 103| 412

At São Martinho, we seek to promote the best working conditions and reward employees' efforts with a strong, integrated culture that encourages career development. The recognition of Company of the Year in the Você S/A (Ed. Abril) Best Companies to Work ranking shows that the practices adopted in this direction have yielded positive results.

In the pursuit of permanent improvements in its management, the Company decided to structure a master plan for the Human Resources area. Resulting from a diagnosis conducted between 2017 and 2018, the new strategy outlines tasks and priorities, with areas of expertise and internal consultancies, based on a ten-pillar human capital management vision:

- **Attraction and Selection;**
- **Training and Development;**
- **Career and Succession;**
- **Organizational Culture and Engagement;**
- **Social Responsibility;**
- **Health and Safety;**
- **Internal Consulting;**
- **Remuneration and Benefits;**
- **Labor and Union Relations;**
- **PMO and Consolidated Management.**

The company decided to structure a ten-pillar Human Resources master plan

With projects already underway and others under implementation, the new master plan ensures that the business needs are met, with an eye on attracting and retaining talented professionals who are committed to the future of the Company.

Employee engagement is conducted biennially by the Organizational Climate Survey. The next edition is scheduled for 2019.

OUR PEOPLE'S PROFILE

GRI 102-8, 102-41, 103| 202, 103| 401, 202-2, 401-1

At the end of the 2018/2019 crop year, São Martinho's human capital had 12,176 employees - most of them male and belonging to the operational area - and during this period 1,677 professionals were hired, with priority being given to hiring people residing in local communities. The hiring model follows the Consolidation of Labor Laws (CLT, in Portuguese). Regarding the number of third parties, there was a direct participation of 2,043 in the rendering of services. During the period covered by this report, 502 seasonal workers were admitted to temporary employment under applicable law.

Collective bargaining agreements include all employees. Reinforced with the creation of a focal point focused on the theme, São Martinho

maintains contact with unions and commissions to study and negotiate the demands presented. Openness and dialogue are reflections of our positioning in relation to the demands of our internal public. As for the agreements reached, it is common for everyone to have a clause for provisions on consultations and negotiations.

Also focused on a strategic pillar, the compensation and benefits policy is based on legal, market and recognition requirements. In order to reach the established values, the criteria used are the sector average salaries, the good individual performance and the Company's values of integrity, ethics and respect for people. Benefits are intended for all employees, and eligibility to receive them, when considered, concerns only the employee's work mill.



Regarding third-parties,

2,043
professionals

provided services to the Company and 502 seasonal workers were hired as temporary workers

EMPLOYEES BY TYPE OF EMPLOYMENT CONTRACT AND GENDER¹

Type of contract	2016/2017		2017/2018		2018/2019	
	Men	Women	Men	Women	Men	Women
Determined time	508	53	1,007	27	929	20
Indefinite period	8,805	719	10,440	838	10,391	836
Total by gender	9,313	772	11,447	865	11,320	856
Overall total	10,085		12,312		12,176	

1. It does not consider trainees, third parties, apprentices and interns, executive boards and audit committees, and board of directors. The information for the 2018/2019 crop year refers to the employee base in March 2019.

EMPLOYEES BY TYPE OF EMPLOYMENT CONTRACT AND REGION¹

Region	2016/2017		2017/2018		2018/2019	
	Determined time	Undetermined time	Determined time	Undetermined time	Determined time	Undetermined time
Midwest Region	0	0	207	2,139	376	2,088
Southeast Region	561	9,524	827	9,139	566	9,146
Total by contract type	561	9,524	1,034	11,278	942	11,234
Overall total	10,085		12,312		12,176	

1. It does not consider trainees, third parties, apprentices and interns, executive boards and audit committees, and board of directors. The information for the 2018/2019 crop year refers to the employee base in March 2019.

EMPLOYEES BY EMPLOYMENT TYPE¹

Employment type	2016/2017		2017/2018		2018/2019	
	Men	Women	Men	Women	Men	Women
Full time	9,158	737	11,437	864	11,311	855
Part time (half period)	155	35	10	1	9	1
Total by gender	9,313	772	11,447	865	11,320	856
Overall total	10,085		12,312		12,176	

1. It does not consider trainees, third parties, apprentices and interns, executive boards and audit committees, and board of directors. The information for the 2018/2019 crop year refers to the employee base in March 2019.

Openness and dialogue are reflections of our positioning in relation to the demands of the internal public

EMPLOYEES BY FUNCTIONAL CATEGORY¹

Functional category	2016/2017		2017/2018 ³		2018/2019	
	Men	Women	Men	Women	Men	Women
Board ² (Board of Directors+ Audit Board)	10	0	10	0	10	0
Senior Management	8	1	11	1	11	1
Middle Management	29	2	27	2	29	3
Leadership/Coordination	44	3	50	2	56	3
Technical/Supervision	282	8	389	10	383	11
Administrative	355	179	421	217	437	222
Operational	8,373	534	10,476	628	10,319	606
Support	64	2	84	6	96	11
Total by gender	9,165	729	11,468	866	11,341	857
Overall total	9,894		12,334		12,198	

NUMBER OF WORKERS (EXCEPT EMPLOYEES) BY FUNCTIONAL CATEGORY

Trainees ⁴	19	9	23	10	18	9
Apprentices ⁴	147	35	138	55	264	67
Interns ⁴	16	16	19	25	25	16
Third parties	2,436	118	632	113	1,902	141
Total by gender	2,618	178	812	203	2,209	233
Overall total	2,796		1,015		2,442	

NUMBER OF WORKERS (EMPLOYEES + OTHER WORKERS)

Total by gender	11,783	907	12,280	1,069	13,550	1,090
Overall total	12,690		13,349		14,640	

1. In the 2017/2018 season, the information was extracted from the monthly report of the employee database (March/2018).

In the 2018/2019 season, the information was extracted from the monthly report of the employee database (March/2019).

2. The governance bodies considered are the Executive Board and the Audit Committee.

3. In the 2017/2018 season, information regarding the Boa Vista Mill (GO) was added.

4. Interns and apprentices are part of a differentiated scheme, so they are not considered employees.

SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY¹²³

	2016/2017	2017/2018	2018/2019
Total senior management members	9	12	12
Senior management hired from the local community	6	11	11
Percentage of senior management hired from local community (%)	67	91	91

1. São Martinho defines as senior management the positions of president, vice-president and all executive directors who report directly to the presidency.

2. Local communities are cities in which their mills are located and any cities subject to economic, social or environmental impacts resulting from the operations of the organization.

TOTAL AND RATE OF HIRED PERSONS BY AGE GROUP, GENDER AND REGION¹

		2016/2017		2017/2018		2018/2019	
		Total number	Rate	Total number	Rate	Total number	Rate
Age-group	Under 30 years old	545	0.054	969	0.079	683	0.056
	Between 30 to 50 years old	653	0.065	1,087	0.088	887	0.073
	Over 50 years old	120	0.012	138	0.011	107	0.009
	Total	1,318	0.131	2,194	0.178	1,677	0.138
Gender	Men	1,229	0.122	2,109	0.171	1,597	0.131
	Women	89	0.009	85	0.007	80	0.007
	Total	1,318	0.131	2,194	0.178	1,677	0.138
Region	Southeast	1,318	0.131	1,419	0.115	1,163	0.096
	Midwest	-	-	775	0.063	514	0.042
	Total	1,318	0.131	2,194	0.178	1,677	0.138

1. The employees of the following levels were not considered: Board Members, Senior Management, Interns, Trainees, Apprentices and Third Parties.

TOTAL AND RATE OF EMPLOYEES WHO LEFT THE COMPANY, BY AGE GROUP, GENDER AND REGION¹

		2016/2017		2017/2018		2018/2019	
		Total number	Rate	Total number	Rate	Total number	Rate
Age-group	Under 30 years old	443	0.044	342	0.028	470	0.039
	Between 30 to 50 years old	753	0.075	929	0.075	1,026	0.084
	Over 50 years old	241	0.024	431	0.035	351	0.029
	Total	1,437	0.142	1,702	0.138	1,847	0.152
Gender	Men	1,305	0.129	1,576	0.128	1,743	0.143
	Women	132	0.013	126	0.010	104	0.009
	Total	1,437	0.142	1,702	0.138	1,847	0.152
Region	Southeast	1,437	0.142	1,348	0.109	1,452	0.119
	Midwest	-	-	354	0.029	395	0.032
	Total	1,437	0.142	1,702	0.138	1,847	0.152

1. The employees of the following levels were not considered: Board Members, Senior Management, Interns, Trainees, Apprentices and Third Parties.



Looking at the employee prioritizes development, retention and health and safety guarantees

Our benefits

GRI 401-2

São Martinho's standard benefits apply to both full-time and part-time (or temporary) employees from all four mills and the administrative office located in São Paulo. They are:



- Maternity/paternity leave (extended as per Citizen Company legislation);
- Medical and dental care;
- Cafeteria in the mills;
- Food;
- Food card (São Paulo branch);
- Group life insurance;
- Supplementary assistance (reimbursement of glasses, prescription lenses, orthosis and prosthetics);
- Shopping-card/advance;
- PBM (medicine card);
- Christmas Basket;
- Credit cooperative;
- Labor gymnastics;
- Transport of employees (chartered buses to mills and transportation vouchers to branch São Paulo);
- Private pension plan;
- Flu vaccination.

Responsible adjustment

With the beginning of the labor reform, São Martinho studied the changes and prioritized the maintenance of the rights of its employees during the adaptation to the new legislation.

That same conciliation is present in the technological innovation processes. The Company believes that the emergence of new tools should not lead to the dismissal of labor. Therefore, we seek to preserve and relocate professionals whenever there are changes in the operation - such as harvest automation, a process experienced in recent years, when, at the same time, São Martinho expanded its workforce.

Benefits are intended for all employees, and eligibility, when considered, concerns only the employee's work mill



JOURNEY AND DEVELOPMENT GRI 103| 404

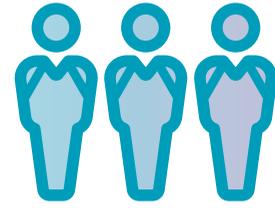
Retention and development of the workforce are priorities at São Martinho. To this end, the Company seeks to pave the way for employees to embrace the particularities of the different stages of their professional careers. Along the way, there is always training in order to comply with market requirements and the training of employees themselves.

Those at the beginning of their careers are offered trainee and internship programs to attract and develop outside talent in order to prepare them in light of the Company's strategy. Further on, employees have access to a scholarship program, ranging from undergraduate to MBAs and postgraduate courses.

Through the Segundo Tempo Program, for two years, tools aimed at improving the transition period for retirement are presented to employees about to leave the Company. In this way they are encouraged to reflect and prepare so that they can draw personal and professional plans. Combined with the financial compensation package, this stage aims to reward the participation and effort throughout their journey through São Martinho.

Featured programs developed include:

- *Trainee Program*: in the current edition (2018/2019), the attraction and selection process was carried out by a specialized consultancy, with 6,700 candidates registered for 29 vacancies. Lasting 18 months, the program is conducted in partnership with specialized institutions and internal monitors. The development trail, which had 29 participants, consists of Behavioral development actions; Business Knowledge; Job rotation; Coaching sessions; Quality of life; Social Responsibility; Program Completion Project and support by a digital mobile tool.
- *Values in Action Program*: seeks to identify potential talents in the Company and promote their development. Started in 2010, the program lasts 18 months and is carried out in partnership with specialized institutions and internal monitors. In the last

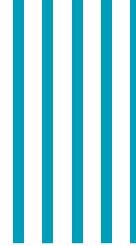


6,700 young people

signed up for the 29 trainee spots at São Martinho

season, the program had 76 participants.

- *Agricultural Maintainers Training Program*: The program, lasting 18 months, aims to identify and develop employees with vocation to perform maintenance activities on agricultural machinery and equipment. In the last season, there were 16 participants.
- *Behavioral Development*: with annual meetings, they mobilize teams and management on the agroindustrial, leaders, behavioral awareness and board fronts (Commercial, CSC, HR and Legal).
- *Job rotation*: started in 2016, seeks to know, share and adopt best practices and accelerate the process of developing successors. In 2018, the news was the expansion for managers, as well as agroindustrial directors.



Talent retention

Applied two decades ago, the behavioral and sensitization training, under the prism of leadership, continued to deepen, in the 2018/2019 season, the contact of employees with the mottos of São Martinho: excellence and continuous improvement.

Through tools such as the Succession Plan and Career Paths, individual profiles and talents are considered to drive employee growth. In addition to prioritizing internal promotion, São Martinho seeks to recognize the qualities and personal aspirations of each professional, relating them to the Company's growth potential.

Job rotation

resource seeks to know, share and adopt best practices and accelerate the process of developing successors

AVERAGE TRAINING HOURS GRI 404-1

		2016/2017	2017/2018	2018/2019
By gender	Men	38.1	31.3	29.2
	Women	23.2	17.2	15.6
	Total	36.8	30.1	28.0
By functional category	Management	22.8	16.8	17.3
	Middle Management	44.8	35.9	24.7
	Leadership/coordination	58.4	59.7	45.7
	Technique/supervision	67.9	50.5	59.1
	Administrative	33.8	29.2	22.4
	Operational	35.5	29.3	27.2
	<i>Trainees</i>	233.1	132.4	254.1
	Support	92.4	66.6	50.5
	Apprentices	11.5	2.8	6.2
	Interns	0.0	0.0	0.0
	Total	36.8	30.1	28.0

EMPLOYEES WHO RECEIVE REGULAR PERFORMANCE AND CAREER DEVELOPMENT APPRAISAL¹ GRI 404-3

	2016/2017		2017/2018		2018/2019	
	Men	Women	Men	Women	Men	Women
Administration	100%	100%	100%	100%	100%	100%
Leadership/coordination	100%	100%	100%	100%	100%	100%
Technique/supervision	100%	100%	100%	100%	100%	100%
Administrative	73%	85%	77%	88%	78%	88%
Operational	26%	29%	22%	29%	20%	26%
Trainees	100%	100%	100%	100%	100%	100%
Support	100%	100%	100%	100%	100%	100%
Total	21%	35%	22%	36%	19%	34%

1. Performance and career development appraisal information is not applicable to the Board Members, Senior Management functional categories.

HEALTH AND SAFETY

GRI 103 | 403, 403-1

Providing a secure platform for everyone involved in the Company's operations, from visitors to employees, is inherent to São Martinho's strategy and leads projects, management tools and continuous monitoring of risk factors and opportunities for improvement.

On a regular basis, the Company offers technical training in all mills about occupational health and safety issues - some mandatory by law and others of a voluntary nature. In addition, the Health and Safety Policy and the management system, based on national and international standards and requirements, ensure

proper handling of the matter.

The initiatives carried out with the occupational health and safety theme occurred in the season through the implementation of the Occupational Health and Safety Management System (SGSSO, in Portuguese), the Internal Accident Prevention Week (Sipat, in Portuguese), the integration between CIPA and CIPATR and health programs, as well as the *Bem Saudável* project.

In the Company's management system, the target was 90% adherence to the implementation of the system; in the 2018/2019

season, after audit, 92% was reached, exceeding the target. This result is linked to the high coordination bonus indicator.

All mills have an OH&S Committee, consisting of board level, managers, coordinators, leadership and some members of the operation. 100% of the areas are represented on this committee and are within the scope of the management system elements. After implementation of the elements of the OH&S management system, the accident frequency rate was reduced from 18.9 to 2.0 in São Martinho.

Prevention & Awareness

São Martinho's performance in the area of health and safety has, in the knowledge and behavioral change of the employees, important instruments of change. Opportunities to exchange information and experiences are made possible by the Internal Work Accident Prevention Weeks, which, following the trend of previous years, involve employees'

families. In 2019, SIPAT echoed São Martinho's motto and promoted the event under the theme Safety on the Way of Excellence, with the participation of over 8 thousand employees.

Preventive health is another relevant aspect for a company with a strong presence in the field. Through the *Bem Saudável* program, which also includes the

participation of the employees' families, the H1N1 flu prevention campaign in 2018 met the goal of vaccinating 9,100 people. The program also addresses cancer prevention, sexually transmitted disease and hearing health awareness - more than 600 employees from all mills attended the Hearing Health Prevention Lecture.

ACTIONS AND PROGRAMS AIMED AT THE DEVELOPMENT OF QUALITY OF LIFE

		2018/2019	
	Description	Total investment (R\$)	Number of participants
H1N1 Flu Vaccination	Employees at all mills and corporate offices have the opportunity to receive the single dose of the tetravalent vaccine	432,416.48	9,100
Anti-Smoking Program	Help with medication for employees and awareness about the harms of cigarettes and the importance of seeking practices and attitudes to improve the quality of life.	21,736.76	38
Food Rehabilitation Program	With the objective of promoting dietary reeducation, physical activity and improvement of quality of life	39,480.00	615
Blood Donation	Promote and encourage the practice of blood donation, providing necessary infrastructure and/or conditions that make donation possible to volunteer employees	n.a.	120
Hearing Prevention Lecture	Awareness about prevention and correct use of PPE	2,415.00	619
Pink October	Breast and cervical cancer prevention awareness	23,104.00	479
Blue November	Prostate cancer prevention awareness	19,563.28	1,577





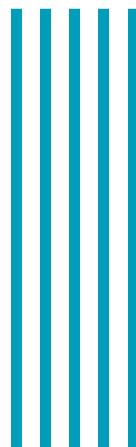
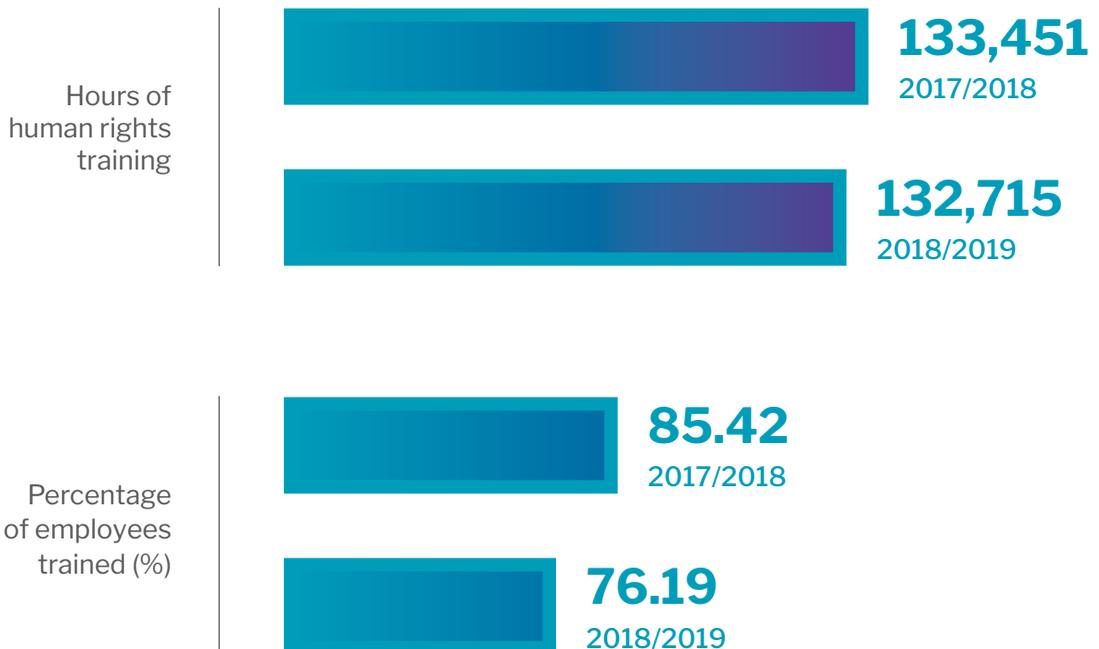
ATTENTION TO DIVERSITY

GRI 103 | 405, 103 | 406, 103 | 412, 405-1, 406-1, 412-2

The subject has gained strength in the Company's HR agenda, with actions foreseen for promoting diversity within the scope of the Social Responsibility area. Formally, the company monitors and monitors the existing staff of people with disabilities, always seeking to promote inclusion safely, appropriately and affordably (*read more on page 57*).

When it comes to discrimination, all cases, besides those provided for in the Company's Code of Ethics and Conduct, are accepted by the Ethical Channel; if denounced, they are later duly verified by a committee. Follow up on the subject is done by the Compliance area. For the next 2019/2020 season, the goal is to conduct training for all audiences of the company, focusing on ethical issues.

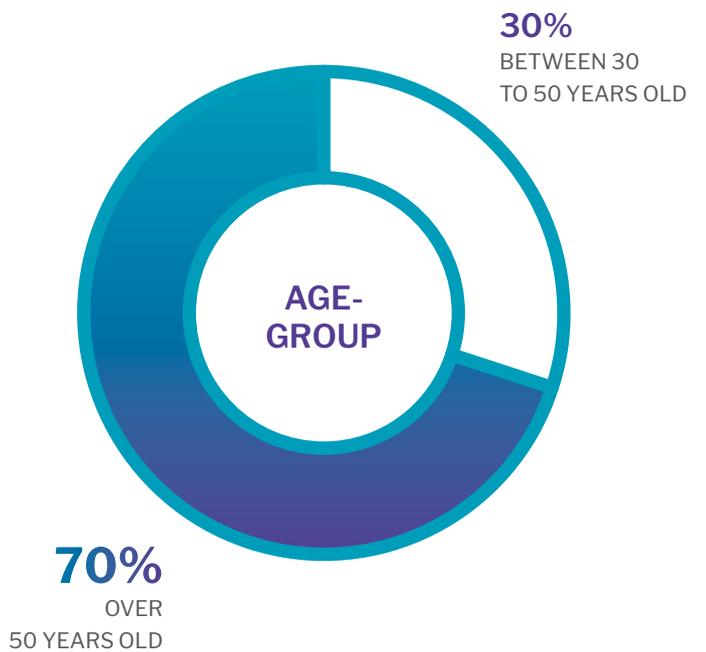
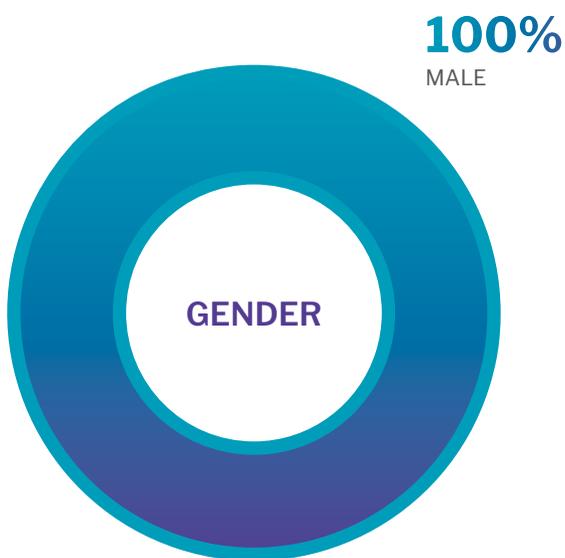
HUMAN RIGHTS TRAINED EMPLOYEES





Stimulating plurality is a challenge assumed by São Martinho

DIVERSITY IN GOVERNANCE¹ (EXECUTIVE BOARD 2018/2019)



1. There are no African-descendant, indigenous and disabled persons among the board members.

PERCENTAGE OF WORKERS BY FUNCTIONAL CATEGORY AND GENDER

	2018/2019	
	Men	Women
Board (Board of Directors + Audit Committee)	100%	0%
Senior Management	92%	8%
Management	91%	9%
Leadership/coordination	95%	5%
Technique/supervision	97%	3%
Administrative	66%	34%
Operational	94%	6%
<i>Trainees</i>	67%	33%
Support	90%	10%
Third parties	93%	7%
Apprentices	80%	20%
Interns	61%	39%
Total	93%	7%



PERCENTAGE OF WORKERS BY FUNCTIONAL CATEGORY AND AGE-GROUP¹

	Under 30 years old	Between 30 to 50 years old	Over 50 years old
Board (Board of Directors + Audit Committee)	0%	30%	70%
Board of Directors	0%	33%	67%
Management	0%	66%	34%
Leadership/coordination	3%	78%	19%
Technique/supervision	9%	73%	18%
Administrative	32%	59%	9%
Operational	20%	60%	20%
<i>Trainees</i>	93%	7%	0%
Support	21%	68%	11%
Apprentices	94%	6%	0%
Interns	100%	0%	0%
Total	22%	59%	19%

1. Third party information is not made available by third party companies.

PERCENTAGE OF MINORITY AND/OR VULNERABLE GROUP REPRESENTATIVES AMONG WORKERS BY FUNCTIONAL CATEGORY¹

	African-descendants	Indigenous	PCDs
Board (Board of Directors + Audit Committee)	0%	0%	0%
Board of Directors	0%	0%	0%
Management	0%	0%	3%
Leadership/coordination	0%	0%	2%
Technique/supervision	4%	0%	2%
Administrative	3%	0%	5%
Operational	7%	0%	2%
<i>Trainees</i>	4%	0%	0%
Support	0%	0%	0%
Apprentices	6%	0%	9%
Interns	0%	0%	0%
Total	6%	0%	2%

1. Third party information is not made available by third party companies. In the 2018/2019 season, there were 818 African-descendant workers (5.6% of the total), 19 indigenous people (0.1% of the total) and 332 people with disabilities (2.3% of the total) in São Martinho's workforce.

Communities

GRI 102-44, 103 | 203, 103 | 413, 203-2

The locations that house the São Martinho mills are, due to the nature of the sector, far from large urban centers. This has direct consequences on the development of communities based in these regions, due to lack of access to opportunities for professional training and quality education, besides leisure. Given this scenario, the Company seeks to promote positive impacts through job creation, investments in vocational training and education, professional training of suppliers and encouragement of social actions. In annual meetings, São Martinho's engagement with the communities occurs through its relationship with city halls, municipal departments of culture and education, Social Assistance Reference Centers (CRAS, in Portuguese) and Worker Assistance Posts (PAT, in Portuguese).

The company's activities have indirect economic impacts for the development of the regions in which it operates, contributing to the local economy, especially by creating jobs and encouraging the supply chain, as well as promoting health (offering benefits to employees and dependents, in a total of about 30 thousand lives covered by health and dental plans) and tax incentive laws, linked to investments in social projects. In addition, a considerable percentage of taxes collected by the mills are passed on to the municipalities by the state and the Union. Annually, several communities benefit from the voluntary transfer of funds to public interest initiatives and projects through tax waivers.

In addition to donations to the community, there is support for projects and social responsibility actions, made voluntarily by the mills. In determining which programs will receive financial resources, priority will be given to programs geared towards local needs - in particular, the areas of basic and professional training, reinforcing São Martinho's

commitment to education. Still regarding the selection of projects, another screen adopted by the mills is the creation of social values and the strengthening of relationships.

SOCIAL INVESTMENT (IN R\$)

Culture and leisure



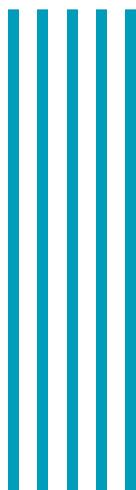
Sport



Education and social development

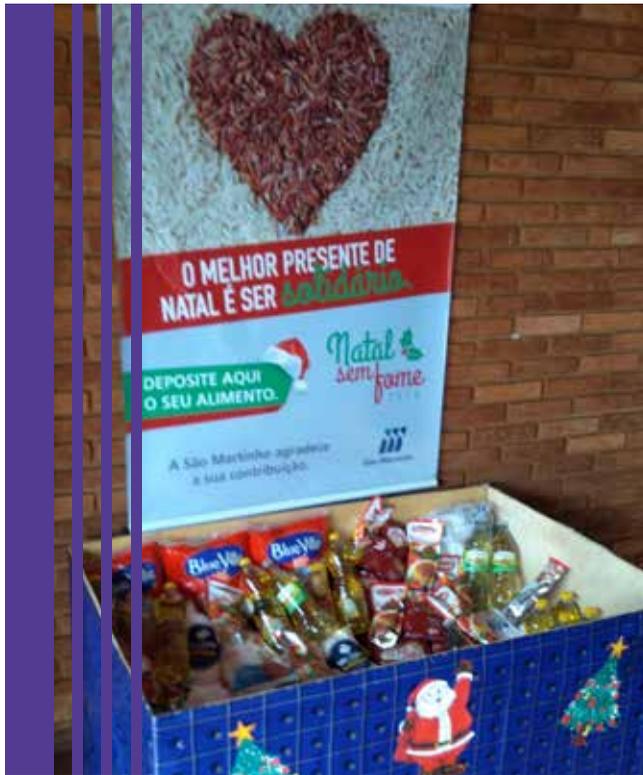


DONATIONS TO COMMUNITIES (R\$)



Sponsorship and support for cultural projects reinforce the social impact.





Donations and solidarity actions mobilize employees of the mills

Volunteering

Today, São Martinho has several volunteers working on social initiatives, campaigns and projects that benefit neighboring communities, especially:

- **Future Entrepreneurs** – held in the city of Iracemápolis, it shows high school students the operation of a company over 15 weeks of actions. The project is the result of the Company's partnership with the NGOs Junior Achievement and the Limeira Development Institute (IDELI, in Portuguese) and, during the season, it reached R\$ 13,500.00 in investments, impacting 30 participants.
- **Christmas Without Hunger** – campaign conducted at all mills, which collects non-perishable food and donates it to social institutions in Pradópolis, Iracemápolis, Américo Brasiliense and Quirinópolis. 9,776 kilos of food were distributed during the season.
- **Clothing Campaign** – promoted in all mills, it supports the low-income population with blankets and warm clothing collected. The action is carried out by the social fund of some cities around the São Martinho mills. 1,525 pieces were donated during the season.
- **Blood donation campaign** – held at the São Martinho Mill, in partnership with the Ribeirão Preto Blood Center, on the World Blood Donor Day. Around 120 employees were referred to the Blood Center. The company has also been certified with the “Friends of Blood Donation RP Blood Center” seal.
- **Campaign to register bone marrow donors** – during the 2018 SIPAT, at the Agricultural Maintenance Center, awareness and action were taken to register bone marrow donors, also in partnership with the RP Blood Center, totaling 18 employees.

For inclusion: citizen actions

Citizen Company

Program that extends maternity leave from 120 days to 180 days and paternity leave from five to 15 days. In all mills, 100% of mothers may choose to stay at home for six months after giving birth before returning to work.

Economically active social inclusion

A program that has been in existence for six years with professional training courses for people with disabilities in partnership with governments and institutions. By 2018, 316 people with disabilities were trained. In 2018, there were 48. During the season, São Martinho's own investment totaled R\$ 665,355.00.

PCD Hiring

In addition to hiring people with disabilities respecting the nature of each job and the inclusion of employees, the Company voluntarily contributes to the Limeira Child Rehabilitation Association (Aril, in Portuguese) and Apae of Limeira.

9,776 kg
of food

distributed in *Natal sem Fome* campaign

In addition to donations to the community, there is support for social responsibility projects and actions, made voluntarily by the mills

Featured projects – 2018

INVESTMENT THROUGH INCENTIVE LAWS

Project	Where	Nature	2018/2019	
			Total investment (R\$)	Number of participants
<i>Jovem Talento</i>	Iracemápolis (SP)	Judo lessons for children	82,000.00	40
Cine Cidade	Quirinópolis (GO)	Mobile cinema platform	71,000.00	2,000
EmCena Brasil	Pradópolis, Iracemápolis, Américo Brasiliense (SP) and Quirinópolis (GO)	Caravan with free cultural shows	260,000.00	12,000
Support for literary works	Piracicaba (SP)	100 years of Japanese Immigration in Piracicaba	25,000.00	n/a
Don Giovane Opera	Ribeirão Preto (SP)	Support for four days of opera performance	50,000.00	About 6,000 people

DIRECT INVESTMENT

Education and social development

- **First Job Projovem and Patrulheiros**

Where: Iracema and São Martinho Mills

During the season: 55 qualified young people

Investment: R\$ 1,128,322.00

For over two decades, it has been promoting the access of young people, aged between 16 and 18, to the labor market, with training and professional opportunities for students from public schools.

- **Apprentice Program**

Where: All mills

During the season: 321 trained apprentices

Investment: R\$ 5,492,286.00

It offers industrial learning courses for the positions of boilermaker, industrial machine maintenance mechanic, administrative assistant, machining mechanic and industrial and heavy vehicles maintenance mechanic. After certification, young people go through the selection process and compete for effective vacancies in the Company.

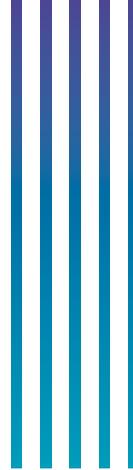
- **Telessalas**

Where: Iracema Mill

During the season: 260 people trained since the beginning

Investment: R\$ 68,750.54

Held by the Iracema Mill, in partnership with the Bradesco Foundation and the City Hall of Iracemápolis, it offers young people and adults the opportunity to resume their studies in four projection rooms.



Sports

- **São Martinho Race**

Where: São Martinho Mill

During the season: 2 thousand participants

Investment: R\$ 81,817.05

Rustic race promoted by the Company through a trail with woods, reserves and reeds of the mill.

- **Tifui Project**

Where: Iracema Mill

During the season: 150 participants

Investment: R\$ 6,363.72

The Iracema Mill Internal Soccer Tournament (Tifui, in Portuguese) takes place every year, during the off-season, and seeks to integrate employees.

Health

- **Energia do bem**

Where: Hospital de Amor

Investment: R\$ 26,040.00

Carried out by the Agro Against Cancer project, the action seeks to reduce electricity costs by donating part of the surplus generated by the mills.

Culture and leisure

- **Bom Ano Escolar Program**

Where: Mills Iracema and Santa Cruz

During the season: 1,500 kits donated

Investment: R\$ 51,172.75

Helps employees keep their children in school by reinforcing the importance of education by delivering school supplies kits with annual enrollment for the benefit.

- **Environmental Education**

Where: Mills São Martinho, Boa Vista and Santa Cruz

During the season: 7,392 visitors

The Environmental Education Centers (CEAs, in Portuguese) - existing since 2000 at the São Martinho Mill, 2005 at Santa Cruz and 2008 at Boa Vista - raise awareness among students, employees and the community about the preservation of natural resources, focusing on waste, recycling, water, air, soil, renewable energy, biodiversity and the sugarcane chain.

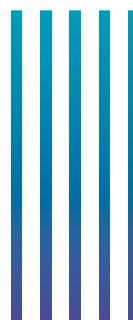
- **Book Fair**

Where: São Martinho Mill

During the season: 100 employees benefited

Investment: R\$ 14,000.00

Annually, the São Martinho Mill provides its employees with a visit to the Ribeirão Preto National Book Fair, in addition to donating books to 100% of the project participants.



Material and service providers

GRI 102-9, 103 | 204

To conduct its business with quality, efficiency and compliance, São Martinho has a network of 3,697 small, medium and large companies and individuals, responsible for providing products, services and technology to agroindustrial production and administrative activities.

During the last season, one of the highlights was the implementation of the supplier performance evaluation and the remodeling of the Supplier Portal, making it more complete and making the pre-registration available to new suppliers.

Material and service providers fall into 60 categories, including inputs, logistics and equipment. The elements considered in its management include quality, price, term and fiscal and accounting compliance. Whenever possible, local suppliers are also prioritized - that is, those located no more than 150 kilometers from the Company; during the season, about 35% of expenses on purchases was with partners neighboring the units (see *table*). The Boa Vista Mill has fewer local suppliers than the other mills, due to the difficulty of developing suppliers in that region.

Guided by its Code of Ethics, the Company manages relationships with the chain through strict processes of contracting/ homologation and monitoring of suppliers, in compliance with criteria such as full respect for Brazilian law, respect for human rights and the fight against child, slave or degrading labor, corruption and discrimination.

PROPORTION OF EXPENSES WITH LOCAL SUPPLIERS¹ GRI 204-1

	2016/2017	2017/2018	2018/2019
Iracema Mill	53.5%	58.3%	46.3%
São Martinho Mill	38.0%	40.7%	40.5%
Boa Vista Mill	n/a	17.7%	17.3%
Santa Cruz Mill	48.1%	39.3%	36.2%

1. Local suppliers for the organization are those located about 150 km or less from agroindustrial mills. Important operating mills are the four sugarcane processing units belonging to São Martinho S.A.

Whenever possible, local suppliers are also prioritized - that is, those located no more than 150 kilometers from the Company.



Sugarcane production chain is involved in sharing practices

SUGARCANE PRODUCERS

Given the nature of the business, sugarcane producers are essential to the Company's earnings generation. During the 2018/2019 season, there were 847 suppliers; in addition to them, 918 other people (individuals and companies) had relationships as lessors or agricultural partners.

In recent years, technology transfer, sharing practices and encouraging the professional training of partners have been prioritized with actions such as Field Day - an opportunity for a meeting between São Martinho and sugarcane producers, which was held at the four mills in the 2018/2019 season, gathering over 330 people to discuss topics such as pest control and new planting and harvesting techniques.

Another priority theme, given the market challenges experienced by the sugar and ethanol sector in recent years, is agricultural productivity. The evolution of discussions on the National Biofuels Policy (RenovaBio) (*read more at Integrated Management System*) and the consequent implementation of production certifications should

also encourage, in the coming years, the strengthening of supplier adherence, especially sugarcane producers, to the environmental guidelines stipulated for the sugar and ethanol sector.

Considering the sector's prospects, especially in the context of RenovaBio, São Martinho works to empower rural producers and professionalize their management. Engagement actions include face-to-face field meetings to share industry strategies, projects and trends, and an exclusive *website* with financial, production, and raw material quality information. In addition, a team of five field technicians regularly visits producers' properties, indicating opportunities for quality of service improvement and monitoring.

Among the key themes, for example, is the presentation of the Rural Environmental Registry (CAR, in Portuguese). Achieving 100% sugarcane produced by third parties on properties with CAR is a priority of the Company, as it is expected to subject such producers to RenovaBio certifications, which require the document.



847
suppliers
producers
of sugarcane

Government, sector and market GRI 102-12, 102-13

In view of the relevance of its image and reputation to business continuity, the Company seeks to build a positive agenda for itself and the industry with governments, institutions, customers and capital providers. All relationships are based on strict criteria of ethics, compliance and fair negotiation and are intended to position São Martinho as an active voice and leader in the sugar and ethanol sector.

In Brazil, contributions to the development of public policies that impact the sugar and ethanol sector are made through associations, class entities and employers' unions. The dialogue with government and public power representatives is made through the Sugarcane Industry Union (UNICA, in Portuguese), an entity that defends the interests of the sector and has the participation of São Martinho in the Deliberative Council.

The Company also participates in the Company-School Integration Center (CIEE, in Portuguese) and the Board of Directors of the Centro de Tecnologia Canavieira S.A. (CTC), maintaining the leading role in discussions of education and science, technology and innovation in the sector. It is also associated with the State of São Paulo Federation of Industries (Fiesp, in Portuguese) and the State of São Paulo Sugar Industry Union (Siaesp, in Portuguese).

Sector under perspective: topics, debates and trends GRI 102-11

In recent years, the public debate in the sugar and ethanol sector has highlighted topics such as mechanization of sugarcane harvesting, reuse and management of vinasse, the application of industry 4.0 concepts, genetic improvement and the adoption of new harvesting, cultivation and planting tools - including the Simultaneously Occurring Mid-Rotational Method (Meiosi, in Portuguese), precision farming and the use of pre-sprouted seedlings (MPB, in Portuguese) (*read more at Investments and Projects*). These discussions involve Brazilian and agribusiness structural issues, including the challenges of companies' competitiveness in the domestic and international markets and the need to raise productivity and efficiency levels in commodity crops.

Another key theme is the fight against pests and diseases. According to experts, the damage caused by the sugarcane borer (*Diatraea saccharalis*), the main pest that plagues the sugarcane crop, cost the industry up to R\$ 5 billion a year. In response to this, the protection of cultivars is a point of attention for the segment and for São Martinho.



41.5% of shares

from São Martinho are
negotiated on B3

UNICA

The Sugarcane Industry Union is the representative of the sugar and ethanol sector in the formulation of public policies for the industry



Dialogue with investors seeks to reinforce the value of transparency for the Company

INVESTOR RELATIONS

São Martinho has been part of *Novo Mercado* since the IPO, which took place in February 2007 and since then has been following and applying the best practices in Corporate Governance in the relationship with its investors and the market in general, daily based on a relationship of transparency and balance.

Investor Relations (IR) is responsible for disclosing to the market any information, such as Financial Statements, notice to the market, material facts and earnings releases, adopting two languages (Portuguese and English), following the reference frequency of the market. The area also participates in local and international meetings and conferences, in permanent dialogue with financial sector experts and opinion makers, in order to keep the market informed about the Company's strategy and key projects.

SHAREHOLDERS

Shareholders	Ordinary shares	%
LJN Participações S.A.	190,242,864	53.74
Indirect Controllers	12,789,117	3.61
Administrators	752,912	0.21
Treasury	3,208,663	0.91
Free Float	149,017,773	41.53
Total	354,011,329	100.00



Customers

Every year, São Martinho does business with about 110 companies from different regions of Brazil and around the world, belonging to different sectors - such as beverages, food and feed, paints, consumer goods and fuels. Aware of the challenge of ensuring business results while strengthening the customer experience, which is fundamental in the commodity industry, the Company works to meet market demands with flexibility and a high level of service.

The competitive position in operational efficiency, combined with its own logistic and agroindustrial production structure and high storage capacity, resulted in a smarter commercial approach, which mitigated losses associated with sugarcane productivity and ensured good use and targeting of the raw material according to market demands.

All São Martinho negotiations are based on corporate documents, policies and standards, in particular the Code of Ethics, as well as sectoral and federal regulations, focusing on the defense of competition, free market, integrity and fair and responsible trade.

By dealing with mature and structured companies, many of them multinationals requiring professional management and governance levels from their suppliers, São Martinho has a Food Quality and Safety Policy that guides its practices, besides adopting international certifications, such as: ISO and Bonsucro standards in agroindustrial operations (*read more at Integrated Management System*).

The Company also opens its doors, whenever required, to technical visits, due diligence actions and verification of its customers.

Customers & market in numbers



78 companies

- 77 medium or large



18 countries served

- 4 continents



29.8%

of the revenue linked to 15 sugar customers



95.2%

of ethanol produced are marketed in Brazil



63.7%

of produced electricity is traded with other companies

Competitive position in operational efficiency,

combined with its own agroindustrial logistics and production structure and high storage capacity, has resulted in a smarter business approach



ENVIRONMENTAL MANAGEMENT

Eco-efficiency
investments
and projects

IN THIS CHAPTER

Water resources 68
Waste 72
Energy 74
Emissions 76
Use of soil 78
Biodiversity 78
Environmental education 78

ODS

Objectives connected to this chapter:



São Martinho seeks process improvements to minimize the environmental impacts of its operations and enhance its contribution to a more sustainable and resilient agribusiness. In this context, all mills in the State of São Paulo are signatories to the Agro-Environmental Protocol, an initiative that encourages the adoption of good environmental practices for

the sector, and the Mill located in the State of Goiás follows the same pattern.

As part of the Integrated Management System, environmental management of operations has as its priorities the conscious use of water resources; solid waste management; continuous adaptation to climate change; the protection of soil and water, as well as fauna and flora; environmental education; and permanent compliance with laws and regulations.

OUR ACTION FOCUSES

Soil

Objective:

Preservation of soil and water quality

Actions:

Crop rotation, field sugarcane straw maintenance, reduced tillage or “minimum tillage” system, soil conservation, concentrated and localized vinasse application and MPB and Meiosi methods

Legislation

Objective:

Compliance with laws, regulations and other requirements and commitments assumed by the organization

Actions:

Assessing compliance with legal requirements, license and condition control and managing environmental aspects and impacts by means of specialized software.

Atmospheric emissions and climate change

Objective:

Climate change mitigation and adaptation

Actions:

Monitoring of gas emissions from boiler chimneys, raw harvesting, biological control - minimizing the use of pesticides -, fire prevention and fighting

Water

Objective:

Conscious use of water resources

Actions:

Measurement of volume captured, resource use efficiency and environmentally sound treatment and disposal

Biodiversity and ecosystem services

Objective:

Preservation and protection of fauna and flora

Actions:

Viva a Natureza Project, *Reserva Legal* Project, wildlife monitoring

Environmental education

Objective:

Promote environmental awareness

Actions:

Environmental awareness of employees and the community through the Environmental Education Center (CEA, in Portuguese)

Solid waste

Objective:

Efficient solid waste management

Actions:

Disposal, segregation, destination and placement of waste according to its characteristics in an environmentally and economically appropriate manner, including recovery, co-processing, recycling and other methods

Water resources

GRI 103 | 303, 103 | 306, 103 | 307, 303-2

Different water sources are used by the Company. The Iracema Mill uses two water sources, the Paramirim and Iracema streams. The São Martinho Mill, in turn, captures water from three sources: Mogi Guaçu River, Triste Stream and Guarani Aquifer (five wells). In Santa Cruz, the sources are the Paulino, João Mendes and Anhumas streams and the Guarani Aquifer (two wells). The Boa Vista Mill, on the other hand, captures water from two water sources: the Rio Preto and the Guarani Aquifer (one well).

Investment in reuse is a front that can significantly reduce the water footprint of the business. Measured by the volume of water from sugarcane divided by the abstraction of underground and surface sources, the indicator, during the 2018/2019 season, was 58%. The mills adopt projects such as the use of water from vinasse concentration and the use of condensed water.

It is also part of the actions to perform quality analysis of effluent returned to the environment, a process that aims to adapt the maintenance of the proper functioning of the hydrological cycle, in order to soften eventual impacts to the natural ecosystem. Regarding the disposal, at the São Martinho Mill, the effluents are treated in stabilization ponds; Water quality is monitored according to the standards required by the legislation, with subsequent disposal in a river. In the other mills, the wastewater is destined to the sugarcane field through fertigation.

In the last three seasons, there have been no cases of non-compliance with environmental licenses and right granting ordinances.



58%

Percentage of water recycled or reused in mills

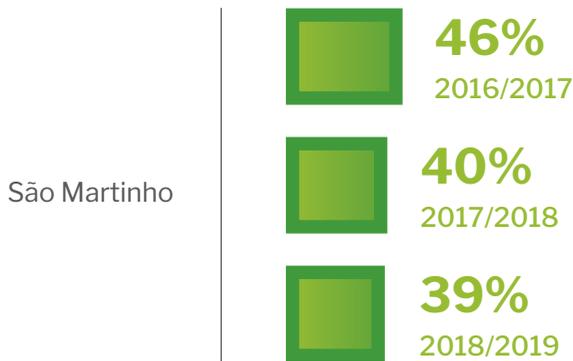
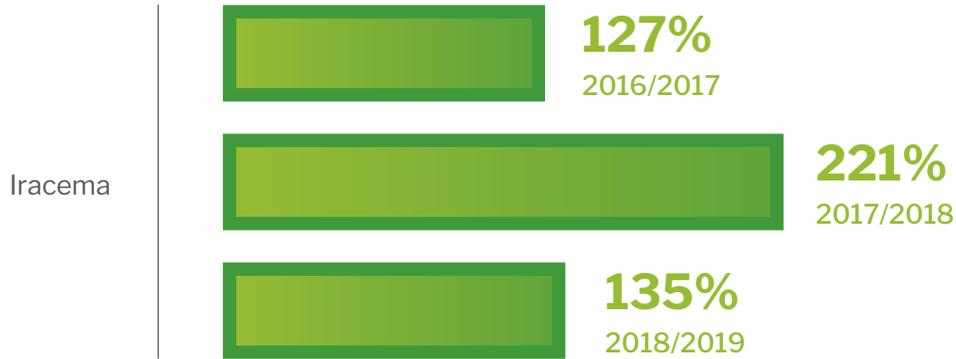
Eco-efficiency actions include: use of water from vinasse concentration and use of condensed water.

TOTAL WATER WITHDRAWAL BY SOURCE (m³) GRI 303-1

		2016/2017	2017/2018	2018/2019
Iracema Mill	Surface water (rivers, lakes, wetlands, oceans)	1,611,412	855,697	1,519,634
	Underground water	n.a.	n.a.	n.a.
	Total volume of water withdrawn	1,611,412	855,697	1,519,634
São Martinho Mill	Surface water (rivers, lakes, wetlands, oceans)	14,941,145	17,210,869	15,359,637
	Underground water	288,350	346,750	454,425
	Total volume of water withdrawn	15,229,495	17,557,619	15,814,062
Boa Vista Mill	Surface water (rivers, lakes, wetlands, oceans)	4,210,183	4,588,633	3,808,108
	Underground water	934,363	1,021,292	582,417
	Total volume of water withdrawn	5,144,547	5,609,925	4,390,524
Santa Cruz Mill	Surface water (rivers, lakes, wetlands, oceans)	2,686,010	2,680,003	2,622,000
	Underground water	1,153,783	882,936	771,616
	Total volume of water withdrawn	3,839,793	3,562,939	3,393,616
São Martinho S.A.	Surface water (rivers, lakes, wetlands, oceans)	23,448,750	25,335,202	23,309,379
	Underground water	2,376,496	2,250,978	1,808,458
	Total volume of water withdrawn	25,825,247	27,586,180	25,117,836



RECYCLED AND REUSED WATER (%) GRI 303-3





Keeping an eye on water quality GRI 306-5

The effluents generated at the São Martinho Mill undergo a treatment system before being sent to the Mogi Guaçu River. In order to ensure that there is no impact on the watercourse, quality reviews are performed periodically.

WASTEWATER GENERATED BY DISPOSAL GRI 306-1

Mill	Destination	Treatment method	2016/2017		2017/2018		2018/2019	
			m ³	m ³ /tc ¹	m ³	m ³ /tc ¹	m ³	m ³ /tc ¹
Iracema Mill	Sugarcane fields	Fertigation	1,668,254.00	0.58	874,016.00	0.33	1,091,794.00	0.38
São Martinho Mill	Mogi Guaçu River	Stabilization Ponds	11,392,623.52	1.22	13,749,467.16	1.43	9,353,075.27	1.09
	Sugarcane fields	Fertigation	2,626,477.90	0.28	2,865,610.90	0.30	2,242,602.30	0.26
Boa Vista Mill	Sugarcane fields	Fertigation	1,847,208.00	0.38	2,321,345.00	0.47	2,016,057.15	0.45
Santa Cruz Mill	Sugarcane fields	Fertigation	2,810,795.08	0.61	3,130,422.00	0.62	2,799,584.29	0.62
São Martinho S/A Total volume of effluents generated (m ³)			20,345,358.50	-	22,940,861.06	-	17,503,113.01	-

Waste

GRI 103 | 306, 103 | 307

São Martinho has the Waste Management Plan (PGRS, in Portuguese), which focuses on the three “Rs”: **reduce** the consumption of inputs and materials; **reuse** the generated by-products; and **recycle** when possible. The Program aims to systematize the management of solid waste from agroindustrial activities, preventing harmful impacts on the environment. From

the 2018/2019 season, the Iracema Mill had a Waste Center, as well as the other mills of the Company, improving the proper segregation of waste and their environmentally sound destination/disposal.

The objective for the 2019/2020 season is to reduce and/or maintain the disposal of landfill waste and the destination of class I (t) waste.

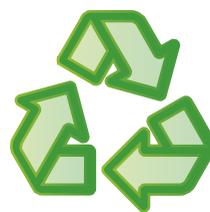
The reduction in the generation of non-hazardous waste in the season is mainly due to the reduction of soot, ashes, cake and bagasse, in turn linked to the reduction of crushing in the period.

DISPOSAL OF HAZARDOUS WASTE (TONNES) (ALL MILLS)¹ GRI 306-2

Destination	Waste type	2016/2017	2017/2018	2018/2019
Reuse	Drums / containers	45	57	45
Incineration (mass burning)	Outpatient waste, expired chemical	-	-	0.35
Co-processing	Miscellaneous materials contaminated with hydrocarbons (plastic, paper, cardboard, air filter, hose, rubber etc.), laboratory glassware, bagasse with oil, Epis	611	626	665
Reverse logistic	Cloth with oil, vehicle battery	244	157	112
Re-refining	Burnt oil	394	365	414
Landfill	Asbestos tiles	-	-	6
Others		-	2	0
Total		1,294	1,206	1,242

99%

waste is reused in São Martinho's agricultural activities



19%

was the increase in the percentage of non-hazardous waste recycling in 2018/2019

DISPOSAL OF NON-HAZARDOUS WASTE (TONNES) (ALL MILLS)¹

Destination	Waste type	2016/2017	2017/2018	2018/2019
Mixing Yard	Soot, ashes and filter pie	1,188,451	1,159,028	928,990
Reuse	Bagasse produced	6,451,740	6,316,190	5,792,030
Recycling	Metal / glass / paper / plastic	4,877	4,418	5,247
Recovery (including energy recovery)	Wood	-	2	69
Landfill	Non-recyclable waste	1,064	1,019	909
Reverse logistic	Tires	951	1,175	1,011
Total		7,647,083	7,481,832	6,728,256

1. Disposal is carried out either directly by the organization or by third parties, or directly confirmed by the organization. The goal for the next season is to reduce and/or maintain landfill disposal and Class I waste disposal as done in the previous season. The values obtained were taken from the SAP system and/or internal controls. Data on waste generation from the 2016/2017 and 2017/2018 seasons were reviewed. GRI 102-48



“Adopt me” Campaign

In the 2018/2019 season, from an action proposed by the Trainee Program, with support from the Environment area, the “Adopt Me” campaign arose, aiming to reduce the consumption of plastic cups in the Mills. The campaign seeks to make employees aware of their consumption habits and reinforce that saving a cup makes a difference. The campaign results can be seen in the next season’s Sustainability Report!

Energy

GRI 103 | 302, 103 | 305

Management via inventory of greenhouse gas emissions at all São Martinho mills ensures proactive and responsible monitoring of the business carbon footprint, with efforts to mitigate impacts and adapt to climate change that encompasses the agricultural operation - such as firefighting, responsible use of pesticides, and the adoption of precision farming techniques - and industry through the control of air pollution.

In addition, the mills use equipment to control atmospheric gas pollution from fixed and mobile sources, which is in compliance with current

environmental laws. Annually, the gases emitted from the boiler chimneys are monitored, and the conclusive reports for NOx and particulate material generated are filed with the environmental agencies.

All mills have an internal Black Smoke Emission Self-Monitoring and Monitoring program for their diesel-powered fleet, in accordance with current legislation, using the Ringelmann Scale and/or opacimeter.

The company complies with the legislation that determines the modernization of bagasse-

powered boilers, resulting from Conama Resolutions no. 382 of December 26, 2006, and Conama no. 436 of December 22, 2011, by installing filters and gas washers. The concern with the emission of pollutants is extended to the use of high *performance* machines and energy efficiency, which, added to the adoption of precision agriculture, reduce the use of fuels. In addition, the organization conducts black smoke control, following a methodology recommended in specific regulations.

Emissions and their scopes



Scope 1

From sources controlled by the organization. These include sugarcane transportation, plant and terminal operation, and tillage and harvesting activities



Scope 2

Indirect emissions from electricity generation purchased by the Company



Scope 3

Other indirect emissions, such as employee air travel and outsourced transportation



Emissions generation control aligns with energy efficiency practices

PRODUCTION EMISSIONS (TCO₂e)

Scopes	2016/2017	2017/2018	2018/2019
Scope 1	452,474	658,725	596,321
Scope 2	896	1,351	990
Scope 3	351,016	522,030	494,773
Total	804,386	1,182,106	1,092,084

SPECIFIC EMISSIONS (KG OF CO₂e PER TON OF SUGARCANE) 2018/2019 SEASON

Scopes	Iracema Mill	São Martinho Mill	Boa Vista Mill	Santa Cruz Mill	Total
Scope 1	28.00	23.04	29.94	40.76	29.16
Scope 2	0.06	0.03	0.06	0.06	0.05
Scope 3	32.13	22.59	23.00	23.37	24.19
Total	60.19	45.66	53.00	64.19	53.40

Emissions

GRI 103 | 302, 103 | 305

In the Company, energy is used through fuels from renewable sources, prioritizing sugarcane bagasse - which supplies the industrial units significantly. In the 2018/2019 season, there were reductions in

consumption at the mills, except for a small increase in Iracema. In total, there was a 9% drop in total energy consumed compared to the previous season.

ENERGY CONSUMPTION IN THE ORGANIZATION (GJ) GRI 302-1

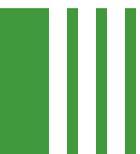
		2016/2017			
		UIR	USM	UBV	USC
Fuel consumption from non-renewable sources [A]	Diesel oil	394,538	1,136,743	n.a.	686,206
	Gasoline	857	2,721	n.a.	1,141
Fuel consumption from renewable sources [B]	Hydrous ethanol	15,184	29,883	n.a.	17,003
	Cane bagasse	7,236,838	24,726,957	n.a.	8,567,806
Energy purchased (electricity) [C]		913	56,098	n.a.	170
Energy sold (electricity) [D]		2,689	88,100	n.a.	62,161
Total energy consumed per mill [A+B+C-D]		7,645,642	25,864,303	n.a.	9,210,164
Total energy consumed – São Martinho S.A.			42,720,109		



9%

reduction of energy consumption
in the organization in 2018/2019

2017/2018				2018/2019			
UIR	USM	UBV	USC	UIR	USM	UBV	USC
366,471	1,156,199	705,873	700,181	387,471	1,067,596	643,360	656,469
985	2,328	635	1,539	1,074	2,342	861	1,699
14,478	32,557	14,478	16,969	14,171	32,440	13,758	17,979
6,345,223	24,437,315	12,451,285	12,597,576	6,570,971	21,475,641	11,365,447	11,403,543
1,060	56,062	884	78	651	51,129	931	7
1,659	93,261	97,512	61,243	-	82,954	87,041	60,315
6,726,557	25,588,872	13,144,568	13,255,101	6,974,338	22,546,195	11,937,316	12,019,383
58,714,808				53,477,232			



Use of renewable sources minimizes
environmental impact and reinforces
self-sufficiency of operations

Use of soil

The more than 240,000 hectares under São Martinho's direct management are subject to a series of policies that cover soil conservation, area recovery and crop management plans. The central idea is to ensure proper land use, respecting soil recovery, protection and nutrition needs to ensure field productivity and compliance with industry-leading environmental policies.

Among the practices of São Martinho, foreseen in its soil conservation plan, the following stand out:

- Replenishment of organic matter using by-products (vinasse);
- Fulfillment of fertilization needs at each cycle, improving the physical, chemical and biological characteristics of the soil;
- Using contours, terraces and speed bumps to decrease ramp length, improving water infiltration into the ground;
- Maintaining haystack to protect soil from raindrops and increase organic matter content;
- Reduced tillage or "minimum tillage" system, which promotes minimum soil movement to meet the needs of sugarcane crop development;
- MPB and Meiosi methods, with higher efficiency and productivity per hectare;
- Application of concentrated and localized vinasse, allowing adequate soil nutrition and lower environmental impact of production.

240 thousand hectares are under direct management of the Company, with compensatory and mitigating measures

Biodiversity GRI 103 | 304, 304-1

São Martinho's commitment to the best environmental practices and sustainable action is evident in its Legal Reserve Project, the Company's initiative to map, plan and execute all environmental regularization of its rural areas.

Under the current Forest Code, São Martinho promoted the complete mapping of its rural properties through environmental diagnostics, classifying land use and occupation, and its Permanent Preservation Areas (APP, in Portuguese) and Legal Reserve (RL, in Portuguese), fully respecting the current legislation. Through the situation found in the environmental diagnoses, São Martinho also registered 100% of its rural properties in the Rural Environmental Registry (CAR, in Portuguese), regardless of any legislative extension.

In line with its environmental guidelines, the Company has formed a multidisciplinary group, with the participation of several areas and the support of an external consultancy for the Legal Reserve Project. This forum is managed by the team of São Martinho Terras Imobiliárias and analyzes, plans and recommends (within its governance process) the best executions considering sustainability and environmental efficiency.

Regarding the environmental regularization strategy, São Martinho indicated in the CAR the APPs and Legal Reserve areas existing in the properties, and, with the surpluses, will make environmental compensations between them. For any deficits ascertained, forest assets will be acquired in Conservation Mills - areas with relevant natural characteristics, created and

protected by the public authorities for conservation purposes.

Also worth mentioning is the *Viva a Natureza* Project, implemented by São Martinho 19 years ago to recompose and conserve ciliary forests, protect springs and riverheads, reduce siltation risks and preserve native species. In addition, the project made it possible to raise awareness among the Company's employees, students and communities located around the mills about the importance of nature preservation. Currently, the project has already promoted the planting of more than 4.4 million seedlings.

Protected areas and wildlife monitoring

IRACEMA

7.2% of the mill hectares are APP areas

156 species of fauna, of which 3% are endangered

SÃO MARTINHO

10% of occupancy by APP areas

220 species of fauna, of which 7% are endangered

BOA VISTA

6.9% of occupancy by APP areas

402 species mapped, none are endangered

SANTA CRUZ

3.07% by APP areas

341 species mapped, of which 6% are endangered



+

4.4 million

of seedlings planted since 2000

123
thousand
people

have visited the Environmental Education Centers of the Company's mills since 2000

Environmental education

The actions carried out at the Environmental Education Centers (CEAs, in Portuguese) of the Company's mills strengthen the practice of environmental education by raising the awareness of employees, students and the general community about the importance of preserving and respecting the environment. Internal actions are also held to celebrate the World Environment Day, Water Day and Tree Day. During the 2018/2019 season, 7,392 visitors were received. Together, the CEAs have already received about 123,000 people.



ABOUT THIS REPORT

GRI 102-45, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54

Report considers GRI Standards methodology, Essential option

Focusing on the disclosure of São Martinho S.A.'s performance, projects and investments, this *2018/2019 Annual and Sustainability Report* follows the management maturity trajectory for financial and non-financial issues, again based on Global Reporting Initiative (GRI) reporting methodology, Standards version, Essential option.

The definition of the content considered the listing of social, environmental and economic-financial topics of greatest relevance to the Company and its stakeholders, defined in the last materiality process (*described in*

Engagement and Materiality). The scope of socio-environmental and economic indicators covers the crop year. Some qualitative information regarding market prospects, projects and investments, however, extends to earlier and later periods to provide a broader picture of the context experienced by the Company.

The data include the four mills managed by the Company: Iracema, São Martinho, Boa Vista and Santa Cruz. The assets acquired from the Furlan Mill in 2018 are not part of the indicators presented here, being restricted to qualitative information about the purchase process, without impact on the GRI indicators.

IN THIS CHAPTER

GRI content summary 67

GRI content index GRI 102-55

GENERAL DISCLOSURES

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
Organizational profile				
GRI 102: General disclosures 2016	102-1 Name of the organization	8		
	102-2 Activities, brands, products and services	8. 10		
	102-3 Headquarters location	8		
	102-4 Location of operations	8. 10		
	102-5 Nature of ownership and legal form	8		
	102-6 Markets served	10		
	102-7 Size of the organization	10		
	102-8 Employee and worker information	40		8
	102-9 Supply chain	60		
	102-10 Significant changes in the organization and its supply chain	8		
	102-11 Approach or precautionary principle	18. 62		
	102-12 Externally developed initiatives	62		
	102-13 Participation in associations	62		
Strategy				
GRI 102: General disclosures 2016	102-14 Senior decision maker statement	4		
Ethics and integrity				
GRI 102: General disclosures 2016	102-16 Values, principles, standards and norms of behavior	12. 18		16
Governance				
GRI 102: General disclosures 2016	102-18 Governance structure	14		

GENERAL DISCLOSURES

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
<i>Stakeholders engagement</i>				
GRI 102: General disclosures 2016	102-40 List of stakeholder <i>groups</i>	32		
	102-41 Collective bargaining agreements	40		8
	102-42 Stakeholder identification and <i>selection</i>	32		
	102-43 Stakeholder engagement <i>approach</i>	32		
	102-44 Key topics and concerns raised	32, 39, 54		
<i>Reporting practices</i>				
GRI 102: General disclosures 2016	102-45 Entities included in the consolidated financial statements	80		
	102-46 Defining report content and topic boundaries	32		
	102-47 List of material topics	32		
	102-48 Information reformulations	73. 80		
	102-49 Report changes	80		
GRI 102: General disclosures 2016	102-50 Reporting period	80		
	102-51 Date of most recent report	80		
	102-52 Reporting cycle	80		
	102-53 Contact point for report questions	3		
	102-54 Option according to GRI Standards	80		
	102-55 GRI Content Summary	81		
	102-56 External assurance	There was none		

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
Economic performance				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	37		
	103-2 Management approach and its components	37		1, 5, 8, 16
	103-3 Evolution of the management approach	37		
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	37		2, 5, 7, 8, 9
Market presence				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	40		
	103-2 Management approach and its components	40		
	103-3 Evolution of the management approach	40		
GRI 202: Market presence 2016	202-2 Proportion of senior management hired from the local community	40		8
Indirect economic impacts				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	54		
	103-2 Management approach and its components	54		
	103-3 Evolution of the management approach	54		
GRI 203: Indirect economic impacts 2016	203-1 Development and impact of infrastructure investments and services offered	In the 18-19 season, there were no social investments in the community that included infrastructure.		2, 5, 7, 9, 11
	203-2 Significant indirect economic impacts	54		1, 2, 3, 8, 10, 17

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
Purchasing practices				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	60		
	103-2 Management approach and its components	60		
	103-3 Evolution of the management approach	60		
GRI 204: Purchasing practices 2016	204-1 Proportion of expenses with local suppliers in important operating mills	60		12
Fight against corruption				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	18		
	103-2 Management approach and its components	18		
	103-3 Evolution of the management approach	18		
GRI 205: Fight against corruption 2016	205-1 Operations subjected to corruption risk assessments	18		16
	205-2 Communication and training on anti-corruption policies and procedures	The Company underwent a restructuring and created a specific compliance area, which has already hired specific training that will be conducted appropriately for each specific audience. There has been no specific training on anti-corruption issues, however, the issue is reinforced annually among employees through the Behavioral Awareness Program. The goal for the next season is to conduct anti-corruption training for all employees and top management.		16
	205-3 Confirmed cases of corruption and action taken	No cases of corruption were identified during the harvest.		16

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
Unfair competition				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	Indicator not mapped in text		
	103-2 Management approach and its components	Indicator not mapped in text		
	103-3 Evolution of the management approach	Indicator not mapped in text		
GRI 206: Unfair competition 2016	206-1 Lawsuits filed for unfair competition, antitrust and monopoly practices	São Martinho has no cases of this nature. Its products are commodities with prices set on stock exchanges, which prevents price matching between agents.		16
Water				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	68		
	103-2 Management approach and its components	68		
	103-3 Evolution of the management approach	68		
GRI 303: Water 2016	303-1 Total water withdrawal by source	69		6, 7
	303-2 Water sources significantly affected by water withdrawal	68		6
	303-3 Percentage and total volume of water recycled and reused	70		6, 8, 12
Emissions				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	74		
	103-2 Management approach and its components	74		
	103-3 Evolution of the management approach	74		
GRI 305: Emissions 2016	305-1 Direct greenhouse gas emissions (Scope 1)	São Martinho is working to deepen its greenhouse gas emissions data and intends to report the results in the next cycles.		3, 12, 13, 14, 15
	305-2 Indirect greenhouse gas emissions (Scope 2)			3, 12, 13, 14, 15

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
Emissions				
GRI 305: Emissions 2016	305-3 Other indirect greenhouse gas emissions (Scope 3)	São Martinho is working to deepen its greenhouse gas emissions data and intends to report the results in the next cycles.		3, 12, 13, 14, 15
Effluents and waste				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	68. 72		
	103-2 Management approach and its components	68. 72		
	103-3 Evolution of the management approach	68. 72		
GRI 306: Effluents and waste 2016	306-1 Total water disposal broken down by quality and destination	71		3, 6, 12, 14
	306-2 Waste by type and disposal method	72		3, 6, 12
	306-5 Water bodies affected by water discharge and/or drainage	71		
Environmental compliance				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	68. 72		
	103-2 Management approach and its components	68. 72		
	103-3 Evolution of the management approach	68. 72		
GRI 307: Environmental compliance 2016	307-1 Non compliance with environmental laws and regulations	In the 2018/2019 season, the amount of significant fines was R\$ 1,124,782.04 (in 2017/2018, \$ 480,789.94; in 2016/2017, R\$ 353,320.65). There were two non-monetary sanctions in the season, against three in 2017/2018 and zero in 2016/2017. The fines are in the process of administrative or judicial appeal, due to the lack of evidence of causal link, because it is arson or of unknown origin.		

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
Employment				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	39. 40		
	103-2 Management approach and its components	39. 40		
	103-3 Evolution of the management approach	39. 40		
GRI 401: Employment 2016	401-1 New employee hiring and employee turnover rates	40		5, 8
	401-2 Benefits provided to full-time employees that are not offered to temporary or part-time employees	45		8
Non-discrimination				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	39. 50		
	103-2 Management approach and its components	39. 50		
	103-3 Evolution of the management approach	39, 50		
GRI 406: Non-discrimination 2016	406-1 Cases of discrimination and corrective action taken	In the 2018/2019 season, 6 complaints of discrimination on the Ethical Channel were received: 4 racial complaints, and 2 by belief. All cases were investigated, and as a result it was found that 5 cases were inconclusive and 1 partially valid. 4 people were reoriented about ethical posture and, in 2 cases, there was no measure because there was no evidence of involvement. 50		5, 8, 16
Human rights assessment				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	39. 50		
	103-2 Management approach and its components	39. 50		
	103-3 Evolution of the management approach	39. 50		

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
Human rights assessment				
GRI 412: Human rights assessment 2016	412-2 Employees trained in human rights policies and practices	50		
Local communities				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	54		
	103-2 Management approach and its components	54		
	103-3 Evolution of the management approach	54		
GRI 413: Local communities 2016	<p>413-1 Operations with implemented local community engagement, impact assessment and local development programs</p> <p>413-2 Operations with significant potential impacts or actual negative impacts on local communities</p>	<p>There is still no formal structured process for monitoring local communities and their various <i>stakeholders</i>. All social actions are planned in accordance with the Social Responsibility policy and in partnership with the municipalities, in alignment meetings to implement the actions. São Martinho began in 2019 a plan to structure this process, foreseeing the engagement of the communities and promotion of the diversity theme, and the objective is to insert the themes in the actions planned for 2019. 100% of our operations have formal complaints and grievance processes by local communities through the Ethical Channel.</p>		1.2
Public policy				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	18		
	103-2 Management approach and its components	18		
	103-3 Evolution of the management approach	18		

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	ODS
GRI 415: Public policy 2016	415-1 Political contributions	In the last three seasons, there have been no contributions to politics and political parties in cash or kind made by the organization directly or indirectly.		16
Socioeconomic compliance				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its limits	18		
	103-2 Management approach and its components	18		
	103-3 Evolution of the management approach	18		
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with social and economic laws and regulations	In the 2018/2019 season, São Martinho received a total of 5 fines that are in the administrative or judicial appeal phase, the amount of fines paid by the company totaled R\$ 300,016.36, which refers to lawsuits that originated in previous seasons. Of the total, R\$ 232,371.83 refer to the request for federal tax offset in which there was a divergence between the amounts raised by the company and the tax authorities. R\$ 3,373.12 referring to the residual balance of administrative discussion of ICMS credit on permanent assets in which the Company was partially successful and R\$ 64,271.41 referring to ITR debt offset in 1997 and later disallowed by the discrepancy between the amounts raised by the Company and the tax authorities.		16



Office hours

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SUSTAINABILITY CONSULTING

Sustainability Report

WRITING AND EDITING

Sustainability Report

GRAPHIC DESIGN AND DIAGRAMMING

Sustainability Report

PICTURES

São Martinho image bank
Picture by Alfred Aloushy in Unsplash - Page 14

SPELL CHECK

Alícia Toffani

