

GRI SUSTAINABILITY
REPORT

2014



**Agriculture
is our life**

Presentation

GRI 3.1, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8

Dear reader, we offer to you in this Sustainability Report IHARA's greatest achievements and its main challenges in 2014, as we have done for six consecutive years. We hereby consolidate the most relevant information regarding the company's strategies and its performance in order to account for our activities and engage our key stakeholders, including shareholders, customers, suppliers and communities.

This publication has been developed in accordance with the guidelines (version 3.1) of the Global Reporting Initiative (GRI), an international organization based in the Netherlands that has established the most globally-accepted sustainability reporting standard and is aimed at encouraging the transparent presentation of economic-financial, social and environmental information.

By following this standard, we are able to identify opportunities for improvement in internal processes and in relationships with our stakeholders, which makes this report an important part of IHARA's process of ongoing improvement.

For suggestions and comments about the content of this report, please send a message to sustentabilidade@ihara.com.br.

We hope you enjoy the read.





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Message from the President GRI 1.1, 1.2

Here is the 6th edition of our sustainability report, in which we report our progress and the points that need to be improved under the scope of economic, social and environmental development.

We had a very difficult 2014 due to climate uncertainties, in particular the drought that affected some regions of the country and undermined the agricultural performance. The international scenario was also not favorable for commodities due to price drops. Even in the face of adversity, we managed to maintain our growth targets, investments and growth indexes.

But we always want to do more!

The challenges drive us and renew our commitment to continually improve processes and engage our entire value chain in pursuit of economic growth reconciled with sustainable development.

IHARA celebrates its 50th anniversary in 2015 and the occasion offers an excellent opportunity to mark the achievements and, at the same time, reflect on what can be improved.

We have high expectations for the coming years and we are also aware of the great challenges that we will have to face to keep our indexes up.

I thank each of you for your important contribution that allows us to continue building IHARA's success story.

JÚLIO BORGES GARCIA
CEO OF IHARA



2014 Highlights

1 Creation of Bio division, specific for the development of **biological products**

2 Launch of the "**Ten Golden Rules of Safety**" for the work place

3 More than 50% drop in injury rate as compared with 2013

4 R\$ 783,500 invested in **training and education actions for employees**

5 66.7% of employees were trained

6 R\$ 1.13 billion in sales

7 Two new product registrations

8 ISO 17025 accreditation, formalizing the competency of the **Quality Control Laboratory** to perform calibration procedures and tests.

9 40.11% of water is recycled at plants

10 68% reduction in the generation of waste classified as hazardous

11 Construction of a walking path around the head office



RECOGNITION AND AWARDS GRI 2:10

■ **As Melhores da Dinheiro Rural 2013** - **Dinheiro Rural (The Best of Dinheiro Rural 2013)** - First place in the category "fertilizers and agrochemicals"

◀ **As Melhores Empresas Para Você Trabalhar** - **Você S/A (The Best Companies to Work For)** - in the sector "chemicals and petrochemicals"

◀ **As 35 Melhores Empresas Para Começar a Carreira** (The 35 Best Companies to Start a Career) - **Você S/A**

■ **Melhores e Maiores (The Best and Biggest)** - **Exame** - categories Sales and Agribusiness

◀ **As 1000 Maiores Empresas do Brasil** (The 1000 Largest Companies in Brazil) - **Valor 1000**

■ **360° - Época Negócios** - sector "chemicals and petrochemicals" and capacity to innovate





IHARA

IHARA

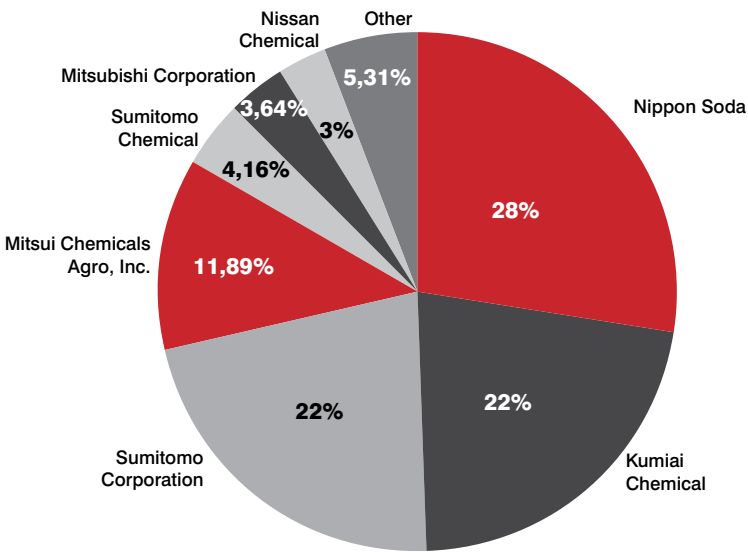


Founded in 1965 by Japanese entrepreneurs, IHARA has grown over these 50 years based on a set of sound values and a combination of Japanese technology and the fertility of Brazilian land. Our founders realized the vast opportunities that agricultural ventures offered, and continue to offer, in Brazil and they defined the Mission that continues to govern our activities: "contribute to the progress and competitiveness of Brazilian Agriculture." We do this by relying on the workforce of our employees,

who are our greatest asset, and through the close relationship we have maintained with rural producers, our customers. [GRI 2.1, 2.4, 2.5, 2.6, 2.8](#)

Currently, IHARA is consolidated as one of the leading companies in Sorocaba, an industrial complex located 78 km from the state capital of São Paulo. The company is a private corporation owned by Japanese shareholders, who see IHARA as the main bridge to the Brazilian market.

SHAREHOLDER IHARABRAS S/A
INDÚSTRIAS QUÍMICAS - (%)



We have a research center and an experimental farm at our head office where we do complementary studies to develop chemical and biological pesticides for more than 40 different crops, including soybeans, corn, cotton and sugarcane. These research structures, as well as our other facilities, have been expanded in recent years and give us today an important competitive edge resulting from the integration of research, production and administrative activities.

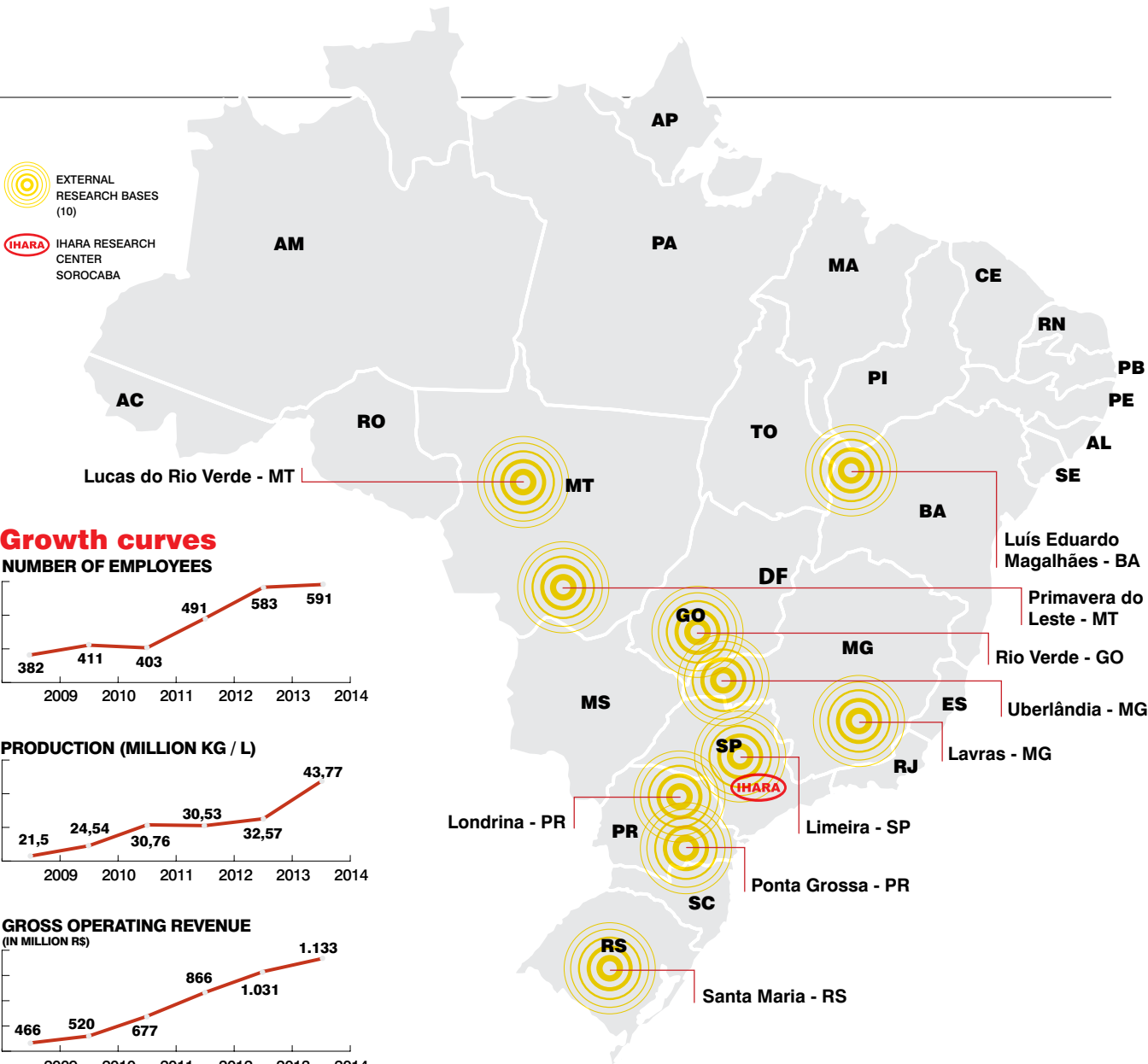
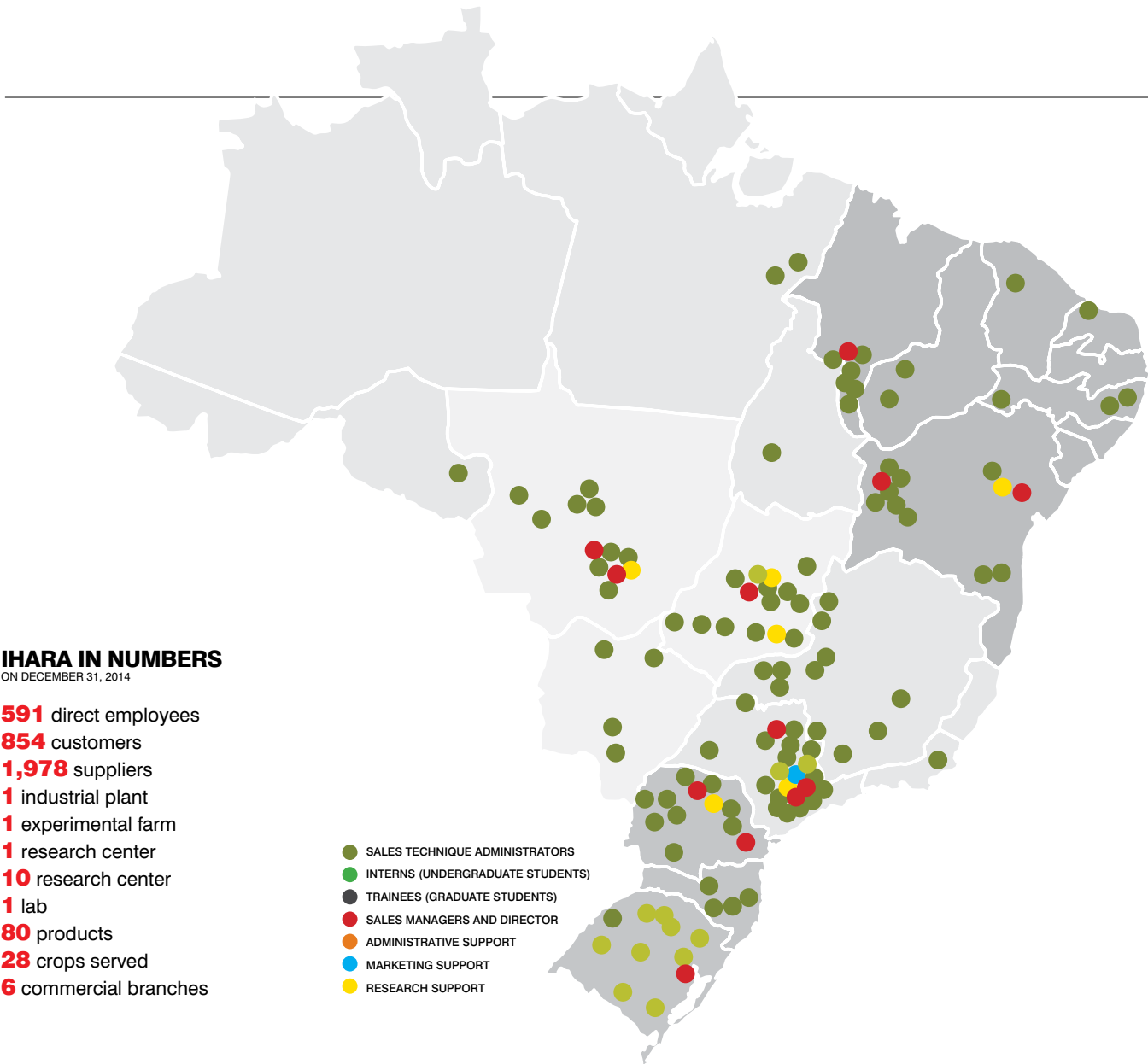
We operate nationwide through employees, who not only sell our products but are by our customers' side on a day-to-day basis in the field, providing technical know-how and solutions to increase agricultural yield, with a positive impact on local economic development and the lives of thousands of rural families.

In 2014, despite the challenging environment of the Brazilian agricultural sector, including drought in many producing areas, the sluggish economy, the dollar increase and political uncertainties - all factors affecting our business environment, we maintained our main planned investments for the year, and expanded and upgraded the industrial plants, as well as registered two new products. Another highlight was the creation of the Bio division, intended to give focus and increase the participation of IHARA in the bio-products segment (see more details in the "Our management"). [GRI 2.2, 2.3, 2.5, 2.7](#)

DID YOU KNOW?

The IHARA name was chosen in honor of the eponymous district located in the Shizuoka Prefecture in Japan.





TIMELINE

Milestones of IHARA's 50-year history

1965
Under the name Indústrias Químicas Mitsui IHARA S/A, IHARA emerges in the district of Jaguaré in São Paulo, the result of the purchase of Agropecuária e Comercial Maracanã S/A. The company was headed by Mr. Masashi Kato.

1970
The factory in Osasco, metropolitan region of São Paulo, is officially inaugurated on April 4.

1972
The name Iharabras S/A Indústrias Químicas is established with the departure of Mitsui, after the sale of its stock to Kumiai Chemical.

1973
The corporate office is set up at Faria Lima avenue in São Paulo, to improve communication between IHARA and its customers and suppliers in the capital city.

1982
IHARA's industrial Complex is inaugurated in Sorocaba (São Paulo).

1984
The company's controlling interest becomes Brazilian after its shares are sold to Agroinvest Kayatani S/A, reinforcing its respect and trust in Brazil.

1988
The management and board of the office based in São Paulo is transferred to the industrial complex in Sorocaba, consolidating the company's business.

1990
IHARA starts up its synthesis operation to synthesize the herbicide molecule, PROPANIL.

1997
Through a technology transfer agreement with Nippon Soda Co. Ltda and the support of the Sumitomo Corporation, the company starts synthesizing Thiofonate-Methyl, one of the fungicides most used in the world.

2003
The work to expand and remodel the office and build the Social Center begins.

2004
IHARA's control returns to shareholders Nippon Soda, Kumiai Chemical and the Sumitomo Corporation, making the company once again Japanese-owned. IHARA hits sales of US\$ 100 million.

2010
Start of a structural investment stage at the head office that includes areas for a restaurant, parking lot, locker room, dead file storage and waste deposit.

2011
The former Brazilian holding company sells all its remaining shares and removes itself from the corporate structure. Currently, Mitsui Chemicals Agro and Nissan Chemical become the shareholders of IHARA. As part of its expansion plan, IHARA invests in improvements in office building II, the training and meeting room, and at the Liquid II unit, a warehouse for finished liquid/powder products and also liquid raw material.

2012
The company continues to invest in plant improvements, with emphasis on the distribution of finished liquid/powder products, a new Effluent Treatment Station and a deposit for the synthesis of raw material.

2013
Construction of a new Distribution Center, expansion of the manufacturing plant, conclusion of the work to separate the herbicide area from the area used for the production of pesticides and fungicides, storage tents, a warehouse, maintenance, administrative building III, technology labs and a gym.

2014
Investments to upgrade the research and DDH software, expansion of the plant of wettable powder and the manufacturing area as a whole, modernization of the production lines with automation of the PM and Flowable processes and construction of the WDG line. An important step is taken in the biological product area.

GRI 2.9

2015
IHARA celebrates its 50 anniversary.

PRODUCT TYPES GRI PR1

Pesticides: of chemical and biological origin, aimed at the control of insect populations that cause direct and indirect damage to crops. These animals can damage roots, stems, leaves and fruit, and transmit viruses and bacteria that cause plant diseases.

Fungicides: of chemical or biological origin, help to fight fungi that colonize and generally cause damage to crops, significantly reducing productivity. This type of product is particularly important for agricultural activities in tropical countries.

Herbicides: chemicals used to control the growth of weeds that compete for light, water and nutrients with the species planted for the production of food, fiber, oils, ethanol or sugar.

Acaricides: these substances fight acarids, animals that feed on plants and can transmit diseases, causing a potential drop in crop yield.

Special products: chemicals used as vehicles for the main product to improve the effectiveness of the fungicide, pesticide and herbicide. These may be derived from petroleum or from vegetable oils.

DID YOU KNOW?

Fungi can cause irreparable damage to a plantation or compromise a whole crop. In Ireland in 1846, for example, the *Phytophthora infestans* fungi decimated potato production and caused more than 1 million people to die of starvation.

CERTIFICATIONS AND RATINGS

ISO 9001 – Quality Management

ISO 14001 – Environmental Management

OHSAS 18001 – Occupational Health and Safety

ISO 17025 – Laboratory Procedures Management Systems

Linha Azul – Express Customs Clearance

BELIEFS AND VALUES

- ✓ Our Beliefs and Values underpin the strategies and decisions that guide our conduct.
- ✓ We are attentive and open to change and we will make the changes needed, in the most respectable way possible.
- ✓ We have a reason to exist. Our Beliefs and Values have high aims: Our Planet, Our Country, Our Company and Our People, who express our desire to serve our customers with excellence.

OUR PLANET

The world's need for food will only increase. We will always respect natural resources in the search for productivity.

- ✓ Everything is interconnected: Earth, Water and Air are the biggest assets of humanity. We will always treat them with the utmost responsibility.

- ✓ Feeding the world while preserving such assets is the true sustainability.

OUR COUNTRY

We own this country. We believe that Brazil is the most viable solution for feeding the world. We employ all our energy in this noble mission.

- ✓ We promote creativity and innovation. We believe that science and technology can solve Brazil's productivity challenges.

OUR COMPANY

- ✓ We believe that through ethical, humble and committed conduct we can overcome and exceed the expectations of our stakeholders.
- ✓ Great achievements do not happen overnight; they are the result of a sum of small

achievements developed step by step with determination and courage.

- ✓ What matters are the sustainable results.
- ✓ We share and celebrate our achievements, strengthening relationships and immediately seeking new challenges.
- ✓ We develop solutions for agriculture. We work to serve the farmers because they are the reason for our existence.
- ✓ We are a Research and Development company. Innovation and strategic alliances cooperate with these goals.
- ✓ We are united as a family and we live each one for all. Our strategic moves are concerned with the collective goal.
- ✓ We prefer to use knowledge acquired from experience over theoretical knowledge; however, the latter cannot be ignored.
- ✓ In all matters, our decisions are based on: loyalty, justice, courage, love and humility, in that order. We are responsible for our company, our brand and our image. We are proud of our 'IHARA Way of Being'.

OUR PEOPLE

We are IHARA because that is what we choose to be! We encourage the spirit of entrepreneur in every employee. We are responsible for our choices.

- ✓ Our people are our greatest asset. Excellent people with great results and the willingness to grow are suitably rewarded.
- ✓ We dream big. We believe that human capacity is unlimited and we always challenge ourselves.
- ✓ We believe in leading by example. We select and train people to be better than us. We assess our leaders for quality, selflessness and commitment to their teams.
- ✓ Trust is the basis of our relations. Our people deliver results by acting with integrity, fairness and justice, respecting the law and moral principles.
- ✓ We have humility as a principle. We value the ability to listen, diverge and respectfully express opinions.
- ✓ We value respect. We respect people, society, the law, the environment and diversity, that is, life in all its forms.
- ✓ We look for people with initiative and creativity and we consider them highly.
- ✓ We are enthusiastic. We are dedicated to working with energy and passion, finding

satisfaction and pleasure. When work is pleasure, responsibilities are fulfilled naturally.

- ✓ Our people have a passion for challenges. We have the spirit of business owners, which is reflected in our actions.
- ✓ We are committed to our goals and face our assigned challenges with joy and courage. A mission given is a mission accomplished!



Our Vision



Our vision

According to United Nations (UN) projections, in 2050, the planet will be home to about 9.6 billion people, compared to 7.6 billion in 2013, and the increasing demand for food will cause a gradual increase in agricultural production.

Concurrently, the availability of arable land and natural resources, such as water, will diminish, a trend that will be aggravated by the consequences of global warming, such as climate change, and the growing environmental awareness of society, which will establish increasingly stricter laws for the conservation of native forest areas.

Within this scenario, the improvement of productivity in agriculture will be even more necessary, and will certainly influence the growing demand for innovative technologies for the control of pests and disease.

Brazil will take on an even more important role in overcoming this challenge. On the one hand, our country is able to become a major global producer of food because it has vast tracts of land, an amenable climate that favors cultivation in all seasons and good water reserves. On the other hand, high temperatures and high humidity create an especially suitable environment for the proliferation of pests and disease.

DEMAND FOR PESTICIDES IN BRAZIL (IN BILLION R\$)



IHARA fits into this scenario by operating in the agricultural pesticide segment, which is part of the agribusiness production chain, a sector that has grown significantly in recent decades and is currently one of the drivers of economic growth and social development in Brazil.

In 2014, agribusiness represented 23% of Gross Domestic Product (GDP) and accounted for the generation of more than 30% of the jobs in the country.

In agricultural production, growth over the past 20 years has been achieved by increasing the planted area and, in particular, productivity. According to the National Association of Plant Protection (Anep), Brazil between 1997 and 2013 registered an increase of 371% in food production, while the planted area increased only 42%.

This superlative progress in productivity was the result of an increase in the use of technology in the field, including fertilization, mechanization and more effective control of pests and disease. In the latter aspect, the demand for pesticides almost tripled from 2006 to 2012 (see graph), making the domestic market one of the world's largest, accounting for about 20% of global turnover in sales for this type of product.

Considering Brazil's agricultural potential and the opportunities that will arise with the long-term growth of the country's agricultural activity, IHARA is preparing to increase its share in the market and in society through growth strategies and a vision of sustainability.

IHARA's vision

- ✓ Using creativity and groundbreaking spirit, we shall transform Brazil in the largest agricultural country in the world.
- ✓ United by the same purposes at all times, let's make of IHARA a first class company.
- ✓ Through confidence and cooperation, let's help each other to improve and make stable everyone's life.

GROWTH STRATEGIES

Driven by the increasing demand for productivity and new planting areas in Brazil, IHARA went from a small business in the late 90s to a medium-sized company that currently employs 591 employees and reached sales of almost US\$ 450 million in 2014. Our expansion was made possible by a number of factors, especially our close ties with farmers, our capacity to offer innovation based on Japanese technology and the responsible management of our assets.

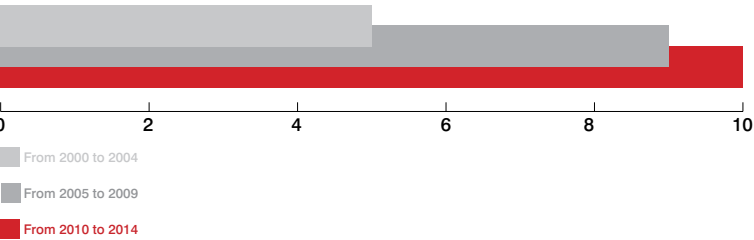
Since 2010, we have invested approximately US\$ 20 million annually at our headquarters to modernize and expand the areas of research, industrial plants, distribution center and administrative facilities, going from 12,000 m2 to approximately 50,000 m2 of built-up area. This cycle of infrastructure investments, which will be concluded in 2015, increased our annual production capacity to more than 200 million kg/L, ensuring the necessary conditions for us to continue growing in coming years.

One of our main competitive advantages is that our shareholders are large Japanese companies that invest in the development and discovery of new molecules. As such, in recent years we have managed to expand our portfolio to 80 products that meet the needs of major crop growers.

The ongoing launches (we registered two new products in 2014) are a draw for our customers, who know they will continue to have access to the most innovative products in the market. A demonstration of this was the creation, in the same year, of the Bio division, which will be focused on the research and development of biological products, currently accounting for about 10% of company revenue.

We keep close to the farmers so we can identify their needs and offer the best solutions for the control of pests and disease. We participate in their daily lives in the field, providing technical guidance for our customers so they can achieve the best results. In addition, we also finance the purchase of our products, enabling many producers access to credit to acquire pesticides and also by offering structured operations known as Barter, in which IHARA receives as payment part of the agricultural production.

NUMBER OF NEW PRODUCTS REGISTERED BY IHARA



SUSTAINABILITY OUTLOOK GRI 1.2, PR1, PR3

IHARA believes it is possible to reconcile economic growth with sustainable development. Therefore, we seek to gradually incorporate social and environmental aspects in our strategic and operational decisions.

We have a team focused on spreading a culture of risk assessment and opportunities in all areas and levels of the company considering economic, social and environmental issues that form the tripod of sustainability.

In 2014, this agenda became more structured and a long-term plan for the management of the aspects considered most critical for our business: water, energy, industrial waste and programs with customers, was put into motion. From this viewpoint, indicators and targets for cross-functional committees, involving different areas of

the company, such as industrial, commercial and marketing, are being established.

Our supply chain is regulated carefully to minimize risk associated with our business. It takes at least four years to obtain the registration of a pesticide in Brazil because it depends on the assessments of the Environment Ministry, through the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA); the Ministry of Agriculture, Livestock and Supply; and the Ministry of Health, through the Health Surveillance Agency (ANVISA).

Before applying for the registry, however, there is an internal research and development process, which in our case lasts about three years and it is where we undertake all the impact analyses required for the safe use of a product. When it is concluded, we define with precision

two key aspects for the safe use of a crop pesticide: its grace period, which is the time between the application of the pesticide and food consumption; and the amount of product that should be applied in every crop to ensure that neither the soil nor the food is contaminated (see more details in the "Our management" chapter).

Once cleared for sale by the regulating agencies, the pesticides are packaged with labels of the guidelines defining the correct procedures for storage, transport and application, as well as guidance on the cleaning and disposal of empty containers. In addition, IHARA has relationship activities with farmers in order to ensure the safe and responsible use of its products, emphasizing the importance of these procedures to avoid risks to human health and the environment (see more details in the "Our value chain" chapter).

Another issue that we are concerned with, and is closely related to sustainability, is global warming and climate change that derive from this phenomenon. The rising average temperature on the planet, almost a consensus in the international scientific community, favors the development of increasingly more aggressive pests, diseases and weeds.

Therefore, we are developing lines of research that offer innovative solutions to meet the needs of farmers. Changes in rainfall patterns are also a risk factor for our business because in periods of drought the productivity of major crops in Brazil drops sharply. The current situation does not allow a projection of potential financial losses due to climate change, but this phenomenon can affect the payment capacity of farmers and consequently our sales.





Our People

Our People

The 591 employees that work at IHARA are the company's greatest asset and, therefore, our ultimate goal is to create a safe working environment that also upholds general wellbeing. The good people management practices have enabled IHARA to be recognized as one of the 150 best companies to work for and one of the five best in the chemical and petrochemical sector according to Guia Você S/A Exame magazine. We were also recognized as one of the best organizations in people management in the survey conducted by Valor Carreira for the Valor Econômico newspaper and the

international human resources consulting firm Aon Hewitt.

Our employees are also offered benefits such as the Social Center, a 500m² area set up at the head office in Sorocaba and equipped with areas for reading, a gym, a games room and a TV room and other rooms for the relaxation and rest of employees. Another benefit is the Zen space, which offers quick and stress-reducing massages, gymnastics, and others. In order to encourage physical activity and motivate employees to care for their health, we built last year a 502-m walking trail inside the company's headquarters. [GRI 4.4](#)

GRI LA1 Number of employees by type of contract

	2012	2013	2014
Indefinite duration (permanent, CLT)	491	584	591
Definite time (temporary)	30	33	12
Other types of contracts (eg. legal entity)	0	0	0
Third parties (outsourced workers)	N.A.	N.A.	26
Total	521	617	629

GRI LA1 Number of employees by type of job

	2014
Full Day	591
Part-time	0
Total	591

GRI LA1 Number of employees by region

	2014
Southern region	40
Eastern region	25
Savannah (Cerrado) region	43
Central region	43
Southeast region	440
Total	591

GRI LA2 Total of employees by age

	2014
Up to 25	97
From 26 to 30	187
From 31 to 35	149
From 36 to 40	73
From 41 to 45	36
Age> 45	49
Total staff	591

GRI LA2 Number of employees by time in company

	2012	2013	2014
Company time up to 5 years	372	446	438
Company time from 6 to 10 years	67	60	77
Company time from 11 to 15 years	25	46	43
Company time from 16 to 20 years	9	14	17
Company time from 21 to 25 years	11	7	4
Company time more than 26 years	7	11	12
Total staff	491	584	591

GRI LA2 Number of employees by gender

	2012	2013	2014
Female	96	110	119
Male	395	474	472
Total staff	491	584	591

GRI LA2 Number and turnover rate of employees by gender

	2012	2013	2014
Dismissed F	21	17	40
Dismissed M	99	103	128
Total Dismissed	120	120	168
Total Hired	208	213	175
Monthly turnover	2%	1.72%	1.82%
Annual turnover	25.0%	21.3%	21.82%

GRI LA2 Total of dismissals by age

	2014
Under 30	76
Between 30 and 50	87
Above 50	5

LA2 Total of dismissals by gender

	2014
Female	40
Male	128
Total	168

GRI EC5 Variation in the proportion of lowest salary in comparison with local minimum wage at significant operational sites

	2012	2013	2014
National minimum wage	R\$ 622.00	R\$ 678.00	R\$ 724.00
Minimum wage in São Paulo state	R\$ 690.00	R\$ 755.00	R\$ 810.00
Minimum wage of union category	R\$ 1,073.60	R\$ 1,160.00	R\$ 1,447.00
Minimum wage paid by IHARA	▶ R\$ 1,200.00	R\$ 1,334.00	R\$ 1,664.05

Its good people management practices have enabled IHARA to be recognized as one of the 150 best companies to work for and one of the five best in the chemical and petrochemical sector.



SAFETY IN OPERATIONS

Ensuring the safety of the employees during the performance of activities is one of the cornerstones of IHARA's management. Therefore, we continually invest in improving the mechanisms for the identification and monitoring of risks, educating employees and enhancing industrial facilities and other work environments.

The creation of the Aponte Program in 2014, was an important step towards identifying risk situations involving processes, facilities and employees. The initiative's goal is to encourage people to act preventively and contribute to taking action for the prevention of accidents. Any employee, visitor or service provider who witnesses a situation of risk in the company should take an Aponte form from the various distribution points, fill it with a detailed description of the fact witnessed and then

deposit it in the proper box so the event can be analyzed by the appropriate team.

Other actions put in place were the launch of the Ten Golden Rules of Safety and the Ponto a Ponto Training Lesson (LPP), which instructs employees about the correct steps to be followed before performing any activity.

In addition to strengthening the safety culture, we have invested in the reform of industrial plants, in equipment automation and the installation of filters and other technologies to reduce the concentration of chemicals and ensure that they are below the limits established by law. We also have a medical monitoring program that performs tests to monitor the health of all employees. **GRI LA8**

With these initiatives, we have managed to significantly curb the injury rate among employees and outsourced workers, as shown in the graph **GRI LA7**:

GRI LA7

Rates of injury, occupational disease, lost days, absenteeism and work-related fatalities by region

	2012	2013	2014
Employees			
Injury rate	101.4	189.51	93.05
Occupational disease rate	0	0	0
Total days lost	96	189	94
Total absenteeism			
Total deaths in the period	0	0	0
Total deaths per trajectory	0	0	0
Third parties			
Injury rate	0	844.75	57.08
Occupational Disease Rate	0	0	0
Total Days Lost	0	37	3
Total absenteeism	0	0	0
Total deaths in the period	0	0	0
Total deaths per trajectory	0	0	0

The Internal Commission for Accident Prevention (*Comissão Interna de Prevenção de Acidentes - CIPA*) of the Sorocaba unit formed by IHARA employees develops awareness campaigns for safe conduct, draws up the risk map and disseminates it to employees, as well as carries out inspections to assess occupational hazards. One of the main actions developed by CIPA is the Internal Work Accident Prevention Week, which in 2014, through lectures and skits, addressed topics such as accident prevention and ergonomics in the workplace. A fire brigade, composed of employees trained to act in emergency situations, has also been set up in Sorocaba. **GRI LA6**

In 2015, we will create the Occupational Safety Management Committee and the Safety Performance Program to further minimize the risk of accidents. The Committee will consist of managers and supervisors from every area, backed by IHARA's board, and will be responsible for the follow-up of the Performance Program, which includes the setting of goals and the assessment of areas, managers and directors under the aspect of inspection, participation in security talks, the *Aponte* program, the *Ponto a Ponto* Lesson, among others.

In 2015, we will create the Occupational Safety Management Committee and the Safety Performance Program to further minimize the risk of accidents.

DID YOU KNOW?

IHARA has **Ten Golden Rules** that must be followed to reduce the risk of accidents

- 1st

I am responsible for our safety
- 2nd

I never carry out risk activities without the appropriate prior assessment of the risk
- 3rd

I only perform tasks that do not expose our physical integrity
- 4th

I apply and use all the principles of 5S
- 5th

I make sure to lock and signal hazardous energy sources before interventions
- 6th

I only operate machines when their protection and emergency devices are in proper working order
- 7th

I always use the handrail when climbing up or down stairs and using crosswalks
- 8th

I use the PPEs and appropriate tools for each activity, as defined
- 9th

When driving equipment to move cargo and materials, I follow all safety rules and fill in the pre-usage check-list
- 10th

When driving vehicles I ABIDE BY THE LAW, I use the seat belt and I never use mobile phones or HT radios



PROFESSIONAL DEVELOPMENT

GRI 4.5, 4.9

IHARA seeks to promote, consistently and continuously, the professional growth of its employees through development and continuing

education programs and assessment and feedback tools so every employee can develop their own career improvement plan. In 2014, we invested approximately R\$ 783,500 in training and education actions for employees.

GRI LA10

Average hours of training per year per employee by job category

JOB CATEGORY	TOTAL WORKLOAD	TOTAL OF EMPLOYEES IN CATEGORY	HOURS PER EMPLOYEE
Board of Directors	60	3	20
Management	5,050	43	117
Management / coordination	1,202	13	92
Technical / supervisory	2,827	33	86
Administrative	4,158	120	35
Operational	2,777	160	17
Temporary	1,700	72	24
Apprentices	475	20	24
Trainees	13,010	25	520
Interns	424	24	18
Total	31,683	513	62

Last year, this training involved the participation of approximately 86.8% of our employees. In addition to technical training, some training actions, such as management of interpersonal behavior and a coaching clinic, strive to develop the management skills needed for company leaders. For 2015, we have structured a training program that will be offered to all employees and, through monitoring indicators, will measure the benefits and returns obtained from these investments.

Some of the continuing education programs offered to the employees are internal courses, scholarships for language courses, undergraduate, graduate, MBA and international immersion courses. In 2014, we kicked off a program that offers legal assistance, coaching, psychological follow-up, career-building and financial education courses for collaborators who are nearing retirement age. GRI LA11

This benefits package is complemented by a transparency policy in the performance analysis of the employees. The assessment process, which involves 100% of the employees and is held twice a year, is conducted with a methodology based on the 360° concept and through a software that allows the individual to create his/her own development plan. GRI LA12

Our interns and trainees, in turn, are continually assessed throughout the program held at IHARA. Last year, 30 students from the Agronomy course enrolled in the internship program and 10 newly-trained professionals in the trainee program. These initiatives ensure the development of strategic actions to educate and train employees who are committed to the company's philosophy and values.

BENEFITS

IHARA has a benefits package that provides security and quality of life for its employees in the performance of their duties as well as offers assistance in important moments of their personal, family and professional life.

Employees have chartered transport, their own restaurant inside the company, food vouchers, a pension plan, medical, hospital and dental care, health and life insurance and assistance services, in addition to other aid, agreements and IHARA's Recreational Union Center, known for short as GURI in Portuguese.



Outsourced employees receive the benefit of chartered transport, meals at work and transport vouchers. GRI LA3

Among the highlights is the IHARA Mãe (Mother) Program for pregnant women. The assistance includes a medical follow-up, a day off a month for prenatal check ups, a one week rest before delivery and a differentiated work shift for two months after returning from maternity leave.

DID YOU KNOW?

IHARA offers among the benefits to employees, a private pension plan in which employees can start receiving benefits at the age of 55. GRI EC3

Some of the continuing education programs offered to the employees are in-house courses, scholarships for language courses, undergraduate, graduate, MBA and international immersion courses.



Our Management



Our Management

Adverse weather conditions, lack of rain in the Southeast and Midwest, and a drop in international commodity prices had a significant impact on Brazilian agribusiness in 2014. The record soybean harvest in the United States, for example, led to a soybean price cut that caused many producers in Brazil to delay the sale of production in anticipation of a market recovery.

This scenario had a repercussion in the entire agribusiness value chain. With a market presence of around 4% and almost US\$ 450 million in sales, IHARA registered positive results in sales, but slightly below the goals set by the company at the beginning of last year. The demand for fungicide products decreased while the search for insecticide products increased, due to the longer dry season. This condition was reflected in our business strategy and product portfolio.

We offer to Brazilian producers a diverse array of pesticides - fungicides, insecticides, herbicides, acaricides, bioinsecticides and special products - a portfolio of 80 products. In order to ensure the quality and safety of products used in crops our operations are certified according to international quality standards.

One of the main points of concern in the management of products is the provision of clear information about content, active ingredients, indications of environmental hazard and toxicity, correct usage instructions and information referring to human protection and the environment. All such information is provided on the labels and package inserts of IHARA products, in accordance with the legal standards, as well as instructions for the proper disposal of the packaging after use. **GRI PR3**

The collection and final disposal of the packaging used for the products occurs through the Campo Limpo (Clean Field) System, managed by the National Institute of Empty Package Processing (inpEV), to which IHARA is associated. This initiative is already aligned to the National Policy on Solid Waste launched by the federal government with the aim of creating shared responsibility between the agents of the value chain and the appropriate disposal of waste.

DID YOU KNOW?
IHARA was granted in 2014, the ISO 17025 accreditation assurance for calibration procedures and/or tests set under the company's Scope For Accreditation of Quality Control in the Laboratory. In addition, IHARA has ISO 9001 (Quality), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety). **GRI 4.11**

INTEGRATED MANAGEMENT **GRI 4.6, 4.9**

One of our main competitive advantages is a management model based on an Integrated Management System (SGI for short in Portuguese) that enables the company to monitor and oversee the management of upcoming goals, help in the decision-making process and correct the course of action according to macroeconomic and market trends. The SGI enables the company, for example, to have more control and more responsive indicators in relation to health, safety, environment and quality.

One of the steps we took within the SGI in 2014 was the company's compliance with respect to regulatory standards and instructions for our business sector. This is carried out using a specific software and includes the verification of almost 4,000 questions and the establishment of work and checkup schedules to ensure the company's compliance. The improvements in the SGI also included in 2014 monitoring and control systems, currently with more than 240 legal documents; environmental law monitoring reports, covering more than 280 annual environmental measurements; and it also incremented by 45% the number of internal audits as compared with 2013 to improve management, jumping to more than 1,300 audited items.

An additional improvement introduced in 2014 was the construction of a map of the company's main risks, considering the economic factor as well as the environmental and social aspects. Following these studies, internal policies to put in place procedures for situations of risk were also defined and opportunities were suggested for improvements in the existing processes.

These management tools are used by IHARA to guide the strategic direction and decision-making processes of senior management, comprising the Board of Directors and the Executive Board.

BREAKDOWN OF THE BOARD OF DIRECTORS **GRI 4.2, 4.3, 4.8**

Mr. Masashi Mizoguchi
PRESIDENT
Mr. Shoichiro Oka
VICE PRESIDENT
Mr. Tadashi Tanabashi
BOARD MEMBER
Mr. Toshiaki Matsushita
BOARD MEMBER
Mr. Masayuki Okabe
BOARD MEMBER
Mr. Christiano Ernesto Burmeister
BOARD MEMBER
Mr. Cristiano Walter Simon
BOARD MEMBER
Mr. Satoru Takahashi
BOARD MEMBER
Mr. Júlio Borges Garcia
BOARD MEMBER

BREAKDOWN OF THE EXECUTIVE BOARD

Júlio Borges Garcia
CEO
José Gonçalves do Amaral
MANAGING DIRECTOR
Edson Mamoru Narita
INDUSTRIAL DIRECTOR
Itamar Moreira Franco
COMMERCIAL DIRECTOR
Kenichi Okubo
SENIOR ASSISTANT DIRECTOR
Milton Ossamu Hiramoto
DIRECTOR OF COMPLIANCE AND INSTITUTIONAL RELATIONS

ENVIRONMENTAL MANAGEMENT GRI EN26

Investments made by IHARA to modernize its manufacturing complex aim at increasing the company's productivity and competitive edge, as well as enhancing its performance in aspects associated with environmental management. One of the benefits of this initiative, for example, is the automation of processes, an increase in the storage capacity and expansion of the ability to develop new products with lower environmental impact.

This infrastructure investment cycle was kicked off in 2010 and will continue through 2015. As such, the production capacity of the company quadrupled and the area for the experimental station jumped from 25 hectares to almost 53 hectares, allowing for the cultivation of more than 40 different crops. Another important benefit is the total separation of the plants that produce fungicides and insecticides from the herbicide area, which eliminated the risk of cross contamination in the products. IHARA also has a distribution center and cutting-edge equipment, which contribute to reducing the consumption of water and energy and the emission of particles and gases that cause the greenhouse effect.

In the production area, it seeks to identify opportunities for improvement in performance through the control of indicators related to environmental management. The company has invested, for example, in the installation of flow meters at different points in the plants for the measurement and control of the water used in the production processes. Last year, water usage reached approximately 51,000 cubic meters. Of this total, 40.11% was reused in the plants.

GRI EN8, EN10

WATER USAGE BY SOURCE (M³)		2014
Ground water		50,421.1
Municipal water supply or other supply companies		6,784.4
Total water usage		57,205.5
Total water recycled and reused		22,942.3

In 2014, part of the investments made to improve water usage covered the improvement of the irrigation system and the electrical network of the experimental Research Center.

Energy use is also continuously monitored by the company, which seeks to optimize the use of this resource through initiatives such as better use of natural light, investments in more efficient machinery, among other actions.

DID YOU KNOW?

The IHARA Research Center is an experimental farm where efficacy trials are conducted on more than 40 crops and biological targets. These tests are intended to regulate the new compounds developed by the company at regulatory entities, such as the National Sanitary Vigilance Agency (ANVISA), Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) and the Ministry of Agriculture, Livestock and Supply.

GRI EN3

Direct energy usage by primary energy source

NON-RENEWABLE ENERGY (GJOULES)	2012	2013	2014
Diesel oil	994.00	2,803.18	4,226.70
Gasoline	-	31,591.24	44,112.04
Natural gas	31,112.99	30,787.18	23,536.88
LPG	1,292.71	1,112.99	867.88
Vapor from sulfuric acid production	-	-	-
Subtotal of non-renewable energy	33,399.70	66,294.59	72,743.50
Renewable energy (Gjoules)			
Ethanol	-	20,442.18	28,753.23
Subtotal of renewable energy	-	20,442.18	28,753.23
Total of generated direct energy (GJ)			
Total of generated direct energy (GJ)	33,399.70	86,736.78	101,496.73
Total of generated direct energy (GJ)			

GRI EN3

Use of direct energy listed by primary energy source

SOURCE	2012	2013	2014
% Renewable	0.000%	23.568%	28.329%
% Non renewable	100.000%	76.432%	71.671%

GRI EN4

Use of direct energy listed by primary energy source

PURCHASED AND USED INDIRECT ENERGY (GJ)	2012	2013	2014
Total of purchased electrical energy (Gj)	25,293.70	30,443.15	55,623.34

The management of production processes also considers the treatment and proper disposal of waste and effluents deriving from our plants. Since 2012, we have used ETEA (Effluent and Rainwater Treatment Plant), which enables the treated water to be reused in cooling towers and boilers without it having to be discharged into bodies of water. Other effluents are properly disposed of in accordance with the environmental laws.

GRI EN21

Use of indirect energy listed by primary energy source

DISCARDS	AMOUNT	TREATMENT	QUALITY	DESTINATION
Wastewater generated in productive ¹ processes	60 m³ / day	Physical - Chemical	According to technical parameters for reuse in boilers and cooling towers	E.T.E.A. IHARA
Osmosis rejects	5,187.92 ton / year	Biological treatment	According to the applicable laws	External effluent treatment plant
Saline solution	3,490.24 ton / year	Biological treatment	According to the applicable laws	External effluent treatment plant
Low contamination liquids	943.62 ton / year	Blending / Co-processing	According to the applicable laws and receptor parameters	External co-processing in cement kilns

¹EXCEPT OILY WASTE AND SOLVENTS, WHICH ARE CONSIDERED LOW CONTAMINATION LIQUIDS



Last year, we were able to reduce by over 77% the generation of waste classified as hazardous (see graph EN22). All solid waste

is treated and disposed by IHARA or by authorized third parties in accordance with environmental laws.

GRI EN22

NON-HAZARDOUS WASTE (T)	2012	2013	2014
Composting	N.A.	N.A.	3
Recycling	849.91	1,164.06	1,319.82
Landfill class II	N.A.	N.A.	23.51
Total	849.91	1,164.06	1,346.33

HAZARDOUS WASTE (T)	2012	2013	2014
Incineration	123.35	67.44	115.08
Co-processing	1,278.88	2,749.91	1,586.28
Recycling / Recovery	571.19	693.22	472.51
Landfill class II	1,400.21	4,295.91	292.34
Total	3,373.63	10,806.48	2,466.21

The IHARA Integrated Management System also monitors and improves aspects related to the emission of pollutants, greenhouse gases (GHG) and noise in manufacturing operations. The GEE inventory, that identifies the origins and accounts for emissions related to our activities in 2013 and 2014, was drawn up in 2014. The calculation basis,

that follows the methodology of the Brazilian GHG Protocol Program, has been improved. In recognition of our impact, we have included the emissions caused by the displacement of the commercial team, and to enhance the management and reduce emissions, we have trained 22 people and we hope in 2015 to reap the benefits of this initiative.

GRI EN16

Total direct and indirect greenhouse gas emissions by weight

DIRECT EMISSIONS OF GREENHOUSE GASES (EN3) BY SOURCE (IN CO2 EQUIVALENT TONS)	2012	2013	2014
Electricity, heat or steam generation	2,130.19	1,897.62	1,454.60
Fugitive emissions	0.54	21.50	35.90
Transport of materials, products, waste, employees and passengers	175.14	2,027.01	2,789.50
Farming activities	692.23	25.16	21.16
Wastewater treatment	2.78	-	-
Biogenic emissions (from burning or biomass biodegradation)	3.56	1,429.10	2,722.10
Indirect emissions (EN4)			
Electricity generation, purchased heat or steam (EN4)	514.89	805.56	2,123.70
Total direct and indirect emissions (in tons of CO ₂)	3,519.33	6,205.95	9,146.95



GRI EN17

Other relevant indirect greenhouse gas emissions by weight

INDIRECT EMISSIONS (IN TONS OF CO ₂ EQUIVALENT)	2012	2013	2014
Employee transport	-	721.88	721.88
Business trips	-	2,293.31	1,281.54
Transport of inputs	-	11,165.25	13,791.97
Transport of finished products	-	6,165.51	7,519.85
Treatment of waste generated during operation	-	10,482.84	265.06
Biogenic emissions	-	546.98	697.31
Other emissions	-	-	-
Total	-	31,375.78	24,277.61

The company seeks to improve these indicators in order to minimize their environmental impact and create a safe and healthy work environment.

In addition, the installation of filters and gas

scrubbers in the industrial plants, as well as the upgrade of equipment, are also investments aimed at reducing atmospheric emissions. Similarly, the practice, known as triple waste washing, also reduces the amount of waste sent to landfills. **GRI EN18**



Value Chain

Value Chain

GRI 4.14, 4.15, 4.16, 4.17

One of IHARA's beliefs is the possibility of reconciling economic growth with sustainable development throughout its value chain. Therefore, we seek to build strong long-lasting relationships based on ethics and

transparency with customers and farmers, suppliers and local communities in the regions where we operates. As such, we contribute to a generation of shared value among the agents of our value chain.

GRI EC1

VALUE ADDED STATEMENT (IN%)	2012	2013	2014
Shareholders	13.44%	12.90%	13.08%
Employees (employee wages and benefits)	26.09%	26.50%	26.69%
Government	29.02%	27.75%	27.59%
Retained earnings	24.21%	23.90%	27.02%
Interest and rental income (operating costs)	7.23%	8.95%	5.63%

CUSTOMERS GRI 4.11, PR3

Ensuring the satisfaction of our customers is one of the cornerstones of our strategy.

One the tools used to achieve this goal includes the Business Plan and the Solution Plan, which are part of the Taiô Program and allow our customers, along with the IHARA team, to design prospects and goals for their business over the year. The implementation of these joint actions lead to benefits for the customers themselves, such as training courses for employees, purchase of materials that help the teams offer a better quality service, among others.

We also wish to further help the small, medium and large producers by offering a structured Barter system, which enables the purchase of IHARA products in exchange for a share of

production. With this tool, farmers have greater control over production costs and the security to make investments, after having established in advance the amount that they will deliver in exchange for the needed pesticides.

Another initiative developed by IHARA with its customers is the Planta Forte (Strong Plant) System, which aims to boost productivity, to the extent that the producers are trained in the diagnosis of pests, disease and other problems that impact crop quality and productivity. This action encourages the adoption of good practices in the field, helping to improve soil preparation up to harvest. With the Planta Forte System, producers also receive support on product application techniques, machine settings and other elements that may improve performance parameters.

In order to encourage and engage our customers in developing actions in the social area and in particular in favor of the environment, we created IHARA's 2011 Sustainability Program. This is a national competition that recognizes the main social/environmental initiatives undertaken by farmers, cooperatives and retailers, with the purpose of mitigating the impact of their operations on the environment and the recovery of devastated areas. The Project was restructured in 2014 and again in 2015 to reward social/ environmental responsibility initiatives.

SUPPLY CHAIN GRI EC9

IHARA's relationship with its suppliers is based on the belief that such partnerships must encourage development under the economic, social and environmental scope. We seek to maintain lasting and transparent relationships with

service providers and input suppliers who share our values and vision of sustainability.

All companies that are part of our supply chain are approved in advance in accordance with procedures and criteria to ensure, in addition to economic and financial capacity and compliance with established agreements, respect for human rights and the adoption of good practices for environmental management. In 2014, this approval process was revised to ensure that 100% of our suppliers were in compliance with the rules and regulations of Brazilian labor laws.

We do not purchase, under any circumstance, products or service from providers that are known to use child labor or retain workers in conditions analogous to slavery. Last year, 100% of the contracts with our suppliers included clauses that emphasize the need for full respect for human rights and compliance with labor laws.

Another positive initiative taken in 2014 was the creation of a workshop, held for all our raw material and national packaging suppliers, to discuss important issues for the development of our value chain. The goal was to find together innovative solutions to promote better working conditions, productivity and to boost competitiveness.

We also established an audit plan at our packaging and raw material suppliers. This process will be conducted through visits to all new suppliers and those considered to be critical (those that had a non-compliance in the previous year). During the audits, all the legal requirements, certificates and quality indicators will be checked as well as the adoption of best production and management practices.

The hiring of outsourced workers has also been enhanced through the creation of speedier document checks and in conformity with labor laws, with sanctions and penalties included in contracts in the event of a noncompliance. All outsourced parties, when they start up their activities with IHARA, go through integration training, in which the company's values and the importance of good security practices, such as the use of PPE and care for the environment, is emphasized. GRI HR2

All professionals responsible for monitoring IHARA are outsourced and 100% of them are



trained every two years in technical and recycling training courses conducted by a specialized company. In addition, we offer every six months, internal training that addresses work instructions and guidance based on our beliefs and values are held. GRI HR8

Last year, our asset supplier base consisted of 1,856 companies. Of this total, around 23% were suppliers based in Sorocaba, where IHARA's head office is located, and who accounted for R\$ 22 million.

We are improving our relationship policy with suppliers in an attempt to formalize and strengthen our current practices that already give preference to hiring local suppliers, further contributing to the socioeconomic development of the region. GRI EC6

COMMUNITIES GRI SO1, EC8

As a way of promoting sustainable development throughout the value chain, IHARA invests in awareness and training initiatives, and socioeconomic growth and cultural incentive actions, aimed at those who are involved in rural business and in the places where we operates

All companies that are part of our supply chain are approved in advance in accordance with procedures and criteria that ensure respect for human rights and the adoption of good practices for environmental management.



We seek to encourage the development of communities through projects that promote education and culture. In 2014, we invested a total of R\$ 1.682 million in social projects and through tax incentives.

One of the main projects we invest in is the CULTIVIDA program, which encourages good agricultural practices and offers guidance for the farmers regarding actions to prevent intoxication as a result of incorrect handling and application of pesticides.

Launched in 2012, CULTIVIDA is initially expected to run five years and will organize events in the country's farming areas where relevant intoxication levels have been found and in cities with a high incidence of family farms are registered by the Oswaldo Cruz Foundation (Fiocruz).

CULTIVIDA offers guidelines and contributes to the awareness of the rural population in regard to workers' health risks. In the lectures and workshops, farmers and their families learn how to properly use agrochemicals, the importance of using protective equipment and participating in recreational activities.

The program also conducts training and qualification of health professionals from local, regional and state institutions under the Unified Health System (SUS) for the implementation of a Program to Monitor the Health of People Exposed to Pesticides, conducted by professionals with experience in the Clinical Toxicology and Analytical field. This work is done in partnership with the University of Campinas (Unicamp).

Last year, the activities of the project were developed in the cities of Sorriso (Mato Grosso), Paty do Alferes (Rio de Janeiro), Ipuíúna (Minas Gerais) and Santa Cruz do Sul (Rio Grande do Sul) and benefited 1,020 people. More than 6,000 people have benefited from this program since it was started.

We seek to encourage the development of communities through projects that promote education and culture. In 2014, we invested a total of R\$ 1,682,000 in our own social projects and through tax incentives.

Projects and associations supported in 2014 by IHARA:

INCENTIVE LAWS	PROJECT NAME	PROPOSANT	VALUE IN R\$
Rouanet	Concertos Brasil	Marolo Produções Culturais e Artísticas	830,000.00
CMDCA	Young Symphonic Orchestra of Nova Mutum	Cultural and Social Association of Nova Mutum (Nova Mutum / Mato Grosso)	20,000.00
	Casa de Passagem J. Vicente - L. Eduardo Magalhães	Association of Residents of Aracruz (Associação de Moradores do Aracruz - AMA) (Luís Eduardo Magalhães/Bahia)	20,000.00
	Viver Project	Cultural Center and Welfare Center Joseph Webber (Coxilha / Rio Grande do Sul)	34,000.00
	Juquinha project	José Pereira de Farias Association (Paragominas / Pará)	33,000.00
	Maintenance of APAE Silvânia	APAE (Silvânia / Goiás)	20,000.00
	Pequenos Bem Cuidados infant project	São José Social Center (Sorocaba / São Paulo)	60,000.00
	Esportes	Correr e Caminhar para Viver Bem V (Running and Walking for Well Being V) - Energia Circuit	Association of Culture and Social Sports - Acesso Network
	Baseball Brasil	Brazilian Confederation of Baseball and Softball	50,000.00
	ECP Land Olympics (IV)	Pinheiros Sports Club (São Paulo/São Paulo)	50,000.00
Lei do Idoso	Entity Qualification	Lar da Amizade Association (Porto Alegre/Rio Grande do Sul)	50,000.00
	Respect and Appreciation of Life in Old Age	São Vicente de Paulo Asylum (Maringá/Paraná)	50,000.00
	Support for the Senior Citizen	Barretos Cancer Hospital (Barretos / São Paulo)	100,000.00
PRONON - National Program for Support of Oncology Care	Fighting and Overcoming Child Cancer	Support Group for Teenagers and Children with Cancer (GRAACC)	
PRONAS - National Support Program for Health Care of People with Disabilities	CAIS - A ticket to independence	CAIS - Support Center for Social Inclusion (Count / Minas Gerais)	100,000.00
	Improvement of network for the Minas Gerais Rehabilitation Association	AMR - Minas Gerais Rehabilitation Association (Belo Horizonte / Minas Gerais)	100,000.00
TOTAL OF INVESTMENTS IN TAX-EXEMPT PROJECTS			1,677,000.00
Own projects (without tax law incentive)	Brazilian Society of Japanese Culture - BUNKYO	Sponsorship of the 44th Kiyoshi Yamamoto Award (São Roque / São Paulo)	5,000.00
	Toy Campaign	AGROCAT Distribuidora de Insumos Agrícolas (Diamantino/Mato Grosso)	190.11
	Toys for Children's Day	Maria Claro Daycare Center (Sorocaba / São Paulo)	600.00
TOTAL OF INVESTMENTS IN OWN PROJECTS			5,790.11
TOTAL OF INVESTMENTS IN PROJECTS			1,682,790.11

IHARA also participates in discussions and initiatives aimed at enhancing the sector in risk assessment, interpretation of laws and

other improvements. This participation occurs through associations and industry representative entities, such as: **GRI 4.12, 4.13**

Brazilian Association of Technical Standards (ABNT)

American Chamber of Commerce (AMCHAM)

Plant Protection Association (ANDEF)

São Paulo State Industries Center (CIESP-SP)

Sorocaba Industries Center (CIESP-Sorocaba)

Agribusiness Board of the Federation of Industries of São Paulo (COSAG)

São Paulo State Federation of Workers of Chemical and Pharmaceutical Industries (FEQUIMFAR)

National Quality Foundation (FNQ)

Brazilian Cotton Advisory Group (GBCA)

Technical Group for Assistance and Consulting in Citrus (GTACC)

International Life Science Institute (ILSI)

National Institute for the Processing of Empty Containers (INPEV)

National Union for the Sector of Plant Protection Products (SINDIVEG)

State University Julio de Mesquita Neto (UNESP)



Prospects



Prospects

In coming years, we will reap the benefits of our most recent focus on innovation, a key factor to meeting the increasingly more complex demands of farmers.

In 2015, Brazil will begin a process to adjust its macroeconomic policies to address low growth, high inflation, fiscal imbalances and loss of competitiveness in the domestic industry. On the international scene, there is a possibility of a further fall in the price of commodities, with the recovery of crops in major world producers such as the US.

Among the main consequences of this scenario for Brazil is the high internal basic interest rate, the more expensive and restricted access to credit and the pressure on the exchange rate, possibly with the continued depreciation of the real against the dollar.

Even considering these factors, the global demand for food will continue to grow, which favors Brazilian exports. In the domestic market, the private sector will continue to consume agricultural products and there is no forecast of drought as occurred in 2014.

According to forecasts of the Brazilian Agriculture and Livestock Confederation (CNA), the Gross Value of Production (Valor Bruto da Produção - VBP) of agriculture is expected to grow 2.7% in 2015, totaling R\$ 463.2 billion.

OUR PLANS

In 2015, we intend to conclude the modernization cycle of our industrial complex and invest more than US\$ 15 million in logistics. We also have plans to launch new products in the market, with emphasis on an innovative solution for the cultivation of sugar cane and a new fungicide for soybean crops.

In the long run, we believe that IHARA is prepared to face any periods of diminished growth in the country and continue to increase its market share. Our goal is to continue growing in a sustainable manner and to keep on growing as successfully as we have in recent years.

This growth will be sustained by our financial health, our business strategies and the result of our investments in innovation and infrastructure, that started in 2010. It will, however, depend greatly on an improvement of the adverse weather conditions that occurred in 2014.

Our solid capital structure will support investments needed in coming years and will be used to fund our customers. Since our accounts are well equated, we have access to credit on favorable terms.

In upcoming years, we hope to reap the benefits of our most recent focus on innovation, a key factor towards meeting the increasingly sophisticated demands of farmers. Our portfolio is expanding much faster than in previous periods, as a result mostly of the high capacity of technological innovation of our Japanese

shareholders, as evidenced by the number of research and development projects: currently, we are working with 110 projects a year, against a previous historical average of only 50.

After the investments of recent years, we now have more modern industrial plants, a larger and more well-trained team of employees and a better prepared management structure. As such, we will be able to greatly increase our productivity in coming years. These factors, combined with the increasing incorporation of sustainability in our processes, will enable IHARA to generate and distribute value over time.



GRI Appendix

GRI 3.12

ABOUT THIS REPORT

The content of this report was selected through interviews with members of IHARA's Executive Board, who pointed out the highlights of 2014 and the main prospects for upcoming years.

The data attached to the quantitative indexes cover the period from January 1 to December 31, 2014.

Based on the indicators, IHARA considers that its 2014 Sustainability Report reached level B for the application of Global Reporting Initiative (GRI) guidelines.

Level of Application of Report	C	C+	B	B+	A	A+
Result	1.1 2.1 to 2.10 3.1 to 3.8, 3.10 to 3.12 4.1 to 4.4, 4.14 to 4.15	With external verification	1,2 3.9 to 3.13 4.1 to 4.4, 4.14 to 4.15	With external verification	The same required for Level B	With external verification
Result	Not required		With external verification		Management Method disclosed for the category of the Indicator	
Result	Answer at least 10 Performance Indexes, including at least one in each of the following areas of performance: Social, Economic and Environmental		Answer to all the criteria presented for Level C PLUS:		Answer for each essential indicator of G3 and the Sector Supplement with due consideration for the Principle of materiality of one of the following methods: a. Answering the indicator or b. Explaining the reason for the omission	

GRI INDEX

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1.2	Key impacts, risks and opportunities	7, 20, 21, 22
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3. Parameters for the report		
REPORT PROFILE		
3.1	Reporting period	3
3.2	Previous report	Published in 2014 sustainability report informing our performance for the 2013 period.
3.3	Periodicity	3 Annual
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REPORT SCOPE AND REACH		
3.5	Content definition	3
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3.8	Basis for preparation of the report	3
3.9	Measurement techniques for calculation bases	If necessary, these items are described in the report.
3.10	Consequences of restructuring in previous reports	None
3.11	Significant changes as compared with previous years	None
GRI CONTENT SUMMARY		
3.12	Location of information in the report	51
VERIFICATION		
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Staff



This is a publication of **Iharabras S.A. Indústrias Químicas**
Av. Liberdade, 1701 - Cajuru do Sul
Sorocaba - SP - CEP: 18087-170
Tel.: (15) 3235-7700

Executive board
Júlio Borges Garcia
CEO

José Gonçalves do Amaral
Managing Director

Edson Mamoru Narita
Industrial Director

Itamar Moreira Franco
Commercial Director

Kenichi Okubo
Assistant Director of CEO

Milton Ossamu Hiramoto
Director of Compliance and Institutional Relations

GRI Report
Coordination and Execution
Director of Compliance and Institutional Relations – Department of Sustainability of Ihara

Corporate communication
Eliana Tashiro

Support
Máriele Previdi – Attuale Comunicação

Edition, graphic design and revision
Miolo Editorial

Translation
Lesley Sogl

Illustrations
Suely Shiba

Photos
PC Pereira

Printing
Leograf Grafica e Editora Ltda

