



stra tegy

Focused on high efficiency, our business model is increasingly migrating to an asset light structure. The prioritization of crops with high added value and investments in certification and traceability of production contribute to our differentiation in the markets in which we operate



STRATEGY

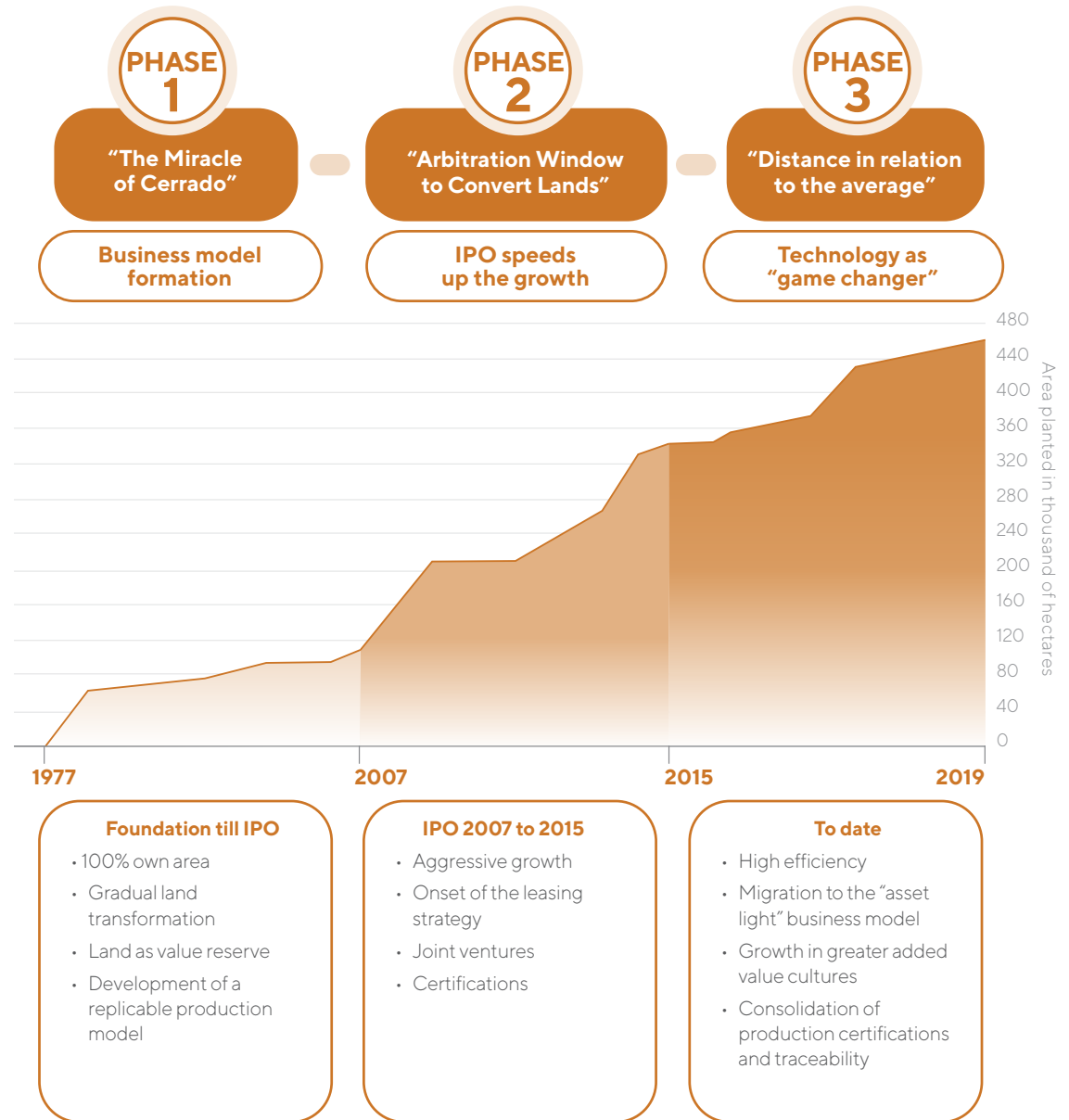
The history of our company, founded in 1977, followed the evolution of agribusiness in Brazil. The business growth and consolidation strategy, which can be broken down in three main phases, took advantage of market opportunities to expand cultivated areas while incorporating state-of-the-art management practices and new technologies to increase productivity.

In the first part of this journey, we expanded our presence in the Brazilian Cerrado and developed a replicable production model that supported the following phase. In 2007, when the company floated its shares on the B3 S.A. (São Paulo stock exchange), we started the second phase with accelerated growth of cultivated area by means of land leasing, formation of joint ventures, and products certifications.

Now we are in the third phase of our strategy, where digitalization and new technologies transform agricultural practices. Our focus is on reaching maximum efficiency with a management that maximizes profitability on assets (“asset light”), prioritizes growth in crops with higher added value and consolidates production traceability.

With high efficiency and modern technologies, we seek to expand production in already developed areas. Innovation and planning capacity lead us to continuously improve all details of the production process. We invest in certifications and mechanisms that will ensure products’ traceability, which adds value to the production chain.

Strategic phases of SLC Agrícola



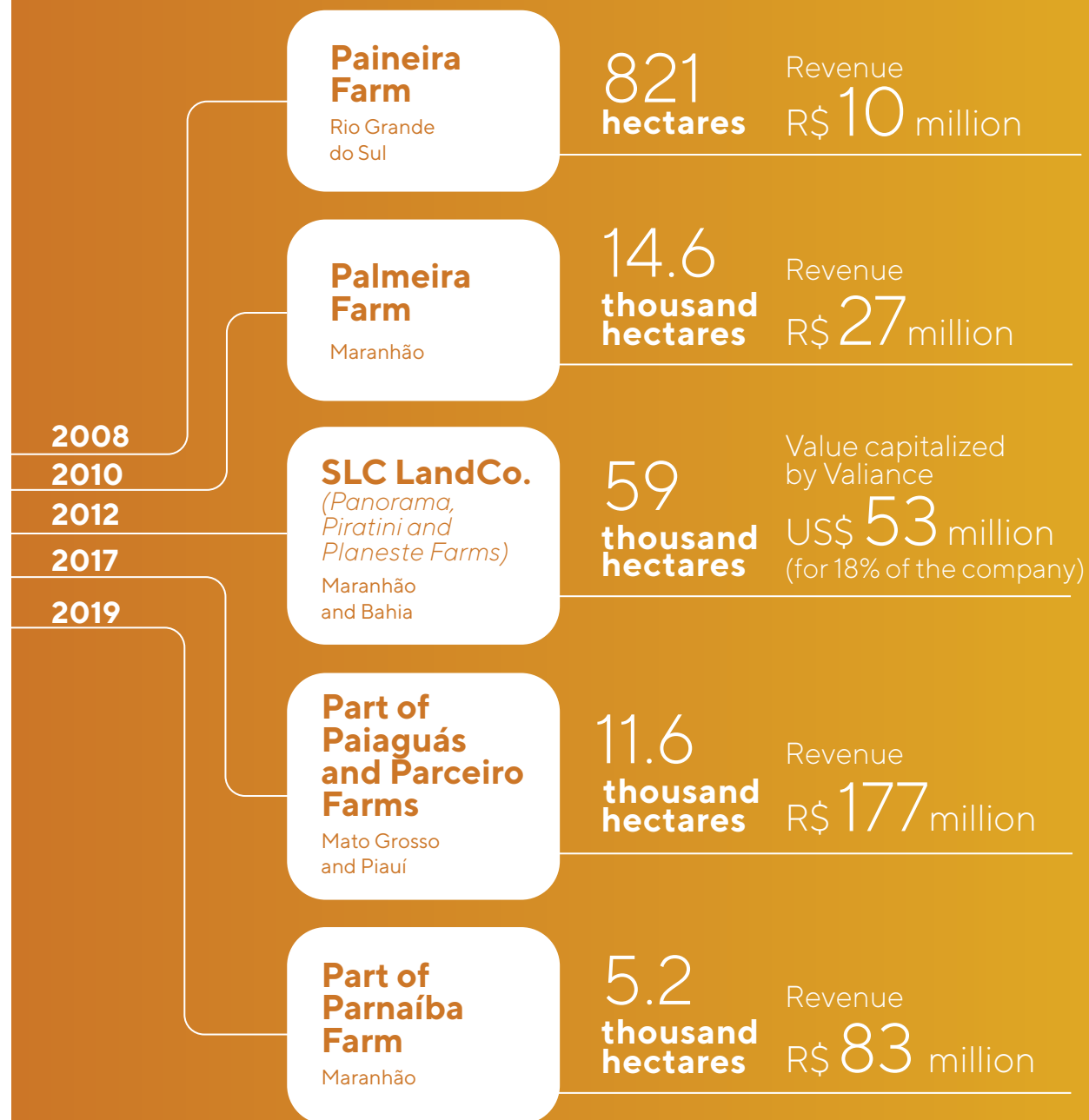
AN ASSET LIGHT BUSINESS

Our strategy conducts the company to build an operational structure that maximizes profitability on assets, with lower demand for investments and expansion of operational efficiency. The migration to an asset light type business model creates competitive advantages and distinguishes us in the agribusiness sector.

In 2019, we continued with our strategy to realize real estate gains and sold a total of 5,205 hectares from Parnaíba Farm (in Maranhão State). Our company will keep on carrying out agricultural operations in the 4,162 arable hectares of the area. The new owner will be remunerated with the payment of leasing at market price. The operation generated additional income of R\$ 83.2 million, posting an internal return rate of around 14.1% in dollars, considering only the historical acquisition value.

Annually, we conduct an independent appraisal of our land portfolio in order to identify the average price of the arable hectare. Last year, this measurement amounted to R\$ 18,415 and the total value was of R\$ 3.8 billion. From this base, we identified opportunities for disinvestments.

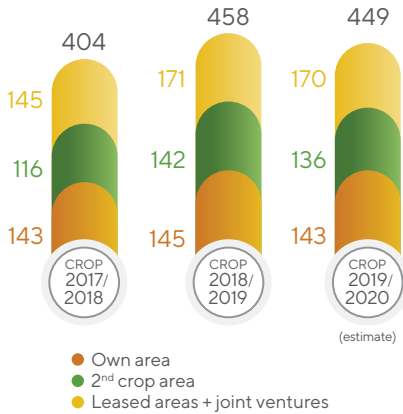
Land sales



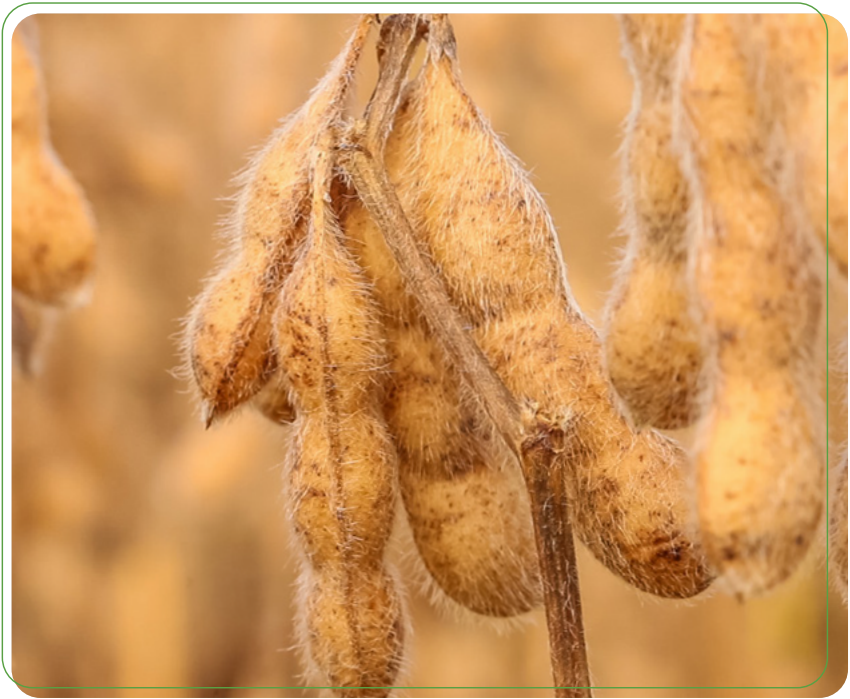
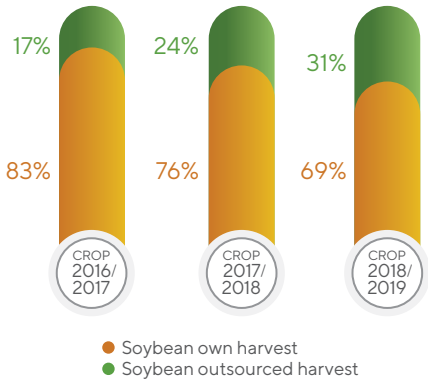
Another evolution made possible by this change is the increase of leased lands participation in the portfolio, which includes the SLC LandCo, Fazenda Pioneira and SLC-MIT joint ventures, where the agricultural operation management is made by our company. In the 2018/2019 crop, over half of the area under our management was cultivated in third parties' properties.

The outsourcing growth in soybean mechanized harvest also reflects our strategy and maximizes profitability on assets. It simultaneously drives value sharing in a more efficient production chain. This movement made possible, in only three years, the evolution from 100% own operation stage (2015/2016 crop) to other stage with participation of around 30% of partners (2018/2019 crop).

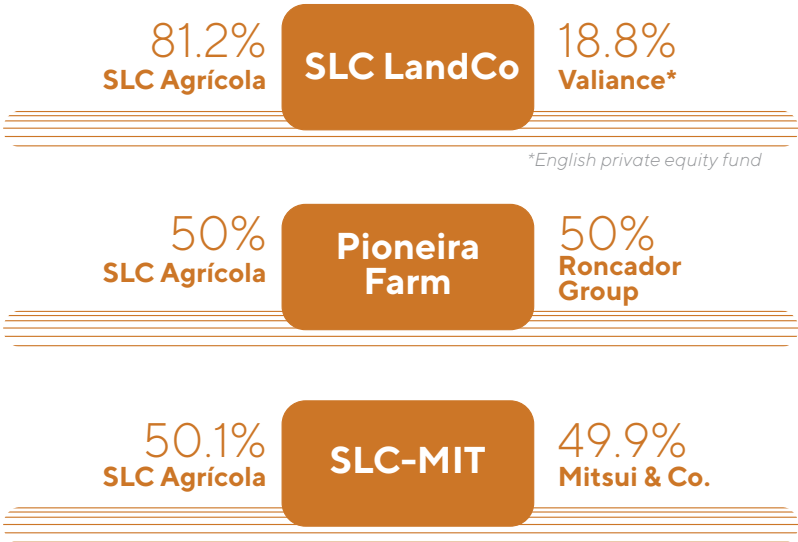
Planted area (thousand hectares)



Harvest outsourcing



SLC Agrícola's joint ventures



**English private equity fund*

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and learn more about
our partnerships



Relations with suppliers

Our company's supply chain counts on companies that supply inputs and equipment, service providers and logistics. Hiring and purchases are centralized, in a process coordinated by the supply area and guided by the Supply Policy.

Our management model organizes suppliers in three purchase categories: agricultural supply; machines, implements and vehicles; and use, consumption and infrastructure. With this segmentation, we improved our relations with partners allocating expert employees to each type of hiring, which provides more agility and efficacy to purchase processes.

All suppliers are homologated according to our internal guidelines before establishing the contract. In this stage, we check documentations

and legal compliance of the companies and, for specific cases, we assess practices of health, safety and environment of employees.

Where contracts involve labor outsourcing, as for soy harvest, we periodically check tax collection and labor contributions, a requirement for payments to be made.

Our supplier base counted, in 2019, on 7,527 companies already registered for the supply of products and services. We do business with 3,092 partners, totaling around R\$ 1.9 billion in payments. In logistic handling, we perform the transportation of 260 thousand tons of cargo, involving a total of 24 carriers in the handling of cotton, corn, seeds, fertilizers and 475 agricultural machines

Amounts paid to suppliers (R\$ million)

2019

Per category

Agricultural supplies	1,121.0
Machines, implements and vehicles	303.7
Use and consumption, infrastructure and services	548.4
TOTAL	1,973.1

Per region

Brazil	1,903.0
Abroad	70.1
TOTAL	1,973.1

HIGH EFFICIENCY

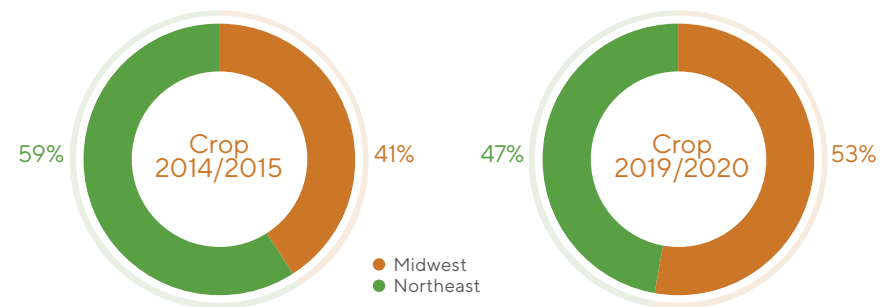
Making land more productive is one of the premises for the agribusiness to contribute to the sustainable society development. The incorporation of new technologies and production techniques makes our agricultural operation more efficient, and, therefore, more profitable, because it demands less investments to purchase inputs and prepare the soil.

One of the focuses of this model of operation is the mature areas, those with at least three years of agricultural operation. This portfolio adjustment made in the last years has led to the expansion of cultivation in the central west region, which provides more stability to production.

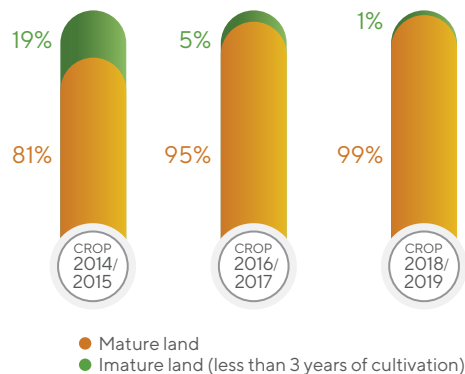
At each year, we have been increasingly more effective in plantation and harvest planning and execution. We reduced the average time of agricultural operations, which makes possible the use of the ideal cultivation interval and reduces losses in harvest. We have also expanded the area planted with second crop cultivations – corn and cotton – to maximize the assets use and reduce exposure to climate factors.

With this combination of actions, our productivity has increasingly surpassed the national average. Soy plantations reached, in the 2018/2019 crop, historical records of production and average productivity of 3,739 kg per hectare planted.

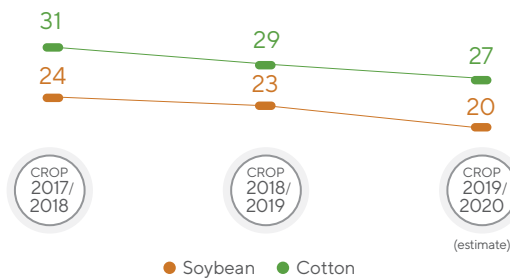
Planted area per region



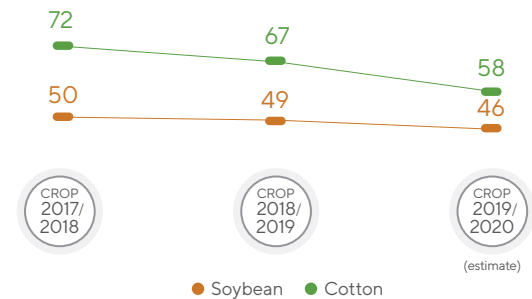
Land maturity



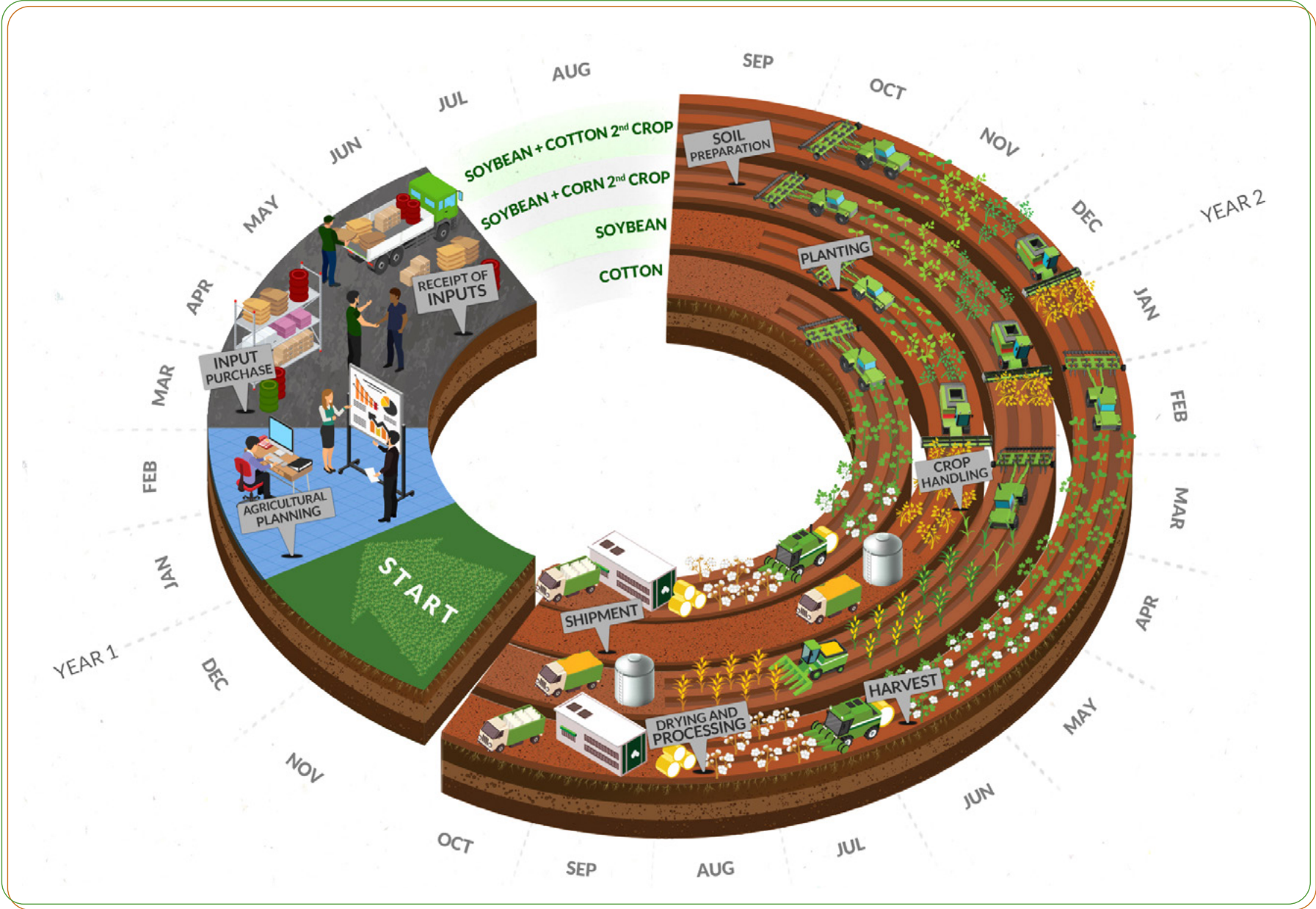
Plantation average time (days)



Harvest average time (days)



Production cycle



MORE VALUE IN THE FIELD

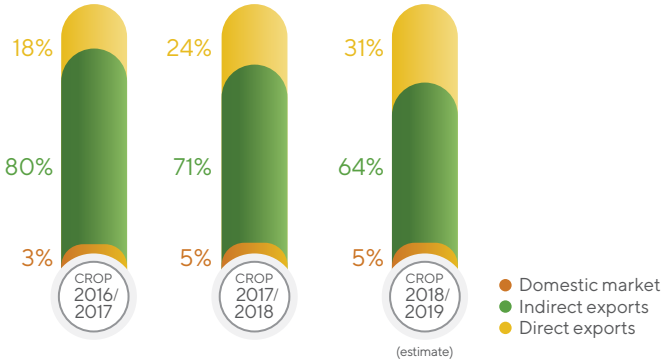
In order to be more competitive in agribusiness, we invest in production models that diversify our business and increase assets' profitability. For that matter, cotton is a culture that opens opportunities to add value to clients by means of services that differentiate us in the market.

After harvest, we conduct a visual classification and laboratory tests of the fiber's characteristics. With our own software, we cross-check information and create standardized and uniform batches to be processed and directly sent to clients, according to their needs and orders.

We use modern technologies like RFID (Radio-frequency Identification), which provide more agility to the process from plantation to processing units. Identification of lots in the field makes possible the automated reading of labels and makes more efficient the creation of blocks in storage yards and humidity control in fibers' treatment.

With these solutions, the volume of cotton sold directly to clients significantly increased in the last years. We could also access more external markets, expanding exportations and generation of incomes in dollars, in addition to reach prices with the so called "premium", a positive difference with regard to the product quotation in New York stock exchange, which reflects our product valorization by clients.

Evolution of cotton sales channel



Another evolution of our portfolio is SLC Sementes, a new front of operation destined to produce soy seeds. The initiative emerged from the project for production of certified seed for our own cultivation, started in 2013. In 2019, this activity was expanded and started to serve other producers, with trading of 145 thousand 40 kg bags.

The seeds we produce, from 14 different cultivars, serve producers that work in the same region where we plant and large size multinational companies from the agricultural inputs sector. The use of the seeds in our own

operations, associated to RTRS standard certification, ensures to clients inputs' quality and origin.

The Field Day is an important event to show to the specialized public the advantages of SLC Sementes. Last year, we promoted five editions and around 300 people participated in the presentations and technical visits, getting to know the news and the work developed with responsibility and sustainability.

**145
thousand
bags**

of 40 kg of soybean
seeds comercialized
in 2019



SLC *Sementes*



CERTIFICATIONS

The grains and fibers we produce are traded with clients in the Brazilian market and abroad, mostly through trading companies that are related to food, animal feed, textile industries and many other sectors. The certifications we obtained to our operations and product represent a relevant differential to our company, because they make possible to serve clients with high demand standards in Europe and Asia and add value to the production chain.

The certification processes of units attest to external publics the quality of management tools and good practices we adopt. Our Integrated Management System (IMS) counts on ISO 14001 (environmental management), OHSAS 18001 (occupational health and safety), NBR 16001 (social responsibility) and ISO 9001 (quality) certifications. Today, eight farms are already certified by norms ISO 14.001, OHSAS 18.001 and NBR 16.001, comprising a total of 282 thousand arable hectares.

Our quality management model, certified by norm ISO 9001, the most internationally renowned to ensure standardization of processes and systematic for continuous improvement, contemplates grains and cotton storage and processing operations. In 2019, two other units were audited and approved, totaling five certified farms.

We also adopted the best soy and cotton cultivation practices and, due to that, our products count on internationally renowned certifications. Among them, RTRS and ProTerra are highlights for soy culture and ABR and BCI for cotton culture (get to know them better in the chart).



Our certifications

Integrated Management System (IMS)

ISO 14001

Defines the requirements for implementation and improving of operations' environmental management system.

OHSAS 18001

Guides the structuring of norms and procedures for a system of management of health and safety conditions in work environment. Our company is working on the migration to the new ISO 45001 standard, which replaces OHSAS 18.001 certification.

NBR 16001

Establishes requirements for social responsibility management system, directing the operations towards promoting citizenship and social development.

Quality Management System

ISO 9001

Guides the adoption of policies and requirements to ensure standardization, monitoring and documentation of the production process.

Soybean

RTRS (Round Table on Responsible Soy)

Establishes an international standard for environmentally correct, socially fair and economically feasible soy production.

ProTerra

Standard that ensures compliance with environmental and social requirements in the production of grains without genetic modifications (OGM).

Cotton

ABR

(Responsible Brazilian Cotton)

Promotes sustainable cotton production encouraging the adoptions of good practices of environmental management, social responsibility and sustainability vision.

BCI (Better Cotton Initiative)

Encourages awareness in the whole production chain of the importance of fair labor relations and socio-environmental responsibility in the field.



BUSINESS MODEL

We guide our operations by SLC Agrícola strategic drivers in order to create and share sustainable value with the whole society. **Click on each capital** to understand this management approach and get to know our main inputs and the value added by our activities.

