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# 2014/2015 ANNUAL AND SUSTAINABILITY REPORT



 **São Martinho**

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# MESSAGE FROM THE CEO

G4-1

Dear reader,

I am very pleased to present the fourth edition of the São Martinho Group *Annual and Sustainability Report*. Aligned with internationally recognized Global Reporting Initiative (GRI) methodology, the report outlines the group's performance and main achievements in 2014/2015.

In operational and financial terms the latest crop was one of our best ever in spite of the challenging year faced by the agricultural sector. All of our mills operated at very close to full capacity and, once again, the Group crushed a record volume.

The strategy of investing in electricity generation capacity was proven to be successful, impacted positively by the tariff increases precisely during the year in which the company reached its highest export rate to the national grid. Similarly, the decision to execute sugar shipments closer to the end of the crop year enabled better product pricing.



**Fábio Venturelli**  
CEO of the São Martinho Group

We took an important step forward in our growth strategy by acquiring control of the Santa Cruz Mill. This was one of the biggest acquisitions in the history of the sector, representing a key operation for our business and adding 4.5 million metric tons to the group's processing capacity. From the management standpoint, the transition was exceptionally seamless, with no interruptions to operations and no decrease in headcount.

Particularly worthy of note during the period was the company's real estate business, which has already produced results from the commercialization of 190 hectares of land out of a total of 2,000 identified as having potential for urban development, particularly in the region of Limeira in São Paulo state.

All of this was possible because we have people who are engaged and committed. This is our differential. Managing people has, in fact, always been one of the São Martinho Group's key strengths. Respect for our professionals is rooted in our Way of Being, a set of values which defines who we are and has consolidated a history characterized by tradition, culture and respect. This is reflected in recognitions such as our inclusion in the 2015 The 150 Best Companies to Work for and in the 35 Best Companies to Begin Your Career rankings, both published by *Você S/A* magazine.

In the following pages, the main events are presented in detail to bring our stakeholders closer to the reality of the company. I would like to thank all of you for accompanying us once again and for believing in the potential of the São Martinho Group.

# ABOUT THE REPORT

GRI G4-18; G4-19; G4-20; G4-21; G4-24; G4-25; G4-26; G4-28

For the fourth time, the São Martinho Group Annual and Sustainability Report for crop year 2014/2015 has followed Global Reporting Initiative (GRI) methodology, which sets forth guidelines for monitoring economic, social and environmental indicators. It is the most complete and most widely-used methodology for sustainability reports currently available.

The report has been self-declared in accordance with the Core option (see what this means in the following table) and presents the company's performance from April 1st 2014 to March 31st 2015.

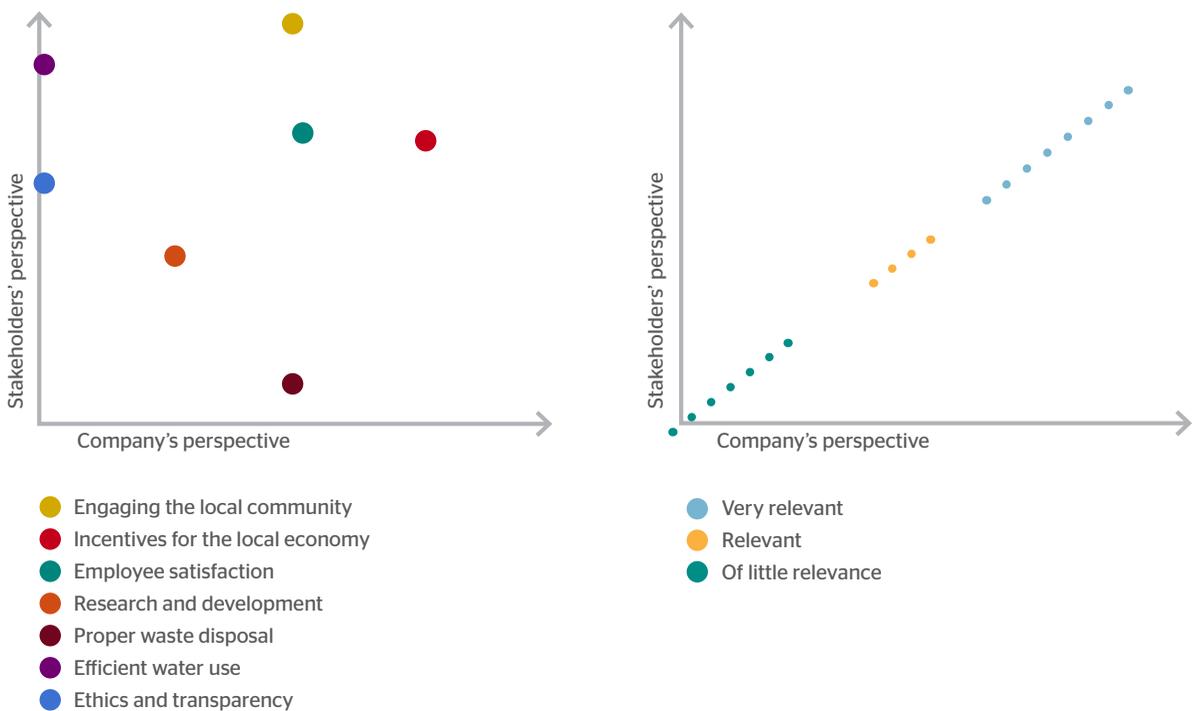
## MANDATORY ITEMS FOR THE CORE OPTION

General standard content	Information about management approach	General sector contents (sector indicators for material aspects)
Strategy and analysis (G4-1)	Generic information about management approach (only for material aspects)	
Organizational profile (G4-3 to G4-16)	Indicators (at least one indicator related to each material aspect identified)	
Material aspects identified and boundaries (G4-17 to G4-23)		
Stakeholder engagement (G4-24 to G4-27)		
Report profile (G4-28 to G4-33)		
Governance (G4-34)		
Ethics and integrity (G4-56)		

## Material aspects

The indicators were prioritized in accordance with their relevance for the São Martinho Group and the stakeholder groups with whom the company engages - work force, community, press and suppliers. These stakeholders took part in an online consultation in which they indicated the aspects they considered to be “Very relevant”, “Relevant” and “Of little relevance” among those in the GRI methodology.

The comparison of the topics indicated by these stakeholders with the Group’s perception of the importance and applicability for its businesses and sector highlighted the effectively material aspects for the organization at this moment (topics which may reflect economic, social and environmental impacts or which may significantly influence stakeholder assessments and decisions). This process shaped the materiality matrix presented here.



To build materiality, internal and industry documents were analyzed, helping to put the report in context. A São Martinho Group cross-functional team also performed a diagnosis to identify stakeholders and to determine means of engagement, such as interviews, focus groups and online consultation, in order to prioritize material topics.

Only the aspects in the “Very relevant” quadrant are addressed in the report. The responses to the indicators related to each topic cover all of the São Martinho Group operational and administrative units (São Martinho S.A. and the Iracema, São Martinho and Santa Cruz units).

**MANDATORY ITEMS FOR THE “CORE” OPTION**

<b>Material aspect</b>	<b>Material topic</b>	<b>Boundary within organization</b>	<b>Boundary outside organization</b>
Economic performance	Ethics and transparency	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities Customers Stock market Shareholders Suppliers
Market presence	Incentives for the local economy	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities Suppliers
Indirect economic impacts	Engagement with the local community Incentives for the local economy	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities Industry associations Suppliers NGOs Public health policies
Procurement practices	Incentives for the local economy	São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities Suppliers
Water	Efficient water use	São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities Municipal public utility
Effluents and waste	Proper waste disposal Efficient water use	São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities
Employment	Employee satisfaction	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities
Investments	Ethics and transparency	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities Government Shareholders Customers Press Suppliers Stock market
Non discrimination	Ethics and transparency	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Customers Local communities Shareholders Press Suppliers
Local communities	Engagement with the local community	São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities
Anti-corruption	Ethics and transparency	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Customers Stock market Shareholders Local communities Government Press Suppliers
Public policy	Ethics and transparency	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Industry associations Stock market Shareholders Local communities Customers Government Press Suppliers
Unfair competition	Ethics and transparency	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Suppliers Customers Stock market Shareholders
Grievance and complaint mechanisms related to impacts on society	Engagement with the local community Employee satisfaction	Employees (management and operation) São Martinho Mill Iracema Mill Santa Cruz Mill	Local communities Industry associations NGOs

# 2014/2015 CROP YEAR HIGHLIGHTS

GRI G4-14; G4-28

The 2014/2015 crop year corresponds to the period from April 1st 2014 to March 31st 2015



Conclusion of acquisition  
and beginning of  
integration of the

## SANTA CRUZ MILL



**3RD YEAR  
RUNNING**  
in **The 150 Best Companies to  
Work For** ranking, from Você  
S/A magazine

**1ST TIME**  
ever in **The 2015 Best  
Companies to Begin Your  
Career** ranking, from Você S/A  
magazine



Record of  
**18.7  
MILLION**  
metric tons of sugarcane  
crushed <sup>1</sup>

*1. The record represents an increase of 20% over the previous crop and takes into account the Santo Martinho group's proportional 50.95% share in Nova Fronteira bionenergia and 100% of the Santa Cruz mill*

## OPERATING AND FINANCIAL HIGHLIGHTS

### OPERATING INDICATORS

Crop	2013/2014	2014/2015 <sup>1</sup>	Variation 13/14 - 14/15
Cane processed (thousands metric t )	15,592	18,717	20.04%
Sugar production (thousands metric t )	986	1,231	24.85%
Anhydrous ethanol production (thousands of m <sup>3</sup> )	388	438	12.89%
Hydrated ethanol production (thousands of m <sup>3</sup> )	252	353	40.08%

*1. the highlights above consider the 100% stake in the Santa Cruz mill and the 50.95% stake in Nova Fronteira*

### FINANCIAL INDICATORS

Crop	2013/2014	2014/2015 <sup>2</sup>	Variation 13/14 - 14/15
Gross revenue (R\$ thousand)	2,047,162	2,398,740	17.17%
Net revenue (R\$ thousand)	1,971,177	2,293,982	16.38%
Cost of goods sold (CGS)	-1,440,705	-1,643,056	14.05%
Gross profit	530,472	650,926	22.71%
Adjusted Ebitda (R\$ thousand)	766,601	1,091,592	42.39%
Ebitda margin	38.90%	46.50%	7.6 p.p.
Shareholders' equity	2,075,952	2,616,085	26.02%

*2. the highlights above consider the 36.09% stake in the Santa Cruz mill until July 2014 and 100% from August, as well as the 50.95% stake in Nova Fronteira*



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## **Organizational profile**

To offer sugarcane derivatives produced in a sustainable and innovative way – this is the Mission of the São Martinho Group, one of the largest Brazilian sugar, ethanol and energy producers.

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The São Martinho Group's presence in the sugar-energy sector goes back to the construction of its first mill in the state of São Paulo in 1914. A century later, the company maintains its distinguished position in the Brazilian market by combining high productivity, the intensive pursuit of technological innovation and care for people and for the environment.

## The group's activities are based on the operation of four mills:

GRI G4-6; G4-8



The Boa Vista Mill is part of Nova Fronteira Bioenergia, a joint venture initiated in June 2010 between the São Martinho Group and Petrobras Biocombustível. It is dedicated exclusively to ethanol production and energy co-generation.

The mills' activities are complemented by the company's subsidiary Omtek - located in Iracemápolis - which manufactures yeast derivatives using advanced biotechnological processes, mainly for human foodstuffs and animal feed; by a corporate office in the city of São Paulo; and by the Shared Service Center, a hub for the Administrative, Financial, Legal, Human Resources, Procurement, IT and Control areas, located in Pradópolis.

## REFERENCE IN THE BRAZILIAN MARKET

**300,000** hectares under cultivation

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**1,231,000 metric tons** of sugar and **791,000 m<sup>3</sup>** of ethanol processed in 2014/2015

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**18.7 million** metric tons of sugarcane processed in the 2014/2015 crop year

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**97%** average mechanization rate in the cane harvest

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### MISSION, VISION AND VALUES G4-56

#### Mission

To offer food, energy and other sugarcane byproducts that generate value for mankind in an innovative and sustainable manner.

#### Vision

To triple cane processing volume by 2020 and be the leader in value generation by producing and commercializing sustainable products and winning new markets.

#### Values

Integrity and ethics  
Respect for people and for the environment

#### Group Pillars

In addition to its Mission, Values and Vision, the São Martinho Group's operations are based on six pillars reflecting the strategic priorities underpinning all its activities.

- **Safety**
  - **People and relationships**  
*(partners and suppliers, customers, shareholders, employees and other workers, and the community)*
  - **Technology**
  - **Sustainability**
  - **Value creation**
  - **Growth**
-

# Timeline



**2014** Acquisition of controlling share in the Santa Cruz mill and beginning of integration of unit into group operations

**2013** Inauguration of thermoelectric unit at the São Martinho mill

**2012** Inauguration of road-rail terminal at the São Martinho mill, with a transshipment capacity of up to 2 million metric tons of sugar a year

**2011** Acquisition of a 32.18% stake in Santa Cruz S.A. Açúcar e Álcool and a 17.97% holding in Agropecuária Boa Vista S.A.

**2010** **June**  
São Martinho S.A. and Petrobras Biocombustível S.A. announce a partnership resulting in a new company called Nova Fronteira Bioenergia S.A., which controls Boa Vista S.A. and SMBJ Agroindustrial S.A.

**August**

São Martinho S.A. announces the first phase of the São Martinho mill co-generation project

**2008** Inauguration of the Boa Vista mill, one of the most modern in the world due to its advanced ethanol production technology

**2007** Company goes public on the São Paulo stock exchange BM&FBovespa, under the ticker symbol SMT03

# Our businesses

G4-4; G4-8

## Products

Sugarcane is an agricultural raw material that can be transformed in diverse ways to generate value. In its mills and associated units, the São Martinho Group applies the most advanced technologies available, maximizing the potential of the sugarcane and producing a variety of products and byproducts.



### Sugar

The São Martinho Group mills produce a number of types of sugar, most notably standard VHP (very high polarization) sugar, mainly for export.



### Energy

The bagasse left over from the cane crushing process is reused as raw material to generate steam and electricity. This is used to power the mills, with the surplus sold to other consumers. The bagasse represents a renewable energy source which reduces dependence on fossil fuels.



### Ethanol

The mills also produce diverse types of ethanol. Hydrated ethanol is the fuel used in alcohol powered or flexible fuel vehicles. The anhydrous variant is blended with the gasoline commercialized in Brazil. Industrial ethanol is employed in the production of paints, cosmetics and alcoholic beverages.



### Byproducts

The byproducts of the sugar and ethanol production process include yeast, a component in animal feed, and fusel oil, used as a solvent and in the manufacture of explosives.



### RNA

Another product manufactured by the São Martinho Group through its subsidiary Omtek, located in Iracemápolis, is the sodium salt in ribonucleic acid (RNA), used as a raw material in the pharmaceutical and food industries and also as a flavor enhancer.

## The Mills

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### São Martinho (São Paulo)

The largest sugarcane processing mill in the world, São Martinho is a global reference in the sector for its high level of process mechanization. The expansion of the storage area in 2015 enabled the mill to stock 400,000 metric tons of sugar. The logistics infrastructure includes an internal railway branch line with a capacity of 16,000 metric tons a day, enabling rail shipment of sugar and ethanol to the Port of Santos (São Paulo), combining practicality and lower costs.

The mill's thermoelectric power station, in operation since June 2013, employs cutting edge technology to produce electricity based on sugarcane bagasse - a renewable and sustainable energy source that reduces atmospheric emissions and rationalizes water use. The electricity produced powers the mill, and the surplus is sold in the market.



**Iracema (SP)**

The mill produces sugar and ethanol. Since 2012, it has been certified by Bonsucro (an international initiative to promote sustainability in the sugar-energy sector), ensuring alignment with global sustainability standards at all stages of production, from the cultivation of the cane through to the manufacture of byproducts. Bonsucro certification is a differential that helps the group to export to demanding markets, such as Asia and countries in the European Union.

**Santa Cruz (SP)**

Santa Cruz is one of the most modern mills in the country, having an annual production and processing capacity of 4.5 million metric tons of cane. With a mechanization rate of 100% in planting and more than 90% in harvesting, the mill has ISO 9001, ISO 14001 and Bonsucro certification. The anhydrous ethanol and hydrated ethanol produced at the unit meet international standards, completing a portfolio that includes VHP sugar, electricity and sugarcane yeast.

**Boa Vista (GO)**

This mill is recognized internationally for its use of advanced technologies and sustainable practices, encompassing internal activities and relations with surrounding communities. Its Industrial Operation Center monitors all processes in the unit in real time, 24 hours a day - from the harvest (which is 100% mechanized) to the final processing stages.

## Subsidiaries

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**Nova Fronteira**

The company was founded in 2010, in a partnership between the São Martinho Group (51%) and Petrobras Biocombustível (49%), with the goal of leveraging fuel ethanol production in Brazil's Midwest region. The group's expertise in research and technological innovation in the field of biofuels positions the company among the leaders in the domestic market.

**Omttek**

With an industrial plant located in the Iracema mill in Iracemápolis (São Paulo), Omttek is dedicated to the production of yeast byproducts for human foodstuffs and animal feed. The company also produces and exports ribonucleic acid (RNA) sodium salt, used in the food industry as a raw material for flavor enhancers. Omttek is one of the only producers of this input in the world. Omttek products employ advanced biotechnological processes on a par with those of the world leaders in the segment.



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# **Competitive differentials**

Technological innovation allied with high mechanization rates and privileged locations are competitive advantages for the São Martinho Group.

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# Mechanization

In 2014, Group operations achieved an average mechanization rate of 97% in sugarcane harvesting, higher than the 84.8% average for mills in the state of São Paulo, according to a study conducted by the Instituto de Economia Agrícola (IEA) in partnership with the Coordenadoria de Assistência Técnica Integral (Cati).<sup>1</sup> This means a more effective and productive process with a lower environmental impact. Mechanized harvesting eliminates the burning of cane straw, reducing atmospheric emissions and minimizing the risk of accidents and injuries associated with manual harvesting.

Mechanization is accompanied by initiatives aimed at monitoring and preserving the soil, with studies of its physical, chemical and biological properties. These measures ensure the sustainability of the activity and reduce any losses identified in the soil. Conservation techniques, such as crop rotation, contour and terraced cultivation and reduced and localized tillage complement the work on preservation.

*1. The IEA data refers to the 2013/2014 crop, covering an total cutting area of 5,497,118 hectares. 84.8% refers to 4,659,684 hectares.*




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## MECHANIZED HARVESTING

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**100%**

Boa Vista Mill (GO)

**97%**

Santa Cruz Mill (SP)

**96%**

São Martinho Mill (SP)

**94%**

Iracema Mill (SP)

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## Strategic location

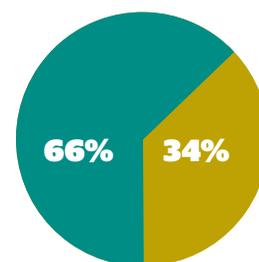
DMA Market presence

Approximately 66% of the sugarcane used to manufacture the products comes from company-owned land (including shareholders, associated companies and agricultural partnerships) and 34% comes from third-party suppliers. In addition to having large tracts of company-owned land, which reduces operating costs, all São Martinho's own and leased planting areas are selected strategically based on criteria such as location - proximity to the mills or logistics facilities - and suitability for cultivation. This combination boosts productivity per hectare, reduces transportation costs and maximizes the sugar yield at the processing stage, since sugar content is lost over time.

The mills' proximity to the Santos warehousing facilities and port terminals is yet another advantage. Three of the Group's mills are located in the state of São Paulo (São Martinho, Santa Cruz and Iracema), which increases operational efficiency and reduces logistics costs and delivery times. Moreover, the São Martinho mill has its own railway branch line, which further facilitates transportation; this unit also has a warehouse for storing bulk sugar, rather than bags, ready for exportation.

### ORIGINATION OF SÃO MARTINHO GROUP SUGARCANE

company owned and leased land



third-party suppliers

## Human capital and knowledge management

The São Martinho Group has

**10,260**  
employees

**97%**

were hired from the local communities

The São Martinho Group has an experienced management team fully versed in agribusiness and an operational team comprising highly qualified professionals who are at the forefront of industry trends and innovations.

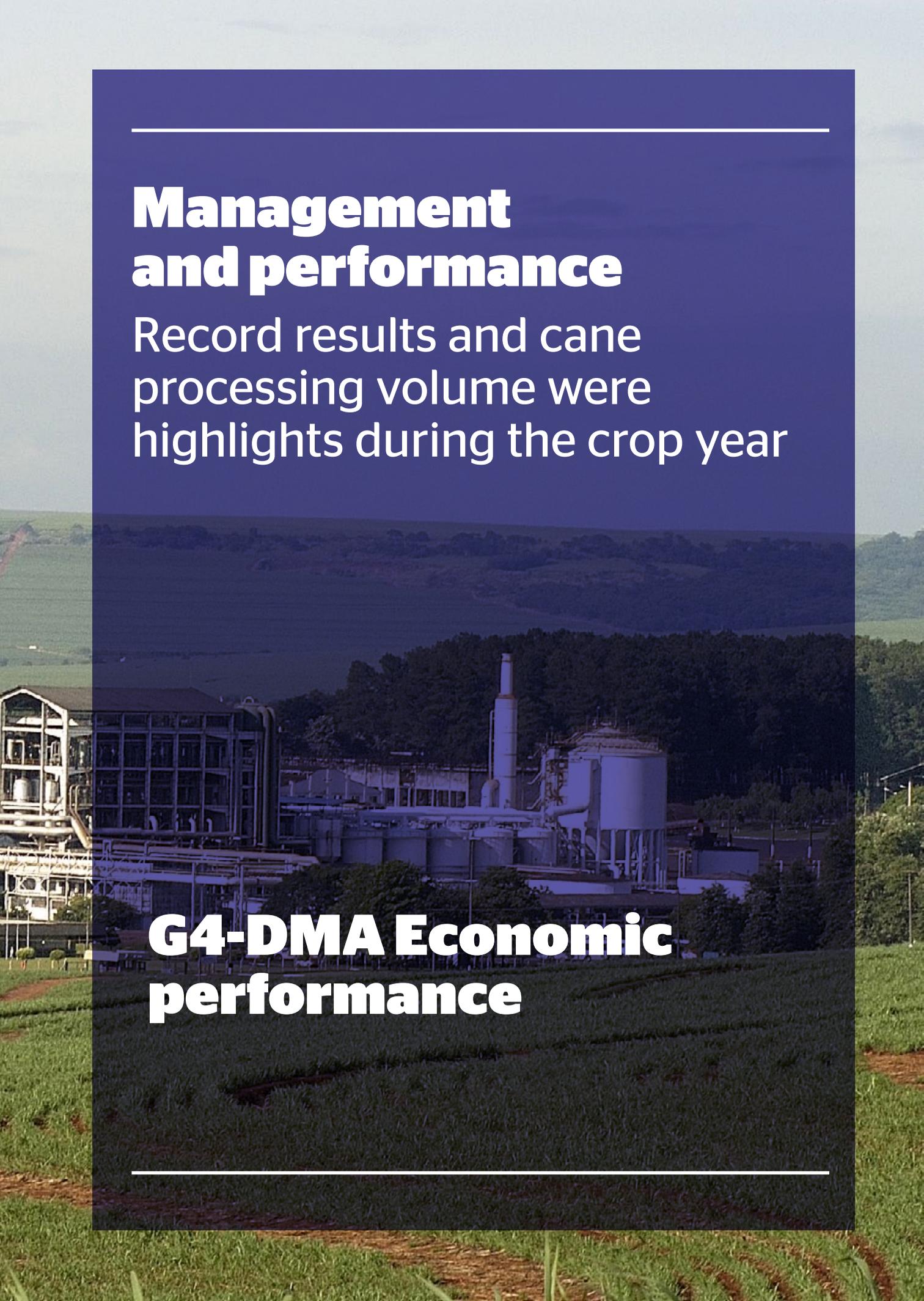
The company uses human resources management tools focused on integrating and motivating the administrative team and other professionals to maximize efficiency. This encompasses training and development programs, as well as courses for agricultural workers, including tractor, machine and sugarcane harvester operators. This initiative helps meet the demand for professionals specialized in automation and mechanization, who are better prepared for the new market reality.



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# **Management and performance**

Record results and cane  
processing volume were  
highlights during the crop year



**G4-DMA Economic  
performance**

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**Factors such as the size of its territory and a favorable climate make Brazil unique in land suitable for sugarcane production.**

These factors also enable five or six harvests before it is necessary to replant the cane - a major advantage compared with the number two producer India, where cane must be replanted on average after every two or three harvests.

Within this context, the São Martinho Group is noteworthy for its privileged geographical locations, with high quality land and soil types that ensure high levels of productivity, and its mastery of cutting edge technologies and techniques for cultivating and harvesting cane.





## GLOBAL SITUATION

**70%**

of global sugar production uses sugarcane as raw material

## ETHANOL

**200%** growth in global ethanol production between 2000 and 2010 from **28 million m<sup>3</sup>** to **90 million m<sup>3</sup>**

**75%** of the ethanol consumed worldwide is used as fuel

- it pollutes less than gasoline
- it is renewable
- it helps reduce greenhouse gases and gases harmful to the ozone layer

## SUGAR

**100%**

growth in global sugar production between 1971 and 2011 from

**71 million metric tons** to **160 million metric tons**

**59%**

of global sugar production is concentrated in five countries

**21%**

of global sugar production is from Brazil, making the country the largest producer and exporter

## BRAZIL ACCOUNTS FOR:

**1/3** of global sugarcane production

### Sugar

**21%** of global production

**40%** of exports

### Ethanol

**30%** of global production

**60%** of exports

## Crop year

In the last crop year we reached the record landmark of 18.7 million metric tons of sugarcane processed, in spite of the negative variation in productivity caused by lower rainfall during the period.

As a result of the acquisition of the Santa Cruz mill, we increased ethanol and sugar sales volumes, as well as the electrical energy produced in Group units, boosting the company's profit by some R\$ 300 million.

The year was also the first in which there was a return from the R\$1.6 billion invested mainly in acquisitions, logistics and energy generation over the last five years. Additionally, it was the first year in which the Boa Vista Mill generated positive results - a profit of R\$ 50 million, upon conclusion of its expansion phase.

A record volume of

**18.7**  
**MILLION**

metric tons of  
sugarcane crushed



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## POWER GENERATION

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An important accomplishment in the 2014/2015 crop year was the increase in the São Martinho Group's power generation which, with the addition of the Santa Cruz mill, grew 44% compared with the previous crop. At R\$ 190 million, revenues grew by 144.7% compared with the previous period, driven also by higher energy prices.

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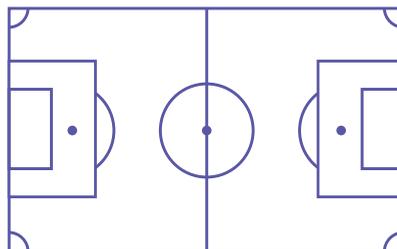
## REAL ESTATE VENTURES

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Another highlight during the year was the launch of a real estate company to commercialize São Martinho Group farm lands.

The company, which owns 52,000 hectares of land, has around 2,000 hectares located close to urban centers with the potential for real estate development. The incorporation of a dedicated business, with its own board and management, resulted in the commercialization of 190 hectares of land.

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### **1 HECTARE**

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**1 ha = 10.000 m<sup>2</sup>**  
the approximate area  
of a soccer field

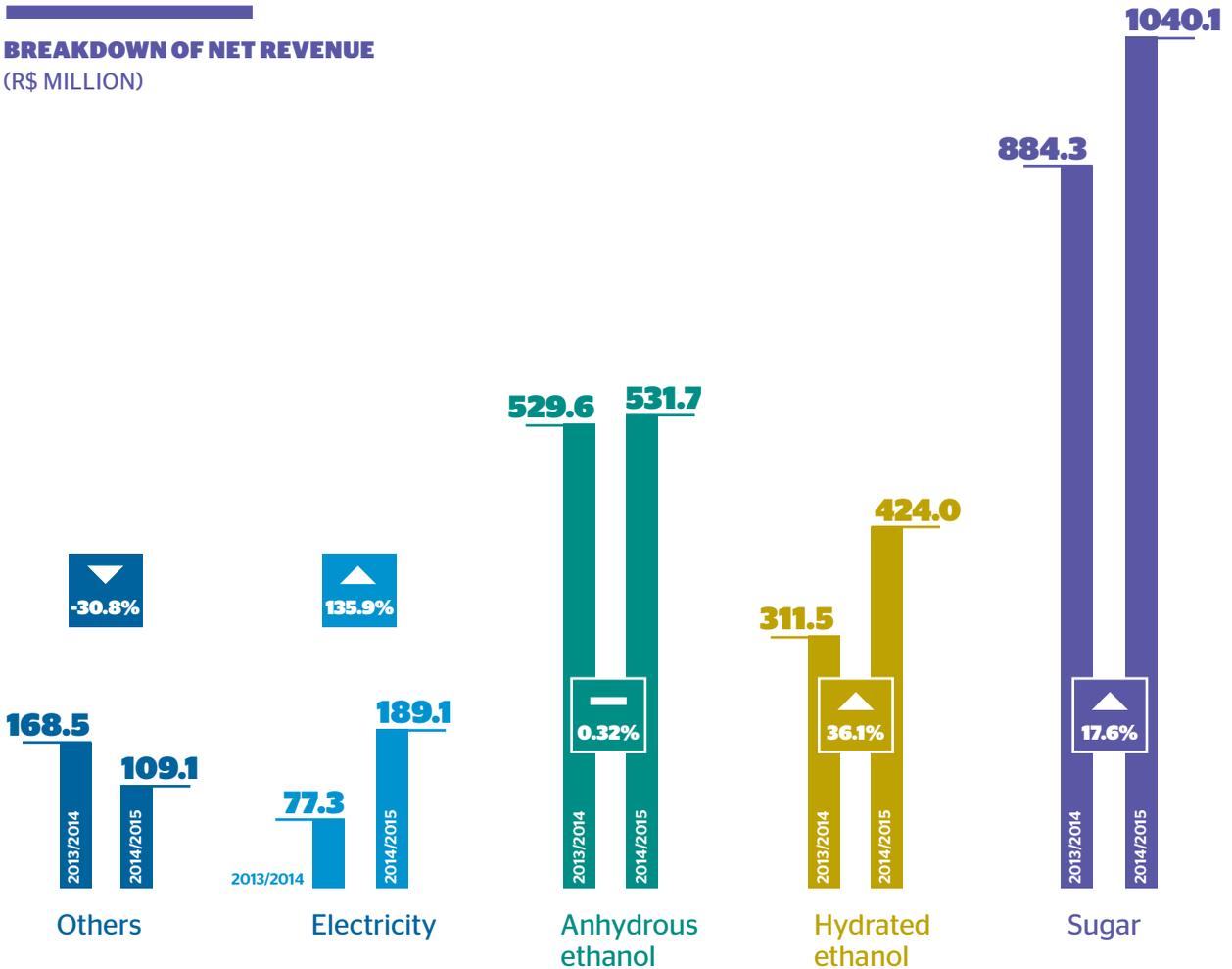
## **Santa Cruz acquisition** G4-23

During the 2014/2015 crop year, the São Martinho Group undertook a major acquisition, assuming control of the Santa Cruz mill. The facility has a crushing capacity of 4.5 million metric tons of cane and up to 60% flexibility in sugar and ethanol production. This capacity helps the company to maintain its outstanding position in the industry, as well as contributing to the record volume of 18.7 million metric tons processed.

# Financial results

In the 2014/2015 crop year, the São Martinho Group's consolidated net revenue totaled R\$ 2,294 million, increasing 16.38% compared with the R\$ 1,971.2 million posted in the previous year.

## BREAKDOWN OF NET REVENUE (R\$ MILLION)



The São Martinho Group's adjusted Ebitda reached R\$ 1,091.6 million, up 42.39% on the previous crop. The main factors positively affecting the result were:

- Growth in sugar and hydrated ethanol sales volumes.
- Growth in co-generated energy sales volume, combined with higher average electricity prices.

The São Martinho Group's net indebtedness increased by 66.8%, totaling R\$ 2.57 billion, with a net debt/Ebitda ratio of 2.2. The main reasons for the increased indebtedness were:

- The acquisition of Santa Cruz in August 2014 - R\$ 567 million
- The exchange variation impact on the company's long-term debt in foreign currency, due to the 40% devaluation of the real against the dollar during the period.

### Investments

Maintenance-related Capex for the São Martinho Group totaled R\$ 626.8 million in 2015, growing 41.8% compared with the previous crop year.

Investments in renewal of plantations increased by 28.1% compared with the previous year, reaching R\$ 186.3 million. The amount invested in cultivation increased by 45%, totaling R\$ 289.9 million, while spending on intercrop, industrial and agricultural maintenance grew 55.7%, totaling R\$ 150.6 million.

The increase in capital expenditure on maintenance reflects the larger area under cultivation, driving greater cultivation costs as a result of the increase in the number of hectares managed by the Group after the integration of the Santa Cruz mill and the crushing of the sugarcane from the São Carlos mill.

The capital invested in operational improvements (substitution of agricultural and industrial equipment to boost productivity) totaled R\$ 60.2 million in 2015, 35.9% up on the previous year. This increase was due mainly to investment in agricultural automation and the consolidation of 100% of the Santa Cruz mill, as mentioned previously.

Capital expenditure on expansion was R\$ 125 million, essentially in projects to reduce production costs.

The main projects during the year were:

- Vinasse concentration;
- The construction of new sugar and ethanol storage facilities;
- Fleet verticalization in the São Martinho Group units, aimed at reducing sugarcane transportation costs.



An aerial photograph of a sugarcane plantation. The fields are arranged in neat, curved rows, creating a rhythmic pattern across the landscape. A winding river or canal cuts through the fields, and a dense forested area is visible in the lower-left quadrant. The overall scene is lush and green, with a dark blue semi-transparent overlay covering the central part of the image where the text is located.

# **Environmental management**

Having cane at the core  
of the business makes  
sustainability central to  
São Martinho Group strategy

Sustainability is a fundamental driver for agribusiness, whose continuity depends on the availability of natural resources and suitable weather conditions for planting. In the São Martinho Group, this concept is explicit in the company's Mission (see more in Organizational profile) and permeates the entire production chain, from responsible land use, through best planting and harvesting practices to the reuse of residues from the production process.

A key characteristic of the sugar-energy sector is the high rate of reutilization of residues. The São Martinho Group units employ a series of initiatives throughout the agricultural and industrial areas aimed at driving higher productivity and optimizing the reutilization of residues.

Furthermore, the Group invests in rationalizing the use of resources, in environmental preservation and in awareness measures for employees and communities, aimed at avoiding or mitigating environmental impacts.

## Soil conservation

G4-DMA Effluents and waste

Well preserved land is essential to ensure the productivity and continuity of the sugarcane plantations. A key differential for the São Martinho Group is mastery of practices for maintaining the main physical, chemical and biological properties of the soil in an area of more than 121,000 hectares.

A sector benchmark in the mechanization of planting and harvesting, the company successfully maintains the soil by employing the best and most suitable management practices and by not burning sugarcane straw before harvesting the cane.

Soil conservation practices include:

- crop rotation, planting legumes such as soy and peanuts to enable the soil to recover between sugarcane crops;
- maintaining the cane straw in the field after the mechanized harvest of the sugarcane, essential for retaining moisture and minimizing soil and nutrient losses;
- cultivation in contours or terraces.

## REUTILIZATION OF RESIDUES IN SUGARCANE GROWING

The São Martinho Group employs two processes to reuse residues in sugarcane crops, boosting productivity. Both are in compliance with the São Paulo state environmental agency Cetesb's standards. These are:

- fertigation with vinasse, a highly nutritive effluent from the distillation process in ethanol production which is rich in potassium;
- fertilization with filter cake, a residue rich in phosphorus and organic material obtained from the sugarcane juice clarification process which, after being treated and complemented with nutrients, makes an excellent fertilizer.

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## BIO CROP DEFENSE PRODUCTS

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Another measure is the systematic use of organisms for pest control cultivated in the biofactory. This involves the substitution of agricultural crop defense products with fungi and wasps bred in the company's own laboratory, keeping pests in check and ensuring the maintenance of micro-organisms beneficial to the ecosystem and the fertility of the sugarcane plantations.

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## SOILS LABORATORY

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The São Martinho Group Soils Laboratory makes an important contribution to preserving soil quality by means of analyses of the chemical properties of soil to ensure its fertility. When the need for correction is detected, the data is compared with the assessments of residues and their properties, identifying which are most appropriate for application in a particular location.

With lower than market costs, the Soils Laboratory is rated "A", by the IAC (Instituto Agronômico de Campinas) and has Inmetro accreditation for ABNT NBR ISO/IEC 17025:2005 requirements.

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# Biodiversity

A biome in a state of imbalance may affect cane planting in diverse ways, such as infestation by pests or alterations in soil properties.

One company initiative in this regard is the maintenance of a record of the animal species spotted by employees in the agricultural, industrial and administrative areas. Known as Fauna Sightings, the process consists of quantifying the species and identifying the locations where they are found in greater numbers. This survey feeds a data bank which enables the company to identify the specific locations in which species threatened with extinction may be encountered and, when necessary, fence these areas in to prevent the animals being run over by vehicles.

The company employs other measures to protect species found in the forest fragments in company areas, such as conserving firebreaks, fighting fires, the proper use of chemical products, biological control and reforestation.

Protected areas <sup>1</sup>	Iracema	São Martinho	Santa Cruz
Geographical location	Iracemápolis (São Paulo)	Pradópolis (São Paulo)	Américo Brasiliense (São Paulo)
Company-owned + leased areas + partnerships (hectares)	29,791	79,628	59,300
Position in relation to protected area	Partially located in permanent preservation area	Partially located in permanent preservation area	Partially located in permanent preservation area
Type of operation	Office/Production/Storage	Office/Production/Storage	Office/Production/Storage
Size of operational unit (km <sup>2</sup> )	0.22	1.49	0.49
Biodiversity value	After a survey of fauna, no species in extinction were found in the mill's area of influence. Native vegetation has been found to be preserved.	After a survey of fauna, no species in extinction were found in the mill's area of influence. Native vegetation has been found to be preserved.	After a survey of fauna, no species in extinction were found in the mill's area of influence. Native vegetation has been found to be preserved.

*1. leased or managed areas within or adjacent to company owned operational units; the São Martinho, Iracema and Santa Cruz units have permanent preservations areas and consolidated areas.*



## **Riparian vegetation**

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Riparian vegetation constitutes a natural protection against the silting up of water bodies, floods and erosion. Additionally, it helps preserve biodiversity and the sustainability of agricultural activities.

In the areas occupied by the São Martinho Group, the conservation and expansion of riparian areas is a fundamental aspect of company soil preservation policy. In these locations, rain water infiltrates the water table guaranteeing supplies for natural wells and nearby streams and rivers.

Two GSM environmental initiatives are directly related to the reclamation and conservation of riparian areas: the Viveiro de Mudas (Seedling Nursery) and the Viva a Natureza (Viva Nature) project.

### **Seedling Nursery**

An integral part of the Environmental Education Center, the nursery produces around 200,000 seedlings/year from 210 native species, that are used in the reclamation of riparian zones on the company's properties or in partnership with environmental authorities. The company also makes donations to public authorities and to local communities.

Approximately 3.8 million seedlings produced by the Group's seedling nurseries have been used in the reforestation of around 2,280 hectares of permanent preservation areas.

### **Viva Nature Project**

This pioneering São Martinho Group initiative to preserve the environment and reclaim riparian zones began in the São Martinho mill in 2000, with a target of planting 1 million native seedlings. By the end of 2014, more than 3.8 million seedlings had been planted, with the project extended to the company's other mills.

# Waste disposal

G4-DMA Effluents and waste G4-EN23

The São Martinho Group systematizes the management of solid waste from its agricultural and industrial activities to prevent harmful impacts to the environment and ensure proper disposal.

The Solid Waste Management program is aligned with the 3 Rs concept: reduce consumption of materials and inputs, reuse materials and byproducts and recycle materials by sorting and ensuring appropriate destination.



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## MATERIAL USE MANAGEMENT

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To manage the use of materials in its processes, the São Martinho Group establishes rigorous measurement and control methods, monitored by management and consumption reports, in addition to audits which make recommendations for adapting and optimizing their application.

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The process consists of weighing the waste generated and recording the amounts in the PIMS system. The waste is then treated and disposed of in an environmentally correct manner in accordance with its individual characteristics.

The company also strives to raise employee and community awareness about the importance of sorting waste properly in order to preserve the environment by means of talks and an employee awareness program.

#### TOTAL WEIGHT OF WASTE (T) G4-EN23

Non hazardous <sup>1</sup>	Santa Cruz <sup>5</sup>		Iracema <sup>6</sup>		São Martinho		Waste
	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	
Mixing yard	318,380	263,638	208,824	154,467	507,779	437,651	Soot/ashes and filter cake
Reutilization <sup>2</sup>	1,286,091	1,268,131	920,171	812,564	2,449,561	2,702,234	Bagasse / plastic containers /big bags/steel drums
Recycling <sup>3</sup>	1,076	1,268	852	861	1,340	195,169	Metal/paper/plastic/ stainless steel/carbon steel/aluminum/ rubber/ copper/batteries/electrical material
Recovery	0	0	53	62	0	0	Wood/tires
Sanitary landfill <sup>4</sup>	179	174	11	74	532	626	Non-recyclable organic materials
<b>Total</b>	<b>1,605,726</b>	<b>1,533,211</b>	<b>1,129,911</b>	<b>968,028</b>	<b>2,959,212</b>	<b>3,335,680</b>	

1. The waste was disposed of directly by the mills or by third-parties subject to confirmation by the mills.

2. Up until last year, in the São Martinho and Iracema units measurement of some waste (plastic containers and steel drums) was calculated by unit. In the 2014/2015 crop, this was substituted by weight.

3. The recycled waste is measured on scales. The increase compared with the previous crop year, mainly at the São Martinho mill, was due to the grouping of waste materials which were not recorded together.

4. The waste disposed of in sanitary landfills is not recyclable. The increase in this indicator may be attributed to the variation in the number of employees and third-parties involved in the work on the industrial plant.

5. In the Santa Cruz mill, the reduction of the quantity of waste in the blending area was due to the lower rainfall, which reduced the amount of earth in the cane. The reduction in the quantity of waste in the sanitary landfill was due to the decrease in the number of people/employees living on the farms.

6. In the Iracema mill, there was an increase in the amount of waste disposed of in sanitary landfills due to an isolated activity that generated a large volume of waste. The 15% reduction in non-hazardous waste was due to the decrease in filter cake production, resulting from a reduction in the impurities in the sugarcane delivered to the industry. The reduction in the generation of bagasse was due to the 12% drop in sugarcane processing from the 13/14 crop to the 14/15 crop.

**TOTAL WEIGHT OF WASTE (T) G4-EN23**

Hazardous waste <sup>1</sup>	Santa Cruz		Iracema <sup>2</sup>		São Martinho <sup>3</sup>		Waste
	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	
Reutilization	8	9	17	18	2.876	1.611	Drums/ drum
Incineration (mass burning)	0	0	0	0	61	59	Materials contaminated by hydrocarbon (PPE, tow yarn, plastic, paper, cardboard, cloths, air filters, hoses, wood, rubber and water)/glass wool / glass/oil sludge /grease
Co-processing	63	60	153	117	0	0	Contaminated waste
Reverse logistics	164	165	10	9	4,855 tires 37,64 t (batteries)	2,333 tires 1,540 t (batteries)	Tires /batteries
Re-refining	118	127	44	34	131	53	Burned oil
<b>Total</b>	<b>353</b>	<b>361</b>	<b>224</b>	<b>178</b>	<b>192</b>	<b>112</b>	

1. The waste was disposed of directly by the mills or by third-parties subject to confirmation by the mills.

2. The significant reduction in waste at the Iracema mill was due to improvements in the extraction process, which decreased the generation of waste contaminated by oil (e.g.: seals on conveyors and seals on the upper rotor oil intakes).

3. The significant reduction at the São Martinho mill was due to the fact that in 2013 some waste was stored at the mill for longer and sent for re-refining in 2014, justifying the high figure for this item. In 2014 and 2015 these materials were disposed of as they were generated.

## Energy

Throughout the crop, which lasts on average 8 months of the year, the São Martinho Group is self-sufficient in electrical energy. All its power is generated internally, with the surplus sold to power utilities.

The energy produced comes from a renewable source, bagasse, a biofuel byproduct from sugarcane.

The energy generation process and equipment undergo continuous improvement and are highly efficient. Particularly worthy of note is the São Martinho mill with its fluidized bed boiler, which yields from 5% to 7% more than conventional boilers.

Fully aware of its environmental responsibilities, the Group's concern goes far beyond energy efficiency. All the boilers have gas scrubbers which impede the emission of particulate material in the atmosphere. In conjunction with ash, this is reused as an ingredient in the organic mixture used to fertilize the cane plantations.

# Water consumption

G4-DMA Water GRI G4-EN8; G4-EN10; G4-EN22



Water is a fundamental resource for São Martinho Group activities, the reason the company invests in reducing the total volume withdrawn for sugar and ethanol production.

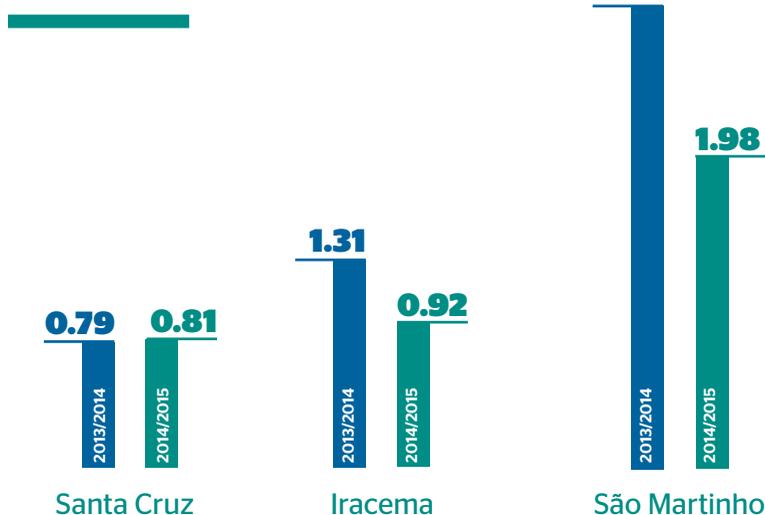
Surface and groundwater withdrawal for industrial purposes or human consumption is measured constantly. The quality of the wastewater returned to the environment is also analyzed to ensure the maintenance of the water cycle, mitigating any potential harm to the ecosystem.

## WATER WITHDRAWAL BY SOURCE AND OPERATING UNIT (M<sup>3</sup>)

	Santa Cruz		Iracema		São Martinho	
	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
Surface water <sup>1</sup>	3,002,268	3,128,609	4,052,939	2,502,463	25,480,910	18,399,967
Ground water	544,976	593,280	0	0	448,560	393,120
<b>Total</b>	<b>3,547,244</b>	<b>3,721,889</b>	<b>4,047,539</b>	<b>2,502,463</b>	<b>25,929,470</b>	<b>18,797,087</b>

1. Rivers, lakes, wetlands.

## WATER CONSUMPTION PER METRIC TON OF CANE (M<sup>3</sup>/T)



## Water reutilization

Supported by a water resource technical plan which establishes possibilities for reusing water and installing closed loop circuits, the group strives to withdraw the minimum volume of water necessary and to reuse waste water in the plantations for irrigating the ratoons.

In the São Martinho, Iracema and Santa Cruz mills, a large volume of wastewater is reused in cultivation. The Iracema and Santa Cruz mills do not dispose of wastewater in the treatment network because the units have closed loop water reuse systems for their processes.

### Effluents G4-EN22

São Martinho seeks to continuously reduce water consumption, investing in the management and destination of residual water from its processes.

The residual water from the Santa Cruz mill is used in fertigation. In the 2014/2015 crop, the volume was 3,086,891 m<sup>3</sup>, compared with 3,325,934 m<sup>3</sup> in the previous year.

In 2014/2015, the Iracema mill reused 1,026,320 m<sup>3</sup> of water for irrigation, against 1,344,018 m<sup>3</sup> in the previous year.

All the wastewater from the São Martinho mill is treated in stabilization reservoirs<sup>1</sup> and discharged into the River Mogi Guaçu. In the 2013/2014 crop, the volume discharged was approximately 20% lower than in the previous crop year (13,660,582 m<sup>3</sup> compared with 16,747,170 m<sup>3</sup>).

The volumes were measured by flow meters and recorded in the SAP/PPPI system.

### WATER RECYCLED AND REUSED

	Santa Cruz		Iracema		São Martinho	
	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
Total volume of water recycled/reused (m <sup>3</sup> )	2,349,648	2,168,208	2,239,748	1,916,330	6,437,791	6,496,039
Recirculation rate (%) <sup>1</sup>	66%	59%	55%	77%	25%	35%

1. The stabilization reservoirs are designed to reduce the organic load in effluents by approximately 75% via an anaerobic process

## Emissions

To comply with greenhouse gas emission legislation, the São Martinho Group uses equipment to control the atmospheric pollution caused by gases from the boilers in all its units. It also monitors the gases emitted from the boiler chimneys on an annual basis, producing reports on NOx and particulate material emissions which are filed with the environmental authorities.

The São Martinho, Santa Cruz and Iracema mills essentially produce food products and renewable energy.

In the 2014/2015 crop year, the mills processed 16,438,900 metric tons of cane, of which 10,634,400 was produced internally and 5,804,500 came from suppliers.

### 2014/2015 CROP PRODUCTION

Anhydrous ethanol	383,187 m <sup>3</sup>
Hydrated ethanol	212,535 m <sup>3</sup>
Sugar	1,230,527 t
Surplus electrical energy	564,751 MWh

### EMISSIONS CORRESPONDING TO PRODUCTION

**tCO<sub>2</sub>e**

Scope 1	381,308
Scope 2	1,563
Scope 3	362,755
Total emissions	745,626

*Note: the calculation is in accordance with GHG Protocol standards and takes suppliers' cane into account in the Group's activities*

## CLEANER PRODUCTS

The ethanol and electricity produced from sugarcane generate lower levels of GHG emissions than gasoline and electricity generated by conventional means.

### EMISSIONS CORRESPONDING TO PRODUCTION

**tCO<sub>2</sub>e**

Anhydrous ethanol <sup>1</sup>	718,000
Hydrated ethanol <sup>1</sup>	380,250
Electricity <sup>2</sup>	327,555
<b>Total</b>	<b>1,425,800</b>

*1. Compared with gasoline.*

*2. Equivalence with operational margin - considering that the power sold by the mills substitutes the energy in the mix in the country's national grid (SIN), and not the operational margin energy (a more appropriate concept in this case), the emissions avoided in this item would total 76,520 tCO<sub>2</sub>e.*

## Transportation impacts

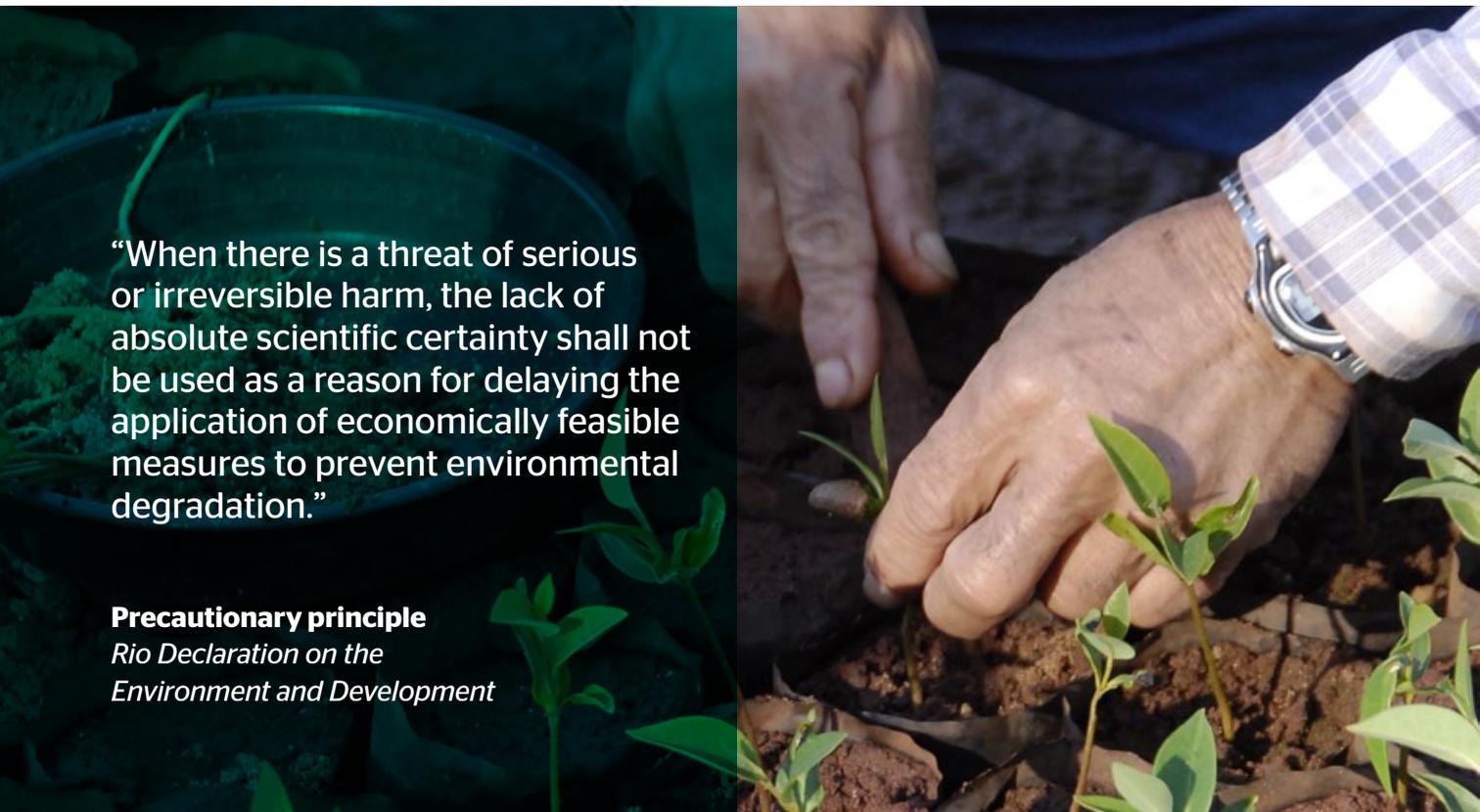
### MANAGING PRODUCT AND EMPLOYEE TRANSPORTATION IMPACTS

Mill	Iracema	São Martinho	Santa Cruz
Product transportation	Monitoring of black smoke emissions from diesel-powered vehicles	Substitution of road with rail transportation	Monitoring of black smoke emissions from diesel-powered vehicles
Buses	Incentives for use of collective transportation	Incentives for use of collective transportation	Incentives for use of collective transportation and monitoring of black smoke emissions from diesel-powered vehicles
Cars	Preventive maintenance in accordance with manufacturers' specifications and fleet renewal	Preventive maintenance in accordance with manufacturers' specifications and fleet renewal	Preventive maintenance in accordance with manufacturers' specifications and fleet renewal
Agricultural machinery	Preventive maintenance in accordance with manufacturers' specifications and fleet renewal	Monitoring of black smoke emissions from diesel-powered vehicles	Preventive maintenance and monitoring of black smoke emissions from diesel-powered vehicles

*Note: These are environmental impacts from the transportation of products and other goods and materials used in the organization's operations, as well as employee transportation.*

### Emission control program

Focused on continuous improvement in emissions, at the end of the 2014/2015 crop the São Martinho Group established the systematization of its Black Smoke Monitoring and Control program for diesel-powered vehicles in accordance with the environmental authority Ibama's ruling n.º 85, dated October 17, 1996. São Martinho has also been progressively renewing its fleet to further mitigate transportation emissions.



“When there is a threat of serious or irreversible harm, the lack of absolute scientific certainty shall not be used as a reason for delaying the application of economically feasible measures to prevent environmental degradation.”

**Precautionary principle**  
*Rio Declaration on the Environment and Development*

# Environmental education

G4-DMA Local communities

The São Martinho Group strives to foment a culture of environmental care among the different stakeholder groups involved in the company's activities. This effort is centered around its Environmental Education Center.

The center promotes environmental education as a fundamental pillar of GSM sustainability policy, aimed at raising the awareness of employees, students and the community in general about the importance of preserving and caring for the environment.

The Environmental Education Center has three units: two in São Paulo state - at the São Martinho mill in Pradópolis and the Santa Cruz mill in Américo Brasiliense - and the third in Goiás - at the Boa Vista mill in Quirinópolis. These centers have received more than 98,000 visitors since they were implanted.

## Precautionary principle GRI G4-14

A key driver for the company in this area is the precautionary principle established in the Rio Declaration on the Environment and Development, which promotes a respectful and functional relationship between mankind and nature. This approach is set forth in the environmental policy, the management model adopted by the São Martinho Group to ensure a sustainable relationship with the environment and with natural resources, in conjunction with the organization's Environmental Management Plan, aimed at defining and systematizing environmental practices in the group.

# Environmental Indicators

## Compliance with environmental laws and regulations

Upholding environmental care as a key value, the São Martinho Group strives to achieve a balance between growth and preservation, observing the applicable legislation and maintaining dialogue with pertinent authorities and civil society. It maintains an open channel of communication with stakeholders via telephone, email or directly with company representatives, enabling them to report any issues related to company activities. These are investigated and, if necessary, corrective measures are taken. The Group also undertakes audits which drive action plans and control measures. Additionally, the company requires that any partners with whom it enters into contracts and third parties from whom it acquires inputs must provide specific documentary proof of environmental compliance.



A full-page photograph of a male worker in a white hard hat, safety glasses, and a white high-visibility jacket with reflective stripes. He is standing in front of a large window with horizontal blinds. The scene is brightly lit, suggesting an outdoor or well-lit indoor environment. The text is overlaid on the right side of the image.

# **Relationships**

Strong stakeholder relations have consolidated a history characterized by tradition, culture and respect in the São Martinho Group.

Safety, respect, companionship and partnership describe the São Martinho Group's Way of Being and the way it relates to its stakeholders, building a tradition of culture and respect over the decades.

These robust values and virtues guide the professional conduct of all group employees, consolidating strong ties with partners, communities and other important stakeholder groups.

## Employees

G4-9; G4-10; G4-LA1; G4-EC6; G4-DMA Non discrimination  
G4-DMA Market Presence; G4-DMA Employment

Personnel management in the São Martinho Group is aimed at valuing and developing employees, supported by organizational climate surveys and the construction of an ever more motivating work environment.

### EMPLOYEES BY FUNCTIONAL LEVEL

	2013/2014		2014/2015	
	Men	Women	Men	Women
Board	9	0	10	0
Director level	9	1	8	1
Management	22	2	32	2
Heads/coordination	34	4	33	3
Technical/supervisory <sup>1</sup>	221	5	323	7
Administrative	257	116	329	156
Operational <sup>2</sup>	5,765	519	8,466	655
Trainees <sup>3</sup>	Not available		8	3
Support	38	3	44	2
Third-parties <sup>4</sup>	789		863	82
Apprentices	79	25	118	24
Interns	Not available		16	20
Total by gender <sup>5</sup>	6,434	675	10,250	955
<b>Total<sup>6</sup></b>	<b>7,898</b>		<b>11,205</b>	

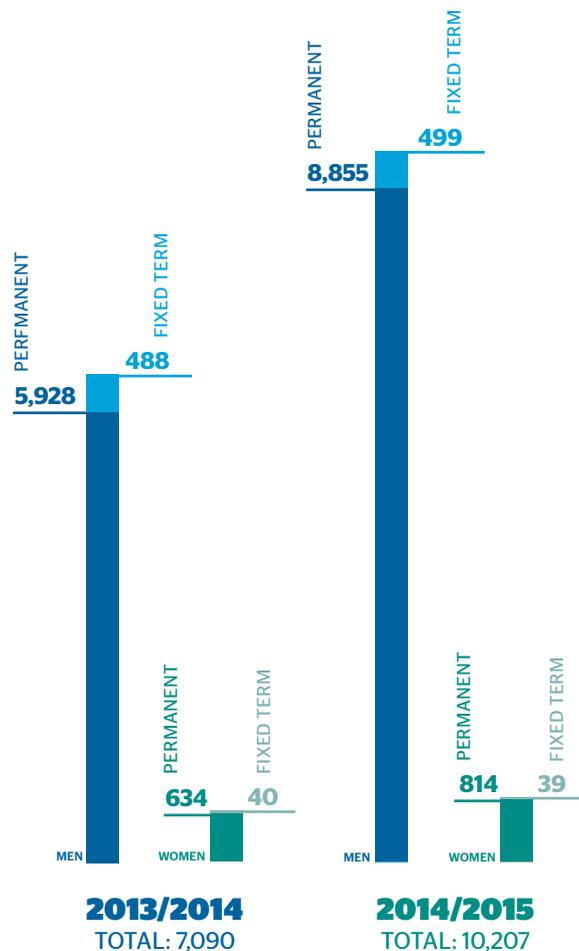
1. Previously "leadership"; 2. Previously "production"; 3. Total not counted in 2013/2014 crop; 4. Third parties were not discriminated by gender in the 2013/2014 crop year; 5. Third-parties were not included in the 2013/2014 crop year (see note 4); 6. The variation in the total number of employees is due to the acquisition of the Santa Cruz mill.

Remuneration at GSM is based on targets and results, regardless of gender, ethnic origin, belief, sexual orientation or any other form of discrimination.

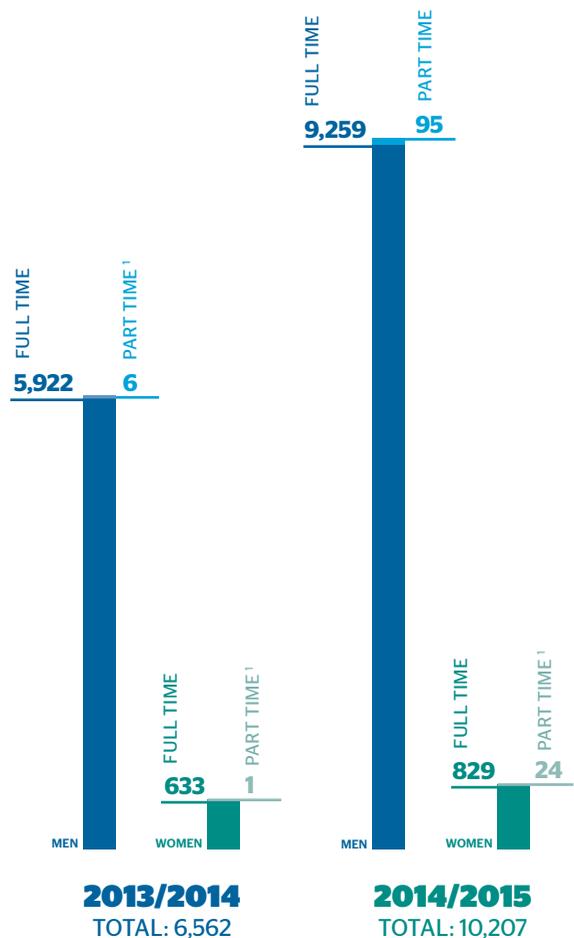
During the last two crop years (2013/2014 and 2014/2015), 60% of São Martinho Group senior managers (directors) were from the local communities. The total of employees from the local communities was 97% in 2014/2015 - 1% higher than in the previous year.

In addition to generating employment, the company contributed to the local and regional economies in the areas in which it has operations by offering work opportunities for approximately 945 third-party service providers.

**EMPLOYEES BY TYPE OF CONTRACT**



**EMPLOYEES BY TYPE OF EMPLOYMENT**

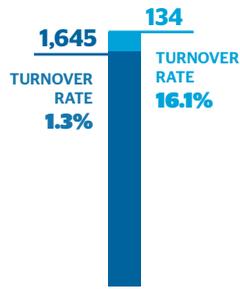


1. Part-time is equivalent to a six-hour work shift

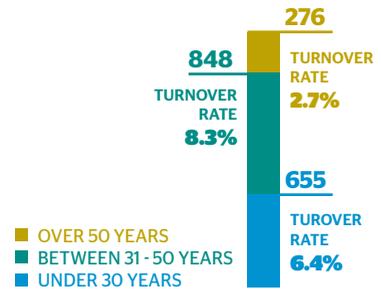


## TERMINATIONS - 2014/2015 CROP YEAR

### By gender

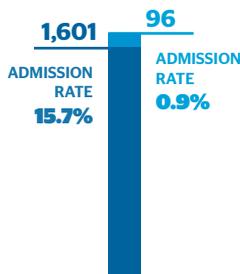


### By age group

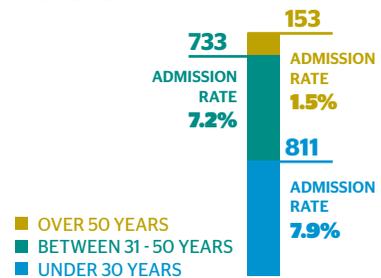


## ADMISSIONS - 2014/2015 CROP YEAR

### By gender



### By age group



# Career

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The São Martinho Group always strives to encourage employees' personal and professional development. To this end, it invests in diverse technical, behavioral and educational programs aimed at promoting the acquisition of new knowledge and skills and the ongoing development of employees. Moreover, the organization has a policy of recruiting internally before seeking to fill positions from the market, because the company believes in the quality and potential of its work force.

## CAREER DEVELOPMENT INITIATIVES

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### Succession plan

The Succession Plan, aimed at helping company employees to plan their career, is organized on an annual basis. In the plan, professionals in key positions are assessed by committees with the purpose of appraising their performance and identifying individual potential.

### Recognition program

Initiated in 2013, the program is aimed at establishing ways of recognizing employee potential, as well as encouraging creativity, team work and flexibility. The program is based on three pillars: Your Idea is Worth a Prize, Highlight of the Year and Our People. All proposals are assessed by the official program committee and receive prizes in accordance with the categories established in the regulations. During the year, some 20 ideas were entered in the Your Idea is Worth a Prize module, which gives employees the opportunity to present suggestions for improvements to the Group's business.

### Career Paths

Development of the Career Paths program was initiated in 2013, and it will be implemented during the course of the 2015/2016 crop year. It will assist in planning employees' careers by mapping the desired profile for all the positions in agricultural and industrial processes. As a result of this diagnosis, employees will be able to plan their career.

## Professional development

G4-DMA; G4-EC8; G4-LA9; SO2

G4-DMA Indirect Economic Impacts;

G4-DMA Training and Education; G4-EC8; G4-LA9; SO2

The São Martinho Group has traditionally invested in its employees, believing that a company's strength, potential and differentials depend on its work force. In recent years, the organization has been driving development, generating opportunities and motivating staff to prepare the team for bigger and bigger challenges.

In addition to promoting professional training, the São Martinho Group prioritizes internal recruitment for all job vacancies, with a view to retaining company talent and boosting professional growth.

Particularly worthy of note is operational behavioral training, which is organized annually with the goal of developing behavioral competencies and disseminating the Group's Mission, Vision and Values, as well as enhancing interpersonal relationships by means of conceptual and experiential activities.

These and other internal training initiatives are later evaluated by the employees themselves, who have the opportunity to present their perception of the instructor, the organization of the event, the methodology and the program. From the results of these evaluations and conversations with managers, the Group proposes improvements to the development processes. Over the last four years, this process has enabled enhanced management of development, leveraging effective gains for the company as a whole.

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## QUALIFYING MANPOWER

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While driving the modernization of agribusiness, mechanized harvesting also presents a serious challenge: the need for qualified manpower to operate the equipment.

São Martinho develops and provides training courses, ensuring a supply of specialized professionals while mitigating potential impacts in terms of job generation.

The courses organized by the group include technical and behavioral modules for agricultural machinery operators and drivers. Furthermore, the national Pronatec technical training and employment program developed in partnership with Senai and the federal government, which expands the offer of professional vocational and technology courses, supplied the company with around 115 employees for the industrial and agricultural areas in the 2014/2015 crop year, including 20 workers from the Iracemápolis community.

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## Integration

All new employees are trained and receive orientation regarding the organization's practices and values through the Induction Program, which provides them with information about the company's agricultural, industrial, human resources, information technology and health and safety areas. During the course of their career, all employees participate in measures designed to reinforce the Group's organizational culture.

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## LEADERSHIP

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With the goal of developing the competencies and skills it requires, the São Martinho Group organizes the following programs: Agro-industrial Encounter, Leaders' Encounter and Behavioral Sensitization, as well as Knowing Leadership, which comprises individual development paths which are planned based on the assessment process carried out among all leaders.

To ensure qualified successors for the current leadership, the São Martinho Group has its Future Leader Development program, which encompasses the Trainee program, open every two years for recently graduated external candidates, and Values in Action, for current employees.

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## Communication with employees

Through its Corporate Communication area, the São Martinho Group maintains different communication channels to disseminate routine news about the organization's activities, as well as to reinforce company values and concepts among employees.

In newspaper format, *Nossa Gente* is a quarterly publication containing reports on the market, productivity and company news. *Nossas Notícias* circulates every six months with business reports aimed at employees, investors, managers, directors, group partners and the community. The weekly newsletter *Nossas Notícias da Semana* is distributed to employees via email.

The group also has its intranet, which is dedicated to document storage and the dissemination of company policies and procedures.

Another key medium are the notice boards located strategically around the units and in the buses used to transport employees. These channels are complemented by internal campaigns aimed at providing employees with news and information about day to day company business.

# 13,000 likes

on the Group's Facebook page,  
dedicated to interactions with  
internet users since 2013

## RELATIONSHIP MANAGEMENT CELL

Implemented in the 2014/15 crop year, the Relationship Management cell is designed to drive improvement in company x employee relations, in particular seeking to avoid terminations or, when they do occur, ensuring that they are coherent with the company's ethical principles.

During this period, the cell conducted approximately 270 attendances for employees who had been terminated, providing them with guidance based on the *Novos Tempos (New Times)* manual, which includes information on managing finances and tips on finding a new job, as well as providing outplacement assistance for ex-employees in the job market.

In addition to the relationship management program, the recruitment and selection process also:

- standardized admission tests at all the units;
- revised recruitment and selection policy;
- oversaw the inclusion of online tools (LinkedIn);
- standardized selection methods (interviews by competencies) for all the professionals in the area (psychologists).

**Other communication (or dialogue) channels between employees and the company:**

- Breakfast with the Director Program
- Ethics Channel 0800 777 3131
- [etica@saomartinho.com.br](mailto:etica@saomartinho.com.br)
- [www.saomartinho.com.br/faleconosco](http://www.saomartinho.com.br/faleconosco)
- Blog

## Remuneration

G4-11

The São Martinho Group adopts a remuneration policy aligned with the market and with the organization's objectives, constantly striving to ensure effective internal and external parity. The company carries out periodic surveys on remuneration and benefits practices and trends in the market, as well as participating in industry surveys and studies that enable the identification and analysis of relevant information and alterations when necessary.

All employees are hired under Brazil's CLT labor regime, and their positions are assessed and classified in accordance with Hay Group methodology. Fixed remuneration is defined by means of salary bands which permit a variation range of 50% (from 80% to 120%), enabling flexibility in managing compensation. Growth within the salary band occurs by merit and/or the results in the annual Competencies and Skills Appraisal.

Remuneration also includes:

- Monthly variable remuneration;
- Profit share program;
- Bonus for managers.

In addition to seeking to provide remuneration compatible with the labor market, all employees are covered by collective bargaining agreements. From the group's viewpoint, collective working agreements are a fundamental element in ensuring balance in relations between capital and labor. As such, negotiation processes, the demands presented by unions and commissions are discussed and assessed until a consensus is reached on the best alternative. Additionally, all agreements contain clauses related to consultation and negotiation.

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## BENEFITS G4-DMA Employment; G4-LA2

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São Martinho Group benefits policy consists of a package which is in compliance with labor legislation, complemented by differentials designed to be attractive to employees.

All employees are entitled to the benefits, with eligibility determined in accordance with the unit in which the individual is employed.

**The maternity leave granted by the Group is up to six months - four months according to the legislation, extendable by a further two months under terms of the country's Empresa Cidadã program.**

Paternity leave is five days.

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**Meal voucher**  
**Company bus for units**  
**Group life insurance**  
**Medical and dental assistance**  
**Private pension plan**  
**Christmas hamper**  
**Canteen in units**  
**Influenza vaccination**  
**Shopping card/advance**  
**Medication card**  
**Credit cooperative**  
**Housing allowance**  
**Complementary allowances** (reimbursement for glasses, corrective lenses, orthoses and prostheses)  
**Transportation voucher** (São Paulo branch)  
**Meal card** (São Paulo branch)

# Health and safety

The São Martinho Group is committed to providing a safe and healthy working environment, ensuring the well being of all its employees, third-parties and visitors. For this reason, the company has a policy dedicated exclusively to the pillars of health and safety.

The function of the occupational health and safety management system is to reinforce alignment with the company's Way of Being and goals. The target is to provide all group employees with clear, unified orientation to ensure commitment and responsibility for safety.

The priorities for the area and for the organization are:

- compliance with applicable legislation and other internal requirements;
- prevention of personal losses and injuries, striving for "zero accident";
- striving for continuous improvement in projects, processes, procedures and personal behavior; effective participation in occupational health and safety programs; a comprehensive program of checks, inspections and audits.

## Quality of life programs

The São Martinho Group has a number of programs focused on the quality of life, health and safety of its employees, because the company believes that a safe and healthy work place is indispensable for the proper functioning of its operations and for the well being of its workers.

Worthy of note among the health promotion measures are the Stop Smoking, Control and Prevention of Hypertension, Clinical Accompaniment, Work Place Exercise, Balanced Diet, Always Healthy, Vaccination, Temporary Rehabilitation and Occupational Health Medical Control programs.

As part of its concern to value and protect life the company is always on the look out to identify potential risks to the safety of its employees. And with the objective of eliminating and/or reducing dangers and risks, São Martinho also develops programs aimed at raising awareness and preparing people. Some examples of this kind of project are: Water, Food and Waste Quality Program, Hearing Conservation Program, Environmental Risk Prevention Program, Survey of Aspects, Hazards, Impacts and Risks and Implementation of Regulatory Standards Program, Internal Accident Prevention Week (Sipat in the Portuguese acronym), Internal Accident Prevention in Rural Work Week (Sipatr) and Integrated Inspections.

## HEALTH AND SAFETY BELIEFS

Leaders are key figures in managing health and safety.

Everyone is responsible for identifying, controlling, eliminating and/or reducing hazards and risks.

Health and safety are key values for the São Martinho Group and fundamental factors for the success of the operations.

The pursuit of excellence in health and safety is an integral part of the work routine.

No work is so important and no task is so urgent that time may not be taken to plan its execution in safety.

The São Martinho Group supports and implements measures to engage each individual, with awareness campaigns designed to provide simple straightforward information such as those listed below:

- World No Tobacco Day;
- International Day Against Drug Abuse and Illicit Trafficking;
- World Diabetes Day;
- World AIDS Day;
- National Cholesterol Control Day;
- National No Smoking Day.



## Health and safety indicators

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The São Martinho Group adopts the most rigorous safety standards, providing a work environment and working conditions that guarantee the physical integrity of employees. In parallel, the company actively pursues the implementation of preventive measures through the effective actions of the Internal Accident Prevention Commissions (Cipas in the Portuguese acronym) and investment in best in class personal protective equipment - certified and developed in line with ergonomics requirements - and training for its team of engineers, safety technicians, doctors and nurses specialized in occupational medicine. São Martinho also promotes awareness in the form of health and quality of life campaigns, programs (Environmental Risk Prevention and Occupational Health Medical Control), as well as Health and Safety Dialogues.

Concerned about the physical integrity of visitors and third-parties, the group has instituted an induction program providing guidance on the work and property safety standards in force on its premises.

# Partnership networks



The sugarcane producers are extremely important stakeholders for the company, for which reason it invests heavily in building long-term relationships with this group. Accounting for two thirds of the cane processed, these partners receive differentiated treatment and have an exclusive, restricted access area on the company website through which they may monitor production, financial and technical information, as well as receive news about the group.

São Martinho organizes a series of encounters with producers, which range from the presentation of the crop results and future projections to the dissemination of cane production technologies. Some meetings are also organized in partnership to provide specific technical information on issues such as pest prevention and control in the plantations.

The company also has a team of field technicians who periodically visit the plantations to identify opportunities for improvements and to monitor service quality.

## Supplier selection and assessment

G4-DMA Procurement practices; G4-DMA Employment; G4-12; G4-LA14; G4-DMA Screening of supplier labor practices; G4-12; G4-LA14

In contracting suppliers, the São Martinho Group demands full legal compliance, in particular where labor legislation is concerned, including payment of social and social security charges, adequate employee remuneration and the limitation of outsourcing to specialized activities.

Would be suppliers must present proof of regularity in fiscal, labor and social security matters, as well as specific documentation related to occupational safety and medicine. After they have done so, the company's Occupational Health and Safety area conducts a painstaking assessment, followed by induction into the unit in which the service is to be provided to familiarize the service provider with all safety standards and personal protective equipment (PPE) requirements.

When suppliers do not meet these specifications, they are notified that they must regularize their situation at risk of having their contract rescinded. Agreements are not finalized on the identification of non-compliance.

Additionally, the teams at each company unit periodically monitor the documentation required for each type of service to check validity.

The main supply categories include labor intensive services, agricultural and industrial technology, automotive equipment, fuels and agricultural inputs.

**49.1%**  
of spending on suppliers went to local partners in the 2014/2015 crop year

**MAIN PROCUREMENT CATEGORIES**

Administrative services	Industrial inputs
Equipment maintenance services	Agricultural equipment
Civil works services	Agricultural inputs
Rental/leasing services	Benefits
Transportation services	Industrial equipment
Fuels and lubricants	Tires

**Monitoring working conditions**

Based on the premise that respect for people is a key company value, supply contracts contain a clause whereby the supplier commits to not using or permitting the use of child or slave labor. As such, given that compliance with labor legislation is a basic presupposition, there are no operations in the supply chain presenting a significant risk of use of forced or child labor.

To reinforce this commitment, internally the group offers employees training aimed at promoting their professional development. It also runs a program with apprentices in partnership with the Associação Oficina Mãe in Iracemápolis, and the Associação de Amparo e Proteção ao Menor in Pradópolis, aimed at preparing adolescents for the labor market.

Furthermore, the Third-Party Cane area, responsible for the acquisition of raw material not grown on the company’s own lands, monitors working conditions and disseminates best practices among suppliers.

# Investors and shareholders

Since São Martinho S.A. shares were listed on BM&FBovespa in 2007, an Investor Relations team has been responsible for disclosing all the group's communications, material facts and financial statements to the market, in both Portuguese and English. In addition to making these disclosures, the IR team is in constant contact with São Martinho investors, as well as financial analysts and any other parties interested in understanding the company's business.

In recent years the IR area has sought to build relationships with key investment banks. As a result of this effort, the company is now covered on a permanent basis by leading investment banks and asset managers.

## Community

G4-DMA Local communities;

DMA Market presence: G4-EC7; G4-EC8; G4-SO1; G4-SO2

The São Martinho Group's relationship with society is inseparable from its businesses, for which reason it represents a key value (respect for people) and a pillar for the company (community). Through its social responsibility policy, GSM establishes guidelines for social actions based on ethical and transparent relations with stakeholders.

The GSM Group's activities benefit the local economy in the regions in which it operates, mainly through the generation of employment for the communities and incentives for the supply chain. Moreover, a considerable percentage of the taxes paid by the organization are returned to the municipal districts by the state and federal governments.

It is the Group's understanding that its entire chain of stakeholders is important and may directly or indirectly generate significant results and impacts for the operation. As such, every year the company promotes diverse actions to engage these stakeholders, such as investments in social projects in local and neighboring communities (São Martinho, Iracema and Santa Cruz). It also has a specific internal relationship area for partners and cane suppliers aimed at developing and monitoring agricultural producers' compliance with labor and environmental laws and standards.

Every year the Group provides funding for social responsibility projects and actions, prioritizing the areas of basic and professional education, sport and culture, thus generating value for society. These actions are aimed at promoting the social and economic development of local communities, such as those listed ahead.



### **The São Martinho Race**

This annual race includes courses of 5 and 10 kilometers and is aimed at promoting the integration of employees from diverse units, as well as illustrating the importance of health. The courses follow trails through the São Martinho mill sugar plantations. The race has increasingly drawn the attention of professional athletes to the point where, since it is held near the end of the year, it is used by marathon runners in preparation for São Paulo's traditional São Silvestre race. The event is open to the public and the prizes are split into the following categories: men, women, age group, employees and non-employees. The sixth edition organized in 2014 brought together approximately 1,000 runners.

### **The Tifui Project**

The Iracema Mill Internal Soccer Tournament (Tifui) is organized every year in the inter-crop period. It is a means of integrating employees even further, enabling them to enjoy themselves and have fun. Everything used in the games, which are held in the unit, is provided by the company. 13 teams and 180 employees took part in the 11th edition of the tournament in 2014.

### **Book Fair**

Every year, the São Martinho mill provides its employees with the opportunity to attend the Ribeirão Preto National Book Fair, the theme of which in 2014 was "History in your hands". The company also encourages reading by donating books for social actions. In 2014, beneficiaries included some 30 young people on the Projov program, as well as 90 employees.

### Winter Clothing Campaign

This is an annual charity initiative to provide clothing and blankets for low-income families. It is organized by social assistance bodies in some of the towns around the São Martinho Group units, with support from the company.

### “Projov” First Job and Rangers

Developed in partnership with institutions in Iracemápolis and Pradópolis, in 2014 the program enabled access to the labor market for 44 young people aged from 16 to 18. The project provides training and professional opportunities for students in the public school network. At the end of the program, the students may continue to work in the company and to participate in internal recruitment processes for up to one year.

### New Frontiers in English

This is an English course for young people participating in the AAPM (Association for the Support and Protection of Minors) in Pradópolis. The project is funded by tax incentives donated to the Municipal Children’s and Adolescents’ Rights Fund by the São Martinho mill. A total of 76 groups of 6th to 9th grade students have graduated since the project began in 2011. The methodology and teaching materials used in the classes are the same as those used in CCAA units all over Brazil. The initiative benefited around 300 municipal public school students in 2014.

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# 44

young people aged from 16 to 18 had the opportunity to enter the labor market through the First Job program in 2014

### Entrepreneurs of the Future Program

Developed in Iracemápolis, the project is aimed at showing secondary school students how a company works. The program includes the presentation of concepts such as marketing, finance, human resources and production. During 15 weeks, the participants have the opportunity to develop and commercialize a product based on market research which they undertake under the supervision of São Martinho Group volunteer employees. Participation in the project is also voluntary for the young people, facilitated by the fact that the classes are held out of school hours. The project is the result of a partnership between the company and the NGOs Junior Achievement and the Instituto de Desenvolvimento de Limeira (Ideli). In 2014, 30 students graduated from the program.

### Sesi Games Project

A partnership between Sesi (Industry Social Service) and the Iracema mill, the program is aimed at promoting sports and team work among employees. The sports in the competition include swimming, chess and athletics. In 2014, around 65 employees took part in the initiative.

### Teleclassrooms

This is a project organized by the Iracema mill in partnership with the Fundação Bradesco and the local governments of Iracemápolis and Limeira. Every year it offers hundreds of young people and adults the chance to resume their schooling. The company funds six fully equipped teleclassrooms, teaching materials and monitors. Since 2011, some 2,000 people have completed their primary and secondary education as a result of the project, which had 236 graduates in 2014.

### **Good School Year**

Developed at the Iracema mill, the program helps employees to keep their children at school, underscoring the importance of education through the distribution of kits of primary school materials. Each year employees are entitled to request the benefit, which is granted in February. There are two types of kit: one for 1st to 5th grade students and the other for 6th to 9th grade. 500 kits were distributed in 2014.

### **Hunger-Free Christmas Campaign**

Organized annually by the São Martinho Group, the campaign promotes goodwill and volunteer work among employees. In 2014, around 1,600 metric tons of non-perishable foods were collected. In Iracemápolis, the donation went to the São Vicente de Paulo home and to dispensary of the Matriz de Jesus Crucificado Church. The São Martinho mill donated the food it collected to the Santo Antônio Parish in Pradópolis.

### **Christmas Good Will**

The 2014 campaign promoted by the Santa Cruz mill resulted in the assembly of 55 Christmas kits consisting of clothes, footwear and toys by employees. The kits were donated to children under the care of the institutions Casa Mater, Lar Escola and Casa Abrigo.

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# 86

apprentices aged from 16 to 18 were qualified under the Apprentice Program

### **Knowledge for the Future**

Created by the Santa Cruz unit in 2014, the program is aimed at raising the level of schooling in the company, expanding employee awareness of the new skills required by the company and by the market and preparing them to meet future challenges. This helps boost self-esteem and drive personal and professional development, increasing employability and opening up new career opportunities. In this first year, 50 employees took part in the project.

### **Apprentice program**

This program is run in partnership with the National Industrial Learning Service, Senai, providing professional training for 86 apprentices aged from 16 to 18 in 2014. The program included courses for electricians for electro-electronic systems, industrial machinery maintenance mechanics and administrative assistants.

## Economically active social inclusion

Underscoring its commitment to diversity, the São Martinho Group promotes professional training courses for the disabled in partnership with the Ministry of Labor and Employment, Senai, and the local governments of Guariba, Pradópolis, Araraquara and Américo Brasiliense. Initiated in February 2013, the project prepares participants for the labor market, promoting social inclusion and forming economically active citizens.

The students receive professional qualifications from Senai based on specific training given by specialized instructors and monitored by a cross-functional team. The course load is 800 hours distributed over approximately one year. It contains both theoretical and practical content, and includes supplementary basic schooling for those needing it.

# 130

disabled people achieved professional qualifications in partnership with SENAI

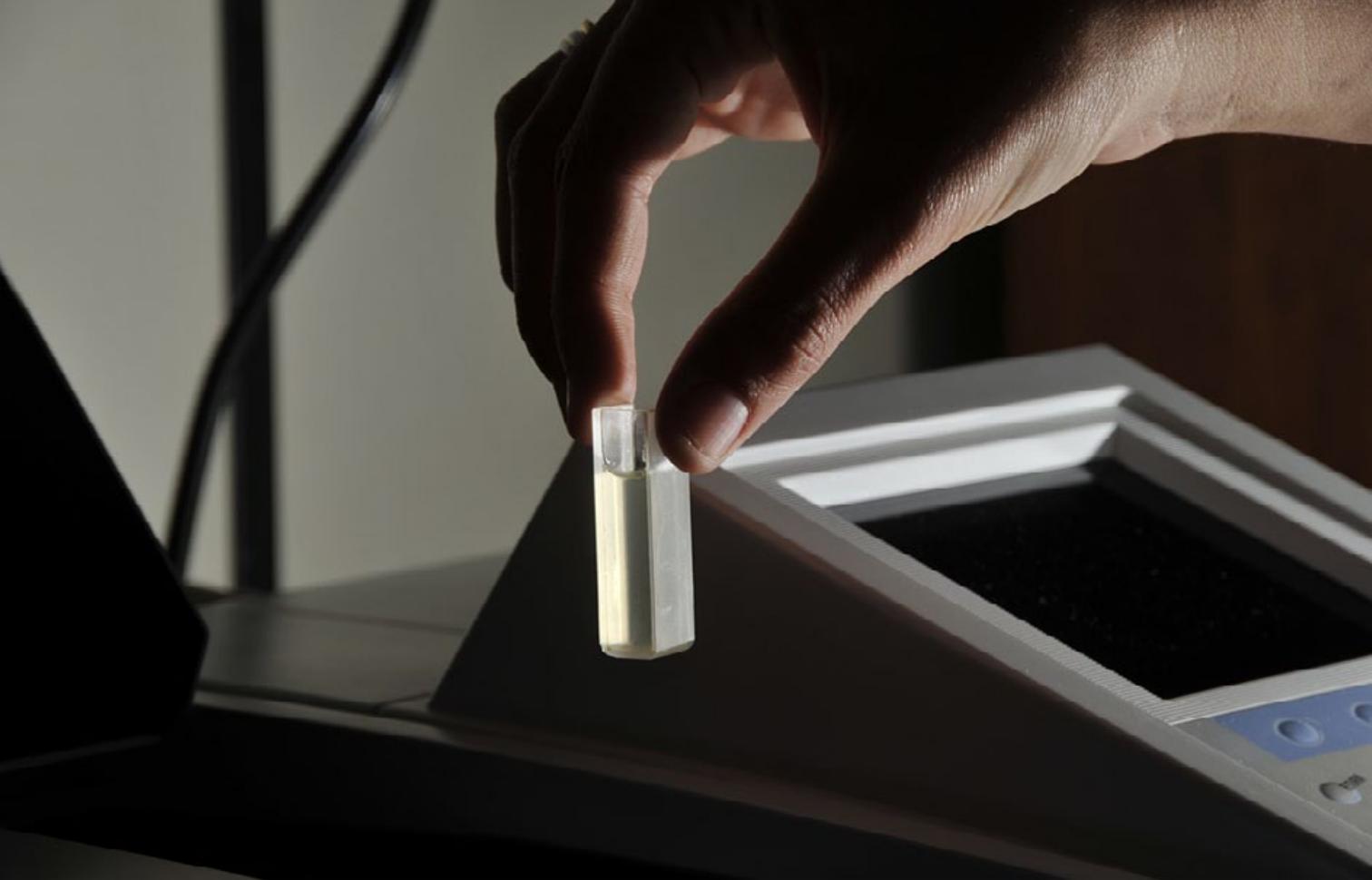
During the training, participants are hired as apprentices and receive a salary in accordance with Brazilian law. A total of 130 apprentices have participated in the project, training to be administrative and stockroom assistants. All participants receive a professional qualification certificate at the end of the course.

In 2015, 16 participants in the initiative started working in the São Martinho mill as stock room or administrative assistants. The project boosts participants' self-esteem, offering them opportunities for personal and professional development and the possibility of entering the labor market and, by extension, increasing their income.

Other company actions are also aimed at valuing the disabled. This is the case with the monthly contribution the Iracema mill makes to the Limeira Children's Rehabilitation Association, Aril. To drive improved service quality at the institution, the unit also provides it with physical space and management support. Thanks to this work, every year the unit receives the Friend of Aril seal. Another institution receiving incentives is the Limeira Apae (Exceptional Children's Parents and Friends Association), as a result of which GSM was awarded the Citizen Company seal in 2014.

## Mayor Virgínio Ometto Theater

In partnership, the Iracema mill and the Iracemópolis Art and Culture Movement Association (Amaci) remodeled the town's old cinema, transforming it into a comfortable, modern cine theater. Inaugurated during the 2014/2015 crop year, the remodeling consumed investments of more than R\$ 2 million, part of which was obtained through Rouanet Law tax incentives and financing from the BNDES development bank. The objective is to provide the community with opportunities for leisure and culture. The theater holds 324 people and its 12-meter stage permits the organization a diverse range of productions.



## Government

G4-16; G4-DMA Public policy

The São Martinho Group seeks to establish and maintain relations with public authorities essentially through the industry association Unica (União da Indústria de Cana-de-Açúcar). As such, processes related to the development of public policy for the sugar-energy sector are conducted exclusively through industry associations and organizations, as is the case with Unica.

The company also participates in the Renewal program, a Unica initiative supported by the Inter-American Development Bank (IDB) aimed at training agricultural workers to perform new functions so that they may stay abreast of mechanization in the field.

In addition to its seat on the board of Unica, the company participates on the boards of Abag, (Ribeirão Preto Region Agribusiness Association), the São Paulo Commercial Association, the Ciec (Enterprise-School Integration Center) and the Brazilian Overseas Trade Association. Other positions occupied are the vice-presidency of the São Paulo State Federation of Industries (Fiesp) and coordination of the São Paulo State Sugar Industry Association (Siaesp) and the São Paulo State Alcohol Manufacturing Industry Association (Sifaesp). In all cases, the company contributes only a basic fee as a member organization.



# **Corporate governance**

A reference in the industry, the São Martinho Group applies best practices in management, ethics and transparency

Corporate governance in the São Martinho Group is conducted in accordance with principles such as transparency, ethics and best management practice.

As a publicly-traded company - its shares have been listed on the São Paulo stock exchange (BM&FBovespa) under the ticker symbol SMT03 since 2007 -, the group adopts the rules of the Novo Mercado, one of the strictest listing regulations in the world. Furthermore, São Martinho's bylaws are strictly aligned with the legislation governing publicly traded companies (law 6.404), the objective being to ensure equal treatment for shareholders and full accountability regarding decisions and strategies, as well as financial and business results.

In public recognition of its diligence in corporate governance, in 2013 the Group received the Abrasca Award for Value Creation in the Sugar and Ethanol category. The award is granted to publicly traded companies that manage to reduce volatility and unpredictability in returns for shareholders, boosting asset value and share prices.

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## SANTA CRUZ

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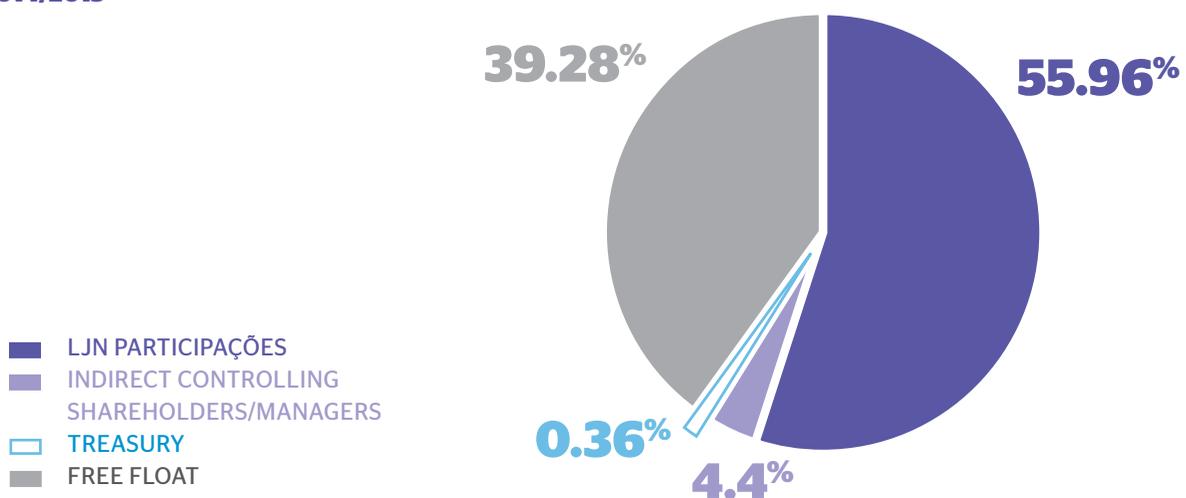
In 2014 the main highlight in the legal and organizational structure of the São Martinho Group was the conclusion of the acquisition and beginning of the integration of Santa Cruz S.A. Açúcar e Álcool (the Santa Cruz mill). As a result, São Martinho's stake in Santa Cruz increased to 36.09%.

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### BREAKDOWN OF SHAREHOLDERS (%) - 2014/2015



## COMPANY SHARE RATING

The international rating agency Standard & Poor's (S&P), world leader in financial market intelligence services, rated the São Martinho Group shares as BB+ on a global scale and BrAA+ domestically. The classification reflects the company's conservative capital structure and its high sugarcane productivity and low costs, among other factors.

## Governance structure

### Board of directors G4-34

The Board of Directors is a joint decision making body responsible for general oversight of the company, including its long-term strategy. Its attributions include electing and overseeing directors. Board decisions require a majority vote. In the event of a tie, a new meeting is convened with the presence of all members required to resolve the situation. The approval of certain items requires a specified quorum among the directors.

In accordance with Brazilian corporate law (law 6.404), the company bylaws establish that the Board of Directors should comprise seven members, one of whom independent, who are elected for a two-year term by the annual shareholders' meeting. Members may also be removed by the general shareholder meeting. The current members of the São Martinho Board of Directors were elected by the Ordinary General Meeting held on July 31st 2014 and are listed in the table below.

#### COMPOSITION OF BOARD OF DIRECTORS

Luiz Antonio Cera Ometto	Chairman
João Guilherme Sabino Ometto	Vice chairman
Nelson Marques Ferreira Ometto	Member
Murilo Cesar Lemos dos Santos Passos	Independent Member
Marcelo Campos Ometto	Member
João Carvalho do Val	Member
Luiz Olavo Baptista	Member

## Executive Board

In accordance with the São Martinho S.A. bylaws, the Executive Board comprises a minimum of two and a maximum of eight members, who are permitted to hold more than one position at the discretion of the Board of Directors. Currently, the board consists of eight statutory and one non-statutory member, as listed below. Executive board members are elected by the Board of Directors for a one-year term, and may be removed by the board.

### EXECUTIVE BOARD MEMBERS

Fábio Venturelli	CEO
Agenor Cunha Pavan	Agroindustrial Executive Officer
Felipe Vicchiato	CFO and IRO
Rodrigo Tetti Garcia	Administrative Officer
Helder Luiz Gosling	Commercial and Logistics Officer
Márcia Maria Cubas de Almeida <sup>1</sup>	Human Resources and Sustainability Director
Mário Ortiz Gandini	Agroindustrial Officer - São Martinho
Carlos Fernando Zaneti Andrade	Agroindustrial Officer - Iracema
Marcos Helder Pavan Monaco	Agroindustrial Officer - Santa Cruz

1. Non-statutory member.

## Fiscal Council

The Fiscal Council was installed by means of the Ordinary and Extraordinary General Meeting held on July 31st 2015, at the request of the controlling shareholder, and will remain in office until the Ordinary General Meeting that will examine the financial statements for the fiscal year ending on March 31st 2016.

In accordance with corporate law, the Fiscal Council is independent from management and from external auditors. It may function on a permanent basis or not. In the latter case, it functions during a specific period when installed at the request of shareholders who represent a minimum of 2% of the voting shares. Each period in which the fiscal council operates will end at the first Ordinary General Meeting after its installation.

The Fiscal Council's main responsibilities are to oversee management activities, review the company's financial statements and report its conclusions to the shareholders.

Corporation law requires that the members of the Fiscal Council receive remuneration of at least 10% of the average annual amount paid to company directors.

The Fiscal Council consists of three effective members and the same number of alternates, all of whom may be re-elected. It does not sit permanently, only being installed by the General Meeting under any of the circumstances set forth in corporation law.

### COMPOSITION OF FISCAL COUNCIL

Marcos Ribeiro Barbosa	Effective
Jorge Michel Lepeltier	Effective <i>indicated by the minority shareholders</i>
Maurício Curvelo de Almeida Prado	Effective
Rodrigo Maito da Silveira	Alternate
Massao Fábio Oya	Alternate <i>indicated by the minority shareholders</i>
José Roberto Martinez de Lima	Alternate

### Management committees

The São Martinho Group has three committees focused on key management areas. Their purpose is to provide support for decisions taken by the Board of Directors and to strengthen the company's corporate governance structure. Comprising board members and guest members, the committees are responsible for studying questions within their respective areas of competence and preparing proposals to be put before the board. Their specific attributions are detailed below.



#### Strategy, Innovation, Technology and New Business Committee

- To periodically evaluate the course of the company's business
- To support the identification of new products /services that add more value to the business
- To support the board in identifying and developing alternative growth strategies
- To monitor the development and growth of new businesses

#### Finance, Audit and Risk Management Committee

- To analyze and assess financial questions, quarterly and annual reports, proposals made by external auditors and fiscal planning
- To analyze the risks associated with major investments and financial operations and any other risks that may affect the sustainability of the company
- To ensure that best corporate governance practices are in place through the development of efficient processes and internal controls
- To promote the development of a single management culture throughout the group, optimizing the risk/return ratio and the allocation of capital

#### Personnel Management Committee

- To oversee strategic personnel management planning
- To determine short and long-term variable compensation policy (bonus linked with results and professional performance)
- To appraise executive performance

# 25%

of the adjusted net profit is the minimum dividend paid out to shareholders per year

#### Risk Management

With the objective of anticipating potential threats to the Group's financial and operational performance, risk management in the São Martinho Group is oriented to the long term, administering market risks through the use of financial instruments. Created in 2011, the Risk Management area identifies new opportunities and ensures transparent communication about measures implemented and the level of risk to which the group's businesses are exposed. Working independently with full access to all company departments, the area reports directly to the Chairman and the Board of Directors.

The main risks reported to the Board of Directors were determined after detailed mapping of all GSM activities. Each risk category detailed below is accompanied by indicators which help determine the potential impact associated with unexpected events..

- **Prices:** the prices of the products commercialized by São Martinho may be affected by changes in supply and demand, as well as by economic, political and financial instability in Brazil. A reduction in the price of sugar or ethanol may adversely affect not only business related to these products, but also imply changes in the production mix. To mitigate this risk, São Martinho maintains a systematic

pricing policy. The main objective of this strategy is to concretize the Group's mission.

- **Exchange rates:** since an important portion of São Martinho revenues come from the overseas market and part of its liabilities are denominated in foreign currencies, the exchange rate is a key variable for company profitability. Consequently, the São Martinho Group's exchange rate policy is closely linked with sugar pricing policy, taking into account all effects on revenues and liabilities in accordance with different scenarios involving the correlation between these variables.
- **Financial leverage and liquidity:** the company needs to pay close attention to its indebtedness in relation to shareholders' equity and cash generation. In other words, it needs to ensure both long and short-term solvency. Moreover, the business environment in which the group operates enables a number of opportunities for strategic gains from carrying stocks. To avoid being impacted by liquidity-related risks São Martinho maintains a debt profile that enables it to fully meet its current obligations while retaining equity and earnings expectations that ensure future sustainability. Furthermore, the company is fully prepared to continue investing in business growth.
- **Production flow:** sugar is a commodity produced by São Martinho on a large scale. Consequently, the speed with which it transports its production may represent opportunities or risks. Understanding that rail transportation is preferable due to its lower costs, São Martinho (in partnership with Rumo Logística) has a rail terminal in the São Martinho unit, guaranteeing a sugar transshipment capacity of 2 million metric tons a year. However, the company is also aware that it should not rely on only one transportation modality, for which reason it also maintains strong road transportation capacity. Furthermore, the Group considers investments in storage capacity to represent a strong competitive differential. Today this capacity represents 60% of sugar production and almost 80% of ethanol production. These investments alone help mitigate potential transportation risks caused by interruptions in access to ports or other unforeseen factors. Risk management helps the company monitor product delivery risks as well as unforeseen increases in logistics costs.
- **Cane supply:** part of São Martinho's production depends on sugarcane bought from third-parties or harvested on the lands of agricultural partners. For this reason and due to climatic impacts which can affect crops, the company must always bear in mind the risk of not being able to obtain all the raw material it requires. In this context, in addition to initiatives aimed at strengthening relations with suppliers, one way of mitigating risk is to exercise careful control over partnerships and purchase contracts, both in the medium and the long term, with constant monitoring to ensure the renovation of those on the point of expiring or the identification of alternative sources.

- **Availability of personnel:** business growth is linked intrinsically with the capacity to hire employees and to train the work force. For this reason, São Martinho always seeks to monitor its key positions and ensure that potential substitutes are in place. The Group also checks whether there are vacancies that need to be filled and which competencies need to be developed within the Group so that employees will be prepared to meet requirements stemming from developments and advances in the business. This monitoring takes place at the level of technicians, analysts and managers. In addition to the constant tracking of the risks mentioned above, the Risk Management area is heavily involved in compliance-related discussions, such as environmental or labor issues. Furthermore, Risk Management participation is essential in controlling operational and asset-related risks, involving decisions such as investing in process improvement or contracting insurance.

## Organizational ethics

DMA Anti-corruption G4-56; G4-DMA Investments; G4-DMA Complaint and grievance mechanisms related to labor practices G4-HR2; G4-SO1; G4-SO3; G4-SO4; G4-SO5;

The São Martinho Group does business ethically and transparently. In 2010, specific guidelines were established in the company's Code of Ethics and Professional Conduct, with standards and principles that every member of the group is expected to follow, including: employees, interns, apprentices, consultants, directors, members of the Board of Directors and the Fiscal Council, as well as the employees of third-party service providers.

Additionally, during the 2014/2015 crop year, 5.77% of São Martinho Group employees received training in human rights policies, totaling 85 hours of classroom courses focused specifically on managers, leaders and human resources staff. This training covered subjects such as discrimination, psychological and sexual harassment, corporate governance and labor legislation (including admission, termination, collective contracts and agreements, employment stability, the principles of labor relations, non-material damages and workers' rights).

Since 2011, there have been channels through which employees may report issues related to ethics and professional conduct and make complaints, criticisms or recommendations. Reports may be made by

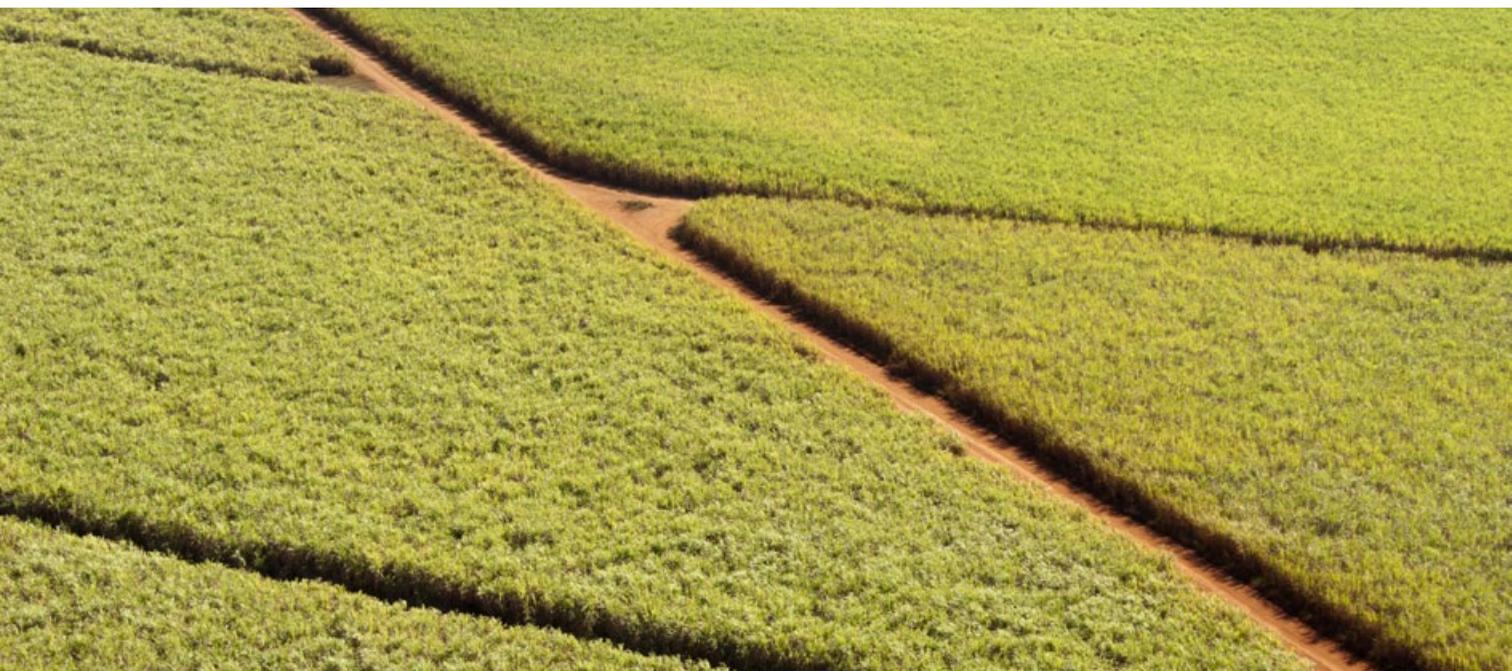
telephone (0800 777 3131, toll-free call), email (etica@saomartinho.com.br) or by post, in a closed envelope (Alameda Caiapós, 243, Barueri, CEP: 06460-110, São Paulo / SP). The person making the report is entitled to full anonymity. All these channels ensure complete confidentiality for the person making the report, since they are managed by a third-party.

The executive committees and work groups evaluate the reports and complaints by means of formal documents and, when necessary, initiate an internal investigation aimed at establishing the veracity of the facts and the measures to be taken.

This reporting mechanism includes the investigation of cases of corruption. If necessary, the Internal Controls area performs an audit and implements the measures required to guarantee security, transparency and the sustainability of corporate governance in handling the case.

The São Martinho Group also introduced its Anticorruption policy, which was distributed to all employees during the 2014/2015 crop. This establishes procedures for preventing corruption in all its forms, reinforcing the principles set forth in the Code of Ethics and Professional Conduct.

During the 2014/2015 crop, the only case of corruption in the company occurred at the São Martinho unit in Pradópolis. After an internal report, there was an investigation into the embezzlement of company property, which led to the dismissal of an employee. The Internal Controls area, supported by the legal area, investigated the case, examining internal documents and work procedures. No law suits (public investigations, judicial actions or closed cases) related to corruption were brought against the organization or its employees.



# FINANCIAL STATEMENTS

## SÃO MARTINHO S.A. - CONSOLIDATED INCOME STATEMENT

R\$ thousands	As per CPC 19			Pro Forma		
	12M15	12M14	VAR %	12M15	12M14	VAR %
Gross revenue	1,998,603	1,583,863	26.2%	2,398,740	2,047,162	17.2%
Deductions from gross revenue	(82,559)	(50,188)	64.5%	(104,758)	(75,985)	37.9%
<b>Net revenue</b>	<b>1,916,044</b>	<b>1,533,675</b>	<b>24.9%</b>	<b>2,293,982</b>	<b>1,971,177</b>	<b>16.4%</b>
Cost of goods sold (CGS)	(1,370,538)	(1,089,056)	25.8%	(1,643,056)	(1,440,705)	14.0%
<b>Gross profit</b>	<b>545,506</b>	<b>444,619</b>	<b>22.7%</b>	<b>650,926</b>	<b>530,472</b>	<b>22.7%</b>
Gross margin (%)	28.5%	29.0%	-0.5 p,p	28.4%	26.9%	1.5 p,p
<b>Operating expenses</b>	<b>(90,106)</b>	<b>(200,785)</b>	<b>-55.1%</b>	<b>(149,420)</b>	<b>(227,555)</b>	<b>-34.3%</b>
Selling expenses	(85,749)	(73,893)	16.0%	(94,218)	(90,329)	4.3%
General and administrative expenses	(144,447)	(113,553)	27.2%	(163,667)	(138,050)	18.6%
Equity income	32,085	(16,444)	-	545	(399)	-
Other operating revenue (expenses)	108,005	3,105	3378.4%	107,920	1,223	8724.2%
<b>Operating profit before financial result</b>	<b>455,400</b>	<b>243,834</b>	<b>86.8%</b>	<b>501,506</b>	<b>302,917</b>	<b>65.6%</b>
<b>Financial revenue (expenses):</b>	<b>(141,562)</b>	<b>(55,273)</b>	<b>156.1%</b>	<b>(181,121)</b>	<b>(107,197)</b>	<b>69.0%</b>
Financial revenues	84,825	34,971	142.6%	97,546	43,764	122.9%
Financial expenses	(227,139)	(110,081)	106.3%	(266,105)	(158,450)	67.9%
Monetary and exchange variations, net	(5,420)	33,451	-	(23,402)	27,021	-
Result of derivatives	6,172	(13,614)	-	10,840	(19,532)	-
<b>Operating income before income tax and social contribution</b>	<b>313,838</b>	<b>188,561</b>	<b>66.4%</b>	<b>320,385</b>	<b>195,720</b>	<b>63.7%</b>
Income tax and social contribution - current	(19,953)	(8,918)	123.7%	(24,387)	(10,287)	137.1%
Income tax and social contribution - deferred	(5,568)	(44,642)	-87.5%	(7,681)	(50,432)	-84.8%
<b>Net income before minority shareholders</b>	<b>288,317</b>	<b>135,001</b>	<b>113.6%</b>	<b>288,317</b>	<b>135,001</b>	<b>113.6%</b>
Minority shareholders	(2,259)	-	n.m	(2,259)	-	n,m,
<b>Net income</b>	<b>286,058</b>	<b>135,001</b>	<b>111.9%</b>	<b>286,058</b>	<b>135,001</b>	<b>111.9%</b>
Net margin (%)	14.9%	8.8%	6.1 p,p	12.5%	6.8%	5.6 p,p

**SÃO MARTINHO S.A. - BALANCE SHEET ASSETS**

R\$ thousands	As per CPC 19		Pro-forma	
	MAR-15	MAR-14	MAR-15	MAR-14
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	1,020,112	551,359	1,126,517	670,741
Accounts receivable	156,317	72,106	168,031	95,051
Financial derivatives	221,797	33,553	222,226	37,467
Inventories	177,443	99,658	212,975	145,028
Taxes recoverable	102,821	64,367	116,363	79,339
Income tax and social contribution	64,633	34,237	68,718	37,349
Dividends receivable	-	232	-	420
Other assets	6,476	7,145	7,661	10,919
<b>Total current assets</b>	<b>1,749,599</b>	<b>862,657</b>	<b>1,922,491</b>	<b>1,076,314</b>
<b>LONG-TERM</b>				
<b>LONG-TERM RECEIVABLES</b>				
Marketable securities	5,723	-	14,021	9,187
Inventories	49,607	25,790	72,288	50,235
Associated parties	34	1,925	34	11
Deferred income tax and social contribution	-	-	48,031	48,867
Accounts receivable - customers	8,049	1,592	8,049	1,592
Accounts receivable - Copersucar	1,669	1,361	1,784	1,546
Taxes recoverable	75,860	68,201	87,127	94,808
Judicial deposits	27,927	31,969	29,553	34,479
Other assets	518	120	518	321
	<b>169,387</b>	<b>130,958</b>	<b>261,405</b>	<b>241,046</b>
<b>Investments</b>	429,780	537,764	20,902	10,589
<b>Biological assets</b>	936,241	596,309	1,116,783	863,368
<b>Property, plant and equipment</b>	3,383,376	2,717,791	3,796,775	3,432,148
<b>Intangible assets</b>	500,541	192,917	500,676	202,486
<b>TOTAL LONG-TERM ASSETS</b>	<b>5,419,325</b>	<b>4,175,739</b>	<b>5,696,541</b>	<b>4,749,637</b>
<b>TOTAL ASSETS</b>	<b>7,168,924</b>	<b>5,038,396</b>	<b>7,619,032</b>	<b>5,825,951</b>

**SÃO MARTINHO S.A. - BALANCE SHEET LIABILITIES**

R\$ thousands	As per CPC 19		Pro-forma	
	MAR-15	MAR-14	MAR-15	MAR-14
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Loans and financing	872,419	439,644	978,828	592,294
Financial derivatives	232,711	56,398	232,711	63,814
Payables - Suppliers	95,476	64,429	115,727	90,602
Payables - Copersucar	2,040	2,040	2,300	2,234
Salaries and social contributions	84,373	58,847	95,953	75,720
Taxes payable	13,235	11,040	14,531	13,749
Income tax and social contribution	1,511	611	1,540	891
Dividends payable	67,939	32,063	67,939	32,483

Customer advances	3,197	883	4,321	3,143
Acquisition of shareholdings	17,507	10,725	17,507	10,725
Other liabilities	29,484	17,290	34,079	15,676
<b>TOTAL</b>	<b>1,419,892</b>	<b>693,970</b>	<b>1,565,436</b>	<b>901,331</b>
<b>LONG-TERM LIABILITIES</b>				
Loans and financing	2,367,660	1,151,177	2,634,773	1,616,928
Payables - Copersucar	279,584	206,014	292,945	230,254
Taxes in installments	16,267	46,318	16,267	53,452
Deferred income tax and social contribution	323,811	807,880	324,064	854,330
Provision for contingencies	55,430	56,649	58,702	62,048
Acquisition of shareholdings	78,815	-	78,815	-
Advance for future capital increase	-	-	31,492	31,220
Other liabilities	11,380	436	453	436
<b>TOTAL</b>	<b>3,132,947</b>	<b>2,268,474</b>	<b>3,437,511</b>	<b>2,848,668</b>
<b>MINORITY SHAREHOLDING</b>	-	-	-	-
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	812,992	737,200	812,992	737,200
Capital reserve	9,119	-	9,119	-
Shares in treasury	(7,375)	(11,839)	(7,375)	(11,839)
Stock options granted	5,079	3,605	5,079	3,605
Adjustments to book value	1,405,708	1,116,709	1,405,708	1,116,709
Earnings reserves	390,562	230,277	390,562	230,277
<b>TOTAL</b>	<b>2,616,085</b>	<b>2,075,952</b>	<b>2,616,085</b>	<b>2,075,952</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>7,168,924</b>	<b>5,038,396</b>	<b>7,619,032</b>	<b>5,825,951</b>

## SÃO MARTINHO S.A. - CASH FLOW STATEMENT

R\$ thousands	As per CPC 19		Pro-forma	
	12M15	12M14	12M15	12M14
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income in period	288,317	135,001	288,317	135,001
<b>ADJUSTMENTS</b>				
Depreciation and amortization	197,138	126,217	233,276	173,715
Biological assets harvested (depreciation)	277,709	179,872	365,684	274,066
Variation in fair value of biological assets	31,029	(915)	29,520	5,379
Amortization of intangible assets	10,358	-	10,824	1,942
Equity income	(32,085)	16,444	(545)	399
Capital gain from investment	(7,055)	-	(7,235)	-
Result of investments and property, plant and equipment	162	(2,321)	(518)	(2,690)
Interest, monetary and exchange variations, net	249,270	93,375	297,098	151,040
Financial derivatives	85,834	(174)	89,146	5,141
Provision for contingencies, net	14,162	16,847	16,385	19,593
Deferred income tax and social contribution	5,568	44,642	7,681	50,432
Adjustment to present value and others	(14,707)	8,216	(13,613)	8,788
Result of divestment of holding	(79,717)	-	(79,717)	-
	<b>1,025,983</b>	<b>617,204</b>	<b>1,236,303</b>	<b>822,806</b>

CASH FLOWS FROM OPERATING ACTIVITIES	12M15	12M14	12M15	12M14
<b>Changes in assets and liabilities</b>				
Accounts receivable from customers	(72,927)	(11,140)	(68,256)	(23,531)
Inventories	44,780	5,617	26,178	8,624
Taxes recoverable	(38,226)	(38,732)	(36,751)	(45,965)
Financial investments	118	-	181	664
Other assets	25,885	3,098	25,877	864
Suppliers	(12,411)	9,014	(1,804)	17,663
Salaries and social contributions	1,945	8,693	4,412	9,331
Taxes payable	14,285	3,749	12,752	5,197
Payables - Copersucar	13,742	4,084	14,724	6,102
Taxes payable in installments	(30,179)	(5,035)	(30,151)	(5,364)
Provision for contingencies - settlements	(28,699)	(27,619)	(32,168)	(31,735)
Other liabilities	937	(7,178)	(1,047)	(4,019)
<b>Cash from operations</b>	<b>945,233</b>	<b>561,755</b>	<b>1,150,250</b>	<b>760,637</b>
Interest paid on loans and financing	(132,415)	(85,872)	(168,076)	(125,079)
Income tax and social contributions paid	(5,967)	(2,465)	(6,060)	(2,591)
<b>Net cash from operating activities</b>	<b>806,851</b>	<b>473,418</b>	<b>976,114</b>	<b>632,967</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>				
Funds invested	(71,363)	(77,124)	(71,363)	(77,124)
Variation from acquisition and divestment of shareholding	44,860	-	25,273	-
Additions to property, plant and equipment and intangible assets	(285,323)	(271,482)	(342,124)	(329,657)
Additions to biological assets (planting and crop treatment)	(384,274)	(242,283)	(476,217)	(354,959)
Proceeds from sale of property, plant and equipment	3,356	12,783	4,858	13,566
Proceeds from sale of biological assets and rights	-	47,500	-	47,500
Cash and cash equivalents from equity interest	-	1	-	1
Advance for future capital increase	-	(1,414)	(32)	-
Dividends and interest on own equity	3,127	1,330	443	-
<b>Net cash used in investments</b>	<b>(689,617)</b>	<b>(530,689)</b>	<b>(859,162)</b>	<b>(700,673)</b>
Financing obtained - third parties	1,380,818	520,705	1,538,259	668,872
Amortization of financing - third parties	(991,355)	(415,275)	(1,164,864)	(537,166)
Advance for future capital increase	-	-	689	290
Grant of treasury shares	5,145	2,059	5,145	2,059
Payment of dividends	(43,089)	(30,000)	(40,405)	(29,898)
<b>Net cash from financing activities</b>	<b>351,519</b>	<b>77,489</b>	<b>338,824</b>	<b>104,157</b>
<b>Net increase in cash and cash equivalents</b>	<b>468,753</b>	<b>20,218</b>	<b>455,776</b>	<b>36,451</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>551,359</b>	<b>531,141</b>	<b>670,741</b>	<b>634,290</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,020,112</b>	<b>551,359</b>	<b>1,126,517</b>	<b>670,741</b>

# GRI INDEX

## GRI REMISSIVE INDEX

General standard content	Page/response
<b>STRATEGY AND ANALYSIS</b>	
<b>G4-1</b> Declaration from the highest ranking decision maker in the organization	3
<b>ORGANIZATIONAL PROFILE</b>	
<b>G4-3</b> Name of the organization	81
<b>G4-4</b> Primary brands, products and services	13, 81
<b>G4-5</b> Location of the organization's headquarters	77
<b>G4-6</b> Number of countries in which the organization operates and in which its main operations or the ones most relevant in terms of the sustainability aspects addressed in the report are located	10
<b>G4-7</b> Nature of ownership and legal form	Publicly listed corporation
<b>G4-8</b> Markets in which the organization operates (discriminated by geographic region, industries covered and types of customer and beneficiary)	10, 13
<b>G4-9</b> Scale of organization	44
<b>G4-10</b> Total number of employees	44
<b>G4-11</b> Percentage of all employees covered by collective bargaining agreements	51
<b>G4-12</b> Description of organization's supply chain	54
<b>G4-13</b> Significant changes during the reporting period regarding the organization's size, structure, ownership or supplier chain	25
<b>G4-14</b> Description of whether and how the organization adopts the precautionary approach or principle	41
<b>G4-15</b> List of social charters, principles, or other economic, environmental or social initiatives developed externally that the organization subscribes to or endorses	The São Martinho Group does not subscribe to or endorse any charters, principles or other initiatives.
<b>G4-16</b> Participation in national and international associations and organizations (e.g.: industry associations)	61
<b>MATERIAL ASPECTS IDENTIFIED AND BOUNDARIES</b>	
<b>G4-17</b> List of all entities included in the organization's consolidated financial statements or equivalent documents	The scope of the report is limited to the São Martinho, Iracema and Santa Cruz mills
<b>G4-18</b> Explanation of process for defining the report content and the boundaries of the aspects	4
<b>G4-19</b> List of material aspects identified in the process of defining the report content	4
<b>G4-20</b> Boundary within the organization, for each material aspect	4
<b>G4-21</b> Boundary outside the organization, for each material aspect	4
<b>G4-22</b> Effects of any restatements of information provided in previous reports and reasons for such restatements	There were no changes in relation to previous reports.
<b>G4-23</b> Significant changes in scope and boundaries of material aspects in relation to previous reports	25
<b>STAKEHOLDER ENGAGEMENT</b>	
<b>G4-24</b> List of stakeholder groups engaged by the organization	4
<b>G4-25</b> Basis for identification and selection of stakeholders with whom to engage	4
<b>G4-26</b> Approach to stakeholder engagement, including frequency of engagement discriminated by type and group, with an indication as to whether any engagement was promoted specifically as part of preparing the report	4
<b>G4-27</b> Key topics and concerns that have been raised through engagement, and the measures adopted by the organization to address these topics and concerns, encompassing the actual reporting process. List the stakeholder groups that raised each of the topics and concerns mentioned	The company does not have formal mechanisms to register stakeholder topics and concerns. However, the Group works in a participative manner with these groups, facilitating the identification of topics and concerns to be worked on via management at each of the units, in addition to the Ethics Channel, the organization's main communication channel with stakeholders.

**GRI REMISSIVE INDEX**

General standard content	Page/response
<b>REPORT PROFILE</b>	
<b>G4-28</b> Reporting period	4, 7
<b>G4-29</b> Date of most recent previous report	The group's most recent report was prepared in the 2013/2014 crop year, in accordance with GRI methodology.
<b>G4-30</b> Reporting cycle	The São Martinho Group follows an annual reporting cycle based on the crop year.
<b>G4-31</b> Contact point for questions regarding the report or its contents	81
<b>G4-32</b> 'In accordance' option for application of guidelines	The Core 'in accordance' option has been applied to this report
<b>G4-33</b> Current policy and practice with regard to seeking external assurance for the report	This report was not submitted to external verification.
<b>GOVERNANCE</b>	
<b>G4-34</b> Organization's governance structure, including the committees of the highest governance body. Identify all the committees responsible for providing support for the board in decisions that might provoke economic, environmental and social impacts	65
<b>ETHICS AND INTEGRITY</b>	
<b>G4-56</b> Values, principles, standards and norms of behavior in the organization, such as codes of conduct and ethics	11, 70

**SPECIFIC STANDARD CONTENT**

Material aspects	DMAs and indicators	Page/response	Omission
<b>ECONOMIC CATEGORY</b>			
Economic performance	<b>G4-DMA</b> Management approach	Confidential information	-
	<b>G4-EC1</b> Direct economic value generated and distributed		-
Market presence	<b>G4-DMA</b> Management approach	19, 56	-
	<b>G4-EC6</b> Proportion of senior management contracted from local community in important operational units	44	-
Indirect economic impacts	<b>G4-DMA</b> Management approach	48	-
	<b>G4-EC7</b> Development and impact of infrastructure investments and services supported	56	-
	<b>G4-EC8</b> Description and extension of significant indirect economic impacts	48, 56	-
Procurement practices	<b>G4-DMA</b> Management approach	54	-
	<b>G4-EC9</b> Proportion of spending on local suppliers in significant operational units	The Group's procurement policy establishes that material and service requirements should be fulfilled based on criteria of quality, price and delivery time; it does not specifically mention prioritizing local suppliers.	-
<b>ENVIRONMENTAL CATEGORY</b>			
Water	<b>G4-DMA</b> Management approach	37	-
	<b>G4-EN8</b> Total water withdrawal by source	37	-
	<b>G4-EN10</b> Percentage and total volume of water recycled and reused	37	-
Effluents and waste	<b>G4-DMA</b> Management approach	30, 34	-
	<b>G4-EN22</b> Total water discharge discriminated by quality and destination	37, 38	-
	<b>G4-EN23</b> Total weight of waste, discriminated by type and disposal method	34, 35, 36	-

**SPECIFIC STANDARD CONTENT**

Material aspects	DMAs and indicators	Page/response	Omission
<b>SOCIAL CATEGORY - LABOR PRACTICES AND DECENT WORK</b>			
Employment	<b>G4-DMA</b> Management approach	44, 51, 54	-
	<b>G4-LA1</b> Total number of employees and rates of new employee hires and employee turnover by age group, gender and region	44	-
	<b>G4-LA2</b> The benefits which are standard for full-time employees but are not provided for part-time and temporary workers, discriminated by significant locations of operation	51	-
Training and education	<b>G4-DMA</b> Management approach	48	-
	<b>G4-LA9</b> Average number of hours training per employee per year, discriminated by gender and functional category	48	-
Screening of supplier labor practices	<b>G4-DMA</b> Management approach	54	-
	<b>G4-LA14</b> Percentage of new suppliers screened using labor practice criteria	54	-
<b>SOCIAL CATEGORY - HUMAN RIGHTS</b>			
Investments	<b>G4-DMA</b> Management approach	70	-
	<b>G4-HR2</b> Total number of hours training for employees in human rights policies or procedures related to aspects of human rights of relevance to the organization's operations, including the percentage of employees trained	70	-
Non-discrimination	<b>G4-DMA</b> Management approach	44	-
	<b>G4-HR3</b> Total number of cases of discrimination and corrective measures taken	No cases of discrimination were recorded during the period	-
<b>SOCIAL CATEGORY - SOCIETY</b>			
Local communities	<b>G4-DMA</b> Management approach	41	-
	<b>G4-SO1</b> Percentage of operations with local community engagement, impact assessment and development programs implemented	56, 70	-
	<b>G4-SO2</b> Operations with significant actual and potential negative impacts on local communities	48, 56	-
Anti-corruption	<b>G4-DMA</b> Management approach	70	-
	<b>G4-SO3</b> Total number and percentage of operations assessed for risks related to corruption and significant risks identified	70	-
	<b>G4-SO4</b> Communication and training related to anti-corruption policies and procedures	70	-
	<b>G4-SO5</b> Confirmed cases of corruption and measures taken	70,	-
Grievance and complaint mechanisms related to labor practices	<b>G4-LA16</b> Number of labor practice related grievances and complaints filed, addressed and resolved through formal mechanisms	Confidential information	-

**SPECIFIC STANDARD CONTENT**

Material aspects	DMAs and indicators	Page/response	Omission
Public policies	<b>G4-DMA</b> Management approach	61	-
	<b>G4-SO6</b> Total amount of contributions to political parties and politicians, discriminated by country and recipient/beneficiary	During the 2014/2015 crop year, contributions to political parties and candidates in the 2014 elections totaled R\$ 4,197,400.00	-
Unfair competition	<b>G4-SO7</b> Total number of law suits brought against organization for unfair competition and monopolistic practices, and their results	No law suits related to monopolistic practices or unfair competition are pending or were concluded.	-
Grievance and complaint mechanisms related to impacts on society	<b>G4-DMA</b> Management approach	70	-
	<b>G4-SO11</b> Grievances related to impacts on society filed, addressed and resolved through formal mechanisms	During the 2014/2015 crop, two complaints related to social impacts were duly addressed and resolved. In the previous crop year, only one complaint was filed; it was resolved.	-



## **CREDITS AND CONTACTS** G4-3; G4-4

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### **PROJECT COORDINATION**

Daniele Galina Alvarez  
Ive Caroline Pereira Zonfrile  
Corporate Communication and Sustainability

### **CREDITS AND CONTACTS G4-31**

São Martinho S.A.  
[www.saomartinho.com.br](http://www.saomartinho.com.br)  
Head office: Fazenda São Martinho, sem número.  
Pradópolis, SP - CEP 14850-000

Contact: [comunicacoes@saomartinho.com.br](mailto:comunicacoes@saomartinho.com.br)  
Telephone: +55 (11) 2105-4100

### **Sustainability consulting**

Report Sustentabilidade

### **Copy and editing**

Report Sustentabilidade

### **Graphic design and layout**

Report Sustentabilidade

### **Photos**

São Martinho Archive



***São Martinho***