

com bio

Basis of Criteria and Premises 2022

1. Introduction

ComBio Energia S.A (ComBio) published its Sustainability Report 2022 on July 31, 2023. This document showcases its performance from environmental, social, and governance perspectives. It also shows how its practices are aligned with (i) the principles of the UN Global Compact, (ii) the Sustainable Development Goals of the 2030 Agenda (SDGs), and (iii) the dimensions of the B Corp system.

This document provides the definitions, criteria, and assumptions adopted for describing the indicators included in the report. The goal is to enhance transparency and clarity in reporting to stakeholders, as well as to support the information assurance process. The report was created in accordance with the Global Reporting Initiative (GRI) standards, 2021 version, and it was independently assured by PwC Brazil.

2. Organizational Boundaries and Reporting Scope Exceptions

The reported data was gathered from January 1st to January 31st, 2022, and includes all company units¹:

- (i) Administrative offices.
- (ii) Analysis laboratory.
- (iii) Vapor production units (UPV).
- (iv) Biomass production units (UPB).
- (v) Thermal power plants (ETE).

ComBio has a highly specific business model, and for reporting purposes, we consider an exhaustive list of products (any item manufactured for sale) and services (the execution of work

offered or contracted by third parties):

- (i) Products: biomass and vapor.
- (ii) Services: O&M (Operations and Maintenance) of thermal plants and third-party assets, project implementation, and laboratory services.

Exceptions to the boundaries and reporting period are indicated in the table found in Section 5, "Detailed Reporting Criteria," of this document.

3. Accounting Information, Currencies, and Conversion

The accounting information published in the Sustainability Report was compared by the company with the data available in the Financial Statements² for the same period. Both documents take into account the same organizational boundaries. Like the Sustainability Report, the financial statements were independently audited by PwC Brazil.

All monetary information is reported in the national currency, the Brazilian Real (R\$). When conversion to US Dollars (\$) is required, the exchange rate of the Central Bank of Brazil on December 31st of the reporting year is considered.

4. Reporting Considerations

For the development of the Sustainability Report, interviews were conducted with different areas of the company to collect indicators and gather relevant information. The data is focused on administrative personnel, but we rely on the support of operational areas to ensure the completeness and coherence of the information.

¹ The units are detailed in the Sustainability Report, section "Operations across the country"

² <https://combioenergia.com.br/relacoes-com-investidores/>

5. Detailed Reporting Criteria

The following table provides further details on GRI indicators that require additional clarification to ensure the reader's full understanding. The table should be used as a complement to the report, providing greater transparency in data reporting.

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
2-6 (2021)	Activities, Value Chain, and Other Business Relationships	<p>The company defines significant changes as those that may interfere with stakeholders' perceptions or cause distortions during reading. Some examples of such changes are: (i) Supply chain alteration of purchasing profile (e.g., shifting from purchasing biomass from third parties to producing biomass internally). (ii) A new activity and/or service. (iii) Internalizing a portion of a specific activity and/or service.</p> <p>Relevant business relationships are those directly linked to the company's main activity. Examples include: (i) Contracts for steam supplying. (ii) Development and construction of boilers. (iii) Industrial equipment suppliers. (iv) Biomass supply providers.</p>	No	No	N/A	Yes
2-7 (2021)	Employees	<p>The report defines permanent employees as those hired under a full-time regime (40 to 44 hours per week) and interns with part-time contracts (30 hours per week) active as of December 31st. Non-executive board members are not included in the report.</p> <p>Data regarding third-party contractors and temporary employees (e.g. service providers) are not included in the report. The company is currently working on structuring the database to consolidate such information. It is worth noting that most of these external collaborators are mobile and engaged in specific activities within the company's operations.</p> <p>Significant fluctuations are defined as those that may alter the company's organizational chart (e.g., the creation or elimination of a department or area, multiplication of leaders).</p>	No	No	N/A	No
2-8 (2021)	Independent Contractors	<p>ComBio defines significant fluctuations as those capable of altering the company's organizational chart, such as the creation or elimination of an area or department, or the multiplication of leaders.</p>	No	No	N/A	No

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
2-9 (2021)	Governance Structure and its Composition	The governance structure displays the scenario as of December 31st of the reporting year. The board of directors consists of three titular members, including the chairman of the board, an independent director, and an executive director.		Não	N/A	Não
2-15 (2021)	Conflicts of Interest	The company defines conflicts of interest as any clash among decision-makers that may improperly compromise the interest and performance of the company.	No	No	N/A	Yes
2-16 (2021)	Reporting Critical Concerns	The company defines crucial concerns as any potential and actual negative impacts from the organization that may affect the performance of the company and its stakeholders. Examples include corruption allegations and biomass supply crises.	No	No	N/A	Yes
2-20 (2021)	Remuneration Determination Process	The remuneration indicators are considered strategic to the business, therefore, they are not reported.	No	No	N/A	No
2-21 (2021)	Proportion of Total Annual Remuneration	The remuneration indicators are considered strategic to the business; therefore, they are not reported.	No	No	N/A	No

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
2-23 (2021)	Policy Commitments	The company defines the precautionary principle as the set of mechanisms employed to prevent and minimize environmental threats and degradation, even in the absence of absolute scientific certainty.	No	No	N/A	No
2-27 (2021)	Compliance with laws and regulations	The company deems as significant fines and noncompliance with environmental laws and/or regulations any fines regardless of the value, provided they are officially recognized (official letters, formal notices, etc.)	No	No	N/A	Yes
2-30 (2021)	Collective Bargaining Agreements	The same premises from indicator 2-7 are valid.	It does not apply to interns.	No	N/A	No
201-1 (2016)	Direct Economic Value Generated and Distributed	The DVA (Direct Value Added) is presented in accordance with the format specified in the Financial Statements and in CPC 09 (Brazilian Accounting Pronouncement).	No	No	N/A	Yes
204-1 (2016)	Local Suppliers Expenditure	The following assumptions are analyzed for reporting purposes: (i) This indicator focuses on the most significant suppliers, which together represent 80% of the total expenditures for the supply chain. (ii) Local suppliers are those located within an 80 km or less radius of the company's units via road routes. (iii) All units that had supplier related expenditures are included in the report. (iv) Expenses for services that are applicable to multiple units and for which there is no choice available are excluded from the calculation, such as electricity bills, employee benefits, and vehicle rentals. The finance department is responsible for providing the report with all payments made to suppliers during the year, while the infrastructure department extracts supplier registration data from the Datasul ERP system.	No	No	N/A	Yes

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
205-3 (2016)	Confirmed Cases of Corruption and Measures Taken	The company defines corruption as any form of direct or indirect favoritism, whether dealing with private companies or public authorities. Confirmed cases are those that have been analyzed and deemed valid by the management team. The same premises from indicator 2-7 are valid.	No	No	N/A	Yes
206-1 (2016)	Legal Actions towards Unfair Competition, Trust Practices, and Monopoly	The company defines unfair competition or unfair business practices as any form of action that interferes with free enterprise and competition. The practice of trust is defined as actions that limit, distort, or in any way harm free competition or free enterprise; monopolize a relevant market of goods or services; arbitrarily increase profits; and exert abusive dominance. It should be noted that the company's market representation does not yet justify antitrust practices. Confirmed cases are those that have been analyzed and were deemed valid by the management team.	No	No	N/A	Yes
301-1 (2016)	Materials Organized by Weight or Volume	The production of steam and the trading of biomass utilize specific raw materials, as presented below with their respective sources: (i) Water: Tax and industrialization report. (ii) Biomass: Stock movement report (production reporting). (iii) Chemical products: Purchase and consumption report. The calculation rationale takes into consideration: (i) The sum of the weight of materials classified by typology (hazardous and non-hazardous). (ii) Estimates noted on the report. (iii) Renewable materials are defined as not easily depleted due to their rapid renewal rate and maintenance capacity, such as biomass and water. (iv) Non-renewable materials are considered depletable and have a slow renewal rate, such as chemical products and fossil fuels.	The indicator takes into account only the company's core activity, which is steam generation.	No	N/A	Yes
302-1 (2016)	Energy Consumption within the Organization	Energy consumption is reported in GJ (Gigajoules) and takes into consideration the following premises: (i) Electricity consumption and fuel burning are under the company's purchasing responsibilities and/or control. (ii) Unit conversion data are based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (IPCC 2006), the calculation tool of the Brazilian GHG Protocol Program, and the National Energy Balance (BEN); (iii) Regarding steam production, the data are based on internal information.	No	No	N/A	Yes

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
303-5 (2016)	Water Consumption	The company has some specificities regarding the use of water, as our customers are responsible for the water sourcing, storage, and treatment stages during their operations. Control is conducted through internal meters and fiscal and water industrialization movement reports. We employ the Aqueduct Water Risk Atlas from the World Resources Institute (WRI) to identify areas of water stress. Water stress refers to areas classified as high risk (3-4) or extremely high risk (4-5). Significant impacts are those that result in social and environmental changes in the areas where we operate, such as water supply shortages for the population or drying up of water bodies.	For reporting purposes, only the water consumption in its operational activities is taken into consideration.	No	N/A	Yes
305-1 (2016)	Direct Emissions (Scope 1) of Greenhouse Gases (GHG)	<p>Our greenhouse gas (GHG) inventory includes our direct emissions (Scope 1), indirect emissions (Scope 2 and Scope 3), and is assured by an independent third party.</p> <p>The collected data used for the development of our GHG emissions inventory encompasses all our offices, providing a consolidated view of CO2 emissions and the company.</p> <p>The calculation of direct and indirect GHG emissions takes into consideration:</p> <ul style="list-style-type: none"> (i) Standards and tools from the Brazilian GHG Protocol Program. (ii) All gases (CO2, CH4, N2O, HFCs, PFCs, SF6, NF3). (iii) Operational control. <p>Data is obtained through internal control spreadsheets, fiscal reports, production reports, and so forth. Data sources are further detailed below, according to inventory categories:</p> <ul style="list-style-type: none"> (iv) Stationary combustion: stock movement report (production report) and purchase and consumption report. (v) Mobile combustion: purchase and consumption report, internal estimates and third-party reports. (vi) Fugitive emissions: purchase and consumption report and internal controls. (vii) Agricultural activities: internal controls. (viii) Electricity: electricity bills. (ix) Business travels: reports from the third-party company responsible for travel management. (x) Activities related to fuel and energy not included in Scopes 1 and 2: reports provided by third-party companies engaged in forestry activities. 	No	No	N/A	Yes

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
305-2 (2016)	Indirect Emissions (Scope 2) of Greenhouse Gases (GHG) from Energy Procurement	<p>Our greenhouse gas (GHG) inventory includes direct emissions (Scope 1), indirect emissions (Scope 2 and Scope 3), and is assured by an independent third party.</p> <p>The collected data used for the development of our greenhouse gas emissions inventory encompasses all our units, allowing for a consolidated view of CO2 emissions and the company.</p> <p>The calculation of direct and indirect GHG emissions takes into consideration:</p> <ul style="list-style-type: none"> (i) Standards and tools from the Brazilian GHG Protocol Program. (ii) All gases (CO2, CH4, N2O, HFCs, PFCs, SF6, NF3); (iii) Operational control. <p>Data is obtained through internal control spreadsheets, fiscal reports, production reports, and so forth. Data sources are further detailed below, according to inventory categories:</p> <ul style="list-style-type: none"> (iv) Stationary combustion: stock movement report (production report) and purchase and consumption report. (v) Mobile combustion: purchase and consumption report, internal estimates and third-party reports. (vi) Fugitive emissions: purchase and consumption report and internal controls. (vii) Agricultural activities: internal controls. (viii) Electricity: electricity bills. (ix) Business travels: reports from the third-party company responsible for travel management. (x) Activities related to fuel and energy not included in Scopes 1 and 2: reports provided by third-party companies engaged in forestry activities. 	No	No	N/A	Yes

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
305-3 (2016)	Other Indirect Emissions (Scope 3) of Greenhouse Gases (GHG)	<p>Our greenhouse gas (GHG) inventory includes direct emissions (Scope 1), indirect emissions (Scope 2 and Scope 3), and is assured by an independent third party.</p> <p>The collected data used for the development of our greenhouse gas emissions inventory encompasses all our units, allowing for a consolidated view of CO2 emissions and the company.</p> <p>The calculation of direct and indirect GHG emissions takes into consideration:</p> <ul style="list-style-type: none"> (i) Standards and tools from the Brazilian GHG Protocol Program. (ii) All gases (CO2, CH4, N2O, HFCs, PFCs, SF6, NF3); (iii) Operational control. <p>Data is obtained through internal control spreadsheets, fiscal reports, production reports, and so forth. Data sources are further detailed below, according to inventory categories:</p> <ul style="list-style-type: none"> (iv) Stationary combustion: stock movement report (production report) and purchase and consumption report. (v) Mobile combustion: purchase and consumption report, internal estimates and third-party reports. (vi) Fugitive emissions: purchase and consumption report and internal controls. (vii) Agricultural activities: internal controls. (viii) Electricity: electricity bills. (ix) Business travels: reports from the third-party company responsible for travel management. (x) Activities related to fuel and energy not included in Scopes 1 and 2: reports provided by third-party companies engaged in forestry activities 	No	Yes	For the first time, the company is including Scope 3 emissions in its inventory.	Yes
305-7 (2016)	NOx, SOx, and Other Significant Atmospheric Emissions	<p>The SSMA department at headquarters is responsible for requesting and archiving the monitoring reports about the company's boilers.</p> <p>Significant emissions are mentioned in the monitoring reports and permits (NOx, SOx, particulate matter, and CO).</p> <p>For calculation purposes, consider the following:</p> <ul style="list-style-type: none"> (i) Emissions covered by CONAMA Resolution No. 382/2006; (ii) Average emission rate (kg/h) from the monitoring reports, multiplied by the boiler availability hours. 	It does not include emissions from the Porto Franco UPV.	No	N/A	Yes

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
306-3 (2016)	Waste	The waste data is obtained through fiscal reports, internal controls, and waste disposal certificates. The data collection process is further detailed below, categorized by materials: (i) Non-hazardous: waste disposal certificates, internal controls, and fiscal records. (ii) Hazardous: waste disposal certificates and internal controls.	It does not include waste for which the company does not have responsibility regarding its disposal (administrative waste, PPE, etc.).	No	N/A	Yes
401-1 (2016)	New Hires and Employee Turnover	The turnover rate is calculated on a monthly basis using the following equation: (number of voluntary and involuntary separations) / (number of active employees in the month) * 100. The same premises from indicator 2-7 are valid.	No	Yes	Starting from 2022, the company's report exclusively monitors the turnover on a monthly basis.	No
401-2 (2016)	Benefits Offered to Full-Time Employees Not Provided to Temporary or Part-Time Employees	The same premises from indicator 2-7 are valid.	No	No	N/A	No
401-3 (2016)	Maternity/Paternity Leave	The same premises from indicator 2-7 are valid.	No	No	N/A	No
403-1 (2016)	Occupational Health and Safety Management System	The HSE (Health, Safety, and Environment) department consists of employees located in the operational units and at headquarters. Headquarters employees are responsible for consolidating and controlling the data related to HSE. The same premises from indicator 2-7 are valid.	Although the company is in the process of structuring its database to consolidate the number of third-party, temporary, and non-guaranteed hours workers (service providers), they are included in the scope of activities and practices described in the indicator.	No	N/A	Yes

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
403-2 (2016)	Hazard Identification, Risk Assessment, and Incident Investigation	The same premises from indicator 2-7 are valid.	Although the company is currently working on establishing a framework to consolidate the number of third-party, temporary, and non-guaranteed hours employees (service providers), they are still considered part of the scope of activities and practices described in the indicator.	No	N/A	Yes
403-3 (2016)	Occupational Health Services	The same premises from indicator 2-7 are valid.	No	No	N/A	Yes
403-4 (2016)	Worker Participation, Consultation, and Communication on Occupational Health and Safety Related Issues	The same premises from indicator 2-7 are valid.	Although the company is in the process of structuring its database to consolidate the number of third-party, temporary, and non-guaranteed hours workers (service providers), they are included in the scope of activities and practices described in the indicator.	No	N/A	Yes
403-5 (2016)	Occupational Health and Safety Training	The same premises from indicator 2-7 are valid.	No	No	N/A	Yes

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
403-6 (2016)	Worker Health Promotion	The same premises from indicator 2-7 are valid.	No	No	N/A	Yes
403-7 (2016)	Prevention and Mitigation of Health and Safety Issues Related to Business Relationships	The company defines significant impacts on health and safety at work as any accident resulting in leave of absence or occupational illnesses caused or triggered by the fulfillment of work duties.	No	No	N/A	Yes
403-8 (2016)	Workers Covered by an Occupational Health and Safety Management System	The same premises from indicator 2-7 are valid.	Although the company is in the process of structuring its database to consolidate the number of third-party, temporary, and non-guaranteed hours workers (service providers), they are included in the scope of activities and practices described in the indicator.	No	N/A	Yes
403-9 (2016)	Workplace Accidents	The same premises from indicator 2-7 are valid, i.e., for regular employees. The company adopts the following definitions: (ii) Severe work-related accidents are those that result in hospital/surgical treatment with more than 30 days of leave of absence. (iii) According to national legislation, mandatory reporting accidents are those that occur during work or commuting while performing work-related activities for the company, and result in bodily injury or functional impairment leading to permanent or temporary loss or reduction of work capacity, or in extreme cases, death. (iii) All accidents and incidents are reported internally; (iv) The rates were calculated based on a 1,000,000 working hours scale; (v) Working hours are provided monthly by the Human Resources department.	No	No	N/A	Yes

GRI Standard	Name	Criteria and Assumptions	Boundaries and Reporting Period exceptions	Changes to Boundaries and Criteria since the last reporting	Justification for the changes to boundaries and criteria since the last reporting	Assured Indicator
403-10 (2016)	Occupational Diseases	<p>The same premises from indicator 2-7 are valid, i.e., for regular employees.</p> <p>According to national legislation, the company defines mandatory reporting diseases as occupational diseases produced or triggered by the work peculiar to a particular activity, as listed in the respective list provided by the Ministry of Labor and Social Security.</p>	No	No	N/A	Yes
404-3 (2016)	Percentage of Employees Receiving Regular Performance and Career Development Evaluations	<p>Performance evaluations were directed only towards the leadership positions; therefore, it is the only category reported.</p>	No	Yes	<p>Only the leadership positions took part in the performance evaluation during 2022, therefore, the other categories were not reported.</p>	No
405-1 (2016)	Governance Bodies and Employee Diversity	<p>The reporting of diversity within the employee workforce is split into 7 functional categories, namely: (i) Directors; (ii) Managers; (iii) Supervisors (coordinators, supervisors, leaders, and unit managers); (iv) Specialists; (v) Administrative (assistants, analysts, administrative and project consultants); (vi) Operational (drivers, operators, mechanics, firefighters, electricians, laboratory technicians, forest analysts and assistants, general services and O&M assistants); (vii) Interns.</p> <p>The same premises from indicator 2-7 are valid.</p>	No	No	N/A	No