

Sustainability Report

2010



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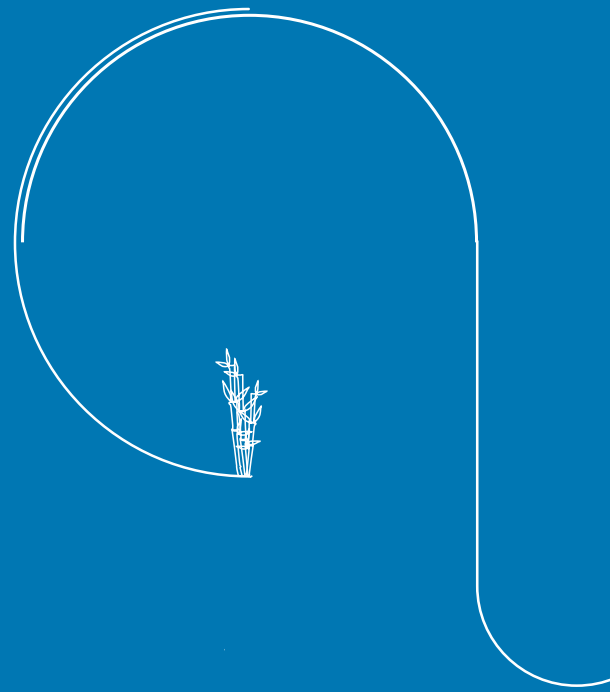
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Introduction

Message from the CEO

On the path of sustainability



Travelling the path of sustainability is our reply to the demands of society and the global market, demonstrating the responsibility of a company that has taken on the role of leader in a segment that is gaining worldwide prominence and visibility, because by means of alternative energy it offers a material solution to climate threats already starting to be faced by humankind.

1.1

We have made a number of advances in recent years, such as incorporating new technology to reduce the environmental impact of our operations – advances in mechanization are a good example – and gradual but solid adoption of a culture of health, safety and environmental concern.

We are convinced that the path to sustainability cannot be taken alone, and we therefore work in partnership with entities such as Unica (Brazilian Sugarcane Industry Association) and have joined Brazilian and international initiatives designed to implement the best environmental and social practices in the sector – such as the Agro-environmental Protocol of the Sugar and Alcohol Sector and BSI (Better Sugarcane Initiative).

We know that our success is directly linked to our relationship with the different publics with whom we interact: employees, shareholders, government, nearby communities, customers, and suppliers. We invite all to engage in this process and share our challenges and advances along this course to a future with clean, renewable energy and quality of life. Enjoy your read!

Marcos Marinho Lutz

Chief Executive Officer, Grupo Cosan



Our report

This is Cosan's first sustainability report, written on the basis of Global Reporting Initiative (GRI) third version (G3) guidelines – a standard adopted internationally for reports on sustainability. Its application level is B+, with external verification by Ernst & Young auditors. **3.2**

This annual publication provides information about the operations of Cosan S.A. Indústria e Comércio's business units: Cosan Açúcar e Alcool (CAA – Sugar and Alcohol), Cosan Combustíveis e Lubrificantes (CCL – Fuels and Lubricants), Rumo Logística and Radar, for the social period corresponding to the 2009/2010 crop year, running from April 1st, 2009 to March 31, 2010. **2.1; 3.1; 3.3; 3.6**

Data relative to the business names Cosan Alimentos, Rumo Logística and Radar have been incorporated and consolidated, except for certain indicators specific to each. The date of October 31, 2009 was used for human resources indicators, because this was the harvest peak.

The Group aims to progressively consolidate information from all business units in replies to indicators of economic, social and environmental performance. However, in this first account, data have not yet been divided by unit (*read more in About the Report*). **3.7**

Main highlights of the 2009/2010 crop year

Social

- We advanced in terms of taking on our own labor (croppers) under the long-term (CLT) regime for the 2009/2010 crop year, with 100% of the workforce our own.
- We continue to focus on the area of Health and Safety of employees and contracted workers. As a result, in seven years we have reduced the number of accidents with leave at Cosan Açúcar e Alcool (CAA) by 84%; and 35% in the last two years in the case of Rumo Logística; and our average of accidents per million hours worked is 0.9 for Cosan Combustíveis e Lubrificantes (CCL), on average for the last four years, including employees and contracted workers.
- Cosan Combustíveis e Lubrificantes (CCL) reached the historical milestone of 12 years without accidents leading to workers leaving; an even more telling mark was reached by the Lubricant Factory, which reached 13 years without accidents leading to workers leaving.
- Over 70 thousand people benefited from Cosan's social action.
- A thousand children and adolescents benefited from Cosan Foundation's four centers, the Tarumã and Maracá projects (São Paulo State), as well as Ilha do Governador (Rio de Janeiro State). A fifth unit of the Foundation's is in process of implementation in Jataí (Goiás State).

Environmental

- Percentage of mechanization reached the 64.5% mark in areas with a slope of less than 12%, in anticipation of the agreement set out in the Agro-environmental Protocol of the Sugar and Alcohol Sector to eliminate burning. The target is to reach 100% mechanization in areas with a slope under 12% by 2014.
- We carried out the first inventory of greenhouse gas emissions for Grupo Cosan's 2009/2010 crop year in all business units, planned on the basis of GHG Protocol. Initial results are available on page 30 of this report.
- Vinasse, a byproduct containing high concentrations of potassium, is used in approximately 50% of our own sugarcane producing areas, and compounds formed by filter cake and ash are used in 17% of our own areas. Cosan thus no longer consumes 45 thousand tons of chemical fertilizers per harvest.
- The two new industrial units (Jataí, in Goiás, and Caarapó, in Mato Grosso do Sul) started production, using a closed circuit for water allowing 85-90% reuse.
- Our energy co-generation program, plus the acquisition of two NovAmérica production units, made it possible to commercialize 623,204 MWh of energy, equivalent to billings for R\$ 95.8 million.

Economic

- Cane crushing increased to 50 million tons in the 2009/2010 crop year, as against 43 million for the previous year.
- Cosan's investment flow totaled R\$ 1.8 billion for the year.
- Cosan posted record net operational revenues of R\$ 15.3 billion for the 2009/2010 crop year, 144.6% more than the prior year.
- EBITDA operational margin amounted to a record R\$ 1.7 billion.

Strategies for sustainability

Repositioning our brand

Cosan reviewed its Vision, Mission and Identity to reflect its new actuality



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Vision 4.8

To be a global reference in clean and renewable energy.

Mission

To supply cleaner, renewable energy to improve people's lives.

Values

Speed with discipline
 Developing human potential
 Building a team
 Creating opportunities
 Producing more, better
 Safety throughout the operations
 Engaging and involving customers

The December 2008 purchase of Esso's Brazilian fuel distribution and lubricant production and distribution assets placed Cosan in all the links of the sugarcane energy sector's production chain, making the Organization the sector's first fully integrated player. Steps include land acquisition, planting sugarcane, processing and distributing it, and commercialization to the final consumer.

To reflect the company's new actuality, Cosan reviewed its Identity, Mission, Vision as well as its own logotype. This revision concluded in February 2009, and changes started to be put in place during the 2010/2011 crop year.

Humankind still has a long way to go to reduce petroleum use in the world's energy supply mix – still about 60% of the total. The need to reduce consumption of fossil – non-renewable – fuels is directly linked to the pressing need to curb CO₂ emissions and risks stemming from limitations of the petroleum reserves themselves.

Cosan takes an optimistic view of growing use of ethanol as a clean, renewable fuel and is convinced that it will be part of the solution for increasing substitution of fossil fuels. Ethanol is now considered the most commercially viable alternative on the international scene, on the way to becoming a world commodity. In the face of this new actuality, Cosan is confident because it is structured to "supply cleaner, renewable energy to improve people's lives," as its Mission proclaims.



Pillars for the brand

Boldness, with results

Daring to create opportunities and focusing on results are the symbols for Cosan's entrepreneurial spirit.

Commitment to people

Demonstrated by ethical behavior, responsible and transparent in everything the company does, as well as through its commitment to the future, reflected in production of clean and renewable energy to improve people's lives.

Vocation for environmental responsibility

Sugarcane ethanol is an intrinsically intelligent, renewable and high performance option, on the way to becoming a major contribution to the environment and global sustainability.

Being part of the solution

Be linked to the future by means of investment in technology to provide quality energy, both clean and renewable, to meet the global market's growing demands.

The path we have taken will continue to be recognized to the extent that Cosan is able to raise its employees, partners and suppliers' awareness of commitments to society. Values, some with deep roots and others still aspired to, due to the existing mix of cultures stemming from the recent acquisition of Esso's fuel and lubricant distribution assets and NovAmérica's industrial units, reiterate what the company considers important, and must guide its action.

Structuring sustainability at Cosan

In September 2009 Cosan appointed a Sustainability Coordinator, with a view to initiating a structured internal process to organize all the activities under way in the social and environmental areas and identify and prioritize improvements.

In December 2009, a Sustainability Committee was set up to identify opportunities for improvement, to be implemented during the 2010/2011 crop year, particularly in the areas of health, safety and environment.

During the period from September 2009 to the end of the 2009/2010 crop year, Cosan was active with Unica in a number of reviews of BSI (Better Sugarcane Initiative) standard, to be put in place in late 2010 after approval by the European Commission. This will be the sector's main standard worldwide, and it is being structured on the basis of principles of responsible action regarding legislation, productivity and labor relations (*more on page 10*).

During this period the company also decided to bring out its first sustainability report, prepared on the basis of GRI guidelines, with the aim of increasing transparency and aligning with standardization followed by major enterprises round the world. It was also decided to carry forward the company's first inventory of CO₂ emissions, the main results of which are to be found on *pages 30 and 31* of this report.

Cosan sets up the Sustainability Committee and participates actively in review of the BSI standard

These structuring activities will help establish priorities for improvements in the social and environmental areas of the new company created as a joint venture with Shell, as well as businesses that will continue to be administered by Cosan S/A, Rumo Logística, Cosan Alimentos and Radar. A Vice-Presidency for Sustainable Development is being established in the new company resulting from the joint venture, with a representative on the Executive Committee and coordinating all initiatives for sustainability, working with each and every area to identify, prioritize and execute sustainability projects approved.

Challenges facing cultural change

Action to promote cultural change made necessary by Cosan's repositioning on the path to sustainability is already being implemented by leadership, together with workers in the company's different operational units. However, this course cannot be followed unless there is

a process of learning, convincing and appropriation, by employees, of new concepts and sustainable practice. Top management's support is key for leaders to feel comfortable sharing sustainability concepts with their teams.

A telling result of this guideline was turning a managerial level entity into the Board for Health, Safety and Environment (HSE) at Cosan AA, last crop year. This is one of the areas the Group has been focusing on for improvement. All company meetings start off with discussions about risks and improvements in HSE, a practice adopted by Cosan Combustíveis e Lubrificantes – a benchmark in this respect – and disseminated throughout all business units. In 2009/2010, Grupo Cosan increased investment in processes, training and organizational structure to attend to production units and Cosan AA's agricultural areas, making tools and mechanisms available to provide greater personal and environmental safety in operations (*more in the Chapter on Health and Safety*).

Another challenge involves disseminating sustainability concepts in the productive chain. This necessarily calls for re-qualifying Cosan AA's suppliers. Due to the nature of the business, in the sugar and alcohol sector we have thousands of small-scale agricultural producers and micro-entrepreneurs in our value chain still at the initial stages of incorporating sustainable concepts and practices. It is our duty to society to help them improve practices adopted in their operations.

In this respect, Cosan initiated a re-certification process for all product suppliers and service providers, redrafting contracts and adding, in cases where they were still absent, clauses regarding attention to legal and socio-environmental requirements, such as issues concerning human rights and the prohibition of child and forced and compulsory labor, for instance. Non-compliance with such clauses may lead to a contract's being discontinued. Sugarcane suppliers' remuneration practices and purchaser-seller relations are regulated by the Consecana system, with contracts forbidding child and forced and compulsory labor (*more in the Chapter on Social Performance*).

Nevertheless, we consider that many small entrepreneurs may well find it hard to meet all the requirements in the early stages. Cosan is therefore reviewing its purchase and contracts policy, and will set up a program to re-qualify suppliers.

Cosan's essence is producing energy for life, by providing clean, renewable energy for people in the form of sugar; for vehicles in the form of ethanol; and for homes and industry in the form of electricity. In a vertical entrepreneurial structure, business units are managed independently, but nevertheless synergistically





Broadening dialogue [4.14](#); [4.15](#); [4.16](#)

Cosan is committed to extending and improving dialogue with its main stakeholders and action put in place to prepare this first Cosan Sustainability Report for 2009/2010 thus provided consistent steps in this direction.

Due to the company's accelerated process of acquisitions over the last two years, bringing together professionals with differing organizational cultures and having them work synergistically, Cosan decided to first develop with them a process to broaden dialogue, identifying subjects deemed relevant for this first report – called material subjects.

On April 7, 2010 we ran a workshop in Piracicaba (Sao Paulo State) bringing together 58 people, including presidents, vice-presidents and directors of Cosan Açúcar e Alcool and Cosan Combustíveis e Lubrificantes, as well as management of a wide variety of areas: Environment, Production, Quality, Human Resources, Health & Safety, Supply & Suppliers, Accounting, Investor Relations, Legal, Community Relations, and Communication & Marketing. They were provided with information about Cosan's strategy for sustainability, the views of society and the media on the sector and the company, as well as the importance of collecting information and the relevance of the reporting process as an instrument for improving internal management (*more on About the Report*).

After group dynamics, participants made presentations on the most relevant matters, which were subsequently worked upon for inclusion in this report. Some were:

Environmental

- Environmental management (*page 26*);
- Water resources (*page 35*);
- Mechanized area (*page 26*);
- Legal compliance (*page 26*);
- Investment in new technology (*page 18*);

Social

- Labor and Trade Union relations (*pages 61-63*);
- Child and forced and compulsory labor (*pages 54 and 55*);
- Suppliers' compliance (*pages 53 and 54*);
- Health and safety (*pages 42-47*);
- Communications and transparency (*pages 56-58*).

On including these subjects in this publication, Cosan believes it has shown what stage it is at on the path to sustainability. Plans are under way to engage external stakeholders in the process of identifying and confirming relevant subjects.

Cosan and BSI

BSI (Better Sugarcane Initiative) is a non-profit organization limited by guarantee in the United Kingdom. The entity is constructing a standard establishing five principles and criteria for activities in the sugar and alcohol sector worldwide, involving compliance with legislation; respect for human and labor rights; management of efficiency in input, production and processing so as to increase sustainability, active management of biodiversity and services for ecosystems; and continuous improvement of the business's key areas.

Throughout the process of preparing this standard, Cosan made its industrial units available to BSI in order to audit the efficiency of indicators being developed for the standard. One of these audits took place in the second half of 2009, in the Tarumã unit. The BSI standard, which is expected to be approved in late 2010, will be used as a world reference for the sector. Cosan intends to be active in certifying its units on the basis of this standard over the coming five years. For further information on BSI see www.bettersugarcane.org.



View of industrial facilities, Gasa unit

Vision of the future

Commitment to people and environmental responsibility by vocation – two of the Organization's four pillars – endeavor to make it clear to the internal public and other stakeholders that it is possible to do business in line with proper care for the planet and its people.

Incorporating sustainable practices means, amongst other things, better health and safety for the workforce and increased efficiency in the use of natural resources, which leads to less operational risk and greater productivity.

Climate change drives the quest for clearly committed business alternatives from the socio-environmental point of view. The raw material for Cosan Açúcar e Álcool's products – sugarcane – has become a part of the solution to minimizing the impact of greenhouse gas emissions originating in fossil fuel use. Cosan produces clean, renewable energy, emerging as an alternative for the global market, which wants badly to migrate to a sustainable energy supply mix. Shell's interest in having Cosan as a partner is an indicator of this worldwide trend.

Sustainable practice has differentiated Cosan in the sector. In July 2009 the company signed a contract with the Japanese firm Mitsubishi for the supply of 80 million liters of ethanol a year to produce Etbe (Ethyl Terc-Butyl Ether), an agent that, when mixed with gasoline, improves the fuel-burning process, making it more complete and cleaner. Ethanol thus substitutes a methyl molecule originating in the petrochemical industry, i.e. a fossil fuel, contributing to reduce CO₂ emissions.

By May 2008, Cosan had already signed a contract with the Swedish firm Sekab, also for the supply of ethanol, for use as fuel for buses, to substitute diesel fuel. In June 2010, a five year contract with Braskem was announced, for the supply of 175 million liters a year of hydrous ethanol to produce so-called "green plastic" (polyethylene made with ethanol, to substitute petrochemical ethene) at a new unit in Rio Grande do Sul State, with operations scheduled to start this year.

All these contracts include sustainability clauses and periodic verification processes carried out by independent entities, to check compliance with socio-environmental criteria, such as alignment with all valid legislation, both labor and environmental, zero tolerance of child and unregulated labor, and respect for the sector's threshold for wages, all usual operational practices for Cosan.

The company has also participated actively in preparing a qualification standard for the sector, called BSI (Better Sugarcane Initiative), which establishes the certification of its products – ethanol and sugar – produced in accordance with a set of principles (*more in the box at the top of this page*).



The flow of sugarcane production from upstate Sao Paulo to the port of Santos will be by rail, reducing GHG emissions and taking 2 thousand trucks/day off Sao Paulo's highways

Win-win: the premise for the new logistical model

In partnership with América Latina Logística (ALL), the largest logistics operator in the country, Cosan is to invest R\$ 1.3 billion through Rumo Logística to create a transport platform for sugar and its derivatives from upstate Sao Paulo to Santos port, on the State's coast. The aim of the initiative is to change the flow modality of products for export, currently almost totally carried by road, to rail transport to the port, with subsequent waterway transport for exports. Economic advantages include: increased competitiveness for Sao Paulo's industry, a shift in the State's economy towards its hinterland and heating up the railway industry.

Over the next five years starting in 2010, nearly 650 km of permanent track in the stretch will be modernized, with 180 km becoming two-track. It is estimated that this undertaking will generate 1.5 thousand direct jobs and 3.5 thousand indirect. For the duration of the contract – which expires with ALL's 20-year concession – Rumo Logística and ALL will employ 2 thousand workers directly and generate another 2 thousand indirect jobs.

Transshipment and storage terminals will be enlarged, increasing static storage capacity from 450 thousand to over one million tons of sugar. 729 railway wagons and 79 engines have been acquired, with cutting-edge railway technology and low greenhouse gas emissions. The system of opening eight doors simultaneously means that unloading will take less than 1 minute, as compared to 90 minute for the same operation in



R\$ 1.3 billion

will be Rumo Logística's total investment to change the transport modal for the flow of sugar production

the case of some older wagons. Each new wagon will have capacity for 100 tons of sugar, 25% more than other models.

In the last quarter of the 2009/2010 crop year, Rumo initiated its investment with the acquisition of the first railway engines and wagons, for a total of R\$ 143.8 million, financed through BNDES (National Bank for Economic and Social Development). Rumo is already operating 729 wagons and 10 engines.

Changes will bring socio-environmental and economic benefits to society at large. Four large trains a day will form what has been dubbed a 'rail conveyor belt', increasing rail transport capacity 90%, from the current 1 million tons to 10 million tons in 2013, a huge leap in São Paulo State's railway activity. Time spent in transit between loading and unloading will be reduced to half, from 6 to 2.5 days, increasing the company's efficiency and competitiveness.

This also means nearly 2 thousand fewer heavy trucks and trailers a day driving from the State's hinterland to its coast (based on two-way trips), there being no current alternative but to pass through São Paulo city. The new modal will contribute to improving urban mobility and the quality of air in the State's capital, where there is a significant problem with pollutants emitted by motor vehicles, especially diesel-powered. A significant reduction of GHG emissions is expected, from 28 thousand tons of CO₂ equivalent a year to 11 thousand after changeover to the rail modal.

Additional indirect benefits are: reducing risk of accidents on highways, in turn reducing the number of hospitalizations stemming from accidents and breathing problems; and reducing public investment in highway maintenance (*more in the Chapter on Environmental Performance*).

When the new railway becomes operational, there will also be increased capacity for rail transport of other products besides sugar and ethanol, further reducing the number of trucks belonging to other companies currently having to use highways. Economic, social and environmental benefits will thus increase, and can be shared with other companies and society as a whole.

Cosan's Code of Ethics was reviewed to include issues common to different businesses and meet the Group's premises for restructuring

Code of Ethics 4.8

Government, investors, shareholders, customers and society at large are increasingly aware of ethical commitments signed by companies to carry forward and manage their businesses. Cosan is aligned with this movement and, meeting a market requirement for listed companies, its Code of Ethics was released in June 2008. Drafting the document involved the Auditing & Compliance department and all Grupo Cosan's top executives, and it was approved by the CEO and the Board of Directors.

After acquiring Cosan Combustíveis e Lubrificantes, formerly Esso Brasileira de Petróleo, during the fiscal year ending on March 31, 2010, Cosan's Code of Ethics was changed to include issues common to the different businesses and meet premises for restructuring the Group.

The outcome was a document applying to all the Group's units and activities. The Code endeavors to guide the actions and interpersonal relationships of its employees, colleagues and different audiences with whom they interact, recommending stances and behavior in line with Cosan's values, to help the company comply with its Mission and meet its Vision, on the basis of transparency (*see the full document at www.cosan.com.br*).



Internal dissemination

After initial release in 2008, during the 2009/2010 crop year efforts were intensified to make all the Group's employees aware of the Code of Ethics's contents, by means of lectures to train managers as multiplying agents for the Code's principles and distribution of copies. In 2009, formal adhesion was nearly 100% in Cosan Açúcar e Alcool and Cosan Combustíveis e Lubrificantes.

New employees are made aware of the Code and sign their adhesion during the hiring process. In 2010 activities are under way to disseminate the Code amongst employees of Cosan Alimentos (formerly NovAmérica), which was acquired in June 2009, and Rumo Logística.

Ethics Channel 4.4 – HR4

Cosan set up an Ethics Channel to ensure communication between employees and top management in connection with misconduct and irregularities involving the premises of the Code of Ethics and internal policy. Such events can be communicated confidentially on the intranet, on telephone 0800 725 0039, or to PO Box 152, CEP 13400-970. Reports are analyzed by Grupo Cosan's Ethics Committee.

All information received by the Committee is subsequently investigated by Internal Auditing or the department involved. Since it was put in place in June 2008, the Committee has received some 120 communications, mostly related to misconduct. They were all assessed.

There have been no reports of corruption. The company has been developing specific policies to deal with the matter, which are expected to be announced in the second half of 2010. In the meantime, Cosan's administration has been encouraging employees to use the channels available to report possible irregularities or corruption they may be aware of. The Ethics Channel has also been a means for making complaints or suggestions for improvements.

Internal policies

Within the scope of the Ethics Code, in late 2009 Cosan started a comprehensive process of reviewing and standardizing all internal policies, to be implemented in 2010. Highlights in reformulated policy cover gifts received and human resources.



New technology

Research and development

The company is planning investments in new technology to increase productivity and ensure operational efficiency



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Cosan searches for the best available technology to attain greater efficiency and productivity, with greater safety for people and the environment. The company was a pioneer in the implementation of new technology in the sugar and alcohol sector by means of partnerships and agreements with research centers. As early as 1997 the company introduced in foreign markets VHP (Very High Polarization), VHP Plus (Very High Polarization Plus) e VVHP (Very Very High Polarization) sugars, which possess higher sucrose content and make refining easier.

The company is a member of CTC (Center for Technology in Sugarcane), dedicated to developing technological improvements for the agricultural, industrial and logistical activities of the sugarcane industry. A highlight of CTC's scientific activity is its Genetic Improvement Program, which has developed new varieties of sugarcane with greater resistance to pests and diseases. Over 70 varieties for plantations have been produced – now present in 50% of Brazil's cultivated area. Many were developed with Cosan's support.

22%

will be the content of solids in vinasse after implementation of new equipment to reduce the volume of water in this byproduct of sugarcane processing

Investment in technology

Cosan expends resources through CTC for so-called second generation ethanol, extracted not from sugarcane juice but from cellulose, i.e. biomass composed of bagasse and cane straw. Plans are being made to set up a pilot program for tests in one of Cosan's 23 production units in 2011.

The company has contributed to the development of pellets – compaction – of cane biomass. Pellets give this input greater mobility, increasing possibilities for use. They can be sold in decentralized form, to other energy co-generation centers, or even to other producers of second generation ethanol.

Cosan is also innovating by investing in technological improvements in the industrial area. All told, 11 production units already have equipment for cleaning cane by blowing, without using water. Two make use of diffusers instead of conventional milling, with 0.5% to 1% greater juice extraction capacity. Both technologies will gradually be extended to the other units.

Vinasse concentration is another important area for investment. In July 2010, Cosan signed an agreement with Dedini Indústrias de Base and acquired vinasse concentrating equipment. Vinasse is a byproduct in cane processing, reused as fertilizer. This technology makes it possible to reduce the volume of water, increasing content of solids from 3% to 22%. This piece of equipment has the capacity to process 140 thousand liters of vinasse an hour, reducing the cost of carriage to farms for subsequent spraying on crops as well as curbing use of chemical fertilizer (*more in the Chapter on*



Jataí industrial park:
the most modern in
the world

Environmental Performance). An indirect benefit consists of saving water resources, as residual water from separation will be treated and reused in the productive process. The first vinasse concentrator is to be installed in the Costa Pinto plant in Piracicaba (Sao Paulo State) during the 2010/2011 crop year, and this technology will gradually be extended to the other units.

Another investment front for Cosan consists of substituting diesel fuel for its agricultural machinery with ethanol. In the alcohol-chemical market the company has also been developing commercial partnerships with petrochemical enterprises interested in developing green products, where petroleum derivatives (fossil) are substituted with ethanol as raw material. An example is the five-year contract signed in June 2010 by Cosan and the petrochemical concern Braskem, for the production of so-called "green plastic" (*more on page 11*). Unica (Brazilian Sugarcane Industry Association) estimates that the ethanol market targeting the chemical industry will show a turnover of up to 1.8 billion liters in 2010, almost twice as much as 1 billion liters for this segment in recent years. In December 2009, another partnership was announced, whereby Amyris' technology will be imple-

mented in one of Cosan's production units, for production of biofuels with high added value. With an investment of up to R\$ 50 million, in addition to producing sugar and ethanol, the unit will be able to produce farnesene – a chemical compound produced by fermenting sugarcane juice with yeast. This partnership, which is still at the stage of studies and obtainment of resources, is a part of Cosan's strategy of developing new renewable sources of energy.

In the lubricant segment, Cosan Combustíveis e Lubrificantes also produces specific products for *flex-fueled* cars, as well as products that help reduce fuel consumption.

High technology is also present in the railway wagons acquired by Rumo Logística, to be used with the new platform for the flow of sugar production by means of the rail modal (*more on page 12*).



Pioneering and history

The Gasa unit, located in Andradina in the far west of Sao Paulo State, has received investments of over R\$ 300 million since being acquired by Cosan in 2001, becoming one of the largest mills in Brazil. The history of this unit has been marked by pioneering implementation of new technologies. Since 2008, 100% of the process of cutting sugarcane – which is grown in its own areas to supply the unit – has been mechanized. The industrial area has a closed water circuit, uses diffusers instead of milling and has adopted molecular sieves to produce anhydrous alcohol. The unit also uses the Unimodal Transport Terminal, a pioneer in highway/river logistical integration for fuel, on the Tietê River.

With nearly 1,200 employees spread throughout its Administrative, Industrial and Agricultural areas, Gasa has the capacity to mill 16 thousand tons of cane a day, which is equivalent to 8 thousand sacks/day of sugar, 1,200 cubic m/day of ethanol and installed capacity of 44 MW for co-generation. During the 2010/2011 crop year, the unit is expected to mill approximately 4 million tons of cane, producing 162 thousand tons of sugar and 218 million liters of ethanol. Energy co-generation should hit the 204 thousand MWh mark.



R\$ 95.8 million

was the revenue from electric energy obtained from sugarcane at the Serra, Gasa, Costa Pinto, Rafard, Tarumã and Maracaí units. This figure is expected to double in 2010

Energy co-generation

Demand for electricity in Brazil has been growing exponentially due to the development of its industry and increase in population and its economic power. Projects run by EPE (Energy Research Enterprise) predict a 107% expansion of demand for electricity by 2017. The country has a clean supply mix of hydroelectricity, but it requires huge volumes of water depending on flooded areas to maintain production. National strategy involves technological changes in the installation of hydroelectric plants, building small plants with low-content reservoirs. However, they often suffer reduced water flow – and consequent reduction in energy production – in times of drought. With looming risks stemming from climate change, renewable and politically correct energy is already on the national agenda and will be increasingly valued by society.

Electricity produced by burning sugarcane bagasse during the harvest coincides with dry periods, curbing use of thermoelectric plants running on fossil fuels such as diesel. In addition to making self-sufficient production units in terms of electric consumption possible, co-generation produces surpluses for sale to the National Electric Energy Transmission System and concessionaires.

Unica (Brazilian Sugarcane Industry Association) predicts that energy from co-generation based on burning sugarcane bagasse will supply 15% of Brazil's electricity by 2020. According to a report by the National Agency for Electric Energy (Aneel), entitled *Report for Monitoring the Expansion in the Offer of Electric Energy Generation*, electricity from sugarcane biomass was the main form of electric energy generation entering the market in 2009. Energy produced with co-generation totaled 1,112 MW installed power in 2009, almost double the total for 2008 (612 MW) and approximately 9% of Itaipu hydroelectric unit's installed capacity.

Cosan and co-generation

Cosan is the world's largest producer of electric energy obtained from sugarcane. According to bilateral and/or auction sales contracts, last harvest the Serra, Gasa, Costa Pinto, Rafard, Tarumã and Maracaí units supplied a total volume of 623,204 MWh at an average price of R\$ 153.70/MWh, working out at total energy revenues of R\$ 95.8 million. In the 2010/2011 crop year, there are already ten operational co-generation units, in addition to two under construction and a further three still on the drawing board.

The company is preparing for future use of cane straw, which, like bagasse, has energy potential. In the mechanized harvesting process, all the straw is separated and left on the fields. In some areas it will help protect the soil and reduce preparation costs. In places where straw can be done without, such as humid areas, it can be used for burning. Estimates indicate a 6% increase in cane biomass in the form of straw, which will increase the company's capacity for electric energy co-generation. The cost of collecting and transporting straw in the field is still high, but it should be reduced as the scale of energy sales increases.

Greenfield projects

Cosan initiated its Greenfield Project before the end of 2009. Located in Jataí (Goiás State), it is considered the most modern ethanol producing plant in the world, with milling capability for 20 thousand tons/day. With the acquisition of two NovAmérica industrial units, in the same year,

Biotechnology

In 1973, Cosan set up Brazil's first private laboratory for biological control and became a pioneer in the sector upon using biological control to fight the principal pests affecting sugarcane production and quality.

Every month eight labs produce nearly 130 million *Cotesia flavipes* wasps and 13 tons of *Metarhizium anisopliae* fungal spores, which naturally combat sugarcane borer larvae (*Diatraea saccharalis*) and spittlebugs (*Mahanarva fimbriolata*), respectively.

Biological control ensures efficiency in fighting pests. The technique allows a 35% reduction in agricultural pesticide use, which brings about economic and social advantages by reducing handling of chemicals, and environmental advantages by preserving soil with a natural technique



Respect for the environment:
microbiological control
of sugarcane

another Greenfield project was incorporated – Caarapó plant, in Mato Grosso do Sul, which boasts installed capacity to mill 9.2 thousand tons of cane daily.

The quantity of ethanol produced and electric energy co-generated are linked to milling capacity. Jataí can produce 370 million liters of ethanol a year and boasts installed capacity for co-generating 105 MW. Caarapó can produce 74 million liters of ethanol and co-generate 76 MW.

Jataí was planned as a technological example for other production units belonging to the company and the sector, providing environmental benefits. Cane is cleaned by blowing, saving the water no longer used for the process. Traditional milling, which crushes cane to extract juice, has been replaced by a diffuser. More juice is obtained and the bagasse is drier, so less energy is needed to burn input – the more humid the bagasse, the more energy is required to burn it. Thermoelectric boilers leak less steam, so more energy is co-generated. The best technological improvements put in place in Jataí are to be gradually extended to the other production units.

Geo-monitoring and operational efficiency

Problems involving soil, varieties of sugarcane planted or pests in plantations throughout the 700 thousand hectares of land used by the company can be controlled in real time by Cosan, by means of a geo-monitoring system. Created in 2002 in partnership with Unicamp (State University of Campinas), this system of geographic information provides precise data about the state of the different properties and the agricultural activities on them. All land, including that of suppliers, possesses a map based on meticulous topographical surveys, fully geo-referenced and monitored by satellite, which already enables visualization with resolution of 1 pixel per 5 meters.

This system's precision makes property management more agile, allowing

for monitoring of the entire process's quality. Whether at a distance by means of a control center, or with a palmtop GPS device on the actual rural property, technicians have access to detailed information that lends greater dynamism to agricultural and industrial management activities. On the basis of all this information, professionals at the production units can estimate harvests and plan processing activity. The system also helps operational administration to control doses of fertilizer in plantations and correct and adjust cane cutting activity.

Radar – the company responsible for Grupo Cosan's land acquisition – also uses the system, for prospecting. Geo-monitoring has a database of satellite images of areas all over Brazil, with periodic photos since 1989. This enables tracking the history of a piece of land's use before purchase and prevents, for instance, acquisitions of illegally cleared land.

Environmental performance

The Environment is our base

Cosan manages its businesses with environmental responsibility



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Sugarcane is increasingly showing itself to be a renewable, clean and viable alternative to combat the menace stemming from climate change. The Intergovernmental Panel on Climate Change (IPCC) suggests that petroleum derivatives be substituted by clean forms of energy, even before natural reserves become extinct. According to the US Environmental Protection Agency (EPA), Brazilian sugarcane ethanol reduces GHG emissions by 61% as compared to gasoline, and it has thus been classified as an advanced biofuel. The reduction enabled by corn ethanol in the US is 15%, and that of European biodiesel varies from 20% to 30%.

Brazilian ethanol enjoys greater productivity in liters per hectare than other alternatives. While cane ethanol produces nearly 6.8 thousand liters/hectare, beet ethanol does not pass the 5.5 thousand liters/hectare mark and corn ethanol is approximately 3.1 thousand liters/hectare. Sugarcane for ethanol uses approximately 3.8 million hectares, which is equivalent to only 1.1% of the country's arable land. It is estimated that by 2020 Brazil will be producing 65 billion liters of ethanol, using 2.5% of its total arable land, or 4% if sugar production is also taken into account, as well as expected productivity improvements. This shows that the sugar and energy sector will not compete significantly with future demand for land to increase food production (*more on page 26, in the information on agro-environmental zoning*).

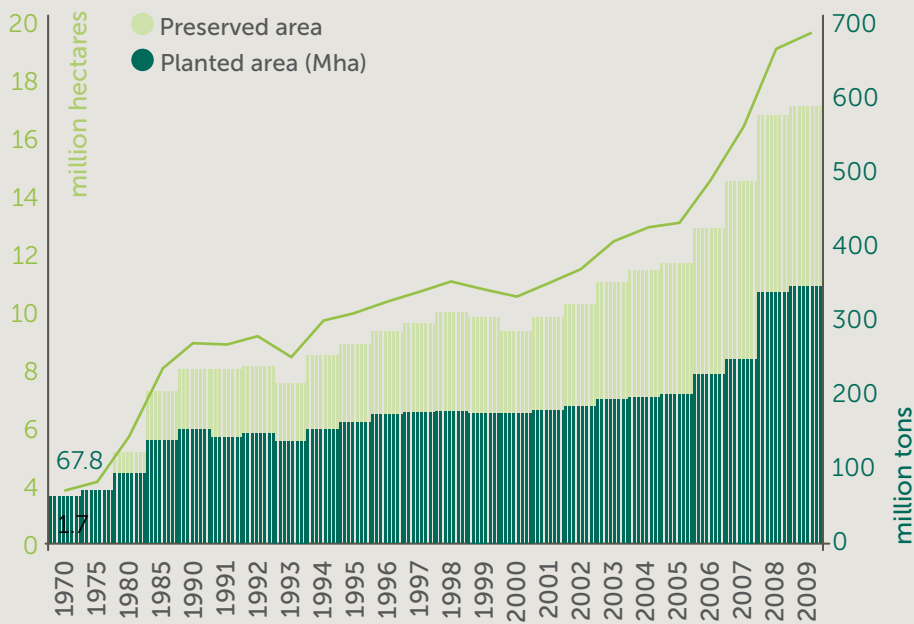


Sugarcane for ethanol production takes up nearly 3.8 million hectares – 1.1% of Brazil's arable land. It is estimated that by 2020 the country will be producing 65 billion liters, using less than 2.5% of arable land



IPCC predicts that biofuels may well account for 10% of the world's transport sector by 2030. Today, in Brazil, 90% of new cars sold use *flex-fuel* technology. The country is thus in a position of world leadership in the use of clean, renewable fuels.

Sugarcane: evolution of productivity

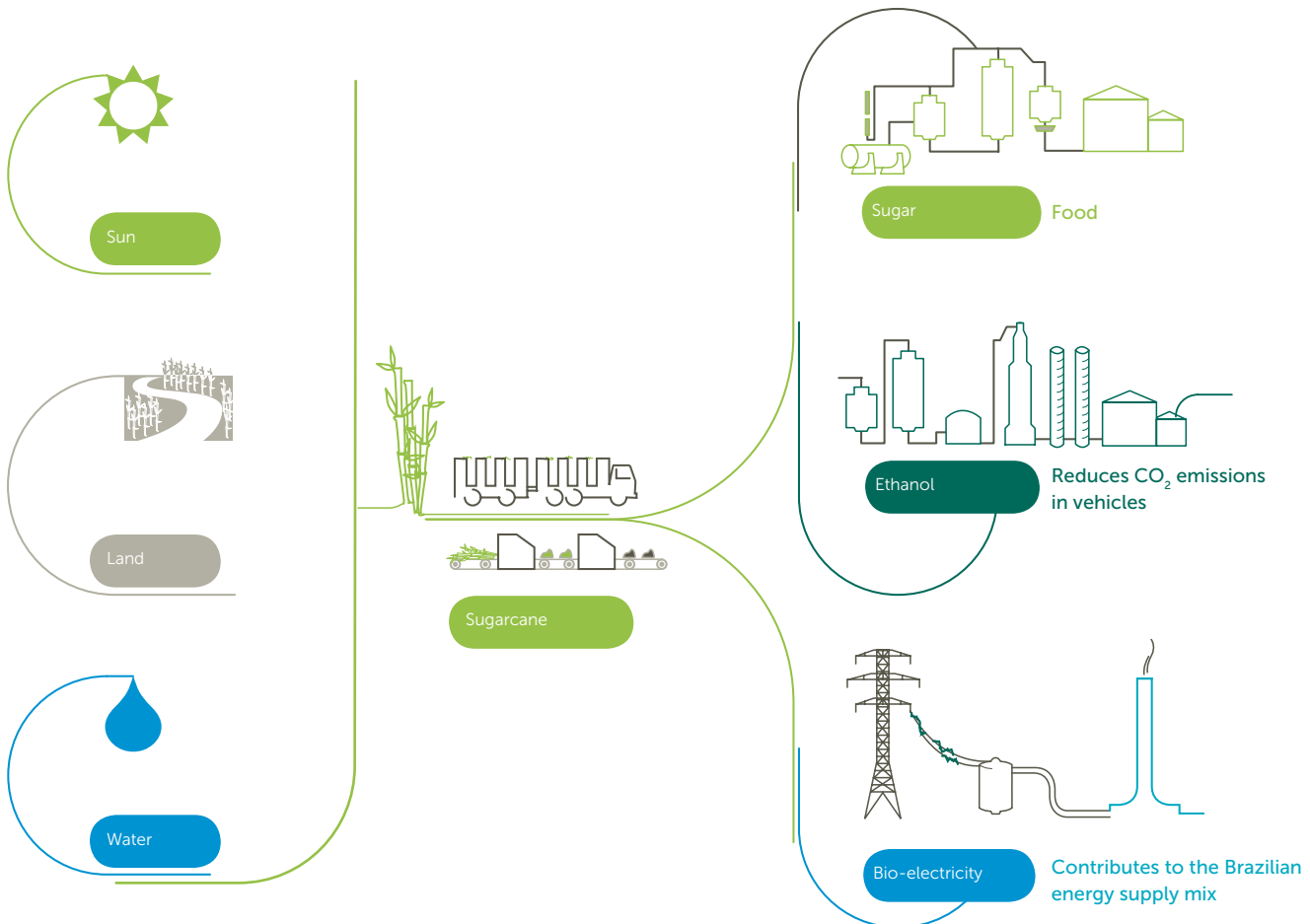


Prepared by: GV Agro
Sources: IBGE and Conab

7.3 mi
hectares of land were preserved in 2009 by initiatives allowing greater production in areas already used for cultivation

Potential of sugarcane/Energy

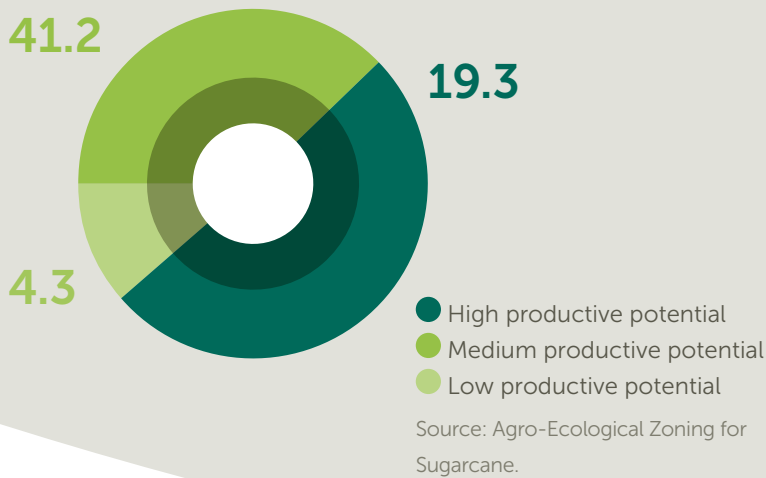
Sugarcane represents clean, renewable energy to improve people's lives. See how:



Areas suitable for expansion of sugarcane cultivation in Brazil

In millions of hectares

Total: 64.7 million hectares



Zoning indicates potential for expansion

In September 2009, the federal government launched ZAE (Agro-Ecological Zoning for Sugarcane) with the objective of providing technical subsidies for the formulation of public policy designed to organize sugar and alcohol expansion and sustainable sugarcane production in Brazil's territory. Coordinated by Mapa (Ministry of Agriculture, Livestock and Supply) and developed with the technical support of other ministries and government bodies, Zoning demonstrates that sugar and alcohol production possesses potential for expansion in areas currently turned over to intensive, semi-intensive agricultural production, pasturage and specialist farming (perennials), without need of pressuring the vegetation of the Amazon, Cerrado and Atlantic Forest biomes or directly affecting land used for food production.

According to the document, "the country has nearly 64.7 million hectares suitable for expansion of sugarcane cultivation, of which 19.3 million are considered to possess high productive potential, 41.2 million medium potential and 4.3 million low potential".

The measure's highlight is the prohibition of agricultural advances into areas with native vegetation, disentangling the sector's image in connection with illegal land deforestation. Another resolution establishes that sugarcane cannot advance in areas where mechanization is not possible (slopes of more than 12%), which is fully supported by Cosan because it stimulates mechanized harvesting, curbing CO₂ emissions and preserving biological diversity.

However, Zoning does restrict planting in some pre-established agricultural and grassland areas, which Cosan questions. ZAE fears there may be

a ripple effect should sugarcane plantations take over areas currently producing soy or raising cattle, generating indirect pressure on such production to move in the direction of native forests.

A study carried out by Instituto Icone shows that to a great extent the advance of sugarcane plantations in Brazil affected grazing areas – between 2002 and 2006, 70% of sugar and alcohol expansion, of a 1 million hectare total, took over grassland.

Livestock raising currently occupies 200 million hectares in Brazil. This area is equal to about 40% of the country's farmland, but production of sugar and ethanol is restricted to an area of 8 million hectares, about 2% of farmland. Cosan believes that less land should be turned over to grass, by increasing productivity and reducing areas at the same time. Today every head of cattle occupies about 1 hectare.

The sugar and energy market milled 600 million tons in the 2009/2010 crop year, according to data from Unica. Expectations are for 1 billion tons to be milled in the 2015/2016 crop year. For this to happen, the area of land used should increase from 2% currently to 3%, i.e. there is no risk of the sector competing with food production.

8 mi

is the total number of hectares used to produce 27 billion liters of ethanol and 39 million tons of sugar. This is expected to double to 16 million hectares by 2020

Preservation of biodiversity

Cosan used about 700 thousand hectares of land for sugarcane, the area necessary to meet mills' requirements. Of this total, roughly 25 thousand hectares belong to Cosan itself, and 50 thousand are owned by Radar and leased to the company – making a total of 75 thousand hectares of land. The outstanding 625 thousand hectares belong to suppliers or are leased to the company.

Cosan complies with legal requirements and follows the guidelines of the Agro-environmental Protocol for protection of biodiversity, carrying forward action for the preservation and restoration of 660 hectares of permanent preservation areas (APPs), including riparian forests, on the boundaries of industrial sites.

The Protocol calls for protection of areas of riparian forest in sugarcane producing properties, because of their relevance in environmental preservation and protection of biodiversity. They are essential to protect rivers, springs and lakes, contributing to preservation of biodiversity and protection of flora and fauna. The Protocol also establishes that in the case of river sources in a plant's own area where the vegetation of APPs is degraded, the company must favor regeneration of the area involved within a minimum radius of 50 meters from springs and ponds, and work on recovery, at a minimum recommended annual rate of 10%. From 2004 to 2010 Cosan has planted

1.1 million tree shoots and invested nearly R\$ 12.5 million in these areas. 1.1 thousand hectares are thus on the way to recovery.

Legal reserve

In partnership with NBL and different members of the University of Sao Paulo's Luiz de Queiroz Agricultural School (Esalq-USP), Cosan and Radar are preparing a diagnosis for classification of areas in over 110 thousand hectares within Sao Paulo State. An inventory of fauna and flora is being made to this end. The methodology developed was approved by Sao Paulo's State Secretariat of the Environment to serve as a basis for future adequacy projects in the State.

Riparian forests

Areas of riparian forest in recovered springs (hectares)*



Sector-specific commitments govern operations

Cosan intends to be on the front line in its manner of doing business, and its objective is to make the sector's operational standards higher. In 2007 the company and Unica (Brazilian Sugarcane Industry Association), signed the Agro-environmental Protocol for the Sugar and Alcohol Sector, a sector-specific agreement with the Sao Paulo State government. This document sets out a number of principles and technical guidelines of an environmental nature to be applied by the sugarcane industry in the State. Adhesion to the Protocol is voluntary and currently comprises 171 production units.

With growing concern about climate change, the most visible guideline brings forward the end of the period for cane straw burning, a practice still necessary to ensure the safety of workers harvesting manually.

In accordance with Sao Paulo Law (State Law no. 11241/02), burning (known as *queimadas* in Portuguese) must be eliminated by 2021 in areas suitable for mechanization (slope up to 12%), and by 2031 in the case of land not suitable for mechanization (slope over 12%). The protocol calls for bringing these dates forward, with burning being eliminated by 2014 in the former case and by 2017 in the latter. Unica studies show that, taking into account reductions in controlled burning of cane straw alone, 8.5 million tons of CO₂ will not be emitted as at December 2017.

Cosan's targets are even more stringent than the Protocol's in connection with reducing burning, which are gradually being replaced by mechanized harvesting. There was an initial target for the period of the 2009/2010 crop year, from April 2009 to March 2010, calling for reduction in burning in 30% of land suitable for mechanized harvesting. This crop year, Cosan has

reached the 64.5% mark for mechanized harvesting in areas managed by the company itself (whether its own property or leased), with investment in mechanization to the tune of R\$ 30.5 million. The target for next harvest is 80%.

National commitment

With the end of controlled burning of cane straw, mechanical harvesters are gradually substituting manual cutting. One machine is able to do the work of about 80 people. Of every 100 workers, only 20 can be made use of for other functions in the process, including operation of the machines themselves. For this, better technical qualifications are needed, and Cosan has carried out training programs to re-qualify this labor. This measure is a part of the National Commitment to Improve Working Conditions in Sugarcane, which calls for an effort to qualify workers who will not be reabsorbed after the mechanization process.

In the last two years, Cosan took a leading role in discussions involving drafting and signing, in June 2009, this National Commitment – a document setting out approximately 30 exemplary practices, which go well beyond what is required by Brazilian legislation. The Commitment was the result of a three-way dialogue between entrepreneurs, workers and federal government representatives in a quest for joint solutions ensuring decent labor in the sugar and alcohol sector. See the entire National Commitment at www.unica.com.br.

30.5 mi
was the value invested
in reais by Cosan AA in
mechanization, reaching the
64.5% mark for mechanized
harvesting in areas managed
by the company

Check the agro-environmental protocol's guidelines

- Reduction of the statutory period for burning cane straw (State Law nº 11241/02) by 2014 instead of 2021 in areas suitable for mechanization, and to 2017 from 2031 in areas not suitable for mechanization.
- Not use sugarcane burning for harvesting in areas of sugarcane expansion.
- Adopt action to prevent open air burning of cane bagasse or any other sugarcane byproduct.
- Protect areas of riparian forest on sugarcane-producing properties, due to the relevance of their contribution to environmental preservation and protection of biodiversity.
- Protect water sources in the rural areas of cane-growing enterprises, and recover the vegetation surrounding them.
- Propose and implement a technical plan for soil conservation.
- Propose and implement a technical plan to conserve water resources and minimize water consumption.
- Management plan for waste generated in the agro-industrial process.
- Plan to minimize generation of air pollutants.

Controlled burning

Controlled straw burning is allowed. Cosan complies with all the norms set down by Sao Paulo's State Secretariat of the Environment for execution. A request for controlled burning of an area, duly geo-referenced, is submitted to the State Secretariat. The body assesses the request and issues authorization, with about 48 hours for execution. Concomitantly, communities and authorities in municipalities affected by burning are advised directly, by means of ads in the local press.

Nevertheless, accidental burning does occur. Many sugarcane plantations are near urban areas and highways – and a lit cigarette stub or shard of glass can be enough to set dry straw on fire, especially when there is a low level of humidity in the air. During the 2009/2010 crop year, Cosan was served 33 notices of environmental violations referring to burning in its own plantations or those of third parties, resulting in payment of R\$ 1.8 million in significant fines. **EN28**

The Secretariat deems that activities performed by a sugarcane supplier are the responsibility of the plant consuming the cane. Cosan has instructed all its suppliers to report accidental burning to a police station. Should a supplier not submit a copy of the report, Cosan may even refuse to receive its load of sugarcane.

Fines stemming from cane straw burning (2009)

Company	Environmental assessments	Amount (R\$)
Cosan Açúcar e Alcool	33	1,841,338.80*

* Amount referring to significant fines of over 5 thousand Ufesp (Sao Paulo State Fiscal Units). In 2010 one Ufesp was equivalent to R\$ 16.42, and in 2009, R\$ 15.85.

In addition to controlled burning of cane straw, the Agro-environmental Protocol's guidelines involve other relevant matters, such as conservation of soil and water resources; protection of riparian forests; recovery of springs; reduction of air emissions; due care with agrochemical use; and support of the logistical modal for exporting products. Cosan complies with commitments made, as can be seen in other parts of this report.

Unica estimates that reductions in cane straw burning and co-generation in production units in Sao Paulo State, together with maintenance and recovery of riparian forests, will mean that 62.5 million tons of CO₂ less will be emitted by 2017.

Permanent Preservation
Area, Rafard unit.





View of Jataí industrial park

Scope 1

Direct emissions
(e.g.: fuel burning,
manufacturing processes)

Scope 2

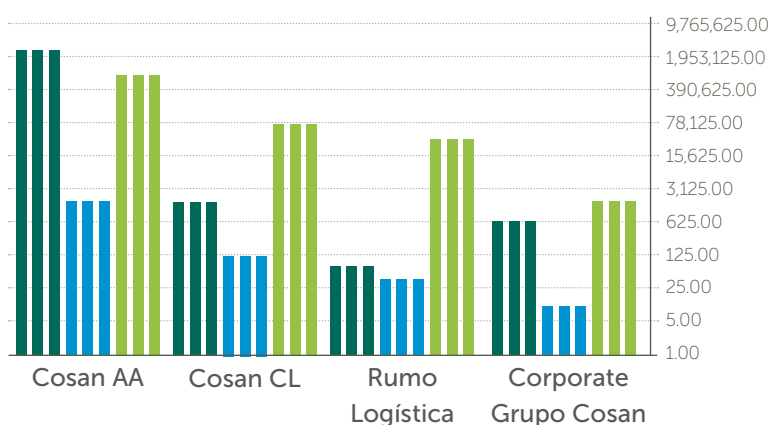
Indirect emissions
(e.g.: consumption of
electricity or other kinds of energy)

Scope 3

**Emissions from sources
attributable to the company's activity**
(e.g.: transport of third parties)

Emission by scope (tCO₂eq)

● Scope 1 ● Scope 2 ● Scope 3



Note: Observing GHG emissions for every company in the Group, it can be seen that approximately 97% of the Company's total emissions stem from Cosan AA. On the other hand, we must bear in mind that it is not possible to compare companies, given that their activities are different.

Inventory of emissions

Sugarcane provides clean, renewable alternatives for energy, contributing to reduce GHG emissions. Grupo Cosan wishes to extend this commitment and minimize to the greatest extent possible the impact of its own operations. To take action, it is first necessary to map out its emissions in detail.

To this end, Cosan took on a specialist consulting firm and carried out its first inventory of direct and indirect GHG emissions with reference to the 2009/2010 crop year. All the work was performed on the basis of GHG Protocol's guidelines and principles, whose methodology is comparable to ISO standards and IPCC methodology for quantification. This is now the instrument used most throughout the world by companies and governments to understand, quantify and, above all, manage their emissions. The company will thus stipulate its own targets and action to reduce its emissions.

GHG emissions are measured within so-called Scopes 1, 2 and 3. Scope 1 refers to direct emissions, including burning fuel in manufacturing processes, internal waste treatment and motor transport belonging to the company. Scope 2 involves indirect emissions, including the consumption of electricity and other kinds of energy. Scope 3 includes emission sources in activities carried out by third parties related to the

Total GHG emissions (tons)*				
	Scope 1	Scope 2	Scope 3	Total emissions
Cosan AA	2,375,313	1,597	608,936	2,985,846
Cosan CL	1,308	197	52,684	54,189
Rumo Logística	63	33	27,962	28,058
Corporate Grupo Cosan	530	13	1,035	1,578
Total	2,377,214	1,840	690,617	3,069,672

* By Grupo Cosan companies in the 2009/2110 crop year.

originating the biomass in question provided removal and fixation by means of the process of photosynthesis, of the same quantity of CO₂ emitted when burning.

Cane burning in the field, fermentation in the production process of alcohol and the large volume of bagasse burnt in boiler furnaces mean that a large portion of Cosan's emissions are neutral. Thus, these carbon dioxide emissions are calculated, but not added to the Group's emissions. However, emissions of nitrous oxide (N₂O) and methane (CH₄) related to such processes are considered and included in non-neutral emissions in Scope 1.

Total neutral emissions (Scopes 1 and 3) amounted to 23,158,739 tons of CO₂ eq measured in the 2009/2010 crop year, equivalent to 88% of total emissions (see graph).

Prospects for reduction

Cosan is analyzing the main opportunities for reducing and offsetting emissions, with a view to validating and including them in its business plan. In addition, two of the Group's projects already under way deserve highlighting, because they will promote significant reduction of emissions.

The first is Rumo Logística's change of transport modal, calling for replacing road carriage for the flow of sugar from upstate Sao Paulo to the port of Santos by rail. According to the inventory, indirect emissions (Scope 3) stemming from the logistics of transporting sugar by road account for 97% of the 28,000 tons of CO₂eq emitted by Rumo during the 2009/2010 crop year. When modality changeover is concluded, these emissions will see a 60% reduction (*more on pages 12 and 13*).

The other project with potential to promote emission reductions in coming crop years is related to increase in capability for co-generating electric energy. During the 2009/2010 crop year, there were still 15 of the Group's units with co-generation potential, whose viability is under assessment. Of these projects, three entered operation in the 2010/2011 crop year. There are another two projects under construction and three in the initial phase.

In 2005, Cosan presented its Clean Development Mechanism (CDM) project, which was approved by the United Nations (UN). Thus the company, through its potential for co-generating electricity, participates in the market for carbon credits, which can be sold to signatory countries needing to meet targets for emission reductions, in accordance with the document known as the Kyoto Protocol.

company's own activities, including outsourced transport. Inventory limits are established on the company's operational control.

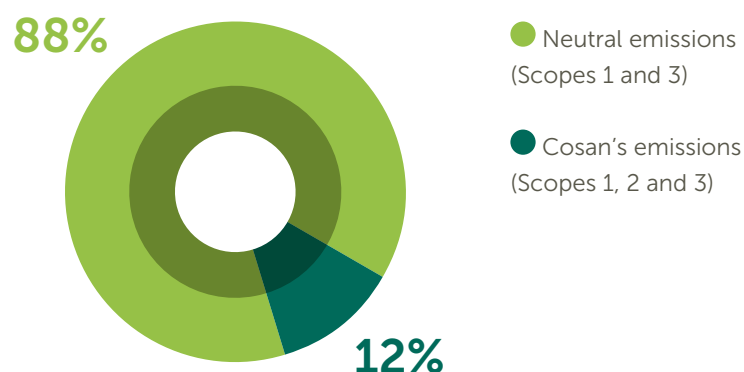
According to the first inventory, total GHG emissions, adding up Scopes 1, 2 and 3, amounted to 3,069,672 tons of CO₂ equivalent (CO₂ eq), in the crop year from April 2009 to March 2010. Data refer to the Group's combined operations, comprising Cosan Açúcar e Álcool, Cosan Combustíveis e Lubrificantes, Cosan Alimentos and Rumo Logística. Of total emissions, 2,377,214 correspond to Scope 1, and 1,840 tons of CO₂ eq, to Scope 2, referring to emissions resulting from the use of electric energy acquired from third parties. [EN16](#)

Other indirect emissions (Scope 3) totaled 690,617 tons of CO₂ eq, corresponding to the 2009/2010 crop year. These emissions stem from the activities of outsourced entities with respect to Grupo Cosan's production actions, due to representativeness and availability of data, excluding emissions from sugarcane's life cycle. [EN17](#)

Neutral emissions

One specificity of the sugar and alcohol sector in general, and Cosan in particular, refers to neutral CO₂ emissions produced upon burning biomass or renewable fuels produced with vegetal biomass. Carbon eliminated in this combustion reaction is considered neutral. This is based on the principle that in the production process of biofuels, the growth of the vegetable species

Comparison of emissions





80%

is the total of carbon monoxide (CO) emissions left unproduced by replacing diesel fuel with ethanol, according to tests carried out by BEST project (BioEthanol for Sustainable Transport)

Ethanol-fueled bus

Conceived by the European Union and coordinated by the City Hall of Stockholm in Sweden, BEST (BioEthanol for Sustainable Transport) project's target was to encourage use of ethanol to substitute diesel fuel in urban public transport in order to reduce air pollution in metropolitan regions worldwide. The project arrived in Brazil in 2006, led by Cenbio (National Center of Reference in Biomass), of the University of Sao Paulo's Electro-technical and Energy Institute (IEE/USP), with Sao Paulo as the first city in the Americas to run some of its buses on ethanol. The project enjoys the support of a group of companies, including Cosan, which helps out by supplying fuel for these vehicles.

The Scania K Series bus is fitted with a 9-liter, 270 HP engine, running on hydrous bioethanol renewable fuel, with 5% additive for ease of ignition (ED95), as well as meeting European Euro 5 and EEV (Enhanced Environmentally Friendly Vehicles) requirements.

Technology applied in the vehicle contributes to reduce emissions of polluting gases, directly influencing improvements to air quality in cities, reducing CO₂ emissions by up to 90%, thus contributing significantly to help curb global warming.

In June 2009, Sao Paulo city passed Law 14933 setting up public policy to reduce GHG emissions by 30%, stabilize concentration and control the effects of climate change in the municipality. Tests carried out in Stockholm show that, as compared to diesel fuel, ethanol use reduces emissions of nitrogen oxides (NOx) 28%, emissions of carbon monoxide (CO) 80%, emissions of hydrocarbons 50% and emissions of particulate materials 60%. Cetesb (Sao Paulo State Environmental Company) deems road transport, which mostly runs on diesel fuel, the worst air polluter in the city's entire metropolitan region, harming the population's health.

According to the World Health Organization (WHO), concentration of pollutants in the air should not be greater than 10 micrograms per cubic meter. Studies carried out by Sao Paulo University's National Institute for Integrated Analysis of Environmental Risk (Inaira/USP) show that this figure is 28 micrograms in Sao Paulo, shortening residents' life expectancy by one year. Deaths caused by pollution stand at about 4 thousand a year, which may result in losses of up to R\$ 1 billion in public health expenditure stemming from pollution over the same period. A study by the Clinics Hospital's Institute of Heart (InCor) shows that a 10-microgram increase in pollutants per cubic meter of air increases hospitalization for cardiac arrhythmia 10%. Thus, action to reduce emissions in major cities, such as that supported by Cosan and led by Sao Paulo's City Hall are key to improving the population's quality of life.



Soil conservation is a priority

Healthy, quality soil is a predominant factor for Cosan's business, because it is there that the company's main raw material – sugarcane – sprouts and develops. Conserving soil and fighting erosion are therefore priorities for Cosan and the entire sector. Action is set out in the Sugar and Alcohol Sector's Agro-environmental Protocol, to which the company is a signatory.

Cosan used approximately 700 thousand hectares, of which 350 thousand are its own or leased. All work on this land – from soil preparation to harvesting – is carried out by the company using a geo-reference system to improve and ensure the quality necessary to conserve soil (*more in the chapter of New Technology*). Soil is prepared with both chemical and natural fertilizers – input originating from processed cane.

Vinasse, a byproduct of juice distillation, is used as a fertilizer with 1.5 to 3 kilos of K_2O/m^3 . This reduced potassium fertilizer requirements in 50% of the company's own area in 2009. Doses for application in sugarcane fields are determined by chemical analysis of the soil, with monitoring in accordance with Cetesb's norms. On average, 10 liters of vinasse are produced for every liter of alcohol.

Filter cake – from filtering juice – and ash from the boiler furnaces – obtained by burning bagasse – are used as organic fertilizers. Thus, what used to be mere production waste has become an input. Filter cake has 70% humidity, which is important when planting in dry periods. It is also rich in calcium and phosphorus. When added to ash, the fertilizer has a greater concentration of nutrients.

Year by year, new techniques improve the use of these byproducts, contributing to a significant reduction in chemical fertilizer use. Therefore, in addition to reducing aggression on the environment, the practice generates sav-

ings. By using it, Cosan today consumes an average of 45 thousand tons less synthetic fertilizer per crop year.

Part of the fight against cane pests makes use of biological control, i.e. using natural enemies, which allows for 35% savings in herbicide and fungicide use. Following good practices set out in the Agro-environmental Protocol, pesticide containers are washed out three times on the field. Lettering on them is removed and the plastic is sent for recycling.

Cosan Combustíveis e Lubrificantes

Risks of soil contamination stemming from CCL's activities mainly involve logistics of fuel transport to Esso stations – which is mostly by road. In the unit's internal area, where the storage tanks for raw materials, fuel and lubricants are located, Sigo (Integrated Operations Management System) ensures that all safety requirements are met, going well beyond rules established by regulatory norms and requirements of state environmental agencies. An example of care in excess of what is required by law involves double bottoms of vertical tanks. Although this is not called for by environmental agencies, most of CCL's vertical tanks do have double bottoms. The environmental master plan will require tanks without double bottoms to have them fitted in the near future, boosting control of any kind of environmental incident.

There are risks inherent to road transport in the fuel distribution segment, which uses tanker trucks. The 2009/2010 crop year saw the spillage of 28 cubic meters of fuel in an accident on highway SP-304, near Santa Maria da Serra in upstate Sao Paulo. Impacts were



totally remedied in accordance with Sigo's rules and procedures, which are in line with the norms and standards of the State's environmental body. [EN23](#)

Since it was established, Cosan CL has had its program for Safety Guidelines for Contracted Transporters, which sets out management tools used by road transport firms. By means of these guidelines, lessons learned due to this event were shared with other transport firms as a part of a process of continuous improvement of operations. In the case of the Lubricants segment, there were no significant spillages in the latest crop year.

Cosan Açúcar e Álcool and Cosan Alimentos do not yet have systems for monitoring spillages, but there is a process under way to transfer Cosan Combustíveis e Lubrificantes' expertise in tankage and transport safety.

Legal co-responsibility

Federal Law no. 6938/81 establishes that a polluter is responsible for environmental damage caused, independently of whether it is guilty. Some state bodies for environmental surveillance have deemed fuel distributors co-responsible for instances of environmental contamination identified at filling stations.

On the other hand, according to ANP (National Petroleum Agency) Ordinance no. 116/00, distributors cannot be involved in retail sale of fuels, which means that any retail filling station is independent to the distributor. In view of this stance, distributors in general, and Cosan

Combustíveis e Lubrificantes through the Esso brand name in particular, provide all training and technical support for its retailers to help them prevent and mitigate possible environmental impacts caused by their activities.

The commercial relationship between Cosan and its retailers is usually formalized by signing a contract dealing in detail with environmental care to be exercised by the retailer. This includes a retailer's duty to take proper care of equipment in the filling station, as well as monitoring stocks daily. If non-compliance is detected, including instances of risk of ground contamination, the retailer must immediately take appropriate action – including notifying Cosan of the facts so the company can contribute to minimizing environmental risk by means of case-by-case analysis.

In the 2009/2010 crop year, Cosan CL, with its network of approximately 1.7 thousand stations, was fined three times. One of the fines was for R\$ 7,283.55, and two were levied by Fepam (State Foundation for Environmental Protection) – the environmental body of Rio Grande do Sul State – due to contamination detected in filling stations that had purchased fuel from Cosan. An assessment for approximately R\$ 15.2 thousand is connected with a filling station in the municipality of Uruguaiana, and the other, for R\$ 30 thousand, with a retailer in the city of Vacaria. [EN28](#)

Care of natural resources

Water consumption

In total, 19 plants have closed circuits, where 90% of water is condensed in industrial processes and is re-circulated during the process. Losses stem from transformation of water into steam. In such cases, evaporated water is replaced with condensed or collected water. From 0.7 to 1 cubic meter of water is used per ton of milled cane. The company has projects under way to implement closed circuits in the Group's other four plants by 2013.

The greatest volume of water taken from surface sources by Cosan is used for production processes in productive units. In the 2009/2010 crop year, the volume of water taken by the company was 28 thousand cubic meters, the same as the volume used in the previous year, although the production of the 2008/2009 crop year was 16.82% lower. This means that the company has managed to rationalize consumption, producing more with a lower volume of water per ton produced.

In the sugarcane industry, the Sugar and Alcohol Sector's Agro-environmental Protocol calls for controls of the quality, quantity and reuse of water in production. Cosan complies with this guideline and is enhancing its operations and investing in operational efficiency improvement to favor reductions of water consumption in production units.

Nearly 70% of sugarcane is composed of water. The other 30% consists basically of sugars (sucrose, fructose and glucose), fibers and mineral nutrients. Of the 70% of water contained in sugarcane before processing, part remains in cane bagasse after milling, which is burnt in boiler furnaces, producing energy. Another part of the water is concentrated in vinasse, a cane processing byproduct. Cosan is investing in technology to concentrate vinasse, so it would contain less water. This wastewater is used to replace losses caused by evaporation, increasing rationalization of consumption

and the efficiency of the productive process (*more on pages 18 and 19*).

Cosan is also investing in the development of varieties of sugarcane more resistant to drought. Research in this direction has advanced, and is being carried out by CTC (Center for Technology in Sugarcane) and Canavialis.

Most of the land used by Cosan, whether its own, leased or third-party, is located in Sao Paulo State, where rainfall indexes vary from 1.2 thousand to 1.8 thousand millimeters a year. This is sufficient for full development of sugarcane in the field.

Water used by Cosan Combustíveis e Lubrificantes and Rumo Logística comes from public supplies. During the period referring to the latest crop year, 54,827 cubic meters of water were used in Cosan CL's production process and operations, and 12,870 cubic meters by Rumo. In 2010, Cosan CL initiated a project designed to reduce its water consumption, through better control of volumes of recycled and reused water in its units.

Emissions of effluents

At Cosan Açúcar e Alcool, of the total of water taken, 19 thousand cubic meters were treated and properly returned to the environment in the form of effluents. Emissions meet requirements set up by legislation. The Agro-environmental Protocol calls for the preparation of a plan with data on the characterization of effluents, including organic load, discharged into bodies of water, as well as demanding measurements of the quantities

Taking care of the environment: closed water circuit, Tarumã unit



of effluents released. Cosan is investing resources in these adjustments.

In the case of Cosan Combustíveis e Lubrificantes, effluents included the disposal of 442 tons of oily water in the 2009/2010 crop year, from cleaning tanks with oily waste. They were stored and later collected by a company contracted to carry out the physical-chemical and biological treatment of industrial effluents in accordance with NT-2002 R10 standards.

Energy consumption

Cosan Açúcar e Alcool is self sufficient in electric energy generation. Electricity is produced by burning cane bagasse at the production units themselves. In the 2009/2010 crop year, 809,714 MWh of energy originating in cane bagasse were consumed. Surpluses were sold directly to industries – which, as large energy consumers, can choose their own suppliers – or through auctions promoted by the federal government for the National Electric Energy Transmission System (*more in the chapter on New Technology*).

Even though it produces and sells electric energy, CAA also purchases about 4% of the energy it uses, to safeguard its administration and IT systems by avoiding the energy peaks which tend to happen with the process of generating electricity from burning bagasse. Cosan is investing for production units to reduce their consumption of electric energy, further potentiating sales of surplus energy produced.

At Cosan Combustíveis e Lubrificantes, natural gas is a significant source of energy, accounting for 68% of the energy used by the Lubricants plant (adding up gas and electricity consumed). Gas is used mostly to produce steam in boilers. In the 2009/2010 crop year, nearly 7,280 MWh equivalent of gas was used, a 13% reduction as compared to 8,330 MWh equivalent consumed in the previous crop year. The target for the coming year is to reduce unitary consumption of natural gas by 2%, i.e. volume of gas in cubic m/barrel of oil produced. Cosan CL's consumption of electricity was about 6 thousand MWh.

As Rumo Logística's work concerns reception and shipment of sugar, no input is used to generate electricity directly. The unit uses electric energy acquired from the local distributor for its operations, amounting to 17,093 MWh for the crop year.

Direct energy consumption*1 and 2 EN3		
Primary energy source (MWh)		2009/2010 Crop Year
Cosan Açúcar e Alcool	Sugarcane bagasse	809,714
Cosan Combustíveis e Lubrificantes	Natural gas	7,279.96
* Broken down by primary energy source. (1) Direct energy is all energy produced within the Organization's operational boundaries (whether purchased, extracted, cultivated, harvested or brought in). (2) Data for Radar are not reported in the indicator.		

Consumption of indirect energy* EN4	
Consumption of electric energy (MWh)	2009/2010 Crop Year
Rumo Logística	17,093.39
Cosan Açúcar e Alcool	72,584.00
Cosan Combustíveis e Lubrificantes	5,971.59
Total	95,648.98
* Broken down by primary energy source.	

Materials used

The main materials used by Cosan Açúcar e Alcool, besides sugarcane, are substances used in the industrial area to process sugarcane and refine sugar.

In the case of Cosan Combustíveis e Lubrificantes, in addition to raw materials for manufacturing lubricants derived from petroleum, most materials are used for packaging the lubricants, which are subsequently commercialized wholesale and retail in tubs, jars, cylinders and pails. See the main products and volumes consumed in the 2009/2010 crop year on page 37.

195 thousand

was the total, in tons, of materials used in the production processes of Cosan AA and Cosan CL in the 2009/2010 crop year



Materials used by weight or volume ^{1 and 2} **EN1**

Consumption of materials by type (t) 2009/2010 Crop Year

Cosan Açúcar e Alcool

Lubricants	520.19
Lime	47,200.44
Caustic soda (cleaning)	334.35
Sulfur	5,936.87
Polymers	238.38
Sulfuric acid	16,315.89
Defoamer	1,038.92
Disperser	346.70
Antibiotics	45.99
Biocides	234.87
Caustic soda (manufacturing)	1,740.40
Alcohol dehydrating	511.81

Total Cosan AA e Alimentos 74,464.81

Cosan Combustíveis e Lubrificantes

Raw materials and inputs	114,332.0 ³
Plastic containers (tubs, jars, cylinders and pails)	3,539.8
Metal containers (drums)	2,718.3
Total CCL	120,590.1

(1) Not applied in Rumo Logística's business, because it is a service provider.

(2) The data for Radar and the fuel segment are not reported in the indicator.

(3) Lubricant production in 2009/2010 was 803,300 barrels, approximately 114,332 tons.



Input used in agricultural production ¹

Input	Consumption
Correctives	226,787 t
Fertilizers	116,850 t
Nitrogen - N	17,406 t
Phosphorus - P ₂ O ₅	10,965 t
Potassium - K ₂ O	20,526 t
Herbicides	2,243 t
Insecticides	651 t
Diesel fuel	78,580,773 l

(1) Consumption refers to agricultural production of own cane, in the 2009/2010 crop year.

Waste management

Most waste from Cosan Açúcar e Alcool's industrial operations are inputs from sugarcane itself: vinasse, filter cake, boiler furnace ash and bagasse. Until recently, this waste was a problem for the sugar and alcohol sector. Now, however, due to knowledge acquired and new technology, they are no longer treated as waste, because they have become input for the very sector. Except bagasse, with 11.8 million tons generated in the 2009/2010 crop year and burnt for co-generating energy, the other inputs are reused as organic fertilizer for planting sugarcane.

Although Cosan AA does not yet have a separate waste collection program in place, it is working on a waste management plan consisting of segregating waste by type, storage, transport and final destination in accordance with environmental law. One of the main challenges in this process is the fact that production units are located far away from urban and industrial centers. During last crop year, paper and rubber – thus recyclable waste – ended up being added to food remains and other organic waste, resulting in approximately 1.9 thousand tons being sent to properly licensed sanitary landfills.

Due to new technology, vinasse, filter cake and bagasse are no longer waste and have become input for Cosan

As for hazardous waste such as light bulbs with mercury/aluminum and items contaminated with oil, solvents, paint and/or chemicals, 826 tons were produced by Cosan AA during the 2009/2010 crop year. These were separated, stored and later disposed of in accordance with environmental law.

In the case of Cosan Combustíveis e Lubrificantes a structured recycling program is in place. Of the 1.3

Percentage of materials used that are recycled input ^{1 and 2}				EN2
Cosan Açúcar e Alcool ³				
2009/2010 Crop Year		Quantity (t)	%	
Sugarcane bagasse ⁵		11,870,448.23	27.11	
Filter cake		1,430,118.52	3.27	
Earth from cane washing		140,079.71	0.32	
Boiler furnace ash		505,012.20	1.15	
Total		13,945,658.66	31.85	
Cosan Combustíveis e Lubrificantes				
Re-refined oil ⁶		6,800.89	5.95	

(1) Data for Radar and the fuel segment are not reported in the indicator.

(2) N/A for Rumo Logística's business, which is providing services.

(3) As material from recycling, nearly 20 million cubic meters of vinasse were used for fertilization/irrigation of Cosan's own areas.

(4) Percentages relative to total cane milled.

(5) Quantity of cane bagasse calculated on the basis of Bagasse/Cane.

(6) Re-refined oil is acquired by means of companies collecting used oil in the country and carrying out the process to make new consumption possible.

thousand tons of non-hazardous waste generated, only organic and non-recyclable waste was sent to sanitary landfills. Recyclable material such as scrap, tires, batteries and plastic were sent for recycling. Scrap and plastic alone added up to 30 and 24 tons respectively.

Waste considered hazardous, from both fuel and lubricants, added up to nearly 1.2 thousand tons last crop year. Much is co-processed, such as sawdust, contaminated plastic, oily cardboard and oil sludge. Others, such as slop (oil generated upon changing products in filling lines), which added up to 507 tons in the last year, were re-refined. Fluorescent bulbs and material contaminated with hydrocarbons are sent to specialized companies for recycling.

The lubricant sector's target for 2014 is to reduce generation of hazardous waste by 15%, using tons per barrel produced as the basis for calculation. The target for non-hazardous waste is a 5% reduction using the same measuring unit. A total of 1,046 tons of hazardous waste were sent to special landfills.

In the case of the fuel segment, 213 tons of hazardous waste were taken away, 100% of which underwent treatment before final disposal. All hazardous waste generated at Cosan CL was taken away for proper treatment and final disposal.



Percentages of oil collection, by region^{1 and 2}

Cosan Açúcar e Alcool

Year	Northeast	North	Center West	Southeast	South	Brazil
2010	23%	23%	31%	42%	35%	35%
2011	25%	24%	31%	42%	35%	36%

(1) Targets and percentages of used oil collection by region in accordance with inter-ministerial ordinance no. 464 of August 29, 2007.

(2) Percentages required based on calendar year (Jan-Dec).

Cosan CL complies with the requirements of Conama Resolution nº 362 dated June 2005, which obliges lubricant producing companies to collect oil used by retail consumers. Percentages of oil collected differ from region to region (see graph). All told, 34.6 tons of lubricating oil used during the 2009/2010 crop year were collected, all of which was sent for refining.

There is also a reverse logistics program involving collection and disposal of lubricant packaging. Member-companies of Sindicom (National Trade Association of Companies in the Distribution of Fuels and Lubricants), including Cosan CL, have mobilized and are responsible for structuring the '*Jogue Limpo*' program, whose objective is to collect lubricant packaging and dispose of it in an environmentally suitable manner. The program is still in its initial stages, and has only been implemented in Rio Grande do Sul and Paraná States. The States of Rio de Janeiro, São Paulo and Santa Catarina are carrying out feasibility studies for the 2010/2011 crop year.

Percentage of products and their packaging materials that are reclaimed – CCL¹ **EN27**

Products reclaimed at end of life cycle (t)	2009/2010 Crop Year	% ²
Lubricant segment	34,579.05	34.62
Packaging reclaimed at end of life cycle		
Recovered (plastic packaging - kg)	70,525.30	2 ³
Reused (200-liter drums)	58,138	29.14 ³

(1) Data refer exclusively to Cosan Combustíveis e Lubrificantes.

(2) Percentage calculated on total product that can be collected, as per classification set out in Conama 362 of August 31, 1993.

(3) Percentage of recovered packaging related to total of products sold.

Rumo Logística generated 339.8 tons of non-hazardous waste, such as solid organic waste, domestic sewage, mud, paper and plastic during the 2009/2010 crop year. Hazardous waste, such as fluorescent light bulbs, laboratory waste, hydraulic oil and contaminated sand added up to nearly 45 tons. Rumo takes on specialist companies for the transportation, treatment and final disposal of such waste.



Impacts of products

On the path to sustainability, Cosan endeavors to develop good practices in the environmental area, minimize the negative impacts of its operations and potentiate the positive. In the 2009/2010 crop year, the company invested R\$ 25 million in the environmental area. Part of these funds were spent on education and training action for its workers in connection with good environmental practice; on contracting external environmental management services; on research and development; and on the process of obtaining external certification.

These resources were also used on improving systems for treatment and final disposal of waste, as well as GHG emissions.

To ensure that the company is on the right track in its quest for better management practice in the areas of Health and Safety, Quality, Environment and Socio-environmental Responsibility, Cosan sought external certification stimulating continuous improvement and consistency of internal management processes. In the 2009/2010 crop year, Cosan CL prepared to obtain ISO certifications 14001:2004 for environmental processes, and OHSAS 18001:2007 for occupational health and safety, finally obtained in May 2010 (*more in the chapter on Health and Safety*).

In addition, Sigo (Integrated Operations Management System) was constructed on the basis of internationally recognized and accepted standards and certifications, such as:

- **NBR ISO 9001** – Quality Management Systems;
- **NBR ISO 14001:2004** – Environmental Management Systems;
- **OHSAS 18001:2007** – Occupational Safety and Health Management Systems.

'Green' building

In February 2010 work started in Piracicaba (Sao Paulo State) on a building which will house CAN (Center for Business Support), centralizing Cosan's corporate activity. The building meets all requirements necessary to obtain Leed (Leadership in Energy & Environmental Design) certification, awarded by Green Building Council, one of the world's best known organizations in the area of sustainable civil construction and architecture.

The project is intended to increase efficiency in the use of resources and reduction of socio-environmental impact. This kind of construction and architecture is pioneering in the sugar and alcohol sector. The building will have solar energy, water will be reused and there will be a system for separating waste, with disposal for recycling.

The building will have bicycle racks and changing rooms for employees who relinquish car use. Work is expected to conclude in December 2010. The 9.5 thousand sq m built-up area is divided into three floors, with room for 850 workers.



Health and safety

The quest for better practices

Investments and efforts are designed to make Grupo Cosan a reference for good practice in health, safety and the environment



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Issues related to health, safety and the environment (HSE) showed significant evolution in the 2009/2010 crop year at Cosan Açúcar e Álcool and the Group's other companies. A special area was set up to watch over and implement guidelines necessary to improve good HSE practice in all the company's business units. Cosan's challenge is to become a reference for HSE in all sectors it is active in.

The company is determined to extend Esso Brazil's historic culture of health, safety and environment throughout the Organization. Sigo (Integrated Operations Management System) is based on this expertise, and is in the process of implementation in all Grupo Cosan's business units. Seaman-navigator Amyr Klink, who has been a source of inspiration for the company, was invited to help overcome this challenge. The Viagem sem Riscos [Risk-free Journey] campaign was launched, in which every leg corresponds to a stage in the implementation of Sigo.

In the 2009/2010 crop year, Cosan invested R\$ 45 million in HSE, seeking to protect its workers and service providers from risks stemming from operations, as well as protecting natural resources, communities surrounding its units and its own assets. Environmental and occupational accidents are unacceptable and damage the Value of "Safety throughout the operations", one of Cosan's pillars – its commitment to people.



Fire Brigade training session
at Cosan Combustíveis e
Lubrificantes

A history of excellence

Cosan Combustíveis e Lubrificantes (CCL) is a benchmark for health, safety and environment (HSE). This recognition was inherited from its former controller, Exxon Mobil, and its long experience in the sector.

When Cosan acquired Esso Brazil, CCL used its employees' expertise to create Sigo (Integrated Operations Management System), a tool for HSE management, evaluation and continuous improvement standardizing the company's production processes and integrating the best HSE practices.

After only one year in operation, Sigo is showing its efficiency. By following the System, CCL has become one of the only distributors to enjoy full ISO 14001:2004 certification for environmental processes and OHSAS 18001:2007 for occupational health and safety. We say "full certification" because usually only facilities are certified, whereas CCL's certification includes all activities from beginning to end.

Cosan Combustíveis e Lubrificantes now has nearly two thousand employees and contracted workers exposed to an estimated 4.9 million hours' risks. In the 2009/2010 crop year, the rate of occupational injury and disease was nil at the company's operational units. Furthermore, 12 years have gone by without any accidents with leave being suffered by the employees of the company as a whole.

At Araucária Terminal – the largest in the distribution operation, loading 500 million liters/month – CCL has maintained this figure for 34 years. Cosan CL is currently engaged in analysis of near-accidents and the behavior of its employees and contracted workers on the basis of 'Sistema Alerta!' tools.

Rates of injuries, occupational diseases, severity rates – days lost, absenteeism and deaths¹

2009/2010 Crop Year

	Cosan Açúcar e Alcool	Cosan Alimentos ²	Cosan Combustíveis e Lubrificantes
Injury Rate	7.29	11.07	0
Occupational Disease Rate	0	0	0
Severity Rate	649	578	0
Total Absenteeism	4.23	4.75	0
Total deaths during the period	4 ³	0	0 ³

(1) Unlike the others, this indicator includes information about Cosan Açúcar e Alcool and Cosan Alimentos separately, due to the differences existing between the companies. Rates have been calculated on the basis of 1 million hours worked.

(2) Piedade, Araquari, Sertãozinho units and distribution centers.

(3) Deaths of professionals from outsourced companies not included.



Statistics indicate that there are approximately 100 near-accidents for every accident. 'Alerta!' endeavors to avoid the occurrence of, mainly, inadequate behavior, by examining lessons learned shown by tools such as analysis of near-incidents (IQI) and observation of incident prevention (OPI – where a worker is observed by another during the execution of a specific activity), thus preventing occurrence of accidents.

In the 2009/2010 crop year, the lubricant factory celebrated 13 years without employees' accidents with leave

Challenge of distribution

Unfortunately, due to the nature of fuel and lubricant transport and distribution operations, carried out on highways at a rate of 30 million km/year, an employee

of one of our transport service providers passed away. CCL regrets this occurrence and assures all concerned that it is in the process of implementing a Safe Behavior and Driving course designed to train drivers in safe transport of cargo and passengers. Within the program, tanker truck drivers will have a module of Safety Guidelines for Cargo Transport, a set of procedures for all road carriers to follow.

Sigo also calls for an adequate service contracting system. After homologation, which includes assessment of minimum compliance with the requirements of the work contracted for, Sigo enables identification of what is not being fully complied with by suppliers, generating an action plan for them to improve their practices, with an agreed-upon period of adaptation before re-evaluation of procedures.

Sigo will be implemented in all Cosan's business units in the 2010/2011 crop year. The climate for complying with practices is being worked on to this end. An example of such preparation work is Rumo Logística's significant reduction in its work accident rate from 37.53 in the 2007/2008 crop year to 18.32 in 2009/2010. This result was obtained due to work carried out by the teams with Quality, Health, Safety and Environment; Operations; Maintenance; and third party teams, who carefully analyzed occurrences in recent crop years, sharing results with all the managers and leaders. They, in turn, contribute by means of brainstorming sessions to identify the main causes. This joint task gave rise to the Project Sheet for Accident Reduction, whose different stages include actions such as training, reviews and preparing new operational, investment, tool-adjustment and other procedures.

Participation in Cipas ¹ LA6		
2009/2010 Crop Year		
Units participating	Committees	(%)
Cosan Açúcar e Álcool	Cipa and CIPATR ²	100
Rumo Logística	CPATP ³	100
Lubricants segment	Cissma Cipa	100
	Cipa Cissma	100
Fuels segment ⁴	Cipa	100
	Cissma	100

(1) Portuguese acronym for 'Internal Commission for Accident Prevention', Cosan Alimentos and Radar not taken into account.
 (2) Internal Commission for the Prevention of Rural Work Accidents.
 (3) Commission for the Prevention of Accidents in Port Work.
 (4) In the case of the fuels segment, Cipa is concentrated in the head office, in the terminals of Araucária, Ribeirão Preto and Lubricant Factory.

Sigo

is the name the Integrated Operations Management System goes by, a tool for excellence in HSE being implemented in all the Group's units

Field activities follow a model

Cosan Açúcar e Álcool has been progressing in terms of HSE (Health, Safety and Environment). In the last five years there has been a reduction of 84 percentage points in the number of accidents without leave – 40 percentage points for 2008 and 2009 alone. Nevertheless, total absenteeism in the 2009/2010 crop year was 4.23. The total severity rate, which takes lost days into account, was 649. The rate of accidents with injuries arrived at a frequency of 7.29. We also regret the occurrence of four deaths in our operations, which the company considers unacceptable.

To increase efficiency and avoid accidents, Cosan set up the HSE Area and is implementing Sigo (Integrated Operations Management System), a tool for excellence used by CCL for continuous improvement of procedures and to lessen risks to the health and safety of its employees, its communities and the environment. Implementation of Sigo ensures standardization of operational procedures with greater HSE good practice expertise, added to all similar activities throughout the company.

Since 2009, an internal climate has been encouraged for implementing Sigo as of the current crop year. Committees were set up to present results weekly to the company's top management, which involves directors and the president of Cosan Açúcar e Álcool. Direct involvement of the Board in this process is an essential requirement for continuous improvement to take place.

Publication of manuals for a new generation of safety procedures for the production and environmental areas is being initiated. They are defined and highly structured processes, so as to know the right thing to do. There will also be a process for assessment of results and scorecards, so managers at all levels will be aware of HSE (Health-Safety-Environment) results linked to their areas of activity.

Contracted workers providing services to Cosan will also be covered by the program. New approval requirements are being put in place for such companies, which must meet minimum safety standards. The measure has emergency status in the case of contracted workers most at risk, such as those working within industrial facilities (*more information in the Chapter on Social Performance*).

Training and education

The sugar and alcohol sector started its professionalization about ten years ago. This is an ongoing process, with specific challenges in the areas of Health, Safety and Environment. To overcome them, Cosan Açúcar e Álcool is investing in training and education, with the objective of reducing the number of work-related accidents and instances of non-compliance. In the agricultural area, high turnover of rural workers hampers continuous improvement training – approximately 17 thousand workers are taken on for every crop – which is reflected in the field work accident index.

To meet this annual demand for new training, Cosan AA has set up 'Brotar' Program, designed to develop field workers, reaching 39 thousand a year. It also trains agricultural managers of all hierarchical levels to multiply training, valuing technical formation. They are in charge of preparing workers for the execution of professional activities in accordance with applicable norms and procedures in their respective areas of action (*see more on training in the Chapter on Social Performance*).

Cosan AA set up 'Brotar' Program, designed to develop field workers, benefiting 39 thousand people a year

At Cosan AA, 100% of workers are represented by Cipas (Internal Commissions for Accident Prevention). Health and safety related matters that are linked to legal aspects are covered by formal agreements with the trade unions of Cosan Açúcar e Álcool, Cosan Alimentos, Radar and Rumo Logística units. The same is true of SESMT (Specialist Service in Safety Engineering and Occupational Medicine) standards, distribution of work clothes and uniforms, and others. At Cosan Combustíveis e Lubrificantes, formal agreements also cover matters related to rates of accidents with leave, accidents with vehicles, spillages and accidents involving quality issues. [LA9](#)

Cosan also runs Sipat and SIPATR events (Internal Week for Work-related Accident Prevention) at Açúcar e Álcool, Alimentos and Radar units, during which there are campaigns for STD/AIDS prevention, vaccinations for migrants and anti-dengue programs.

Rumo Logística runs motivational campaigns for fighting dengue and preventing heart disease, diabetes, STDs, hepatitis and skin cancer. The unit also has programs to raise awareness of the differences between avian and H1N1 flu and regarding drug abuse. As Rumo's major operational risk is related to ergonomics, specific studies are carried out periodically. In addition, Rumo provides workplace exercises and possesses ISO certification 14001:2004 and OHSAS certifications 18001:2007, ISO 9001:2008, IN33 and GMP B2.

In the case of Cosan Combustíveis e Lubrificantes, all employees and out-sourced workers take part in Corporate Safety Campaigns and the Internal Week for Work-related Accident Prevention, which offers a Zen space (*shiatsu*, face massages and auriculotherapy), lung capacity and body mass index measuring, workplace exercises and lectures on ergonomics, skin disease, AIDS and other subjects. The unit also runs a Malaria Prevention Program for employees travelling through risky regions, as well as campaigns for preventing swine flu. In 2009, an event was held for the Ilha do Governador community at Cosan CL's lubricant factory, with campaigns for blood donation, vaccination against the flu, dental attention, *shiatsu* and guidance on organ donation. [LA8](#)



Harvesting sugarcane manually

Social Performance

Energy is in people

Cosan has a commitment to improve quality of life and welfare for all



Child in a Cosan Foundation activity, in Jaú (Sao Paulo)

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Cosan believes there is energy in everything, especially people. It is committed to improving the quality of life and welfare of all the people it has dealings with, whether directly in the course of its activity, or indirectly through its products.

Through Cosan Foundation, the company goes beyond the boundaries of its operations, acting in the personal and professional development of young citizens, and encouraging good socio-environmental practice together with the communities in which it is located.



Young people participate in Cosan Foundation's vocational projects.

Surrounding communities

Cosan Foundation

As commitment to people is one of its pillars, in 2001 the company established the Cosan Foundation, which is responsible for setting up social projects designed to help develop the communities where the company is present and contribute directly to improving quality of life in these regions. The Foundation has four nuclei for action, in the cities of Piracicaba, Jaú, Dois Córregos and Barra Bonita, all in Sao Paulo State. [SO1](#)

When it was established, the Foundation had an assisting character, catering to the children of employees of the Piracicaba unit who lived nearby. The Foundation helped children and adolescents aged 10 to 16 with extra school lessons and coaching, and some socio-cultural activities. Two years ago, however, the Foundation extended its focus.

In 2008, it started to develop programs – some in partnership with other public or private entities – catering to children and adolescents as a priority, enabling them to take part in activities involving education, culture and sports. Over 600 children and adolescents are attended to by the Foundation's four nuclei. Investments pass the R\$ 3 million mark every crop year.



Vocational projects

The Foundation is currently working on qualification and vocational programs for youth. The Project benefits both adolescents and the company, which will be able to count on qualified labor for its activities. When the young people being attended to turn 14, they have a chance of entering the Foundation's Pre-Apprentice Program. When they turn 16 they can be selected to start their vocational careers in Cosan's units as young apprentices. All told, 70 young people have worked as apprentices at the company, of which 41 have been hired.

The Foundation acts in qualification and vocational programs for youth. All told, 70 have worked as apprentices, of which 41 became employees

There is a demand by communities for Cosan Foundation's social action to be extended to all Cosan AA's production units. The next step is to set up a Foundation Nucleus in Jataí (Goiás State), where the new industrial unit is located. The target is for this nucleus to start activities in 2011, also with a vocational focus.

In line with the needs of cities it is active in, the Foundation extends the employability of their youth, offering courses that go beyond the plant's

needs. Such is the case of the Dois Córregos Nucleus, which initially offered electricity and mechanics courses, but will also offer woodworking courses as of 2011, because the city is in São Paulo State's furniture-making region. The same happens in the case of the Jataí Nucleus. Although manpower for the sugar and alcohol sector is scarce in the area, the Foundation will offer hotel management courses to cover a local shortage.

Some private social investment plans carried out by companies recently acquired by Cosan were kept up, even if their focus of action was different to the work carried out by the Foundation. In Tarumã and Maracá, for instance, projects involving bands and choirs attended by about 160 children were maintained. At Ilha do Governador (Rio de Janeiro State), 300 children and adolescents take part in sports events organized by an NGO that enjoys Cosan's support.

Another outstanding project is an Amateur Theater Group that takes educational content to all the communities Cosan is present in. Last crop year, the project reached 40 thousand people in six campaigns, each with a different focus.

In partnership with hospitals and laboratories, the Foundation also acts in projects and activities for periodic preventive medical exams and blood and bone marrow donations. Lectures with information about health and personal hygiene are also organized.



Cosan Foundation's "Educar na Praça" program won the Education and Culture category of MasterCana Award 2009, a traditional award in the sugar and alcohol sector

R\$ 1 million
was the total sum of
resources made available
by Cosan for five projects
incentivizing culture in
accordance with the
Rouanet Law, last crop year

Significant financial assistance received from government^{1 and 2} (EC4)

	Cosan Combustíveis e Lubrificantes	Cosan Açúcar e Alcool, Cosan Alimentos, Radar and Rumo Logística	Grupo Cosan
Rouanet	639,065	173,900	812,965
FIA	35,000	31,100	66,100
Fumdeca	125,000	12,200	137,200
Subtotal	799,065	217,200	1,016,265
Subsidies municipality			128,988
Total incentives			1,145,253

(1) Cosan Operadora Portuária S/A; Radar Propriedades Agrícolas S/A; Da Barra Alimentos LTDA; Teaçú Arm. Gerais S/A; Cosan Combustíveis e Lubrificantes S.A; Fundação de Assistência Social Cosan – Jaú Nucleus.

(2) There were no incentivized donations in 2007 and 2008.

Donations and incentive laws

Cosan sets aside 1% of its Income Tax for Fumcad (Municipal Fund for Children's and Adolescents' Rights). In December 2009, five entities received donations from the company. Centro Corsini, for Aids treatment; CDI, for digital inclusion; CEDCA Rio de Janeiro, to ensure the future of children and adolescents; Avistar, for education of the visually impaired; and Pequeno Príncipe, a pediatric hospital in Curitiba (Paraná State).

In the 2009/2010 crop year, Cosan earmarked R\$ 1 million for five projects covered by the Rouanet Law for cultural incentive: *A civilização da fotossíntese*, a documentary showing the benefits of ethanol and alternative fuels; "International Reading Festival", an international event to disseminate the habit of reading, whose takings are forwarded to Hospital Boldrini; "Mamirauá Sustainable Development Reserve", which carries out sustainability workshops for teachers in São Paulo State's network; "Querô Workshops", training poor youths from the port area of Santos for different jobs in the movie-making sector; and *História do mito*, a book of photographs of the Pelé myth.

EDUCATION – As a way of recognizing talent and developing human capital, on February 25, 2009 the company signed a partnership agreement with Fundação Estudar, which offers graduate and postgraduate grants at teaching entities in Brazil and abroad. In the first half year, Cosan took on maintenance of seven student's grants.

Infrastructure investments and services provided^{1 and 2} (EC8)

	2007	2008	2009/2010 Crop Year
Art-education	14,843	25,200	49,929
Culture	151,874	146,606	223,461
Community development	141,031	58,678	106,518
Education for young people and adults	4,265	19,247	121,400
Infant, Secondary and Basic Education	13,502	23,564	91,625
Sports and leisure	232,466	475,158	402,566
Technical and professional training	64,199	129,818	4,931
School management and teacher qualification	2,600	600	7,734
Public management – City Halls	267,956	238,061	173,058
Environment	30,146	29,928	16,663
Others	224,691	485,636	164,398
Health and social work	370,613	277,190	527,040
Public safety	98,975	80,543	93,870
Cosan Foundation	1,937,000	1,651,641	2,833,760
Total	3,554,161	3,641,870	4,816,953

(1) Regions: Araçatuba (Benalcoól, Destivale, Gasa, Mundial, Univalem); Jaú (Barra, Dois Córregos, Diamante, Ipaussu); Araraquara (Bonfim, Junqueira, Serra, Tamoio); Piracicaba (Costa Pinto, São Francisco, Rafard, Bom Retiro, Santa Helena); Assis (Tarumã, Maracaj, Paraguaçu); Centroeste (Jataí) and Caarapó.

(2) Contributions to trade unions and trade associations not taken into account.

Suppliers

The quest for sustainability in the value chain

Cosan's billing has increased eightfold over the last five years, especially with the acquisition of Esso in December 2008 and the acquisition of NovAmérica's industrial units in March 2009. A major concern since the 2009/2010 crop year has been finding synergies and identifying and implementing the best practices for processes and operations for the entire Group, reflecting its new dimensions and importance in the sugar and alcohol sector.

One of the greatest challenges is developing and applying processes for product suppliers and service providers. The company is well aware of its influence on the local economies of the municipalities where it is active, based on creating direct jobs and paying tax. Because of the nature of its business, in sugar and alcohol, Cosan has thousands of suppliers, especially sugarcane suppliers, and it must work increasingly closer to them to disseminate the best socio-environmental practices.

Cosan has not identified cases involving child labor or forced and compulsory labor in the latest crop year. To ensure compliance with the law, in the 2010/2011 crop year a new system of approval was put in place, taking into account factors such as verification of collection of FGTS (Government Severance Indemnity Fund for Employees) and Social Security. New contracts with clauses covering such matters are in progress with suppliers, and call for suspension should legal requirements not be met. The target for next crop year is to have 100% of critical suppliers self-assessed regarding their focus on sustainability.

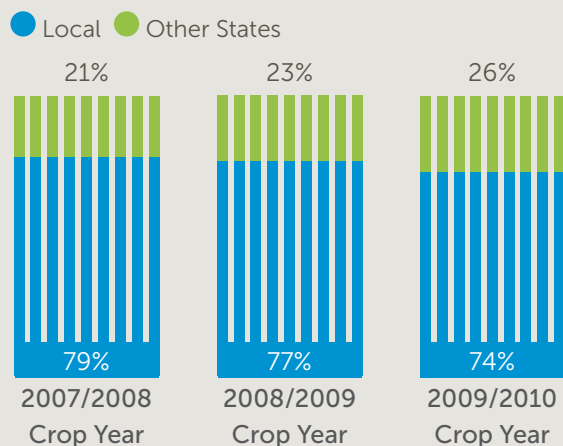
It is no easy task. Cosan has 33 thousand product suppliers and service providers registered. Last crop year, the services of over 15 thousand were used. Of the total, 74% are local, mostly small farms and companies, with little professionalism and severe technical limitations – common characteristics in the sugar and alcohol sector (*see graph on next page*).

Whenever possible, the company tries to increase its participation in the communities it is present in, by means of a qualification program still at the structuring stage. However, Cosan will have to reduce the number of approved suppliers, with the objective of reducing the risk of legal non-compliance of practices in the value chain of sugarcane.

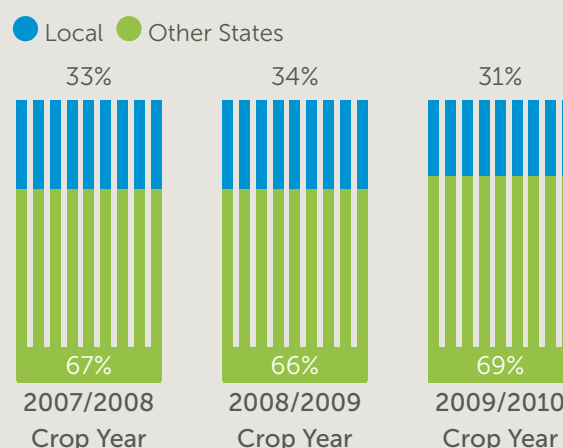


Proportion of spending on locally-based suppliers^{1 and 2} EC6

Cosan Açúcar e Álcool



Cosan Combustíveis e Lubrificantes



(1) The company uses the expression "local" to refer to suppliers in the same State where the unit is located.

(2) Data referring to the indicator are not gauged at Rumo Logística and Radar units.

Evaluation and selection of sugarcane suppliers is based on estimates of the cane in the area, production potential, location of the piece of land and other technical items. During the approval process, Cosan will focus on principles of respect for good socio-environmental practice. In general, purchase and sales contracts (Consecana) cover five years' production, and the supplier's remuneration is based on the Consecana system. To ensure that labor laws are complied with, Consecana contracts include clauses forbidding the use of child labor and forced and compulsory labor.

A temporary solution has been found for Cosan Açúcar e Álcool's agricultural workforce, the company's most sensitive and riskiest area, while its suppliers are still trying to adapt to the new contract specifications. The company has also started to harvest third parties' land. Of 53 million tons of cane produced last crop year, 55.4% came from its own production. Of the other 44.6%, purchased from third parties, 80% was harvested by workers contracted by Cosan, minimizing the risk of non-compliance with labor legislation by suppliers.

Cosan Combustíveis e Lubrificantes' suppliers actuality is different. The unit has programs of its own for maintenance operations, management of hazardous products, risk assessment and continuous improvement of suppliers' management.

These processes are a part of Sigo (Integrated Operations Management System (*see more under Health and Safety*)).

The "Dirty List" Episode

On the last day of 2009, Cosan was surprised to be included in Ministry of Labor and Employment (MTE) Ordinance 540 dated October 2004, the so-called Dirty List, which gives the names of companies and individuals who may have exploited workers through forced and compulsory labor.

Cosan deemed this action abusive, and filed a request for injunction on January 8, 2010 at the Regional Labor Court, in Brasília, for removal of its name from the list. The company was attended to in the first instance on the same day, and its name was eliminated from the list by court injunction. Its inclusion, considered undue by Justice, did not reflect the company's commitment and transparency in adopting strict internal policies requiring compliance with legal norms applicable to its business. Currently, Grupo Cosan has over 40 thousand employees, all under contract in accordance with the CLT regime (Labor Law), and plays a leading role together with state and federal governments in efforts to regulate and improve work conditions in the productive chain of the agribusiness. Cosan's version of events is given below:

Cosan has started to harvest third parties' land to minimize labor legislation-related risks



- **Inspection** – At the time of a June 2008 inspection carried out by the Ministry of Labor and Employment's Special Mobile Surveillance Group, irregularities were found in the company José Luiz Bispo Colheita ME, in the vicinity of Igarapava (northern São Paulo State), where this company was providing manual sugarcane cutting services to different production units in the region. One was Junqueira, owned by Cosan, the only company to be called.

Of 13 irregularities identified by the inspection, none referred to forced or compulsory labor, but rather to mere labor irregularities.

- **Agreement** – Attending to a request made by MTE's fiscal auditors, in good faith Cosan took on responsibility for the payment of all the labor rights of José Luiz Bispo Colheita ME's 42 employees, as well as refunding meal and transportation expenses. All this was registered in the Inspection Conclusion Terms, in which Cosan stressed that the case involved the employees of a third party. The company also excluded the provider involved from its registers.

- **Fines** – Weeks after the occurrence, the company received 13 violation reports. Again in good faith, Cosan paid all these fines without appealing. Not one of them mentioned forced or compulsory labor. It must be taken into account that in 2007 the company had signed the sugar and alcohol sector's Agro-environmental

Protocol, establishing principles of an environmental nature, which demonstrates its commitment to good socio-environmental practice, even at that time.

- **Inclusion** – Two-and-a-half years after the problem had been completely solved, and with no prior notification of events, on December 31, 2009, at 5 p.m., Cosan was included in the "Dirty List". The company first heard through the media the next day (January 1st, 2010).

- **Exclusion** – On January 8, the Regional Labor Court in Brasília granted an injunction ordering Cosan's name to be removed from the list. The verdict favorable to Cosan was confirmed in a sentence of the first instance, on August 13, 2010. The company is confident of success based on its arguments.

TAC – In May 2009 and July 2010, Cosan and São Paulo State's Labor Public Attorney's Office signed two TACs (Terms for Adjustment of Conduct) relating to labor issues identified in earlier years, and will cover costs to the tune of R\$ 3.4 million to ensure that outsourced producers supplying sugarcane adopt better work practices for manual cutting. Cosan reasserts that it has carried out intensive work to reduce, to the maximum possible extent, possible non-compliance in its relationship with the workers. In the 2010/2011 crop year, 100% of harvest workers working on land owned or leased by the company were Cosan's own employees, and approximately 80% of cane purchasing operations with third parties started to be performed by labor contracted directly by Cosan.



8.25

was Cosan AA's score in the first survey gauging customer satisfaction, carried out in the 2009/2010 crop year

Customers and consumers

Quality is a feature of Cosan's products

Rather than a large company producing and exporting sugar, ethanol and bioenergy, Cosan is now recognized by its traditional retail brands: União, Da Barra, Dolce, Duçula, Neve, Esso and Mobil. The same quality offered to direct consumers of products is offered to industry. Cosan Combustíveis e Lubrificantes' lubricants are to be found in practically all industrial and motor vehicle segments. Cosan Açúcar e Álcool and Cosan Alimentos also supply major beverage and food industries.

It is only possible to keep heterogeneous groups satisfied by adopting systems ensuring the safety and quality of the whole process, from raw material quality to that of input for the manufacture of products, at all times in compliance with applicable legal norms, to the final consumer. Tests are run periodically on safety and quality.

Cosan has acted in partnership with Unica (Brazilian Sugarcane Industry Association) to review the international standard BSI (Better Sugarcane Initiative), a form of product certification to be implemented in late 2010 (*more in page 11*).

Customer satisfaction

In 2009 Cosan AA implemented a process designed to gauge and watch over customer satisfaction levels. Methodology developed by the company is based on a questionnaire that, in addition to measuring customer satis-





faction in different segments, maps out opportunities for improving internal processes, in all cases taking the customer's point of view into account. Analysis results are used to set up plans of action potentiating consumer satisfaction. At the end of the 2009/2010 crop year, the company concluded its first round of gauging, arriving at a score of 8.25 points, on a scale of 0 to 10. The target for 2010/2011 crop year is 8.60 points.

Cosan CL runs periodic consumer surveys, to determine brand strength index and criteria for choosing a filling station. GfK Research Institute carries out these internet surveys. The sample is approximately 900 interviews in at least 4 cities.

PR5

Cosan makes customer attention services (SACs) available to consumers on 0800 132027 (União); 0800 7013888 (Da Barra, Dolce, Neve and Duçula); and 0800 7732040 (Cosan). In the 2009/2010 crop year these formal channels received 1,380 complaints, 3.9% less than the previous crop year's 1,436 and 16.62% less than 2007/2008 crop year's 1,655. Most complaints concern products not complying with specifications (color, taste, smell, weight, packaging, etc.).

Last fiscal year, SAC had 69 complaints from customers concerning product packaging, more than the number 41 concerning the same subject in 2008/2009. The company is adopting measures to ensure that all units comply with legal requirements for labeling, by installing INK JET equipment to make it possible to identify product batch and manufacture, as called for by ANVS/RDC Resolution no. 259 of September 20, 2002. Another measure involves layout changes on yeast bags, as per IN 22 – Mapa (Ministry of Agriculture, Livestock and Supply).

Legal compliance

Cosan AA did not receive significant fines in 2009 related to trust, mo-

nopoly or anti-competitive behavior. In the case of Cosan CL there was litigation concerning allegations of fuel price discrimination by filling stations. In 2009, 31 cases involving the matter were pending, of which 11 have subsequently concluded with findings favorable to Cosan CL. One was closed by agreement, because it involved eight different lawsuits, resulting in an R\$ 1.33 million payment by Cosan and the retailer's exclusion from the Esso filling station network. [SO7](#)

Cosan Açúcar e Alcool and Cosan Alimentos were not penalized during the 2009/2010 crop year with fines for non-compliance with laws and regulations governing supply and use of products or services.

Regarding Cosan CL, ANP (National Petroleum Agency) Ordinance nº 116/00 establishes that a distributor cannot resell fuel, thus preventing Cosan Combustíveis e Lubrificantes from exercising proper control over the products the station was reselling to consumers. Because ANP started to recognize, as the result of an administrative appeal, that it was impossible for Cosan CL to exercise effective control of the quality of products commercialized by resale stations, 30 alleged cases of infraction of ANP norms were dismissed. Only two were kept active, resulting in fines of R\$ 21.5 thousand and R\$ 5 thousand being levied, which were duly paid. Notwithstanding all this, Cosan CL carries forward quality programs such as 'Guaranteed Fuel', and offers its resellers training to stress the importance of guaranteeing product quality, thus mitigating irregularities. [PR9](#)

With respect to marketing issues, Cosan CL is a member of Conar (National Council for Self-Regulation in Advertising), while Cosan Açúcar e Alcool and Cosan Alimentos are members of ABA (Brazilian Association of Advertisers), whose advertising and propaganda meet the principles of the best practices. União, Da Barra and União Pró brands advertised throughout the 2009/2010 crop year complying with good practices and performing its key role: proper consumer and customer communication. The target for 2010 is to maintain the same procedure for critical analysis to validate the communication of the brands on the basis of good advertising practice. **PR6**

Adequate communication about products to consumers and customers is a premise of Grupo Cosan's

Products

A leader in technology, Mobil is present in different high performance motor vehicle categories and events around the world, such as Formula 1, Nascar and Stock Car Brazil, the highest category in national motor sports. The same Mobil products used in high performance vehicles are used in the cars, trucks and motorcycles on roads and highways throughout the country. Lubricants with Mobil technology are also present in the machinery of a wide range of industrial segments.

Esso is a reference for fuel quality and good consumer attention. It enjoys technology in gasoline and offers the quality of the ethanol produced by Cosan.

The Da Barra product line includes sugars and is also present in chocolate milk, cake mix, soft drinks and corn starch. This line also attends to the Food Service channel. At the retail level, it supplies refined, crystal and organic sugar, as well as a line of inverted sugar syrup and sucrose syrup for the beverage and food industry.

The quality of União products has been a part of Brazilians' life for 100 years. The brand has a wide range of sugars for different cooking requirements: União Refinado; União Orgânico; União Light – with a 50% reduction in its calorie count –; Cristalçúcar; Premium, export type; Glaçúcar, confectionary sugar; and Doçúcar, for syrups. In 2010, the brand extended its range by launching Demerara and União Diet Sucralose – a powdered diet sweetener that can be consumed by diabetics. For

the Food Service channel, the brand has União Pró, which consists of high yield products developed for specialists in pastry, baking and sweets. The line consists of sugar syrup, confectionary cream, powdered sugar and fondant.

Sugar and health

A healthy diet must contain adequate quality and quantity for the needs of every individual, taking into account their age, physical activity, lifestyle and state of health. As in any recipe containing different ingredients in proper balance, the recipe for quality of life must include the necessary quantity of foods in all nutritional groups, constructors (proteins), regulators (vegetables) and energy (carbohydrates and fats).

Sugar is one of the elements for balanced nutrition. Consumed in moderation, it provides food with taste, color and texture, and energy and proper functioning of the body. In a nutshell, controlled intake of sugar complements healthy nutrition.

União's program "A Step for a Healthy Life" was launched in 2007, to encourage balanced nutrition and regular physical activity. The brand sponsors sports and encourages physical activity through this program, as well as taking part in congresses in the health and nutrition area, to influence opinion leaders and develop material with orientation about nutrition and the proper use of each kind of sugar.

Organic sugar

Two of Cosan's units are suitable for producing organic sugar: Valparaíso, since the late 1990s and Sertãozinho, certified by Instituto Biodinâmico (IBD) for packaging and commercialization, enabling production of União Orgânico as of January 2010. The entire process is certified from planting to production, which works three months in a closed circuit to prevent any mix-up with other processes. Nearly 3 thousand hectares of cane produce with natural techniques. Cosan had already been producing Da Barra BioDoce sugar, since 2003.

3 thousand

is the number of hectares dedicated to production of União Orgânico, certified by Instituto Biodinâmico



Shareholders

Partners in the market

37.6%
is the percentage
of Cosan S.A.
shares in Sao Paulo
Stock Exchange's
New Market
(BM&FBovespa)

Cosan is concerned about its employees, the community and the environment, not forgetting its commitment to its shareholders. The company believes that ongoing sustainability is impossible without profitability. Profit enables continuity of investments in social responsibility, training to better qualify its professionals and new technology to offer increasingly cleaner and renewable energy. The shareholder plays a key role in this context.

37.60% of Cosan S.A.'s shares are in Sao Paulo Stock Exchange's New Market (BM&FBovespa). The other 62.40% are in the hands of Cosan Limited, Cosan S.A.'s holding company. Cosan Limited is listed in the New York Stock Exchange (NYSE) – and is headquartered in Bermuda. Its shares are divided between those in NYSE and the Control Group, which holds 41.5% of the total.

Cosan S.A. keeps communication channels open with all its shareholders. And information and news about the company, the sector and the market are available in its website (*more in Annual Report*).

Government

Relations enjoy the support of trade associations

Cosan's relations with government bodies are channeled through Unica (Brazilian Sugarcane Industry Association), an employer association representing the sugar and energy sector. [SO5](#)

Through Unica, Cosan participated in drafting the Sugar and Alcohol Sector's Agro-environmental Protocol – establishing a number of environmental principles and guidelines to be observed by the sugarcane industry – and the National Labor Commitment, an agreement entered into by federal government representatives, rural workers and entrepreneurs in the sugar and energy sector for compliance with a set of best labor practices, such as: contracting rural workers on plantations directly eliminating intermediaries; improvements in transportation for workers; increased transparency regarding standardization and payment for work by production; greater support for migrant workers contracted in other locations; educating, re-qualifying and helping place workers who lose their jobs due to advances in mechanization.

Contributions to political parties

There were no contributions to political parties in 2009, because this only takes place in election years. According to Cosan's Code of Ethics, such contributions can only be made in the name of the company with the approval of the company's top management, complying with Group policy and the law. Policy governing political donations is under review, seeking standardization by elective office and region in question. [SO6](#)

Through Unica (Brazilian Sugarcane Industry Association), Cosan participated in drafting the Sugar and Alcohol Sector's Agro-environmental Protocol

Cosan is a pioneer in adherence to the Environmental Protocol, an agreement signed with the Secretariats for the Environment and Agriculture





Employees

Human capital is our energy

In Cosan's eyes, energy is everywhere, especially people. Human capital is the company's principal asset. Human Resources Policy guidelines call for attracting, developing and retaining talent, providing a favorable organizational climate where employees will feel disposed to contribute and excel in their performance, highly committed to the Group's development and global results.

At the peak of last crop year, the Company had nearly 41 thousand employees. Of this total, about 27 thousand were seasonal. One hundred percent of employees are covered by collective labor agreements or conventions. [LA4](#)

Turnover* LA2

	Cosan Açúcar e Alcool, Cosan Alimentos, Radar and Rumo Logística ^{(1) (2)}	Cosan Combustíveis e Lubrificantes	Cosan Açúcar e Alcool, Cosan Alimentos, Radar and Rumo Logística ⁽³⁾	Cosan Combustíveis e Lubrificantes
	Turnover rate		Number of dismissals	
Gender				
Male	4.89	2.40	23,397	15
Female	0.69	7.57	3,327	14
Age bracket				
Under 30	2.94	9.57	14,059	22
30-50	0.31	1.25	1,515	6
Over 50	2.33	1.01	11,150	1
Region				
South	-	5.66	-	9
Southeast	5.32	3.28	25,233	20
Center-West	0.25	-	1,219	-
Northeast	-	-	271	-
North	-	-	1	-

(1) Turnover rate for Cosan AA, Cosan Alimentos, Radar and Rumo Logística is the company's monthly average.

(2) Turnover rate is impacted by temporary workers contracted for a season.

(3) All effective and seasonal employees (labor contracts for a determined or undetermined period) taken into account.

Total workforce by¹ LA1

2009/2010 Crop Year	
Employment type	
Board of Directors	25
Management	142
Coordination	2,112
Technical/supervision	2,076
Administration	2,862
Operations	33,496
Employment contract	
Interns	99
Trainees	0
Half time	0
Region	
South	180
Southeast	39,102
Center-West	1,497
Northeast	32
North	1
Total	40,812

(1) This indicator was consolidated with information from Cosan AA and Cosan CL and does not take board members and statutory directors into account.

Profile of workers

Cosan ended the 2009/2010 crop year with a total 40,812 workers. Most were in the operations sector, especially migrants working on manual sugarcane harvesting (*see next page*) concentrated in the country's Southeast Region.

Workers are divided into six employment categories: board of executive directors, management, coordination/supervision, technical, administration and operations, in addition to other kinds of contracts covering interns, trainees and part-time workers.

41 thousand
was the number of Cosan employees at the peak of the 2009/2010 crop year, of which 27 thousand were seasonal

Cosan Açúcar e Álcool, Cosan Alimentos, Radar and Rumo Logística* LA13

2009/2010 Crop Year

Composition of groups (%) *	Men	Women	Black men	Black women	Under 30	30-50	Over 50
Board of Directors	0.05	0.00	0.00	0.00	0.00	0.03	0.02
Management	0.26	0.01	0.00	0.00	0.01	0.17	0.09
Coordination	4.93	0.21	0.14	0.01	0.85	3.59	0.70
Technical/supervision	4.09	0.02	0.17	0.00	1.26	2.40	0.46
Administration	4.53	2.32	0.23	0.06	35.62	39.31	8.65
Operations	73.43	10.16	8.50	1.29	2.98	3.27	0.59

Cosan Combustíveis e Lubrificantes*

2009/2010 Crop Year

Composition of groups (%) *	Men	Women	Black men	Black women	Under 30	30-50	Over 50
Board of Directors	0.73	0.12	0.00	-	0.00	0.20	0.60
Management	4.00	0.24	0.12	-	0.00	2.30	2.10
Coordination	6.45	1.34	0.00	-	0.00	6.40	1.30
Technical/supervision	37.60	15.00	0.24	-	17.20	31.10	4.50
Administration	8.75	6.10	0.85	-	6.30	7.20	2.20
Operations	17.00	0.24	1.22	-	5.50	10.9	2.10

(1) Above percentages calculated taking employees under contract for a determined period and regular employees into account.

(2) Figures in the "Black men" column do not represent this group with precision. This information has started to be provided by workers themselves in recent hirings, but was not required of employees taken on before.

Migrant workers

In 2005, 70% of Cosan's workforce for manual sugarcane harvesting was outsourced. In the 2010/2011 crop year, 100% of this labor is under direct contract to Cosan, with all benefits granted by CLT (Consolidated Labor Laws). This became possible with the support of Sine (National Employment System) and MTE (Ministry of Labor and Employment). Sine's agents register workers in rural parts of states in the Northeast Region and municipalities in northern Minas Gerais State, and Cosan goes to them for selection and recruitment. Intermediaries have thus been eliminated.

After admission exams, already registered, migrant workers are transported by the company to their quarters. When they arrive at production units, workers undergo an integration process and are trained to prevent work-related accidents and understand the importance of correct use of PPE (personal protective equipment). This procedure, a pioneering system, is now a reference for the agricultural sector.

A manual harvest worker's workday is 7 hours and 20 minutes. Included in this time are two compulsory 10-minute intervals a day, and an initial 15-minute training session to avoid injuries. Effective time worked a day is thus 6 hours

and 45 minutes. In addition to these intervals, workers have a 1-hour break for refreshment, not included in the 7 hour 20 minute day.

Time spent travelling from a worker's quarters to the field and back is part of the workday, being paid as commuting time. Fresh water and toilets are available at places of work.

The wage threshold stands at R\$ 529.00 to R\$ 582.00, depending on the region. This is the second-highest in the agricultural sector, after soy. The value is related to an estimate of 6 tons of cane cut a day, but volume in excess of this earns an additional R\$ 2.91, at least, per ton cut.

Migrant workers stay for six to eight months in Cosan's lodgings, which are safe, hygienic and comfortable. Last crop year, approximately 4 million meals



and 2 million breakfasts were served, all nutritionally balanced. The kitchen team is also made up of migrants from recruiting areas, so that cooking will be familiar to the workers.

Last crop year saw approximately 69 thousand ambulatory medical consultations and 15 thousand dental consultations for all the company's workers, including migrants. All housing has options for leisure time, such as TV rooms, reading rooms and football fields. Cosan endeavors to keep up migrants' motivation by organizing regional festivals, tournaments, lectures and ecumenical worship.

Training programs

Planning and development are constants at Cosan. Properly planned and systematic training can help the company improve its capability and meet targets for quality. Cosan Açúcar e Alcool distributed 433 study grants, for technical, graduate, post-graduate and language courses. The 2009/2010 crop year saw 850 thousand hours' training at Cosan AA, an average of 25 per worker. Activities involved professionals in the administration and operations areas. In the case of Cosan Combustíveis e Lubrificantes, the total was 3.9 thousand hours, an average of 4.4 hours per worker.

Average hours of training per year ¹ (LA10)			
2009/2010 Crop Year	Total hours	Employees in category	Hours per employee
Cosan Açúcar e Alcool, Cosan Alimentos, Radar and Rumo Logística	850,065	33,931	25.05
Cosan Combustíveis e Lubrificantes	3,940	891	4.4
(1) Total of employees does not include those on leave or those registered at Água Santa or farms, given that the training area is not responsible for training at such locations.			

Training programs

- **Renovation** – The responsibility of Unica (Brazilian Sugarcane Industry Association) and its members – including Cosan – this program re-qualifies 7 thousand manual cane cutters a year between workers and former workers at Unica's 123 member-mills. Every year 3 thousand workers are offered specific courses on sugar and energy sector jobs, such as drivers, harvester operators, electricians, mechanics and welders. A further 4 thousand workers are offered qualifying courses in different sectors such as poultry breeding, gardening, civil construction, horticulture, sewing, hotel management and beekeeping.

Cosan is the company with the most workers being trained by the Renovation program. Since March 2010, 125 rural workers have been training as motor vehicle maintenance assistants. They were selected in an internal recruitment drive and are participating in training modules on mechanics, electricity and welding, totaling 416 hours. Cosan mapped out the requirements of its mechanical workshops and found that they can absorb all these people when they conclude training.

- **Internship program** – Designed to recruit, prepare and develop future professionals in tune with the culture and the business, attending to Cosan's succession plan, as well as providing supplementary formation for students, maintaining good relations with the community and teaching entities. In 2009, there were 47 openings at Cosan Açúcar e Alcool and 50 at Cosan Combustíveis e Lubrificantes.

- **Supervisors' Trail** – Its objective is to contribute to leadership development, and their action as leaders of people, in accordance with the model of competency adopted by Cosan, whose focus is ensuring quality in day-to-day activities while its processes deliver high performance. The program invested R\$ 691.2 thousand and involved 400 leaders.

- **MBA in Sugar and Alcohol Sector Management and Technology** – Designed for supervisors and coordinators in administrative, agricultural and industrial areas, the objectives of this in-company course are to form and develop Cosan's professionals to attain standards of excellence in managing companies in the sugar and alcohol sector. It was structured for participants to understand and master modern economic and management technology applied to the needs of their current positions and future possibilities, as well as developing skills in interpersonal relations. With 31 participants, the investment added up to R\$ 257,797.50.

Programs for skills management LA11

Programs	Employees benefiting ¹	Investment (R\$)	Number of grants awarded
Technical		56,442.07	46
Superior		584,561.44	234
Post-graduate	33,931	613,382.59	130
Master's degree		19,289.48	2
Languages		49,530.65	21
Total*		1,323,206.23	433

(1) The total number of employees given in this report does not include employees on leave or those registered at Água Santa or farms, given that the training area has no action/responsibility for awarding study grants in these locations.

Cosan Combustíveis e Lubrificantes

Programs	Employees benefiting ¹	Investment (R\$)	Number of grants awarded
Training	487	293,960	-
MBA grants	2	24,461	2
English language grants	5	12,238	5
Total	494	330,659	7

- **Accelerated Development Program (PDA)** – A trainee program designed to identify, develop and form young professionals for technical and specialist positions, based on Grupo Cosan's culture, values and organizational competencies. The Agricultural PDA focuses on young graduate engineers to look after the specific needs of the agricultural area. Twenty professionals were formed, for an investment of R\$ 90 thousand. In the 2010/2011 PDA, there were 20 thousand applicants. All told, 11,057 people took part in the selection process and 77 were contracted.

- **Caliper** – Consists of broad evaluation making it possible to analyze professionals, determine their potential and probable suitability for a position or team. It also highlights areas for development and proposes action to develop them. This tool is a part of area managers' Talent Profile, supporting the company when deciding about promotions or reassignments. From March to November 2009, 149 people from Accounting, Commercial Department (ethanol), Supplies, Integrated Logistics, Human Resources and Rumo Logística underwent evaluation. The investment was R\$ 830 per person evaluated.

- **E-learning – CTC** – E-learning distance courses in partnership with CTC (Center for Technology in Sugarcane), on a day-to-day basis within the actuality of Cosan Açúcar e Alcool, in its industrial, agricultural and environmental areas. All courses have potential for application, but it is necessary to take each participant's activity into account. This is an ongoing free course.

• **Formal education** – In partnership with Fundação Bradesco, designed to encourage employees to take up their studies again, with the objective of increasing their comprehension, critical thinking and application of norms and procedures connected with their duties. This responds to Cosan's concern about keeping at the forefront of the current productive scenario, where qualified labor is needed to develop competencies and attain satisfactory results. This activity continues year-round with 192 employees taking part.

• **Brotar** – With the sugar and energy sector's expansion, improvement and standardization of operational processes have proved necessary to ensure efficiency and safety of activities. It has become necessary to develop professionals, directly related to the productive chain. The program trains agricultural leadership at all hierarchical levels as multipliers, valuing technical formation and preparing workers to execute operations in accordance with procedures pertinent to their areas. About thirty thousand employees were attended to in the 2009/2010 crop year, and R\$ 45 thousand were invested in manuals.

• **Harvester operator training** – The objective is to train Cosan employees to operate cane harvesters. This program contributes to the commitment made in the Agro-environmental Protocol to qualify manual cane cutters to adapt to increasing mechanization of harvests. In the 2009/2010 crop year, this program attended to 260 workers, of whom 200 were hired by the company.

• **Formation of Maintainer-Operators for Mechanical Harvesters** – This program trains harvester operators in machine maintenance. R\$ 1.4 million were invested on 220 workers in the 2009/2010 crop year. This program also contributes to commitments in the Agro-environmental Protocol.

• **Formation of Assistant Maintenance Mechanics** – Supported by Senai (National Service for Industrial Training), this program's objective is to train Cosan employees to maintain cane harvesters. With an investment of R\$ 630 thousand, 100 workers were trained, contributing to commitments made in the Environmental Protocol.

Positions, salaries and benefits

Average salaries at Cosan Açúcar e Álcool, Cosan Alimentos, Rumo Logística and Radar are above the market average. With the exception of apprentices at Cosan AA, who earn the equivalent to the national minimum salary, the lowest are 7.39% above the national minimum. In the case of Cosan Combustíveis e Lubrificantes, the lowest salary paid is 157% higher than Brazilian minimum salary. [ECS](#)





Regarding variable remuneration, all Cosan's workers were paid the equivalent to 1.07 salary through PPR (Profit Sharing Plan). The other variable bonus plan, for management positions, varies according to results, behavioral and managerial issues, teamwork, and career development. Over the last year, for the first time, variable remuneration targets related to health, safety and environment (HSE) have been set for management positions. [4.5](#)

In connection with equal salary for men and women in the same position, Cosan attests that differences in salary stem from technical criteria, because the company does not take gender into account when establishing salary brackets (see graph).

Over the last two years Cosan extended its policy of analyzing workers' performance to coordinators and engineers at Cosan AA, Cosan Alimentos and Rumo Logística. In 2007, competency assessment involved managers, directors and vice-presidents, with 93 people evaluated, at the time equivalent to 0.28% of employees. In 2009, 515 employees were assessed, equivalent to 1.26% of the total. In the previous period, the figure was 320 employees – 0.89% of the total. The target for 2010 is to include 100% of managers, directors, vice-presidents, coordinators and supervisors. [LA12](#)

Ratio of basic salary of men to women [LA14](#)

	Cosan Açúcar e Alcool, Cosan Alimentos, Radar and Rumo Logística	Cosan Combustíveis e Lubrificantes
Board of Directors	0%	107%
Management	78%	85%
Coordination ¹	71%	96%
Technical/supervision ²	80%	70%
Administration	113%	115%
Operations	113%	95%

(1) Including supervisors, leaders and inspectors.

(2) Electricians, mechanics and positions with academic and technical formation taken into account.

Benefits offered to employees **LA3**

Benefits	Extended to:	Companies
Life insurance	All employees	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Barra SC, Diamante, Ipaussu, Junqueira, Bonfim, Serra, Tamoio, Univalem, Gasa, Destivale, Mundial, Benalcool, Jataí, Tarumã, Maracáí, Paraguaçu, Piedade, Sertãozinho, Caarapó, CAN, São Paulo and Radar
Transportation voucher/ leased bus	All employees	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Barra SC, Diamante, Ipaussu, Ibaté, Junqueira, Bonfim, Serra, Tamoio, Univalem, Gasa, Destivale, Mundial, Benalcool, Jataí, Tarumã, Maracáí, Paraguaçu, Piedade, Sertãozinho, Caarapó, CAN and Sao Paulo
Funeral aid	Full-time employees	Junqueira, Assis, Tarumã, Caarapó, Piedade, Sertãozinho, Maracáí and Paraguaçu
Agreement with stationer's shops and bookstores	All employees	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Diamante, Ipaussu, Serra, Junqueira, Univalem, Gasa, Destivale, Mundial, Jataí, Caarapó, CAN and Sao Paulo
Delivery of school kits	All employees	Junqueira
Day-care-center aid	All employees	Rumo Logística (at other companies, we make donation to day care centers)
Mentally-disabled child aid	All employees	Piedade (RJ)
Meals at own/outsourced cafeteria	All employees ¹	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Diamante, Ipaussu, Serra, Junqueira, Bonfim, Tamoio, Univalem, Gasa, Destivale, Mundial, Benalcool, Jataí, Tarumã, Maracáí, Paraguaçu, Piedade, Sertãozinho and CAN
Meal voucher	Full-time employees	Sao Paulo, Barra SC, Limeira, Cambé, Radar and Rumo Logística (at this last one, employees select either meal voucher or food voucher)
Food voucher	Full-time employees ²	Sao Paulo, Bonfim, Tamoio, Araquari, Radar, Rumo Logística (at this last one, employees select either meal voucher or food voucher)
Health plan/ Self- management	Full-time employees	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Barra SC, Diamante, Ipaussu, Serra, Junqueira, Bonfim, Tamoio, Univalem, Gasa, Destivale, Mundial, Benalcool, Jataí, Tarumã, Maracáí, Paraguaçu, Piedade, Sertãozinho, Caarapó, CAN, Sao Paulo and Radar
Dental plan/ Self- management	Full-time employees	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Barra SC, Diamante, Ipaussu, Serra, Junqueira, Bonfim, Tamoio, Univalem, Gasa, Destivale, Mundial, Benalcool, Jataí, Tarumã, Maracáí, Paraguaçu, Piedade, Sertãozinho, Caarapó, Portuária, CAN and Sao Paulo
Pharmacy card	All employees	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Barra SC, Diamante, Ipaussu, Serra, Junqueira, Bonfim, Tamoio, Univalem, Gasa, Destivale, Mundial, Benalcool, Jataí, Tarumã, Maracáí, Paraguaçu, Piedade, Sertãozinho, Caarapó, CAN and Sao Paulo
Optical aid	All employees	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Barra SC, Diamante, Ibaté, Ipaussu, Jataí, Junqueira, Univalem, CAN and Sao Paulo
Staples basket	Full-time employees ²	Costa Pinto, Santa Helena, São Francisco, Rafard, Bom Retiro, Barra, Dois Córregos, Diamante, Ipaussu, Serra, Junqueira, Bonfim, Tamoio, Univalem, Gasa, Destivale, Mundial, Benalcool and CAN

(1) From administrative, industrial and lodging areas.

(2) Except lodgings.

Local hiring EC7

The internal database is the first tool applied for when there is an opening at Cosan Açúcar e Alcool, Cosan Alimentos, Radar and Rumo Logística. Subsequently, the company uses the other databases, local media (radio/TV) and advertisements at different establishments and entities. Of the total number of managers taken on in the 2009/2010 crop year, 45% live in cities near regional units. The target for 2010 is to map out professionals in each region and set up a database to screen curricula and interviews, as well as strengthening partnership with universities, vocational schools and Senai in the units' vicinity.

In the case of Cosan Combustíveis e Lubrificantes, hiring is decentralized to meet the business's requirements.



376 employees of Cosan Combustíveis e Lubrificantes' business lines were assessed between January and December 2009, equivalent to 46% of payroll. LA12

Among benefits offered, Cosan Combustíveis e Lubrificantes has a defined-benefit pension plan funded with resources from contributions from the sponsor, defined year by year. In accordance with the Funding Plan, recommended by actuarial opinion, by 2010 the sponsor will be making a contribution estimated at 10.37% of payroll total. According to the results of an evaluation as at December 31, 2009, the plan is 105% funded, i.e. assets are greater than current liabilities. This means that the salary percentage of employer's and employees' contributions is 10.37% for the employer, given that employees do not contribute. Cosan Açúcar e Alcool, Cosan Alimentos, Radar and Rumo Logística do not have a defined-benefit pension plan yet, but viability is at the authorization stage. EC3

Benefits by Cosan Combustíveis e Lubrificantes

Cosan CL	
Life insurance	All employees
Health plan	All employees, except temps
Private pension	All employees
Maternity/ paternity leave	All employees
Employee Assistance Program	All employees
Day-care-center/ nursery aid	All female employees, and widowed male employees or those who have custody of the children, up to 36 months old
Meal voucher	All employees in places with no cafeteria
Mentally-disabled child aid	All employees
HTA	All employees
Flexible loan	All employees, except temps

About this report

The reporting process

For the first time Cosan has adopted GRI guidelines and responded to 38 indicators of economic, social and environmental performance



Chapter index

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Cosan's 2009/2010 Sustainability Report is the first drafted on the basis of Global Reporting Initiative (GRI) guidelines. This publication refers to the annual reporting cycle for the 2009/2010 crop year, running from April 1st, 2009 to March 31, 2010. [3.1](#); [3.2](#); [3.3](#)

Cosan adopted GRI version G3 and declares that it has met application level B+ for this report, having reported on the profile indicators and 38 performance indicators, of which 7 are economic, 9 environmental and 22 social, the latter divided up as follows: labor practices (12); human rights (3); society (4); and product responsibility (3). Cosan has thus met the criteria advocated by GRI's guidelines for the respective application level. Upon reporting on indicators, we have taken into account data reported in both Cosan's 2009/2010 Annual Report and Cosan's 2010 Sustainability Report. The location of replies is shown in the GRI table of contents (see *tables on following pages*).

Application Levels – GRI standard disclosures

	C (externally assured: C+)	B (externally assured: B+)	A (externally assured: A+)
Profile indicators	Report on: 1.1; 2.1 - 2.10; 3.1 - 3.8, 3.10 - 3.12; 4.1 - 4.4, 4.14 - 4.15	Report on all criteria listed for Level C plus: 1.2; 3.9 - 3.13; 4.5 - 4.13; 4.16 - 4.17	The same required for Level B
Management approach	Not required	Disclosed for each indicator category (EC, EN, LA, HR, SO and PR)	Disclosed for each indicator category (EC, EN, LA, HR, SO and PR)
Performance & sector supplement indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment	Report on a minimum of 20 performance indicators, at least one from each (EC, EN, LA, HR, SO and PR)	Respond on each core and sector supplement indicator (in final version in the country), with due regard to the materiality principle

Economic-financial data available in Cosan's 2009/2010 Annual Report, as well as socio-environmental information in this sustainability report, have been audited by Ernst & Young Brazil. The main results in our first Corporate Inventory of Direct and Indirect Greenhouse Gas Emissions for 2009/2010 crop year are also reported in this publication, and were prepared by the consulting firm Key Associados, following international standards developed by ISO (International Organization for Standardization) and WRI (World Resources Institute).

3.13

Cosan's 2010 Sustainability Report and 2009/2010 Annual Report comprise information relative to the operations of Cosan S.A. Indústria e Comércio's business units: Cosan Açúcar e Alcool (CAA), Cosan Combustíveis e Lubrificantes (CCL), Rumo Logística and Radar. Performance indicator data for Cosan Alimentos, Rumo Logística and Radar have been incorporated – and consolidated – into indicators for Cosan Açúcar e Alcool, except those whose scope and limitation specificities are mentioned in footnotes.

2.1; 3.6

As this is our first GRI report, measuring techniques and bases for calculating data reported – and consolidation – have been applied for the first time. Some data were estimated as per other bases for calculation that had already been adopted for internal indicators. We intend to advance in data-measuring in coming years.

2.9; 3.7; 3.8; 3.9

Information concerning third party land and outsourced operations has not been incorporated into indicators.

3.8

We have chosen to include only the indicators for 2009/2010 crop year and not present data for earlier years because of Cosan's growth over the last three years, in both the sugar and alcohol segment and vertical orientation, which render any historical comparison impossible. October 31, 2009 has been used as a base date for human resources indicators, because this is the crop year's peak.

3.10; 3.11

For further information, suggestions or criticism of this report, please email comunicacao@cosan.com.br.

3.4



Construction of materiality 3.5; 4.17

Cosan's first sustainability report follows GRI's principle of materiality, which guides companies to direct their communication by the most relevant subjects, in accordance with their impact on the publics they relate to. The process of determining the content of this report therefore involved a survey to establish what subjects were considered most important by the sector and the media, validated by a process of consultation with representatives of the internal public.

To construct Cosan's internal vision of the most relevant subjects for sustainability, representatives of the company's different areas were brought together in two workshops, in Piracicaba and Rio de Janeiro, in 2010. Employees attended a workshop on the media's vision of issues considered critical for the sector. Nearly 80 people took part in the process, answering a questionnaire about what social, environmental and economic issues they considered related to Cosan.

Consolidation of priority matters in accordance with these viewpoints enabled construction of materiality, as well as defining what it was important to report at this time. The result of this process is presented in this report, which endeavors to cover material subjects throughout its chapters, so as to link Cosan's performance to questions deemed important.

After all the information was gathered, workshops on indicators were carried out to check with different business areas what information would be viable for the company at this early stage. Because it was Cosan's very first sustainability report, not all relevant indicators were available in management processes. The Organization nevertheless endeavored to balance, as far as possible, social, economic and environmental aspects in the reporting process.

Main targets for coming crop years

SUBJECT	CURRENT STATUS	OBJECTIVES
Water control and use	<ul style="list-style-type: none"> Closed circuits at 19 of 23 plants. 	<ul style="list-style-type: none"> Re-evaluate water balance, implementing improvements in 50% of plants by 2011/2012 crop year and 100% in following crop year.
Certification	<ul style="list-style-type: none"> Participate in process of preparing BSI Certification. 	<ul style="list-style-type: none"> Certify 100% of volume of cane processed by the company's units by 2017.
Employees	<ul style="list-style-type: none"> Expand performance analysis program. 	<ul style="list-style-type: none"> 100% of vice-presidents, directors, managers, coordinators and supervisors in 2010/2011.
Suppliers	<ul style="list-style-type: none"> Process for re-certification of product suppliers and service providers initiated. 	<ul style="list-style-type: none"> 20% of main cane suppliers re-certified in 2010/2011. 100% by end of 2013/2014. Training in sustainability for 100% of suppliers by 2013.
Financial Indicators	<ul style="list-style-type: none"> R\$ 15.3 billion Consolidated Net Revenue in 2009/2010. EBITDA R\$ 1.7 billion in 2009/2010. 	<ul style="list-style-type: none"> Cosan estimates Net Revenue between R\$ 16.5 and 18.5 billion in 2010/2011 and EBITDA between R\$ 2.0 and R\$ 2.4 billion.
Inventory of Emissions	<ul style="list-style-type: none"> Cosan's 1st emissions inventory prepared, for 2009/2010 crop year. 	<ul style="list-style-type: none"> 5% reduction of emissions per ton of cane processed (direct and/or neutral) by end of 2012/2013.
Mechanization	<ul style="list-style-type: none"> Mechanization reached 64.5% in 2009/2010 fiscal year in areas with slope of less than 12%. 	<ul style="list-style-type: none"> Reach 70% mechanization in areas with less than 12% slope in 2010/2011.
Waste	<ul style="list-style-type: none"> Plan for waste management (separation by type, storage, transport and final disposal) concluded. 	<ul style="list-style-type: none"> Implement Plan in all units by end of 2011/2012 crop year. Implement Separate Collection Program in all units by end of 2013/2014 crop year.
Health and Safety	<ul style="list-style-type: none"> Dissemination and use of Sigo System in all the company's units. 	<ul style="list-style-type: none"> Implement Sigo in all units by end of 2011/2012. Consolidate Sigo by end of 2013/2014.
Sustainability	<ul style="list-style-type: none"> Cosan's 1st Sustainability Report published, GRI standard: 38 GRI indicators reported. Vice-Presidency for Sustainable Development set up in new company resulting from joint venture with Shell. 	<ul style="list-style-type: none"> Involve stakeholders in process of determining materiality for Report on 2010/2011. Report on all GRI indicators by end of 2012/2013. Establish sustainability policy for new company resulting from joint venture with Shell; coordinate implementation of improvements identified; initiate education and training in sustainability for all the Organization and suppliers by 2011/2012 crop year.

GRI table of contents	3.12	Page
Strategy and analysis		
1.1. Statement from the most senior decision maker		SR – 4 AR – 6 and 7
1.2. Impacts, risks, and opportunities		AR – 6, 7, 9 and 57
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2.1. Name of the Organization		Cosan S.A. Indústria e Comércio
2.2. Primary brands, products, and/or services		AR – 20, 21 and 22
2.3. Operational structure		AR – 14 and 15
2.4. Location of Organization's headquarters		AR – 11 and 62
2.5. Countries where the organization operates		AR – 11, 13 and 20
2.6. Nature of ownership and legal form		AR – 11 and 62
2.7. Markets served		AR – 12, 19, 20, 21, 53, 57, 58 and 61
2.8. Scale of the reporting Organization		AR – 11
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2.10. Awards received in the reporting period		AR – 61
Report parameters		
Report profile		
3.1. Reporting period for information provided		April 1st, 2009 – March 31st, 2010
3.2. Date of most recent previous report		This is the first sustainability report, and third annual report
3.3. Reporting cycle		Annual
3.4. Contact point for questions		SR – 72
Report scope and boundary		
3.5. Process for defining report content		SR – 72
3.6. Boundary of the report		SR – 72
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3.9. Data measurement techniques and the bases of calculations		SR – 72
3.10. Explanation of the effect of any re-statements		SR – 72
3.11. Significant changes from previous reporting periods		SR – 72
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3.12. Location of standard disclosures		SR – 74
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3.13. External assurance		SR – 72
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Governance		
4.1. Governance structure		AR – 28 and 29
4.2. Identification of the highest executive officers		AR – 28, 29 and 33
4.3. Independent and/or non-executive members		AR – 25, 28 and 29
4.4. Mechanisms for recommendations to the highest governance body		AR – 27 AR – 28 SR – 67
4.5. Linkage between compensation / economic and environmental performance		The performance of Cosan's top management members is not yet related, in a way integrated with the economic aspect, to the social and environmental performance.
4.6. Processes to ensure conflicts of interest are avoided		AR – 29

Governance, commitments and engagement	
Governance	
4.7. Qualifications and expertise of the members	AR – 30 and 31 Considering the alignment of skills and professional experience of the board members with Grupo Cosan's strategy, there are no other formal mechanisms in place to assess their qualifications and knowledge relative to social and environmental aspects.
4.8. Internally developed statements of values, codes, and principles	SR – 7 and 14 AR – 28 Opposite to what already happens in regard to the economic aspect, the procedures for performance assessment adopted by the Board of Directors still do not consider, in integrated way, environmental and social criteria. But, in its management strategy, Cosan shall progress in upcoming years, as a way to consolidate its vision of being a global reference in clean and renewable energy. The preparation of this sustainability report is an indicator of this objective.
4.9. Procedures of the highest governance body	The Board of Directors did not undergo evaluation of its own performance during the 2009/2010 crop year.
4.10. Processes for evaluating the highest governance body's own performance	
Commitments to external initiatives	
4.11. Precautionary approach	SR – 17 and 18 SR – 8, 28 and 56
4.12. Social charters, principles, or other initiatives	BSI and Agro-environmental Protocol
4.13. Memberships in associations	UNICA and Fiesp
Stakeholder engagement	
4.14. List of stakeholder groups	SR – 10
4.15. Basis for identification and selection of stakeholders	SR – 10
4.16. Stakeholder engagement	SR – 10
4.17. Key topics and concerns raised through stakeholder engagement	SR – 73

Performance indicators	
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EC1. Economic value generated and distributed	Information available at the financial statements of Cosan S.A. (page 11)
EC3. Defined benefit plan	SR – 69
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EN2. Materials used that are recycled input materials		SR – 38
Energy		
EN3. Direct energy consumption		SR – 36
EN4. Indirect energy consumption		SR – 36
Emissions, effluents, and waste		
EN16. Direct and indirect greenhouse gas emissions		SR – 31
EN17. Other relevant indirect greenhouse gas emissions		SR – 31 SR – 34
EN23. Significant spills	Rumo Logística has no tanks and, therefore, this indicator does not apply to this business unit.	
Products and services		
EN27. Products and packaging materials that are reclaimed		SR – 39
Compliance		
EN28. Monetary value of significant fines		SR – 29 and 34

Social performance – Labor practices and decent work		
Management approach		SR – 8
Employment		
LA1. Total workforce by employment type and region		SR – 62
LA2. Rate of employee turnover		SR – 62
LA3. Benefits provided to employees		SR – 68
Labor/Management relations		
LA4. Collective bargaining agreements	Grupo Cosan has 100% of employees covered by collective bargaining agreements; Cosan Combustíveis e Lubrificantes is part of the Collective Convention of Workers in the Commerce of Minerals and Petroleum Derivatives.	SR – 61
Occupational health and safety		
LA6. Workforce represented in formal health and safety committees		SR – 46
LA8. Serious diseases		SR – 47
LA9. Health and safety topics covered in formal agreements with trade unions		SR – 47
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LA10. Average hours of training		SR – 64
LA11. Programs for skills management and lifelong learning		SR – 65
LA12. Performance and career development reviews		SR – 67 and 69
Diversity and equal opportunity		
LA13. Composition of governance bodies		SR – 63
LA14. Ratio of basic salary of men to women		SR – 67

Social performance – Human rights	
Management approach	SR – 49
Non-discrimination	
HR4. Incidents of discrimination	SR – 15
Freedom of association and collective bargaining	
HR5. Operations in which freedom of association and collective bargaining may be at risk	Cosan makes no restrictions to freedom of association and in all operations it has employees who are members of their respective trade unions.
Indigenous rights	
HR9. Violations involving rights of indigenous people	The Cosan's Channel of Ethics has not received any report whatsoever on violations involving rights of indigenous people during the 2009/2010 crop year. However, in May 2010, the company's name was involved in a report of the Federal Public Attorney's Office (MS), derived from the accusation that a supplier to NovAmérica S.A. planted sugarcane in an indigenous land in Mato Grosso do Sul. NovAmérica dismisses the accusation by saying that the alleged area was claimed by Funai as a possible indigenous reserve, however, the proceedings are still pending. Cosan would like to clarify that it has no operations in that State, and NovAmérica S.A. Agrícola, which operates in the region, is a supplier to Cosan.

Social performance – Society	
Management approach	SR – 7
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SO1. Management of impacts of operations on communities	SR – 50
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Letter from the Auditors




Independent auditors' Limited Assurance report on the COSAN S.A. Indústria e Comércio's Sustainability Report 2009, based on the Global Reporting Initiative - GRI - G3

To the
Administrators and Shareholders of
COSAN S.A. Indústria e Comércio

1. We performed a limited assurance engagement on the Sustainability Report of COSAN S.A. Indústria e Comércio and subsidiaries ("Company"), for the year ended on March 31, 2010, which was prepared under the responsibility of the Company management. Our responsibility is to issue a limited assurance of the information presented in this Sustainability Report, for the 2009/2010 crop year.
2. Our limited assurance work was carried out pursuant to Assurance Procedures and Rules – NPO-01, as issued by IBRACON - Brazilian Institute of Independent Auditors, on assurance works not related to auditing or review of historical financial information, and included: (a) planning the work, taking into consideration the relevance and the volume of qualitative and quantitative information presented, as well as corresponding internal controls; (b) obtaining an understanding of the internal controls with professionals at COSAN S.A. Indústria e Comércio regarding criteria, premises and methodologies used in preparing the Sustainability Report, as well as management processes and consolidation of indicators and profile items; (c) examining, on a test basis, evidence that supports the quantitative and qualitative data in the Sustainability Report; (d) confrontation of the information contained in the Sustainability Report with the requirements of the Global Reporting Initiative GRI-G3; (e) visits to units Costa Pinto in Piracicaba, Rumo Logística in Santos, Mobil in Ilha do Governador – RJ, in addition to visits to offices of the Company in Sao Paulo, Piracicaba and Rio de Janeiro.
3. The objective of our work was to evaluate whether the data included in the Sustainability Report of the Company, with respect to the obtaining of qualitative information and measurement and calculation of quantitative information comply with criteria and guidelines for sustainability reports from the GRI-G3 guidelines. Historical information, market information, descriptive information, targets, prospects and opinions resulting from subjective evaluations are not included in the scope of the work performed and, therefore, our report does not provide limited or reasonable assurance on such information.
4. According to the GRI-G3 guidelines, COSAN S.A. Indústria e Comércio declares an Application Level B+ in its Sustainability Report for the year ended March 31, 2010, which reports 38 indicators, including core and additional. The application level verification considered the Company's operating units, as well as indicators corporately controlled. The procedures applied by us were sufficient to confirm that the application level declared by the Company is in accordance with the GRI-G3 guidelines.
5. Based on our work, as described herein, we are not aware of any significant change that should be made to the information included in the Annual Sustainability Report of COSAN S.A. Indústria e Comércio and subsidiaries, for the year ended March 31, 2009, for this information to be fairly presented in accordance with the GRI-G3 guidelines.

Sao Paulo, September 23, 2010

ERNST & YOUNG
Auditors Independentes S.S.
CRC-2SP015196/O-6

Luiz C. Nannini
Contador CRC-1SP171638/O-7

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Sugar, ethanol, electric energy, fuels and lubricants

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Credits

Coordination

COSAN CORPORATE COMMUNICATION

GRI Consultants

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