

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

This section is intended to be a summary of more detailed discussion contained elsewhere in this annual report. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks and uncertainties described below. As a result, the market price of our common shares and ADSs could decline, and you could lose all or part of your investment. Additional risks not presently known to us, or that we currently deem immaterial, may also impair our financial condition and business operations

**Summary of Risk Factors**

This section is intended to be a summary of more detailed discussions contained elsewhere in this annual report. The risks described below are not the only ones we face. Our business, results of operations or financial condition could be harmed if any of these risks materializes and, as a result, the trading price of our common shares and our ADSs could decline.

***Summary of Risks Related to the Merger, Our Businesses and the Industries in Which We Operate Generally***

- Our business, operations and results may be adversely impacted by COVID-19. Furthermore, public health threats or outbreaks of communicable diseases could have an adverse effect on our operations and financial results.
- We have recently completed the Merger. We have incurred and expect to incur a number of non-recurring direct and indirect costs associated with the Merger. We may also have difficulty attracting, motivating and retaining executives and other key employees due to uncertainty associated with the Merger.
- We may be unable to implement our growth strategy successfully. Furthermore, the expansion of our business through acquisitions and strategic alliances creates risks that may reduce the benefits we anticipate from these transactions.
- Government policies and regulations could have a material adverse effect on our operations and profitability. Furthermore, we are subject to extensive regulations, including anti-corruption, anti-bribery, anti-money laundering and other international trade laws and regulations, environmental regulation, data protection laws and other regulations, and may be exposed to liabilities in the event we fail to comply with these regulations. Similarly, failure to comply with, obtain or renew the licenses and permits required for our business may have a material adverse effect on us.
- We depend on our information technology systems, and any failure of these systems could adversely affect our business. Furthermore, we were the target of a cybersecurity incident which disrupted our systems. We could be the target of attempted cyber threats in the future and they could adversely affect our business.
- We may be adversely affected by unfavorable outcomes in pending legal proceedings. Our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and results of operations.
- Our debt level could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes. Furthermore, we may be unable to comply with restrictive covenants under our financing agreements.
- We are indirectly controlled by a single individual who holds 168,186,507 or 35.90% of our common shares and voting rights. Furthermore, we are highly dependent on our chairman and other members of our management to develop and implement our strategy and to oversee our operations. If we lose key personnel, our business, financial condition and results of operations may be adversely affected.
- Our business would be materially adversely affected if operations at our transportation and distribution facilities experienced significant interruptions. Our business would also be materially adversely affected if the operations of our customers and suppliers experienced significant interruptions.

- The production of lubricants, natural gas transportation and the storage and transportation of fuel products and lubricant products are inherently hazardous. Furthermore, fire and other disasters could affect our agricultural and manufacturing properties and our facilities and distribution networks, which would have a material adverse effect on our production and distribution volumes and, consequently, results of operations.
- The shareholders' and certain other definitive agreements with respect to the Joint Venture and certain other of our subsidiaries are subject to various put and call options and termination provisions.
- Changes in taxes and other assessments may adversely affect us. The modification, suspension, cancellation or non-renewal of our tax benefits could have a material adverse effect on us.
- Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of fraud.

***Summary of Risks Related to Our American Depositary Shares and Our Common Shares***

- Our ADSs may not be as liquid as our common shares. Furthermore, our maintenance of two exchange listings may adversely affect liquidity in the market for our common shares and ADSs and result in pricing differentials between the two exchanges.
- Holders of our ADSs do not have the same voting rights as our shareholders. Due to delays in notification to and by the Depositary, holders of our ADSs may not be able to give voting instructions to the Depositary or to withdraw our common shares underlying their ADSs to vote such shares in person, virtually or by proxy. Holders of our ADSs may also not be able to exercise the preemptive rights relating to the common shares. Furthermore, the holders of our common shares (including the common shares underlying the ADSs) may not receive dividends or interest on own capital.
- Holders of our ADSs may also face difficulties in serving process on or enforcing judgments against us and other persons. Furthermore, judgments of Brazilian courts with respect to our shares will be payable only in *reais*.
- Shareholders could be diluted in the future, which could also adversely affect the market price of our common shares and ADSs.
- The market price of our common shares and ADSs may be volatile. Furthermore, the relative volatility and illiquidity of the Brazilian securities markets may adversely affect holders of our common shares and ADSs.
- An exchange of ADSs for common shares risks the loss of certain foreign currency remittance advantages.
- We are a foreign private issuer and, as a result, in accordance with the listing requirements of the NYSE, we rely on certain home country governance practices from Brazil, rather than the corporate governance requirements of the NYSE. Furthermore, as a foreign private issuer, we have different disclosure and other requirements than U.S. domestic registrants.

***Summary of Risks Related to Brazil***

- Historically, the Brazilian government has influenced and continues to influence the economy of Brazil, which may negatively affect our business and financial performance. Future governmental policy and regulations may adversely affect our operations and profitability. For example, inflation and government measures to curb inflation may adversely affect the Brazilian economy, the Brazilian securities market, our business and operations, and the market prices of our shares. Furthermore, high interest rates may adversely affect our operations and financial condition.
- The ongoing economic and political crisis in Brazil may have a material adverse effect on our business, operations and financial condition. Furthermore, developments and the perception of risk in other countries may adversely affect the Brazilian economy and market price of Brazilian issuers' securities.
- Significant volatility in the value of the *real* in relation to the U.S. dollar could harm our ability to meet our U.S. dollar-denominated liabilities.
- Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police as well as other Brazilian and non-Brazilian regulators and law enforcement officials may adversely affect the growth of the Brazilian economy and could have a material adverse effect on us.
- If we do not successfully comply with laws and regulations designed to prevent governmental corruption in countries in which we operate and sell our products (notably Brazil), we could become subject to fines, penalties or other regulatory sanctions, which could cause our sales and profitability to be materially reduced.

## **Risks Relating to the Merger**

### ***As a holding company, we depend on limited forms of funding to fund our operations.***

As a holding company, we have no significant assets other than the shares of our subsidiaries. Our primary sources of funding and liquidity are dividends from our subsidiaries, sales of the interests in its subsidiaries and direct borrowings and issuances of equity or debt securities. Our ability to meet the obligations to our direct creditors and employees and other liquidity needs and regulatory requirements depends on timely and adequate distributions from our subsidiaries and our ability to sell securities or obtain credit from our lenders.

Our ability to pay operating and financing expenses and dividends depends primarily on the receipt of sufficient funds from our principal operating subsidiaries. Statutory provisions regulate our operating subsidiaries' ability to pay dividends. If our operating subsidiaries are unable to pay dividends to us in a timely manner and in amounts sufficient to pay for our operation and financing expenses or to declare and pay dividends and to meet our other obligations, we may not be able to pay dividends or we may need to seek other sources of funding.

Furthermore, our inability to sell our securities or obtain funds from its lenders on favorable terms, or at all, could also result in financial difficulties, among other adverse effects. There has been no prior market for the ADSs. An active public market in the ADSs may not develop or be sustained after their issuance. Our inability to meet our liquidity needs and regulatory requirements may disrupt our operations at the holding company level.

### ***We may have difficulty attracting, motivating and retaining executives and other key employees due to uncertainty associated with the Merger.***

Our success after completion of the Merger will depend in part upon our ability to retain key employees. Competition for qualified personnel can be intense. Our current and prospective employees may experience uncertainty about the effect of the Merger, which may impair our ability to attract, retain and motivate key management, sales, marketing, technical and other personnel prior to and following the Merger. Employee retention may be particularly challenging during the pendency of the Merger, as employees of may experience uncertainty about their future roles with the combined company.

In addition, if our key employees depart, the integration of the companies may be more difficult and the combined company's business following the Merger may be harmed. Furthermore, the combined company may have to incur significant costs in identifying, hiring, training and retaining replacements for departing employees and may lose significant expertise and talent relating to our businesses o, and the combined company's ability to realize the anticipated benefits of the Merger may thus be adversely affected. Furthermore, there could be disruptions to or distractions for the workforce and management associated with activities of labor unions or works councils or integrating employees into the combined company. Accordingly, no assurance can be given that we will be able to attract or retain key employees to the same extent that those companies have been able to attract or retain their own employees in the past.

### ***We have incurred and expect to incur a number of non-recurring direct and indirect costs associated with the Merger.***

We have incurred and expect to incur a number of non-recurring direct and indirect costs associated with the Merger. These costs and expenses include fees paid to financial, legal, accounting and other advisors, severance and other potential employment-related costs, including payments that may be made to certain of our executives, filing fees, printing expenses and other related charges. Some of these costs are payable by us regardless of whether the Merger is completed. There are also processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the Merger and the integration of the two companies' businesses. While we have assumed that a certain level of expenses would be incurred in connection with the Merger and the other related transactions and continue to assess the magnitude of these costs, there are many factors beyond their control that could affect the total amount or the timing of the integration and implementation expenses.

There may also be additional unanticipated significant costs in connection with the Merger that we may not recover. These costs and expenses could reduce the realization of efficiencies and strategic benefits we expect to achieve from the Merger. Although we expect that these benefits will offset the transaction expenses and implementation costs over time, this net benefit may not be achieved in the near term or at all.

## **Risks Related to Our Businesses and the Industries in Which We Operate Generally**

### ***Our business, operations and results may be adversely impacted by COVID-19.***

In response to the COVID-19 outbreak, we have implemented several measures aimed at safeguarding the health of our employees and the stability of our operations and financial condition, including: (1) having our employees work remotely if able to do so, (2) following health and safety guidelines to protect employees in our essential operations who need to work onsite, (3) optimizing the use of contractors and employee hours and (4) renegotiating, where possible, certain contracts with suppliers and clients to reflect reductions in demand for our products.

As of the date of this annual report, we have only experienced limited adverse financial and operational effects of the COVID-19 pandemic. The production and sale of our products and services are deemed to be an “essential service” by governmental authorities because of their role in the overall economy so we have been able to continue operating. However, we have experienced a decline in demand as a result of the fact that large sectors of the economy have shut down or slowed down considerably as a result of governmental measures to mitigate the effect of the COVID-19 pandemic. Our suppliers have also been impacted by the COVID-19 pandemic. As a result, access to materials, supplies and contract labor since the beginning of the COVID-19 pandemic has been more difficult than before. Failure to obtain the necessary inputs to produce our products and services may adversely affect our business, financial condition and results of operations.

The COVID-19 pandemic is ongoing and we cannot predict its future effects. Future adverse conditions, including new potential waves of the COVID-19 pandemic in the markets in which we operate, the emergence of new, more virulent and more resistant variants of the virus, could adversely affect our business, financial condition and results of operations.

In light of the significant uncertainty around the duration and extent of the impact of the COVID-19 pandemic, we are currently unable to make estimates or assumptions with any reasonable degree of certainty regarding how the COVID-19 pandemic may affect our consolidated financial statements and financial or operational performance in any given period. In addition, due to the unprecedented nature of the crisis caused by the COVID-19 pandemic, any estimates or assumptions which we may make regarding the impact on our financial statements may be subsequently revised.

There continues to be uncertainty and unpredictability about the impact of the COVID-19 pandemic on our financial and operating results in future periods. The extent to which the COVID-19 pandemic adversely impacts our future financial and operating results, and for what duration and magnitude, depends on several continuously evolving factors that are difficult to predict and, in many instances, are beyond our control. Such factors include: (i) the duration and extent of the pandemic, including any resurgences, and the impact on our workforce and operations; (ii) the negative economic impact of the pandemic on economic activity, such as travel restrictions and prolonged low demand for our products; the ability of our affiliates, suppliers and partners to successfully navigate the impacts of the pandemic; (iv) actions taken by governments, businesses and individuals in response to the pandemic; the extent and duration of recovery of economies and demand for our products after the pandemic subsides; and (v) our ability to keep our cost model in line with changing demand for our products and services.

The effects of the COVID-19 pandemic are ongoing, and its continuation or a resurgence could precipitate or aggravate the other risk factors identified in this annual report on Form 20-F, which in turn could further materially and adversely affect our business, financial condition, liquidity, results of operations and profitability, including in ways not currently known or considered by us to present material risks.

See also “Item 4. Information on the Company—A. History and Development of the Company—Recent Developments—COVID-19 Pandemic” and “Item 5. Operating and Financial Review and Prospects—Principal Factors Affecting Our Results of Operations—Impact of COVID-19.”

### ***We may not be successful in reducing operating costs and increasing operating efficiencies.***

As part of our strategy, we continue to seek to reduce operating costs and increase operating efficiencies to improve our future financial performance. We may not be able to achieve the cost savings that we expect to achieve as a result of several factors, including increases in the price of our raw materials and other cost inputs. Given the highly competitive markets in which we operate, with prices often being defined based on global supply and demand, it is highly likely that we will not pass on material cost increases, which would materially and adversely affect our financial performance.

### ***We may be unable to implement our growth strategy successfully.***

Our future growth and financial performance will depend, in part, on the successful implementation of our business strategy, including (1) our ability to attract new clients or increase volume from existing clients in specific markets and locations, (2) our capacity to finance investments (through indebtedness or otherwise), (3) our ability to increase our operational capacity and expand our current capacity to supply to new markets, (4) our ability to maintain and renew our existing concessions, (5) our ability to reduce our operating costs and increase operating efficiency, (6) our ability to lead with regard to new technologies and market demands and (7) our ability to integrate our businesses. We cannot assure you that we will be able to achieve these objectives and/or strategies successfully or at all. Our failure to achieve any of these objectives and/or strategies as a result of competitive difficulties, cost increases or restrictions on our ability to invest, among others, may limit our ability to implement our growth strategy successfully. We may need to incur additional indebtedness in order to finance new investments to implement our growth strategy. Unfavorable economic conditions in Brazil and in the global credit markets, such as high interest rates on new loans, reduced liquidity or reduced interest of financial institutions in granting loans, may limit our access to new credit. Furthermore, failure to achieve our expected growth may have a material adverse effect on our business, financial conditions, results of operations and ability to repay our debt obligations.

***The expansion of our business through acquisitions and strategic alliances creates risks that may reduce the benefits we anticipate from these transactions.***

We have grown substantially through acquisitions. We may continue to expand by acquiring or investing, directly or indirectly, from time to time, in businesses considered suitable by our management that are consistent with our values and that are expected to generate positive returns. We may also enter into strategic alliances to increase our competitiveness. However, our management is unable to predict whether or when any prospective acquisitions or strategic alliances will occur, or the likelihood of any particular transaction being completed on favorable terms and conditions. Our ability to continue to expand our business through acquisitions or alliances depends on many factors, including our ability to identify acquisitions or access capital markets on acceptable terms. Even if we are able to identify acquisition targets and obtain the necessary financing to make these acquisitions, we could financially overextend ourselves.

Acquisitions, particularly those involving sizeable enterprises, may bring managerial and operational challenges, including the diversion of management's attention from existing operations and difficulties in integrating operations and personnel. Any material failure by us in integrating new businesses or in managing any new alliances may adversely affect our business and financial performance. Additionally, some of our major competitors may pursue growth through acquisitions and alliances, which may reduce the likelihood that we will be successful in completing acquisitions and alliances. In addition, any major acquisition we consider may be subject to antitrust and other regulatory approvals. We may not be successful in obtaining required approvals on a timely basis or at all.

Acquisitions also expose us to the risk of successor liability-related actions involving any acquired entity, their respective management or contingent liabilities incurred before the acquisition. The due diligence investigation conducted in connection with an acquisition, and any contractual guarantees or indemnities that we may receive from sellers of acquired companies, may not be sufficient to protect us from, or compensate us for, actual liabilities. Material liabilities associated with an acquisition, such as labor or environmental liabilities, could materially and adversely affect our reputation, business, operating results or financial condition, and reduce the benefits that we expect to result from such acquisition.

***We may engage in hedging transactions, which involve risks that can harm our financial performance.***

We are exposed to market risks arising from the conduct of our business activities—in particular, market risks arising from changes in commodity prices, exchange rates or interest rates. In an attempt to minimize the effects of the volatility of prices and exchange rates on our cash flows and results of operations, for example, we engage in hedging transactions involving commodities and exchange rate futures, options, forwards and swaps. We also engage in interest rate-related hedging transactions from time to time. Hedging transactions expose us to the risk of financial loss in situations where the counterparty to the hedging contract defaults on its contract or there is a change in the expected differential between the underlying price in the hedging agreement and the actual price of commodities or the exchange rate. We may incur significant hedging-related losses in the future. In particular, Raízen enters into hedging transactions against market price fluctuations by fixing the prices of our sugar export volumes and exchange rates. Since we record derivatives at fair value, to the extent that the market prices of our products exceed the fixed price under our hedging policy, our results will be lower than they would have been if we had not engaged in such transactions as a result of the related non-cash derivative expenses. As a result, our financial performance would be adversely affected during periods in which commodities prices increase. Alternatively, we may choose not to engage in hedging transactions in the future, which could have a material adverse effect on our financial performance during periods in which commodities prices decrease.

***We are subject to extensive environmental regulations and may be exposed to liabilities in the event we fail to comply with these regulations.***

Our business activities in Brazil are subject to extensive laws and regulations concerning environmental protection, which impose on us various environmental obligations, such as environmental licensing requirements; standards for the release of effluents, management of solid waste, emission and discharge of hazardous materials, sugarcane burning, and health and safety of our employees; protection of certain areas (including the Legal Reserve, indigenous areas, *quilombolas* community areas, conservation units, archeological sites and permanent preservation areas); and the need for special authorizations for the use of water, among others.

Failure to comply with such laws and regulations (including a failure to obtain or maintain relevant environmental permits, as well as to comply with technical conditions imposed by environmental permits) may subject the violator to administrative fines (up to the amount of R\$50 million), mandatory interruption of activities and criminal sanctions, in addition to the obligation to remedy and pay environmental and third-party damage compensation. In addition, Brazilian environmental law adopts a strict liability system for environmental damages, in connection with which a polluter is liable irrespective of whether the polluter was at fault or engaged in intentional misconduct, resulting in our joint and several liability for the obligations of our suppliers or customers, for example.

Brazilian law provides that separate legal personality may be disregarded where it would otherwise prevent the repayment of environmental damages. In such a situation, shareholders may be held personally liable for environmental liabilities.

If we become subject to environmental liability, any costs we may incur in connection with the indemnification against potential environmental damage would lead to a reduction in the financial resources that would otherwise remain at our disposal for current or future strategic investment, which may materially and adversely affect our business, results of operations or financial condition.

As environmental laws and their enforcement become increasingly stringent, our expenses for complying with environmental requirements are likely to increase in the future. Furthermore, the possible implementation of new regulations, changes in existing regulations or the adoption of other measures could cause the amount and frequency of our expenditures relating to environmental preservation to vary significantly compared to present estimates or historical costs. Any unplanned future expenses could force us to reduce or forego strategic investments, and as a result, could materially and adversely affect our business, results of operations or financial condition.

The occurrence of environmental damage may lead to the need to make significant financial resources available for both containment and repair of these damages. The occurrence of such events may also lead to a disruption in production due to intervention by government agencies. In either case, financial and/or image impacts may be significant. In addition, the creation of new regulations may lead to the need for greater expenses for environmental preservation. Furthermore, extensive environmental regulation can also lead to delays in the implementation of new projects as bureaucratic procedures for obtaining environmental licenses from various government agencies may take considerable time.

We are party to a number of administrative and judicial proceedings for alleged failures to comply with environmental and health laws, which may result in fines, shutdowns or other adverse effects on our operations. Claims that give rise to administrative proceedings may also lead to civil or criminal claims against us and our subsidiaries. Our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future claims, could adversely affect our business or financial performance. We may also be required to expend significant financial resources in order to remedy or contain environmental damage or failures to comply with certain environmental and social obligations.

The realization of any of these risks may have a material adverse effect on our business, results of operations or financial condition.

***Technological advances could affect demand for our products and services or require substantial capital expenditures for us to remain competitive.***

The development and implementation of new technologies may result in a significant reduction in the costs of the products and services we provide. We cannot predict when new technologies may become available, the rate of acceptance of new technologies by our competitors or the costs associated with such new technologies. Advances in the development of alternatives to the products and services which we currently sell could significantly reduce demand or eliminate the need for them.

For example, the development of alternative products to sugarcane, ethanol and natural gas may reduce the demand for our products or materially reduce the demand for ethanol or natural gas to be used as fuel, and the use of alternative sweeteners has adversely affected the overall demand for sugar in Brazil and abroad, which could have a material adverse effect on our business, results of operations and financial condition.

Any advances in technology which require significant capital expenditures to remain competitive or which otherwise reduce demand for our products and services will have a material adverse effect on our business and financial performance. Any other alternative products or technological advances which reduce demand for the products of our subsidiaries and joint ventures may have a material adverse effect on our results of operations and financial condition.

***We may face conflicts of interest in transactions with related parties.***

We engage in business and financial transactions with our controlling shareholder and other shareholders that may create conflicts of interest between our Company and these shareholders. Commercial and financial transactions between our affiliates and us, even if entered into on an arm's-length basis, create the potential for, or could result in, conflicts of interests.

***Lack of service providers for our expansion projects could adversely affect our business.***

We are engaged in a number of expansion projects within our concession area that will require a significant number of service providers, which may not be available. Consequently, if we are unable to contract for the necessary services due to service industry shortages or a lack of providers with the technical ability to provide the services we require, this could have an adverse effect on our expansion projects or lead to delays in the execution of our expansion projects as new service providers go through an approval process and develop the technical qualification to commence operations. Any delay or failure to commence or continue our expansion projects within our projected time frame or budget could have a material adverse effect on our business, financial condition and results of operations.

***We depend on our information technology systems, and any failure of these systems could adversely affect our business.***

We depend on information technology systems for significant elements of our operations, including the storage of data and retrieval of critical business information. Our information technology systems are vulnerable to damage from a variety of sources, including network failures, malicious human acts, and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses, and similar disruptive problems. Failures or significant disruptions to our information technology systems or those used by our third-party service providers could prevent us from conducting our general business operations. Any disruption or loss of information technology systems on which critical aspects of our operations depend could have an adverse effect on our business, results of operations, and financial condition.



Further, we store highly confidential information on our information technology systems, including information related to our products. If our servers or the servers of the third party on which our data is stored are attacked by a physical or electronic break-in, computer virus or other malicious human action, our confidential information could be stolen or destroyed. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential information of our suppliers, customers, or others, whether by us or a third party, could have an adverse impact on our business, financial condition and results of operations.

In addition, any failure of our information technology systems to operate effectively or integrate with other systems, or inadequate performance of, or breaches of security regarding, such systems could result in interruptions in the availability of our online resources, delays in delivering products or services and reduced efficiency in our operations. Each of these factors may adversely affect our businesses as well as their financial condition, results of operations and reputation. We also hold certain highly confidential personal and financial data relating to our customers in our information technology systems. Any failures in the information technology systems on which we depend or any breaches resulting in the unauthorized disclosure of the personal or financial data of our customers may adversely affect our business, financial condition, results of operation and reputation.

See also “We were the target of a cybersecurity incident which disrupted our systems” and “We could be the target of attempted cyber threats in the future and they could adversely affect our business.”

***We were the target of a cybersecurity incident which disrupted our systems.***

During March 2020, we were subject to a ransomware cyberattack, which resulted in a partial and temporary interruption of our operations. The affected entities within our group implemented their own contingency plans, continued operating partially during the cyberattack, and progressively reconnected their operating systems following the attack.

As a result of the incident, we may incur losses arising from claims by third parties, as well as fines, penalties and other sanctions imposed by regulators relating to or arising from the incident. We are not able to forecast all of the losses that we may incur as a result of the incident reliably, and such excess losses could have a material adverse effect on our business, financial condition and results of operations.

Following the incident, we have taken certain additional precautionary measures to reduce cyber risks. However, we cannot assure you that our security frameworks and measures will be successful in preventing future cyberattacks. In addition, we expect that the cost to obtain cyber liability insurance in the future should we wish to do so (we do not currently have cyber liability insurance) will be higher than they would otherwise have been as a result of this incident.

Further, the incident may have a negative impact on our reputation and cause customers, suppliers and other third parties with whom we maintain relationships to lose confidence in us. We are unable to predict the impact to these relationships.

As of the date of this annual report, we have spent approximately R\$7 million in connection with the abovementioned cyberattack. We have also taken the following actions and measures:

- we hired a chief of information security and cybersecurity for the Cosan Group;
- we have established a strategy, framework and roadmap to develop our cyber security measures over the next three years;
- we have created a new information security and cybersecurity department composed of experts and specialists as well as business information security officers to better distribute roles and responsibilities for these matters in each company of the Cosan Group;
- we have created a cyber-defense center including a security operations center which focuses on cyber-attacks and operates on a 24/7 basis;
- we have created a new vulnerability management structure to focus on risk mitigation including periodic pentesting (i.e., an authorized simulated cyber-attack on a computer system, performed to evaluate the security of the system) exercises;
- we have created a new governance and operational system to cover periodic report reviews of dashboards and key performance indicators with technical teams we as well as executives of all the companies of the Cosan Group; and
- we have also created an awareness program including new security policies, standards, procedures and periodic phishing simulations to improve our security posture.

See “Item 4. Information on the Company–A. History and Development of the Company–Recent Developments –2020 Cybersecurity Incident” for further information.

***We could be the target of attempted cyber threats in the future and they could adversely affect our business.***

We face various cybersecurity risks, including but not limited to penetration of our information technology systems and platforms by ill-intentioned third parties, infiltration of malware (such as computer viruses) into our systems, contamination (whether intentional or accidental) of our networks and systems by third parties with whom we exchange data, unauthorized access to confidential customer and/or proprietary data by persons inside or outside our organization and cyberattacks causing systems degradation or service unavailability that may result in business losses.

We may be subject to potential fraud and theft by cyber criminals, who are becoming increasingly sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in our systems. We continuously monitor and develop our information technology networks and infrastructure. We also conduct annual tests to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact on us. However, we cannot assure you that these measures will be effective in protecting us against cyberattacks and other related breaches of our information technology systems. The techniques used to obtain unauthorized, improper or illegal access to our systems, our data or our customers' data, to disable or degrade service, or to sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized until used against a target. Unauthorized parties may attempt to gain access to our systems or facilities through various means, including, among others, hacking into our systems or those of our customers, partners or vendors, or attempting to fraudulently induce our employees, customers, partners, vendors or other users of our systems to disclose usernames, passwords, financial information or other sensitive information, which may in turn be used to access our information technology systems. Certain third-party efforts to access our information technology systems may be supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. We have seen in recent years computer systems of companies and organizations being targeted, not only by cyber criminals, but also by activists and rogue states. Cyberattacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyberattacks could give rise to the disablement of our information technology systems, including systems used to service our customers. Any of these developments could have an adverse effect on our business, results of operations and financial condition.

Further, we store highly confidential information on our information technology systems, including personal data, financial information, and other types of information related to our products and customers. If our servers or the servers of the third parties on which our data is stored are the subject of a physical or electronic break-in, computer virus or other cyber risks, our confidential information could be stolen, rendered unavailable, devalued or destroyed. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential information of our suppliers, customers, or others, whether by us or a third party, could (1) subject us to civil and criminal penalties, (2) have a negative impact on our reputation or (3) expose us to liability to our suppliers, customers, other third parties or government authorities.

If we fail to effectively manage our cybersecurity risk, for example, by failing to update our systems and processes in response to new threats, this could harm our reputation and adversely affect our operating results, financial condition and prospects through the payment of customer compensation, regulatory penalties and fines and/or the loss of assets. Furthermore, upon a failure to comply with applicable laws and regulations, we may be ordered to change our business practices, policies or systems in a manner that adversely impacts our operating results.

We may also be subject to the effects of cyberattacks against critical infrastructures of Brazil and the other countries in which we operate. Our information technology systems are dependent on such critical infrastructure, and any cyberattack against such critical infrastructure could negatively affect our ability to service our customers. As we do not operate such critical infrastructure, we have limited ability to protect our information technology systems from the adverse effects of cyberattacks.

We have recently conducted a cybersecurity-focused review of our information technology systems with the assistance of external consultants. In the course of this review, a number of vulnerabilities and opportunities for enhancement were identified with respect to our information technology systems, including vulnerabilities that, if left unresolved, have the potential to increase both the frequency and severity of losses and disruptions due to cyberattacks. Although, as of the date of this annual report, the majority of the vulnerabilities identified in our review have been addressed, our work is ongoing, and we face increased risks until we are able to resolve or mitigate the remaining vulnerabilities.

We cannot assure you that our information technology systems will not suffer attacks in the future or that we will be able to adequately safeguard the confidential information which we hold. If we fall victim to successful cyberattacks or experience cybersecurity incidents in the future, we may incur substantial costs and suffer other negative consequences, such as remediation costs (liabilities for stolen assets or information, or repairs of system damage, among others), increased cybersecurity protection costs, lost revenues arising from the unauthorized use of proprietary information or the failure to retain or attract customers following an attack, as already mentioned, litigation and legal risks, increased insurance premiums, reputational damage affecting our customers' and investors' confidence, as well as damage to our competitiveness, stock price and long-term shareholder value. Any failure by us to adequately protect our information technology systems and the confidential data which we hold could have a material adverse effect on our business, financial condition and results of operations.

It is important to highlight that even when a failure of or interruption in our systems or facilities is resolved in a timely manner or an attempted cyber incident or other security breach is successfully avoided or thwarted, substantial resources are normally expended in doing so, and we may be required to take actions that could adversely affect customer satisfaction or behavior, and that may also represent a threat to our reputation.



***We are subject to the application of data protection laws. Compliance with such data protection laws could require changes to certain of our business practices, thereby increasing our costs, and noncompliance with the terms of such laws could adversely affect our business. In addition, we may be subject to penalties if we fail to comply with data protection rules.***

We operate in a complex regulatory and legal environment that exposes us to compliance and litigation risks that could materially affect our business, financial condition and results of operations. These laws may change, sometimes significantly, as a result of political, economic or social events.

In addition, on August 14, 2018, the President of Brazil approved Law No. 13,709/2018, a comprehensive data protection law establishing general principles and obligations that apply across multiple economic sectors and contractual relationships (*Lei Geral de Proteção de Dados*), or the “LGPD.” The LGPD establishes detailed rules for the collection, use, processing and storage of personal data and will affect all economic sectors, including the relationship between customers and suppliers of goods and services, employees and employers, and other relationships in which personal data is collected, whether in a digital or physical environment. The data protection regime imposes more stringent data protection standards on Brazilian residents. Any breaches of the LGPD may subject us to penalties of up to R\$50 million and a requirement to notify parties whose data has been affected.

The obligations established by the LGPD were initially going to become effective in August 2020 (24 months from the date of its publication in August 2018), by which date all legal entities would be required to adapt their data processing activities to these new rules.

However, due to recent developments regarding the COVID-19 outbreak, the president of Brazil has issued Provisional Measure No. 959/2020, which postpones the effectiveness of the applicable penalties under the LGPD. As a result, the LGPD became effective on September 18, 2020, but the entry into force of the applicable penalties under the LGPD was postponed to August 1, 2021.

We are currently evaluating the LGPD, its requirements and their potential effect on our business. We started the implementation of a compliance program by electing the data protection office, mapping all data activities processes, elaborating and reviewing our data protection and privacy policy and providing training on privacy matters to our employees. Moreover, additional data protection laws may be enacted in Brazil or in other jurisdictions in which we operate. Any such additional laws may require us to make additional changes to our business practices and may expose us to additional penalties for noncompliance.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

***Our performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs could adversely affect our business.***

All of our employees are represented by labor unions. Our relationships with these organizations are governed by labor agreements or collective bargaining agreements which we negotiate with labor unions. Upon the expiry of such agreements, we are required to renegotiate new agreements with the applicable labor union. As part of these renegotiations, new terms and conditions may be established. In certain cases, these agreements may not be renewed, which could lead to strikes and/or stoppages in our activities and have an adverse impact on our business, financial condition and results of operations. Furthermore, since the enactment of Law No. 13,467/2017, labor agreements and collective bargaining agreements prevail over certain provisions of labor legislation, as stated in items I to XV, of Article 611-A, of the Consolidation of Brazilian Labor Laws (*Consolidação das Leis do Trabalho*), such as working time arrangements and the manner in which these are recorded, work breaks, and certain employer-specific internal rules, among others. As a result, employers may expand or reduce certain labor rights, provided this is done pursuant to the terms of labor agreements negotiated with unions and/or individual agreements negotiated with the respective employees.

***Failure to comply with, obtain or renew the licenses and permits required for our business may have a material adverse effect on us.***

We are required to obtain specific licenses with respect to our terminals from the applicable environmental authorities, which are required in connection with the emission, ejection and emanation of products and by-products resulting from distribution activities. We are also required to obtain specific licenses and permits from governmental authorities for rural producers in order to carry out certain of our operations. The laws and regulations which govern these licenses may occasionally require us to purchase and install costly pollution control equipment or to make operational changes to limit our impact on the environment and/or the health of our employees. Any failure to comply with the terms of such laws, regulations and licenses and permits may result in significant financial penalties, criminal sanctions, revocation of operating licenses and permits, and/or the prohibition of certain of our activities.

In addition, we are currently in the process of obtaining or renewing, as the case may be, certain licenses and permits (including real estate and environmental permits) required for the continuity of our activities. Our business, financial condition and results of operations may be materially and adversely affected if we are unable to obtain or renew all licenses and permits required for our business and operations.

***Contamination of our products and other related risks could adversely affect our reputation, leading to judicial and administrative proceedings and/or resulting in the closure of our production facilities.***

Certain of our products may have adverse effects on consumers (including certain components, raw materials and supplies used to produce these products), including as a result of product contamination or subsequent errors in the production or distribution chain.

Contamination of any of our products may result in a need for recalls or the beginning of legal and administrative proceedings against us, which may adversely affect our reputation, our business, the operation of our production facilities, our financial condition and our operating results. Any damage to our reputation could have a material adverse effect on us.

***We may not successfully acquire or develop additional production capacity through greenfield projects or expansion of existing facilities.***

We may explore growth opportunities in the future through the acquisition or development of greenfield projects or through the expansion of our existing facilities. We may be unable to complete these projects on a timely basis or at all, and may not realize the related benefits we anticipate. The factors which may prevent us from doing so include, among other things, (1) our failure to obtain environmental and other licenses; (2) our inability to obtain supplies of appropriate equipment or raw materials; (3) increases in costs and/or decreases in revenue; (4) a lack of qualified workforce; (5) lack of service providers; and (6) our inability to obtain any required financing on satisfactory terms, or at all.

Our greenfield projects and/or expansion of existing facilities require a significant number of service providers. Any inability on our part to enter into contracts with duly qualified service providers who are able to provide the technical services that we require may prevent us from completing our greenfield projects and/or expansions of existing facilities on a timely basis, or at all. In addition, the integration of greenfield projects or expansion of our existing facilities may result in unforeseen operating difficulties and may require significant financial and managerial resources that would otherwise be used for our current operations. Planned or future greenfield projects or expansions of existing facilities may not enhance our financial performance. Any failure in the implementation of growth projects and/or expansion of existing facilities may have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to the possibility of losses related to natural disasters, catastrophes, accidents, fire and other events not in our control, which may have a material adverse effect on our financial performance.***

Our operations are subject to certain risks that affect our properties, facilities, permanent passageways, rail banks and inventory, including, among others, fire, which may destroy machinery, equipment and facilities as well as client cargo being transported. Fires, explosions, fuel leaks and other flammable products as well as other environmental events, cargo loss or damage to railroads or cargo loading and unloading terminals, accidents, business interruptions due to political events as well as labor claims, demonstrations by social and/or environmental groups or associations, strikes (of our own employees or of those linked to entities with which we have a relationship, such as port operators), disease outbreaks, such as COVID-19, adverse weather conditions and natural disasters, such as floods, may result in the loss of revenues, assumption of liabilities or cost increases. We are also subject to stoppages and blockades of highways and other public roads, such as the truckers' strike in May 2018, when Brazilian truck drivers started a national strike for a reduction of taxes levied on diesel and changes in the fuel price policy in Brazil. Stoppages and blockages of highways and other public roads may adversely affect our business and results. Moreover, our operations may be periodically affected by crop shortfalls, landslides and other natural disasters.

Our transportation and handling of cargo exposes us to risks relating to catastrophes, mechanical and electrical failures, collisions and loss of assets. A portion of our freight activities involves petroleum products and other flammable materials, and the presence of such products may aggravate the effects of any catastrophe.

Because our insurance does not cover all potential risks and losses we may incur, the occurrence of a natural disaster of large proportions, catastrophes, cyberattacks, pandemics, mechanical failures, loss of assets or any other of the events referred to above, and any resulting damage to our business, may have a material adverse effect on our business, operating results and financial condition, including as a result of civil, administrative and/or criminal sanctions relating to environmental liability (including civil, administrative and/or criminal sanctions of such nature imposed on our management).

***We are exposed to credit and other counterparty risks of our customers in the ordinary course of our business.***

We have various credit terms with various types of customers, including fuel distributors, wholesalers, retailers, trading companies and consumers of the energy which we generate or trade. Our customers have varying degrees of creditworthiness and are subject to different rules and regulations. We are therefore exposed to the risk of nonpayment or other default under our contracts and other arrangements with them.

As part of our relationships with our customers, we set different credit conditions for each customer based on their perceived creditworthiness. Economic conditions may also affect our customers' ability to meet their obligations to us. In addition, we are also exposed to other types of counterparty risk, including reputational risk, as well as risks relating to money laundering, embargos, breaches of labor regulations and other related matters.

In the event that a significant number of material customers default on their payment obligations to us, our financial condition, results of operations or cash flows, could be materially and adversely affected. Any of these risks could have an adverse effect on our business, financial condition and results of operations.

***Our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and results of operations.***

We may not have sufficient funds to post collateral or provide guarantees in judicial or administrative proceedings involving substantial amounts. Even if we do not post such collateral or provide guarantees, we will be liable for paying any amounts due pursuant to any unfavorable outcomes in legal proceedings. We cannot assure you that, if we cannot make such payments, our assets, including financial assets, will not be attached or that we will be able to obtain tax good-standing certificates, all of which may have a material adverse effect on our business, financial condition and results of operations.

***We are subject to anti-corruption, anti-bribery, anti-money laundering and other international trade laws and regulations.***

We are subject to anti-corruption, anti-bribery, anti-money laundering and other international trade laws and regulations. We are required to comply with the laws and regulations of Brazil and various jurisdictions where we conduct operations. In particular, we are subject to the Brazilian Anti-corruption Law No. 12.846, to the U.S. Foreign Corrupt Practices Act of 1977, or the "FCPA," to the United Kingdom Bribery Act of 2010, as well as economic sanction programs, including those administered by the United Nations, the European Union and the United States, including the U.S. Treasury Department's Office of Foreign Assets Control, or "OFAC." The FCPA prohibits providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. As part of our business, we may deal with entities and employees which are considered foreign officials for purposes of the FCPA. In addition, economic sanctions programs restrict our dealings with certain sanctioned countries, individuals and entities. Although we have internal policies and procedures designed to ensure compliance with applicable anti-fraud, anti-bribery and anti-corruption laws and sanctions regulations, potential violations of anti-corruption laws have been identified on occasion as part of our compliance and internal control processes. When such issues arise, we attempt to act promptly to learn relevant facts, conduct appropriate due diligence and take any appropriate remedial action to address the risk. Given the size of our operations and the complexity of the production chain, there can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our employees, directors, officers, partners, agents and service providers or that such persons will not take actions in violation of our policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which we or they may be ultimately held responsible. Violations of anti-bribery and anti-corruption laws and sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition. In addition, we may be subject to one or more enforcement actions, investigations and proceedings by authorities for alleged infringements of these laws. These proceedings may result in penalties, fines, sanctions or other forms of liability and could have a material adverse effect on our reputation, business, financial condition and results of operations.

***Funding, especially on terms acceptable to us, may not be available to meet our financial obligations and future capital needs.***

We rely on obtaining financing and refinancing of existing loans in order to operate our business, implement our strategy and grow our business. We need bank guarantees to obtain credit facilities and we typically need insurance guarantees in order to participate in court proceedings to which we are a party.

If we are unable to obtain new financing or to refinance existing loans when necessary, or obtain or renew insurance guarantees on reasonable terms or at all, we may not be able to comply with our financial obligations or explore business opportunities, and responding to competitive pressures may become challenging. This would have a material adverse effect on our business, financial condition and results of operations.

***Our debt level could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes.***

Our debt level and the composition of our debt could, among other things: (1) require us to reserve a substantial part of our operational cash flows to pay principal and interest on our debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments; (2) limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; (3) limit our ability to borrow additional funds, obtain bank guarantees or collateral insurance and generally increase our borrowing costs; and (4) place us at a competitive disadvantage compared to our competitors that have less debt. Any of the aforementioned developments could have a material adverse effect on us, our financial condition and our results of operations.

***We may be unable to comply with restrictive covenants under our financing agreements.***

We are subject to certain restrictive covenants based on certain financial and non-financial indicators which are set forth in the majority of the indebtedness and finance agreements to which we are a party. The majority of such covenants relate to requirements to comply with certain predetermined levels of leverage.

Any failure by us to comply with the restrictive covenants in our credit agreements as a result of adverse conditions in our business environment may trigger the acceleration of part of our indebtedness, limit our access to new credit facilities as well as adversely affect our business and results of operations.

***We may not effectively manage risks associated with the replacement of benchmark indices.***

Interest rate, equity, foreign exchange rate and other types of indices which are deemed to be “benchmarks” are the subject of increased regulatory scrutiny. In 2017, the United Kingdom’s Financial Conduct Authority, or the FCA, announced that it will no longer persuade or compel banks to submit rates for the calculation of the London interbank offered rate (“LIBOR”) benchmark after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021, and it appears likely that LIBOR will be discontinued or modified by 2021. This and other reforms may cause benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be fully anticipated and which introduce a number of risks for us including legal risks arising from potential changes required to documentation for new and existing transactions. In addition, financial risks arising from any changes in the valuation of financial instruments linked to benchmark rates, and pricing risks arising from changes to benchmark indices could impact pricing mechanisms on some instruments. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would affect us. However, the implementation of alternative benchmark rates may have a material adverse effect on our business, results of operations, financial condition and prospects.

***We may raise additional capital in the future for strategic partnerships or by issuing securities, which may result in a potential dilution of your equity interest.***

In light of the intensive capital needs of our operations, we are constantly analyzing alternatives and considering the possibility of entering into strategic partnerships, disposing of assets, or raising additional capital through a public or private issuance of shares and/or securities convertible into or exchangeable for shares. Any strategic partnership, issuance or placement of shares and/or securities convertible into or exchangeable for shares may affect the market price of our common shares and ADSs and could result in dilution of your equity interest.

***Our insurance coverage may be inadequate to cover all losses and/or liabilities that may be incurred in our operations.***

Our operations are subject to a number of hazards and risks. We maintain insurance at levels that are customary in our industry to protect against these liabilities; however, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations.

For example, we do not maintain coverage for business interruptions of any nature for our Brazilian operations, including business interruptions caused by labor disruptions. If, for instance, our workers were to strike, the resulting work stoppages could have a material and adverse effect on us. Similarly, we do not insure most of our assets against war or sabotage. Therefore, an attack or an operational incident causing an interruption of our business could have a material and adverse effect on our financial condition or results of operations.

Moreover, we will be subject to the risk that we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a materially adverse effect on our business, financial condition and results of operations.

***Any failure relating to our strategic partnerships may result in additional financial or performance obligations by us, which would reduce our profitability.***

We may enter into strategic partnerships, joint ventures, combinations, alliances and collaborations, including, among other things, partnerships with our customers. The success of these and other partnerships depends, in part, on the satisfactory performance of our and our partners’ obligations.

If we or our partners do not satisfactorily perform such obligations, our strategic partnerships may fail to perform as expected or to deliver the agreed services. Should this occur, we may be required to make additional investments and provide additional services to guarantee the adequate performance and delivery of the agreed services, or terminate such partnerships prior to their stated maturity. The performance by us of additional obligations with respect to our strategic partnerships may result in the reduction of our profits and material losses to us.

Likewise, the failure of our strategic partners to fulfill their obligations under our partnership agreements may have a material adverse effect on such partnerships. In addition, the failure to reach an agreement as to certain matters may result in deadlock pursuant to certain of the shareholders’ and other agreements governing our strategic partnerships.

Strategic partnerships are essential to the continuity of our operations and our growth. If we fail to maintain our existing partnerships or identify new partnerships, or if our business or strategic partnerships are unsuccessful, our business, financial condition and results of operations may be materially and adversely affected.

***We are highly dependent on our chairman and other members of our management to develop and implement our strategy and to oversee our operations. If we lose key personnel, our business, financial condition and results of operations may be adversely affected.***

We are dependent upon the ability and experience of a number of our key personnel who have substantial experience with our operations. Such key personnel include our chairman and controlling shareholder, other members of senior management and certain members of our board of directors. Many of our key personnel have worked for us for a significant amount of time or were recruited by us specifically due to their industry experience. It is possible that the loss of the services of one or a combination of our key personnel could have a material adverse effect on our business, financial condition and results of operations. In particular, our business is particularly dependent on our chairman, who is also our controlling shareholder. We currently do not carry any key-man insurance.

***We are indirectly controlled by a single individual who holds 168,186,507 or 35.90% of our common shares and voting rights.***

Our controlling shareholder and chairman has the power to indirectly control the Company, including the power to:

- elect a majority of our directors and appoint our executive officers, set our management policies and exercise overall control over our Company and subsidiaries;
- agree to sell or otherwise transfer his controlling stake in our Company; and
- determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends.

Currently, because of our share capital structure, our controlling shareholder is able to control substantially all matters submitted to our shareholders for a vote or approval. The concentrated control will limit your ability to influence corporate matters and, consequently, we may take actions that our shareholders do not view as beneficial. Moreover, our controlling shareholder may make decisions that are contrary to the interests of our other shareholders, and diverge from those of our minority shareholders. These may include actions to conduct acquisitions, divest assets, engage in new business partnerships and engage in new financings or similar operations. As a result, the market price of our common shares and ADSs could be adversely affected.

***We operate in industry sectors that require significant financial resources that will require access to the capital markets and bank financing in significant volumes to meet our investment objectives.***

We obtain funds for our activities through loans from financial institutions, domestic and foreign lenders, and through access to the capital markets. Our ability to obtain funding to finance our growth or operate our business depends on several factors, including our level of indebtedness and market conditions. Global market and economic conditions have been, and continue to be, disruptive and volatile. The debt capital markets have been impacted by significant write-offs in the financial services sector and the re-pricing of credit risk, sovereign defaults, political and economic developments in and affecting Brazil such as the “Lava Jato” scandal, among other things. These events have negatively affected general economic conditions. In particular, the cost of raising money in the debt capital markets has increased substantially while the availability of funds from those markets for Brazilian companies has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards and reduced and, in some cases, ceased to provide funding to borrowers on commercially reasonable terms or at all. Our failure to obtain the necessary resources on reasonable terms may adversely affect our investment strategy. If we decide to increase our debt levels, we may be subject to risks, including our inability to pay outstanding debt, which may adversely affect our financial condition.

In addition, in connection with any new indebtedness we incur, we may be required to meet certain covenants in our financing arrangements, such as maintaining financial ratios, and may be subject to restrictions on our ability to incur new debt or make new investments. A breach of these covenants may result in a mandatory prepayment or acceleration of the maturity of our outstanding debt. In the event of a prepayment or acceleration, our assets and cash flow might not be sufficient to pay the full amount due, which would have a material adverse effect on our financial condition.

***Our compliance and governance policies and our internal controls may not be sufficient to prevent regulatory penalties and reputation damage.***

Our compliance and governance policies, which include the review of internal controls over financial reporting, may not be sufficient to ensure that we are able to comply with existing and future legal, regulatory (including applicable anti-corruption and antitrust laws), accounting and other corporate governance requirements and standards. Accordingly, we, our subsidiaries and our affiliates may be subject to violations of our code of conduct and anti-corruption policies, and cases of fraudulent behavior or corrupt or anti-competitive practices by employees, contractors or other agents. Failure to comply with the applicable rules and legislation may subject us, our subsidiaries, our affiliates, our employees, contractors or other agents, to, among other things, litigation, investigations, expenses, fines, loss of operating licenses, reputation damage, preventive arrest warrants, coercive measures and other applicable sanctions, penalties and damage, each of which may adversely affect our business, results of operations and financial condition.

***Government policies and regulations could have a material adverse effect on our operations and profitability.***

Government policies in Brazil and elsewhere, in each case whether at the federal, state or local level, may adversely affect the supply, and demand for, and prices of, our products or restrict our ability to do business in our existing and target markets, which could adversely affect our financial performance.

Agricultural production and trade flows are significantly affected by Brazilian federal, state and municipal, as well as foreign, government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies and import and export restrictions on agricultural commodities and commodity products, may influence industry profitability, the planting of certain crops versus others, the uses of agricultural resources, the location and size of crop production, the trading levels for unprocessed versus processed commodities, and the volume and types of imports and exports.



Our gas distribution operations are currently concentrated in the state of São Paulo. Any changes affecting governmental policies and regulations regarding natural gas in the state of São Paulo (at the federal, state or municipal level) may have a material adverse effect on our business and financial performance.

In addition, petroleum and petroleum products have historically been subject to price controls in Brazil. Currently there is no legislation or regulation in force giving the Brazilian government the power to set prices for petroleum, petroleum products, ethanol or vehicular natural gas. However, given that Petrobras, the only supplier of domestically produced oil-based fuels in Brazil, is a government-controlled company, prices of petroleum and petroleum products are subject to government influence, resulting in potential inconsistencies between international prices and internal oil derivative prices that affect our business and our financial results.

As a payment institution (*instituição de pagamento*) and payment scheme settlor (*instituidor de arranjo de pagamento*) in Brazil, Payly Soluções de Pagamentos S.A., or “Payly,” is subject to Brazilian laws and regulations relating to electronic payments in Brazil, comprised of Brazilian Federal Law No. 12,865/13 and related rules and regulations. Any failure by Payly to comply with such legislation could result in disciplinary or punitive action by the relevant regulators. Furthermore, we cannot assure you that Payly will be able to obtain and maintain all required operating licenses. Any of these developments could have a material adverse effect on Payly’s business, financial condition and results of operations.

***Raízen Energia, Raízen Combustíveis, Moove, Compass and WX Energy are subject to the application of regulatory penalties in the event of noncompliance with the terms and conditions of their respective authorizations, including the possible revocation of such authorizations.***

Raízen Energia performs generation activities in accordance with the regulations applicable to the energy sector and with the terms and conditions of authorizations granted by the Brazilian government through ANEEL. The duration of such authorizations varies from 20 to 35 years.

ANEEL may apply regulatory penalties to Raízen Energia in the event of noncompliance with the authorizations or with the regulations applicable to the energy sector. Such penalties may include, depending on the seriousness of the infraction, warnings, fines (in some cases up to 2% of our revenues for the last 12 months), restrictions on Raízen Energia’s operations, temporary suspension from participating in public bidding procedures to obtain new permissions, authorizations and concessions, prohibition from contracting with ANEEL, and revocation of its authorizations.

In addition, Raízen Combustíveis conducts its fuel distribution activities and Moove manufactures and distributes lubricants and base oil in accordance with the rules and regulations applicable to the oil and gas sector in Brazil as well as with the terms of the licenses and permits granted to them by the Brazilian government acting through the ANP. Failure to comply with the applicable rules and regulations or with the terms of the relevant licenses and permits may result in fines and other penalties (including confiscation or destruction of products, cancellation of product registrations, bans on certain facilities, and revocation of existing licenses and permits, among others). The applicable fines vary between R\$5 thousand and R\$5 million, depending on the gravity of the infraction.

Furthermore, the electricity trading operations of WX Energy Comercializadora de Energia Ltda., or “WX Energy,” which Bioenergia Barra Ltda., a wholly-owned subsidiary of Raízen Energia, acquired on July 5, 2018, and Compass, which was acquired on January 31, 2020, are highly regulated and supervised by the Brazilian government, including through ANEEL as well as other regulatory authorities. Such regulatory authorities have discretionary authority to implement and change policies, interpretation and rules applicable to different aspects of WX Energy and Compass’s businesses, especially their operations, maintenance, safety, compensation and inspection. Any significant regulatory measure implemented by the competent authorities may impose a significant burden on both companies’ activities.

We cannot assure you that Raízen Energia, Raízen Combustíveis, Moove, Compass and WX Energy will not be penalized by ANEEL, ANP or other regulatory authorities, as applicable, nor can we assure you that they will comply with all terms and conditions of their authorizations and with the regulations applicable to their respective businesses, which may have a material adverse effect on their and our business, results of operations and financial condition.

***We face significant competition, which may have a material adverse effect on our market share and profitability.***

The ethanol and sugar industries in which Raízen Energia operates are highly competitive. Internationally, Raízen Energia competes with global ethanol and sugar producers in the United States, India, Thailand, Australia and Europe, among others. Some of Raízen Energia’s competitors are divisions of larger enterprises and may have greater financial resources than Raízen Energia has or than we have. In Brazil, Raízen Energia competes with numerous small to medium-size producers. The Brazilian ethanol and sugar industries remain highly fragmented. Raízen Energia’s major competitors in Brazil are Biosev (the second largest ethanol and sugar producer in Brazil), Tereos - Guarani (the third-largest ethanol and sugar producer in Brazil), Bunge, Santa Terezinha and São Martinho, among others. Each of these producers markets ethanol and sugar products through the Cooperative of Sugarcane, Sugar and Ethanol Producers of the state of São Paulo (*Cooperativa de Produtores de Cana-de-açúcar, Açúcar e Alcool do Estado de São Paulo*), or “Copersucar.” Copersucar consists of producers in the states of São Paulo, Minas Gerais and Paraná. Raízen Energia is not a member of Copersucar.



Raízen Energia also faces strong competition from international producers, particularly in highly regulated and protected markets such as the United States and the European Union. With regard to sugar exports, Raízen Energia faces intense competition from producers all around the world, including India, Thailand, and the European Union, among others. There are global producers of sugar whose costs are lower than those of Brazilian producers, including Raízen Energia, and whose production capacity and prices could lead to a decrease in prices on the global sugar market. Furthermore, Raízen Energia faces very strong competition internationally with regards to ethanol, especially from the United States. Ethanol production in the United States is based on corn-derived ethanol and is undertaken on a larger scale than Brazilian ethanol production. Accordingly, a reduction in corn prices may lead to material reductions in the price of ethanol produced in the United States and result in increased competition in the Brazilian market.

Historically, imports of sugar have not provided substantial competition for us in Brazil due to, among other factors, the production and logistical cost-competitiveness of sugar produced in Brazil. If the Brazilian government were to create incentives for sugar imports, Raízen Energia could face increased competition in the Brazilian market by foreign producers. Many factors influence our competitive position, including the availability, quality and cost of fertilizer, energy, water, chemical products and labor. Some of our international competitors might have greater financial and marketing resources, larger customer bases and broader product ranges than Raízen Energia does. If Raízen Energia is unable to remain competitive with these producers in the future, its market share may be adversely affected.

The fuel distribution market in Brazil in Raízen Combustíveis is active and highly competitive. For example, we compete with domestic fuel distributors who purchase substantially all of their fuel from Petrobras and from suppliers based outside of Brazil. There are few domestic competitors, such as Raízen Combustíveis, who import fuels into Brazil. In addition, Raízen Combustíveis competes with producers and marketers in other industries that supply alternative forms of energy and fuel to satisfy the requirements of Raízen Combustíveis's industrial, commercial and retail consumers. Certain measures currently being taken by participants in the fuel distribution market, including the expansion of their distribution networks, as well as the arrival of new participants, may result in an increase in fuel supply and a consequent decrease in fuel prices, which may have an adverse effect on our business, financial condition and results of operations. Raízen Combustíveis's main competitor in Argentina is state-owned YPF, which has more than half of the market share in the country.

Moove's principal competitors in the lubricant market are larger and have substantially greater resources than Moove. Because of their larger capitalization, these companies may be more flexible in responding to volatile industry or market conditions, such as shortages of crude oil and other feedstock or intense price fluctuations. The actions of Moove's competitors could lead to lower prices or reduced margins for Moove's products, which could have a material and adverse effect on Moove and on our business, results of operations and financial performance.

Competition in the transportation services industry in which Rumo operates is intense and includes (1) competition with other transportation modes, such as road freight; (2) competition with alternative export options for agricultural products through other ports; (3) dependence on operating quality and port and terminal capacity; (4) the limitations established by the maximum tariffs established by the ANTT; (5) a reduction in road tariffs, particularly during times of declining growth rates in the economy or low demand from agricultural producers, which may limit our ability to maintain or increase rates, operating margins or growth of Rumo's business; and (6) establishment of cooperative relationships by Rumo's competitors to increase their ability to address shipper needs. Rumo's main competitors are companies in the truck transportation business, which has historically been the main cargo transportation mode in Brazil. Any new measures by the Brazilian government that benefit or reduce costs for road transportation, such as cheaper toll fares or permanent suspension of the toll-road concession program, may also limit Rumo's growth prospects. Rumo may also face significant competition from third parties if the granting authority decides to subject its maturing concessions to a rebidding process.

The market for payment processing services, in which Payly operates, is highly competitive. Other providers of payment processing services in the acquirer market have also established a sizable market share in the small and mid-sized merchant processing and servicing sector.

The intense competition in the Brazilian markets in which we operate and the actions of our competitors could lead to lower prices or reduced margins for the products we sell, as well as reductions in our sales volumes, which could have a material and adverse effect on our business, results of operations and financial performance.

***Adverse weather conditions may have an adverse effect in our businesses.***

Raízen's sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or that is supplied to us by sugarcane producers located in the vicinity of our mills. Crop yields and sucrose content depend primarily on weather conditions such as rainfall and temperature, which vary and may be influenced by global climate change. Weather conditions have historically caused volatility in the ethanol and sugar industries and, consequently, in our results of operations, by causing crop failures or reduced harvests. Flood, drought or frost, which may be influenced by global climate change, may have a material adverse effect on the supply and pricing of the agricultural commodities that we sell and use in our business. Future weather patterns may reduce the amount of sugar or sugarcane that we can recover in a given harvest or its sucrose content.

WX Energy, Compass Comercializadora de Energia Ltda. and Compass Geração Ltda., which are energy trading companies, may also be affected by adverse weather conditions, principally reduced rainfall. If rainfall is reduced compared to normal levels, this would result in a decrease in the flow of rivers, a reduction in the reservoirs of the hydroelectric plants, and adversely affect the generation of energy thereby leading to an increase in the price of energy traded in the local market.

During the third and fourth quarters of 2014, a severe drought affected southeast Brazil, Comgás's concession area, during which time residents were encouraged to save water. As a relevant portion of Comgás's revenues is derived from the residential segment, and a significant portion of natural gas used by residential consumers is used for heating water, Comgás experienced a decrease in its net revenues derived from the residential segment. Therefore, our and Comgás's business may be materially affected by unusual climate patterns.

Rumo's operations may be adversely affected by climatic conditions. For example, excessive rainfall may result in a deterioration in the conditions of railroads and an increase in transit time, which may lead to losses. Infrastructure deficiencies resulting from adverse weather conditions, among other things, may make it more difficult to conduct business in the areas in which Rumo operates.

***In Brazil, Petrobras is the main supplier of base oils, the primary distributor of fuel and the dominant company in the natural gas sector. In the event of an interruption of supply of fuels from Petrobras, significant disruption to Raízen Combustíveis's, Comgás's and Moove's operations and sales may occur.***

Petrobras is the principal supplier of fuel in Brazil and the distribution policies it sets forth directly affect the Brazilian energy matrix. With the discoveries in the pre-salt oil fields, and the beginning of production in the Santos basin, which is located close to our concession area, we face uncertainties regarding the production of alternative fuel. Petrobras is also the subject of "Lava Jato" investigations by the Brazilian Federal Police, the Brazilian Federal Prosecutor's Office, the CVM and the SEC in connection with corruption allegations, which could cause disruption in Petrobras' activities. Significant disruption to our fuel, lubricant and natural gas sales may occur in the event of an interruption of supply from Petrobras. Any interruption would immediately affect our ability to provide fuel, lubricant and natural gas products to our customers. If we are not able to obtain an adequate supply of fuel, base oil and natural gas products from Petrobras under acceptable terms, we may seek to meet our demands through purchases on the international market. The cost of fuel and base oil products on the international market may be more expensive than the price we obtain through Petrobras.

In addition, we may be adversely affected if Petrobras significantly modifies its business plan or reduces its activities related to the distribution of fuel in Brazil. In particular, the most recently published divestment plan of Petrobras suggests that Petrobras is scaling back its positions in logistics, which may result in disruption of logistics services and changes to distribution policies, which may adversely affect the competitiveness of fuel distributors.

***Our business is subject to seasonal trends.***

Raízen Energia's business is subject to seasonality according to the sugarcane growth cycle in the Central-South region of Brazil. The annual sugarcane harvesting period in the Central-South region of Brazil begins in April or May and ends in November or December. This creates fluctuations in Raízen Energia's inventory and in its ability to generate energy, both of which usually peak in December, to cover sales between crop harvests (primarily from January to March), and a degree of seasonality in our gross profit, with ethanol and sugar sales significantly lower in the quarter ended on December 31. Rural producers of sugar and ethanol with whom Raízen Energia maintains a commercial relationship may experience a similar degree of seasonality, which may impact the supply of ethanol and/or other products necessary for Raízen Energia's activities. Seasonality and any reduction in the volumes of sugar recovered could have a material adverse effect on our business, results of operations and financial condition.

Raízen Energia is also subject to seasonality with respect to demand for the energy which it generates and sells. Specifically, demand for energy is subject to various factors which vary from season to season according to the type of customer, geographical location and consumption type (e.g., residential, commercial or industrial), among other factors, and demand for energy and trading activities may be affected by variations in such factors.

Furthermore, Rumo is subject to the seasonality that influences the sugar production cycle and grain harvest. During the peak months of each harvest, there is higher demand for transport and logistics operations.

Seasonality could have a material adverse effect on our business, results of operations and financial condition.

***We are subject to developments affecting the Brazilian agribusiness sector as a whole.***

We cannot assure you that in the future, the Brazilian agribusiness sector (i) will maintain the rate of growth and development which it has experienced in recent years and (ii) will not suffer losses due to unfavorable climatic conditions, reduction of the prices of the agricultural commodities in the national and international markets, changes in credit policies for domestic producers, both by government agencies and private entities, that may affect our income, as well as other economic and political crises that may affect the agricultural industry in general. Any deterioration in the overall condition of the Brazilian agribusiness sector may have a material adverse effect on us.

***Fire and other disasters could affect our agricultural and manufacturing properties and our facilities and distribution networks, which would have a material adverse effect on our production and distribution volumes and, consequently, results of operations.***

Our operations are subject to risks affecting our agricultural properties and facilities and distribution networks, including fire potentially destroying some or all of our crop and facilities. In addition, our operations are subject to hazards associated with the manufacture of flammable products and transportation of raw materials and flammable products. Our insurance coverage may not be sufficient to provide full protection against these types of casualties.

***We may be adversely affected by unfavorable outcomes in pending legal proceedings.***

We are involved in a significant number of tax, civil (including regulatory and environmental) and labor proceedings. As of December 31, 2020, we had recorded a provision totaling R\$1,360.9 million for proceedings in which we deem the risk of loss as probable (equivalent to R\$875.8 million net of judicial deposits or restricted bank accounts). We cannot predict whether we will prevail in these or other proceedings, or whether we will have to pay significant amounts, including penalties and interest, as payment for our liabilities, which would materially and adversely impact our business and financial performance.

In addition, unfavorable decisions in criminal proceedings involving members of our management may have a material adverse effect on us. Certain members of our management have been named as defendants in criminal proceedings (1) in their capacity as officers of the predecessor entity of Raízen Energia for alleged artificial price fixing of fuel and the formation of a cartel with the purpose of establishing control over the regional market, (2) in their capacity as officers of Raízen Energia and in our Company for alleged tax evasion carried out by these entities and (3) in their capacity as officers of the predecessor entities of Raízen for the crimes of disobedience and pollution in connection with the alleged burning of sugarcane contrary to a judicial decision. In the event of a final non-appealable conviction, one or more of these officers may be barred from holding executive positions within our Company, and depending on the development of the proceedings, our reputation in the opinion of our clients, suppliers and investors may be materially adversely affected.

We cannot predict whether we will prevail in these or other proceedings, or whether we will have to pay significant amounts, including penalties and interest, as payment for our liabilities, which would materially and adversely impact our business, results of operations and financial condition. If we are the subject of an unfavorable outcome in any of these legal proceedings, the amount of such unfavorable decisions will have a material adverse effect on our financial position and operating results.

***Our business would be materially adversely affected if operations at our transportation and distribution facilities experienced significant interruptions. Our business would also be materially adversely affected if the operations of our customers and suppliers experienced significant interruptions.***

The distribution of fuels, natural gas and other products is by its nature subject to inherent risks, including interruptions or disturbances in the distribution system which may be caused by accidents or force majeure events. Our operations are dependent upon the uninterrupted operation of our terminals and storage facilities and various means of transportation and distribution facilities. We are also dependent upon the uninterrupted operation of certain facilities owned or operated by our suppliers and customers. Operations at our facilities and at the facilities owned or operated by our suppliers and customers could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as:

- catastrophic events, including hurricanes, floods and fire;
- environmental matters (including environmental licensing processes or environmental incidents, contamination, wildlife preservation obligations and others);
- labor difficulties (including work stoppages, strikes and other events);
- changes to legislation; and
- disruptions in the supply of our products to our facilities or means of transportation.

Any significant interruption at these facilities or inability to transport products to or from these facilities or to or from our customers for any reason could subject us to liability in judicial, administrative or other proceedings, even for disruptions caused by events outside of our control. If we are held liable for such events, our business, financial condition, results of operations and cash flow would be materially adversely affected.

For example, between May 21 and May 31, 2018, Brazil suffered an extensive nationwide trucking strike. With trucks stopped and blocking highways, fuel refineries and terminals, food and medical supplies ceased being delivered to distribution points. The stoppage began to subside on May 27, 2018, after representatives of the trucking industry and the Brazilian government reached an agreement. We estimate that the nationwide trucking strike impacted our results (principally those of Raízen Combustíveis) by approximately R\$220 million during the fiscal year ended December 31, 2018.

***Volatility in the price of the products we sell, through subsidiaries and joint ventures, may have a material adverse effect on us.***

Our results of operations may be significantly affected by volatility in the prices of the products we sell, through subsidiaries and joint ventures. The prices of these products are subject to significant fluctuation as a result of domestic and international demand, production volumes and global stock levels. Price volatility may have a significant impact on our results of operations, particularly if our revenues fall below our production costs.

The prices at which our subsidiaries and joint ventures are able to sell their products depend on market conditions, both in Brazil and internationally, which are outside of our control. The prices at which our subsidiaries and joint ventures are able to sell their products have a significant impact on our results of operations. As is the case with other commodities, the prices of the products we sell, through subsidiaries and joint ventures, are subject to significant fluctuation as a result of natural disasters, harvest levels, agricultural investments, governmental policies (in particular with regard to the agricultural sector), trade policies, changes in supply and demand patterns, increases or decreases in purchasing power, the production of similar or competing products and other factors beyond our control. A significant portion of our products are also traded on commodities exchanges and their prices may therefore be affected by speculation on financial markets.

In addition, the price of sugar is also affected by the obligation to comply with certain requirements relating to exports and the consequent effects on supply within Brazil. As a result, the price of sugar has historically been subject to greater volatility than the prices of other products. Sugar prices may decrease as a result of, directly or indirectly, competition from alternative sweeteners, including saccharine and high fructose corn syrup, changes in agricultural policies or international or Brazilian trade policies (including those mandated by the World Trade Organization).

Any significant or prolonged decrease in the price of sugar and/or ethanol may have adverse effects on our business, financial condition and results of operations.

***The production of lubricants, natural gas transportation and the storage and transportation of fuel products and lubricant products are inherently hazardous.***

The complex manufacturing operations performed at (i) Raízen's facilities (mills, terminals and its refinery in Argentina), (ii) Comgás (infrastructure used in the distribution of piped natural gas), (iii) Moove (a lubricants oil blending plant), and (iv) Rumo (storage terminals, ports and railcars) involve a variety of safety and other operating risks, including the handling, production, storage and transportation of toxic materials. These risks could result in personal injury and death, severe damage to or destruction of property and equipment and environmental damage. A material accident at one of these could result in a suspension of operations and result in significant remediation costs and lost revenue. In addition, insurance proceeds, if available, may not be received on a timely basis and may be insufficient to cover all losses, including lost profit. Equipment breakdowns, natural disasters, and delays in obtaining supplies or required replacement parts or equipment could also have a material adverse effect on our manufacturing operations and results of operations. Disruption of transportation and logistics services or insufficient investment in public infrastructure could have a material adverse effect on operating results.

***The shareholders' and certain other definitive agreements with respect to the Joint Venture and certain other of our subsidiaries are subject to various put and call options and termination provisions.***

We have entered into certain definitive agreements with Shell with respect to the Joint Venture. Specifically, these agreements set forth the rights and obligations of each shareholder in respect of our and Shell's interest in the Joint Venture and establish certain options whereby we or Shell may acquire the other shareholder's interest in the Joint Venture, certain lock-up provisions, rules governing intra-group transfers regarding our economic group and Shell, and remedies for fundamental breaches of the documentation governing the incorporation and operation of the Joint Venture. If triggered, these provisions may cause the Joint Venture, or our participation in it, to terminate prior to the scheduled expiration date of the agreements in June 2031.

In November 2016, we executed amendments to certain agreements with Shell to remove the fixed-date call options over Raizen Energia and Raizen Combustíveis shares exercisable in 2021 and 2026 and replace them with certain call and put options exercisable by us or Shell in certain circumstances, including, among others, (i) fundamental breaches of the obligations provided for in the agreements governing the Joint Venture; (ii) breach of anticorruption laws, (iii) insolvency or bankruptcy of a party, (iv) change of control and (v) in the event of the death or disability of our current Chairman, Mr. Rubens Ometto Silveira Mello. Moreover, we and Shell agreed to renew the existing lock-up period for five years from the date of the execution of the amendment, following which the parties may sell their shares in each of Raizen Energia and Raizen Combustíveis subject to compliance with certain preemption rights in each other's favor.

If any of these or other similar provisions are triggered under the shareholders' agreements or any of the other related agreements, our partnerships, or certain rights we hold in connection therewith, could terminate prior to the scheduled expiration, which could adversely affect our results of operations.

***The modification, suspension, cancellation or non-renewal of the tax benefits which we have been granted could have a material adverse effect on us.***

We benefit from certain federal, state and municipal tax incentives, benefit programs and special regimes, including reductions in corporate income tax, suspensions of PIS and COFINS (respectively, the profit participation contribution and the social security financing contribution, both of which are social contributions due on certain revenues net of some expenses on certain products, reductions in ICMS on certain activities, and suspensions or reductions in certain other taxes (including import duties, tax on industrial products (*Imposto sobre Produtos Industrializados*) and certain other social security charges). We cannot assure you that these tax benefits will be maintained or renewed or that we will be able to obtain new tax benefits. If we lose our existing tax benefits due to our noncompliance with future requirements or if the current tax programs and agreements from which we benefit are modified, suspended, canceled or not renewed, we could be materially and adversely affected.

***Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of fraud.***

Disclosure controls and procedures over financial reporting are designed to provide reasonable assurance that information required to be disclosed by the Company is accumulated and communicated to management, and recorded, processed, summarized and reported in accordance with applicable rules.

These disclosure controls and procedures have inherent limitations which include the possibility that judgments in decision-making can be faulty and that breakdowns occur because of errors or mistakes. Additionally, controls can be circumvented by any unauthorized management override of controls. Consequently, our businesses are exposed to risk from potential noncompliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions, civil claims and serious reputational or financial harm. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective. Accordingly, because of the inherent limitations in the control system, misstatements due to error or fraud may occur and not be detected.

Since the completion of the corporate reorganization of the Cosan group, which included the Merger, Cosan, as a foreign private issuer, began to be required to comply with the reporting, disclosure control and other applicable obligation under the Exchange Act, the Sarbanes-Oxley Act and Dodd Frank Act, as well as rules adopted, and to be adopted, by the SEC and NYSE.

We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our cash flows, results of operations or financial condition. If we are unable to conclude that our internal controls over financial reporting are effective, or if the independent registered public accounting firm reports that we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the trading price of our shares and ADSs could decline, and we could be subject to sanctions or investigations by NYSE, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal controls over financial reporting, or to implement or maintain other effective control systems required of public companies in the United States, could also restrict our future access to capital markets and reduce or eliminate the trading market for our shares and ADSs.

For details of the controls and remediation plan mentioned above, see the section of this annual report entitled "Item 15. Controls and Procedures—A. Disclosure Controls and Procedures."

***Public health threats or outbreaks of communicable diseases could have an adverse effect on our operations and financial results.***

We may face risks related to public health threats or outbreaks of communicable diseases. The outbreak of communicable diseases could result in a widespread health crisis that could adversely affect the global economy and our ability and our business partners' ability to conduct business in Brazil for an indefinite period of time. For example, the recent outbreak in China of COVID-19 has spread across the globe, and is already resulting in a global or regional economic slowdown, a shutdown of production and supply chains and a disruption of international trade, all of which may negatively impact the industries in which we operate.

For example, disruptions in public and private infrastructure, including communications and financial, could materially and adversely disrupt our normal business operations. We have transitioned a significant subset of our employee population to a remote work environment in an effort to mitigate the spread of COVID-19, which may exacerbate certain risks to our business, including an increased demand for information technology resources, increased risk of phishing and other cybersecurity attacks, and increased risk of unauthorized dissemination of sensitive personal information or proprietary or confidential information about us, our hub partners, our students or other third-parties. See "We were the target of a cybersecurity incident which disrupted our systems" and "We could be the target of attempted cyber threats in the future and they could adversely affect our business."

***We may not be successful in meeting our environmental, social and corporate governance, or ESG, commitments, which may have an adverse effect on our business, financial condition and results of operations.***



Market participants have been increasingly concerned with how companies assess and manage ESG risks to protect themselves and capture new opportunities. In light of this, we have sought to identify key focus areas within our business relating to adapting to the impacts of climate change, environmental management practices, working and safety conditions, respect for human rights, anti-bribery and corruption practices and compliance with applicable laws and regulations. Based on this work, we have publicly committed to meeting certain ESG targets, among which:

- help our customers reduce their carbon footprint, while taking into account the impact and the socioeconomic context in which we operate;
- offer efficient, sustainable, and safe solutions before, during and after the energy transition;
- provide cargo transportation solutions with lower levels of greenhouse gas emissions than alternative solutions;
- comply with legislation and standards applicable to the products and services we offer, environment, health and safety;
- maintain our competitiveness by researching, developing and continuously improving existing and new processes, products and services to meet the expectations of customers, employees, shareholders, suppliers and other stakeholders;
- be aware of the impact of our operations on communities and the environment, monitor and assess such impacts on a continuous basis and develop solutions that meet the demands of our stakeholders;
- create value, multiply and share opportunities along the supply chain in all sectors in which we operate;
- improve working, health and safety conditions on a continuous basis to preserve the integrity of our people and our operations;
- promote the personal and professional growth of our employees; and
- develop and implement the best corporate governance practices, with a focus on ethical behavior.

Failure to meet our ESG commitments, partially or at all, may have a material adverse effect on our business, reputation, financial condition and results of operations.

In addition to the commitments we have made, there has been an increase in ESG rules and regulations applicable to our business and we expect this trend to continue. Given the pace of evolution of legislation in this area, we may not be able to comply with new regulations fully or at all. We are also exposed to the risk that future ESG rules and regulations may adversely affect our ability to run our business, require us to mark down the value of our assets or to reduce their useful life, face increased compliance costs or take other steps which may be detrimental to us. Any such developments could have a material adverse effect on our business, financial condition and results of operations.

#### **Risks Related to Raízen**

***Raízen operates in industries in which the supply, demand and the market price for its products are cyclical and are affected by a number of factors and conditions in Brazil and globally.***

The ethanol and sugar industries, globally and in Brazil, have historically been cyclical and sensitive to domestic and international changes in supply and demand. Raízen's sugar production depends on the volume and sucrose content of the sugarcane that it cultivates or is provided to it by farmers located near its plants. Crop yields and sucrose content of the sugarcane mainly depend on weather conditions, such as rainfall and temperature, which may vary and may be influenced by global climate change.

Raízen's sugar production depends on the volume and sucrose content of the sugarcane that it cultivate or that is supplied to Raízen by growers located in the vicinity of its mills. Weather conditions have caused volatility in the ethanol and sugar sectors and, consequently, in Raízen's operational results by causing crop failures or reduced harvests. Floods, droughts and frosts, which can be influenced by global climate change, may affect the supply and prices of the agricultural commodities Raízen sells and uses in its business. Future climate conditions may reduce the quantity of sugar and sugarcane obtained in a given crop or the sucrose content of the sugarcane. In addition, Raízen's production of sugar and ethanol is contingent on its ability to incur capital expenditures to renew sugarcane crops.

Historically, the international sugar market has experienced periods of limited supply, causing sugar prices and industry profit margins to increase, followed by an expansion in the industry that results in oversupply, causing declines in sugar prices and industry profit margins. In addition, fluctuations in prices for ethanol or sugar may occur, for various other reasons, including factors beyond Raízen's control, such as:

- reduced demand for motor vehicles powered by internal combustion engines (including, without limitation, as a result of increased demand for electric vehicles);
- fluctuations in gasoline prices (including as a result of global oil prices);
- fluctuations in competitors' production capacities; and
- the availability of substitute goods for the ethanol and sugar products produced.

The prices that may be obtained for sugar depend, in large part, on prevailing market conditions. These market conditions, both in Brazil and internationally, are beyond Raízen's control. The wholesale price of sugar has a significant impact on Raízen's profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, harvest levels, agricultural investments, government policies and programs for the agricultural sector, domestic and foreign trade policies, shifts in supply and demand, increasing purchasing power, global production of similar or competing products, and other factors beyond Raízen's control. In addition, a significant portion of the total worldwide sugar production is traded on exchanges and thus is subject to speculation, which could affect the price of sugar and Raízen's results of operations and, consequently, us.

The price of sugar, in particular, is also affected by producers' compliance with sugar export requirements and the resulting effects on domestic supply. As a consequence, sugar prices have been subject to high historical volatility. Competition from alternative sweeteners, including saccharine and high fructose corn syrup changes in Brazilian or international agricultural or trade policies or developments relating to international trade, including those under the World Trade Organization, are factors that can directly or indirectly result in lower domestic or global sugar prices. Any prolonged or significant decrease in sugar prices could have a material adverse effect on Raízen's and our business and financial performance.

Ethanol is marketed as a fuel additive to reduce vehicle emissions from gasoline, as an enhancer to improve the octane rating of gasoline with which it is blended or as a substitute fuel for gasoline. As a result, ethanol prices are influenced by the supply of and demand for gasoline, and Raízen's business and financial performance may be materially adversely affected by fluctuations in the demand for and/or price of gasoline. The increase in the production and sale of flex fuel vehicles (hybrid vehicles, that run with ethanol or gasoline or both combined in any proportion) has resulted, in part, from lower taxation, since 2002, of such vehicles compared to gasoline only cars. This favorable tax treatment may be eliminated and the production of flex fuel vehicles may decrease, which could adversely affect demand for ethanol.

If Raízen is unable to maintain sales at generally prevailing market prices for sugar and ethanol in Brazil and internationally, or if it is unable to export sufficient quantities of ethanol and sugar to assure an appropriate domestic market balance, Raízen's ethanol and sugar business as well as its cash flow may be adversely affected, which may have a material adverse effect on our business, financial condition and results of operations.

***Ethanol prices are directly influenced by sugar and gasoline prices, so that a decline in those prices will adversely affect both our ethanol and sugar businesses.***

The price of ethanol generally is closely associated with the sugar and gasoline prices in international and local markets. A vast majority of ethanol in Brazil is produced at sugarcane mills that produce both ethanol and sugar. Because sugarcane millers are able to alter their product mix in response to the relative prices of ethanol and sugar, this results in the prices of both products being directly correlated, and the correlation between them may increase over time. In addition, sugar prices in Brazil are determined by prices in the world market, so that there is a correlation between Brazilian ethanol prices and world sugar prices.

Because flex fuel vehicles allow consumers to choose between gasoline and ethanol at the pump rather than at the showroom, ethanol prices are correlated to gasoline prices as well and, consequently, international oil prices. We believe the correlation among the three products will increase over time. Accordingly, a decline in sugar prices will have an adverse effect on the financial performance of our ethanol and sugar businesses, and a decline in oil prices may have an adverse effect on that of our ethanol business, including on its cash flows.

***Raízen may not successfully implement our plans to sell energy from our bioenergy projects, and the Brazilian government's regulation of the energy sector may adversely affect our business and financial performance.***

Raízen's current total installed bioenergy capacity is approximately 1 GW, which is used to generate energy for our own industrial operations and to sell surplus energy to the Brazilian energy grid. The Brazilian government regulates the energy sector extensively. Raízen may not be able to satisfy all the requirements necessary to enter into new contracts or to otherwise comply with Brazilian energy regulation. Changes to the current energy regulation or federal authorization programs, and the creation for more stringent criteria for qualification in future public energy auctions, in addition to lower prices, may adversely affect our results of operations from our bioenergy business.

Any failure in the implementation of these plans may have a material adverse effect on our business, financial condition and results of operations.

***A reduction in market demand for ethanol or a change in governmental policies requiring ethanol be added to gasoline may materially adversely affect our business.***

Raízen produces and sells three main types of ethanol: hydrous ethanol, anhydrous ethanol for fuel and industrial ethanol. The primary type of ethanol consumed in Brazil is hydrous ethanol, which is used as an alternative to gasoline for flex fuel vehicles (as opposed to anhydrous ethanol which is used as an additive to gasoline).

Governmental authorities of several countries, including Brazil and the United States, currently require the use of a certain percentage of anhydrous ethanol in gasoline. Law 8,723 dated October 28, 1993 (as amended) provides that the executive branch may determine the percentage of anhydrous ethanol in the gasoline. The Brazilian Sugar and Alcohol Inter-ministerial Council (*Conselho Interministerial do Açúcar e Alcool*), or CIMA, has set the recommendation and the Ministry of Agriculture, Livestock and Supply (*Ministério da Agricultura, Pecuária e Abastecimento*), or MAPA, provides for the percentage of anhydrous ethanol that must be used as an additive to gasoline. According to CIMA Resolution No. 1 dated March 4, 2015 and MAPA Normative Instruction (*Portaria*) 75 dated March 5, 2015, the current anhydrous ethanol percentage for regular gasoline is 27% and for additive/premium gasoline is 25%. Approximately one-half of all fuel ethanol in Brazil is used to fuel automobiles that run on a blend of anhydrous ethanol and gasoline; the remainder is used in either flex fuel vehicles or vehicles powered by hydrous ethanol alone. Other countries have similar governmental policies requiring various blends of anhydrous ethanol and gasoline. In addition, flex fuel vehicles in Brazil are currently taxed at lower levels than gasoline-only vehicles, which has contributed to the increase in the production and sale of flex fuel vehicles. Any reduction in the percentage of ethanol required to be added to gasoline or increase in the levels at which flex fuel vehicles are taxed in Brazil, as well as growth in the demand for natural gas and other fuels as an alternative to ethanol, lower gasoline prices or an increase in gasoline consumption (versus ethanol), may cause demand for ethanol to decline and affect our business. In addition, ethanol prices are influenced by the supply and demand for gasoline; therefore, a reduction in oil prices resulting in a decrease in gasoline prices and an increase in gasoline consumption (versus ethanol), may have a material adverse effect on our business, results of operations and financial condition.

***Raízen may be adversely affected by a shortage of sugarcane or by high sugarcane costs and the consequent lack of sugar cane may materially impact Raízen's ability to produce and distribute ethanol and sugar.***

Sugarcane is the principal raw material Raízen uses for the production of ethanol and sugar. As of December 31, 2020, sugarcane purchased from suppliers accounted for 50% of Raízen Energia's total crushed sugarcane. Raízen generally enters into medium- and long-term supply contracts for periods varying from three and one-half to seven years. As of December 31, 2020, Raízen also leased approximately 460 thousand hectares to produce its own sugarcane in contracts with an average term of 12 years.

Raízen's supply of sugarcane in Brazil may be significantly reduced as a result of the termination of supply contracts or lease agreements, which may result in a shortage of sugarcane supply and an increase in the price of sugarcane. If there is a shortage of sugarcane or any supply contracts or lease agreements are terminated, Raízen Energia may experience a material reduction in the sugarcane available for processing or an increase in sugarcane prices, which may materially adversely affect our business, results of operation and financial condition.

In Brazil, the price of sugarcane may increase as a result of changes in the criteria established by the Association of Producers of Sugarcane, Sugar and Ethanol of the State of São Paulo (*Conselho dos Produtores de Cana-de-açúcar, Açúcar e Alcool do Estado de São Paulo*), or "Consecana," which is composed of sugarcane producers and sugar mill operators. The price of sugarcane is set in supply agreements, lease agreements and partnership agreements and is partially fixed and partially variable, as provided for in the criteria set forth by Consecana. As a result, any changes to the criteria established by Consecana may lead to an increase in the cost of sugarcane, which may have a material adverse effect on our business, financial condition and results of operations.

In addition, in certain cases, as a result of the price-setting formulas in the contracts which Raízen has entered into with its customers, Raízen may not be able to pass on the full amount of these cost increases to its customers. This may have a material adverse effect on Raízen's business, financial condition and results of operations.

Furthermore, the availability of sugarcane may be affected by various environmental and climate-related factors, including water scarcity, excessive or insufficient rainfall and other weather patterns.

***Raízen may be subject to expropriation of real estate intended for rural production.***

The real estate used by Raízen, or by third parties with whom Raízen maintains a partnership or lease relationship, for the cultivation of sugarcane may be unilaterally expropriated by the Brazilian government for purposes of public and social interest, and we cannot assure you that the payment of the indemnification that they may have to pay to Raízen will be fair. Pursuant to Brazilian law, the Brazilian government may expropriate the real estate of rural producers where the sugarcane is planted by necessity or for public utility or social interest, partially or totally. In the event of expropriation, we cannot assure you that the price paid by the Brazilian government will be fair or equivalent to the market value, or that it will effectively and adequately compensate Raízen for the amounts invested. Accordingly, any expropriation of any real estate used by Raízen, or by third parties with whom Raízen maintains partnership or lease relationships, may adversely and significantly affect Raízen's financial situation and results, and may also impact Raízen's activities, which may have a material adverse effect on our business, financial condition and results of operations.

***Social movements may affect the use of Raízen's agricultural properties or cause damage to them.***

Social movements are active in Brazil and advocate land reform and property redistribution by the Brazilian government. Invasion and occupation of agricultural land by large numbers of people is a common practice among the members of such movements, and in certain regions, including those in which Raízen owns or leases property, remedies such as police protection or eviction procedures might be inadequate or non-existent. As a result, we cannot assure you that Raízen's agricultural properties will not be subject to invasion or occupation by any of such social movements. Any invasion or occupation may materially impair the use of our lands and have a material adverse effect on Raízen's and our business, financial condition, and results of operations.

***Raízen Energia's sugar and ethanol products are sold to a small number of customers who may be able to exercise significant bargaining power concerning pricing and other sale terms.***

A substantial portion of Raízen Energia's sugar and ethanol is sold to a small number of customers that acquire large portions of our production and thus may be able to exercise significant bargaining power concerning pricing and other sale terms. In addition, intense competition in the ethanol and sugar industries further increases the bargaining power of customers, which may have a material adverse effect on Raízen Energia's sales volumes and, consequently, on us.

***Raízen Energia's export sales are subject to a broad range of risks associated with international operations.***

In the fiscal year ended December 31, 2020, Raízen Energia's net sales from exports represented 47.2% of Raízen Energia's total net sales, while in the year ended December 31, 2019, the net sales from exports represented 25.0% of Raízen Energia's total net sales. Furthermore, in the fiscal year ended December 31, 2020, Raízen Energia's net sales from sugar exports were R\$8,299.8 million, representing 26.2% of its total net sales for the period. In the year ended December 31, 2019, Raízen Energia's net sales from sugar exports were R\$2,428.1 million, representing 8.4% of Raízen Energia's total net sales for the period. Further, in the fiscal year ended December 31, 2020, Raízen Energia's net sales from exports of ethanol were R\$6,641.2 million, representing 21.0% of Raízen Energia's total net sales for that period, and in the year ended December 31, 2019, Raízen Energia's net sales from ethanol exports were R\$4,791.0 million, representing 16.6% of Raízen Energia's total net sales for that period.

Exports of ethanol are subject to factors beyond our control which may affect the competitiveness of Brazilian ethanol in other markets, such as import regulations, tax legislation, incentives for local production and the establishment of distribution systems for hydrous ethanol in countries outside of Brazil. Raízen Energia's and our future financial performance will depend, to a significant extent, on economic, political and social conditions in Raízen Energia's main export markets.

Most ethanol and/or sugar producing countries, including the United States and member countries of the European Union, protect local producers from foreign competition by establishing government policies and regulations that affect ethanol and sugar production, including quotas, import and export restrictions, subsidies, tariffs and duties. As a result of these policies, domestic ethanol and sugar prices vary greatly in individual countries. We have limited or no access to these large markets as a result of trade barriers. If these protectionist policies continue, we may not be able to expand our export activities at the rate we currently expect, or at all, which could have a material adverse effect on our business, results of operations and financial condition. Also, if new trade barriers are established in our key export markets, Raízen Energia may face difficulties in reallocating products to other markets on favorable terms, and both Raízen Energia's and our business and financial performance may be adversely affected.

***Raízen Energia may be adversely affected if the outsourcing of mechanized sugarcane cutting becomes prohibited.***

Raízen Energia is a defendant in a public civil action in which the Labor Public Prosecutor's Office (*Ministério Público de Trabalho*) is seeking the prohibition of the outsourcing of planting, loading and transportation of sugarcane. If the courts decide that outsourced activities are a core part of our activities (and may therefore not be outsourced), Raízen Energia may be required to undertake these activities itself on a permanent basis (including hiring employees and acquiring appropriate machinery), which may have a material adverse effect on Raízen Energia.

The Superior Labor Court (*Tribunal Superior do Trabalho*) decided in favor of authorizing outsourcing as from November 11, 2017. The Labor Public Prosecutor's Office has appealed this decision. Raízen Energia has also appealed to reverse a related decision requiring payment of collective moral damages in an amount of R\$3 million. Both of these appeals are pending.

***Raízen is subject to risks arising from legal proceedings based on claims related to alleged breaches of the intellectual property rights of third parties.***

Raízen is subject to risks arising from legal proceedings based on claims related to alleged breaches of the intellectual property rights of third parties. Raízen may alter the way in which it produces, in whole or in part, products which third parties allege infringe their intellectual property rights and/or pay significant indemnification amounts, royalties or licensing fees in connection with the use of third parties' patents or copyrighted materials. The filing of a lawsuit or the review of a product that is in violation of third parties' intellectual property rights may adversely affect Raízen's reputation and the demand for our products. In addition, new lawsuits require the attention of Raízen's management, as well as additional defense costs and, in certain cases, the establishment of provisions that could affect our results.

***Any mismatches between the cash outflows for the payment of litigation costs of Raízen and the time of receipt of the related reimbursement by the Joint Venture's shareholders may lead to pressures on Raízen Energia's and Raízen Combustíveis's cash flows.***

Pursuant to the framework agreement which was entered into during the formation of the Joint Venture, Raízen has agreed that it will reimburse us and Shell or will be reimbursed by them, as applicable, for any amounts received or paid in connection with legal proceedings, provided that the triggering events for such payments or receipts occurred before the formation of the Joint Venture on June 1, 2011 and provided that any such sums have actually been paid or received.

The framework agreement also provides that we are required to indemnify Raízen for any expense related to litigation (tax, labor, civil and other) that has been caused by events prior to the formation of the Joint Venture.

Any mismatches between the cash outflows from Raízen for the payment of litigation costs and the time of receipt of the related reimbursement by us or Shell, as applicable, or any failure by us or Shell to reimburse Raízen, may lead to pressures on Raízen's cash flows.

Brazilian courts, in some circumstances, have understood that a controlling shareholder, a successor entity of another corporation, an assignee company of another company's assets and other companies subject to common control to the assignor or predecessor company shall all be liable, jointly and severally, for, among other obligations, labor, social security, civil, tax or environmental obligations of the assignor, assignee or predecessor. Therefore, we may be liable for obligations of their controlling shareholders for which we have not constituted and do not intend to constitute any provisions, which may adversely affect our business, results of operations and financial condition.

***Crop disease and pestilence may strike our crops which may result in destruction of a significant portion of the harvest.***

Crop disease and pestilence can occur from time to time and have a devastating effect on Raízen's crops, potentially rendering useless or unusable all or a substantial portion of affected harvests. Even when only a portion of the crop is damaged, Raízen's business, results of operations and financial condition could be adversely affected because we may have incurred a substantial portion of the production cost for the related harvest. The cost of treatment of crop disease tends to be high. Any serious incidents of crop disease or pestilence, and related costs, may adversely affect Raízen's production levels and, as a result, our net sales and overall financial performance.

***Anticompetitive practices in the fuel distribution market may distort market prices.***

In the last few years, anticompetitive practices have been one of the main problems affecting fuel distributors in Brazil. Generally these practices have involved a combination of tax evasion and fuel adulteration, such as the dilution of gasoline by mixing solvents or adding anhydrous ethanol in an amount greater than that permitted by applicable law (the overall taxation of anhydrous ethanol is lower than hydrated ethanol and gasoline).



Taxes constitute a significant portion of the cost of fuels sold in Brazil. For this reason, tax evasion by some fuel distributors has been prevalent, which allows them to lower the prices they charge. These practices have enabled certain distributors to supply large quantities of fuel products at prices lower than those offered by the major distributors, including us, which has resulted in a considerable increase in the sales volumes of the distributors who have adopted these practices. The final prices for fuels are calculated based on the taxes levied on their purchase and sale, among other factors. If such practices become more prevalent, it could lead to lower prices or reduced margins for the products Raízen sells, which could have a material adverse effect on our business, results of operations or financial condition.

***Disruption of Raízen Energia's transportation and logistics services or insufficient investment in public infrastructure could materially adversely affect our operating results.***

One of the principal disadvantages of the Brazilian agriculture sector is that key growing regions lie far from major ports. As a result, efficient access to transportation infrastructure and ports is critical to the growth of Brazilian agriculture as a whole and of our operations in particular. As part of its business strategy, Raízen Energia is investing in areas where existing transportation infrastructure is underdeveloped.

A substantial portion of Brazilian agricultural production is currently transported by truck, a means of transportation significantly more expensive than the rail transportation available to U.S. and other international producers. Raízen Energia's dependence on truck transport may affect our position as a low-cost producer, such that its ability to compete in world markets may be impaired. Furthermore, Raízen Energia's supply chain is dependent on road transport and may be adversely affected by weather conditions which require a decrease or stoppage in road transport. Any such impediments to road traffic along the routes typically used within Raízen Energia's supply chain could require it and its suppliers to use alternative routes, which may result in delays and have a material adverse effect on Raízen Energia's business, financial condition and results of operations.

Given that a significant part of Raízen Energia's sales are exported to countries other than Brazil (both with regards to sugar and ethanol), we may be adversely affected by the lack of port capacity or an increase in the costs of such port capacity as a result of limitations in supply.

Raízen Energia currently outsources the transportation and logistics services necessary to operate its business. Any disruption in these services, or any obligation to take over these services from existing service providers as a result of judicial orders banning the outsourcing of these services, could result in supply problems at Raízen Energia's processing plants and impair its ability to deliver processed products to our customers in a timely manner. In addition, a natural disaster or other catastrophic event could result in disruption in regional transportation infrastructure systems affecting Raízen Energia's third-party transportation providers.

Even though road and rail improvement projects have been considered for some areas of Brazil, and in some cases have been implemented, substantial investments are required for road and rail improvement projects, which may not be completed on a timely basis, if at all. Any delay or failure in developing infrastructure systems could hurt the demand for our products, impede our delivery of products or impose additional costs on Raízen Energia.

***Raízen depends on third parties to provide its customers and Raízen with facilities and services that are integral to its business. Additionally, Raízen depends on the renewal of contracts with retail dealers that operate Shell-branded sites in Brazil and Argentina.***

Raízen has entered into agreements with third-party contractors to provide facilities and services required for its operations, including fuel distribution, storage facilities and transportation services for Raízen's ethanol and sugar operations. Additionally, Raízen depends on contracts entered into with retail dealers that operate Shell-branded sites in Brazil and Argentina. The loss or expiration of Raízen's agreements with third-party contractors and retail dealers, or Raízen's inability to renew these agreements or to negotiate new agreements with other suppliers and retail dealers at comparable rates could harm its business and financial performance. Raízen's reliance on third parties to provide essential services on its behalf, and retail dealers that operate Shell-branded sites in Brazil and Argentina, also gives Raízen less control over the costs, efficiency, timeliness and quality of those services. Contractors' negligence could compromise the safety of the transportation of ethanol from Raízen's production facilities to its export facilities and expose Raízen to the risk of liability for environmental damage caused by such third parties. Raízen is expected to be dependent on such agreements for the foreseeable future, and if Raízen enters any new market segments, Raízen will need to have similar agreements in place.

Brazilian labor authorities, based on case law, previously prohibited the outsourcing of activities considered to be part of an entity's core business. Noncompliance with this prohibition could result in fines and a requirement that the outsourcing be terminated. To the extent that recent Brazilian Supreme Court rulings and enacted labor legislation allowing the outsourcing of activities considered to be part of an entity's core business provided that certain conditions are complied with, Raízen faces the risk that (i) it may be held indirectly liable when third-party contractors fail to comply with their labor obligations, and (ii) it is held jointly and severally liable with its third-party contractors where they fail to comply with their labor obligations if it is proved that there was a direct relationship between Raízen and the outsourced employees, or in cases of fraud. Any such developments could materially adversely affect Raízen and, consequently, us.

***Risks related to developments in international trade may negatively affect Raízen's business.***

Sugarcane derivatives such as sugar and ethanol are key commodities, as sugar is consumed as food in many countries and ethanol accounts for a significant portion of the energy consumption of Brazil and certain other countries. As is the case with other commodities, the prices of sugarcane derivatives in international markets may fluctuate as a result of the imposition of tariff and non-tariff barriers, such as embargos, sanitary restrictions, quotas, taxes, international trade disputes and other matters. Any fluctuation in the price of sugarcane derivatives as a result of developments in international trade may affect our ability to produce, sell and/or export our products and consequently have a material adverse effect on Raízen's business, financial condition and results of operations.

***Raízen Combustíveis may not be able to successfully integrate the operations of Raízen Argentina and faces other risks associated with the acquisition.***

Raízen Combustíveis may not be able to successfully integrate Raízen Argentina into its business, or successfully implement appropriate operational, financial or administrative systems and controls to achieve the benefits that we expect to result from the acquisition of Raízen Argentina. The risks faced by Raízen Combustíveis include, but are not limited to, the (1) failure of Raízen Argentina to achieve expected results; (2) inability to retain key personnel of Raízen Argentina; (3) failure to successfully migrate Raízen Argentina's current customer and supplier relationships to the business as acquired by us; and (4) possible inability to achieve expected synergies or economies of scale. In addition, the business of Raízen Argentina could cause interruption of, or loss of momentum in, the activities of the existing business of Raízen Combustíveis. The diversion of our management's attention and any delays or difficulties encountered in connection with the integration of Raízen Argentina could adversely affect the business, results of operations or prospects of Raízen Combustíveis.

The acquisition of Raízen Argentina also exposes Raízen Combustíveis to the risk that it will inherit pre-existing business, labor, environmental or other issues which may result in temporary shutdowns, labor disputes, obligations to compensate third parties for environmental damage or repair environmental damage or which may otherwise have an adverse effect on Raízen Combustíveis if not managed properly.

In addition, the acquisition of Raízen Argentina may expose Raízen Combustíveis to successor liability relating to certain prior actions of Raízen Argentina and its management or certain contingent liabilities incurred prior to its involvement. It will also expose Raízen Combustíveis to certain liabilities associated with ongoing operations (including, without limitation, environmental liabilities), especially to the extent that Raízen Combustíveis is unable to adequately and safely manage such acquired operations. Also, undisclosed liabilities from the acquisition of Raízen Argentina may materially adversely affect the financial condition and operating results of Raízen Combustíveis.

***Government laws and regulations governing the burning of sugarcane, including requirements in respect of the Legal Reserve, could have a material adverse impact on our business or financial performance.***

The state of São Paulo has established laws and regulations that limit our ability to burn sugarcane or that reduce and/or entirely prohibit the burning of sugarcane. The costs of complying with existing or new laws or regulations are likely to increase the cost of production, and, as a result, our ability to operate our own mills and harvest our sugarcane crops may be materially adversely affected.

In addition to restrictions that limit sugarcane burning and other environmental restrictions, we are required to preserve a percentage of our rural properties (sugarcane fields and other facilities), in order to contribute to a biodiversity preservation and ecologic rehabilitation fund known as the "Legal Reserve." For rural areas located in the state of São Paulo, 20% of the property must be preserved to comply with the Brazilian Forest Code obligations.

Any failure to comply with these laws and regulations may subject us to legal and administrative actions. These actions can result in administrative or criminal penalties, including, but not limited to, suspension, shutdowns, a requirement to pay fines, which may range from R\$50 to R\$50 million and can be doubled or tripled in case of recidivism, an obligation to make capital and other expenditures or an obligation to materially change or cease some operations. In addition, we may be subject to civil liabilities, which include the obligation to redress any damages caused to the environment and/or public health. The demonstration of the cause-effect relationship between the damage caused and action or omission is sufficient to trigger the obligation to redress environmental damage.

#### **Risks Related to Gas and Energy**

***The loss of our existing concessions may have a material adverse effect on our business and results of operations.***

In Brazil, gas distribution services are provided through concessions granted by governmental authorities. Pursuant to Law No. 8,987 dated February 13, 1995, as amended, or the Concessions Law, natural gas concessions are subject to early termination in certain events. Concession agreements may be terminated as a consequence of the following: (i) expiration of the contractual term; (ii) expropriation of the concessions in the public interest (i.e., *encampação*); (iii) forfeiture (*caducidade*); (iv) termination; (v) annulment of the concession agreement to the extent irregularities in the bidding process or the granting of the concession are identified; or (vi) the bankruptcy of the concessionaire or expiration of the concession-holding entity.

Upon termination of a concession, the concession assets revert to the granting authority. Any compensation received by the concession holder upon termination may not be sufficient to offset investments made in, or the implied rate of return and the loss of future profits of, the concession. In addition, a termination of a concession would not relieve us of liability for any damages caused to third parties in connection with the provision of services or of our obligations to creditors.

If we fail to provide adequate services or if we fail to comply with applicable legal and regulatory norms and contractual clauses, including, without limitation, as a result of a negative outcome in ongoing legal proceedings, our concession agreements may be terminated, and the amount of compensation to be paid by the granting authority may be reduced as a result of the imposition of fines or other penalties, which may have a material adverse effect on our business and results of operations.

***Raw material and supply service costs are subject to fluctuations that could have a material adverse effect on Comgás's results of operations.***

Raw materials used in Comgás's business and the cost of services it engages for the distribution of natural gas are subject to wide fluctuations depending on market conditions and government policies. These prices are influenced by several factors over which we have little or no control, including, but not limited to, international and national economic conditions, regulations, government policies (including those applicable to the pricing policies of Petrobras, which is our main gas supplier), tariff adjustments and global effects of supply and demand, particularly in commodity prices. We cannot assure you that Comgás's tariff adjustment will be conducted in a timely manner or be sufficient to reflect and/or offset increases in inflation, operation costs and expenses, amortization of investments and taxes. As a result, Comgás might not be able to pass on the increased costs to its customers, which could decrease its profit margin and result in a material adverse effect on Comgás's and our business, financial condition and results of operations.

***The transportation and storage of natural gas, the import of liquefied natural gas (LNG), regasification and distribution of natural gas are inherently hazardous.***

Through Comgás, our activities involve a variety of inherent hazards and operational risks, including leaks, accidents and mechanical problems. These risks could result in personal injury and death, severe damage to or destruction of property and equipment, pollution and environmental damage and a suspension of operations, which could result in significant lost revenue and other penalties. Comgás does not carry insurance against all the risks and losses to which it is exposed. In addition, insurance proceeds, if available, may be insufficient to cover all losses. The location of pipelines near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. The occurrence of any of these events could adversely affect our image, reputation, results of operations, cash flows and financial condition.

***Variations in the price of natural gas may affect the operating costs and competitive positions of our businesses, which could adversely affect our results of operations, cash flows and financial condition.***

Natural gas prices historically have been volatile and may continue to be volatile in the future. Prices for natural gas are subject to a variety of factors that are beyond our control. These factors include, but are not limited to, the level of consumer demand for, and the supply of, natural gas, processing, gathering and transportation availability, statutory gas supply purchase obligations, price and availability of alternative fuel sources, weather conditions, natural disasters and political conditions or hostilities in natural gas producing regions.

In addition, the amounts we pay under our natural gas supply agreements are composed of two components: (1) one that is indexed to a basket of combustible oils in the international market that is adjusted quarterly and (2) one that is adjusted annually based on the inflation rate. We have no control over either of these components. Furthermore, natural gas supply agreements often take the form of a “take or pay” agreement, pursuant to which we might be required to pay the difference in amounts between actual consumption and the contract amount. Variations and uncertainties in the price and demand of oil and gas are beyond our control and may adversely affect our results of operations.

***We may be unable to renew the term of the Comgás concession agreement, or the term of the concession agreement may be renewed on terms that are less favorable to us, which may have a material adverse effect on our business and results of operations.***

We, through Comgás, carry out our natural gas distribution activities pursuant to a concession agreement entered into with the government of the state of São Paulo and regulated by ARSESP for a 30-year term with a one-time possibility of renewal for an additional 20 years at the discretion of the government of the state of São Paulo, subject to certain conditions, including approval by ARSESP. Comgás’ concession contract expires in 2029, with the possibility of extension to 2049.

Due to the discretionary power of the government of the state of São Paulo in granting the renewal of Comgás’ concession agreement, we cannot assure you that the concession agreement will be renewed, that it will be renewed on the same terms or that, to the extent it is renewed, that the amount of compensation we receive will be sufficient to cover the full value of our investment, all of which may have a material adverse effect on our business, results of operations and financial condition.

Moreover, if (i) there are any changes in applicable legislation; (ii) we are unable to extend any of our concessions; (iii) any extension is subject to certain conditions precedent or the applicable concessions are extended on terms less favorable than those currently in place; or (iv) state concession programs are cancelled, our results of operations, the implementation of our growth strategy and the normal course of our business may be materially adversely affected.

***We cannot guarantee that the results of tariff reviews pursuant to the Comgás concession agreement will be supportive of our strategy.***

The principal rights and obligations of Comgás are contained in the concession agreement and in the regulations established by ARSESP. The concession agreement provides for tariff reviews, which should ordinarily occur in five-year cycles, setting the maximum margin for the prospective cycle and the rates that will apply for each segment. Any delays, disagreements with respect to tariffs or inadequate tariff adjustments relative to our costs could have a negative impact on our results of operations.

Given the margins established in the concession agreement are prospectively set and approved by ARSESP and consider, among others, the costs, the asset base, investments, rate of remuneration, depreciation and projections for each tariff cycle, the results of prior, current and future tariff cycles may not be supportive of our strategy and/or may be challenged or amended, including as a result of third-party judicial and/or administrative proceedings.

Exceptionally and contrary to what is set forth in the concession agreement, the tariff reviews for the 4th and 5th cycles were not completed by ARSESP prior to the beginning of each cycle, and did not benefit from the ordinary support of external specialized technical consultants, resulting in judicial and administrative proceedings. The tariff review for the 4th cycle, for the period from May 31, 2014 to May 31, 2018, was completed in December 2019. The tariff review for the 5th cycle, for the period from May 31, 2018 to May 30, 2024, was completed on May 23, 2019.

As part of the tariff review processes, Comgás and third parties initiated certain procedures and appeals with ARSESP, which are currently pending. They relate to certain material and formal aspects of the tariff review procedures, including with respect to required revenue formation and asset base forecast, and they could potentially result in new judicial and/or administrative proceedings related to past tariff reviews and/or could reduce our margins and adversely affect the balance of the concession, including our ability to generate revenues, our investment capacity and our operations.

***The liberalization of the gas market in Brazil depends on compliance by Petrobras with a cease and desist agreement (Termo de Compromisso de Cessação), or the "TCC." Any noncompliance or delay in the implementation of the TCC may hinder or prevent the development of the natural gas market, which may have a material adverse effect on our business.***

As of the date of this annual report, Petrobras dominates the Brazilian gas market. In 2019, Petrobras entered into a cease and desist agreement (*Termo de Compromisso de Cessação*), or TCC, with CADE. The liberalization of the Brazilian gas market and our participation in it may be adversely affected to the extent that Petrobras does not comply with the terms of the TCC and Petrobras's dominant position in the gas sector is not reduced in the coming years, including through (i) the release of contracted and unused capacity in pipelines; (ii) access to all essential natural gas infrastructure; (iii) the sale of holdings in transportation and distribution companies; and (iv) the leasing of liquefied natural gas regasification terminals. Any such developments may limit our participation and the participation of other players in the natural gas market by limiting opportunities for developments, investments, and for the negotiation of gas supply and distribution.

Any failure by Petrobras to comply in whole or in part with the terms of the TCC may adversely affect the liberalization of the Brazilian gas market, which may have a material adverse effect on our business.

***We may be forced to buy or sell energy at prices that may generate additional costs.***

Our energy trading activities require us to estimate future market demand for electricity. We may be adversely affected to the extent that we overestimate or underestimate such demand.

If we underestimate demand and buy less electricity than we need, we may be forced to buy additional electricity in the spot market at substantially higher prices than those provided for in long-term purchase contracts. We may also be unable to pass on these additional costs to our customers and would be subject to penalties pursuant to applicable regulations. On the other hand, if we overestimate demand and buy more electricity than we need (if, for example, a significant portion of our customers start purchasing electricity directly in the open market), we may need to sell the surplus at substantially lower prices. Any significant divergence between our anticipated needs and demand for electricity may adversely affect our results of operations.

**Market activities are subject to potential losses due to short-term changes in spot market prices, and may not be able to purchase sufficient electricity to honor the sales contracts.**

We may be unable to purchase the electricity we need to fulfill our sales contracts, which may expose us to short-term market prices that are significantly higher than the prices set by our medium and long-term contracts. Free market contracts are subject to possible mismatches between the volume of generated or purchased electricity (supply) and the volume of electricity sold or consumed (demand). These volume mismatches are settled by the CCEE at the differentiated settlement price (*Preço de Liquidação das Diferenças*), or the PLD. The PLD is calculated weekly and is based on the Marginal Cost of Operation, or the CMO, and is limited to minimum and maximum values, which are reviewed and set by the ANEEL annually. Changes in short-term market prices can lead to potential losses in our market activities. The PLD may be impacted by (i) variations in expected and verified loads; (ii) variations in the levels of hydroelectric plant reservoirs; (iii) decreases/increases in expected and verified inflows; (iv) an advanced or delayed start of operations of new generators and/or transmitters; and (v) variations in expected and verified generation of small plants. The occurrence of any of these events could lead to a significant variation in the PLD, which could result in increased costs or reduced revenue from energy sales in the short-term, and could adversely affect our cash flows.

In addition, the purchase and sale of electricity transactions are conducted bilaterally between agents, and we are exposed to the credit risk of our counterparties. A default by one of our counterparties will expose us to market prices at that time, which could adversely affect our projected results of operations.

**New rules governing the electricity market may, in the future, affect electricity prices.**

Law No. 10,848, of March 15, 2004, or Law No. 10,848/2004, requires electric distributors to contract through regulated public energy auctions, but allows customers and traders to contract for electricity in the open market through negotiated bilateral contracts. Any changes in current legislation, rules and/or market conditions may, depending on our strategy to sell electricity in the free or regulated market, prevent us from contracting at desirable prices or at all, which may have a material adverse effect on our business, results of operations, financial condition and image.

#### **Risks Related to Moove**

**Moove's international operations expose it to political and economic risks in other countries.**

Our lubricants business, "Moove" (consisting of CLE, Stanbridge Group Limited, or "Stanbridge," Moove Lubricants Limited, or "Moove Lubricants," (previously known as Comma Oil Chemicals Limited), TTA - SAS Techniques et Technologie Appliquées, or "TTA," LubrigrupoII- Comércio e Distribuição de Lubrificantes, S.A., or "LubrigrupoII," Cosan Lubrificantes S.R.L, or "Cosan S.R.L" and Commercial Lubricants Moove Corp, or "Moove Corp," (previously known as Commercial Lubricants, LLC (d/b/a Metrolube), or "Metrolube,") derives approximately 2.4% of its revenues from exports, as it distributes and sells Mobil brand products manufactured in Brazil and sold in Bolivia, Paraguay and Uruguay. In addition, in July 2012, we acquired Moove Lubricants, which produces and distributes lubricants throughout Europe and Asia. In 2017 we also acquired Stanbridge, which distributes lubricants and fuels in the United Kingdom. In addition, Moove has started a new distribution operation under the Mobil brand in Spain, France, Portugal, the United States and Argentina, aligned with its strategy to leverage the ExxonMobil partnership and expand abroad. In the end of 2018, Moove also acquired Moove Corp, which distributes lubricant in the United States, in the states of New York and New Jersey.

Moove's international activities expose us to risks not faced by companies that operate solely in Brazil. Risks associated with our international operations include: (1) foreign exchange controls; (2) changes in the political or economic conditions in a specific country or region, especially in emerging markets; (3) potentially negative consequences resulting from changes to regulatory requirements; (4) difficulties and costs associated with our observance of different laws, treaties and complex international regulations; (5) tax rates that may exceed those applicable in Brazil and other countries or gains that may be subject to withholding regimes and an increase in repatriation taxes; (6) imposition of trade barriers; and (7) limitations on the repatriation of undistributed profits. The realization of any of these risks may have a material adverse effect on Moove's and our business, results of operations or financial condition.



***We may not be able to maintain or renew certain agreements with third parties which are important to our business.***

Our business, financial condition and results of operations may be materially and adversely affected if we are unable to maintain or renew certain agreements (including, without limitation, supply agreements, service contracts, licensing agreements, distribution agreements, joint ventures, partnerships and others) with third parties which are important to our business and operations.

On November 1, 2017, we acquired Stanbridge, which distributes lubricants and fuels in some regions of the United Kingdom. The company, via its subsidiaries, had a non-exclusive supply and service agreements for supply and delivery of ground fuel with the company operating Heathrow Airport. Such agreements had been extended until Airport Energy Services Limited (a subsidiary of Stanbridge) was awarded on July 30, 2020 a new agreement with Heathrow Airport Limited for the supply and delivery of ground fuel at Heathrow Airport. This agreement commenced on August 1, 2020 and will continue in full force and effect until March 31, 2025.

We, through our subsidiary Moove, are the manufacturer and exclusive distributor of lubricants in Brazil based on formulas that have been provided under the terms of the Principal Lubricants Agreement that we have entered into with ExxonMobil. On March 19, 2018, we entered into an agreement with ExxonMobil Lubricants Trading Company which grants our subsidiary Moove the exclusive production, import, distribution and marketing rights in Brazil, Bolivia, Paraguay and Uruguay of lubricants and certain other related products under the Mobil brand until November 30, 2038. This agreement came into force on December 1, 2018. The termination or failure to renew these agreements, or the failure by ExxonMobil to adequately maintain and protect its intellectual property rights, could materially and adversely affect our results of operations or could require significant unplanned investments by us if we are forced to develop or acquire alternative technology. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more of our products or relating to current or future technologies to enhance our product offerings. However, we may not be able to obtain licensing rights to the needed technology or components on commercially reasonable terms or at all.

#### **Risks Related to Logistics**

***Rumo depends on a few major customers for a significant portion of its revenue.***

The majority of the cargo Rumo transports is for the agricultural commodities industry. Rumo's major clients are export companies participating in this market, such as Bunge, Cargill, ADM, COFCO, Louis Dreyfus and Amaggi. In the fiscal year ended December 31, 2020, Bunge accounted for 10.1% of Rumo's total net revenue from services, while Rumo's six major clients accounted for 46.5% of its total net revenue from services in the same period. In the fiscal year ended December 31, 2019, Bunge accounted for 10.9% (13.9% in 2018) of Rumo's total net revenue from services, while Rumo's six major clients accounted for 45% (48% in 2018) of Rumo's total net revenue from services in the same period.

Rumo's major clients in the rail sector are export companies such as Bunge, Cargill, ADM, COFCO, Louis Dreyfus and Amaggi. In the fiscal year ended December 31, 2020, Bunge accounted for 10.6% of Rumo's net revenue from services in the rail sector, while Rumo's six major clients in the rail sector jointly accounted for 47.9% of its net revenue from services in that sector. In the fiscal year ended December 31, 2019, Bunge accounted for 12.3% (15.6% in 2018) of Rumo's net revenue from services in the rail sector, while Rumo's six major clients in the rail sector accounted for 51.1% (53.9% in 2018) of its net revenue from services in that sector.

Rumo's largest clients in the port elevation sector include Raizen, Sucres, Engelhart, COFCO, Wilmar and Czarnikow. In the fiscal year ended December 31, 2020, Raizen accounted for 18.1% of Rumo's net revenue from services in the port elevation sector, while Rumo's six largest clients in the port elevation sector collectively accounted for 74.5% of its net revenue from services in that sector. In the fiscal year ended December 31, 2019, Engelhart accounted for 22.8% (17.8% in 2018) of Rumo's net revenue from services in the port elevation sector, while Rumo's six largest clients in the port elevation sector accounted collectively for 70.0% (70% in 2018) of its net revenue from services in that sector.

We cannot guarantee that Rumo will obtain similar revenue from its major clients in the future. Any change by Rumo's major clients in their demand for transportation services, including logistics services, may have a material adverse effect on Rumo's business, financial condition and results of operations. Moreover, Rumo's revenue predominantly derives from transportation agreements between Rumo and its clients. We cannot guarantee that these transportation agreements will be renewed once they have expired. Failure to renew or otherwise extend these agreements may adversely affect Rumo's and our business, financial condition and results of operations.

***Rumo's significant indebtedness could adversely affect its financial health and prevent it from fulfilling its indebtedness obligations, which would have a material adverse effect on us, our financial condition and reduce our ability to raise capital to finance our investments and our results of operations and would adversely impact our ability to recover from economic changes.***

As of December 31, 2020, Rumo's gross indebtedness was R\$19,912 million (of which R\$2,504.2 million were short-term indebtedness). As of December 31, 2019 and 2018, our Rumo's gross indebtedness was R\$11,720.2 million and R\$10,594.4 million, respectively (of which R\$1,064.8 million and R\$924.9 million, respectively, were short-term indebtedness).

Rumo's indebtedness level and the composition of its indebtedness could have important consequences to its business. For example, it could: (1) require Rumo to reserve a substantial part of its operational cash flows to pay principal and interest on Rumo's indebtedness, which will reduce the availability of its cash flow to fund working capital, capital expenditures, acquisitions and investments; (2) limit its flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; (3) limit its ability to borrow additional funds, obtain bank guarantees or collateral insurance and generally increase its borrowing costs; and (4) place Rumo at a competitive disadvantage compared to our competitors that have less indebtedness.

In addition, certain of Rumo's financing agreements are subject to early maturity due to cross default and cross acceleration provisions in case Rumo fails to comply with certain nonfinancial covenants or defaults on certain of its financial obligations under such financing agreements.

Any of the aforementioned developments could have a material adverse effect on Rumo as well as on us, our financial condition and results of operations.

***Rumo's concessions to operate port terminals are subject to expiration, limitation on renewal and early termination by the granting authority.***

Rumo leases 118,434.38 square meters of property located in the port of Santos (State of São Paulo), which has two docking cradles for loading sugar and solid agricultural bulk (corn and soy). This property is leased pursuant to lease agreement PRES-05/96, which matures on March 6, 2036. Pursuant to Article 57 of the Ports Modernization Law (Law No. 12,815/2013) and Article 19 of Decree No. 8,033/2013, recently amended by Decree No. 9,048/2017, lease agreements may be extended up to the limit of 70 years. Pursuant to the lease agreement, Rumo and its subsidiaries have an obligation to make certain investments totaling an estimated amount of R\$308 million, of which approximately 85% has already been invested by Rumo and/or its subsidiaries.

Rumo also holds equity interests in: (i) Terminal XXXIX and the adjacent areas for moving agricultural products and bulk, as well as other goods capable of being transported in those port installations, through a port lease agreement due to expire in 2050; (ii) facilities, equipment and track for rail transport of goods and import/export through the right bank of the port of Santos, by means of a lease agreement with Portofer Transporte Ferroviário Ltda., or Portofer, due to expire in 2025; (iii) Terminal de Granéis do Guarujá, or TGG, located on the left bank of the port of Santos, for the transport of solid and liquid bulk, through an area used by Rumo Malha Norte S.A., or Malha Norte, via a leasing agreement due to expire in 2027; and (iv) Terminal Marítimo do Guarujá, or TERMAG, located on the left bank of the port of Santos, mainly for the transport of solid and liquid bulk, through an area used by Malha Norte via a lease agreement due to expire in 2027.

There is an ongoing legal proceeding regarding whether the lease agreements (as amended) relating to Terminal XXXIX, TGG and TERMAG should be subject to the public bidding procedures. This proceeding is currently under appeal in the Brazilian superior courts (*Superior Tribunal de Justiça* and *Supremo Tribunal Federal*). Rumo's business could be adversely affected as a result of such lawsuits, since all revenues from the movement of solid bulk in relation to the contract in question may no longer be earned if the relevant lease agreement is declared void. With regard to the Portofer lease agreement, there is a public civil action filed by the Brazilian Federal Prosecutors' Office, to challenge the legal validity of the agreement. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Possible Losses—Terminals Leasing."

If Rumo's subsidiaries fail to comply with the applicable regulatory rules or contractual obligations relating to their terminals, their leases may be terminated early pursuant to the Concession Law (Law No. 8,987/1995), which applies to port leases. Below is a list of the termination events applicable to Rumo's subsidiaries' port lease agreements:

- the expiration of Rumo's lease (currently in 2036, which can be legally extended up to 2066 through new investments);
- *encampação*, which is the possibility of expropriation of the port concessions by the granting authority during the contractual term. Such expropriation must be in the public interest, performed pursuant to applicable authorizing law and requires the payment of an indemnity for investments not yet depreciated, if applicable;
- a statement of forfeiture, which occurs, at the granting authority's sole discretion, in case of total or partial non-performance of the lease, without prejudice to the application of other contractual penalties. The forfeiture may be declared under the following circumstances: (i) the service is not being provided adequately (i.e., there has been a breach of the minimum transport requirements); (ii) failure to undertake the investments stipulated in the agreement; (iii) breach of contractual obligations; (iv) transfer of the agreement without prior consent from the granting authority; (v) obstruction of audits carried out by the granting authority; (vi) changes to the contractual objective; (vii) failure to maintain or conserve the leased facilities; (viii) default in financial obligations set out in the agreement; or (ix) loss by us of the economic, technical and operating conditions required for the adequate provision of services set out in the agreement. The forfeiture must be preceded by the verification of the default in an administrative proceeding in connection with which we have a right of defense;
- termination by the lessee in the event of breach of contractual provisions or rules established by the granting authority by means of judicial action for this specific purpose;
- annulment; and
- bankruptcy or extinction of the lessee.

The lease agreements and applicable legislation confer several rights of the granting authority pursuant to the specific rules and regulations for the industry. Accordingly, there are contractual provisions that allow, among other things, amendments to the agreement, assignment and/or transfer of the lease agreement (the latter subject to prior consent from the granting authority), provided, however, that all amendments to the agreement must abide by the rules and proceedings set out in the specific law or regulation.

Termination of Rumo's port lease agreements may adversely impact Rumo's transportation costs and the turnaround time for the export of Rumo's products, as well as Rumo's revenues from service agreements related to Rumo's port facilities.

In addition, port assets deemed essential to the continuity of port operations will revert to the granting authority upon expiration of the concession. The reversion following expiration is subject to indemnification for investments in assets not yet amortized or depreciated which were undertaken to guarantee service continuity. Upon termination of the concession, it is possible that the investments made in those assets will have not been entirely amortized or depreciated. In this case, Rumo and the granting authority will negotiate the amount of any indemnification for such investments, to the extent such investments have been previously approved by the granting authority. As the final decision on this amount will be made solely by the granting authority, Rumo's financial condition may be negatively impacted if indemnification eventually approved is not sufficient to compensate us for the investments made.

Any of the aforementioned developments could have a material adverse effect on Rumo as well as on us, our financial condition and results of operations.

***We cannot estimate the impact of new regulations applicable to port operations in Brazil.***

Until December 6, 2012, port operations in Brazil were governed by Federal Law No. 8,630/1993, or the Ports Modernization Law, which provided the legal framework applicable to the development and operation of government-owned port terminals and facilities in Brazil. In view of the need to improve the applicable legislation, the Brazilian government implemented Law No. 12,815/2013, or the "Ports Law," which expressly revoked the Ports Modernization Law and established a new legal framework with respect to port operations in Brazil. As a result, public ports are regulated by the Ports Law and by specific complementing regulations, such as Decree No. 8,033/2013.

According to the provisions of the Ports Law, there are no more distinctions between third-party and own cargo handled at private port terminals. As a result, public ports are expected to face higher competition. Accordingly, it is possible that Rumo may not be able to reach the minimum cargo movement provided for in its concession agreement for the exploitation of public port terminals, which may subject it to fines and, upon repeated violations, to the early termination of the concession. Even though the Ports Law does not provide for the adjustments of the terms of any concession agreement currently in place, it is possible that new regulations may include such provision. New regulations applicable to port operations in Brazil that might cause an adjustment of the terms in Rumo's concession agreements may adversely affect our results of operations.

***The loss of Brazilian railway concessions may have a material adverse effect on our business.***

Brazilian railway concessions are subject to early termination in certain circumstances, including the Brazilian authorities reassuming control of the service pursuant to applicable law or by the termination of the relevant concession for breach of any underlying contractual agreements, in particular the inadequate provision of rail transportation services provided for in the concession agreements. Pursuant to Law No. 8,987 of February 13, 1995, or the "Concession Law," concession agreements may be terminated as a consequence of: (1) expiration of the contractual term; (2) expropriation of the port concessions in the public interest (i.e., *encampação*); (3) forfeiture (*caducidade*); (4) termination; (5) annulment; (6) bankruptcy; or (7) expiration of the concession-holding entity.

*Encampação* is the seizure of the service by the granting authority during the concession term to the benefit of public interest, by means of a specific authorizing law and after payment of an indemnity. The granting authority may declare the forfeiture of the agreement in the cases in which the concessionaire recurrently defaults on its obligations, or annulment in the cases that the bidding documents for the concession or the concession agreement are tainted by unlawful provisions, or declare penalties, due to total or partial non-performance of the agreement. The granting authority may forfeit the concession when, among other events: (1) the service is being rendered in an inadequate or insufficient manner, according to the norms, criteria, indicators and parameters defining the quality of the service; (2) the concessionaire breaches contractual, regulatory or legal provisions concerning the concession; (3) the concessionaire interrupts the service other than for acts of god or force majeure events; (4) the concessionaire no longer possesses the economic, technical or operational conditions required to adequately render the services under the concession; (5) the concessionaire does not comply with the penalties imposed for breaches within the established deadlines; (6) the concessionaire fails to comply with the subpoena of the granting authority in order to regularize the service providing; and (7) the concessionaire does not comply with the subpoena of the granting authority to, within 180 days, present the documentation related to fiscal regularity, in the course of the concession, as provided by law.

Upon termination of a concession, the leased or operated assets revert to the granting authority, and the amount of compensation received may not be sufficient to cover the losses incurred by us as a result of such early termination. In addition, certain creditors may have priority with regard to such compensation.

In addition, pursuant to the terms of Rumo's concession agreements, the granting authority may intervene in the concession to ensure that the relevant services are being provided as well as to ensure compliance with the applicable contractual clauses and legal and regulatory norms.

An early termination of Rumo's concession agreement, as well as the imposition upon Rumo of penalties associated with such termination and interventions in our management, may have a material impact on Rumo's operating results and affect our payment capacity and ability to meet our financial obligations, as well as damage our reputation.

***Rumo may not obtain an early renewal of the Malha Sul concession agreement, currently under review by the Brazilian Transportation Authority (Agência Nacional de Transporte Terrestre), or ANTT, which may have a material adverse effect on Rumo's investment plan and growth strategy.***

The concession agreement for Malha Sul expires in 2027. Rumo has already filed a formal request for an early renewal of the term of this concession agreement, similarly to the request made in connection with the renewal of the Malha Paulista concession agreement already approved by ANTT. See "–Rumo made certain commitments in connection with the Malha Paulista early renewal agreement and may incur additional liability if it fails to comply with them."

In the meantime, Law No. 13,448/2017 was enacted following the conversion into law of Provisional Measure No. 752/2016 which defines the general rules governing extensions of concessions, including early renewals, as well as re-bidding of partnership contracts of the federal public administration pursuant to the provisions of Law No. 13,334/2016, in the road, rail and airport sectors. Pursuant to the terms of the new law, the granting authority will perform re-bidding if there is a breach of contract or if the concession holders are no longer capable of fulfilling the contractual and financial obligations originally undertaken. In the case of early renewals, rail concession holders must demonstrate provision of adequate services, including compliance with production and safety targets or of safety targets set forth in the applicable contracts, pursuant to the provisions of article 6, paragraph 2 of Law No. 13,448/2017. In addition, contract amendments must contain a timeline for required investments and include measures to discourage potential noncompliance or delay in complying with obligations (such as the annual rebalancing discount and the additional grant payment).

We cannot guarantee that Rumo's requests for renewals will be successful or that they will occur within the timeframe which we anticipate. In addition, any early renewal may be subject to certain conditions precedent or the applicable concessions may be renewed on terms less favorable than those currently in place. Rumo may also face significant competition from third parties if the granting authority decides to subject our maturing concessions to a re-bidding process.

***Rumo made certain commitments in connection with the Malha Paulista early renewal agreement and may incur additional liability if it fails to comply with them.***

The concession contract for Malha Paulista was initially going to expire in 2028. In September 2015, Rumo filed a formal request with ANTT for an early extension of the term of this contract. Such request resulted in the signature of the Second Addendum to the Concession Agreement of Rumo Malha Paulista S.A. – RMP, of December 30, 1998 and its respective attachments, or the Addendum, on May 27, 2020, which gives Malha Paulista the right to extend the term of its concession contract, subject to certain conditions precedent. Due to the signing of the Addendum, the new value of the concession grant is of approximately R\$3.4 billion (of which R\$2.8 billion has already been paid), to be paid in quarterly installments over the term of the contract until 2058, with estimated investments of R\$6.1 billion (as of December 2017) over the same period.

Rumo may not be able to comply with all of the conditions imposed by the public authority in the Addendum, which could prevent Rumo from extending the concession to 2058, and could also cause Rumo to be subject to sanctions for any failure to meet the stipulated conditions.

***Rumo's Brazilian rail tariffs are subject to a maximum rate established by the Brazilian government.***

Under Rumo's rail network concession agreements, tariffs for our rail freight services are subject to a maximum rate. Maximum tariff rates that Rumo is allowed to charge are adjusted for inflation according to variations in the Price Index-Domestic Supply (*Índice Geral de Preços - Disponibilidade Interna*), or IGP-DI index (or a substitute index) in accordance with applicable Brazilian law or concession agreements. Currently, tariff adjustments are performed on an annual basis, at different months of the year, depending on the terms of each concession agreement. Additionally, the tariffs Rumo charges for rail freight services on our rail network can be revised upward or downward if there is a justified, permanent market and/or costs change that may alter the rail network concession agreements' economic and financial balance, or as determined by the Brazilian government every five years. The mechanisms for restoring the financial balance are defined in Brazilian law or in the agreements and must be requested by the non-breaching party along with adequate economic evidence.

In 2012, the ANTT implemented a review of reference rates that altered the original methodology for defining such rates. The use of revised rate charts could affect Rumo's capacity to generate revenues, as such review revised most rates downward and established a cap for Malha Norte, which originally was not subject to a cap.

ANTT may implement a review of the reference rates, changing the methodology for defining the tariffs originally established. Any application of revised tables may impact Rumo's revenues and we cannot guarantee that future tariffs will be set at a level that will allow Rumo to continue operating profitably.

***We cannot predict the outcome of an investigation into the conduct of former employees of ALL prior to its acquisition by Rumo.***

During the course of 2016, Rumo became aware of certain press reports alleging that improper payments to government officials were made by former employees of ALL (prior to being acquired by Rumo) in connection with an investment by *Fundo de Investimento do Fundo de Garantia do Tempo de Serviço*, or "FI-FGTS," in Rumo's indirect subsidiary Brado Logística and in ALL. As a result of these allegations, Rumo hired external advisors to conduct an internal investigation. Upon completion of the investigation, in July 2016, we submitted a report to the Public Prosecutor's Office, clarifying that the facts found refer to the period prior to our merger with ALL.

Rumo has been made aware that information regarding this investigation report was added to the records of a criminal investigative procedure initiated by the Federal Prosecutor's Office to investigate these and other facts. As of the date hereof, investigations remain ongoing.

At this time, we can neither predict the consequences of any findings or any measures that may be taken by local authorities, any of which may have a material adverse effect on Rumo.

***Rumo may not have access to new financing on favorable conditions to meet its capital needs and fulfill its financial obligations.***

Rumo relies on obtaining financing and refinancing of existing loans in order to operate its business, implement its strategy and grow its business. Rumo needs bank guarantees to obtain credit facilities from both BNDES and other financial institutions, and typically needs insurance guarantees in order to participate in court proceedings to which it is a party. Recent disruptions in the global credit markets and their effect on the global and Brazilian economies, including as a result of the COVID-19 pandemic, could affect Rumo's ability to raise capital and materially and adversely affect Rumo's business.

Substantial volatility in the global capital markets, unavailability of financing in the global capital markets at reasonable rates and credit market disruptions have had a significant negative impact on financial markets, as well as on the global and domestic economies. In particular, the cost of financing in the global debt markets has increased substantially, greatly restricting the availability of funds in such markets. Further, volatility in the markets has led to increased costs for obtaining financing in the credit markets, as many creditors have raised interest rates, adopted more rigorous loan policies, reduced volume and, in some cases, ceased offering financing to borrowers on reasonable terms.

If Rumo is unable to obtain new financing or to refinance existing loans when necessary, or obtain or renew insurance guarantees on reasonable terms or at all, Rumo may not be able to comply with its financial obligations or explore business opportunities, and the value of certain of its assets could decline, which could also reduce liquidity and resources available for investments. This would have a material adverse effect on Rumo's and our business, financial condition and results of operations.

***Rumo may not be successful in reducing operating costs and increasing operating efficiencies.***

Rumo may not be able to achieve expected cost savings, which rely on several factors such as rail track prices, railroad ties, fuel, iron, engineering and other resources required for our operations. Given the competitive markets in which Rumo operates (in which prices are often set by global market conditions), it is possible that Rumo will not be able to pass increases in costs of materials onto the price of our services (including as a result of limits applying to our tariffs), which would materially and adversely affect its financial performance.

***The exercise of an option granted under the shareholders' agreement of one of Rumo's subsidiaries, Brado Logística, may have a material adverse effect on Rumo's financial condition or result in a dilution of Rumo's shareholders' equity interest.***

FI-FGTS, Logística Brasil - Fundo de Investimento em Participações, or "FIP - BRZ," Deminvest Empreendimentos e Participações S.A., or "Deminvest," Markinvest Gestão de Participações Ltda., or "Markinvest," referred to collectively with FIP - BRZ and Deminvest as the "Original Shareholders," and Brado Holding S.A., or "Brado Holding," referred to jointly with FI-FGTS and the Original Shareholders as the "Brado Shareholders," are party to a shareholders' agreement governing the investment in Brado Logística, our subsidiary active in the intermodal container logistics sector, or the "Brado Shareholders' Agreement."

The Brado Shareholders' Agreement provides that, to the extent the initial public offering of Brado LP has not occurred prior to March 31, 2014, the Brado Shareholders are entitled to swap the totality of their shares in Brado Logística for, at the discretion of the Brado Holding, (i) shares as provided for in the Brado Shareholders' Agreement, or (ii) an amount corresponding to the market value of such shares. The exchange ratio would be based on the fair market value. If the Brado Shareholders do not reach consensus on the appraisal thereof, the fair market value would be based on independent appraisals carried out as provided for in the Brado Shareholders' Agreement.

The option described above became exercisable on April 1, 2014 and was exercised on each of April 20 and 23, 2015. There is an ongoing confidential arbitration proceeding against Rumo relating to the appraisal reports prepared by financial institutions appointed pursuant to the shareholders' agreement of Brado Logística and the type of consideration (money or shares) due as a result of the exercise of the option. In addition, the exercise of the option by FI-FGTS may occur between the fifth and the seventh anniversary of the date of the signing of the Brado Shareholders' Agreement (which was August 5, 2013), which was not exercised until the date hereof.

The exercise of the option may result in: (1) disbursement of material amounts by Rumo, which may adversely affect Rumo's results of operations and financial condition; or (2) the issuance of new shares by Rumo in a quantity which may dilute the equity interests held by Rumo's shareholders.

***Downturns in certain cyclical market sectors in which Rumo's customers operate and seasonal trends could have a material adverse effect on Rumo's business.***

The transportation and logistics industries are highly cyclical, generally tracking the cycles of the world economy. Accordingly, the transportation industry is affected by macroeconomic conditions and by various factors within each particular industry that may influence operating results. Some of Rumo's customers do business in highly cyclical markets (including as a result of harvest seasonality), including the oil and gas and agricultural sectors.



Soybean harvests generally occur between January and May, corn harvests (mainly for export) generally occur between April and July and sugar harvests generally begin in April or May and end in November or December. For this reason, Rumo typically transports larger volumes of goods in the second and third quarters of each year and lower volumes in the “off season” (i.e., the first and fourth quarters of each year).

Any downturn in these industries may have a material adverse effect on Rumo’s business, results of operations and financial condition. In addition, some of the products Rumo transports have shown a historical pattern of price cyclicalities, which has typically been influenced by the general economic environment, industry capacity and demand. Rumo is also subject to the risk that sugarcane mills may change their production mix in favor of ethanol if the relative prices of the two products swing that way. This could reduce the demand for sugar logistics and transport.

We cannot assure you that prices and demand for these products will not decline in the future, adversely affecting those industries and, in turn, Rumo’s and our business, results of operations and financial condition.

***Rumo operates in a competitive industry, and if it is unable to adequately address factors that may adversely affect its revenue and costs, Rumo’s business could suffer.***

An increase in competition may reduce Rumo’s revenues and result in smaller profit margins or the loss of market share. Rumo’s business, financial condition and results of operations may be adversely affected if we are not able to adequately compete in the market.

Competition in the transportation services industry is intense and includes:

- competition with other transportation modes, such as road freight;
- competition with alternative export options for agricultural products through other ports (particularly in the northern region of Brazil) to the detriment of the ports of Santos (State of São Paulo), Paranaguá (state of Paraná) and São Francisco do Sul (State of Santa Catarina);
- dependence on operating quality and port and terminal capacity;
- the limitations established by the maximum tariffs established by the ANTT;
- a reduction in road tariffs, particularly during times of declining growth rates in the economy or low demand from agricultural producers, which may limit Rumo’s ability to maintain or increase rates, operating margins or growth of its business; and
- establishment of cooperative relationships by Rumo’s competitors to increase their ability to address shipper needs.

Rumo’s main competitors are companies in the truck transportation business, which has historically been the main cargo transportation mode in Brazil. According to the CNT, trucks transported 61% of Brazil’s production in 2018, while only 21% of that production was transported by rail and 14% was transported on waterways, which includes coastal shipping. Although Rumo is expanding our intermodal services via truck transportation, any new measures by the Brazilian government that lower costs for road transportation, such as cheaper toll fares or permanent suspension of the toll-road concession program, may limit Rumo’s growth prospects.

New measures by the Brazilian government that benefit or reduce costs for road transportation, such as cheaper toll fares or permanent suspension of the toll-road concession program, may limit our growth prospects.

Increased competition may lead to decreases in Rumo’s revenues, smaller profit margins or loss of market share. This may adversely impact Rumo’s and our business, financial condition and results of operations.

***Rumo operates in a regulated environment, and measures taken by public authorities may impact Rumo's activities.***

The rail services which Rumo provides are regulated and supervised by the Brazilian government and in particular by the Brazilian Ministry of Transportation, Ports and Civil Aviation, as well as the ANTT. The ANTT regulates various aspects of the business of companies active in the Brazilian rail sector, including with regard to requirements for investments, expenses, determination of revenue, and the setting of tariffs in order to guarantee regularity, continuity, efficiency, safety and affordability. These activities are intensely regulated through laws, decrees, provisional measures, ordinances, resolutions and other regulatory and legislative actions. Changes to legislation or regulation relating to the rail sector may adversely affect Rumo's business, financial results and operating results.

In addition, Rumo's railroad concession agreements have been entered into with the Brazilian Ministry of Transportation, Ports and Civil Aviation (currently known as the Brazilian Ministry of Infrastructure and acting as granting authority when the grants took place), later substituted by the ANTT after the enactment of Law No. 10,233/2001. Rumo's operations take place in a highly regulated environment because concessions agreements are administrative contracts. Such contracts are therefore subject to public law, which gives the granting authority the right to: (i) amend the contracts unilaterally when in the public interest (while respecting the rights under the contract); (ii) unilaterally terminate the contracts in the instances provided for in Law No. 8,666/1993; (iii) supervise the execution of the contracts; and (iv) impose sanctions in the case of partial or complete noncompliance with the adjustment (among other instances).

Therefore, notwithstanding the concessionaire's right to maintain the financial balance of the concession agreement, actions taken by the public administration in general may affect the services rendered by Rumo. For example, if (i) new obligations are imposed; (ii) additional investments not originally provided for in the concession agreements are required as a result of unilateral measures provided for in the statute or through the creation of new regulations by the ANTT; and (iii) the scope of the concession agreements is reduced or certain actions taken by us are rejected or not given effect (such as anticipated concession renewals, extensions of grants in force or extensions under conditions not favorable to us), Rumo's economic and financial condition and operating results may be adversely affected.

We cannot predict which actions the Brazilian government will take in the future and how such actions will affect Rumo's operating results. If Rumo is required to conduct its business in a manner substantially different from that contemplated in Rumo's business plan, Rumo's and our financial and operating results may be adversely affected.

**Risks Related to Our American Depositary Shares and Our Common Shares**

***Our ADSs may not be as liquid as our common shares.***

Some companies that have issued ADSs on U.S. stock exchanges have experienced lower levels of liquidity in their American depositary shares than is the case for their equity securities listed on their domestic exchange. There is a possibility that our ADSs, listed on the NYSE, will be less liquid than our common shares listed on the B3.

There is no guarantee that an active public market in our ADSs will develop or be sustained. If an active market for our ADSs does not develop, the market price and liquidity of our ADSs may be adversely affected.

***Our maintenance of two exchange listings may adversely affect liquidity in the market for our common shares and ADSs and result in pricing differentials between the two exchanges.***

Our common shares are listed on the B3 and our ADSs are be listed on the NYSE. It is not possible to predict how trading will develop on such markets. The listing of our common shares and our ADSs on two distinct exchanges may adversely affect the liquidity of such shares in one or both markets and may adversely affect the development of an active trading market for our common shares on the B3 and for our ADSs on the NYSE. In addition, differences in the trading schedules, as well as the volatility in the exchange rate of the two trading currencies, may result in different trading prices for our common shares and our ADSs.

***The market price of our common shares and ADSs may be volatile.***

The market price of our common shares and ADSs may be volatile. Broad general economic, political, market and industry factors may adversely affect the market price of our common shares and ADSs, regardless of our actual operating performance. Factors that could cause fluctuation in the price of our commons shares and ADSs include:

- actual or anticipated variations in quarterly operating results and the results of competitors;
- changes in financial projections by us, if any, or by any securities analysts that might cover our common shares or ADSs;
- conditions or trends in the industry, including regulatory changes or changes in the securities marketplace;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- additions or departures of key personnel;
- volatility in global and Brazilian capital markets;
- variations in exchange rates and in particular the exchange rate between the Brazilian real and the U.S. dollar;
- other factors affecting the price of securities listed on the B3 and NYSE; and
- issuances or sales of our common shares or ADSs, including sales of shares by our directors and officers or our key investors.

***Shareholders could be diluted in the future, which could also adversely affect the market price of our common shares and ADSs.***

It is possible that we may decide to offer additional common shares or ADSs or securities convertible therein in the future either to raise capital or for other purposes. If our shareholders do not take up such offer or are not eligible to participate in such offering, their proportionate ownership and voting interests would be reduced. An additional offering could have a material adverse effect on the market price of our common shares and ADSs.

In addition, according to art. 172 of Law No. 6,404, of December 15, 1976, as amended, or the “Brazilian Corporate Law,” we may not be required to grant preemptive rights to our shareholders in the event of a capital increase through a public offering of shares or securities convertible into shares, which may result in a dilution of our current shareholders’ stake in our company.

***Exchange controls and restrictions on remittances abroad may adversely affect holders of our ADSs.***

Brazilian laws provide that whenever a serious imbalance in Brazil's balance of payments exists or is anticipated, the Brazilian federal government may impose temporary restrictions on the repatriation by foreign investors of the proceeds of their investment in Brazil and on the conversion of Brazilian currency into foreign currency. For example, for six months in 1989 and early 1990, the Brazilian federal government restricted all fund transfers that were owed to foreign equity investors and held by the Brazilian Central Bank, in order to preserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with Brazilian federal government directives. Although the Brazilian federal government has never exercised such a prerogative since, we cannot guarantee that the Brazilian federal government will not take similar actions in the future.

You may be adversely affected if the Brazilian federal government imposes restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and, as it has done in the past, on the conversion of the real into foreign currencies. These restrictions could hinder or prevent the conversion of dividends, distributions or the proceeds from any sale of shares, as the case may be, into U.S. dollars and the remittance of U.S. dollars abroad. We cannot assure that the government will not take this measure or similar measures in the future. Holders of our ADSs could be adversely affected by delays in, or a refusal to grant, any required governmental approval for conversion of real payments and remittances abroad in respect of the shares, including the shares underlying our ADSs. In such a case, the depositary will distribute *reais* or hold the *reais* it cannot convert for the account of our ADS holders who have not been paid.

***Holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.***

We are organized under, and are subject to, the laws of Brazil, and substantially all our directors and executive officers and our independent registered public accounting firm reside or are based in Brazil. Substantially all of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, our ADS holders may face greater difficulties in protecting their interests due to actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

***The relative volatility and illiquidity of the Brazilian securities markets may adversely affect holders of our common shares and ADSs.***

Investments in securities, such as our common shares or ADSs, of issuers from emerging market countries, including Brazil, involve a higher degree of risk than investments in securities of issuers from more developed countries. The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States and other jurisdictions, and may be regulated differently from the ways familiar to U.S. investors. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States.

The uncertainties caused by the outbreak of COVID-19 had an adverse impact on the global economy and global capital markets, including in Brazil, during the course of 2020. As a result of this volatility, the B3's circuit breaker mechanism was triggered eight times during March 2020. The prices of most securities traded on the NYSE and the B3, including the price of our common shares, were adversely affected by the COVID-19 pandemic. Impacts similar to those described above may reoccur, which may result in volatility in the price of our securities traded on the NYSE and on the B3. We cannot assure you that the price of our securities will not fall below the lowest levels at which our securities traded during the ongoing pandemic.

These features may substantially limit the ability to sell our common shares, including in the form of ADSs, at a price and time at which holders wish to do so. A liquid and active market may never develop for the ADSs, and as a result, the ability of holders of our ADSs to sell at the desired price or time may be significantly hindered.

***Holders of our ADSs may face difficulties in protecting their interests because we are subject to different corporate rules and regulations than a U.S. company and holders of our ADSs may have fewer and less well-defined rights.***

Holders of our ADSs are not our direct shareholders and may be unable to enforce the rights of shareholders under our by-laws and Brazilian law. Holders of our common shares are generally required under our current by-laws to resolve any disputes with us through arbitration. Our corporate affairs are governed by our by-laws and Brazilian law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, or elsewhere outside Brazil. Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may also be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our ADSs at a potential disadvantage.

***Holders of our ADSs do not have the same voting rights as our shareholders.***

Holders of our ADSs do not have the same voting rights as holders of our common shares. Holders of our ADSs are entitled to the contractual rights set forth for their benefit under the deposit agreement. ADS holders exercise voting rights by providing instructions to the Depositary, as opposed to attending shareholders' meetings or voting by other means available to shareholders. In practice, the ability of a holder of ADSs to instruct the Depositary as to voting will depend on the timing and procedures for providing instructions to the Depositary, either directly or through the holder's custodian and clearing system.

***Due to delays in notification to and by the Depositary, holders of our ADSs may not be able to give voting instructions to the Depositary or to withdraw our common shares underlying their ADSs to vote such shares in person, virtually or by proxy.***

Despite our efforts, the Depositary may not receive voting materials for our common shares represented by ADSs in time to ensure that holders of such ADSs can either instruct the Depositary to vote our common shares underlying their ADSs or withdraw such shares to vote them in person, virtually or by proxy.

In addition, the Depositary's liability to holders of ADSs for failing to execute voting instructions, or for the manner in which voting instructions are executed, will be limited by the deposit agreement for the ADSs. As a result, holders of our ADSs may not be able to exercise their rights to give voting instructions, or to vote in person, virtually or by proxy, and may not have any recourse against the Depositary or us if our common shares underlying their ADSs are not voted as they have requested or if our common shares underlying their ADSs cannot be voted.

***An exchange of ADSs for common shares risks the loss of certain foreign currency remittance advantages.***

Holders of our ADSs benefit from the certificate of foreign capital registration, which permits the Depositary to convert dividends and other distributions with respect to common shares into foreign currency, and to remit the proceeds abroad. Holders of our ADSs who exchange their ADSs for common shares will then be entitled to rely on the Depositary's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, they will not be able to remit non-Brazilian currency abroad unless they obtain their own certificate of foreign capital registration, or unless they qualify under Resolution No. 4,373/2014 of the CMN, which entitles certain investors to buy and sell shares on Brazilian stock exchanges without obtaining separate certificates of registration. There can be no assurance that the certificate of registration of the Depositary, or any certificate of foreign capital registration obtained by holders of our ADSs, will not be affected by future legislative or regulatory changes, or that additional Brazilian law restrictions applicable to their investment in our ADSs may not be imposed in the future.

***Holders of our ADSs may not be able to exercise the preemptive rights relating to the common shares.***

Holders of our ADSs may not be able to exercise the preemptive rights relating to the common shares underlying their ADSs unless a registration statement under the Securities Act is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares or other securities relating to these preemptive rights, and we cannot assure holders of the ADSs that we will file any such registration statement. Unless we file a registration statement or an exemption from registration applies, holders of our ADSs may receive only the net proceeds from the sale of their preemptive rights by the Depository or, if the preemptive rights cannot be sold, the rights will be allowed to lapse.

***The holders of our common shares (including the common shares underlying the ADSs) may not receive dividends or interest on own capital.***

According to our current by-laws, our shareholders are entitled to receive a mandatory minimum annual dividend equal to 25% of our annual net profit, calculated and adjusted under the terms of the Brazilian Corporation Law. Our current by-laws allow for the payment of intermediary dividends, to the retained earnings account or the existing earnings reserves in the last yearly or six-month balance, by means of the annual dividend. We may also pay interest on own capital, as described by Brazilian law. The intermediary dividends and the interest on own capital declared in each fiscal period may be imputed to the mandatory dividend that results from the fiscal period in which they are distributed. At the general shareholders' meeting, shareholders may decide on the capitalization, on the offset of our losses or on the net profit retention, as provided for in the Brazilian Corporation Law, with the aforementioned net profit not being made available for the payment of dividends or interest on own capital.

In addition, Brazilian Corporation Law allows publicly-held companies, like us, to suspend the required minimum distribution of dividends. The payment of dividends may be suspended if our management reports at an annual shareholders' meeting that such distribution would be inadvisable in view of our financial condition and has provided the shareholders at the annual general shareholders' meeting with an opinion to that effect, which has been reviewed by our fiscal council, if installed. In addition, our management must submit a report to the CVM within five days following said meeting clarifying the reasoning for any such non-payment. If the abovementioned occurs, holders of the common shares (including the common shares underlying the ADSs) may not receive dividends or interest on own capital.

***Judgments of Brazilian courts with respect to our shares will be payable only in reais.***

If proceedings are brought in the courts of Brazil seeking to enforce our obligations in respect of the common shares, we will not be required to discharge our obligations in a currency other than reais. Under Brazilian exchange control limitations, an obligation in Brazil to pay amounts denominated in a currency other than reais may only be satisfied in Brazilian currency at the exchange rate, as determined by the Brazilian Central Bank, in effect on the date the judgment is obtained, and such amounts are then adjusted to reflect exchange rate variations through the effective payment date. The then-prevailing exchange rate may not afford non-Brazilian investors with full compensation for any claim arising out of or related to our obligations under the ADSs.

***As a foreign private issuer, we have different disclosure and other requirements than U.S. domestic registrants.***

As a foreign private issuer under the Exchange Act, we may be subject to different disclosure and other requirements than U.S. domestic registrants. For example, as a foreign private issuer, in the United States, we are not subject to the same disclosure requirements as a U.S. domestic registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports on Form 10-Q or to file current reports on Form 8-K upon the occurrence of specified significant events, the proxy rules applicable to U.S. domestic registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules applicable to U.S. domestic registrants under Section 16 of the Exchange Act. In addition, we rely on exemptions from certain U.S. rules, which permit us to follow Brazilian legal requirements rather than certain of the requirements that are applicable to U.S. domestic registrants.

Furthermore, foreign private issuers are required to file their annual report on Form 20-F within 120 days following the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days following the end of each fiscal year. As a result of the above, even though, we are required to make submissions on Form 6-K disclosing the information that we have made or are required to make public pursuant to Brazilian law, or are required to distribute to shareholders generally, and that is material to us, you may not receive information of the same type or amount that is required to be disclosed to shareholders of a U.S. company.



***We are a foreign private issuer and, as a result, in accordance with the listing requirements of the NYSE, we rely on certain home country governance practices from Brazil, rather than the corporate governance requirements of the NYSE.***

We report under the Exchange Act as a non-U.S. company with foreign private issuer status. The NYSE rules provide that foreign private issuers are permitted to follow home country practice in lieu of certain NYSE corporate governance standards. The standards that are applicable to us are considerably different than the standards applied to U.S. domestic issuers. For instance, we are not required to:

- have a majority of independent members on our board of directors (other than as may result from the requirements for audit committee member independence under the Exchange Act);
- have a minimum of three independent members on our audit committee;
- have a compensation committee or a nominating and corporate governance committee; or
- have regularly scheduled executive sessions of our board that consist of independent directors only.

As a foreign private issuer, we may follow our home country practice in Brazil (including the rules and regulations of the B3 and the CVM) in lieu of the above requirements. Therefore, the approach to governance adopted by our board of directors may be different from that of a board of directors consisting of a majority of independent directors, and, as a result, our management oversight may be more limited than if we were subject to all of the NYSE corporate governance standards. Accordingly, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers. See “Item 6. Directors, Senior Management and Employees—C. Summary of Significant Differences of Corporate Governance Practices.”

***Holders of Cosan ADSs may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result less favorable results to the plaintiff(s) in any such action.***

The deposit agreement governing the Cosan ADSs representing the Cosan common shares provides that holders and beneficial owners of Cosan ADSs irrevocably waive the right to a trial by jury in any legal proceeding arising out of or relating to the deposit agreement, the Cosan common shares or the Cosan ADSs or the transactions contemplated thereby, including claims under U.S. federal securities laws, against us or the Depositary to the fullest extent permitted by applicable law. The waiver continues to apply to claims that arise during the period when a holder holds the Cosan ADSs, whether the holder of Cosan ADSs acquired the Cosan ADSs pursuant to the Merger or in secondary transactions. If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the U.S. federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, by a court of the State of New York or a federal court in New York, which have jurisdiction over matters arising under the deposit agreement, applying such law. In determining whether to enforce a jury trial waiver provision, New York courts and federal courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement, the Cosan common shares and the Cosan ADSs and the transactions contemplated thereby. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor’s negligence in failing to liquidate collateral upon a guarantor’s demand, or in the case of an intentional tort claim (as opposed to a contract dispute), none of which we believe are applicable in the case of the deposit agreement, the Cosan common shares or the Cosan ADSs or the transactions contemplated thereby. No condition, stipulation or provision of the deposit agreement or Cosan ADSs serves as a waiver by any holder or beneficial owner of Cosan ADSs or by us or the depositary of compliance with any provision of the U.S. federal securities laws. If you or any other holder or beneficial owner of Cosan ADSs brings a claim against us or the Depositary in connection with matters arising under the deposit agreement, the Cosan common shares or the Cosan ADSs or the transactions contemplated thereby, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may result in increased costs to bring a claim, and have the effect of limiting and discouraging lawsuits against us and/or the Depositary. If a lawsuit is brought against us and/or the Depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may augur different results than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

## Risks Related to Brazil

***Historically, the Brazilian government has influenced and continues to influence the economy of Brazil, which may negatively affect our business and financial performance.***

Political and economic conditions directly affect our business and can result in a material adverse effect on our operations and financial condition. Macroeconomic policies imposed by the government can have significant impacts on Brazilian companies, including ourselves, Rumo, Moove and Compass, as well as market conditions and securities prices in Brazil.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. The Brazilian government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil.

In recent years, there has been significant political turmoil in connection with the impeachment of Dilma Rousseff, the former president (who was removed from office in August 2016), and ongoing investigations of her successor, Michel Temer (who left office in January 2019), as part of the ongoing "Lava Jato" investigations. Presidential elections were held in Brazil in October 2018. The resolution of the political and economic crisis in Brazil still depends on the outcome of the "Lava Jato" investigations and approval of reforms that are expected to be promoted by the new president, Jair Bolsonaro. We cannot predict which policies Jair Bolsonaro, who assumed office on January 1, 2019, may adopt or change during his mandate or the effect that any such policies might have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on us. The political uncertainty resulting from the presidential elections and the transition to a new government may have an adverse effect on our business, results of operations and financial condition.

Our business, financial performance and prospects, as well as the market prices of our shares, may be adversely affected by, among others, the following factors:

- the ongoing COVID-19 pandemic, the Brazilian government's response to the COVID-19 pandemic, and the effects of the COVID-19 pandemic and the government's response to it on the economic, social and political situation in Brazil;
- inflation;
- exchange rate movements;
- exchange rate control policies;
- interest rate fluctuations;
- liquidity available in the domestic capital, credit and financial markets;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in gross domestic product, or "GDP";
- oil and gas sector regulations, including price policies;
- ports, customs and tax authorities' strikes;

- changes in transportation market regulations;
- energy and water shortages and rationing;
- price increases of oil and other inputs;
- price instability;
- social and political instability;
- disease outbreaks, such as the COVID-19 pandemic;
- fiscal policies; and
- other economic, political, diplomatic and social developments in or affecting Brazil.

Instability resulting from any changes made by the Brazilian government to policies or regulations that may affect these or other factors in the future may contribute to economic uncertainty in Brazil and intensify the volatility of Brazilian securities markets and securities issued abroad by Brazilian companies. The President of Brazil has the power to define the policies and actions of the Brazilian government in relation to the Brazilian economy and thereby affect the operations and financial performance of Brazilian companies. The Brazilian government may be subject to internal pressure to change the current macroeconomic policies in order to achieve higher rates of economic growth. We cannot predict what policies will be adopted by the Brazilian government. Moreover, in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies.

These factors, as well as uncertainty as to whether the Brazilian government will apply changes to its policy or regulations that may affect any of the abovementioned factors or other factors in the future, can lead to economic uncertainty and increase the volatility of the capital markets and the securities issued by Brazilian companies. Changes in such policies and regulations may have a negative impact on our operating results and financial position and the price of our common shares and ADSs.

The levels of economic activity, reflected in Brazilian GDP, can influence our distributed volumes. The growth rates in natural gas consumption may occur primarily by substituting other resources, notably fuel oil, gasoline and to a lesser extent other products derived from oil, depending on the prices of each kind of fuel.

We, our subsidiaries and our jointly controlled entities generally invoice our sales in *reais*, but a substantial portion of our, our subsidiaries' and our jointly controlled entities' net sales is from export sales that are billed in U.S. dollars. At the same time, the majority of our, our subsidiaries' and our jointly controlled entities' costs are denominated in *reais*. As a result, our operating margins are negatively affected when there is an appreciation of the *real* relative to the U.S. dollar. Additionally, we have indebtedness with fixed and floating rates, and we are thus exposed to the risk of fluctuations in interest rates. If there is an increase in interest rates, our financial results may be affected.

***The deterioration of economic and market conditions in other countries may have a negative impact on the Brazilian economy and on our business.***

The market for securities issued by Brazilian companies is influenced, to differing degrees, by global economies and market conditions, especially those of Latin American countries and emerging markets. Investors' reactions to developments in other countries may have a negative impact on the value of Brazilian companies' securities. Crises or economic policies in other countries may reduce investor demand for Brazilian companies' securities, including ours and those of our subsidiaries, which may adversely affect the market price of their securities, and the capacity of obtaining financing. In the past, negative developments in the economic conditions of emerging markets led to significant withdrawals of resources from Brazil, and a drop in the amount of foreign capital in the country. Changes in the share prices of public companies, lack of available credit, cost-cutting, a slowdown in the global economy, exchange rate instability, interest rate increases in Brazil or abroad, and inflationary pressure may adversely affect the Brazilian economy and capital markets, which may reduce global liquidity and investor interest in Brazilian capital markets, which, in turn, may negatively affect the price of Brazilian companies' securities, including ours and those of our subsidiaries.

***Political instability in Brazil may adversely affect Brazil's economy and investment levels, and have a material adverse effect on us.***

Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected and continue to affect the confidence of investors and the general public and have historically resulted in economic deceleration and heightened volatility in the securities issued by Brazilian companies.

The recent political and economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to an unstable and deteriorating political environment. Weak macroeconomic conditions in Brazil are expected to continue throughout 2021. In addition, various ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor, including the largest such investigation known as "Lava Jato," have negatively impacted the Brazilian economy and political environment.

In recent years, there has been significant political turmoil in connection with the impeachment of the former president (who was removed from office in August 2016) and ongoing investigations of her successor (who left office in January 2019) as part of the ongoing "Lava Jato" investigations. Presidential elections were held in Brazil in October 2018. We cannot predict which policies the new President of Brazil, who assumed office on January 1, 2019, may adopt or change during the second half of his mandate or the effect that any such policies might have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on us.

In addition, economy minister Mr. Paulo Guedes proposed, during the presidential campaign, to revoke the income tax exemption over the distribution of dividends, which, if promulgated, would increase tax expenses associated with any dividends or distributions, which could impact our ability to pay dividends and receive future dividends from our subsidiaries. Any purported tax reform, if proposed and implemented, may also significantly impact our business.

Furthermore, Brazil's federal budget has been in deficit since 2014. Similarly, the governments of Brazil's constituent states are also facing fiscal concerns due to their high debt burdens, declining revenues and inflexible expenditures. While the Brazilian Congress has approved a ceiling on government spending that will limit primary public expenditure growth to the prior year's inflation for a period of at least 10 years, local and foreign investors believe that fiscal reforms, and in particular a reform of Brazil's pension system, which was approved in the last quarter of 2019, will be critical for Brazil to comply with the spending limit. Diminished confidence in the Brazilian government's budgetary condition and fiscal stance could result in downgrades of Brazil's sovereign debt by credit rating agencies, negatively impact Brazil's economy, and lead to further depreciation of the real and an increase in inflation and interest rates, thus adversely affecting our business, results of operations and financial condition.

Uncertainty about the Brazilian government's implementation of changes in policies or regulations that affect such implementation may contribute to economic instability in Brazil and increase the volatility of securities issued abroad by Brazilian companies, including our securities.

***The ongoing economic and political crisis in Brazil may have a material adverse effect on our business, operations and financial condition.***

The recent economic and political instability in Brazil caused by a slowdown in GDP growth, uncertainty as to whether the Brazilian government will enact the necessary economic reforms to improve Brazil's deteriorating fiscal accounts and economy, and the COVID-19 pandemic has led to a decline in market confidence in the Brazilian economy and a government crisis.

Moreover, the Brazilian government may be subject to internal pressure to change its current macroeconomic policies in order to achieve higher rates of economic growth. We cannot predict what policies will be adopted by the Brazilian government. As has happened in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies.

We are not able to fully estimate the impact of global and Brazilian political and macroeconomic developments on our business. In addition, due to the current political instability, there exists substantial uncertainty regarding future economic policies and we cannot predict what policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect us and our securities. Any continued economic instability and political uncertainty may have a material adverse effect on our business.

***Inflation and government measures to curb inflation may adversely affect the Brazilian economy, the Brazilian securities market, our business and operations, and the market prices of our shares.***

Brazil has experienced extremely high rates of inflation in the past and has therefore implemented monetary policies that have resulted in one of the highest interest rates in the world. According to the IGP-M, a general price inflation index, the inflation rates in Brazil were, 7.2% in 2016, a decrease of 0.5% in 2017, 7.5% in 2018, 7.3% in 2019 and 23.1% in 2020. In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), published by the IBGE, the Brazilian price inflation rates were 6.3% in 2016, 3.0% in 2017, 3.8% in 2018, 4.3% in 2019 and 4.6% in 2020.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. The Brazilian government's measures to fight inflation, principally through the Brazilian Central Bank, have had and may in the future have significant effects on the Brazilian economy and our business.

Brazil may experience high levels of inflation in future periods. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which could lead to reduced demand for our products in Brazil and decreased net sales. Inflation is also likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing any floating-rate *real*-denominated debt may increase, resulting in lower net income. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could affect our ability to refinance our indebtedness in those markets. Future Brazilian governmental actions, including interest rate decreases, intervention in the foreign exchange market and actions to adjust or fix the value of the *real*, may trigger increases in inflation and adversely affect the performance of the Brazilian economy as a whole. Any of the aforementioned developments may adversely affect the Brazilian economy as a whole, as well as our financial condition, operations and profits. Any decline in our net sales or net income and any deterioration in our financial performance would also likely lead to a decline in the market price of our common shares and ADSs.

**High interest rates may adversely affect our operations and financial condition.**

The Brazilian government's measures to control inflation have frequently included maintaining a restrictive monetary policy with high interest rates, thereby limiting the availability of credit and reducing economic growth. Official interest rates in Brazil at the end of 2020, 2019 and 2018 were 2.0%, 4.5% and 6.5% per year, respectively, as established by the monetary policy committee of the Brazilian Central Bank (*Comitê de Política Monetária*). As of the date of this annual report, the official interest rate in Brazil was 2.75%. Any increase of such interest rates may negatively affect our profits and results of operations, thereby increasing the costs of financing our operations.

High interest rates may impact our cost of obtaining loans and also the cost of indebtedness, resulting in an increase in our financial expenses. This increase may adversely affect our ability to pay our financial obligations, as it reduces our cash availability. Mismatches between contracted indexes for assets versus liabilities and/or high volatilities in interest rates may result in financial losses for us.

As of December 31, 2020, our consolidated indebtedness was either fixed or linked to interest rates based on the Interbank Deposit Certificate rate, or "CDI," the Long-Term Interest Rate, or "TJLP," and IPCA. We enter into certain financial instruments to mitigate our exposure to interest rate fluctuations.

**Significant volatility in the value of the real in relation to the U.S. dollar could harm our ability to meet our U.S. dollar-denominated liabilities.**

Due to inflationary pressures and adjustments to economic policy, the Brazilian currency has historically experienced volatility against the U.S. dollar and other foreign currencies. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, fluctuation band exchange rate systems, exchange controls and dual exchange rate markets.

There have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the Brazilian *real* depreciated 19.7% and 53.2% against the U.S. dollar in 2001 and 2002, respectively, and appreciated 18.0%, 8.0%, 12.3%, 8.5% and 17.0% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively. In 2008, the *real* depreciated again approximately 31.9% against the U.S. dollar. In 2009, the *real* appreciated 25.3% against the U.S. dollar, while in December 31, 2010 the *real* to U.S. dollar exchange rate was R\$1.6662, according to the Brazilian Central Bank. In 2011, the *real* depreciated by 13.6% against the U.S. dollar, from R\$1.6510 in the beginning of the period to R\$1.8758 by the end of the period, and in 2012 the *real* went from R\$1.8683 in the beginning of the year to R\$2.0435 by the end of the period, amounting to a 9.4% depreciation against the U.S. dollar. In 2013, the *real* went from R\$2.0415 in the beginning of the year to R\$2.3426 by the end of the period. In 2014, the *real* went from R\$2.3975 in the beginning of the year to R\$2.6562 by the end of the period, corresponding to a 10.8% depreciation against the U.S. dollar.

However, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* devalued at a rate that was much higher than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.195 per U.S.\$1.00. In 2015, the *real* depreciated 45%, reaching R\$3.905 per U.S.\$1.00 on December 31, 2015. Conversely, in 2016, the *real* went from R\$4.039 per U.S.\$1.00 at the beginning of the year to R\$3.259 per U.S.\$1.00 on December 31, 2016, corresponding to a 19.3% appreciation against the U.S. dollar. In 2017, the *real* went from R\$3.273 per U.S.\$1.00 at the beginning of the year to R\$3.308 per U.S.\$1.00 on December 31, 2017, corresponding to a 1.1% depreciation against the U.S. dollar. In 2018, the *real* went from R\$3.270 per U.S.\$1.00 at the beginning of the year to R\$3.875 per U.S.\$1.00 on December 31, 2018, corresponding to a 18.5% depreciation against the U.S. dollar. In 2019, the *real* went from R\$3.860 per U.S.\$1.00 at the beginning of the year to R\$4.031 per U.S.\$1.00 on December 31, 2019, corresponding to a 4.4% depreciation against the U.S. dollar. In 2020, the *real* went from R\$4.021 per U.S.\$1.00 at the beginning of the year to R\$5.197 per U.S.\$1.00 on December 31, 2020, corresponding to a 28.9% depreciation against the U.S. dollar. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar.



As of April 23, 2021, the exchange rate for *reais* into U.S. dollars was R\$5.479 per U.S.\$1.00, a 5.4% depreciation of the *real* against the U.S. dollar since December 31, 2020. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar.

Because our subsidiaries and jointly controlled entities generally invoice their sales in *reais*, devaluation of the *real* against foreign currencies may generate losses from our foreign currency-denominated liabilities as well as an increase in our funding costs with a negative impact on our ability to finance our operations through access to the international capital markets and on the market value of the shares. A strengthening of the *real* in relation to the U.S. dollar generally has the opposite effect. Further devaluations of the Brazilian currency may occur and impact our business in the future. These foreign exchange and monetary gains or losses can be substantial, which can significantly impact our earnings from one period to the next. In addition, depreciation of the *real* relative to the U.S. dollar could (1) result in additional inflationary pressures in Brazil by generally increasing the price of imported products and services and requiring recessionary government policies to curb demand, and (2) weaken investor confidence in Brazil and reduce the market price of the shares. On the other hand, further appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments and may dampen export-driven growth.

In addition, we are active in the capital markets, obtaining funds denominated in national and foreign currencies to finance our investments and working capital. Our foreign currency exposure related to indebtedness as of December 31, 2020 was R\$25,227.1 million compared to R\$16,245.1 million at December 31, 2019. We manage a portion of our exchange rate risk through foreign currency derivative instruments. Our foreign currency debt obligations are not completely hedged, as a portion of our perpetual notes are unhedged. As a result, the possible depreciation of the *real* against the U.S. dollar could increase the cost of our obligations in foreign currency, and therefore significantly affect our income statement in the short term. The depreciation of the *real* may limit our access to international capital markets and may favor state intervention in the economy, including the imposition of potentially recessionary policies.

***Infrastructure and workforce deficiency in Brazil may impact economic growth and have a material adverse effect on us.***

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian GDP growth has fluctuated over the past few years, with a contraction of 3.6% in 2016, an increase of 1.3% in 2017, an increase of 1.3% in 2018, an increase of 1.1% in 2019 and a contraction of 4.1% in 2020. Continued growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, the lack of a qualified labor force and the lack of private and public investments in these areas, which limit productivity, as well as efficiency. Any of these factors could lead to labor market volatility and generally impact income, purchasing power and consumption levels, which could limit growth or result in contraction and ultimately have a material adverse effect on our business.

Furthermore, deficiencies in the road, rail or waterway network of the areas in which we operate, such as unpaved or maintenance-free roads and lack of railroads, especially in regions farthest from the ports, result in high logistics costs and, consequently, reduce the profitability of our sugarcane operations. Likewise, failure or malpractice in transportation handling, whether on trains, trucks or vessels, may lead to loss of production, waste of quantities or damage to sugarcane. Constant climate change, such as excessive rainfall, has led to a worsening of the conditions of the roads, which may lead to an increase in over-production losses. The aforementioned infrastructure deficiencies may make it more difficult for us to conduct our business in the areas in which we operate and thereby adversely affect us.

***Developments and the perception of risk in other countries may adversely affect the Brazilian economy and market price of Brazilian issuers' securities.***

The market value of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States, European countries, and in other Latin American and emerging market countries. Although economic conditions in Europe and the United States may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Additionally, crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including our securities, as well as adversely affect the availability of credit to Brazilian companies in the international markets, with a significant outflow of capital from Brazil and a decrease in the amount of foreign currency invested in Brazil. In addition, negative events in the Brazilian financial and capital markets, any news or evidence of corruption in publicly traded companies and other issuers of securities, and the lack of rigorous application of investor protection rules or lack of transparency of information or eventual crisis situations in the Brazilian economy and in other economies may influence the Brazilian capital markets and negatively impact the securities issued in Brazil. This could adversely affect the market price of our securities, restrict our access to capital markets and compromise our ability to finance our operations in the future on favorable terms, or at all.

In recent years, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, the increasing risk aversion to emerging market countries and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities.

In addition, we continue to be exposed to disruptions and volatility in the global financial markets because of their effects on the financial and economic environment, particularly in Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability.

Disruption or volatility in the global financial markets could further increase negative effects on the financial and economic environment in Brazil, which could have a material adverse effect on our business, results of operations and financial condition.

***Events in other countries may have a negative impact on the Brazilian economy.***

Global economic conditions may affect the Brazilian economy as well as the demand for our products (including ethanol). For example, a global recession may lead to a reduction in global demand for our products, either through lower consumption or via measures to protect local production. In both cases, the consequence would be to reduce prices for our products in the foreign market, affecting our financial performance. In addition, as a portion of our net operating revenues is generated from export activities and normally billed in U.S. dollars and, at the same time, most of our costs are denominated in *reais*, our operating margins may be adversely affected when the *real* appreciates against the U.S. dollar. In addition, we have indebtedness at pre-and post-fixed rates and, therefore, we are exposed to the risk of interest rate variations. If there is an increase in interest rates, our financial results may be affected.

On January 20, 2017, Donald Trump became the president of the United States. Certain of Donald Trump's economic and trade policies, in particular the ongoing trade disputes with China, have generated volatility in the global capital markets. Such volatility and uncertainty, as well as changes in administrative and governmental policies of the administration, may have a material adverse effect on global economic conditions and the stability of global financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. We have no control over and cannot predict the effects arising from the new United States administration or its policies. Any disruption to global economic conditions and the stability of global financial markets could have a material adverse effect on us and the market value of our securities.

In June 2016, the United Kingdom had a referendum in which the majority voted to leave the European Union (so-called "Brexit"). The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations. The United Kingdom formally withdrew from the European Union on January 31, 2020. A transition period, lasting until December 31, 2020, was put in place, during which the United Kingdom (i) continued to be subject to EU rules and (ii) remained a member of the single market. The United Kingdom-EU Trade and Cooperation Agreement, or "TCA," was signed on December 30, 2020, between the European Union, the European Atomic Energy Community and the United Kingdom. It has been applied provisionally since January 1, 2021, when the transition period ended. This trade agreement, pursuant to which there will be no tariffs or quotas on the movement of goods between UK and EU, means the United Kingdom has left the European Union customs union and single market. While the TCA between the United Kingdom and EU provided much needed certainty on trade, there continues to be uncertainty surrounding political and economic concerns, as the true effects of the TCA and future trade agreements outside of the European Union begin to unfold, which developments we continue to monitor. The TCA is pending ratification by the European Parliament and the Council of the European Union, as well as review before it formally comes into effect, which is expected to occur in 2021.

Significant political and economic uncertainty remains about whether the terms of the relationship between the United Kingdom and the European Union will differ materially in practice from the terms before withdrawal. As a result, Brexit could impair our ability to transact business in the United Kingdom and in countries in the European Union. In particular, Brexit may have an adverse impact on the ability of our lubricants business, Moove, to conduct business within the European Union given that Moove has operations in both the United Kingdom and the European Union and that both Moove Lubricants and Stanbridge (subsidiaries of Moove) are headquartered in the United Kingdom. If the United Kingdom were to significantly alter its regulations affecting the lubricants industry, we could face significant new costs. It may also be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations. We have no control over and cannot predict the effect of United Kingdom's exit from the European Union nor over whether and to which effect any other member state will decide to exit the European Union in the future. These developments, as well as potential crises and forms of political instability arising therefrom or any other as of yet unforeseen development, may harm our business and the price of our common shares and ADSs.

The COVID-19 pandemic is expected to have a significant effect on demand in 2021 (as was the case in 2020). Business operations across Asia, Europe and the United States are being affected by factory disruptions and closures, quarantined workers and shortages of components, with a direct impact on the availability of goods and services. These disruptions to global supply chains could impact businesses generally and weaken demand from consumers. The effects cannot be foreseen and weak macroeconomic conditions are expected to continue in 2021.

Additionally, economic conditions in Brazil may also be affected by political developments in the United States. We cannot assure you that any developments in the United States or elsewhere will not materially and adversely affect us in the future.

***A reduction in the volume of foreign investments in Brazil may have a negative impact on us.***

Any reduction in the volume of foreign investments in Brazil may have an impact on the balance of payments, which may force the Brazilian government to have a greater need to raise funds, both in the domestic and in the international markets, at higher interest rates. Likewise, any significant increase in Brazilian inflation rates and the current slowdowns of the European and American economies may have a negative impact on the Brazilian economy and affect interest rate levels, raising expenses on loans already obtained and costs of new funding from resources by Brazilian companies, including us.

***Future governmental policy and regulations may adversely affect our operations and profitability.***

Our activities may be materially affected by policies and regulations from Brazilian and foreign federal, state and municipal governments, including, without limitation measures taken by such governments to address the health and economic crises resulting from the COVID-19 pandemic. Governmental policies affecting economic activity such as tariffs, taxes, subsidies and restrictions on the import and export of agricultural goods and commodities, which represent a substantial part of the cargo we transport, may influence the profitability of the industry, as well as the volume and type of imports and exports.

Future Brazilian and foreign governmental policies may adversely affect the supply, demand and prices of our products and services or otherwise restrict our capacity to operate in our current or prospective markets, potentially affecting our financial performance.

***Changes in taxes and other assessments may adversely affect us.***

The legislatures and tax authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in tax rates and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In addition, the interpretation of tax laws by courts and taxation authorities is constantly evolving. In Brazil, the tax system is highly complex and the interpretation of the tax laws and regulations is commonly controversial. The effects of these changes and any other changes that result from enactment of additional tax reforms or changes to the manner in which current tax laws are applied cannot be quantified and there can be no assurance that any such reforms or changes would not have an adverse effect upon our business.

The Brazilian government regularly implements changes to tax regimes that may increase the tax burden on us, our subsidiaries and jointly-controlled entities and their respective customers. These changes include modifications in the rate of assessments and the enactment of new or temporary taxes, the proceeds of which are earmarked for designated governmental purposes.

In addition, economy minister Mr. Paulo Guedes proposed, during the 2018 presidential campaign, to revoke the income tax exemption over the distribution of dividends, which, if promulgated, would increase tax expenses associated with any dividends or distributions, which could impact our ability to pay dividends and receive future dividends from our subsidiaries. Any purported tax reform, if proposed and implemented, may also significantly impact our business.

Any future changes in tax policy or laws may adversely affect our business, financial condition and results of operations.

***Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police as well as other Brazilian and non-Brazilian regulators and law enforcement officials may adversely affect the growth of the Brazilian economy and could have a material adverse effect on us.***

Certain Brazilian companies active in the oil and gas, energy, construction and infrastructure sectors are facing investigations by the CVM, the SEC, the U.S. Department of Justice, the Brazilian Federal Police and the Brazilian Federal Prosecutor's Office, the Comptroller General of Brazil and other relevant governmental authorities, in connection with corruption allegations and diversion of public funds, the largest of which is known as "*Operação Lava Jato*," or "Operation Car Wash." The Brazilian federal police is also investigating allegations of improper payments made by Brazilian companies to officials of the Board of Tax Appeals (*Conselho Administrativo de Recursos Fiscais*), or "CARF," a tax appeals tribunal (the so-called "*Operação Zelotes*"). It is alleged that the purpose of such improper payments was to induce those officials to reduce or waive certain tax-related penalties imposed by the Brazilian federal revenue authority, which were under appeal in the CARF. Such investigations involve several companies and individuals, including representatives of various companies, politicians and third parties. Certain of these individuals are being investigated by the Brazilian Federal Police and others were formally charged and are facing criminal proceedings and/or have already been convicted by the Brazilian Federal Courts.

Depending on the duration and outcome of such investigations, the companies involved may face a reduction in their revenues, downgrades from rating agencies or funding restrictions, among other negative effects. Given the significance of the companies cited in these investigations in the Brazilian economy, the investigations and their fallout have had an adverse effect on Brazil's economic growth prospects in the near, short to medium term. According to data from the IBGE, the Brazilian economy's GDP contracted by 3.3% in 2016, increased by 1.3% in 2017 and in 2018, by 1.1% in 2019 and contracted by 4.1% in 2020. Furthermore, the negative effects on such companies and others may also impact the level of investments in infrastructure in Brazil, which may lead to lower economic growth or contraction in the near to medium term.

As a result of the allegations under the “Lava Jato” investigations and the economic downturn, Brazil was downgraded to non-investment grade status by Standard & Poor’s, or “S&P,” in September 2015, by Fitch Ratings, or “Fitch,” in December 2015, and by Moody’s Investors Service in February 2016, and was downgraded again by Fitch in May 2016. In addition, Brazil was further downgraded by S&P to BB- with a stable outlook in January 2018 as a result of the failure of the current Brazilian government to approve certain pension reforms. Brazil’s sovereign rating is currently rated by the three major risk rating agencies as follows: BB- by S&P and Fitch Ratings and Ba2 by Moody’s. Various major Brazilian companies were also downgraded. Such downgrades have further worsened the conditions of the Brazilian economy and the condition of Brazilian companies, especially those relying on foreign investments.

In addition, such investigations have extended to persons in high positions in the executive and legislative branches of the Brazilian government, which has caused considerable political instability. It is difficult to predict the effects of such political instability. Persistently poor macroeconomic conditions in Brazil resulting from, among other things, the “Lava Jato” investigations, their consequences and political instability could have a material adverse effect on us.

***If we do not successfully comply with laws and regulations designed to prevent governmental corruption in countries in which we operate and sell our products (notably Brazil), we could become subject to fines, penalties or other regulatory sanctions, which could cause our sales and profitability to be materially reduced.***

Our anti-corruption policies and procedures designed to prevent governmental corruption violations may not prevent our management, employees or third parties acting on our behalf in the countries in which we operate from taking actions that violate applicable laws and regulations on improper payments to government officials for the purpose of obtaining or keeping business or business advantages. Laws prohibiting such behaviors include (but are not limited to) laws relating to the OECD’s 1997 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, such as the U.S. Foreign Corrupt Practices Act and Brazilian Law No. 12,846/2013, or the “Anticorruption Act,” which has been in effect since January 29, 2014. Any breach thereof may have a material adverse effect on our business, results of operations and financial condition, including access to financing, as well as the acceleration of loans and financing.

The Anticorruption Act imposes strict liability on companies for acts of corruption, fraud or manipulation of public tenders and government contracts, and interference with investigations or inspections by governmental authorities. Companies found liable under the Anticorruption Act face fines of up to 20% of their gross revenue in the immediately preceding year or, if such annual gross revenue cannot be estimated, such fines may range from R\$6,000 to R\$60 million. Among other sanctions, the Anticorruption Act also provides for the seizure of assets or benefits obtained illegally, the suspension or partial prohibition of operations, the dissolution of the entity and/or the prohibition to receive incentives, subsidies, donations or financing from the government or from government-controlled entities for up to five years. In assessing penalties under the Anticorruption Act, Brazilian authorities may consider the adoption of an effective compliance program. Other relevant laws applicable to corruption-related violations, such as Law No. 8.492/1992, or the “Administrative Improbity Law,” also provide for penalties that include the prohibition to enter into government contracts for up to 10 years.

Consequently, if we, our management, our employees or third parties acting on our behalf in the countries in which we operate and sell our products become involved in any anti-corruption or criminal investigations or proceedings in connection with our business in Brazil or in any other jurisdiction, our business could be materially adversely affected.