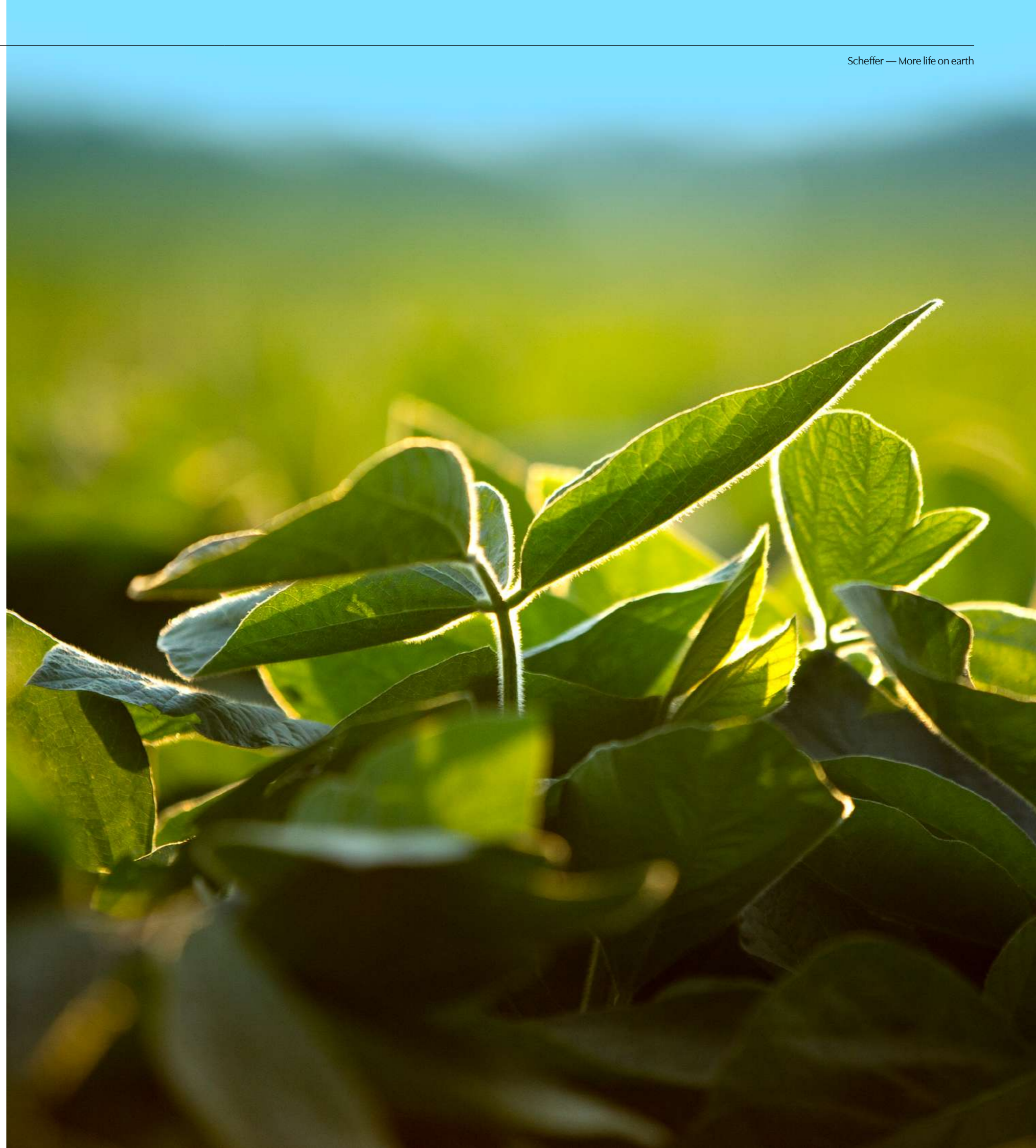




2021 Scheffer Sustainability Report

Contents

Message from the board	4
Who we are	5
Our history.....	6
Timeline.....	7
Our purpose and our values	8
Core Business	9
Governance.....	9
Leadership	10
Ethics and compliance	11
Our team	11
Corporate education and personal development	11
Benefits.....	12
Health and safety.....	13
Soil health and conservation	15
Precision agriculture and new technologies.....	16
Regenerative Agriculture	17
Water use and management.....	24
Environmental protection areas.....	25
Waste.....	26
Energy efficiency.....	26
Social responsibility.....	28
Certifications	31



About this report

We present the Scheffer Sustainability Report, which was aligned with the commitments assumed within our purpose, mission and values and was inspired by the methodology of the Global Reporting Initiative (GRI), Core option. The topics on which we report and the subsequent results relate to January 1 to December 31, 2021.

We also report on the trajectory of our journey, corporate governance and sustainability, as it relates directly to our business. Sustainability is a journey, and as we report on this evolution we highlight advances, challenges and lessons learned, in the context of our stated goal to farm according to an agricultural model which allows us to regenerate life on earth.

The information in this report considers only agricultural production units located in Brazil. If you have any questions about the content of this document, please send us an email to sustentabilidade@scheffer.agr.br.

Scheffer team

“ Sustainability is a journey, and as we report on this evolution we highlight advances, challenges and lessons learned, in the context of our stated goal to farm according to an agricultural model which allows us to regenerate life on earth. ”

Message from the board

At Scheffer we have been driven by a passion for farming and innovation since we started, 30 years ago, when Elizeu and Carolina Scheffer migrated to Mato Grosso from Paraná to become the first cotton producers in Sapezal.

Seven years ago, we started to look carefully at the sustainability and longevity of our business, exploring new and innovative methods of farming with a focus specifically on soil health. We discovered regenerative agriculture as a way to better balance our business while farming sustainably, allowing us to protect the land and the environment for future generations.

Fast forward to 2021 and we are pioneers in regenerative agriculture in Brazil, to such an extent that we have re-defined our company goal: to regenerate life on earth. We have ingrained regenerative agriculture into the Scheffer DNA, and we now plan to continue expanding the area we farm regeneratively.

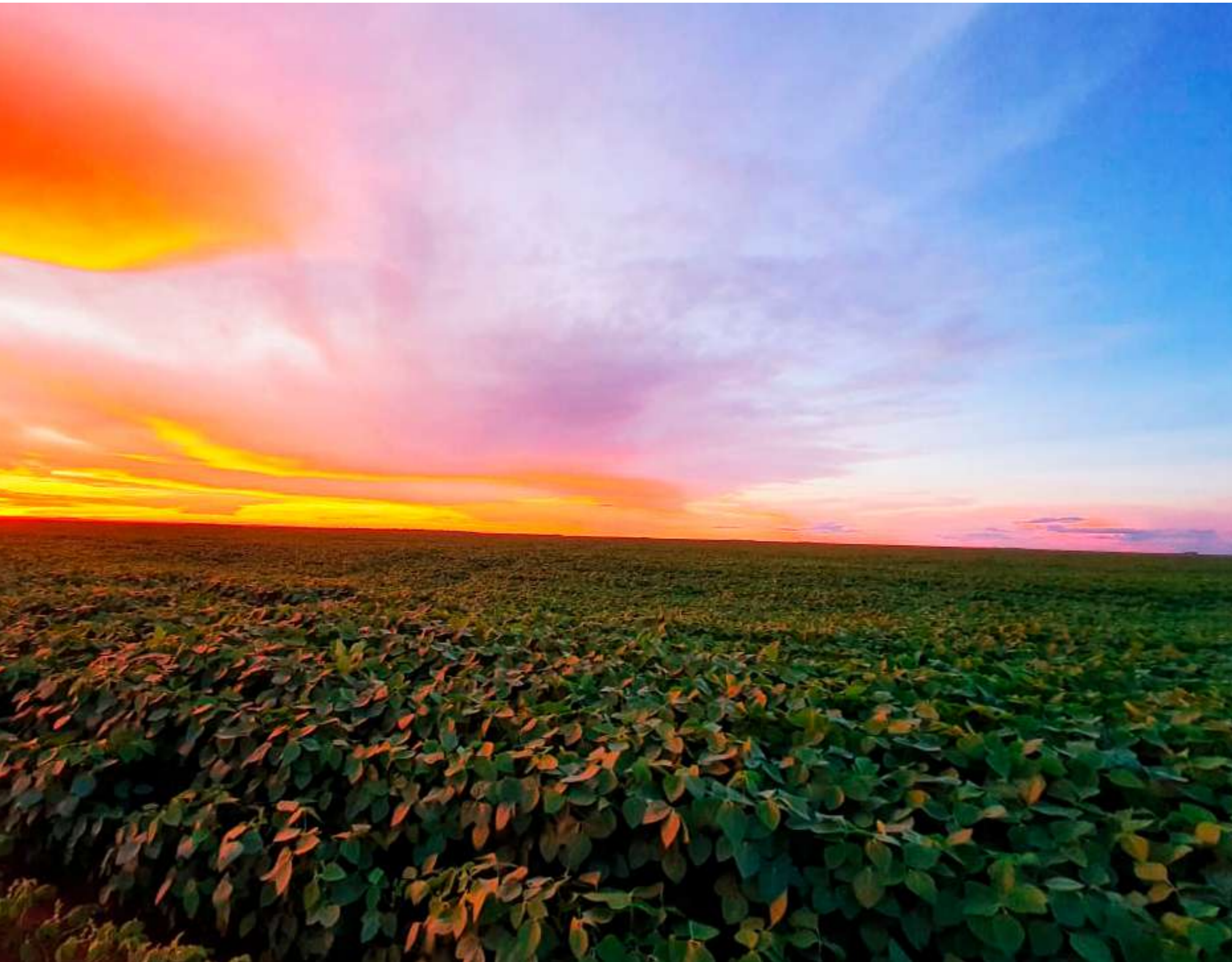
We pride ourselves at Scheffer in having a collaborative culture, reflected in every action and commitment we make. We are proud of our team of talented and dedicated people, upon whom we rely to help us deliver both growth and development. We aim to deliver much more than just results.

The last few years have been a challenge, given the global COVID-19 pandemic, during which we had to reinvent the way we work from our corporate office to the farms, while always prioritising the health and safety of our employees and their families. Our success in this regard is testament to our long and robust history, our values and a culture of commitment that secures food and fiber safety.

We are delighted to present our Sustainability Report, a team effort from Scheffer and an important milestone on our journey. This report is not a response to current trends, it represents one step in a long journey that started several years ago. As ever, Scheffer will continue to evolve, cultivating lasting and sustainable relationships with communities and the environment.

Enjoy!





Who we are

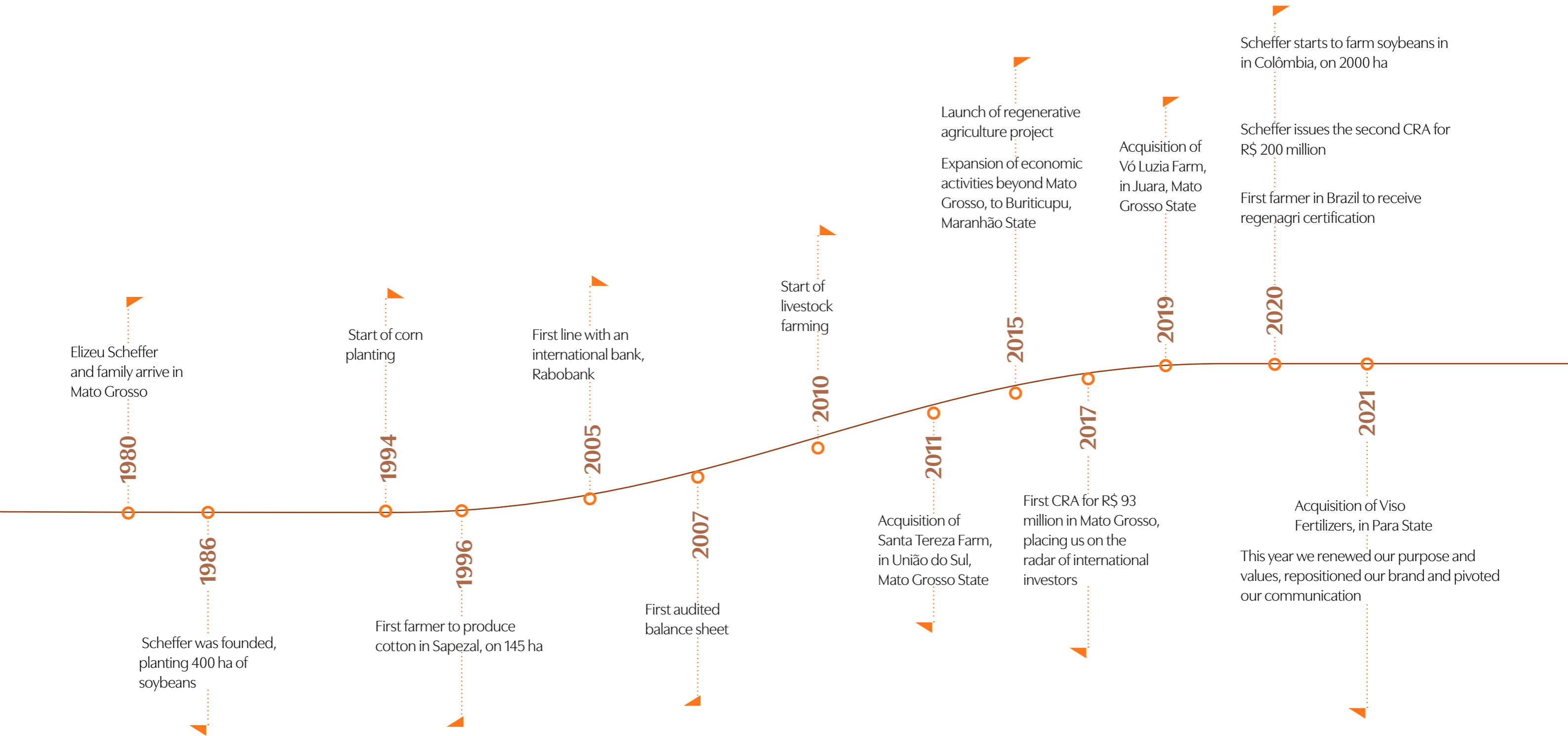
Scheffer has been farming and taking care of our land for over 30 years. We operate not only in two States in Brazil, but also in Colombia. We like to think of ourselves as bold and innovative custodians of the land, which is why seven years ago we set out on a mission to find a better way to farm. This required a good deal of introspection around how we farm today, along with vision about what we believe is the future of farming. In 2015, long before it became a popular concept, we embarked on our regenerative farming journey, with our goal to regenerate life on earth. We invested in ground level research, built an innovative team and committed to restoring soil health via biology and greater biodiversity. We remain committed today to regenerative farming, as we know it helps generating benefits for nature, people's lives and the planet.

Our history

In 1980, Elizeu and Carolina Scheffer migrated with their three children, Gilliard, Gislayne and Guilherme, from Paraná to the interior of Mato Grosso, and started a small family business. Those days required courage, determination, and a truly entrepreneurial spirit. The Scheffer family was a pioneer and actively contributed to agricultural development in the State and in Brazil.



Timeline



Our purpose

Regenerate life on earth

Our purpose is reflected in our daily activities and seeks to regenerate life on earth, combining business efficiency and respect for nature.

Our values

We live by our values which are to protect a long-term and sustainable relationship between nature, the community in which we operate and our business.

Our vision is long term

We have a clear vision of our future, in the long term, but we take great care every step of the way. We always act responsibly, whether in the short-term or long-term interest of our business.

We work best as a team

We firmly believe we are stronger together. Long term success means we must work collaboratively, as a team, towards our common goals.

We demonstrate courage and discipline

We believe we must innovate, constantly challenging the status quo to improve how we operate. We must all work as owners of the business, never settling for anything less than the goals we set ourselves. Because we take risks, we accept that mistakes will be made on this journey, mistakes that we will learn from.

We are participative

We are enthusiastic and proud of participating in the business, giving 100% to our daily responsibilities, open to experiment and share ideas, so that we can achieve the best return on our endeavours to drive farming in a regenerative direction.

We are committed to integrity

We put trust, ethics and commitment at the heart of our business and of our decisions. We honour our commitments, keep our promises, and look after ourselves and each other.



Core business

At Scheffer, we are committed to supplying grain and fiber grown responsibly, efficiently and sustainably. Our activities are divided into agricultural production of soybean, cotton and corn, with two crops within the same year.

Every year, we invest in research and develop new techniques in order to improve and diversify soil health on our farms. In terms of production numbers, in 2020/21, when you add our first and second crops, we produced 620 thousand metric tonnes of soybeans, corn and cotton on approximately 200,000 hectares of land. Production is distributed in nine production units through Mato Grosso and Maranhão states in Brazil, and one production unit in Colombia.

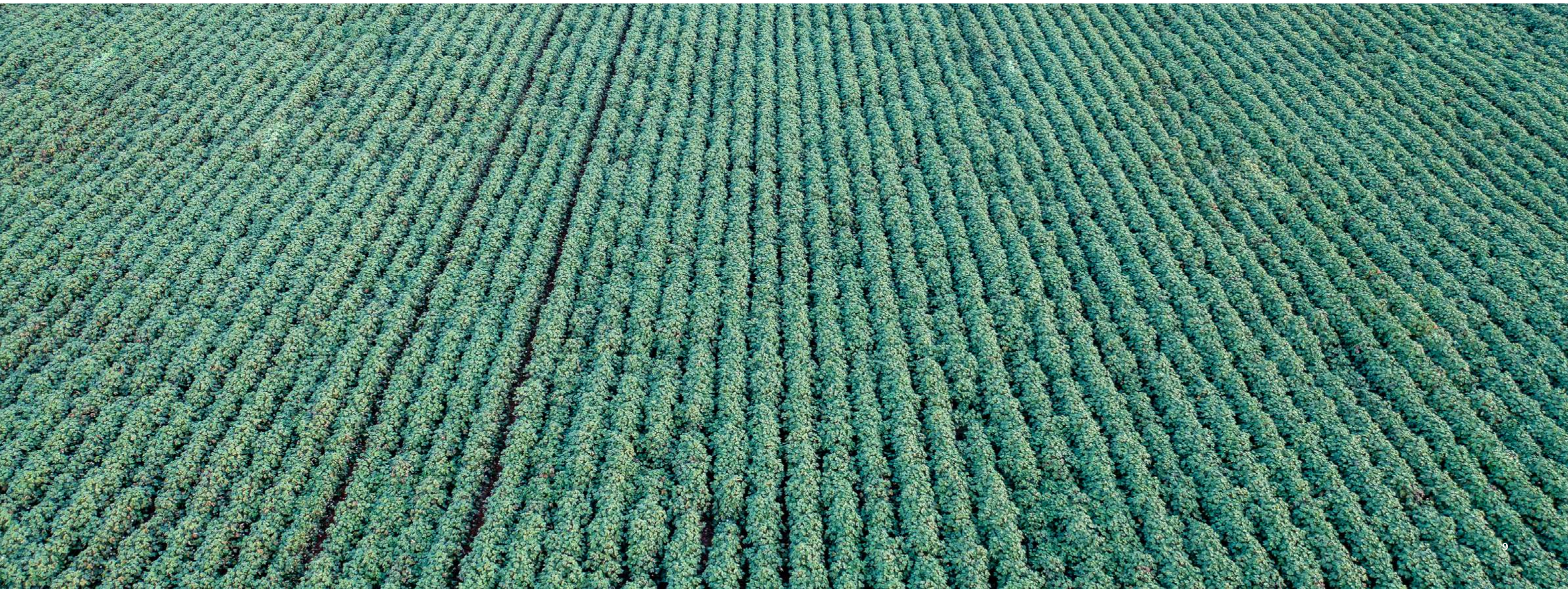
For our livestock business we focus on beef cattle. We raise Nelore animals along with other crosses, we breed, rear and fatten the cattle on pastureland with no tillage of the land. We finish with an intensive finishing system on pasture (TIP) until slaughter.

In Pará, we operate a natural phosphorous mine to produce 100% natural fertilizer.

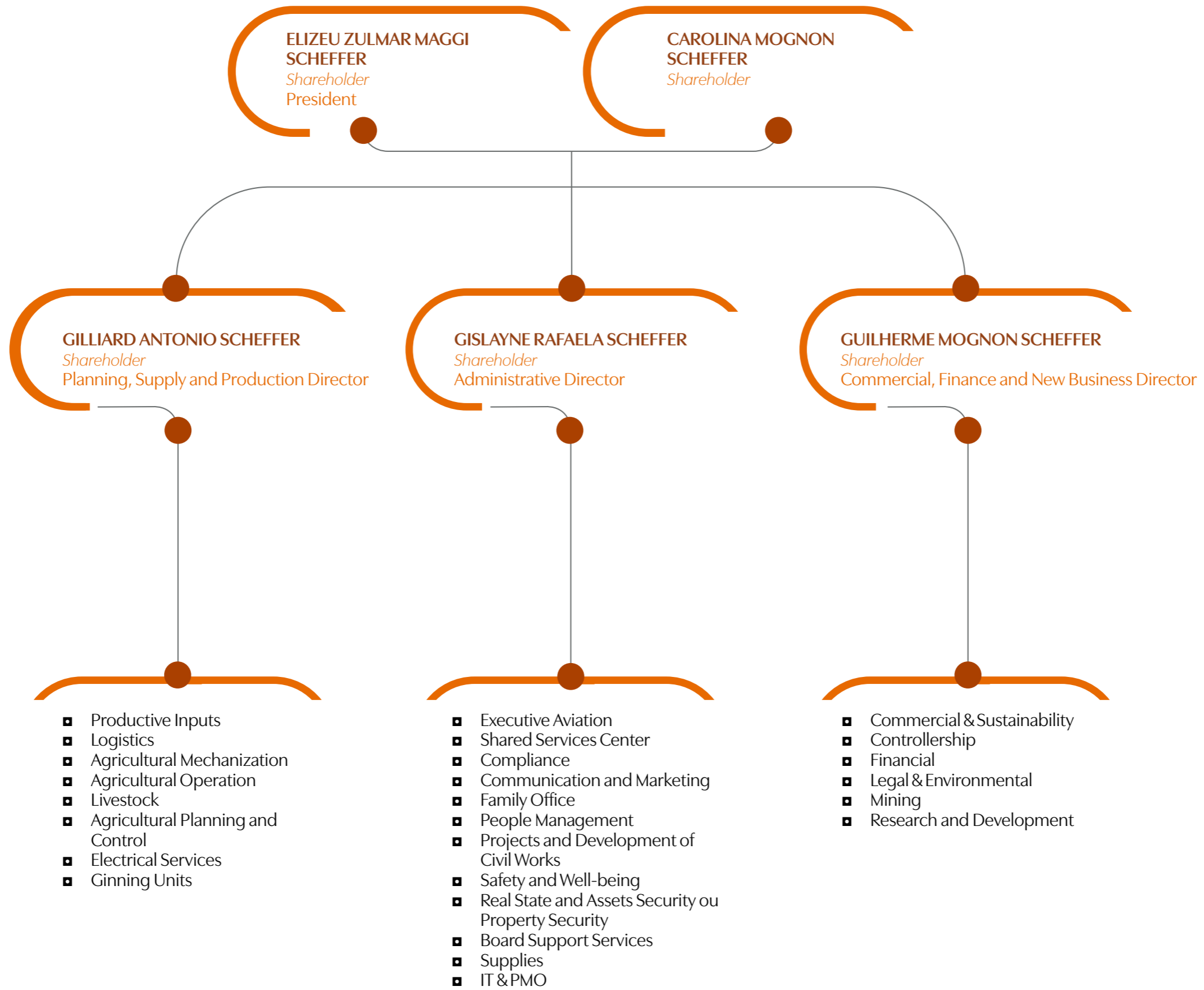
Our headquarters are located in Cuiabá, capital of Mato Grosso, and we have a regional office in Sapezal. In Colombia, our production unit is located in the city of Cumaribo, Department of Vichada.

Governance

Every year we have improved our corporate governance structure. Currently we structure the financial management as a holding company, Scheffer Participações, which incorporates companies in agricultural operations, partnerships, exports, services and energy generation.



Leadership



Ethics and compliance

In 2021 we created a new department that is mandated to be responsible for internal audit, compliance risk assessment and our ombudsman policies. This group also coordinates all our ethics and conduct policies and support, registering relevant information and protecting our intellectual value.

In 2021 we launched our Code of Ethics, in addition to the Integrity Policy, Supplier Manual and Knowledge Management. We want to ensure our employees and clients are all supported and in full compliance with the standards and policies we uphold, as well as with all our legal requirements. Together this ensures that at Scheffer we encourage and promote a culture of integrity which places strong ethical values and behaviour at the core of our business.

We provide an Ombudsman 'channel' to ensure effective communication between employees, suppliers, partners and customers with the company. The channel is open to anyone and can be accessed by calling 0800 512 6633 or by emailing <https://www.contatoseguro.com.br/pt/scheffer>, in total anonymity. An Ethics Committee is responsible for analyzing reports, conducting investigations and deliberating on the necessary measures.

Our team

We consider the team of committed and talented individuals who makes up the team at Scheffer to be the very building blocks upon which our success is based. In 2021, we employed 2490 people, of which 2059 were permanent. There were 370 temporary workers and 61 apprentices. Of these people, 2038 are men, representing 81.8%, and 452 are women, representing 18.2%.

We encourage diversity at the workplace in Scheffer, as a result the proportion of women has grown at every hierarchical level over 2021. Scheffer remains committed to diversity and equality at work.

Corporate education and personal development

We promote an ethical, inclusive, safe and innovative work environment. We provide opportunities for employees to follow continuous professional development around behavioural and professional skills. Over the course of 2021 Scheffer invested R\$ 648,000 in education and professional development courses for employees, which resulted in 83 courses on offer. Following our expansion in Colombia we offered Spanish language courses to managers from strategic areas, in order to help better intra-company communication.

We also offer leadership support and courses for staff with managerial responsibility. Complementarily, our leaders are constantly trained and have access to modern tools to improve team management, valuing people's engagement and awakening their feeling of belonging.

Scheffer is attentive to the emergence of new talents within the company, for which we have developed a strategic training around succession planning. Also, we encourage trainees, interns and apprentices – via our Internship, Apprentice and Trainee Academy Projects.

Learn more about the projects:

Internships: This is a six-month program, where interns develop projects which are then presented to the evaluation panel, made up of senior Scheffer managers. Those with the best ratings are given the opportunity to join the Scheffer Training Academy. In 2021, 16 interns from different Brazilian universities were admitted, out of a total of 20 vacancies

- ▣ Admission: 16 interns
- ▣ Workload: 45 hours

Young Apprentices: The program is held in compliance with Law 10.097/2000, which regulates educational positions within Brazilian companies. The objective is to offer to young participants an opportunity to learn a profession, after which they may be admitted to our vacancy board. Through partnerships with training institutions, we offer high school and technical courses. In 2021, we worked with the National Service for Industrial Learning (SENAI-MT) and the Center of Integration for School and Companies (CIEE)

- ▣ Young Apprentices: 64 apprentices
- ▣ CIEE: 38 participants in the administrative course, at high school level
- ▣ SENAI: 26 participants in the Agricultural Mechanization Operation course, at technical level

Trainee Academy: The project is aimed at newly graduated professionals who want to build an outstanding career

- ▣ Trainees: 14 active in 2021
- ▣ Positions: Agricultural Operations, Agroindustrial Operation, Mechanization, Personnel Management and Financial Management



Benefits

We offer a competitive benefits package which recognizes that the whole team at Scheffer contributes to our main goal which is to regenerate life on earth. This includes:

- ▣ Health insurance
- ▣ Meal vouchers
- ▣ Fuel vouchers or home office assistance
- ▣ Life insurance
- ▣ Childcare assistance
- ▣ Education assistance
- ▣ Welcome kit for employees with new-born or newly adopted children

Profit share

In our compensation practices, all Scheffer employees qualify for our profit share program (PLR) to motivate and empower our employees. It is paid irrespective of the fixed salary and constitutes a reward for professionals who successfully carry out their tasks and achieved their pre-defined goals. The amount varies according to the performance of each one and is limited to the maximum value of 2.5 months' salary per employee.



Health and safety

Protecting the health and safety of employees is fundamental at all stages and processes, as it is the basis of Scheffer values. We monitor all safety issues and have a dedicated team who assist with reporting and training of staff for best practice. We continually invest in programs and actions, which involve training and educational activities. The guidelines are documented in our Environmental Risk Prevention (PPRA) and Rural Work Safety, Health and Environment (PGSSTR) programs.

Actions to fight COVID-19

The pandemic has brought numerous challenges to all companies, public authorities and society in general. Faced with the new and unexpected, we organized ourselves to prioritize the health and safety of our employees and their families, and also help communities where we operate.

Despite all difficulties, we applied the collaborative spirit that unites our company. We face challenges with resilience and adjust our operations to allow the continuity of activities, since our products are essential for people's lives.

We carried out a survey on all teams to identify risk groups and created a rigorous system to control and block the spread of the virus, as well as strengthen worker health care.

Check out our main initiatives:

- ▣ Decontamination protocol of collective and individual spaces and of collective transport vehicles
- ▣ Ventilated common rooms and spaces
- ▣ Body temperature measurement
- ▣ Greater spacing between desks and chairs in cafeterias and between workstations
- ▣ Greater availability of gel alcohol, fabric masks and other personal protective equipments- PPEs
- ▣ Suspension of unnecessary operations, events and visits by groups from outside our production units
- ▣ Dissemination of information about the pandemic and about prevention and awareness measures on all the company's digital platforms and within the production units
- ▣ Adoption of home office for the employees who did not need to be in person in the company
- ▣ Carrying out COVID-19 testing exams fully subsidized by the company on everyone who showed symptoms
- ▣ Employees on leave kept all their benefits, including those conditioned to labor participation
- ▣ When contamination cases with Covid-19 are confirmed, we adopt the isolation quarantine recommended for the World Health Organization (WHO), with daily monitoring, and offer all support for the worker to overcome the period of isolation





Environmental

Soil health and conservation

At Scheffer, soil is an essential asset and our commitment to sustainability and good conservation practices is directly linked to our own business, which depends on an environmental balance to exist and thrive.

There are many and valuable functions soil plays in agriculture: it stores and filters water, it functions to regulate climate, it can store carbon and recycle nutrients as well as help resilience against floods. Healthy soil is what allows us to produce the right food and fibre in the most sustainable way.

Over the years, modern agriculture has become dependent on chemicals and conventional cultivation techniques, underutilising methods that promote biological factors as allies in improving soil health.

To recover this focus on nature, of using nature's own biological tools to keep and restore life on earth, Scheffer has been investing to enhance this process, through the adoption of biological alternatives and good agricultural practices that will preserve and restore soil health and ecosystems.

In order to fulfil the purpose of regenerating life on earth, Scheffer has adopted alternative biological farming methods, concomitant with good agricultural practices. Among the tools we use to achieve our goals are regenerative agriculture and precision agriculture, combined with new technologies.



Precision agriculture and new technologies

We manage strategic information such as soil diversity, weather, application of inputs and harvest information in order to carefully analyse data from planting to harvest. This helps us use technology as an ally, maximise the efficient use of resources and optimise our consumption of inputs.

As part of our commitment to innovation, we invest in recruiting and retaining qualified professional to analyze soil, seeds and plants in our laboratory. We also invest in the latest software so we can optimize the application of precision agriculture.

Soil mapping

Each year Scheffer maps 30% of the land we cultivate, and reports on soil attributes. This helps us monitor and report on soil health and how our crops develop. We reference the soil samples by location, producing soil maps. The collected data allows us to apply inputs, such as correctives, fertilizers and seeds, at variable rates, helping us optimise the use of inputs across our farming area, always trying to reduce impact and improve health across our farms.

Altimetry

Altimetry provides a more accurate analysis and soil management techniques, to reduce the risk of erosion and contribute to soil conservation. Among the techniques we use is the study of contour lines and traffic route mapping.

A good example of this technique use is Vó Luzia farm, in Juara, which areas have greater slopes compared to other farms. On that unit, were processed GPS information from machines and surveys altimetry made by drone images at optical levels, from which the

activation lines were generated to guide the automatic pilot of machines, positioning them for level shifting. The use of drones on this project allowed more efficient and accurate results on complicated topography and optimised the deployment of resources.

Telemetry

Telemetry is the process of remotely recording and transmitting data from instruments to a hub, in order to optimise resources. At Scheffer we use it to organise logistics, monitor fuel data and consumption, monitor climactic variations and improve the application of products. We use BI as a powerful tool to analyse all this data.

In 2021 we launched a ground-breaking project, at Rafaela and Iracema Farms, in Sapezal, Mato Grosso State. The system is automated and fully integrated with Scheffer's Enterprise Resource Planning (ERP), and our goal is to replicate this in all our units.

This allows us to detect deviations that escape the human eye, analyse in real time, and adjust accordingly. Careful use of telemetry allows us to make better decisions while improving safety on farm and reducing costs.

WeedSeeker technology

This technology consists of a targeted technology that directly applies weedkiller in what we call "Green on Green". The technology differentiates between what is a weed and what is not, allowing inputs to be applied in a specific way, reducing unnecessary applications of active ingredients and improving crop yield.



Meteorological monitoring

We have installed weather stations in all our units, with the ability to measure climate trend for the next 5 months, in addition to recording the last 5 years, versus the historical average. The stations monitor variables such as temperature, relative air humidity, wind speed, rainfall and solar radiation. This helps us respond to the specific needs of the crop at exactly the right time, increasing efficiency, productivity and sustainability.

Modern machinery

We have a policy to regularly replace old machinery with more fuel-efficient models which lower per hectare pollution. In 2021 we ran a pilot to replace conventional tyres with high-floating tracks on some Scheffer harvesters so we can monitor the effects on soil compaction, soil health and plant development.

Regenerative agriculture

Regenerative agriculture is based on practices that work with nature to help it thrive. Understanding the importance of these practices to restore soil biology and maintain life on earth, we started a transition in 2015 by applying regenerative techniques on 400 hectares of our farmland, after careful consultation with renowned microbiologists and professionals in the field.

We have enlarged the area under regenerative agriculture to 4,055.65 hectares. We have invested in an interdisciplinary support team and infrastructure so that we can methodically research and apply biological alternatives to conventional farming methods.

The implementation of regenerative farming has become increasingly widespread around the world, due to its proven ability to regenerate soil health and to improve the physico-chemical and biological properties of soil, while also:



Reintroducing soil nutrients and increasing plant health



Increasing water retention and soil infiltration



Enhancing biodiversity and ecosystem resilience



Sequestering carbon in the soil



Reducing greenhouse gas emissions



Various scientific studies have demonstrated how these benefits have the potential to mitigate climate change. One example is the report published by the American organization Rodale Institute, in 2020, in which meta-analyses from several researchers were brought together to claim that by changing conventional agricultural management to regenerative systems in crops all over the world there could be a potential sequestration of 32% of global annual emissions of carbon dioxide CO₂ (~12 Gt CO₂)*.

*Moyer, Jeff; Smith, Andrew; Rui, Yichao; Hayden, Jennifer. *Regenerative Organic Agriculture and the Soil Carbon Solution*. Rodale Institute, set./2020. 21 p.

Because of our firm belief in the capacity of regenerative agriculture to benefit our ecosystems in a tangible and long-term way, Scheffer intends to convert its entire farmland to regenerative farming in the coming years.

Regenerative farming highlights:

Controlled use of chemicals

We understand that healthy soil is directly linked to good agricultural practices, which means a diverse array of microorganisms in the soil. The more we replicate nature in our agricultural practices, the better we stimulate regenerative processes, which makes for more balanced and structured biological populations in the soil.

To promote the growth of beneficial microorganisms in the soil and reduce the use of chemicals, we invested in a fully equipped laboratory in which we conduct research and produce natural microorganisms capable of combating pests and diseases, while promoting plant growth and biodiversity. We use entomopathogenic fungi, acquired from Campinas Biological Institute, in addition to bacteria developed by Embrapa – both with scientifically proven efficiency in controlling pests and diseases in cotton, soybean and corn fields.

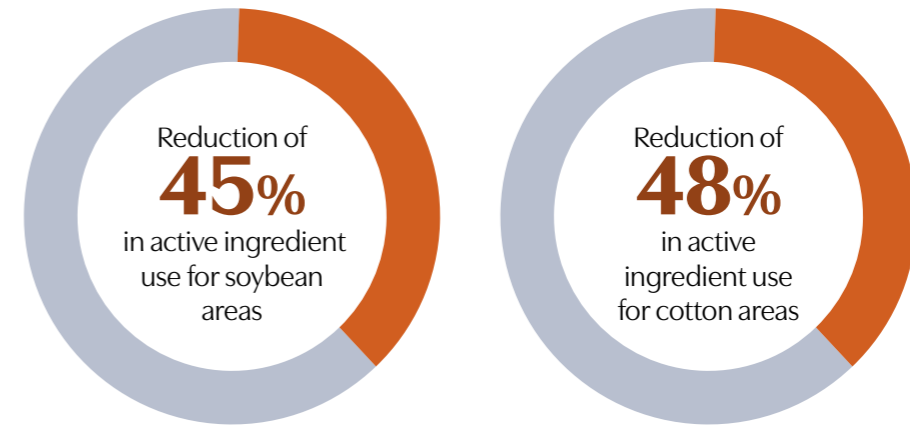
To ensure the supply of microorganisms is sufficient to meet all our farmland requirements, we built a biological product facility, equipped with 28 bioreactors, of which 14 have 300 liters capacity and 14 have 5,000 liters capacity,

providing a weekly production
75,000 liters.

These agents we produce on farm have fungicidal, bactericidal, insecticidal and nematocidal active agents (which help us to control pests and diseases), in addition to microorganisms that promote plant growth and allow optimal use of water and soil nutrients.



In the 2020/21 harvest, the use of biological inputs and other techniques developed and implemented on plots of Três Lagoas Farm, in Sapezal (MT), contributed to the reduction in kg/ha of chemical use in regenerative areas of soybean and cotton by 45% and 48%, respectively, when compared to conventional farming.



To optimise the process, we constantly monitor our cultivated areas via an integrated pest management system (IPM). When an application is required, we use a combination of biological inputs with precision chemical products.

We believe that, with better application technologies, we can reduce the use of chemical products and achieve good levels of efficiency in the phytosanitary control. Thus, we adopted best practice in all our production units to standardize spray tips, application schedules, sprayer speed and the manner of mixing chemicals when preparing solutions. Our goal is to improve efficiency and standardise the application process on all our farms.



Another great achievement in 2021 for Scheffer was the acquisition of VISO, a 100% natural phosphorus miner. Part of the production is designated for external sale and part for Scheffer's internal consumption, which is better for the environment and better for soil health. The use of this natural input increases diversity in soil health and increases the density of beneficial organisms in the soil, such as bacteria, fungi and insects, which naturally help break down organic matter, nutrient cycling and improves carbon fixing in the soil. Our industry is located in Pará, where we process minerals without adding chemicals and water, rather using a thermal process.

In conjunction with and in parallel to the above work on soil health, we also carry out composting at our units. We use some of the by-products from processing cotton, soybeans and corn, as well as from the biological products facility, as organic inputs on farm, which contributes to soil fertility and increases soil organic matter, retaining water and enhancing soil carbon sequestration.

The process of composting these by-products generates 10 thousand tons of organic compost per year.



10

thousand tons of organic
compost per/year.

The remaining by-products are processed through pyrolysis, generating about 12 tons/year of biochar.



12

tons/year of
biochar.



Thermophosphate, VISO.

Increase in biodiversity

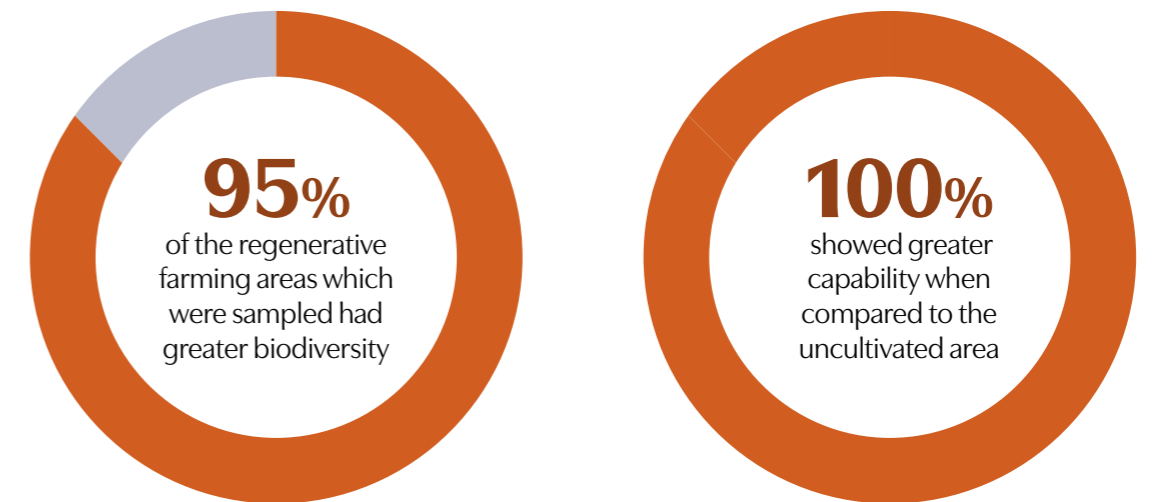
Regenerative agriculture contributes and creates conditions to increase micro and macro soil biodiversity, which contributes to the sustenance of healthier soil.

We started to monitor biodiversity present in certain areas where we adopted regenerative practices, through soil DNA analysis. We isolate and sequence high-throughput nucleic acids contained in soil samples, using molecular markers that amplify specific genomic clusters of microbial communities present in the soil.

In addition to identifying each microorganism, this analysis allows us to calculate the microbial abundance, the relative biodiversity and, thus, interpret bio sustainability and soil health. Among the indicators we analyze are beneficial microorganisms and those that cause diseases in plants, as well as phytohormone producers, which in turn improve the resilience and adaptability of plants to abiotic stresses.

In 2021, soil samples were collected in 23 regenerative farming areas at Três Lagoas Farm, located in Sapezal, Mato Grosso State. The results showed that regenerative management practices created conditions for new species of microorganisms to establish themselves, increasing soil biodiversity.

The collected samples were compared with a controlled reference sample, obtained from an area with native vegetation, which had not been farmed. The comparison showed that 95% of the regenerative farming areas which were sampled had greater biodiversity and 100% showed greater capability when compared to the uncultivated area, which was used as a benchmark.



Regarding the species richness, the average number of microorganisms identified in Scheffer regenerative agriculture areas was 1371, versus 536 in the benchmarked area. Regarding the uniqueness of microbial species, the number of microorganisms found exclusively in one environment and not present in others was 889 in Scheffer regenerative areas, versus 54 for the reference. In all cases, we identified species with biocontrol potential, both fungicidal and/or insecticidal agents and nematicides. All are biological agents that perform a variety of ecological services, such as decomposing organic matter and cycling nutrients.

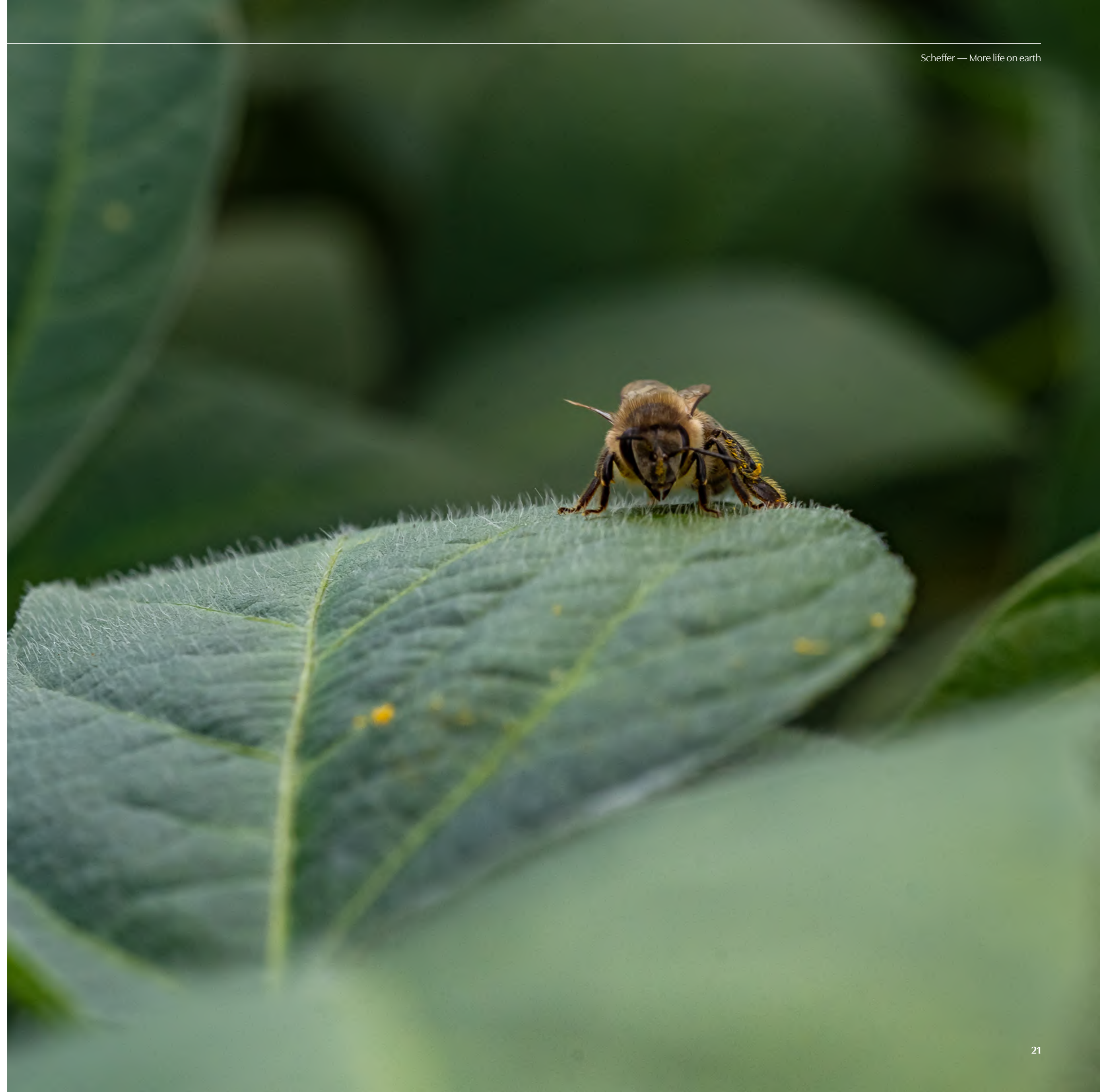
This demonstrates that regenerative farming, in addition to restoring soil biodiversity, creates conditions for other species of microorganism to establish themselves, supporting a more resilient and diverse ecosystem.

During 2022 we intend to expand this programme and monitor results of regenerative farming vs. conventional farming.

In areas where we farm regeneratively, we have witnessed an improvement in macro biodiversity, with a greater presence of ladybugs, litter bugs, dragonflies, spiders, predatory beetles, bugs and flies, all of which are our natural allies in combating pests and building a more balanced ecosystem.

Scheffer is testing many other initiatives that contribute to restoring and increasing biodiversity:

- Creation of microhabitats, achieved through planting different species that attract insects
- Pigeon peas were planted on plot edges of 276 hectares, to form habitats, shelter and ecological corridors for insects and wild animals
- Installation of 30 wooden nest boxes in eucalyptus areas and on plot borders in the Cerrado, to shelter birds



Cover crops and no-till farming

We have been planting with no-tillage on our properties since 1998. We sow directly into the soil, keeping the straw cover, without ploughing or harrowing the land. Ploughing is only ever done when it is necessary to prepare the soil, in the first harvest of a specific new area.

Thanks to this approach, we preserve beneficial microorganisms in the soil, stimulate soil fertility through greater retention of organic matter, avoid soil erosion and reduce unnecessary CO₂ emissions.

A nine-year study conducted by scientists from Embrapa Cotton in the Brazilian Cerrado showed that the cultivation of cotton in a no-tillage system increases soil carbon stock and nitrogen content, and contributes to increase yield, compared to conventional tillage system.*

We also use cover crops to protect the soil and improve its chemical, physical and biological condition, so that commercial crops can be grown in succession. The main cover crops used are brachiaria, crotalaria and millet.

A worldwide meta-analysis concluded that cover crops are as effective in enhancing soil carbon sequestration as afforestation of agricultural land, while reducing nutrient leaching and soil erosion, improving water infiltration and retention in this matrix.**



*Santos, Edna. No-till cotton increases soil carbon stocks in 20%. 27 ago. 2019. Mariana Medeiros. Portal Embrapa.

**Poeplau C, Axel Don. Carbon sequestration in agricultural soils via cultivation of cover crops – A meta-analysis. *Agriculture, Ecosystems & Environment*. fev./2015, 200, 33-41.27 ago. 2019.

Regenerative farming not only improves soil health and biodiversity, but also aims to reduce emissions and sequester carbon taken from the atmosphere.

Crop rotation

We always seek to ensure we make the best use of our soil, with one crop following another. We grow two crops each agricultural year: firstly soybeans, followed by corn, cotton, pasture or cover crops. This achieves optimal productivity, allowing the business to run profitably while reducing the need to expand new farmland. The balance of different crops helps the physical and chemical properties in the soil, and also helps prevent erosion.

Carbon and climate change

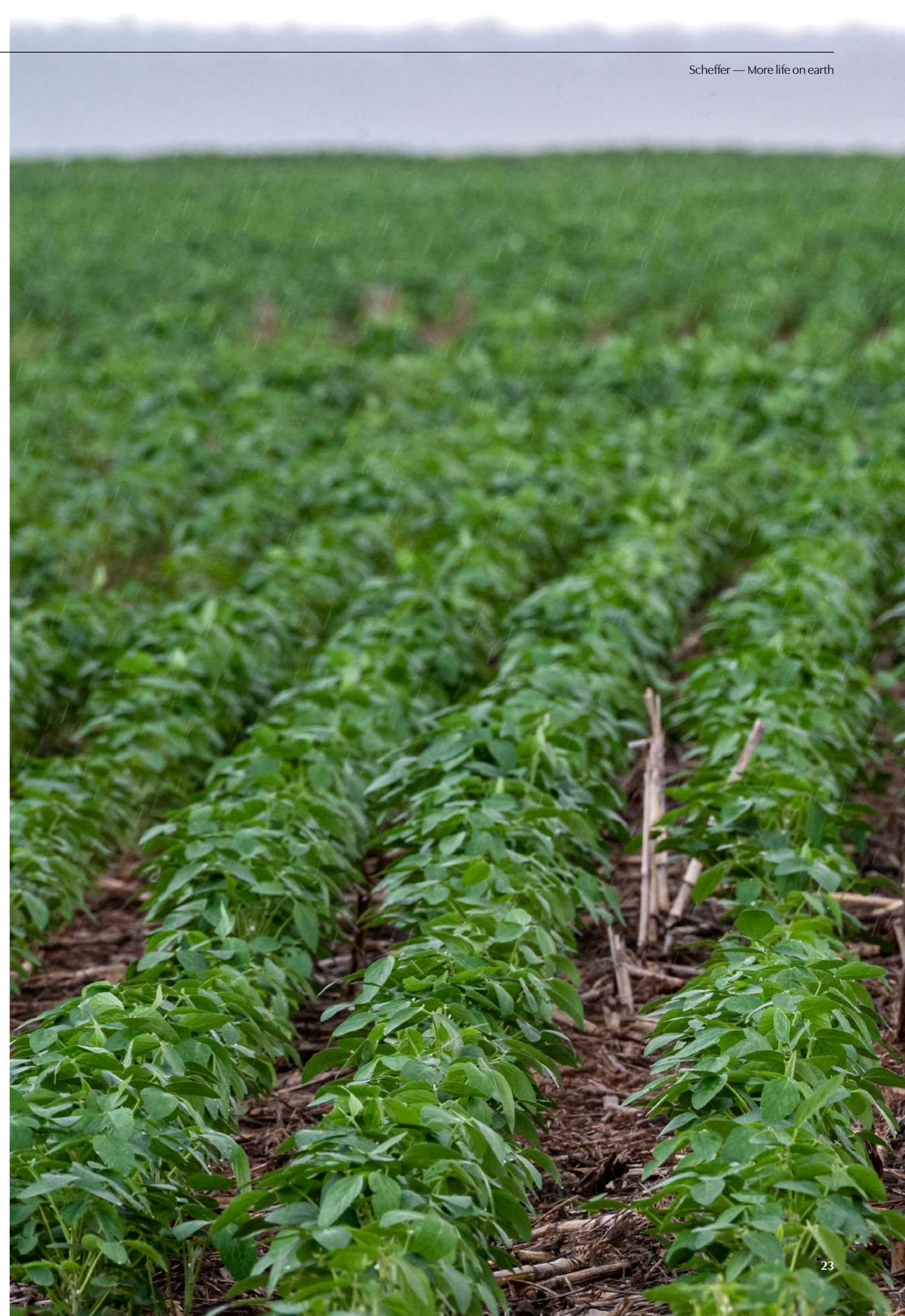
The climate change issue is both complex and strategic for agricultural activity. Complex because climate changes, such as excessive rainfall or extreme drought, directly impact on production systems. At the same time, it is strategic, since it can represent a great opportunity because of the potential of agricultural activity to sequester carbon in its production areas and native vegetation.

Knowing this scenario, Scheffer took as initial steps towards managing its emissions preparing a greenhouse gas inventory and knowing the carbon balance of its production, which will allow us to clearly see risks and opportunities in this area and, more importantly, act to mitigate climate change.

To conduct this project, we have engaged KPMG* as an independent third party to compile all information for 2021-year base and evaluate impacts of carbon footprint for all our products, so that we are able to transparently and reliably report the results on an ongoing basis.

As such we can measure the volume of CO₂ we produce, as well as the magnitude of CO₂ sequestered via regenerative agriculture on Scheffer farms. Regenerative farming not only improves soil health and biodiversity, but also aims to reduce emissions and sequester carbon taken from the atmosphere.

*Data from the GHG Emissions Inventory and Carbon Footprint Assessment will be collected by Scheffer, while KPMG will support the process of preparing the data from 2021.



Water use and management

Ensuring healthy soil also means preserving water. At Scheffer, we prioritize agricultural practices and techniques that ensure the efficient use of water, such as constructing level terraces- which limit surface water runoff, prevent erosion and promote natural infiltration of water into the soil.

In our soybean and cotton areas, we cultivate cover for straw production, which optimize the water cycle inside the soil and increases crop resilience to water stress. Our planting and cover crop system has many benefits, which include the reduction of soil impact by rain, and hence the reduction of soil sealing, a process that can reduce the water infiltration rate by up to three times.

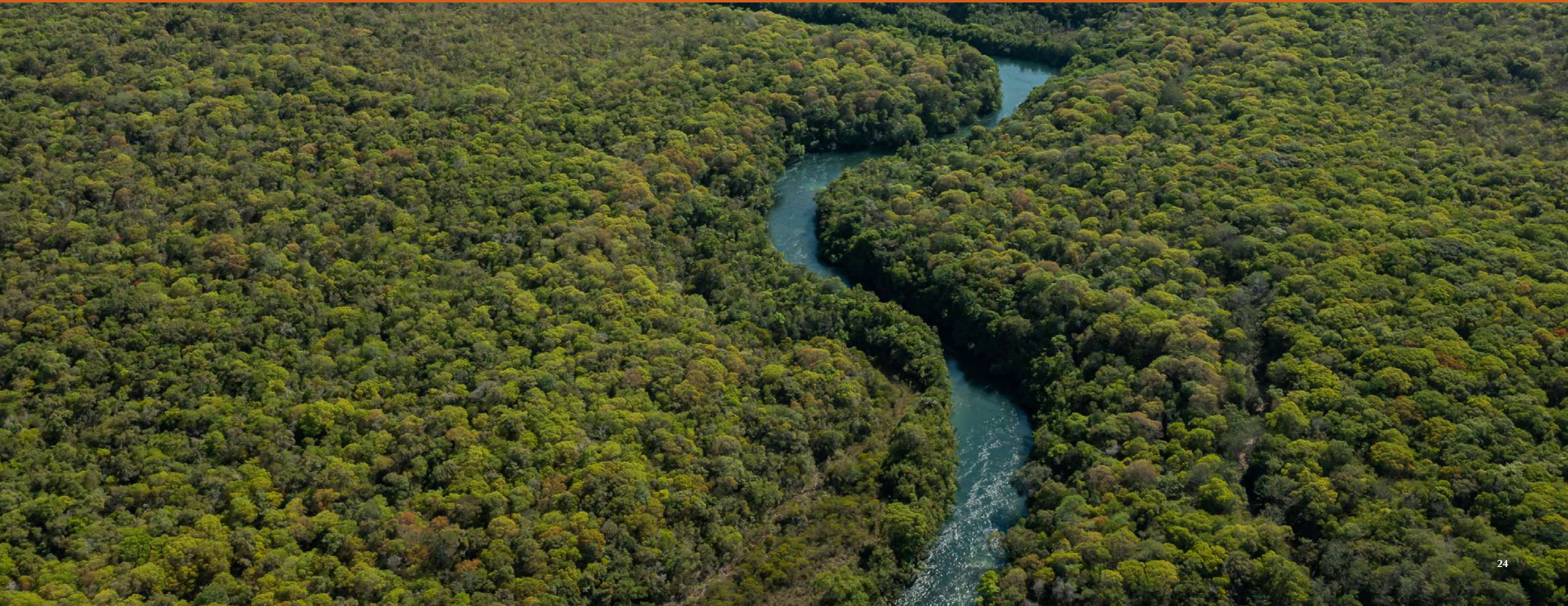
Scheffer does not use irrigation system on our farms: our crops use only rainwater. Both planting and harvesting are planned to take advantage of the local hydrological cycle, allowing us to cultivate two crops in the same year. Water consumption is carried out only in agro-industrial activities, such as crop processing, machinery cleaning and maintenance, application of inputs, and human consumption.

On our farms, water is collected from wells licensed by the responsible environmental agency. Water is used on farm for processing, cleaning and for drinking and we manage water resources by monitoring consumption metrics on a monthly basis via water meters. In 2021, we harvested 770,843 cubic meters of water.

We carefully monitor the quality of any effluent discharge, which receives compliant treatment as well as physical-chemical analyses annually, in order to meet the standards defined by the National Council for the Environment (Conama) and by Organs environmental.

The treatment of effluents is as follows:

- Oily effluents: water and oil separator boxes (CSAO)
- Sanitary effluents: septic tanks
- Effluents from chemical inputs: ozonators and evaporation pond
- Effluents from biological products: compact physical-chemical treatment station

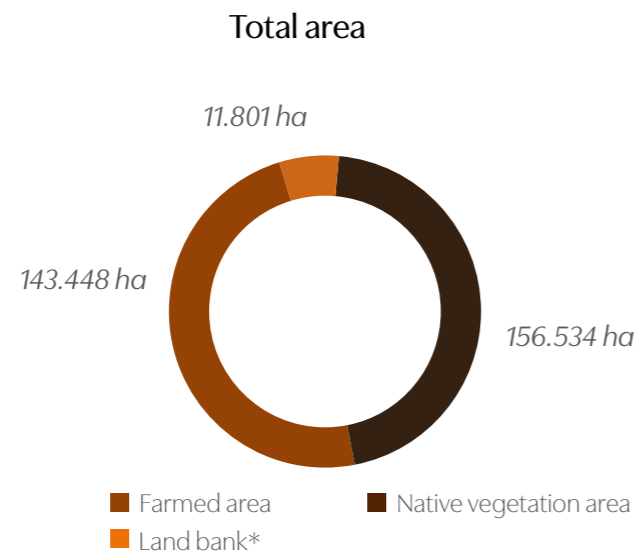


Environmental protection areas

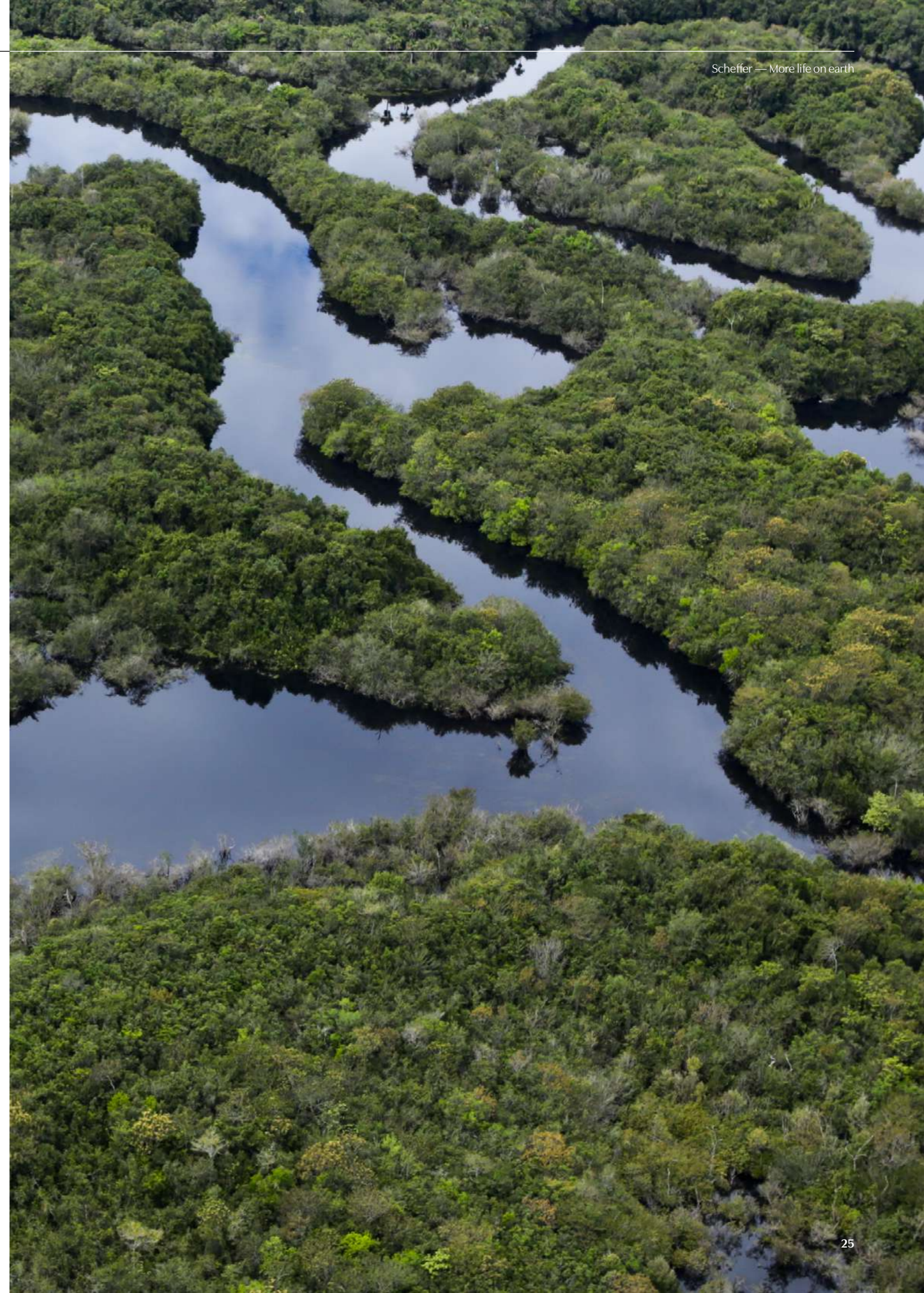
We have more than 150,000 hectares of area with preserved native vegetation on our farms, which equals around 47% of the total area we own, including legal reserve (ARL), permanent preservation (APP) and surplus areas, maintained in accordance with Brazilian environmental legislation.

In addition to complying with a legal requirement, our protected areas act as an important ecosystem to preserve water resources, protect our rich local biodiversity, and mitigate climate change (carbon sequestration).

All decision making relevant to the purchase or lease of new areas is made based on historical analysis of satellite images of our properties, covering an average period of three decades. In addition, we monitor approximately 308 owned and leased farms, totalling 144 Rural Environmental Registry (CARs) and over 311,000 hectares.



*Roads, areas that may not be used for farming



Waste

The Scheffer commitment to sustainability includes organizing and disposing of waste, in accordance with the National Solid Waste Policy (PNRS): non-generation, reduction, reuse, recycling, treatment and environmentally appropriate final disposal of waste.

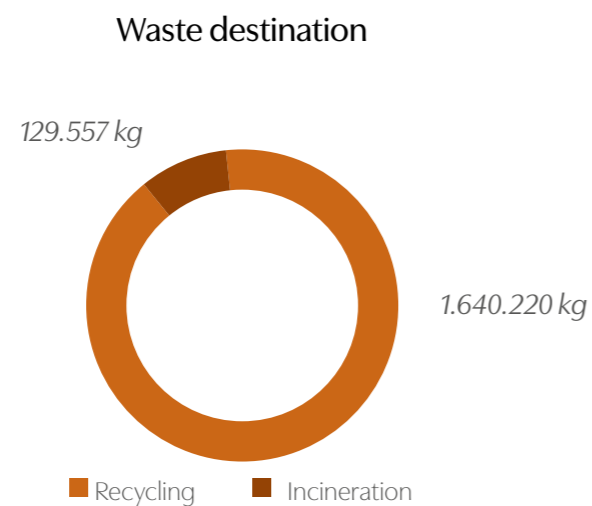
We control all stages of waste management, from its identification, separation, handling and packaging to final disposal, including environmental monitoring of suppliers.

We segregate and collect waste in a responsible way and dispose of it in a way that protects soil health and the environment. Most solid waste generated on Scheffer land comes from the agro-industrial area as well as other operational areas of our business. Our farms all have areas that have been delimited for handling and temporary storage of waste, until collection and final disposal by specialized companies. The waste generated on Scheffer properties are treated specifically according to its classification: recyclables are sent to recyclers; hazardous materials, incinerators and autoclaving.

In 2021, we disposed 1,770 tons of waste, of which 93% was recyclable and 7% hazardous.

We invest in practices that aim to reuse the waste we generate on our properties, such as on the Três Lagoas farm, where we implemented a pilot project to compost organic waste generated in the cafeteria, in the unit's residences and from processing grains and cotton. Composting, in addition to transforming waste into organic fertilizer, develops and optimizes the use of organic matter as part of a natural environment for the development of microbiological diversity. When applied to the soil, which is exactly what we do at Scheffer, it permits the development of fungal and bacterial biomass, capable of sustaining a primary ecological niche and being able to maintain microbiological diversity.

We also installed briquetting machines on farms, which use the cotton husk from processing and transform it into briquettes, a product applied in feeding formula for cattle and as an alternative source of energy in 4 of our cotton ginning units.



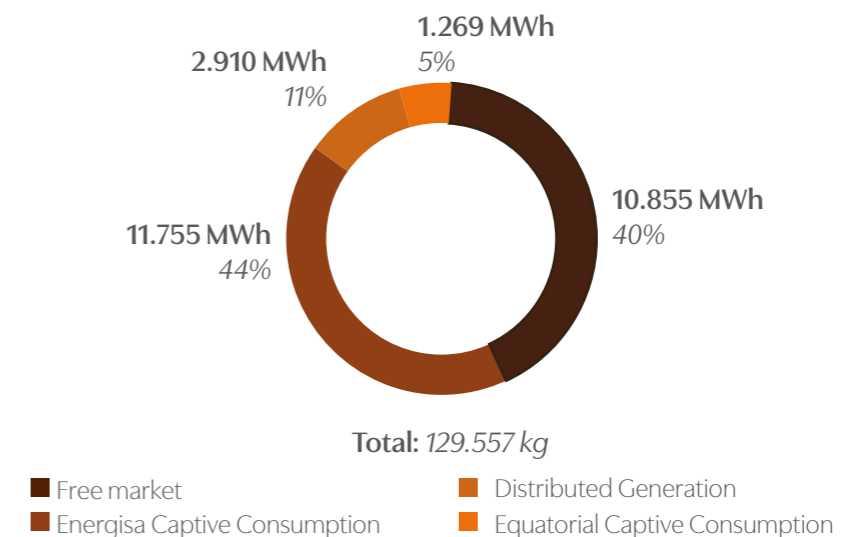
Energy Efficiency

When it comes to energy consumption, we look for sustainable alternatives that seek a rational and renewable use of energy. In the last two years, we have migrated the energy supply of our five largest high voltage production units to the free market, which allows us to negotiate directly with generators, including those from renewable sources (hydroelectric, wind, solar, biomass), according to our specific requirements and aligned with the dynamics of the production process.

In Mato Grosso we have 145 active low voltage units, which are supplied by the state concessionaire, and nine active high voltage units, five of which are served via the free energy market. In the 2020/21 crop, most of our energy consumption, 44%, was supplied by Energisa energy concessionaire; 40% were from the free market, with energy purchased from other suppliers; and the remaining 11% were credits compensation of the hydroelectric plant that we leased until the end of 2020.

In Maranhão, our eight low voltage units and one high voltage unit are serviced by the local concessionaire Equatorial, which represents 5% of the total energy consumed in the 2020/21 crop.

Energy consumption by supplier



Social responsibility



Social responsibility

For us, regenerating life on earth includes cultivating good relationships with the community. Throughout our history, we have supported social projects in partnership with different public and private agents as well as civil society organizations, with one single objective: to contribute to the construction of a more just and responsible society.

In 2021, we created an internal department exclusively dedicated to social projects, formalizing the way we approach our projects and expanding our relationship with other institutions and organizations. We prioritize social investment in the communities where we operate in Brazil: States of Mato Grosso (Cuiabá, Juara, Sapezal and União do Sul); Maranhão (Buriticupu); and Pará (Bonito); and in Colombia (Cumaribo – Vichada).

Learn more about what we did during 2021:



Education

Our focus is to offer education to low-income children and help prepare young people for the job market. To this end we have entered into several partnerships:

- Instituto Signativo:** Partnership with a non-profit organization, whose mission is to promote creative and innovative schools through the Germinar Program, in Sapezal. Activities were developed in 16 schools, directly impacting 76 teachers and indirectly impacting 7,000 students. Investment of BRL 150,000.00
- Partnership with the Mato Grosso State Department of Education (Seduc):** To promote education at the Liceu Cuiabano Maria de Arruda Müller state school, we signed a partnership with the Mato Grosso state government, through the Education State Department (Seduc), focused on the development of socio-emotional skills, appreciation of individual skills and student competences and representation of the historical-cultural identity of Liceu Cuiabano, among other activities. Estimated investment of more than R\$ 700,000.00
- Partnership with União do Sul municipality:** We entered into a partnership with União do Sul, located in Mato Grosso State, to provide school transportation for dependents of 17 employees, who live at Santa Tereza Farm and study at local public schools Matilde Altenhofeme and Ivaldino Frâncio. The total investment of this initiative was R\$24,000.00



Lectures and events

To generate a better dialogue with both our partners and our employees, while always maintaining our focus on more sustainable agriculture, we pursued the following initiatives both internally and externally:

- Scheffer 1st Regenerative Agriculture Workshop:** This was a technical training event that disseminated and expanded regenerative agriculture techniques to all our production units. We invited all managers, coordinators and technical supervisors, offering total immersion on regenerative agriculture. It was also attended by shareholder and Director of the Balbo economic group, Leontino Balbo Júnior, a pioneer in using organic regenerative systems in Brazil

- 1st Agro Technological Fair:** Event aimed at teachers looking to broaden horizons and to introduce participants to the reality of agriculture. About 100 students from Sapezal public schools attended the lecture “More Life on Earth”, given by our technical team
- Conscious Consumption Month:** In October, we held a chat with employees to encourage behaviours that contribute to the health and conservation of our planet. On the same date, all Scheffer canteens offered a differentiated menu, consisting of meals with food made by by-products or off-cuts
- ESG in Agribusiness:** We participated in the event “The Decade of Regeneration”, held in November by SB Sustainable Business and Áster Máquinas, on a panel dedicated to ESG concepts and their connection with agribusiness. The event brought together representatives from other companies: Amaggi, Grupo Morena, Suzano, Bom Futuro, Rabobank Brasil and SLC Agrícola, in addition to experts on the subject
- World Soil Day:** We held lectures on soil health on December 5th, focusing on all our employees from all production units in Brazil and Colombia





Health

- **Cotton for life:** We renewed our partnership with the national campaign Cotton for life (“Algodão pela Vida”), coordinated by Tama Brasil, and donated R\$ 50,000.00 to the Mato Grosso Cancer Hospital, focusing on improving health service provision to patients being treated at the unit
- **Pink October:** We raised awareness on social networks and with our employees, plus we held lectures on health and breast cancer
- **Blue November:** We carried out a campaign focused on male employees to make them aware of the importance of prevention and early diagnosis of prostate cancer. Lectures were held at all Scheffer sites
- **Animal Protection:** We donated R\$ 24,000.00 to the Association for Animals Protection Ark of Noah (APAAN), in Sapezal, which works with abandoned animals
- **Donation of respirators:** At height of the COVID-19 pandemic, in 2020, we donated 34 hospital respirators and Personal Protective Equipment-PPE to help local administrations in Mato Grosso, in municipalities of Sapezal, Juara, Sinop, for the state capital Cuiabá, and for Buriticupu, in Maranhão



Community

- **Agrofraterno Program:** At the end of 2021, we donated R\$ 50,000.00 to the Agrofraterno program, designated for the purchase of 530 basic food baskets that were donated to families in Cuiabá and Várzea Grande, in Mato Grosso State. Agro Fraterno is a solidarity charity headed by several agribusinesses, such as CNA, OCB and Instituto Pensar Agro. The goal is to help families who have been affected by the COVID-19 pandemic

Certifications



Certifications

As a way of attesting our good practices and working on the continuous improvement of our activities, Scheffer has, over the years, sought relevant certifications for our productive and socio-environmental performance.



REGENAGRI CERTIFICATION

We are proud to be the first farmer in Brazil to obtain the regenagri certificate for our regenerative agricultural practices at the Três Lagoas farm, in Sapezal, Mato Grosso State. This achievement was certified by Control Union, internationally recognised in over 200 initiatives and which was responsible for launching the certificate in 2020. Regenagri is a program that supports and encourages regenerative farming, establishing the environmental impact and ensuring that agricultural products are grown in a sustainable way – meaning that soil health is improved on a continuous basis.



RESPONSIBLE BRAZILIAN COTTON (ABR)

The Responsible Brazilian Cotton (ABR) program is developed by the Brazilian Association of Cotton Producers (ABRAPA) to promote sustainability in cotton cultivation in Brazil. ABR monitors social, environmental, and economic indicators and acts in benchmarking with the Better Cotton seal, granted by the Better Cotton Initiative (BCI).



BETTER COTTON INITIATIVE (BCI)

BCI is an international, non-profit organization focused on improving sustainable cotton production worldwide. The BCI certificate advocates the continuous improvement of good production practices, fair working relationships, market transparency and product traceability.



3S CARGILL PROGRAM

The 3S Program – Sustainable, Sourced and Supplied is a complete platform for agricultural, environmental, and social management, which allows agribusiness companies to manage their properties and control their production in a practical, responsible and transparent way. The program's goal is to engage companies and rural producers in a process of continuous improvement, promoting a sustainable development of soy production.



SCHEFFER
More life on earth