

rumo



SUSTAINABILITY REPORT 2016

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INTRODUCTION

The future relies on decisions envisioned and taken today. Based on this business model - that takes into account the long term effects of today's decisions - Rumo creates value to the development of society. A company that carries out strategies that can change reality and last for long, always focusing on ethics, transparency and sustainable relationships with all stakeholders.

While presenting the results of its activities in a consolidated basis in this Annual and Sustainability Report, Rumo shows how it manages the social and environmental impacts inherent to its operations, and reaffirms its commitment to developing the country's logistics infrastructure. In the following pages, learn about Rumo's main results, challenges, and achievements throughout 2016

Enjoy your reading!

LETTER FROM THE CEO

[G4-1]

2016 WAS QUITE CHALLENGING FOR ALL SECTORS IN BRAZIL.

Despite all adversities reflecting the country's intense political and economic crisis, Rumo remained committed to its goals. The support of a team strongly committed to overcoming the arising adversities - we managed to continue with our investment plans and achieve a better result than in 2015.

We adopted a new commercial strategy with long-term contracts, ensuring revenue and market share gains. Shareholders also reinforced their confidence in Rumo's project by capitalizing BRL 2.6 billion, an initiative that strengthened the balance sheet and provided greater liquidity to the Company.

We also increased our operational efficiency by renovating part of our fleet - an investment that resulted in fuel savings, reduced greenhouse gas emissions into the atmosphere, and increased the safety and integrity of transported products.

Internally, our organizational culture went through an intense transformation process. We improved our accounting practices, mapped processes, and implemented new controls - all focused on providing managers with more accurate and consistent information to support decision making and give more credibility to the business

and the figures reported to the market. I can say that today we have a high level of transparency of our business plan. It is important to point out that commitment and teamwork were essential to reach these results, as these achievements would not have been possible without the talent and dedication of our professionals.



JULIO FONTANA NETO

Chief Executive Officer of Rumo S.A.

The governance adopted over last two years has been key to overcoming all the sector's challenges and establishing healthy relationships with our stakeholders. We are working to improve our interaction with the public sector and heavily investing to provide tools and conditions required for our employees to develop their activities in easier, safer way, as well as committed to Company results.

We are ready to face the challenge of the record crops expected for this year. Since about 80% of the volume we transport is generated by agribusiness, our infrastructure is critical to improving the logistics

cost of the sector and increasing the competitiveness of Brazilian products abroad.

Therefore 2017 presents as an opportunity for better results due to the prospects of market growth and the maturity of investments already made.

Today we are the largest independent railroad operator in Brazil, and expectations for the future are promising. We are convinced that resuming growth – not only at Rumo, but in Brazil as a whole – will depend on investments in infrastructure, efficiency, and productivity.

Thus, our team's commitment to the result, the search for better solutions, and disciplined execution of processes are essential to our evolution. This is a determining factor for Rumo's success. We cannot get stuck on the past, we must look forward since that's where our future lies.

ABOUT THE REPORT



ABOUT THE REPORT

[G4-18, G4-19, G4-20, G4-21, G4-22, G4-23, G4-24, G4-28]

Materiality refers to the most relevant aspects for the organization, that is, internal and external aspects, that strongly impact the organization's business.

Rumo S.A.'s 2016 Annual and Sustainability Report contains the most relevant information regarding the economic, environmental, and social performance of the company's operations. The compiled data and indicators report the company's performance in the period between January 1, 2016 and December 31, 2016.

The content of this report was produced in accordance with the guidelines of the Global Reporting Initiative (GRI) in its G4 (Core) version, and took into account Rumo's material aspects and drivers. It is intended for the organization's key stakeholders: investors, creditors, employees, suppliers, clients, communities around its operations, and government agencies.



MATERIALITY PROCESS

In 2015, Rumo carried out a materiality process based on consultations with its main stakeholders. In 2016, the nomenclature of these aspects were revised internally in order to facilitate their identification within the Company's management processes and better comparison to industry aspects. In this revision, the material aspects indicated by RobecoSAM¹, RepRisk² and SASB³ were consulted.

After remake the material aspects, they were correlated with the macro-aspects and performance indicators suggested by the GRI-G4 methodology for it order to select the indicators applicable to Rumo. Some additional indicators were also selected - recommended by SASB and RobecoSAM - for each material aspect defined, in order to reflect the current trends regarding market and investor expectations.



1 - Headquartered in Zurich, Switzerland, RobecoSAM is an international benchmark in sustainability investments and includes economic, environmental, and social criteria in its market assessment strategies.

2 - Media analysis tool used by RobecoSAM to assess companies.

3 - Sustainability Accounting Standards Board. Defines industry-specific standards for disclosing corporate sustainability, focused on the materiality and usefulness of information for investors.



The internal and external scope of each material aspect for Rumo was established according to the relationship between the “space” in which the impact occurs and its “effects and influences” on the stakeholders.

MATERIAL ASPECT	INTERNAL SCOPE	EXTERNAL SCOPE
Management and governance model	X	X
Product integrity	X	X
Community and government relations	X	X
Climate management	X	X
Eco-efficiency and biodiversity	X	X
Occupational health and safety	X	X
Contractor management	X	X

Also in 2017, Rumo will review its materiality, through interviews with its stakeholders, in order to obtain a more detailed view of the impacts on the business. This will also contribute to better assess possible impacts caused by a specific aspect that may affect society, surrounding communities, or the environment. Thus, the company reinforces its commitment to transparency, aligned with its strategies for the future.

RUMO





RUMO

[G4-3, G4-4, G4-5, G4-6, G4-7, G4-8, G4-9, G4-10, G4-12, G4-17]

The 2015-2016 period marked the consolidation of Rumo after the merger with América Latina Logística (ALL). The first steps of business integration focused on administrative and financial reorganization in order to support the Company's growth strategy.

Rumo S.A. is currently the largest independent railway operator in Brazil and provides logistics services for railway transport, port loading, and storage. Its asset base includes a railroad network comprised of four concessions totaling 12,021 km of railways, 1,000 locomotives, and 25,000 railcars, as well as distribution centers and storage facilities.

As a result of the merger between Rumo Logística Operadora Multimodal S.A. (logistics arm of the Cosan Group) and former América Latina Logística (ALL), the company now operates 12 transshipment terminals, both directly or in partnership, with storage capacity of approximately 900,000 tons of grains, sugar, and other commodities. Among these assets, the most important is the logistics complex in Rondonópolis (MT), with a monthly cargo capacity of over 1 million tons.

The Company also has participation in six port terminals, five of which are located in Port of Santos (SP) and one in the Port of Paranaguá (PR), with storage capacity of about approximately 1.3 million tons and ship loading capacity of approximately 29 million tons per year.

Rumo's main area of activity extends over the states of Mato Grosso, Mato Grosso do Sul, São Paulo, and the southern states of Brazil (Paraná, Santa Catarina, and Rio Grande do Sul). Its railroad network serves the three main export corridors of agricultural commodities, covering an area accounting for approximately 80% of the Brazilian GDP. Four of the most active ports in the country are located in this area, through which most of national grain production is exported.

RUMO IN NUMBERS

12,021 KM
OF RAILROAD NETWORK

40.3 billion
RTK⁴ TRANSPORTED IN 2016

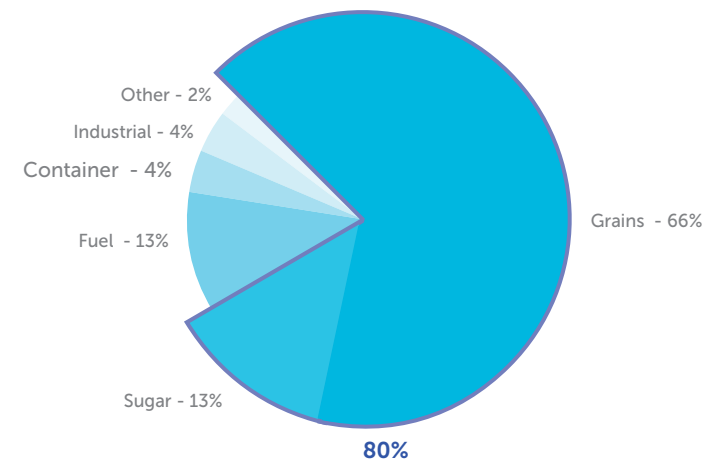
25,000
RAILCARS IN FOUR CATEGORIES
(FLATCAR, GONDOLA, CLOSED
HOPPER, AND TANK)

1,000
LOCOMOTIVES

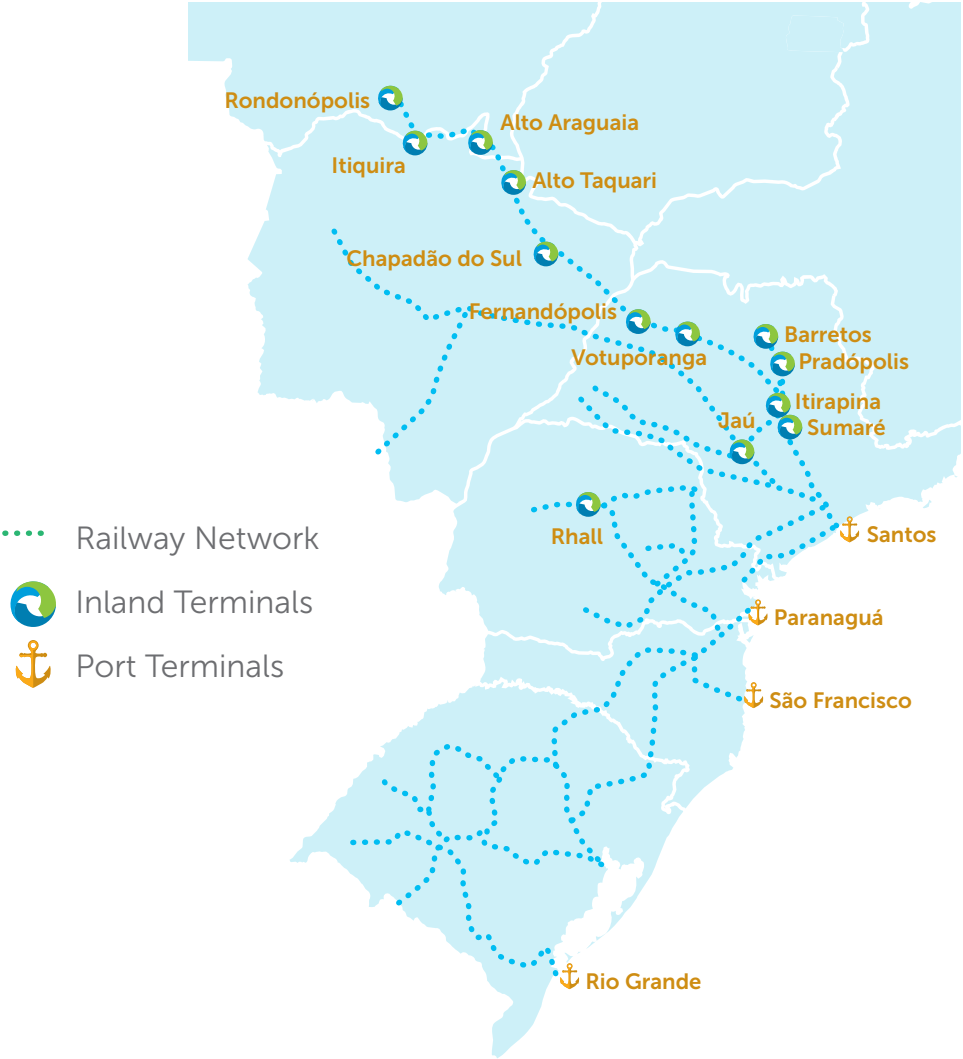
13,390
DIRECT AND INDIRECT
EMPLOYEES

6 PORT TERMINALS AND
12 TRANSSHIPMENT TERMINALS

80%
OF VOLUME GENERATED
BY AGRIBUSINESS



4 - Tons transported per kilometer. Calculation is made by multiplying the tonnage transported by the distance in kilometers.



**MAIN INLAND
TERMINALS***

Alto Araguaia
Alto Taquari
Rondonópolis
Chapadão do Sul
Fernandópolis
Votuporanga
Barretos
Jaú
Itirapina
Sumaré
Rhall
Pradópolis

**PORT
TERMINALS***

Terminal 16
Terminal 19
Termag
TGG
Terminal 39
Paranaguá (km5)

STATIC CAPACITY

900,000 TONS

1.3 MILLION TONS

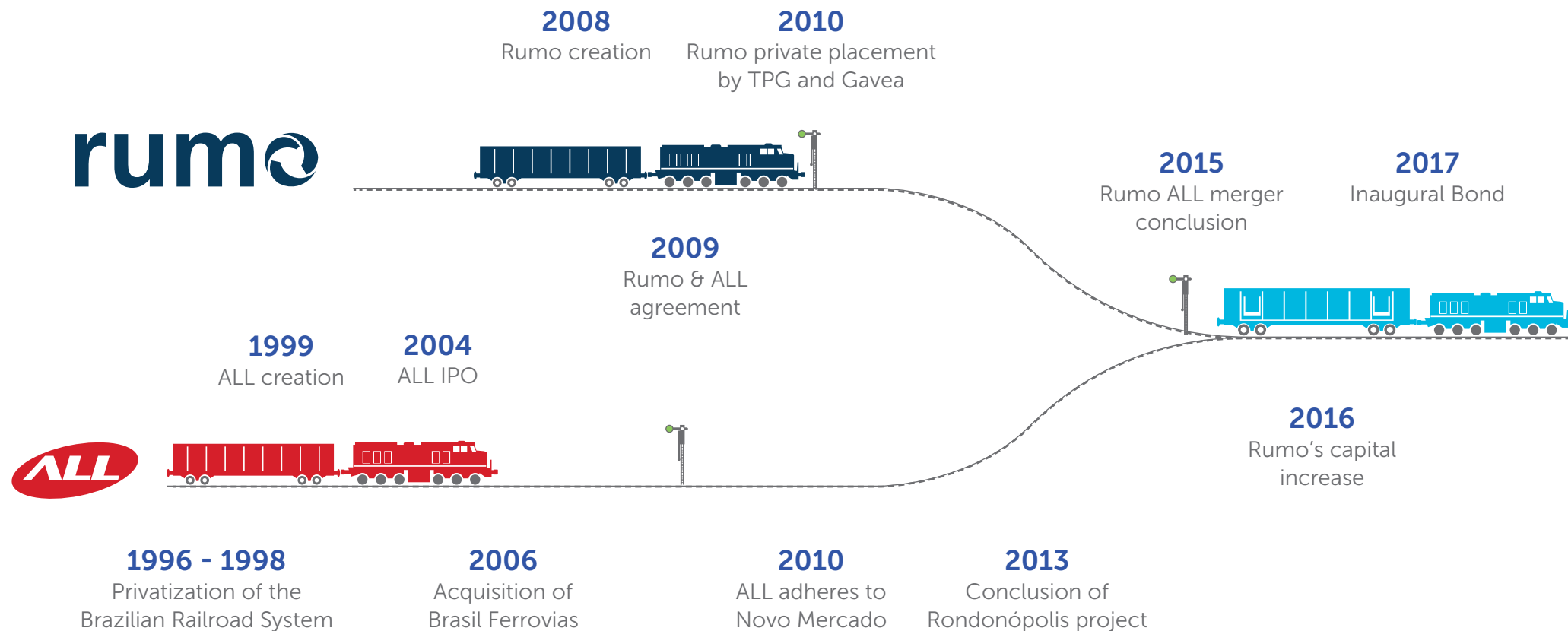
ELEVATION CAPACITY

**29 MILLION
TONS/YEAR**

*Terminals in which Rumo hold equity interest or maintain operations.

TIMELINE

Learn more about Rumo's history:



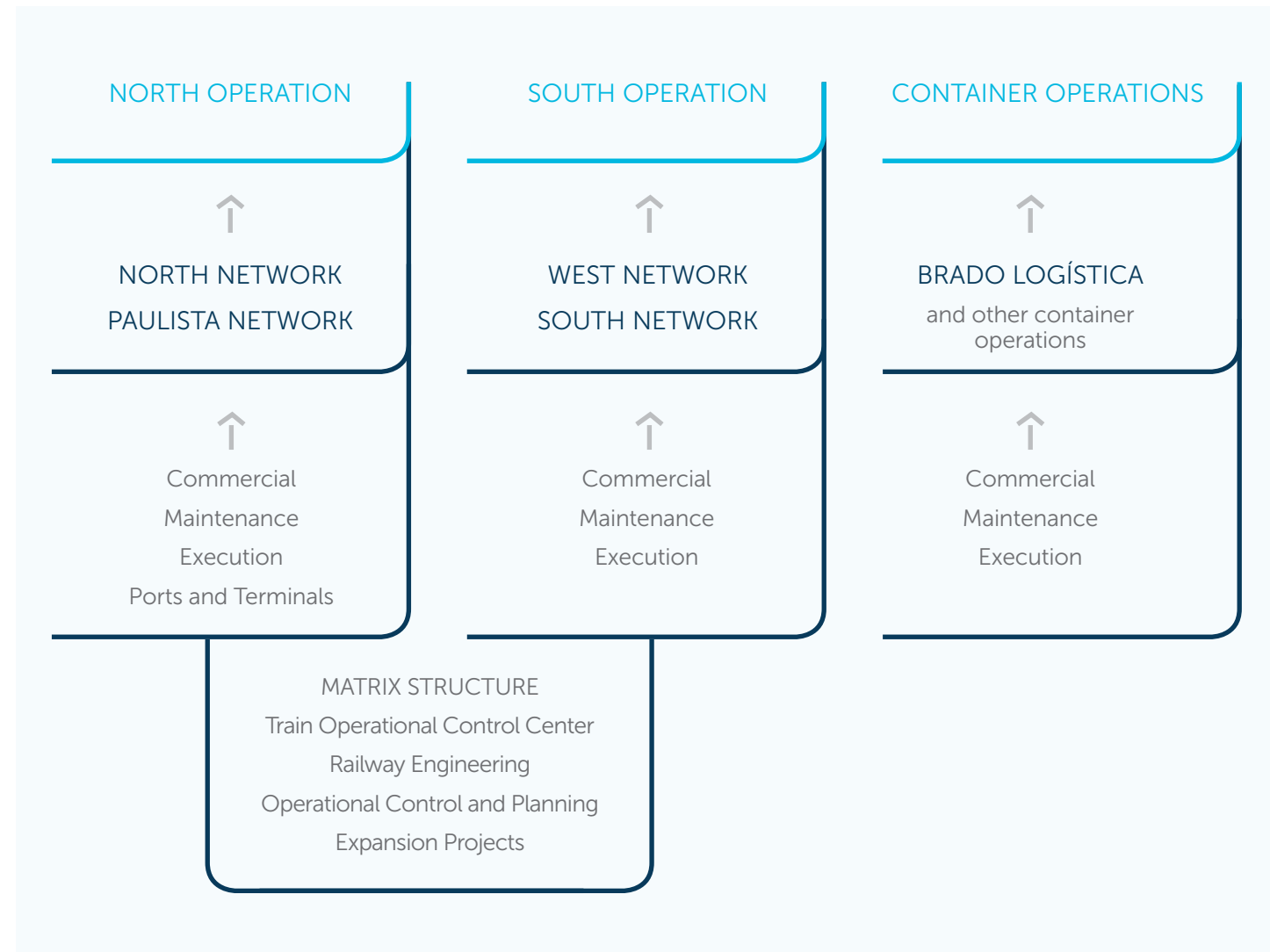
BUSINESS UNITS

Rumo is organized into three operational segments:

North Operations: comprised of the *Malha Norte* (North Network) and *Malha Paulista* (Paulista Network) concessions and the transshipment terminals located in the states of Mato Grosso and São Paulo. Transports mainly agricultural commodities (soybean, corn, soybean meal, and sugar), but also industrial products (fuels, cement, pulp, and others). In addition, through the terminals located at the Port of Santos, the company provides ship loading services for agricultural commodities, mainly sugar and grains.

South Operations: includes the railroad operations of *Malha Oeste* (West Network) and *Malha Sul* (South Network) as well as the transshipment terminals located in Paraná. Transports mainly agricultural commodities (soy, corn, soybean meal, and sugar) and fertilizers, as well as industrial products (fuels, cement, pulp, and others).

Container Operations: includes Brado Logística⁵ and other container operations. Responsible for transporting agricultural products such as cotton and pulp, and industrial products such as refrigerated cargo and ore.



5 - Pioneer in multimodal container transport in Brazil. Currently operates in the South, Southeast, and Midwest regions.

MAIN SUBSIDIARIES

- **Rumo Malha Norte S.A.:**

this subsidiary entered into a concession agreement with the Federal Government, in which it developed a cargo railway system, covering the construction, operation, use, and maintenance of the railroad between Aparecida do Taboado (MS), on the right bank of the Paraná River, and Rondonópolis (MT), for a term of 90 years, which may be extended for an equal period.

- **Rumo Malha Paulista S.A.:**

has exclusive rights to operate and use railroad transport until 2028, renewable for another 30 years. With 2,039 km, of railways, it forms an important logistics corridor interconnecting the agricultural and mining production regions of the Midwest and the industrial and agricultural centers of São Paulo to national and international consumer centers. It has interconnection points with the ports of Santos (SP), Pederneiras (SP) and Panorama (SP), interconnecting with the railways MRS Logística S.A., Ferrovia

Centro-Altântica S.A., Rumo Malha Sul, Rumo Malha Oeste, and Rumo Malha Norte.

- **Rumo Malha Sul S.A.:**

has exclusive rights to exploit and operate railroad transportation until 2027, and operates in the rail freight sector with a 6,586 km railway network in the southern region of Brazil.

- **Rumo Malha Oeste S.A.:**

has exclusive rights to exploit and operate railroad transportation until 2026, renewable for another 30 years. Its operation has approximately 1,600 km and

interconnects with waterway terminals in Porto Esperança (MS) and Ladário (MS). It is also interconnected to the railway network operated by Rumo Malha Paulista, in Bauru (SP) and with the Bolivian Ferrovia Oriental, in Corumbá (MS).

- **Brado Logística S.A.:**

operates intermodal container logistics focused on railroad transportation, storage, terminal operations, and other logistics services. The company is controlled by Rumo S.A., which owns 62.22% of its capital stock.



BUSINESS MODEL

With railway concessions connecting traditional agricultural and industrial production hubs to Brazil's main ports, Rumo's growth strategy focuses on its competitive advantages and the logistical challenges faced by Brazil. Its main business objective is bold: to increase the transportation capacity from the 45 billion RTK recorded in 2016 to 70 billion RTK by 2020.

The railway modal has great potential to increase the competitiveness of Brazilian industry, but today it has a little more than 20% share in the country's transportation matrix⁶. Thus, Rumo's business vision is aligned with the need to solve domestic logistics bottlenecks, and may also help create alternatives to agribusiness production, transportation currently responsible for 30% of the Gross Domestic Product (GDP) and 37% of jobs in the country⁷.

6 - Data from the National Transport Federation (CNT).

7 - Data from the National Supply Company (CONAB).



RENEWAL OF THE MALHA PAULISTA CONCESSION AGREEMENT

 **R\$ 4.7**
BILLION
IN INVESTMENTS

BY 2023, THESE INVESTMENTS SHOULD INCREASE MALHA PAULISTA'S CAPACITY OF TRANSPORT BY

150%

Rumo made progress in the renewing process of Malha Paulista concession through a Public Hearing Process conducted by the regulatory agency - one of the main stages for contract extension. The Company is requesting additional concession term, which is still being discussed with the Federal Government through the National Land Transport Agency (ANTT).

Malha Paulista and *Malha Norte* compound the main export corridor of the Brazilian agribusiness, connecting Rondonópolis (MT) to Santos (SP). Once the renewal is approved, the end of the concession will move from 2028 to 2058, and this greater term will enable BRL 4.7 billion in investments.

Stretches will be duplicated, rail yards extended, railroad modernized, and works to mitigate the urban conflicts between the railroad and the municipalities crossed. The idea is to increase not only transport capacity, but also operational safety.

By 2023, these investments should increase *Malha Paulista's* capacity of transport by 150%. In practice, this represents a greater volume of exports, lower transportation rates, fewer trucks on the road, and significant gains for the environment. In addition, the renewal of the concession will help to increase the competitiveness of the Brazilian product abroad, due to the increase in supply. Thus, Brazilian agribusiness will directly benefit directly from Rumo's investments.

The renewal, which is undergoing in advanced negotiations with the Federal Government, will be unprecedented for a railway in Brazil. In addition, it will enable a new cycle of investments in the sector, such as work and improvements to the railway network and the acquisition of rolling stock and equipment.

VISION FOR THE FUTURE

Rumo works to ensure the continuity of its business, combining its operations in intermodal logistics projects and railway transportation, and establishing long-term relationships with its clients. The basic principles governing the vision for the future of the business are:

Focus growth on those areas where Rumo has a clear competitive advantage	The company's goal is to serve railway and intermodal corridors that increase its market share among clients who historically use trucks as the main means of transport, thus demonstrating the advantages of the railway model compared to the truck in segments such as industrial products.
Maintain strict cost control	Commitment to business continuity lies in disciplined execution, focusing on low costs and growth in volume and revenues. Priorities include fuel consumption control and supplier management.
Comply with clients commitments	Client trust is one of the key ways to leverage business results and establish long-term business relationships. One current focus is developing partnerships in order to expand the logistic infrastructure.
Maximize use of assets and return on invested capital	To optimize profitability and return on invested capital, Rumo has in place programs to maximize the use of assets in the railway network and continues to invest in eliminating bottlenecks, seeking to adjust the equipment purchased to expected demand.

INVESTMENT PLAN

Rumo project investments of approximately BRL 9 billion from 2016 to 2020, focused on the long-term and clear purpose of reducing operating costs and increasing the organization's capacity, efficiency, and service level.

In response to the decrease in the average speed of railroads recorded in recent years, which has generated official notifications by the National Land Transport Agency (ANTT) and client complaints, a significant part of the resources (between 40% and 60%) will be invested to recover the network and expansion and construction of new rail yards, in order to improve access to strategic ports such as Santos (SP), Paranaguá (PR), São Francisco do Sul (SC), and Rio Grande (RS).

Another significant part of the investments plan (from 30% to 40%) will be geared towards replacing and renovating locomotives and railcars. One of the focuses is to expand the fleet of 100 ton closed hoppers⁸, railcars increasing the flow capacity and obtaining gains in transported volume, trains average speed, and agility in the access to the ports of Santos (SP) and Paranaguá (PR).

⁸ - Closed railcars carrying grain for human or animal consumption.

Since 2015, Rumo has acquired 109 locomotives and almost 1,600 railroad cars. The company plans to acquire an additional 61 locomotives and 650 railroad cars in the coming years.

From 2015 to 2016, nearly **BRL 1.5 billion was invested** in maintaining, recovering, and duplicating stretches of the railway, in addition to expanding and building rail yards. The result is almost **700 km of renovated railway** in the period. From 2018, with the maturity of the investments performed, there will be positive cash generation as a result of the planned improvements in efficiency.

DECISIONS BASED ON MORE ACCURATE INFORMATION

In order to provide more reliable information on which to base decision making, in 2016, Rumo implemented integrated management software to assist in planning, budgeting, and forecasting, analysis, and recording of results. This tool, known as Cognos TM1, has become an important ally of the company in critical data analysis, creation of profitability modeling, and monitoring of performance metrics, helping to align resources and initiatives with organizational objectives and market events.

Access to more accurate data and more in-depth analysis of expenditures made it possible to optimize and free resources, directing these resources for investments in facilities and equipment. The tool also contributed to reducing operational risks related to the strategic decisions of the company's executive body.

Based on the results obtained by implementing this platform, the Company recovered its credibility with its various stakeholders, since the planning process became more feasible and the results even more effective. The company's disclosure of information to the market also gained more accuracy, transparency, and agility.

MANAGEMENT AND GOVERNANCE

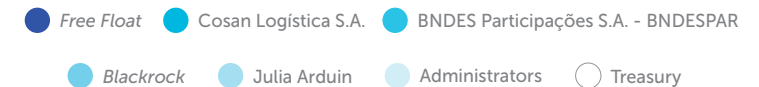
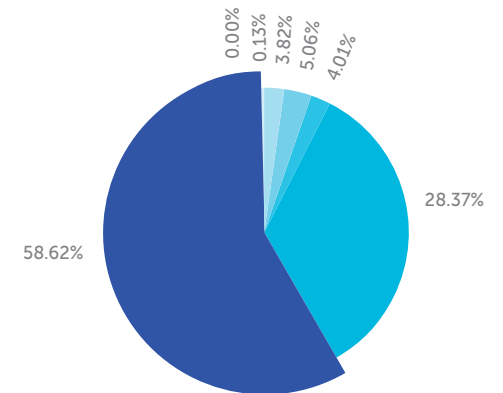
[G4-13, G4-14, G4-15, G4-16, G4-34, G4-56, G4-LA1]

Since Rumo incorporated ALL's shares (April 1, 2015), Rumo S.A. (RAIL3) has been listed at the highest corporate governance level of B3⁹ Novo Mercado, a listing segment of the stock exchange for the trading of shares issued by Companies which voluntarily commit to adopt additional corporate governance practices compared to what is required by Brazilian law and the Brazilian Securities and Exchange Commission (CVM).

9 - In March 2017, BM&FBOVESPA SA - Securities, Commodities and Futures Exchange, merged its activities with those developed by Cetip SA - Mercados Organizados and began operating under the name of B3 (ri.bmfbovespa.com.br).

10 - Rumo is listed on the Novo Mercado of the BM & FBovespa under the ticker "RAIL3".

Ownership Breakdown - RAIL3¹⁰



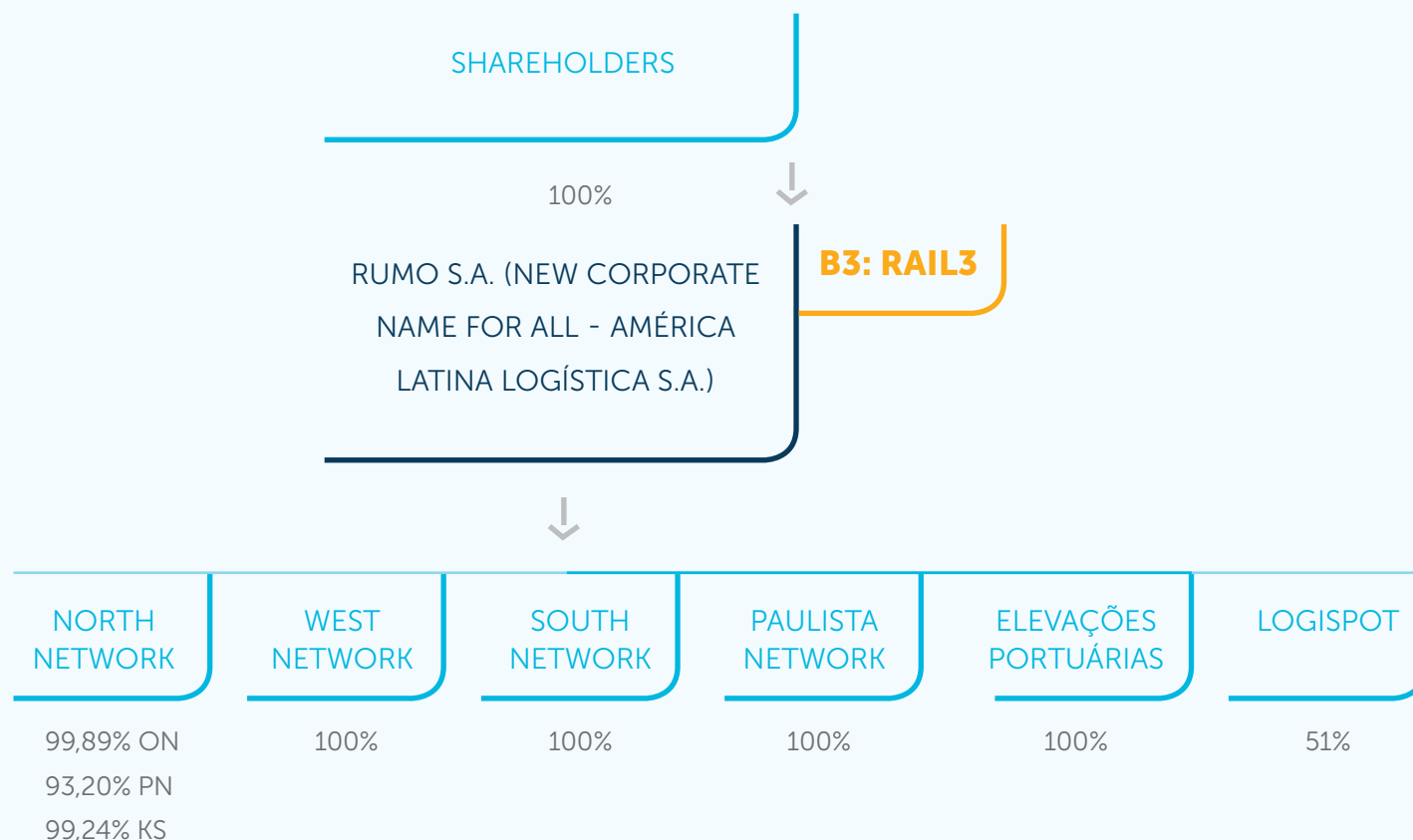
On December 19, 2016, the integration of Rumo Logística was approved by Rumo S.A. and the operation, carried out on December 31, 2016, implied the extinction of Rumo Logística. The corporate restructuring aims to simplify the group's structure - without any dilution for Rumo Logística's shareholders - and to comply with the Federal Court of Audit's (TCU) request to segregate rail transport activities from port operations.

The integration also serves the interests of Rumo and its shareholders by providing administrative efficiency and the possibility of reducing operating costs, also resulting in gains in synergy, enabling integrated and more efficient structuring.



To learn more about investor relations, visit ri.rumolog.com

SHAREHOLDING STRUCTURE



GOVERNANCE STRUCTURE

[G4-34]

Rumo is managed by the Board of Directors and the Executive Board. According to the Company's Bylaws, the members of the Board of Directors are elected by the Annual Shareholders Meeting, and the Executive Board by the Board of Directors.

Board of Directors: currently composed of 12 full members and two alternates, three of which are independent members. Members are elected for a term of two years, with re-election allowed. The current Board took office on April 26, 2016.

Executive Board: composed of at least three and at most nine members appointed for a term of one year (re-election allowed). In addition, board members must reside in Brazil. Today, the group is composed of seven members: Chief Executive Officer, Finance and IR VP, VP of Operations of *Malha Norte* and *Malha Paulista*, VP of Operations of *Malha Sul*

and *Malha Oeste*, VP of Human Resources, and two Executive Officers. The group is responsible for the regular administration of Rumo's operations.

Fiscal Committee: currently composed of five full members and five alternates, elected by the Annual Shareholders Meeting among Brazil residents who fulfill the legal requirements for the position, always in compliance with the provisions set forth by law and the Bylaws. Its role is to supervise the actions of managers and to give an opinion on the Company's accounts (financial statements, capital changes, etc.). The members of this Committee meets periodically (prior to earnings release) to analyze matters within the board's scope and issue opinions and statements about them.

Audit Committee: composed of three independent members with compliance experience and

a one-year term, reports directly to the Board of Directors. Among its main responsibilities are: to give opinion on the hiring and termination of the independent auditor preparing the external audit or for any other service, as well as to supervise the activities of these auditors and the Company's areas of internal controls; monitor the quality and integrity of information and internal controls; evaluate and monitor the Company's exposure to risk; may request detailed information on policies and procedures; and other duties.

Remuneration Committee: composed of four members with a two-year term, is appointed by the Board of Directors regarding issues on fixed and variable remuneration of administrators, members of the Fiscal Committee, and other employees, as well the definition and monitoring of KPIs providing information requested by the Board.

Related Parties Committee: composed of four members with a two-year term. Works to ensure the equal and non-discriminatory treatment of competitors regarding hiring, pricing, and service provision, as well ensures the level of service of railway transport, transshipment, storage, and loading at the port. This Committee is also committed to ensuring the execution of service agreements for sugar and fuel transport under market conditions, recommending the approval or non-approval of transactions to the Board of Directors. The Stakeholders Committee has an Internal Regulation approved by the Board in 2016.

CODE OF CONDUCT

[G4- 56]

The Code of Conduct establishes business values to be followed by all Rumo's professionals and stakeholders. Guided by respect, ethics, and transparency, the document serves as an individual and collective reference for attitudes and decision-making, and includes a variety of procedures and key principles that represent policies and establish working conditions for the Company.

With values disseminated among all board members, executives, employees (own, contractors, interns, or temporary employees), clients, suppliers, partners, and shareholders, the code covers several everyday situations, such as:

- Anti-corruption laws and policies.
- Treatment of confidential information and intellectual property, as well as policies on information security and for disseminating relevant information.
- Specific antitrust policy and laws.
- How to report irregularities: the company has an ethics channel guaranteeing anonymity and confidentiality.
- Initiatives regarding health, safety, and the environment.

Communication channels

Complaints about violations of guidelines or principles provided in the Code may be made through the Ethics Channel, via toll-free number **0800 725 0039**, or on the Internet page www.canaldeetica.com.br/cosan



To learn more about Rumo's Code of Conduct, visit ri.rumolog.com > *Corporate Governance > Bylaws, Ethics Code and Policies*

RISK MANAGEMENT

[G4- 14, SO8]

Rumo is part of the corporate risk management area of the Cosan Group, which created a specific internal audit and risk management policy approved by the group's corporate superintendent of audit and compliance.

Also applied to subsidiaries, this policy seeks protection from any type of risk that may adversely impact the ability to achieve targets set by senior management. In addition, the primary tasks of Risk Management area are to monitor, evaluate, report, and mitigate financial risks incurred by the Company.

Currently, the company does not use specific instruments protecting against operational risks. However, it has an internal audit risk and compliance area that reports to the Audit Committee and the Chairman of the Board of Directors, which is responsible for:

- Implementing and managing Rumo's Ethics Channel and fraud investigations.
- Creating and executing an Internal Audit Plan focusing on internal controls and compliance with the Company's internal norms and policies.
- Following up on the action plans regarding the Internal Audit reports.
- Identifying opportunities for savings and cost reduction.
- Creating controls and performing tests to ensure compliance with the Sarbanes Oxley (SOX), Anti-Corruption Act, and the US Foreign Corrupt Practices Act (FCPA).
- Revising and publishing Policies and Procedures.
- Disseminating a culture of Internal Controls.
- Acting as a control mentor and helping implement/correct processes.
- Controlling and approving access profiles in the governance, risk, and compliance program.
- Mapping the risks inherent to the business.
- Assisting in the implementation of action plans.
- Reporting the results of risk management to the administration.

Rumo monitors all non-compliance processes, seeking to quickly resolve these issues and with the least damage to the parties involved. All of these processes include room for discussion in which penalties may be cancelled, reduced, or even converted into signing the Term of Conduct Adjustment. In all cases there are opportunities to present defenses and appeals. The company seeks to deal with these matters in an administrative sphere, and, if necessary, take the matter to court in order to guarantee the best result.

ANTI-CORRUPTION POLICY

The Company has an Anti-Corruption Policy that prohibits business relations with clients, partners, or suppliers that disagree with the assumptions established in the policy or applicable laws, based on the US Foreign Corrupt Practices Act (Anti-corruption Law).



ANTITRUST POLICY

Rumo is subject to the provisions of the Cosan Antitrust Policy, which also applies to subsidiaries. In this document, the basic assumptions and strictly prohibited conduct are observed, in line with the best practices described in Antitrust Law 12,529/12¹¹.

In view of the obligations assumed in the Concentration Control Agreement (*Acordo em Controle de Concentração - ACC*), when Rumo incorporated ALL shares issued, Rumo has certain mechanisms in place to guarantee transparency for the actions. Among them is the Service Verification Panel, whose purpose is to check the level of the railway transport service compared to competitors and logistics services providers.

11 - http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2011/Lei/L12529.htm



FINANCIAL PERFORMANCE

[G4-EC1]

In a year that marked the consolidation of Rumo S.A. after its merger with América Latina Logística (ALL), several financial initiatives were implemented to promote a suitable capital structure for the Company. In April 2016, Rumo completed its BRL 2.6 billion capitalization process. This capital increase enabled the Company to enter

into agreements with commercial banks to reprofile BRL 2.9 billion in debts, extending their maturity, aiming to carry out its business plan. Additionally, in October 2016, the National Economic and Social Development Bank (BNDES) announced pre-approval of credit in the projects presented by Rumo for feasibility studies for financial support totaling approximately

BRL 3.5 billion. The quest for resources (given the access to different alternatives) to support its investment plan led Rumo to diversify its sources of financing, such as for example, entering the international debt market through a bond¹² issue operation, totaling USD 750 million, which took place in the beginning of 2017.

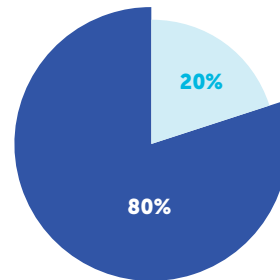
Though, most of the financial operations required to support the implementation of the operational turnaround have been completed, reinforcing the company's confidence in carrying out its business plan.

12 - Title of credit that entitles its holder to receive periodic interest, and on a certain date, the repayment of the borrowed capital.

MATURITY

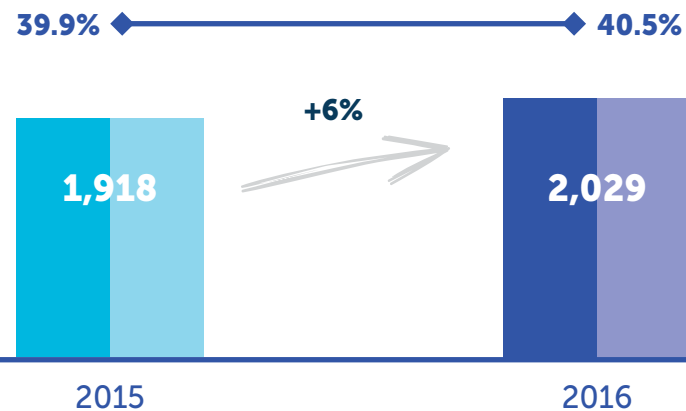
EBITDA in 2016 reached BRL 2.0 billion – a 6% growth achieved by adopting a series of initiatives to minimize lower transport volumes (with RTK 10% lower than 2015) due to the decrease in the volume of grains for export.

SHORT-TERM 20%



LONG-TERM 80%

EBITDA (BRL million) EBITDA margin (%)



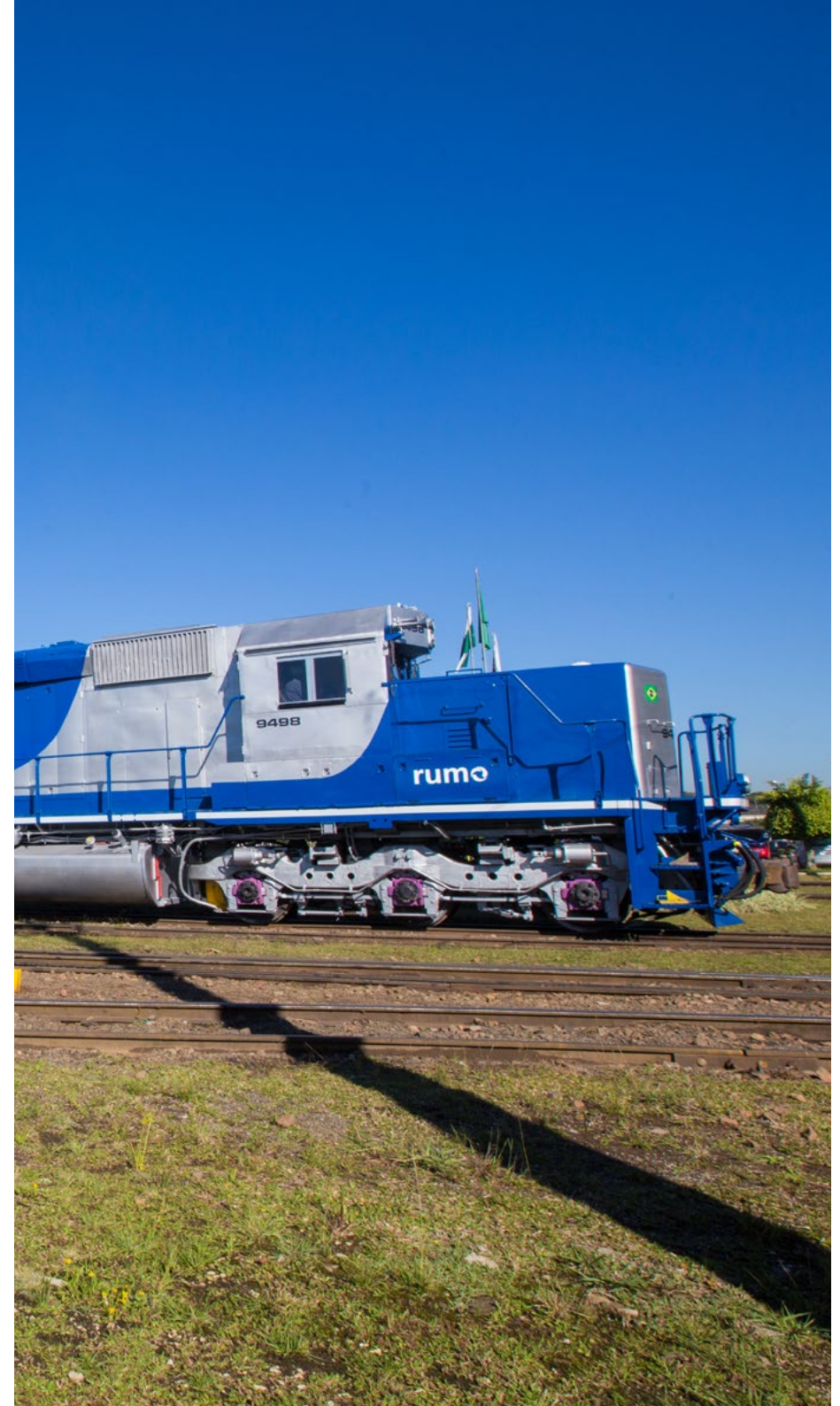
	2014	2015	2016
Revenue (BRL)	1,013,055	4,453,299	4,772,715
Sales of goods, products, and services (BRL)	1,000,065	4,382,881	4,718,110
Provision for doubtful accounts and credits (BRL)	703	3,733	1,514
Other revenue (BRL)	12,287	66,685	53,091
Inputs acquired from third parties (BRL)	-491,076	-1,671,369	-1,925,245
Costs of products, goods, and services sold (BRL)	-365,891	-1,206,019	-1,331,589
Materials, energy, third-party services, and others (BRL)	-125,185	-465,350	-520,458
Loss/Recovery of assets (BRL)	0	0	2,974
Other	-	-	-76,172
Gross Value Added (BRL)	521,979	2,781,930	2,847,470
Depreciation, amortization, and depletion (BRL)	-97,244	-616,528	-1,291,307
Net Value Added (BRL)	424,735	2,165,402	1,556,163
Value Added Received in transfer (BRL)	31,131	156,855	248,480
Equity accounting results (BRL)	0	11,164	8,380
Financial Revenue (BRL)	31,131	145,691	240,100
Other			
Total Value Added (BRL)	455,866	2,322,257	1,804,643
Value Added Distribution (BRL)	455,866	2,322,257	1,804,643
Personnel and Charges (BRL)	84,471	477,961	530,020
Taxes, fees, and contributions (BRL)	174,802	367,825	296,342
Interest, rent, and other operating expenses (BRL)	81,914	1,641,809	2,030,853
Dividends and interest on own capital (BRL)	27,200	0	0
Non-controlling shareholding interest	152	-6,931	10,658
Retained earnings (BRL)	87,327	-158,407	-1,063,230

Rumo recorded major achievements during the second year of the turnaround process, which targets to reduce costs and increase efficiency and capacity at competitive prices. The company sought to overcome strategic and operational challenges by advancing the railway culture and encouraging more employee engagement. Efforts were focused on the variables under company control, providing higher quality service, controlling costs, and optimizing the use of assets.

The year 2017 emerge as an opportunity for better results due to market growth prospects and the maturity of investments already made. In addition, expectations for the 2016/2017 grain crop are very positive, with updated market estimates indicating a total growth of approximately 19% and 35% for Brazilian soybean and corn crops, respectively. Considering the state of Mato Grosso alone, the scenario is even better, with 17% and 42% growth in the soybean and corn crop, respectively.



To learn more about Rumo's Financial Performance, visit ri.rumolog.com
> *Results Center*



OPERATIONAL PERFORMANCE

The new commercial strategy, which includes contracts with an average term of three years and higher levels of take-or-pay¹³, made demand more predictable and correctly mitigate the effects of the crop failure. In addition,

throughout 2016, Rumo adapted its operations, occupying the idle capacity with other cargos, such as sugar, offsetting the smaller volumes of grains.

13 - Contract clause that provides for payment of part of the tariff charged by the Company, if the total volume negotiated with the customer is not transported.



The plan for the year took into consideration good prospects for the soybean crop, which lasted until early April - when they were then revised downwards (mainly because of the grains crop failure). As of the end of May, shipments declined, since much of the soybean volumes had already been exported. In the second half of the year, there was about 20% drop in the corn crop, which reflected in a decrease in exports of over 40%.

The soybean had unusual shipment dynamics, with exports concentrated in the first quarter of the year, occupying all of Rumo's available capacity, although there was additional unserved demand for transport. In corn, there was an 18% drop in production in the second crop, which, in addition to a higher demand from domestic market, resulted in a reduction of approximately 60% in exports in the second half of 2016.¹⁴

Operating Model	2016 Platform	2015 Combined	Variation
Total Volume Transported (RTK million)	40,270	44,910	-10.3%
Agricultural Products	32,613	35,999	-9.4%
Soy	11,381	10,827	5.1 %
Soybean Meal	4,849	5,078	-4.5%
Corn	10,215	14,609	-30.1%
Sugar	5,274	4,126	27.8%
Fertilizers	804	752	6.9%
Wheat	88	409	-78.5%
Rice	3	199	-98.5%
Industrial Products	7,656	8,911	-14.1%
Fuels	4,330	4,432	-2.3%
Wood, Paper and Pulp	844	1,266	-33.3%
Containers	1,638	2,172	-24.6%
Construction	674	684	-1.4%
Steel and Mining	166	157	5.6%
Other	3	201	-98.6%

Investments in innovation and technology are examples of initiatives toward more efficient operations, as well as the search for new operation niches and making investments according to the business plan. Focusing on continuously improving operations, in 2016 the Information

Technology area worked on implementing a system capable of capturing all data generated by the company's operations.

Through this technology, it is possible to identify and cross information with more agility and precision - a process that

assists in the Company's strategic decision-making. One example is in the Control Centers, which had a significant increase in train operation efficiency - a relatively simple activity, but subject to a multitude of variables regarding equipment, people, and time.

14 - Data from Agroconsult, a consulting firm specializing in Agribusiness in Brazil (agroconsult.com.br).

The IT area also established a strategic partnership with IBM to develop artificial intelligence systems capable of assessing changes inherent to the company's processes and suggesting the best available options to controllers. The system operates based on long-term vision and the initial results obtained after implementation were increased operational efficiency and reduced costs. When comparing January 2016 to the same period in 2017, the system provided a 15% savings on allocation of train operators by optimizing work shifts.



To learn more about Rumo's Operational Performance, visit ri.rumolog.com > Valuation Guide

CHAVE NA MÃO

In 2016, a project called *Chave na Mão* also began operation, which involves a direct connection via smartphones with customized application to improve communication between the almost 2,000 train operators, the Human Resources area, the Control Center, and the area responsible for work shifts. The software was developed, with the support of experts, to be friendly, offering the best features for those who are not used to this type of technology, and meeting the specific needs of its users. *Chave na Mão* offers several features and benefits, such as:

- Mobile Point
- GPS
- Integration with shifts
- Active communication with the train operator by sending images and voice commands
- Reporting alerts
- Operator transport management
- Human Resources Information
- Company standards and procedures
- Possibility of making telephone calls

RESPONSIBLE BUSINESS



RESPONSIBLE BUSINESS

[G4-12, G4-15, G4-S01, G4-S02, G4-LA14, G4-LA15]

With a vision of the future associated with development, Rumo believes that railroad transportation is one of the main tools for the country's economic growth - through the productive integration of different regions - and the perpetuity of its activities.

However, developing this model also involves social and environmental challenges. For this reason, Rumo seeks to act responsibly, managing its business ethically and transparently, establishing close relationships with all its stakeholders, and always

focusing its actions on respect for the environment, human and cultural diversity, and repudiating discrimination and degrading, child, or compulsory labor.



RUMO RELATIONSHIP CHANNELS

Demands, suggestions, and criticisms may be communicated by phone or via the Internet, through the www.rumolog.com portal or on social network profiles (LinkedIn and Facebook). The direct channel **(0800-701-2255)** is available Monday through Friday, from 8am to 6pm.












EMPLOYEES







[G4-10, G4-11, G4-LA1, G4-LA10, G4-LA11]

For Rumo, the over 13,000 people who are part of its professional staff are the driving force behind the company's success. With a culture that prioritizes integration and stimulates high performance and development of skills, the Company has been increasing its investments in the search for improving internal processes and training new leaders.







Number of employees by employment level

	2014		2015		2016	
						
	Men	Women	Men	Women	Men	Women
Executive Office	7	0	9	0	17	0
Superintendence/Management	64	16	80	11	101	11
Coordination	156	47	168	45	234	39
Supervision	695	15	641	13	510	8
Administration + Sales	548	290	594	307	773	462
Operational + Equipment + Yard	7,203	122	6,831	133	6,909	39
Trainees	10	3	11	5	13	5
Apprentices	27	16	92	94	111	96
Interns	31	13	24	14	25	22
Total by Gender	8,741	522	8,450	622	8,693	682
Total						
	9,263		9,072		9,375	

Number of employees by type of contract

	2014		2015		2016	
						
	Men	Women	Men	Women	Men	Women
Definite time period	66	31	145	108	137	123
Indefinite time period	8,675	491	8,305	514	8,556	559

Number of employees by region

	2014		2015		2016	
						
	Men	Women	Men	Women	Men	Women
Southeast	3,211	77	3,052	103	3,704	200
South	4,408	403	4,209	437	3,903	396
Midwest	1,122	42	1,189	82	1,086	86
Northeast	0	0	0	0	0	0
North	0	0	0	0	0	0



MORE SAFETY AND COMFORT

Rumo believes that providing good working conditions is essential for any workplace. Thus, in 2016, the Company developed a new hotel system for overnight stay of train operators. With an investment of BRL 1.85 million, these locations (40 in total) were renovated, including the structural revamp the workshops and maintenance stations. In the rail yards, waiting and resting structures were built using hotel concepts, with modernized accommodation, restrooms, and common areas. In addition to providing more comfort, the initiative helps strengthen safety actions among employees and also among contractors and suppliers.

PEOPLE AND CAREER DEVELOPMENT

Rumo has a strong learning structure and modern educational models focused on the training needs of its employees, with technical and qualification training, inherent to the railway system. The company's main training center, Rumo Academy – which was restructured in 2016 – functions as the Company's center of educational excellence, meeting the existing training needs in the railway logistics and intermodal services segment. Through a procedural program, the Academy promotes the professional and personal development of its employees, enabling them to make decisions quickly and in line with Rumo's business strategies for the long-term.

TRAINING IN 2016

Total
334,015 hours

Total per employee
38 hours

Train operators
(theoretical training)
196 people

Railway rail yard
workers (theoretical
and practical training)
125 people

In addition, the company provides financial support for external training in specific skills, and postgraduate study grants, training for train operators and conductors, technical-operational, administrative, and behavioral training, and apprentice and trainee development programs. Rumo also has three programs specifically aimed toward the career development of its professionals:

Career Path: guides developed by professionals from the technical areas that direct the career of base employees. The program aims to ensure the transparency of the prerequisites for growth at Rumo and to recognize people based on three pillars: Rumo's Essential Behaviors, Technical Capability, and Good Performance. Today, Rumo has 14 career paths that include approximately 90% of the employees who work in its operation.

Talents and Careers: seeks to guide the career of administrative (functional and matrix) employees from the time they are hired. The goal is for the employee to know the training that will be part of his or her career, the skills that need to be developed, and the expected results for each position and job.

Strategic People Management: designed to develop Rumo managers, according to the internal principles of active leadership. Using concepts of Ram Charam's Pipeline¹⁵, skills were defined by level, considering the seniority and scope of each position. The program is supported by Manager Training, consisting of training in ten management modules: Business Communication, Interpersonal Relationships, Presentation Techniques, Conflict Management, Negotiation, Methodology, Time Management, Finance, Management School, and Leadership.

15 - Model that allows the Company to identify future leaders, evaluate their skills, plan their progress and measure results, guide the actions of organizations, and build aligned teams at all levels of the company.

RAILWAY RAIL YARD WORKERS SCHOOL

The year of 2016 marked the beginning of the activities at the Operator School, an important initiative that aims to ensure an even safer operation, being the main gateway for new rail yard workers at the company. Developed in partnership with SENAI, the inaugural class was held in Curitiba (PR), where the Company's headquarters and part of the training structure are located. The course was also taught to a second class in Araraquara (SP).

With theoretical and practical classes held in an exclusive rail yard, and different models of locomotives and railroad cars, the course allows the student to experience day-to-day as a trainman, including testing their skills in a simulator with all sections of the mapped railroads. The program lasts 12 weeks. The objective is to be consolidated as the main gateway for new rail yard workers in the company. Rumo also maintains training programs for train operators and conductors. Approximately 120 rail yard workers and 150 train operators are trained each year.

PERFORMANCE MANAGEMENT

The Rumo assessment process is applied to positions from senior management to the operational base. Employees in leadership positions carry out the 360° evaluation and the others are evaluated by their managers. Evaluations involve Items in Competencies and Performance.

Concerning competencies, the evaluation items are linked to four essential Rumo behaviors: Proactive Collaboration, Active Communication, Disciplined Execution, and Leading by Example. Performance considers the results obtained by the employee during the period. The evaluations are followed by feedback meetings and preparation of the employees' individual development plans. In 2016, a total of 2,935 people went through this process.

REMUNERATION AND BENEFITS

Historically, the organization works with a variable remuneration model that recognizes and values the deliveries of its employees, in addition to maintaining a fixed remuneration system that is competitive and in line with the market. Among the main benefits offered by Rumo are food assistance, life insurance, health insurance, dental plans, Christmas food baskets, and school supplies for employees with children in school age.

In 2016, Rumo delivered approximately 5,000 school supply kits to all employees with children between the ages of three and fourteen. The kit has the basic items necessary for the beginning of classes and varies according to the age group. By guaranteeing access to these products, Rumo encourages children to obtain basic education.

TRILHOS DO SABER

For children of employees, as well as children and adolescents in the community, to have the opportunity to learn English, Rumo offers free classes in partnership with the language school In Flux. In 2016, a group of 25 young people attended the course twice a week at the Company's headquarters in Curitiba (PR). Also taking part are students from the Municipal School Durival Britto e Silva, located next to the company.

PINGO DE GENTE

The *Pingo de Gente* program provides a welcome kit for all employees who apply for maternity or paternity leave or who are adopting children up to four months old. In 2016, a total of 322 kits including 14 basic items such as a pacifier, bottle, and bib, were delivered in a maternity bag.



ADMISSION PROGRAMS

At Rumo, the Recruitment and Selection process is carried out through four programs, in line with the Company's profile and its operation strategy: Young Apprentice, PcD Program, Trainee Program and Internship Program. The process to select experienced professionals is carried out by an external consulting firm, which reports to Rumo information on the average time for admission and the number of applicants recruited and selected. Management of the new hires is carried out weekly by the Recruitment and Selection area.

LABOR RELATIONS

All direct employees are covered by Collective Bargaining Agreements (ACT) with the railroad unions, and the right of association is guaranteed in all its operations.

NUMBER OF HIRES BY GENDER

	2014	2015	2016
	2,064	2,324	1,210
	265	332	295
Total	2,329	2,656	1,505



NUMBER OF HIRES BY AGE BRACKET

	2014	2015	2016
Under 30	1,511	1,750	974
From 31 to 50	760	847	523
Over 50	58	59	8
Total	2,329	2,656	1,505

NUMBER OF HIRES BY REGION

	2014	2015	2016
North	0	0	0
Northeast	0	0	0
Midwest	316	667	333
Southeast	789	726	428
South	1,224	1,263	744
Total	2,329	2,656	1,505

TURNOVER RATE BY GENDER (%)

	2014	2015	2016
	19.71	29.89	26.31
	37.22	39.50	47.69
Overall	20.72	30.47	27.91

TURNOVER RATE BY AGE BRACKET (%)

	2014	2015	2016
Under 30	33.22	41.44	37.74
From 31 to 50	17.77	30.05	21.03
Over 50	10.19	20.47	27.88

TURNOVER RATE BY REGION

	2014	2015	2016
North	0	0	0
Northeast	0	0	0
Midwest	58.1	51.71	38.21
Southeast	7.48	28.84	24.35
South	24.62	31.78	27.81

OCCUPATIONAL HEALTH AND SAFETY

[G4-LA6, G4-LA7, G4-LA8]

For Rumo, preserve the health and safety of employees and contractors is much more than a priority, it is a value. Before beginning any activity, it is necessary to meet several requirements, according to the action performed. Some of the main requirements are:

- Policy on Uniforms and Personal Protective Equipment (PPE)
- Preliminary Risk Assessment
- Supervisor Organizational Audit
- Checklist for Work Front, Overnight and Accommodations, and Employee Transportation
- Communication of Risk
- Work Permit Form for Railways and Terminals
- Inspection of Mechanical Safety and Rail System
- Emergency Instruction for Service Providers (Santos, Sumaré, Jaú, and Itirapina terminals)
- Safety Processes for Service Providers (Santos, Sumaré, Jaú, and Itirapina terminals)
- Operational Regulation

Employees	2015	2016
Lost time injury frequency rate (%)	2.21	0.74
Recordable incident rate (without lost time) (%)	3.44	3.56
Total recordable rate (%)	6.56	4.34
Severity rate (%)	271	66
Lost days	7,077	1,601
Fatalities	1	0

Contractors	2015	2016
Lost time injury frequency rate (%)	2.01	0.98
Recordable incident rate (without lost time) (%)	3.27	3.17
Severity rate (%)	999	92
Lost days	12,535	1,129
Fatalities	2	0

Rumo works with weekly and monthly reports that evaluate the results of indicators such as accident rates with and without lost time (employees and contractors), as well as severity rates and lost days. As a result of processes increasingly more focused on safety and prevention, in 2016 the lost time frequency rate dropped by 67% for company employees and 51% for contractors. The severity rate followed the same trend, with a drop of 76% for company employees and 91% for contractors, when compared to the previous year.

RUMO ZERO ACCIDENT

The year of 2016 marked the beginning of the Rumo Zero Accident (RZA) program, which has predefined goals for the company to reach a level of excellence in occupational, health, safety, and environment rates.

The program includes behavioral tools that are audited monthly, the investigation of all incidents, and is based on the assumption that prevention requires focus on each person's behavior. At Rumo, all employees are encouraged to interfere whenever they see any risk situation in any area. In practice, the train operator may call the attention of both the trainman and

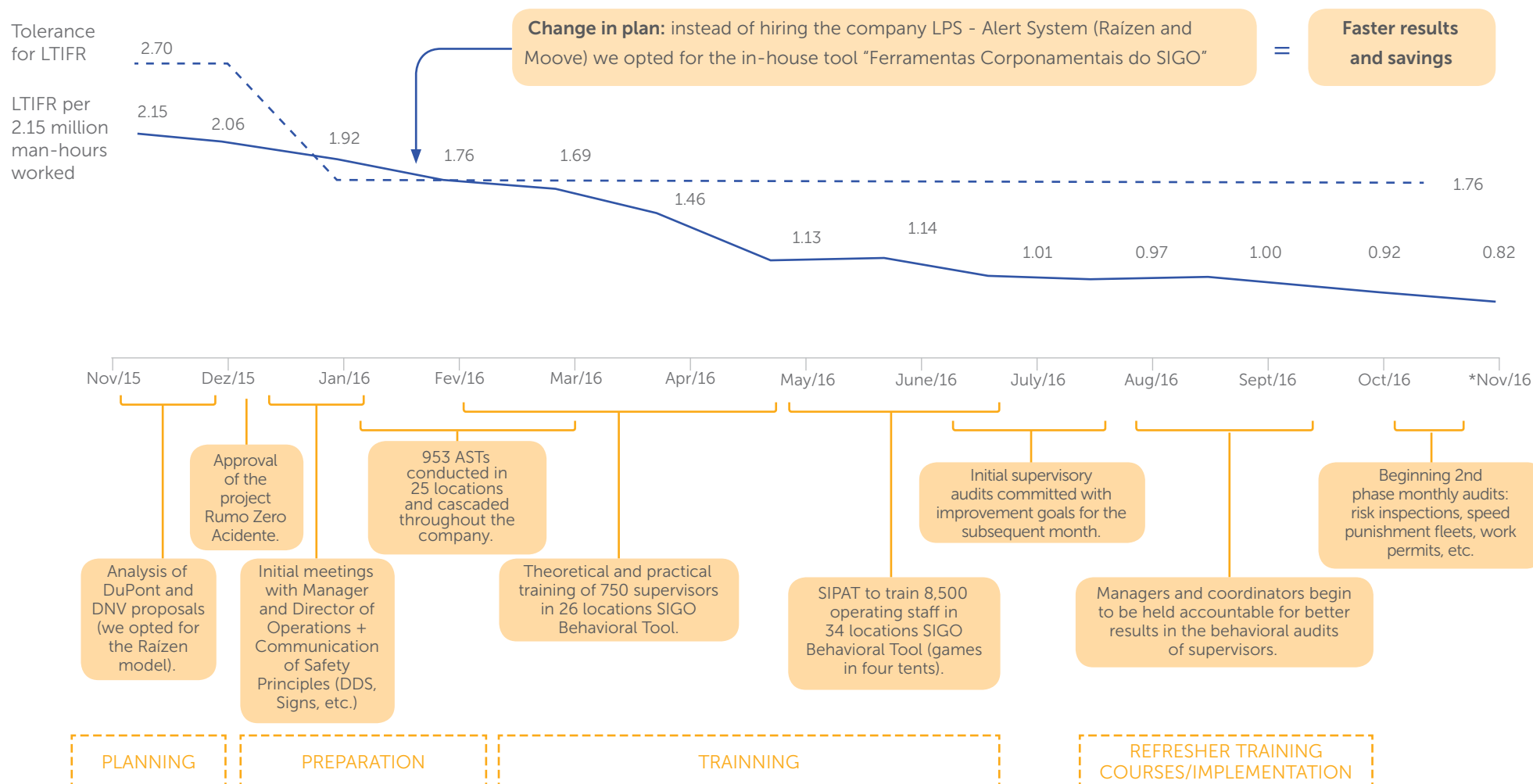
the supervisor. In this way, safety is seen as a shared responsibility.

Professionals, especially those of the fire brigade, undergo training aimed toward maintaining safety in different situations. The Internal Work Accident Prevention Week (SIPAT) is also held periodically at all terminals, to encourage employees to adopt safe behavior in their routine.

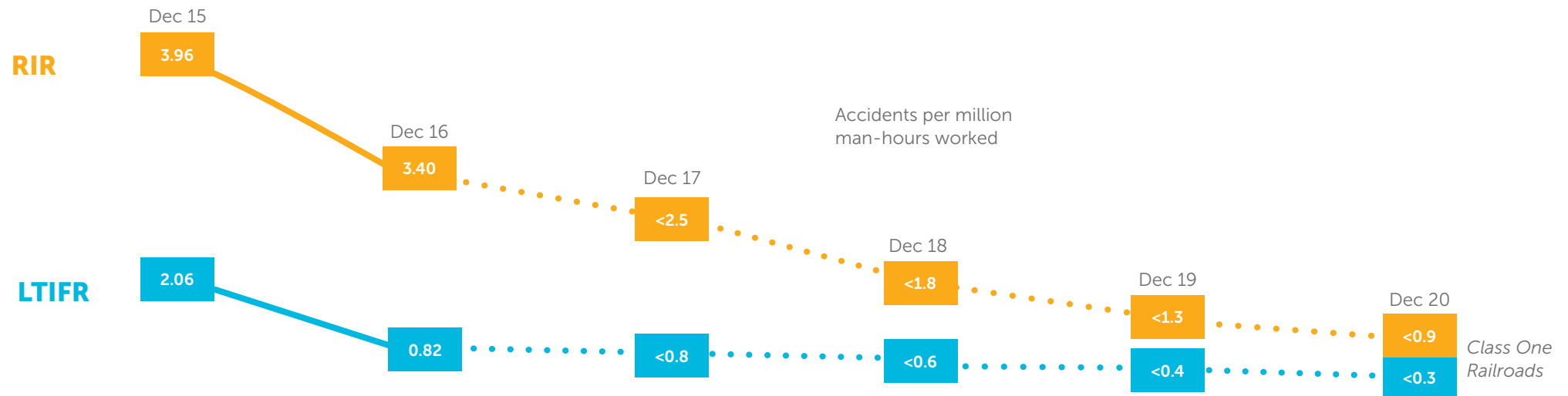
Audits implemented at operational levels ensured that the Rumo Zero Accident Program was executed in the best possible way.



ACHIEVEMENTS X RESULTS ACHIEVED IN 2016



CHALLENGES FOR THE COMING YEARS



INTEGRATED OPERATIONS MANAGEMENT SYSTEM (SIGO)

Rumo adopts an Integrated Operations Management System (SIGO), which defines policies, procedures and operational regulations. Within this system, there are behavioral and structural tools, as well as control and monitoring methods based on periodic audits. SIGO behavioral tools focus on 90% of

the basic causes of accidents - those associated with bad habits and unsafe behaviors in the workplace.

Rumo's senior management demonstrates total commitment to applying these tools as part of each employee's work routine. But this concern does not depend

only on the company, since it is a shared responsibility among all employees, who are also invited to point out solutions and help create an increasingly safe workplace.

BENEFITS OF SIGO BEHAVIORAL TOOLS

- Overall reduced work-related injuries
- Reduced damage to property
- Reduced environmental impacts
- Increased productivity and efficiency
- Higher employee satisfaction

SIGO Behavioral Tools	
Task Safety Analysis (AST)	A tool used to study and record each stage of a task, identifying risks and determining the best actions and procedures so that these risks do not become accidents. The Task Safety Analysis should be conducted for all work processes involving accident risk. These ASTs will serve to ensure the existence of safe procedures to operate facilities and equipment.
Individual Risk Assessment (AIR)	Brief risk assessment that should be done by the employee before, during, and after the completion of each task. The process includes that the professional should STOP and focus all their attention, to EVALUATE what may go wrong, and then reduce to ZERO the possibility of accidents.
Task Safety Check (VST)	Tool to generate the commitment to safety and identify if a task is being performed according to pre-defined standards. Here, one employee acts as an Inspector and another as Inspected.
Observe, Stop and Record, Act (OPA)	Behavioral tool to prevent accidents. A coworker checks another coworker to identify safe behaviors or attitudes. The goal is to enable a chain of safe actions, creating "Safety Guardians."
Defining Causes and Actions (DCA)	<p>Tool used to:</p> <ul style="list-style-type: none"> • Identify the causes of an accident, near accidents, or a deviation identified during the Task Safety Check. • For each cause, identify each corresponding action, defining them in detail, making sure that they are viable, lasting, and comprehensive.
Accident and Near-Accident Investigation (IA-IQA)	Its purpose is to prevent similar events from becoming accidents in the future. The tool should examine all incidents in a similar way, based on the principle that it is not acceptable to devote less attention to events that did not cause injury or material loss.



COMMUNITIES

[G4-SO1, G4-SO2]

The Company considers one of its priorities the relationship with the communities located in the areas close to its operations, which extend along its over 12,000 km of railroads, crossing six Brazilian states and over 500 municipalities in the South, Southeast, and Midwest. The focus is on strengthening relations, building trust, and increasing the positive contribution to each region.

The demands arrive mainly through the Company's service channels. They are recorded and sent to

the competent areas, which must respond within 72 hours.

The Service Channel consolidates these responses and directs them to the requester. Currently, the main aspects that generate negative impacts refer to the train horn, lack of weeding and mowing along the railway line, accumulation of garbage, and the closing of level crossings. The Company monitors the responses monthly, with a target for 2017 to reach 88% of demands responded. In 2015, this percentage was 75%, and in 2016, it was 85%.

Service Channel Contacts 2016	Total
Requests and complaints	907
Requests replied	771
Awaiting reply	139

Rumo is also committed to reducing the number of accidents with contractors (collisions and hits). There are reduction goals in place, evaluated daily by Railway Safety. Whenever any change occurs, the Company carries out an intervention in the communities through education campaigns, lectures, and strategic partnerships with municipalities and other municipal agencies in order to minimize risks.

Throughout 2016, Rumo invested in **59 social, cultural, and sports projects**, resulting in over **270 actions** and benefiting approximately **5.5 million people**.



To learn more about the company's operations, visit rumolog.com > Responsabilidade Social > Balanço Social 2016



CLEANING PATROL

In 2016, in partnership with the Municipality of Piraquara and the Criminal Justice Department of Paraná, Rumo held the Cleaning Patrol program. Unprecedented in the railway segment, the project includes forming teams to work on the conservation of the railroad right of way and public roads, with the use of a workforce of inmates in the semi-open detention regime. They work in maintenance of the city streets and railway line, performing activities such as weeding, mowing, and the collection and correct disposal of waste.

Through the agreement, the possibility of social reintegration of the prisoners is increased with work experience and reduced sentence. Many also learn a new profession, supplement the family income with the minimum wage they earn, and offer a real payment of debt with society through their labor.



ACCIDENT PREVENTION

In order to create a harmonious and safe coexistence between community and railroad, in 2016 Rumo promoted a series of informative accident prevention campaigns in the areas near the railroads, especially at crossing points. Safety alerts were issued, with a broad reach via social networks - messages reached over 2 million people in the year.

Campaigns occur regularly and include lectures, distribution of information materials, and social and environmental interaction with communities. The accident awareness and prevention actions were intensified during National

Traffic Week, which took place between September 18 and 25 with the theme "Global Decade of Action for Road Safety - 2011/2020: *Eu Sou + 1 por um Trânsito + Seguro*" (I Am One More For Safer Traffic").

Coffee for Safety

Focused on ports, terminals, and other points where there is a great movement of trucks, motorcycles, bicycles, and people in passages on the railway network, the Coffee or Safety program brings together the community, mainly truck drivers, in order to share safety information. In 2016, the program was held in municipalities such as Paranaguá

(PR), Curitiba (PR), São Francisco do Sul (SC), Rondonópolis (MT), and Santos (SP). Socializing events have increasingly broadened discussions on railway safety.

Educational Campaign

Attention and caution when crossing the railway line were topics of a series of educational actions carried out in 2016 at locations near the railroads where the flow of people and automobiles is more intense. Rumo's agents directly approached pedestrians, cyclists, and drivers who are routinely faced with the movement of freight trains.

Messages like "Stop, look, listen!", well known by the population, are reinforced to ensure they are effectively preserving life. In each campaign, Rumo teams seek to train multipliers, talking to people and distributing information materials such as flyers, garbage bags for cars, and fans with instructional messages. The aim is to minimize the risk of accidents at level crossings, where the train always has the right of way at intersections with other routes¹⁶.

16 - The right of way is given because trains require up to 800 meters to stop, even after the activation of the emergency brakes.



THE RAILROAD IN THE EYES OF OUR CHILDREN

In celebration of Railroad Day, held on April 30th, educational lectures on safe coexistence with trains were held in schools in São Francisco do Sul (SC), Curitiba and Ponta Grossa (PR), and Embu Guaçu and Mairinque (SP). After the lectures, the students were invited to draw or write about the railway. The ten best works of each school, along with those sent by children of employees, became part of the book "The Railroad in the Eyes of Our Children" - edited by Rumo and released with a morning autograph signing in the schools. With a print run of 2,000 copies, the book has 80 pages of poems, texts, and drawings by elementary school girls and boys. The work shows the importance of cargo transportation and safety concerns.

ASSISTANCE PROGRAM TO TRADITIONAL COMMUNITIES

From the capital city to the coast of São Paulo, 12 indigenous villages participate in the Basic Environmental Plan regarding the duplication of the railroad. There are seven programs structured to meet health, education, income generation, cultural preservation, and environmental management demands. All stages of the implementation process

are participatory and inclusive, with the presence of the National Indigenous Foundation (FUNAI) and specialists for meetings and conversations about the project. In addition, the two parties (FUNAI and specialists) also participate in the implementation of the programs, constantly monitoring the effectiveness of each activity.

SUPPLIERS

[G4-LA14, G4-LA15]

Rumo's procurement area is strongly committed to forming a group of suppliers recognized for their good faith, superior service, and the quality of their products and services. The contractors and suppliers of materials, equipment, and services that meet the requirements and fulfill all stages of the qualification process are the partners that the Company seeks in order to carry out its projects.

For service providers or suppliers of inputs to become part of this group, they must submit the information necessary for registration on the Suppliers Portal, following the guidelines therein. All information will be made available to the Procurement area in order to provide quotes and negotiate.

- **Stage 1: Pre-Registration on the Portal**
- **Stage 2: Evaluation of registration**
- **Stage 3: Signing of the term "General Clauses and Conditions for Future and Possible Provision of Goods and Services"**

After being qualified, suppliers are registered in the database and may be consulted by the Procurement team in the purchasing processes. For some specific materials and services, in addition to technical approval, it is mandatory to present certifications such as AAR (Association of American Railroads), AREMA

(American Railway Engineering and Maintenance-of-Way Association) or an OEM recommendation (Original Equipment Manufacturer) from locomotive manufacturers (GE and Progress Rail).

Suppliers are approved according to specific criteria regarding the level of severity and the nature of the services provided, supply of materials, and inputs. In order to become an approved and suitable supplier, the company must meet the requirements of the process and obtain the minimum score established through approval criteria. Once the approval and negotiation processes have been completed, the process is formalized by means of a services agreement.

The responsible area will contact the company in order to carry out the registration on the digital signature portal, where the document will be available for analysis and execution. After the services agreement has been validated by all parties, the supplier may provide the service. All service providers must have their contracts duly signed, to ensure understanding and compliance with the contractual clauses.

In 2016, Rumo completed the supplier requalification process, cutting in half the number of contractors and suppliers of materials, equipment, and services, from 8,000 to 4,000. Of this total, 50% have two- to five-year contracts.

SUPPLIER ASSESSMENT

Rumo has a team dedicated to supplier management, which assists in the partner management process. The team uses internally developed software called the "Supplier Portal," through which it is possible to manage all supplier-related information during selection and training.

If the supplier has a valid supply agreement, it is possible to assess its performance on a monthly basis using the Supplier Performance Index (IDF), which analyzes two indicators: OTIF (On Time In Full) and RNC (Non-Conformity Report). The non-conforming records are entered into the system and the analysis of the timeliness of deliveries of the materials is extracted based on the orders and SAP receipt, composing an IDF index.

Aiming toward better operational efficiency and gain in commercial scale, the Supplier Performance assessment was implemented to ensure greater compliance in Contract Management. Monthly, through an information portal, the user area of the service (Contract Managers) evaluates the supplier according to the following criteria:

- **Technical Scope:** compliance with the technical scope of the service, according to what was proposed in the contract/service order.
- **Quality of Service:** service provided must have an acceptable quality standard, without the need to rework after being checked by the requesting party.
- **Schedule Compliance:** services performed within the proposed/ established deadline, which may be a single project schedule, or agreed upon dates for delivery of service orders.

Based on the consolidation of this information by the user area, the criteria for Health, Safety, and Environment are then evaluated by the Safety area, which focuses on two specific points:

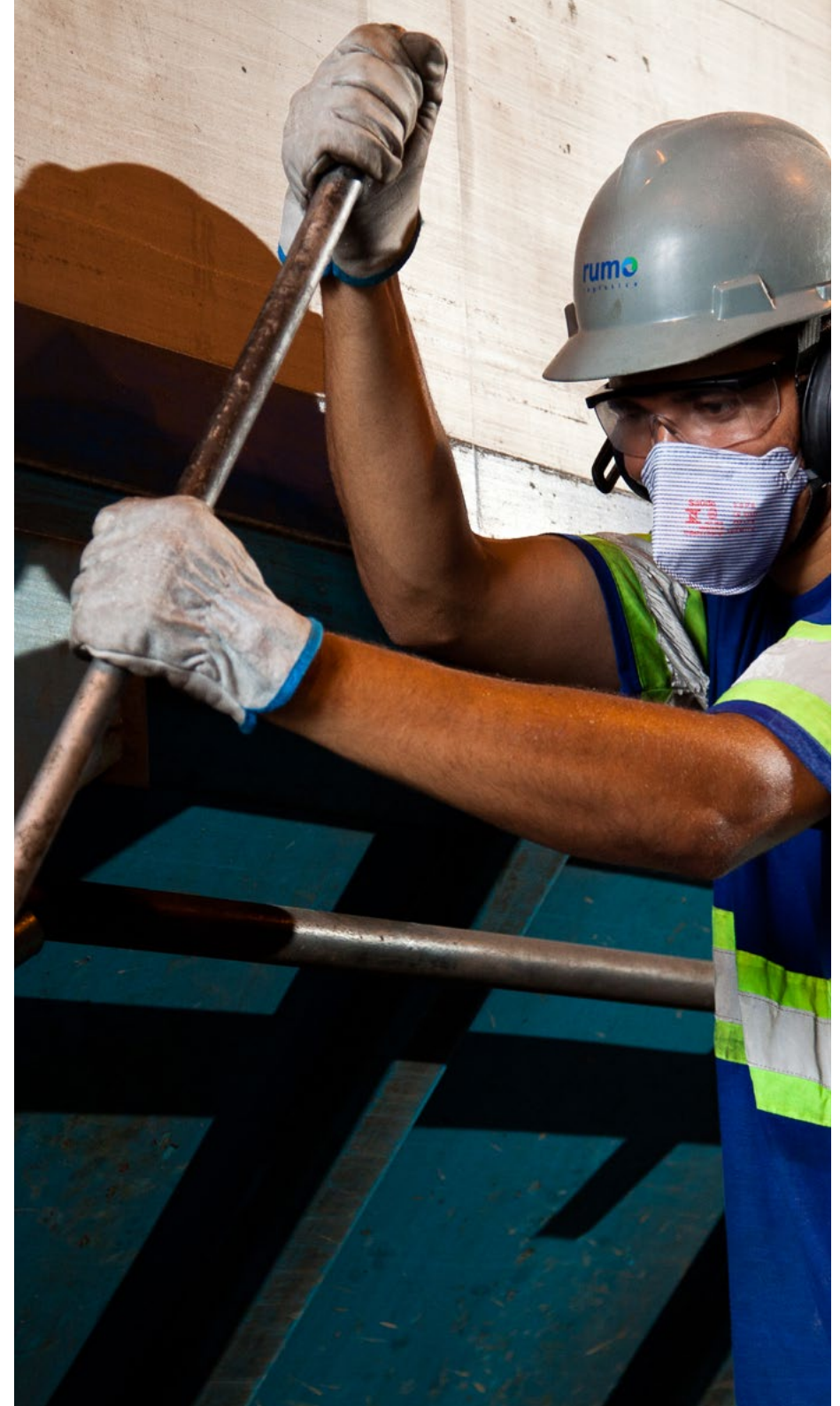
- **Safety Procedures:** Suppliers must carry out the training required by the safety and environment area upon request while providing the service during the time frame defined by the responsible area. The Contractor must also guarantee the good conditions of machines, tools, transport, accommodation, and work areas while carrying out the tasks.
- **Accidents:** the contractor must ensure compliance with safety standards while providing the service. Service providers must prioritize employee use of PPE, and all norms established by Rumo must be observed in order to avoid causing incidents and accidents.

Rumo's website contains guidelines and policies that determine the mandatory requirements for preventing accidents and maintaining information security that apply to contractors and suppliers of materials, equipment, and services.



Visit rumolog.com
> Fornecedores.

The Supplier Management area further assesses compliance with legislation to ensure that items such as payment of labor obligations, taxes, and certification of safety standards concerning the job are followed, thus minimizing the possibility of hiring suppliers with labor risks or financial issues to resolve. Currently, the Company has a total of 72 suppliers assessed monthly, which are divided into four categories: Facilities (25), Maintenance - Railway Superstructure (26), Mechanical Maintenance (7), and Projects (14).



Total number of new suppliers that the organization has considered selecting or contracting.

2014	2015	2016
-	407	1,475

Number of suppliers submitted to impact assessments regarding labor practices.

2014	2015	2016
-	108	183

Number of suppliers that generate significant actual and potential negative impacts regarding labor practices.

2014	2015	2016
-	60	42



**OPERATIONAL
PERFORMANCE**

OPERATIONAL PERFORMANCE

**[G4-EN3, G4-EN12, G4-EN14, G4-EN15, G4-EN16, G4-EN17,
G4-EN18, G4-EN19, G4-EN21, G4-EN22, G4-EN23]**

Always focused on long-term performance, Rumo has in place procedures and mechanisms that help ensure the safety and physical integrity of employees and other stakeholders, and preserve areas of operation in the South, Southeast, and Midwest, where important Brazilian biomes are located.

In pursuit of excellence in environmental preservation, the Company has a structured system with its own tools to ensure legal compliance and the best global practices in the sector. Each year, the system consolidates and directs routine operational activities, as well

as licensing, controls, and environmental monitoring issues, and other aspects.



ENVIRONMENTAL COMPLIANCE

Respect for legislation and norms guides all the Company's environmental management actions. Rumo follows strict procedures to identify and gain access to applicable laws and other requirements, in order to ensure that the environmental management and compliance system of its operations is maintained. In addition, the Company monitors trends and changes in these requirements, periodically participating in working groups at regulatory agencies, environmental agencies, the Brazilian Association of Technical Standards (ABNT), and other entities, in order to contribute to creating and improving laws and regulations regarding its activities.



BIODIVERSITY

Since the Company operates in regions of major importance to the national biome, Rumo monitors the possible impacts caused by its operations, working with its own tools to mitigate and prevent any damage to the local biodiversity.

Periodically, along the entire railway network and operational complexes, the Company monitors wildlife, flora, air emissions, noise, waste management, and liquid effluent treatment, and evaluates erosion processes. In addition, every year the company invests in improving and revitalizing the rail system, modernizing the fleet, operational safety issues that contribute to the environmental conditions of the operation, and educational and environmental communication actions involving the surrounding communities.

With operations consisting of large railroad and terminal networks in three regions with distinct biodiversity, Rumo works with the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) and with state environmental agencies (according to the scope of activities), in order to ensure compliance with the conditions of environmental licenses. For this purpose, reports are produced with proof of the implementation of social and environmental programs that demonstrate actions toward the prevention and mitigation of possible impacts caused by activities.

These environmental programs have enabled studies to be developed to better understand the relationship between the railroad and the surrounding environment, guiding future projects and investment plans, which include:

Every Day Is Tree Day: with actions developed in the six states where Rumo operates, the program closed 2016 with 1,500 native seedlings planted. An integral part of the company's sustainability policy, the initiative aims to stimulate the cultivation and conservation of natural areas, the recovery of urban green areas, and the creation of spaces for environmental experiences. The program agents mobilize groups of volunteers to plant native species, such as Brazilian pepper, cedar, tabebuia, cotton-silk, avocado, mango, and pitanga trees.

Environmental Education Program (PEA): Rumo's environmental conservation and safety specialists travel to schools in the six states where the Company operates to carry out playful-interactive activities that dynamically pass on information about the environment and railway safety. The program includes the support of municipal education departments, school principals, and elementary school teachers. In 2016, activities were carried out in 35 schools in 26 municipalities, and involved 2,600 students and 76 teachers.

IMPACT OF TRANSPORT

Product transport is an activity directly connected to the biodiversity of the areas crossed by the railways. Therefore, it is instrumental to carry out programs surveying and monitoring the surrounding environment that can generate improvements in the short, medium, and long term. These programs aim to create a harmonious interaction between the railroad and biodiversity. Among the several programs that focus on biodiversity, we highlight the Erosion Processes Monitoring program, the Plant Protection program, and the Wildlife Monitoring program.

The surveys of the biomes crossed by the company's operation include the Cerrado (*Malha Norte*), the Pantanal (*Malha Oeste*), and the Atlantic Rainforest (*Malha Sul and Malha Paulista*). The ecosystems within these biomes are home to a wide variety of wildlife species. Also unique to these locations are very well conserved formations of flora in the mountain regions called *Serras do Mar* in the states of Paraná and São Paulo.

Report the number of species included in the following levels of risk of extinction

Critically endangered	Endangered	Vulnerable	Near threatened	Least concern
0	1	6	3	0

PROTECTION OF FLORA

Flora protection programs work with the recovery, maintenance, and control of vegetation along the railways. When making improvements in the railroad, the possible environmental impacts generated on the flora are converted into compensatory planting of seedlings of native species. This action aims to promote the restoration and recovery of ecological processes of altered and degraded areas in Permanent Preservation Areas (PPAs), Conservation Units (UCs), and other areas.

Through these programs, over 530,000 seedlings of native species have been planted, with follow-up of their development in different states and biomes. These plantations enabled the beginning of the ecological recovery processes of several areas, bringing environmental value to previously degraded areas that did not have an ecological function.

Flora has also been used to minimize other impacts intrinsic to railroad activity and works that generate dust, particulate matter, and noise. To this end, vegetation are used as a barrier at some railway terminals, and herbaceous species are planted to mitigate mass movements in cutting areas and landfills in new project and restructuring sites.

Control of invasive species is also accomplished through monitoring and action plans that help mitigate the development of exotic and invasive species within the railroad right of way, and in environmentally sensitive sites.

ENVIRONMENTAL MANAGEMENT HANDBOOK FOR WORKSITES

Strengthening the control of expansion projects and improvement work, the Environmental Management Handbook for Worksites was developed, establishing the criteria for environmental management. The material is a guide to best environmental practices and compliance with legislation for construction work, demonstrating the company's commitment to the environment.

CERTIFIED OPERATION

The Rumo Terminal in Santos has had ISO14001 environmental certification since 2009, which attests to the effectiveness of its Environmental Management System. In the last five years, direct investments have focused on air pollution control equipment, installing dust filter systems on all terminal grinders. Other good examples are the warehouse built using new technologies to contain spills and emission of particulate matter, with enclosed conveyor belts and dust filter systems in the elevators, and the installation of dust suppressors in all loaders of ships in the terminal, thereby minimizing the emission of particulate matter during the ship loading process.

Santos terminal operations also have ISO9001 and OHSAS 18001 systems certifications, which respectively guide the management of operations in terms of quality and occupational health and safety.



WATER RESOURCES



To learn about Rumo's main actions in environment, safety, education, culture, sports, and in the social area, visit www.rumolog.com > Responsabilidade Social > Meio Ambiente > Responsabilidade Social > Balanço Social 2016.

Management of water resources is not yet fully carried out at Rumo – calculations are performed based on measuring volumes at the larger treatment stations and estimates of the volumes of effluents treated by smaller systems through per capita water consumption. Based on the volume of effluents generated in 2016, it is possible to state that about 53% are industrial effluents and 47% sanitary waste effluents, and the total volume of planned and unplanned water discharge in the year was 102,198.55 m³.

In the Company, several treatment methods are applied according to the characteristics of the effluents and volumes generated. In general, domestic waste effluents are sent to the local collection networks of the utility company or sent to own treatment systems, such as treatment stations and biological filter systems. For effluents from the operational areas (Maintenance Stations, Fuel Stations), physical-chemical treatment systems are used. These structures are operated by specialized companies in order to guarantee the proper condition of the systems.

Compliance with current legislation is used as an assumption for operating effluent treatment plants. The Company is reviewing its processes regarding management of water resources and has therefore reassessed the systems, methodologies used, and has worked with the service providers responsible for operating treatment plants to improve the level of operations. To implement new systems, Rumo has been conducting internal and external benchmarking, seeking new technologies available in the market.

WASTE

Like other operational support services, waste management has been integrated into the Facilities area aiming to optimize resources, improve the level of service, and increase process controls. With the support of several areas, including Procurement, Environmental Licensing, and operational areas, processes related to solid waste management are being reviewed, including supplier retraining, contract revision, revision of applicable legal requirements, policies and procedures, reassessment of disposal methods, and evaluation of new alternatives.

Destination	Non-hazardous waste (t)	Hazardous waste (t)
Reuse	90,600.00	-
Recycling	77,296.00	1,223.12
Composting	-	-
Recovery, including energy recovery	10,998.90	73.30
Incineration	-	-
Underground injection	-	-
Landfill	57,063.70	7,443.70
On-site storage	-	-
Total	235,958.60	8,740.12

In 2016, there was a significant increase in the volume of waste, influenced by centralization and a more reliable database, revitalization of railway operations (increased generation of track waste: metallic materials, replaced railway ties), and housekeeping¹⁷ in the operating units.

17 - Tool used to carry out quality and productivity processes in companies.

REMEDIATION OF THE IGUAÇU COMPLEX

The Iguaçu Complex Fuel Station is located in the Alto Boqueirão district in Curitiba (PR), where the yard operates forming train consists and buffers that access the Port of Paranaguá and the South region. This area is of great importance to the operation of *Malha Sul*, and the site was conceived by the Rede Ferroviária Federal S/A (RFFSA) as a railroad car workshop, and, even before the concession, was used to fuel its locomotives.

Keeping its commitment to environmental responsibility, in February 2016 Rumo began the process of decontaminating and recovering soil and gravel. This system consists of washing with advanced and totally sustainable techniques in order to reduce waste and environmental impact without the use of new natural resources. The methodology employed recovers soil contaminated with hydrocarbons and returns the soil to its place of origin. During the process, nearly 5,500 tons of soil and gravel were decontaminated.

At the end of the environmental remediation process, scheduled for March 2018, when the area will be in compliance with legal parameters, the environmental monitoring process will begin for four hydrogeological cycles, for approximately 24 months. The initiative also includes replacing the old fueling structure (which has stopped operating) in order to provide better operating conditions.

To improve operations, Rumo, in partnership with Raízen, develops the Diesel Project, which plans improvements in Railway Fueling Stations. To date, investments have already been made to renovate and replace equipment at 29 fueling facilities, in addition to revising operating procedures and employee training. The actions aim to increase operational efficiency, minimize losses, and control environmental impacts.

ENERGY

At Rumo, the Electrical Engineering area is responsible for managing the cost of energy used in operations and administrative areas, and presently this monitoring is only carried out in units serviced at medium voltage, equal to or greater than 13.8 kV. The policy is to analyze the bills on a monthly basis, verifying the excessive costs and the best way to work toward reducing them.

The Company is committed to generating the lowest energy purchase cost per Megawatt hour (MWh) consumed.

This is possible by identifying the demand behavior (kW), the fines assessed for low power factor, and best prices. In new facilities, the company abolished the disposable/mixed lamps and replaced them with LED. The power factor was corrected at 15 Rumo units in 2016, generating savings of over BRL 250,000 per year. Also in this period (from 2015 to date), the demand and prices at units serviced by medium voltage were adequate, generating savings of approximately BRL 230,000 per year.

Rumo also retrofitted over ten of the Company's rail yards, replacing disposable lamps with LED spotlights, saving 50% of energy in lighting.

Total electricity consumption (MWh)		
2014	2015	2016
19.22	18.78	15.84

Total energy consumption (fuel + electricity) (GJ)			
	2014	2015	2016
Diesel	13,656,339.55	13,705,143.17	11,743,280.40
Biodiesel	757,389.29	930,459.46	797,266.12
Electricity	69.19	67.61	57.02
Total	14,413,798.03	14,635,670.24	12,540,603.54

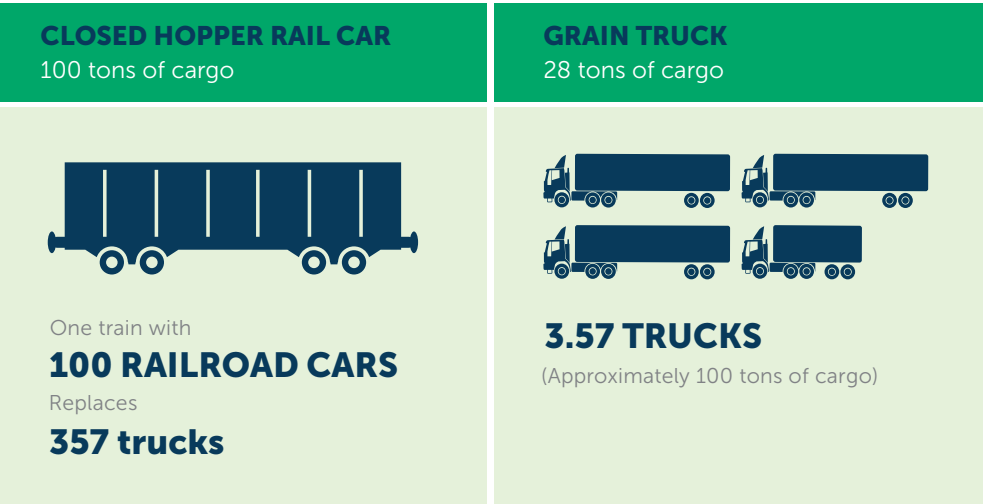
EMISSIONS



[G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21]

Rumo has been working on monitoring and modernizing the operation and its rail fleet, often seeking to improve operational and environmental performance. To this end, it is investing in locomotives with lower diesel consumption and lower air emissions. The main emissions monitored are particulate matter (PM) and greenhouse gases (GHG) such as CO₂, SO₂, and NO_x, measured every two years in the GHG Emissions Inventory.

Among the main measures to reduce this type of impact are maintenance and renewal of the fleet. Rumo's expansion plan foresees investments of BRL 3 billion to BRL 4 billion to replace locomotives and railcars. Compared to the road transport mode, the air emissions from the railroad operation are proportionally lower - for the same volume transported in 100 railroad cars, for example, 357 b-train trips of one truck would be needed.¹⁸

ADVANTAGES OF RAILWAY TRANSPORTATION



COMPARISON	TRAIN	TRUCK
		
Co ₂ Emissions in 1 Km <small>Kg of co₂ per kilometer transported</small>	14 Kg	762 Kg
Distance in kilometers hauling 1 ton with 1 gallon of fuel	374 Km	109 Km
Useful life (years)	30	10

18 - Combination of two semi-trailers coupled together by a fifth wheel.

The Diesel area - along with the areas of Corporate Engineering, Field and Traction Engineering - monitors train performance regarding the Energy Efficiency of Diesel, measuring consumption through the number of liters consumed to transport 1,000 gross tons per kilometer (liters per thousand TKB). This indicator is monitored in two ways:

1. Monitoring the consumption for each train trip (measurement carried out by the Locomotive's Onboard Computer).
2. Monitoring of the volume consumed to fuel locomotives, through which it is possible to quantify the other components of consumption: balance in liters inside the locomotive tank, difference in measurement between the theoretical and the actual (deviations in locomotive calibration) and possible process deviations.

Fuel consumption (L)			
	2014	2015	2016
Diesel	384,685,621	386,060,371	330,796,631
Biodiesel	21,997,583	27,024,226	23,155,764
Total	406,683,204.00	413,084,597.00	353,952,395.00

Energy efficiency of diesel (liters/thousand TKB)*			
	2014	2015	2016
	5.13	4.95	4.76
*Indicates the number of liters consumed to transport 1,000 gross tons per km.			

Percentage of fuel from renewable sources			
	2014	2015	2016
	6%	7%	7%

Rumo's investments in new assets (locomotives and railroad cars) and in infrastructure (rail system) allowed for an increase in the weight of the trains (Average Tb), reducing the specific consumption and also the number of trains necessary to transport the expected volume. In the corridor connecting Rondonópolis (MT) to Santos (SP), the Average Tb increased by 2.8% in 2016 compared to the previous year. In Paraná (for Port of Paranaguá and Port of São Francisco do Sul), train capacity increased by 8%.

The Company's guideline for field and planning teams is to optimize the use of assets with lower specific consumption, better utilize the railroad cars and trains by seeking maximum capacity, specific policies for loading yards regarding locomotive shutdown during waiting periods, and trips focused on saving fuel during the off-season. In essence, this management seeks to increase the energy efficiency of trains and the railway system as a whole.

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G4-16	National Railway Transport Association (ANTF) We actively participate in the ANTF committees, which are forums for discussion between companies and, not infrequently, with regulatory and governmental bodies.	-

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G4-28	No exclusive publications were made. The information regarding Rumo was an integral part of the Annual and Sustainability Report - Cosan Group 2014.	7
G4-29	Annual	-
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G4-SO8	Rumo did not record non-monetary sanctions or lawsuits filed through arbitration mechanisms and did not pay significant fines last year.	-
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G4-PR1	The percentage of categories of significant products and services for which health and safety impacts are assessed seeking improvement is greater than 95%.	-

CREDITS AND CORPORATE INFORMATION

Rumo S.A.

Rua Emílio Bertolini, 100
Bairro Cajuru - CEP: 82920-030
Curitiba (PR)
www.rumolog.com

rumo 