Finance and Risk Management

POLICY

1. PURPOSE

To strengthen Biosev S.A. (“Biosev” or “Company”) commitment to transparence and financial stewardship by formally determining targets, limits and guidelines that govern key aspects of capital structure and market risk within the Company.

2. SUBORDINATION AND RESPONSIBILITIES

This policy was reviewed by the Risk Commission and is enacted by the Board of Directors of Biosev as of 01/13/2020 per revision and recommendation of its Strategic Committee.

It is the responsibility of the Executive Office of Biosev to enforce this policy within Biosev and all its controlled companies.

3. RISK COMMISSION

The Risk Commission was created by the Executive Office of Biosev to support it in analyzing, discussing and defining strategies and practices for the Company’s risk management.

4. PRINCIPLES

- ✓ Biosev upholds and engages in complying with all applicable laws and regulations;
- ✓ Biosev inherits a financial and risk management culture from Louis Dreyfus Group;
- ✓ Biosev is committed to prudent financial management, and acts with transparency towards its investors.

5. OBJECTIVE

This policy determines the following:

- ✓ Leverage measures targets and limits;
- ✓ Minimum cash guidelines;
- ✓ Debt structure guidelines;
- ✓ Foreign exchange and commodity price risk management guidelines;
- ✓ Derivatives hedge accounting guidelines.

6. LEVERAGE TARGETS AND LIMITS

The Company shall comply with the following limits and pursue the following target leverage measures:

Measure	**Limit**	**Target**
Adjusted Net Debt / Adjusted EBITDA	Maximum 3,5	Below 2,5
Adjusted EBITDA / Net Financial Expenses	Minimum 2,5	Above 2,5
Current Ratio	Minimum 1,1	Above 1,1
Debt average maturity	-/-	Above 4 years

The definitions of the terms above is the following:

Current ratio	Means the ratio of total current assets (plus 30% of the value of biological assets at the same date) to total current liabilities
Net Adjusted Debt to Adjusted Ebitda ratio	Means the ratio of Adjusted Net Debt to Adjusted Ebtida, according to the definitions below
Adjusted Ebitda	Means the aggregate net income on a consolidated basis before income taxes and social contribution, finance income and financial expenses (other than the net results from derivative transactions under commodity agreements or currency agreements with respect to commercial transactions, as set forth in the audited and consolidated financial statements), depreciation, depletion and amortization (including any amortization of goodwill) and gains (losses) on changes in the fair value of the biological assets both realized and unrealized less estimated costs to sell such assets. From the above, the following effects are eliminated: (i) amortization of cultural treatments; (ii) unrealized gains (losses)

on changes in the fair value of the biological assets less estimated costs to sell such assets; (iii) realized gains (losses) on changes in the fair value of the biological assets less estimated costs to sell such assets; and (iv) non recurrent items from punctual events which tend not to repeat in future years, and therefore do not represent the normal operating results of the Company.

Adjusted Net Debt	Means: all short and long-term indebtedness of borrowed money; discounted receivables; all obligations evidenced by notes, bonds, debentures, commercial papers or other securities issued in the local and international capital markets; all obligations to guarantee obligations of third parties; all obligations to redeem, retire, defease or otherwise make any payment in respect of their respective capital stock (other than obligations to redeem preferred shares); any existing obligations assigned to third parties and any short and long term obligations payable to its affiliates (other than those affiliates that are consolidated in the financial statements, minus the aggregate amount of cash (i.e. cash and short term investments); minus all amounts on deposit in the “conta vinculada” (as defined in the credit rights pledge agreement); provided that any items comprising cash consisting of receivables, the payment for which is conditioned on the payment of future or existing credits assigned to third parties, shall not be deducted forpurposes of the calculation of Adjusted Net Debt, minus the value of finished goods inventories as presented on the financial statements.
Net Financial Expenses	Means the sum of all costs of issuing debt, commissions, discounts and other fees paid in connection with indebtedness for borrowed money or letters of credit, financial expenses paid, interest paid to any person (including financial

institutions), expenses with hedging obligations, expenses with leases, dividends and carrying costs in connection with preferred shares and expenses with guarantees of other obligations of the company less any interest income deriving from investments and hedging obligations.

The limits determined herein shall be observed at the closing of each crop year. The targets determined herein shall be pursued along the time as long term objectives, under normal market conditions.

7. MINIMUM CASH GUIDELINES

The Company shall seek to have in cash, short term investments and readily marketable inventories, an amount sufficient to cover operational expenses and debt service for the next thirty (30) days period, under normal market conditions, monitoring the potential outflows on a daily basis.

8. DEBT STRUCTURE GUIDELINES

The Company's debt structure may change from time to time, in order to accommodate certain market conditions and investment plans. The Company may enter into exchange rate derivatives, under the advice of the Risk Commission, to rebalance the USD Debt proportion and/or to mitigate the BRL fluctuation impacts on its cash flow generation.

9. FOREIGN EXCHANGE AND COMMODITY PRICE RISK MANAGEMENT GUIDELINES

The Company's functional currency is the Brazilian Real ("BRL").

The risk management objective with regards to market risks, mainly the price of sugar, the price of ethanol, the USD/BRL exchange rates and the price of electric power, is to mitigate the volatility of forecasted cash flows, measured in BRL, with the possibility of using any financial instruments available in the market to achieve this objective, including derivatives that have a direct or indirect relation with the business sector of Biosev.

At all times, the Company shall monitor its net exposures ("Net Exposure"), thus considering: (i) the exposure to variations in commodity prices, related to the prices of sugar, ethanol and electric power; (ii) exposure to variations in the input prices that may be appropriately defined by the Risk Commission; (iii) exposure to variations of exchange rates on interest income, costs and expenses for at least the current crop and the upcoming one; and (iv) exposure to variations of exchanges rates on assets and liabilities.

The decision to hedge such e Net Exposure shall be:

- reviewed periodically, with as little as possible pressure of time
- backed by a long term view, as advised by a joint workgroup composed of Biosev most senior managers and the Risk Commission, composed by the following members: Chief Financial Officer and Investor Relations Officer, Commercial Director, Strategic Planning Director, Treasury Manager, Market Intelligence Manager and Risk Manager
- implemented and enforced in a daily basis in accordance with the hedging scale, if any, and monitored.by a risk management structure operating independently of the structure of execution these hedges.

For sugar and ethanol exposures, there will be a hedging scale indicating, for each price level at which the Company could possibly hedge itself, the amount of hedges it should have in place.

In order to increase reactivity, deviations from the hedging scales are allowed, however, at the moment any derivative is executed, it should not create or increase a 1 day 95% Var set by the Executive Office. Such limit cannot be larger than US$ 5.000.000,00.

By March 31st of each year, Biosev shall have hedged between: (i) 60% and 100% of its sugar and electric power prices net exposure; and (ii) upt to 50% of its net exposure to ethanol prices, of the starting crop. Biosev may hedge the exposure to exchange rates following the proportion of sugar prices hedges with a deviation limit determined by the Risk Commission. These percentages do not apply to exposures of assets and liabilities, which will be dealt with individually by the Risk Commission. Any deviation thereof should be approved by the Executive Office and informed to the Strategic Committee and to the Board of Directors.

In order to preserve its ability to exit positions and secure transparent pricing, Biosev shall refrain from entering into exotic financial derivative contracts, thus considering non-standard financial instruments, generally traded outside an organized environment.

10. DERIVATIVES HEDGE ACCOUNTING GUIDELINES

The Company shall monitor regularly all its Net Exposure, as defined in item 9 above, and its hedges. Such monitoring shall, as far as possible, take into account the time at which it is estimated that the respective potential gains and losses attributable to market price fluctuations are expected to impact its income statements.

Such instruments may be designated for cash flow hedge accounting, with their marked-to-market gains/ losses recognized in equity until such time as the hedged item affects profit or loss, thereby eliminating any temporal volatility to the Company's result.

The Company may also contract derivative instruments to hedge assets and liabilities that generate exchange and price exposure to the income statements, such as: cash and cash equivalents, short-term investments, marked-to-market sales contracts, accounts receivables/accounts payable, loans and financings. Such instruments may be designated for hedge accounting according to the strategy defined by the Company.

Financial instruments that are part of hedge accounting strategy will be treated in accordance with technical pronouncements issued by CPC (*Comitê de Pronunciamentos Contábeis*) and applicable and ir force International Standards issued by IASB (International Accounting Standards Board).