

2017

SUSTAINABILITY REPORT



**Agriculture
is our life**

SUMMARY

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MESSAGE FROM THE PRESIDENT DIRECTOR

GRI 102-14, GRI 102-15

We are pleased to present the ninth IHARA's Sustainability Report, sharing with our stakeholders the achievements and challenges that were part of our daily lives in 2017.

Despite the economic and political scenario of uncertainty, displayed throughout 2017, we reached the end of the year with satisfactory net profit results.

For our customers, the economic scenario has been challenging, with restricted access to credit and great concern in the management of financial resources. Nevertheless, Brazilian farmers showed resilience and progressed a step further into the adoption of technology to protect crops and proved their competence, harvesting the largest agricultural harvest in our history.

OUR MISSION IS TO CONTRIBUTE TO THE PROGRESS AND COMPETITIVENESS OF BRAZILIAN AGRICULTURE.

That was not the case for the overall market, though. Affected by excess inventory and technology changes, it was reduced in almost 10% during the year.

For 2018 we can already see a progress in macroeconomic indicators, which point to a still timid recovery of growth and brings to an end one of the worst recessions in the history of our country. However, we are wary of the external environment as well as of an internal environment that is still troubled and unstable by the upcoming presidential elections.

Our company, with the mission of "contribute to the progress and competitiveness of Brazilian agriculture", launched 15 new products in 2017, which brought greater security and safety to the farmer, modernizing our formulations and complementing our portfolio.

We have still drastically reduced our indebtedness, completed another stage of investments in our Research Center and modernized our website, perceiving sustainable concepts such as reduction of water and energy consumption and low generation of waste, with increasingly effective solutions for country persons and more sustainable for the environment.

We created and structured - in order to strengthen our corporate governance - the Board and Ethics Committees, promoting a secure path for confidential communications

through the Ombudsman channel. In addition, we have made significant progress in the Corporate Risk Committee, in which we identified the 11 main risks that significantly impact our business and developed mitigation plans for each of them.

We started a new process of development of the field force, increasing our team, investing in several trainings and improving the employee reward system.

Our environmental indicators of water consumption, energy and waste generation, achieved reductions of 10%, 5% and 10%, respectively, as a result of the investments made during the year and improvements implemented in our production process.

We believe that we have taken a few more steps in the development of our management system and that we can strongly dedicate ourselves to our sustainable market growth plan.

We have achieved important awards during 2017, which shows that our management model and discipline in its application are on the right way, constantly respecting the sustainability pillars. We were once again recognized with the first place



Julio Borges Garcia
President Director of IHARA

in the award "Best of Agribusiness", from Globo Rural magazine, in the category Agrochemicals. In the Dinheiro Rural Magazine's "Best of Agribusiness" award, we won the first place in the "Fertilizers and Agrochemicals" category, for the sixth consecutive year, and, for the second time, the best financial management, in "Indirect Agribusiness".

In 2018 we will continue to invest in the expansion and diversification of our manufacturing plants, in the modernization of formulations and in research and development. We will work to raise the levels of our indicators of water consumption, energy and waste generation.

We remain firm and passionate about what we do, believing in a responsible management to be sustainable in our business model.

Have a good reading!

ABOUT IHARA

GRI 102-1, GRI 102-2, GRI 102-3,
GRI 102-4, GRI 102-5



IHARA invests permanently in research and development in order to always launch new products that meet the complex needs of agriculture, with productivity and sustainability.

For more than 50 years IHARA has been working with Brazilian farmers to protect their crops against pests, diseases and weeds. Under the Japanese culture of quality management, the company maintains strict production standards and highly technical sales team, offering more than 60 pesticides, including fungicides, herbicides, insecticides and specialty products.

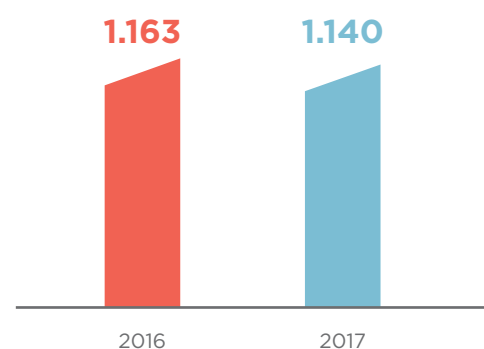
Delivering solutions is only part of our job. IHARA invests permanently in research and development, in order to always launch new products that meet the complex needs of agriculture, with productivity and sustainability.

IHARABRAS S/A Indústrias Químicas is a closed-capital national corporation that has Japanese capital and operates in Brazil. The company has a production plant located in the city of Sorocaba, São Paulo, and five distribution centers, located in the states of Bahia, Goiás, Mato Grosso, Paraná and Rio Grande do Sul. In 2017 the company employed 644 people, of whom 605 were self-employed and 39 outsourced.

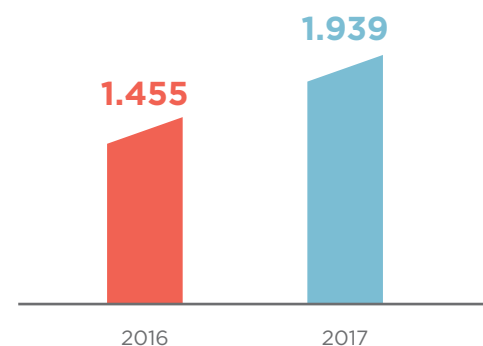
COMPANY'S SIZE

GRI 102-7

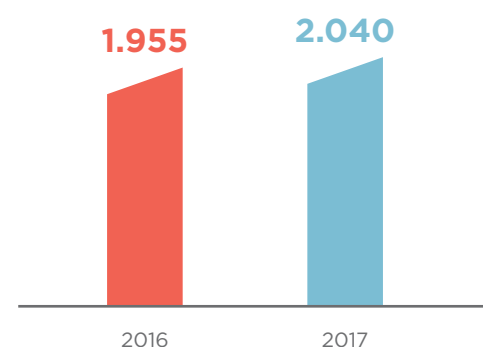
NET SALES - R\$ billion



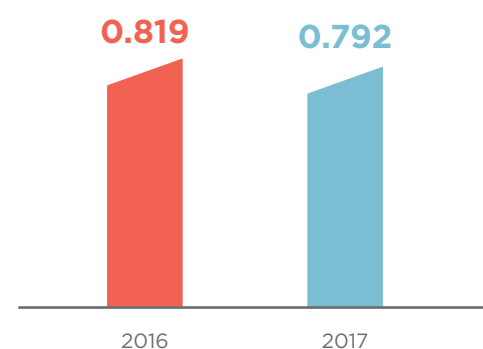
TOTAL CAPITALIZATION BROKEN DOWN IN TERMS OF DEBT AND EQUITY - R\$ billion
(considering the amounts of suppliers, financing, accounts payable and provisions, and shareholders' equity)



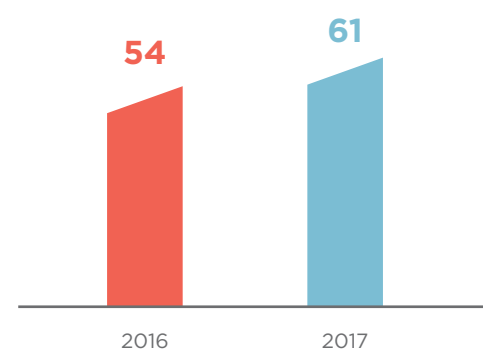
TOTAL ASSETS - R\$ billion



COSTS - R\$ billion



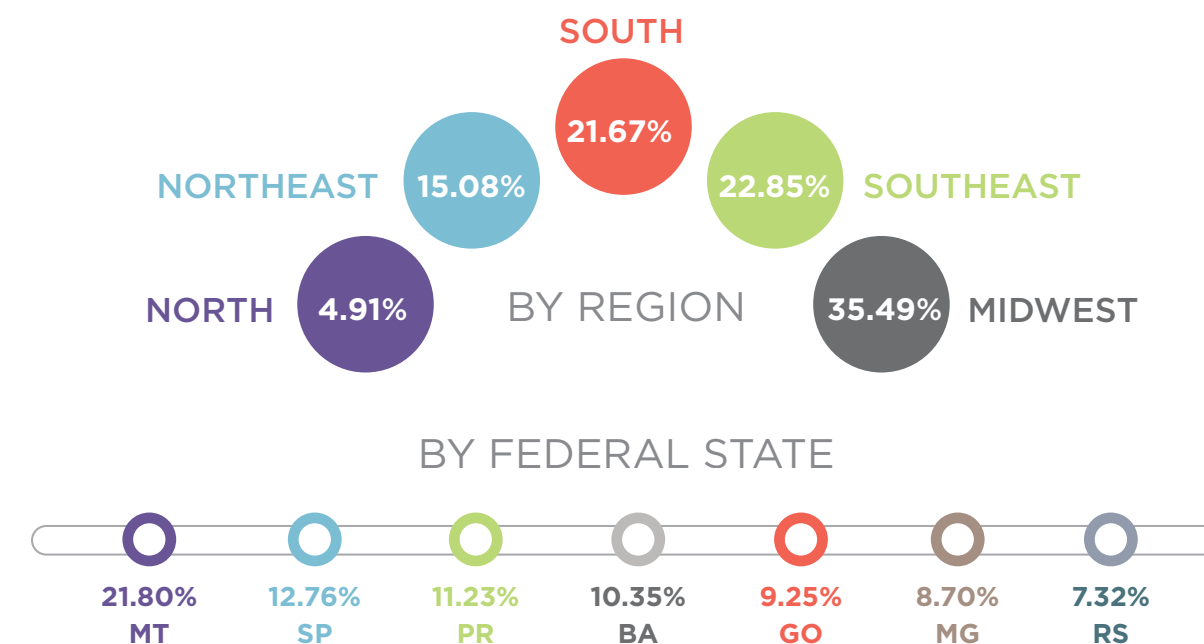
PORTFOLIO DIVERSITY



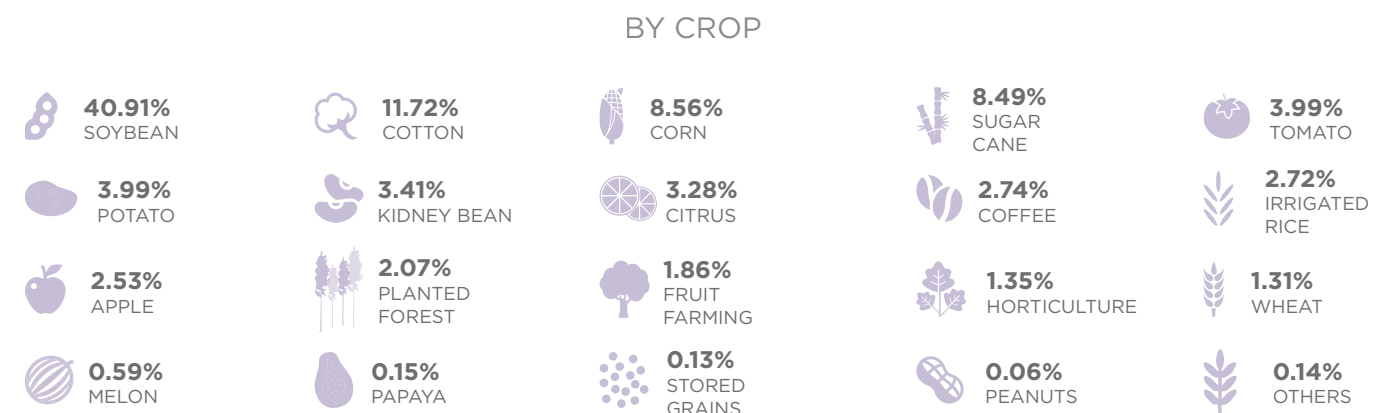
MARKETS SERVED

GRI 102-6

IHARA has been active in the Brazilian pesticides market for 52 years, bringing products and services to rural producers, thus contributing to the progress and competitiveness of Brazilian agriculture.



The remainder is divided among the other Brazilian states.



BY CLIENTS AND BENEFICIARIES



TIMELINE

1965

IHARA is founded in São Paulo (SP), under the name Mitsui IHARA S/A Chemical Industries (70% of Mitsui Co. and 30% of IHARA Agroch. Kumiai). Located in the district of Jaguaré, it is the result of the purchase of Agropecuária e Comercial Maracanã S/A.

2003 - 2004

IHARA invests in its facilities, expanding and renovating the office and building the Community Center, and returns to be a Japanese company under the Nippon Soda, Kumiai Chemical and Sumitomo Corporation shareholder control. Its revenue reaches US\$100 million.

1970 - 1989

The company's factory is officially inaugurated in Osasco (SP). After the sale of all shares of Mitsui Co. to Kumiai Chemical, the company adopts the name IHARABRAS S/A Indústrias Químicas. IHARA inaugurates its Industrial Park in Sorocaba (SP), with formulation units, facilities and packaging warehouses. With the sale of its shares to Agroinvest Kayatani S/A, IHARA makes its capital mostly Brazilian, reinforcing respect and trust for the national soil. The management of the São Paulo office is transferred to the industrial park in Sorocaba, unifying the company's activities.

2010 - 2011

The project to modernize the plant for new formulations and acceleration of the projects under development is underway. IHARA's former Brazilian parent company sells all of its shares, and Mitsui Chemicals Agro and Nissan Chemical enter as shareholders of the company.

2015 - 2016

In 2015 IHARA reaches its 50th anniversary! To celebrate this milestone, the company prepares various social and cultural actions, such as the installation of artesian wells in the northeastern semi-arid and musical and theatrical projects. In 2016 IHARA begins to reap the rewards of investments with the approval of new products.

1990 - 1997

Inaugurating new facilities, IHARA begins to synthesize the molecule of the herbicide Propanil and begins the synthesis of the fungicide Thiophanate Methyl, through a technology transfer agreement of Nippon Soda Co. Ltda. and support from Sumitomo Corporation.

2012 - 2014

The company continues to invest in improvements: the new powder plants begin to be delivered; installation of a new Effluent Treatment Station, with an innovative concept of reuse of treated effluents. New projects are being developed as new molecules arrive from Japan. New investments are made in the Research Center and external bases, contributing to an advance in the capacity to install field tests. Between 2013 and 2014, IHARA also invests in the construction of a new Distribution Center and expansion of the plant aiming the segregation of the herbicide area at its headquarters in Sorocaba. In addition, the company takes an important step in the field of organic products.

2017

Launching 15 new products on the market, IHARA undertakes a significant renovation of its portfolio, guided by the constant search for more effective and less risky products.



**Agricultura
é a nossa vida**

2017 AWARDS



Best of the Agribusiness of the *Globo Rural* 2017's Yearbook
1st place in the Pesticides category



The Best of the Agribusiness of the magazine *Dinheiro Rural*
1st place in Financial Management in Indirect Agribusiness
1st place in Fertilizers and Pesticides



Best and Largest in *Exame* magazine highlight in Fertilizers and Pesticides, in the Agribusiness Best category
among the 400 largest in the sector among the country's 1,000 largest



Forbes Brasil Magazine
Julio Borges Garcia was recognized by the award "The Brazil's 25 Best CEOs 2017"



Full Energy Magazine
Julio Borges Garcia, IHARA CEO, was elected one of the 100 Most Influential of Energy of 2017, in the Technology category



Sumitomo Corporation of the Americas (SCOA) - Annual President's Award
recognition to IHARA and to its CEO Julio Borges Garcia for the performance and excellence



IHARA'S MISSION, VISION, BELIEFS AND VALUES

GRI 102-16

MISSION

To contribute to the progress and competitiveness of the Brazilian agriculture.

VISION

With creativity and pioneering spirit, we will make Brazil the largest agricultural country in the world.

Always united and striving for the same goals, let us make IHARA a first-class company.

With confidence and cooperation, let us help each other to improve and make life stable for everyone.

In any matter our decisions are based on: loyalty, justice, courage, love and humility, in this order. We are responsible for our company, our brand and our image. We are proud of our "IHARA Way of Being".

BELIEFS AND VALUES ¹

Our Beliefs and Values base IHARA's strategies and decisions, guiding our behavior.

We are attentive and open to change, and we will make the necessary changes, always with the noblest senses.

We have a reason to exist. Our Beliefs and Values have high dimensions that express our desire to serve our clients with excellence.

OUR PLANET

The world will need more and more food. We will always respect natural resources in the pursuit of productivity. Everything is interconnected: Earth, Water and Air are the greatest assets of mankind.

We will have the utmost responsibility in how to treat them. Feeding the world by preserving these assets is true sustainability.

OUR COUNTRY

We are "owners" of this country. We believe that Brazil is the most viable alternative to feed the world.

We use all our energy for 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 surpass and surprise the expectations of the interested parties.

Great accomplishments do not occur overnight, they result from the sum of small achievements made step by step with determination and courage. What matters is sustainable results.

We share and celebrate our accomplishments by strengthening relationships and immediately seek new challenges.



Agricultura é a nossa vida

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 one family, and we live each one for all. Our strategic movements are concerned with the collective.

We prefer to respect the knowledge gained from experience to the theoretical knowledge, however, these can not be despised.

In any matter our decisions are based on: loyalty, justice, courage, love and humility, in this order.

We are responsible for our company, our brand and our image. We are proud of our 'IHARA Way of Being'.

1. Mr. Inamori's success story and Kyocera philosophy were the basis for the development of IHARA's Beliefs and Values.

OUR PEOPLE

We are IHARA because so we choose to be! We cultivate the spirit of business owner in every employee. We are responsible for our choices.

Our people are our greatest asset. Excellent people with great results and willingness to grow are rewarded appropriately.

We dream big. We believe that human capacity is unlimited and we always challenge ourselves.

We believe in leadership by example. Select and train people to be better than us. We evaluate our leaders for the quality, altruism and commitment of their teams.

Trust is the foundation of our relationships. Our people deliver results by acting with integrity, loyalty and justice, respecting laws and moral principles.

We have humility as principle. We value the ability to hear, to diverge and to express respectfully.

We value respect. We respect people, society, laws, the environment, diversity, that is, life in all its forms.

We look for people with initiative and creativity and cultivate them as high value.

We are enthusiastic. We dedicate ourselves to work 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 we face challenges with courage and joy. Given mission is accomplished mission.

INSTITUTIONAL RELATIONSHIPS

GRI 102-13

IHARA has institutional relationships with several organizations, amongst which:

- Associação Nacional de Defesa Vegetal (ANDEF)
- Associação Brasileira de Normas Técnicas (ABNT)
- Conselho Superior do Agronegócio (Cosag) – linked to Federação das Indústrias do Estado de São Paulo (Fiesp)
- Fungicide Resistance Action Committee (FRAC)
- Herbicide Resistance Action Committee (HRAC)
- Insecticide Resistance Action Committee (IRAC)
- Instituto Nacional de Processamento de Embalagens Vazias (inpEV)
- International Life Science Institute (ILSI)



IHARA *PORTFOLIO*

GRI 102-2

IHARA portfolio is focused on the quality of the product and offers more than 60 agricultural pesticides for more than 70 crops, adapted to the climate and reality of Brazil.



IHARA seeks to innovate in the development of products that are truly capable of contributing to the progress and competitiveness of Brazilian agriculture, working to present increasingly effective and safe options. IHARA's portfolio is focused on product quality and offers differentials beyond what is required by current legislation.

IHARA portfolio is focused on increasing productivity with high quality in a sustainable way, which demands great investment in technology and research. So as to accomplish that, the company has the Ihara Research Center, with 330,524m² area for cultivation and product testing, thus being able to develop new molecules with the highest standard and compliance.

PRODUCT LINE

GRI 102-2

IHARA is a company of Research and Development solutions for agriculture. Currently it offers more than 60 agricultural defenses (fungicides, insecticides, herbicides, biological defenses and special products), for more than 70 crops, adapted to the climate and reality of Brazil. This production reaches the farmers through cooperatives, resales and direct sales of the commercial team.

Thinking of producing quality products in a sustainable way, since 2010, IHARA has established the concepts for all its manufacturing plants focused on the 3 Rs: Reduce, Reuse and Recycle.

Based on the mission to have a complete portfolio and active presence for all crops, in 2017 we launched 15 new products; among them we had 4 herbicides, 3 fungicides, 3 insecticides, 2 biological, 1 acaricide and 2 special products. And 10 new products are planned for 2018.

Offering ever safer products is one of IHARA's main objectives. Thus, in 2016 the company began the production of formulations in dispersible granules, which allow a safer application. In 2017 a new product was introduced with this type of formulation, doubling the volume produced by IHARA, compared to 2016. For 2018 the company plans to launch two more products with these characteristics, increasing the farmer's safety in handling.

PRODUCT REGISTRATION

GRI 416-1, GRI 416-2

In the process of developing its products, IHARA takes into account the impacts on human health and the environment, in order to select only those compounds that are safer. Its sales team is qualified to answer technical questions and provide guidance on the correct and safe use of all products manufactured by IHARA.

In 2017 IHARA performed registration submissions of 4 new products and 14 submissions of use extensions for crop inclusion. These products underwent a technical evaluation for the control of pests, weeds and diseases, and their formulations were developed by IHARA's own team and tested to have a lesser impact on the previously mentioned aspects, human health and the environment.

In order to manage any impact related to health and safety and to maintain

compliance, IHARA relies on the Sogi tool of the Integrated Management System, which allows analyzing the causes of eventual nonconformities and drawing up action plans and verifying their effectiveness. Sogi was an important improvement of the Integrated Management System, which contributed significantly to IHARA reaching the end of 2017 without any non-compliance with a warning or a fine deemed appropriate in the aspects of product registration.

MEASURES TO ENSURE THE HEALTH AND SAFETY OF THE USE OF PRODUCTS

GRI 416-1

IHARA products require special care because they are high technology products. With awareness of the risks to the health of the producers, IHARA treats the issue with professionalism, stimulating the farmers to protect themselves in the use and correct amount of application. It also expands your sales force to a correct attendance present, recommending only what is needed, at the right time and appropriate doses. In addition to complying with legal requirements, it makes the best efforts to move society, distributors and the chemical industry to follow examples of education in the field.

IHARA develops and maintains several projects aimed at disseminating good practices in this area among farmers, such as Cultivida and the IHARA Sustainability Program detailed below.

LABELING AND PRODUCT INFORMATION

GRI 417-1

IHARA develops the labels and package leaflets of all its products in accordance with legal requirements, providing information on the correct use of the product, its composition and active ingredients, as well as the indication of environmental hazard and toxicity to health, all in accordance with Decree No. 4,074, dated January 4, 2002, Article 49. They also report on the approval of the National Sanitary Surveillance Agency (Anvisa), the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama) and the Ministry of Agriculture, Livestock and Supply (MAPA), as provided in articles 43 and 50 of the same decree. IHARA is responsible for the registration of the labels and package inserts, while the third-party products are the responsibility of the registrar.

CULTIVIDA

In 2012 IHARA launched the Cultivida project, an initiative dedicated to supporting the adoption of good practices in the use of pesticides. The project carries out actions to disseminate the correct use of the products and to enable the public health agents to identify and treat

eventual cases of intoxication by these compounds, as well as to evaluate the health conditions of the rural population. Thus, the initiative collaborates to reduce the cases of intoxication and occupational accidents related to these products in Brazil.

Between 2012 and 2016, Cultivida toured 20 municipalities in 13 states, benefiting more than 8,000 people, including health workers and farmers from small farms and their families. The focus was on areas

of small farms, where the family itself is responsible for the application of agrochemicals, since this population is the most exposed and lacking information on agricultural pesticides. This public was affected by information related to good agricultural practices, such as the use of personal protective equipment (PPE), application technology, the final disposal of empty containers, the use of pesticides and other family health issues, such as women's health. In addition to lectures, educational and play activities were used to sensitize as many people as possible.

Through a partnership with the State University of Campinas (Unicamp), Cultivida also involved the training of health professionals from the Unified Health System (SUS) of the regions. Altogether, 1,738 health workers were trained in the five years of the project, with the objective of enabling them to implement the Program for Health Monitoring of Populations Exposed to Agricultural Defenses, carried out by health professionals with experience in Clinical and Analytical Toxicology.

Although during this period the project did not identify cases of intoxication caused by the use of our pesticides, field visits and interviewees' reports revealed several cases of inappropriate

use of PPE in their handling and application.

Faced with this reality, in 2017 IHARA decided to continue the Cultivida project, focusing on the free distribution of PPEs to small farmers, who primarily use manual product applications and are in regions where the exposure was greater and the level of information lower. In this way, the company developed suppliers in Brazil and abroad, registering with the Ministry of Labor and Employment to import and market such equipment. Subsequently, it distributed more than 110 thousand PPEs to producers, through resellers and cooperative partners. The equipment is accompanied by alerts that aim to make users aware of the importance of protection.

Considering the work fronts discussed above, IHARA's investment in the Cultivida project exceeds the R\$2.5 million mark, not including the hours costs of dozens of company professionals involved in the definition and execution of the actions.

For 2018 we will expand to 130 thousand PPEs in distribution. Each year a new evaluation is carried out to increase the delivery of equipment and project continuity.



IHARA SUSTAINABILITY PROGRAM

IHARA Sustainability Program aims to engage its clients in the sustainability theme by designing projects that can bring economic advances, reduce negative impacts on the environment and increase positive impacts on society.

In 2017 the main theme of the program was “Correct use of pesticides, focusing on the use of PPE”, addressing an issue that has proven to be of great relevance to the safety of agricultural activity. The winners of this edition were clients Sasahara, Bom Jesus and Frisia, with the projects “The place also teaches”, “Caring for the next” and “Correct use of agricultural protection and use of PPEs”, which aim at distribution and awareness of the correct use of PPE in the handling of Agricultural Defenses.

RECYCLING OF PACKAGING

IHARA seeks to act responsibly in the conduct of its activities, acting as a promoter of sustainable agriculture, aligned with its philosophy, principles and values. Aware that this care should extend to the environmentally appropriate destination of post-consumer pesticide packaging, the company has provided great support to inPEV <http://inpev.org.br/index>, which is dedicated to this goal. Created in 2001 to represent the agrochemicals manufacturing sector, inPEV guides its activities in the dynamics of reverse logistics, articulating all links in the chain of this sector.

IHARA participates in the Campo Limpo System (SCL) - coordinated by inPEV -, which includes 108

manufacturers and marketers of pesticides, about 260 associations of distributors and cooperatives throughout Brazil, 11 recycling partners and 4 incinerators. The Clean Field System is a global reference when it comes to the disposal of agrochemical packaging, and 94% of the primary packaging of agricultural pesticides and 80% of the total volume of packaging in the sector are being received and final disposed in Brazil. It places the country in the position of world leader in the business.

The company is part of the inPEV Board of Directors and the Board of Directors of the company Campo Limpo Reciclagem e Transformação de Plásticos Ltda., of which it is a shareholder. In addition, it acquires packaging and lids, contributing to the reduction of CO2 emissions in the atmosphere and the consumption of non-renewable inputs, such as oil.

The Campo Limpo System has a structured and prepared network for orientation, multiplication of knowledge about responsibilities and operational procedures, receipt and destination of empty packages. It also brings benefits to future generations, by acting directly in the formal education of small citizens with the Campo Limpo Environmental Education Program, which, through partnerships with municipal and state education departments, teaching cores and schools, offers a complement

Compared to 2016, the purchase of recycled lids increased **53%** and the purchase of recycled packaging increased **63%**.

to the curriculum of students of the 4th and 5th years of elementary school. With content related to the environment and following the recommendations of the National Curricular Parameters (PCN), about 230 thousand students enrolled in more than 2,300 registered schools, in 294 Brazilian municipalities, participated in the program in 2017.

In 2017 an eco-efficiency study, commissioned by inPEV and conducted by specialized consultancy, compared two scenarios: the environment with and without the performance of the Campo Limpo System, during the period between 2002 and 2017. Taking into account the whole life cycle of packaging (from the extraction of raw materials to recycling or incineration), the system allowed a reduction in energy consumption which would supply

approximately 2.5 million homes in one year; avoided the emission of 625 thousand tons of CO2 equivalent; avoided the extraction of 1.4 million barrels of oil and avoided the generation of a solid waste volume equivalent to what would be generated in eleven years by a city of 500 thousand inhabitants.

In the social sphere, the program generates 1,500 direct jobs. Due to the environmental and social gains, the existence of the Clean Field System results in important benefits for the whole society.





CORPORATE GOVERNANCE

In 2017 IHARA developed the map of the main risks and implemented the Board and Ethics Committee.

GRI 102-18

IHARA's governance structure is composed of the General Assembly, the Board of Directors and the Executive Board, which is supported by strategic committees such as Strategic Planning, Risk Management, Internal Audit, Ethics, Portfolio, Credit and Sustainability.

The General Meeting is held annually to render accounts to shareholders and to society, and the Board of Directors meets every month to monitor the results. At the end of each year, IHARA announces its results and main achievements through the Annual Economic

Report, and publishes all of its financial statements, which are audited by a large external audit firm.

In 2017 IHARA implemented two more items in corporate governance, developed the map of the main risks and implemented the Board and Ethics Committee, allowing any employee, supplier, customer or any interested party to register denouncements about the company at the highest level through the Ombudsman's Office. These items are detailed below.

STRATEGIC COMMITTEES AND ETHICS BOARD

INTERNAL AUDIT COMMITTEE

The committee seeks to work in the prevention of financial diversion, fraud, risk management and also acts in the economic, social and environmental pillars.

STRATEGIC PLANNING COMMITTEE

This committee aims to define the strategy to be implemented so that the company can achieve the established goals.

RISK MANAGEMENT COMMITTEE

GRI 201-2, GRI 102-11

Formed by IHARA directors and managers, this committee is responsible for reducing

the company's exposure to the main risks, through the identification and evaluation of risks, and the definition and implementation of actions.

In 2017 the IHARA Risk Management Committee worked on the mapping of the main corporate risks and controls for its mitigation. The measures of risk or opportunity management were the development of flows that contemplated the main corporate risks and validation of their respective controls, in order to mitigate them in a structured way.

RISKS ASSOCIATED WITH CLIMATE CHANGE

GRI 201-2

The risks and opportunities identified by IHARA related to climate change can be classified as: those arising from physical changes associated with climate change (such as floods, droughts



and heat illness); regulatory, due to changes in the regulatory scenario; and others, such as the availability of new technologies, products or services.

In recent years, the main factor of climatic risk for the company has been the occurrence of droughts in several regions of the country. The high indebtedness due to the low productivity, have led some clients to default.

IHARA defined the following actions to identify and assess risks arising from climate change: constant analysis of the accounts receivable area; monitoring of crops; credit analysis; use of customer rating to determine credit limits; monitoring the internalization of guarantees; visits to clients.

PORTFOLIO MANAGEMENT COMMITTEE

This committee has the task of evaluating future market needs, analyzing the company's current portfolio and defining the products to be developed.

CREDIT MANAGEMENT COMMITTEE

The committee seeks to reduce the non-payment likelihood by customers, by assessing their financial capacity for credit availability decision.

LEGAL ASSISTANCE COMMITTEE

This committee evaluates the level and quality of the company's service to the laws applicable to the business, defining actions and priorities for the full compliance with the legal requirements pertinent to its activity.

SUSTAINABILITY COMMITTEE

The main objective of this committee is to reduce the use of natural resources by IHARA, through short, medium and long-term actions in the economic, social and environmental spheres.

INTERNAL WORKPLACE ACCIDENT PREVENTION WEEK (SIPATMA) COMMITTEE

committee evaluates and defines actions needed to improve the work environment.

INVESTMENT COMMITTEE

The committee is responsible for evaluating and directing its investments, seeking the best balance between risk, liquidity and return. The results of 2017 were positive and reached a profitability of 105% on the indicator used as benchmark.

COUNCIL AND ETHICS COMMITTEE

Formed by a team of IHARA’s Senior Management, the Ethics Board was implemented in 2017 and its purpose is to disseminate and maintain ethical business concepts, to cooperate with the public administration in any investigation and to investigate complaints received by the company’s Ombudsman.

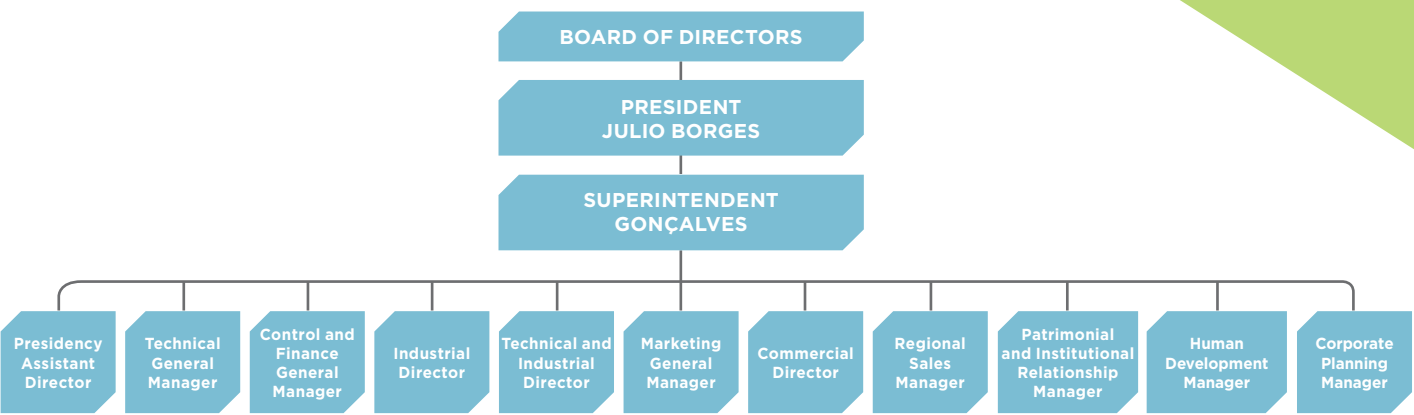
In 2017 members of the Ethics Board committed to disseminating the content of the Code of Conduct and Ethics to company suppliers, seeking to publicize and clarify IHARA’s way of doing business. It is the task of the Ethics Committee to have an educational agenda, to stimulate, disseminate and perpetuate among employees the culture of business ethics and knowledge of the Code of Conduct and Ethics.

The committee has the role of disseminating in the company the work defined in the Ethics Board.

Channels of communication made available:

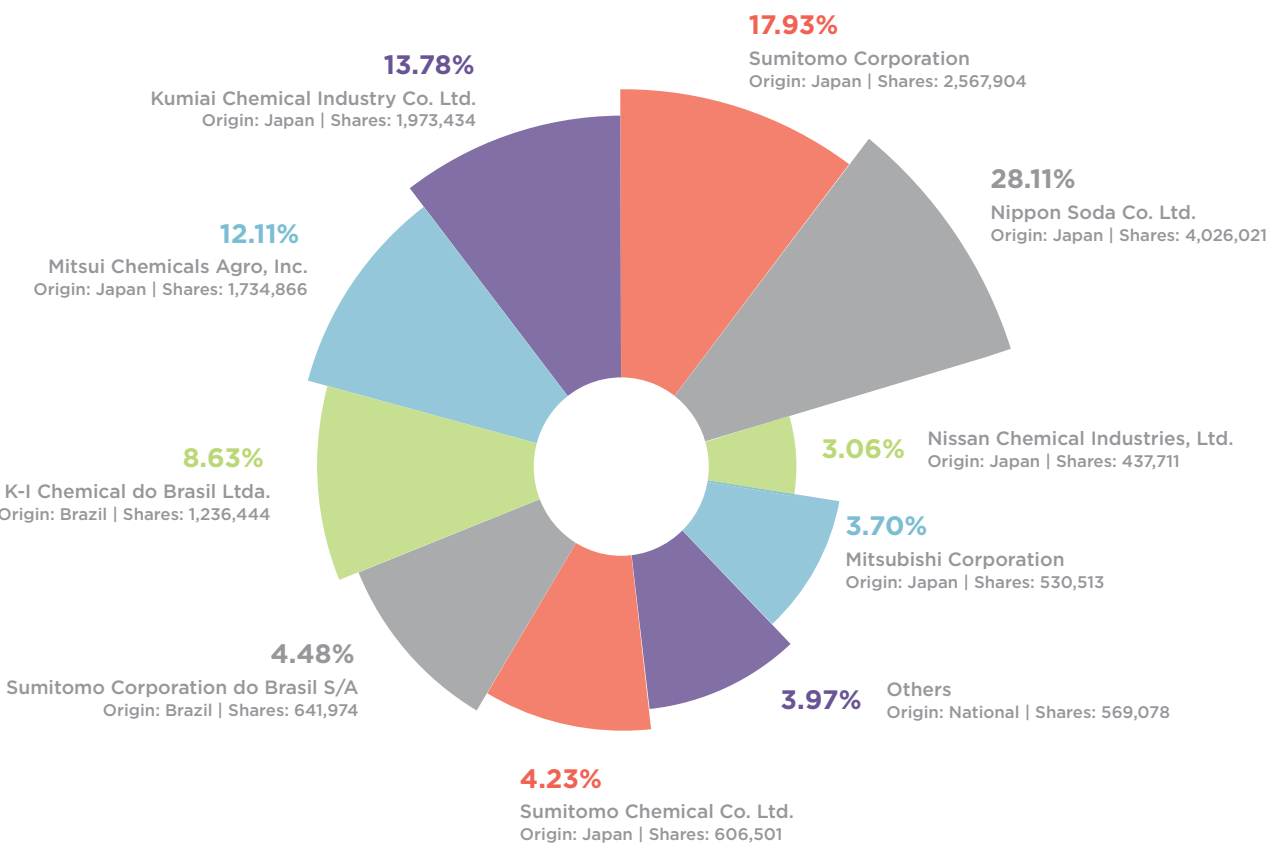
- Totens in IHARA’s main ordinances and in the place of coexistence;
- - Telephone channel: (5515) 3235-7777;
- - E-mail: ouvidoria@ihara.com.br;
- Website: <http://www.ihara.com.br/fale-conosco> (click on “Ouvidoria”)

ORGANIZATIONAL STRUCTURE



CORPORATE STRUCTURE

GRI 102-7



In 2017, 100% of the members of the main groups responsible for IHARA’s corporate governance were men, of which 77.78% were older than 46 years and 22.22% were between 36 and 45 years old.

MEMBERS OF GOVERNANCE BODIES BY AGE GROUP AND GENDER – GRI 405-1

EMPLOYEE CATEGORY	Administrative Council	Executive Board	General Management	Total	Percentage (%)
AGE GROUP					
Above 46 years	6	7	1	14	77.78
From 36 to 45 years	2	0	2	4	22.22
GENDER					
Male	8	7	3	18	100.00
Feminino	0	0	0	0	0.00



IHARA contributes effectively to the wealth generation of the economy in which the company is inserted, in a global vision of performance.

ECONOMIC AND FINANCIAL PERFORMANCE

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

GRI 201-1

This indicator points to IHARA’s effective contribution to the generation of wealth of the economy in which the company is inserted, in a global vision of performance, since it results from the combined effort of all its factors of production.



	2016	2017
STATEMENT OF ADDED VALUE (IN%)		
Shareholders	16.78	15.86
Employees (remuneration and benefits for employees)	25.82	24.66
Government	31.71	26.62
Retained earnings	40.09	37.97
Interest and rents (operating costs)	-14.40	-5.11
STATEMENT OF ADDED VALUE - SUMMARY (IN MILLIONS R \$)		
Income	1,178.13	1,161.03
Inputs acquired from third parties	872.70	845.97
Gross added value	305.42	315.05
Withholdings	17.44	13.54
Net added value produced by the organization	287.99	301.51
Added Value Received on Transfer	101.81	91.26
Total added value to be distributed	389.80	392.77
STATEMENT OF ADDED VALUE (IN R\$ MILLION)		
INCOME	1,178.13	1,161.03
Sales of goods, products and services	1,198.43	1,167.83
Provision for doubtful accounts - Reversal / Constitution	-20.30	-6.80
INPUTS ACQUIRED FROM THIRD PARTIES (INCLUDES ICMS AND IPI)	872.70	845.97
Raw materials consumed	616.34	624.15
Costs of goods and services sold	140.25	108.42
Materials, energy, third party services and others	116.11	113.40
ADDED VALUE GROSS	305.42	315.05
RETENTIONS	17.44	13.54
Depreciation, amortization and depletion	17.44	13.54
ADDED NET VALUE PRODUCED BY THE ORGANIZATION	287.99	301.51
ADDED VALUE RECEIVED ON TRANSFER	101.81	91.26
Financial income	101.81	91.26
TOTAL ADDED VALUE TO BE DISTRIBUTED	389.80	91.26
DISTRIBUTION OF ADDED VALUE	389.80	392.77
Staff and charges	100.63	96.84
Taxes, fees and contributions	123.60	104.57
Interest and rents	-56.11	-20.08
Interest on shareholders' equity and dividends	65.40	62.28
Retained earnings / loss for the year	156.27	149.15

Note: The Added Value Received in Transfer not published in 2016 Sustainability Report has been corrected in this version.

IF YOU ARE OUR CUSTOMER, SUPPLIER OR PARTNER,
YOU ARE PROUD TO CONTRIBUTE TO THE COUNTRY AND
TO THE SOCIETY THROUGH OUR COMPANY.



SOCIAL PERFORMANCE

IHARA develops projects and initiatives for its employees, suppliers, customers and society.

INTERNAL AUDIENCE

GRI 102-8, GRI 102-41, GRI 405-1

In 2017 IHARA increased its staff with 58 new employees compared to 2016, ending the year with 644 employees: 605 own and 39 outsourced employees. This increase in staff demonstrates IHARA's great resilience in times of crisis in the national market.

The company's own employees are divided into 488 men and 117 women, mostly in the age group of 26 to 35 years and

concentrated in the Southeast region. Most of the positions held are salesperson, analyst, consultant, technician, researcher, and operational positions.

At IHARA, 99% of employees are covered by collective bargaining agreements - employees not covered by the agreements are only the statutory directors.

EMPLOYEES BY TYPE OF CONTRACT AND GENDER - GRI 102-8

	2016		2017	
OWN				
	Permanent Contract	Temporary Contract	Permanent Contract	Temporary Contract
Male	453	2	473	15
Female	100	5	110	7
TOTAL	553	7	583	22
OUTSOURCED				
	Permanent Contract	Temporary Contract	Permanent Contract	Temporary Contract
Male	0	24	0	30
Female	0	2	0	9
TOTAL	0	26	0	39

EMPLOYEES BY TYPE OF WORKDAY AND GENDER

	2016		2017	
OWN				
	Full time	Part time	Full time	Part time
Male	453	2	480	8
Female	100	5	110	7
TOTAL	553	7	590	15

OUTSOURCED				
	Full time	Part time	Full time	Part time
Male	24	0	30	0
Female	2	0	9	0
TOTAL	26	0	39	0

EMPLOYEES BY FUNCTIONAL CATEGORY AND GENDER

OWN			
EMPLOYEE CATEGORY	Male	Female	Total
Board of Directors	7	0	7
Management/Supervision	68	14	82
Sales/analysts/consultants/technicians/researchers	237	63	300
Operational	176	40	216

OUTSOURCED			
EMPLOYEE CATEGORY	Male	Female	Total
Operational	30	9	39

EMPLOYEES BY TYPE OF CONTRACT AND REGION

OWN			
REGION	Permanent contract	Temporary contract	Total
South	50	0	490
Southeast	473	17	16
Northeast	14	2	41
Midwest	38	3	8
North	8	0	50

OUTSOURCED			
REGION	Permanent contract	Temporary contract	Total
SOUTHEAST	0	39	39

DIVERSITY IN GOVERNING BODIES AND AMONG EMPLOYEES - AGE GROUP AND GENDER - GRI 405-1

EMPLOYEE CATEGORY	Board of Directors	Management/supervision	Analysts	Operational	Total	Percentage
NUMBER OF EMPLOYEES	7	82	300	216	605	100.00
AGE GROUP						
Above 46 years	7	14	20	23	64	10.58
From 36 to 45 years	0	48	94	82	224	37.02
From 26 to 35	0	20	170	81	271	44.79
Up to 25 years	0	0	16	30	46	7.70
GENDER						
Male	7	68	237	176	488	80.66
Female	0	14	63	40	117	19.34



TRAINING AND CAREER DEVELOPMENT

GRI 404-1, GRI 404-2

With the objective of supporting the technical training of its employees, IHARA has an Annual Training Plan, organized to meet the different target audiences present at the company.

In the last year IHARA carried out 16,583 training hours, which reached 605 employees, resulting in an average of 27.41² hours of training offered by employees. The company's total investment in training was R\$1,048,000.00 in 2017.

IHARA, through its Retirement Policy, establishes that any employee who has been in the company for more than 5 years and at two years of retirement (INSS), has stability. In addition, IHARA has the Retirement Support Program, which is

intended for employees who have been at least 4 years of retirement from IHARA Social Security.

IHARA Retirement Preparation Program offers 3 phases, as follows:

1st Phase (Initiation)	Sensitization Meeting. Support for understanding the legal requirements.
2nd Phase (Adaptation)	Assessment of the need for psychological counseling or coaching. Assessment of the need for legal and/or financial advisory. Support the development of a personal plan (life plan after retirement).
3rd Phase (Application)	Transition Plan (definition of successor, transfer of activities and knowledge). Departing Plan (dates, tributes and memories).

AVERAGE TRAINING HOURS PER GENDER - GRI 404-1

GENDER	Number of employees	Number of hours	Average per employee
Male	488	14,417.50	29.54
Female	117	2,165.50	18.51
TOTAL	605	16,583.00	27.41

AVERAGE TRAINING HOURS PER EMPLOYEE CATEGORY - GRI 404-1

EMPLOYEE CATEGORY	Number of employees	Number of hours	Average per employee
Board of Directors	7	190.00	27.14
Management / Supervision	82	5,387.00	65.70
Sales/analysts/ technicians/ consultants/ researchers	300	7,416.00	24.72
Operational	216	3,590.00	16.62
TOTAL	605	16,583.00	27.41

IHARA's human capital training, education and development management complies with its internal regiment policy and is planned according to the training strategy of its employees. The issues dealt with the employees include training in compliance with regulatory norms pertinent to their

EMPLOYEES WHO REGULARLY RECEIVE PERFORMANCE APPRAISALS AND CAREER DEVELOPMENT - GRI 404-3

	Number of own employees evaluated	Total own employees	Percentage of employees evaluated (%)
Board of Directors	7	7	100.00
Management/Supervision	79	82	96.34
Operational	213	216	98.61
Sales/analysts	288	300	96.00

CONTRIBUTORS REGULARLY RECEIVING PERFORMANCE EVALUATIONS AND CAREER DEVELOPMENT, BY GENDER - GRI 404-3

	Number of own employees evaluated	Total own employees	Percentage of total employees who received analysis and formal performance monitoring, by gender - (%)
Female	114	117	97.00
Male	473	488	97.00

activities, sales techniques, economic education and other courses of operational-technical nature and behavioral development. IHARA also offers various types of grants depending on each employee's performance and development, such as language courses and incentive programs for undergraduate and graduate courses.

PERFORMANCE EVALUATIONS

GRI 404-3

IHARA has an internal system, whose methodology is based on the evaluation by essential and specific competences and using the 360° concept. The company has its own software in line with its culture and developed by IHARA experts and professionals based on the fundamental competencies for the company. In addition to being used to evaluate possible improvement points, it is also used as a way to fill each employee's development gaps.

2. In 2017 the costs of language and academic training were reimbursed to the employee instead of IHARA paying directly to the service providers. Thus, these trainings were not considered in the number of training hours offered by the company.



REMUNERATION AND BENEFITS OFFERED TO EMPLOYEES

GRI 202-1, GRI 401-1, GRI 401-2, GRI 405-2
IHARA aims to have a fair remuneration and benefits compatible with the market. In order to do so, IHARA makes constant use of market research aimed at comparing our model with our employees. In addition, it offers a profit sharing plan that, in addition to compensation, shares in

an extraordinary way for employees to participate in the company's differentiated results.

With this focus in 2017, IHARA's benefits policy sought to understand and meet the main needs raised by employees, through the work of the Benefits area. Periodically, the company makes comparative market analyzes of the benefits offered.

BENEFITS OFFERED BY CONTRACT TYPE - GRI 401-2

	FULL TIME	TEMPORARY OR PART-TIME
Life insurance	yes	yes
Disability insurance and disability coverage	yes	yes
Parental leave	yes	yes
Pension plan	yes	no
Stock Ownership Plan	no	no
Health insurance	yes	no
Dental care	yes	yes
Dental allowance	yes	yes
Funeral assistance	yes	yes
Childcare assistance	yes	yes

In 2017 IHARA had its lowest salary for men and women amounting R\$1,381.00 - a ratio of 1.47 in relation to the national minimum wage (R\$937.00).

Over the years, average wages have been equal to or above the market, see table below. In 2017 the company hired 145 employees (115 men and 30 women), mostly located in the age group between 26 and 35 years and in the Southeast region. That same year, 116 employees were dismissed (94 men and 12 women).

COMPARATIVE WAGE TABLE

TOPICS	2013	2014	2015	2016	2017
INPC - National Consumer Price Index	5.60%	6.30%	10.30%	8.50%	1.80%
IPCA - Broad national consumer price index	5.80%	6.60%	9.90%	7.90%	2.70%
Chemicals Trade Union Collective Bargaining Agreement (November)	7.50%	7.50%	10.30%	8.50%	1.80%
Metalworkers Trade Union Collective Agreement (September)	8.00%	7.90%	9.80%	9.60%	1.80%
Chemicals Trade Union Base Salary	R\$ 1,160.00	R\$ 1,258.00	R\$ 1,388.00	R\$ 1,506.00	R\$ 1,535.00
% Adjustment on Chemicals Trade Union Base Salary	8.00%	8.40%	10.30%	8.50%	1.90%
IHARA Base Salary (Lower Base Salary)	R\$ 1,334.00	R\$ 1,447.00	R\$ 1,596.00	R\$ 1,732.00	R\$ 1,764.00
% IHARA Base Salary X Chemicals Trade Union Base Salary	15.00%	15.00%	15.00%	15.00%	15.00%
IHARA Increase Average - Variation in 12 Months	16.20%	17.30%	13.20%	11.30%	7.60%
Real Increase = IHARA X Collective Agreement	8.70%	9.80%	2.90%	2.80%	5.80%

PLR	2013	2014	2015	2016	2017
TRADE UNION (ANNUAL)	R\$ 930.00	R\$ 1,030.00	R\$ 1,030.00	R\$ 1,030.00	R\$ 1,049.00
PLR IHARA - Number of salaries distributed (before Control Items)	3 salaries	3.16 salaries	1 salaries	5 salaries + 1 trust deposit	5 salaries + 1 trust deposit

OWN EMPLOYEES, BY GENDER, AGE GROUP AND REGION - GRI 401-1

	Total hiring number	New hiring rate (%)	Total number of dismissed	Rate of turnover (%)
GENDER				
Male	115	79.31	94	81.03
Female	30	20.69	12	18.97
TOTAL	145	100.00	116	100.00
AGE GROUP				
Up to 25 years	36	24.83	10	8.62
Between 26 and 35 years	54	37.24	54	46.55
Between 36 and 45 years	49	33.80	42	36.21
Over 45 years	6	4.13	10	8.62
TOTAL	145	100.00	116	100.00
REGION				
Southeast	97	66.90	84	72.41
Midwest	20	13.79	18	15.52
Northeast	5	3.45	5	4.32
South	21	14.48	7	6.03
North	2	1.38	2	1.72
TOTAL	145	100.00	116	100.00



HEALTH AND SAFETY

GRI 403-2

At IHARA, employee health is seen as a priority issue and the company undertakes several actions in this regard. One of them is the daily performance of work gymnastics in all areas of the company, always accompanied by a physical educator. To ensure the well-being of employees, the company also offers a room equipped for

acupuncture sessions, accompanied by professionals from the area, and offers massage sessions once a month to employees.

The company also maintains a modern gym for its employees, in its facilities. In addition to the various equipment aimed at the practice of physical activity, it counts on specialized professionals to attend all users, who undergo evaluation and receive an individual exercise program.

With its culture of proactivity for safety, in 2017 IHARA did not register any injuries, occupational diseases, lost days, absenteeism or work-related deaths. Some of the safety actions of the last year were the replacement of solvent for water in the composition of some products, the continuity of the 1200

Miles for Safety Project and the renewals of certifications ISO 9001, 14001 and OHSAS 18001, in its newest versions. The results of

the audits of certifications showed an 84% decrease in non-conformities compared to 2016.

INJURIES, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM, AND WORK-RELATED DEATHS - GRI 403-2

	2015	2016	2017
Accident frequency rate*	2.40	0.88	0
Number of occupational diseases	0	0	0
Gravity Rate**	32.02	0.88	0
Absenteeism	1.24	0.64	0
Number of deaths	0	0	0

Note: * Accident frequency rate = injury rate

** Gravity rate = lost days rate

Injury rate: considered only accidents with remoteness, as in previous Reports.

The counting of lost days is performed according to the Regulatory Norm # 4: lost days x 1,000.000h/number of hours/men worked.

Among IHARA's initiatives for the safety of its employees is the 1200 Miles for Security Program, which since 2015 seeks to establish a proactive and preventive culture in the company, mobilizing concepts from the Health, Safety and Environmental Performance Matrix. The program is structured as a healthy and stimulating competition among employees over a 12-month period during which safety performance is measured and converted into miles. Each quarter, a champion team is determined, which is awarded in a special event, and at the end of the campaign a review of the criteria adopted, focusing on continuous improvement, proposing new challenges is carried out.

The 1200 Miles for Safety Program works with seven accident prevention tools that help to promote continuous improvement in the areas of health, safety and the environment. Worthy of mention is the Safety Dialogue, a brief daily meeting, at the beginning of the shift, with all the staff, dedicated to awakening the employees' attention and starting a safe work day. Another important tool is the Point to Point Lesson, a document developed by the team, which indicates the wrong and right procedure for each activity. It is also worth mentioning the 5S Program, which establishes five senses (use, organization, cleanliness, health and self-discipline) to maintain a safe attitude; in addition to training, the 5S Program promotes a monthly audit, which results in an action plan for identified deviations.

SUPPLIERS

GRI 102-9, GRI 408-1, GRI 409-1

IHARA has 480 suppliers ³ in its supply chain, having hired 160 of them in 2017. In that period, about US\$176 million were spent with payments to suppliers. The company's supply chain includes manufacturers and distributors of various chemical products, such as technical materials, inert materials, surfactants, solvents and emulsifiers, as well as distributors and manufacturers of rigid, flexible packaging, pallets and adhesive tapes.

In accordance with its Beliefs and Values, IHARA does not purchase products or services from suppliers that knowingly make use of the exploitation of child labor or keep workers in inhuman conditions. If the involvement with any of these situations is proven, the company breaks the relationship with the supplier, which is supported by standard clause of all its supply contracts.

SUPPLIERS EVALUATION

GRI 308-1, GRI 414-1

IHARA establishes internal supplier assessment procedures and, in 2017, submitted 100% of its new suppliers to assessments based on quality, environmental, safety and occupational health, and to human rights related criteria.

The input supplier evaluation process includes quality testing of the material, completion of questionnaires on practices adopted in production and an audit performed by IHARA representatives. Critical suppliers, in addition to complying with all the homologation process in the first hiring, undergo periodic monitoring, in which documents, certifications, environmental conditions, controls and environmental monitoring of occupational health and safety, quality, etc., are monitored. Thus, IHARA guarantees the hiring of only new suppliers that meet its criteria, as well as the maintenance of the standards of those already homologated.



3. In 2017 the suppliers of raw materials and packaging were considered. In 2016 we considered suppliers of raw material, packaging, consumables and services.

SOCIETY

GRI 413-1

In 2017 IHARA carried out and supported several projects aimed at society, in areas of social assistance, culture and health, among others.

INCENTIVE LAWS	2017 PROJECTS	PLACE
Rouanet Law and Audiovisual Law	Invernada Cultural de Tradições Gaúchas	South and Cerrado Region
	IHARA Festival of Japanese Culture and Food Trucks Meeting	State of São Paulo
	IHARA Concert Second Edition	Primavera do Leste/ MT
		Maracaju/ MS
		Não-me-toque/ RS
		Sertãozinho/ SP
	Fundação Cultural Suábio-Brasileira	Guarapuava (PR)
Municipal Council for the Rights of Children and Adolescents (CMDCA) / Child and Adolescent Support Fund (FUNCAD)	Annual Activity Plan 2018 - Parque Histórico de Carambei	Carambei (PR)
	2018 Annual Activities Plan - Centro Cultural Castrolanda	Castro (PR)
	Complexo Pequeno Príncipe - Integral Health Project: humanized care and applied research in favor of children and adolescents health	Curitiba (PR)
	Recanto da Criança Association	Cascavel (PR)
	Ilso José Wedder Cultural and Assistance Center - Viver Project	Coxilha (RS)
	Associação Primaveraense de Judô - Project Making Winners	Primavera do Leste (MT)
	Association of Parents and Friends of Exceptional Children (APAE) - Project Acquisition of a Cold Chamber	Silvânia (GO)
	Espaço Pipa -Adoletá Project	Piracicaba (SP)
	Luar - Direito de Brincar Project	Votorantim (SP)
	Associação Centro-América de Karatê - Traditional Karatê-Dô Project: Sport and Citizenship Project	Cuiabá (MT)
	Association of Autistic Friends of Sorocaba (AMAS) - Psychomotricity and the Family Dynamics for Children with TEA (Autistic Spectrum Disorder) Project	Sorocaba (SP)
	Association Parents and Friends of Hearing-impaired Sorocaba (APADAS) - "Ora, direis ouvir estrelas" Project	Sorocaba (SP)
Sports Incentive Law	Campinas Paralympic Association - Corrida pelo Verde Project	Piracicaba (SP)
	Magnus Futsal	Sorocaba (SP)
	Instituto Três Colinas de Esportes, Educação e Cultura (ITCE) - Sports and Health Project Phase IV - Somando para Multiplicar	Franca (SP)
Statute of the Elderly	Lar de Idosos São Vicente de Paulo	Pato Branco (PR)
	Abrigo São Vicente de Paulo	Cascavel (PR)
	Angelina Caron Hospital - Mais Saúde aos Idosos Project	Campo Grande do Sul (PR)
	São José Hospital - Qualification Project for Elderly Care	Jaraguá do Sul (SC)
	Pella Bethânia Charitable Association - Convivendo e Aprendendo com Alegria Project	Taquari (RS)
National Program of Support to Oncology Attention (PRONON)	Rio Verde Cancer Hospital - Angélica Christian Foundation - Expansion Project	Rio Verde (GO)
	Vida e Saúde Hospital, from Associação Hospitalar Caridade Santa Rosa - Qualification and Access to Oncological Diagnosis Project	Santa Rosa (RS)
	UCS General Hospital - Fundação Universidade Caxias do Sul - Implementation Project of the Centro de Diagnóstico e Tratamento Cirúrgico Oncológico do Hospital Geral de Caxias do Sul	Caxias do Sul (RS)
	União Oeste Paranaense de Estudos e Combate ao Câncer (UOPECAN) - Acquisition of Radiotherapy Equipment Project for Hospital do Câncer de Cascavel	Cascavel (PR)
National Program to Support the Health Care of Persons with Disabilities (PRONAS / PCD)	Associação Cascavelense de Amigos de Surdos (ACAS)	Cascavel (PR)
	São Miguel dos Campos Association (ADEFSMIC) - Rehabilitating for Life Project	São Miguel dos Campos (AL)
Donation	Association of Parents and Friends of Exceptional Children (APAE)	Votorantim (SP)
	Lar São Vicente de Paulo	Sorocaba (SP)
	Instituto das Pequenas Missionárias de Maria Imaculada	São José dos Campos (SP)
	Lar da Mônica - Piedade	Piedade (SP)
	Doctors Without Borders	All over Brazil

ENVIRONMENTAL PERFORMANCE

IHARA has an efficient environmental management, combining productivity and reduction use of natural resources.

ENERGY

GRI 302-1

IHARA's energy matrix consists of electricity and non-renewable sources, such as the burning of diesel oil and natural gas. In 2017 the company consumed 16,780 l of diesel, 218,144 m³ of natural gas and 6,762 MWh of electric power. The consumption of diesel oil fell 1.87% in relation to last year, while natural gas had a slight increase compared to 2016.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION - GRI 302-1

	2015	2016	2017
NON-RENEWABLE SOURCES			
Diesel fuel (l)	6,000.00	17,100.00	16,780.00
Natural gas (m ³)	358,657.00	210,392.04	218,144.00
ELECTRICITY			
Electricity (MWh)	7,230.93	7,164.00	6,762.00

The consumption of electricity in 2017 was also lower than in 2016, and this reduction was not greater just because of the production of the dispersible granules, which for the first year was made in a constant way. The electric energy used by IHARA is bought in the energy market and when not totally consumed, it is sold. In 2017 there was no surplus.

In relation to the consumption of energy for heating, natural gas is used for boiler feed and steam generation, whose consumption is informed above (see value referring to natural gas).

For refrigeration, air conditioners and chillers are used and the approximate amount of the different types of gases used in the year 2017 for the equipment was:

- Cooling Gas R-22: 30.00 kg
- Cooling Gas R-410: 38.00 kg
- Cooling Gas R-404: 18.00 kg
- Cooling Gas R-407 C: 11.00 kg
- Cooling Gas R-134 A: 10.00 kg

There is no monitoring of the amount of steam generated and / or consumed by IHARA and there is no project forecast that allows measurements, according to costs and low consumption by the company.

EMISSIONS

GRI 305-1, GRI 305-2, GRI 305-3

Over the past year IHARA has prepared for the eighth time its inventory of greenhouse gas emissions, which is based on the GHG Protocol methodologies and highlights the Brazilian specifications present in it.

In 2017 the company issued 12,452 tCO₂e, with 1,218.2 tCO₂e for direct emissions (Scope 1) and 661.3 tCO₂e for indirect emissions (Scope 2). Scope 3 emissions (other indirect emissions) were 10,572.7 tCO₂e - always considering CO₂, CH₄, N₂O and HFC gases in the calculations. Regarding direct and indirect biogenic emissions, total emissions were 1,115.8 tCO₂e.

DIRECT EMISSIONS OF GREENHOUSE GASES - SCOPE 1 (TCO₂E) - GRI 305-1

	2015	2016	2017
Direct gross greenhouse gas emissions	2,287.90	1,292.80	1,218.20
Biogenic Emissions	850.50	393.50	314.30

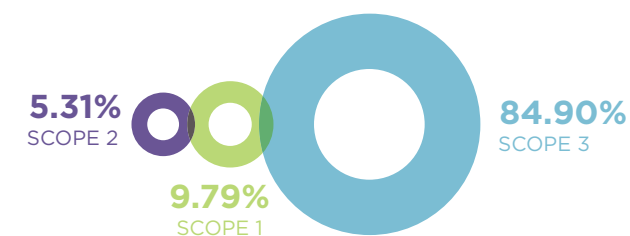
INDIRECT EMISSIONS OF GREENHOUSE GASES - SCOPE 2 (TCO₂E) - GRI 305-2

	2015	2016	2017
Indirect emissions of greenhouse gases	911.10	592.90	661.30

OTHER INDIRECT GREENHOUSE GAS EMISSIONS - SCOPE 3 (TCO₂E) - GRI 305-3

	2015	2016	2017
Other indirect greenhouse gas emissions	383,655.00	9,090.80	10,572.70
Biogenic Emissions	710.60	732.60	801.50

GREENHOUSE GAS EMISSIONS, BY SCOPE (%)



WATER AND EFFLUENTS

WATER

GRI 303-1, GRI 303-3

In 2017 IHARA's absolute water consumption was 117,764.55 m³, with a 45% reduction in relation to 2016.

The water supply of the company was guaranteed mainly by surface capture (64%), followed by groundwater abstraction (31%), with a small share of the municipal water supply network (5%).

WATER WITHDRAWN, BY SOURCE (M³) – GRI 303-1

	2015	2016	2017
Surface water	369,600.00	169,956.59	75,039.75
Subterranean water	42,443.49	38,952.00	36,208.80
Service of municipal supply or other services	5,343.00	5,107.00	6,516.00
TOTAL	417,386.49	214,005.09	117,764.55

As for water reuse and recycling, in 2017, IHARA reached a level of 1,704.16 m³, which represents 1.45% of the total water used to carry out its activities. A project to increase water reuse points is being implemented. It is expected to be completed by March 2018.

REUSED WATER - GRI 303-3

	2015	2016	2017
Volume (m ³)	3,179.00	2,230.06	1,704.16
Percentage (%)	0.76	1.04	1.45

EFFLUENTS

GRI 306-1

IHARA carries out the monitoring of its effluents by means of hydrometer readings and flow meters, recording the data in control worksheets. In the case of reverse osmosis waste and liquid wastes of low

contamination, the control is done by weighing the dispatched trucks. Effluents contaminated with solvents and oils, not subject to internal treatment, are sent for coprocessing.

In 2017 the company was able to reduce the generation of industrial and biological effluents by 45% in relation to the previous year.

EFFLUENTS – GRI 306-1

	DESTINATION	2015	2016	2017
Industrial effluent (m ³)	Internal treatment	8,594.00	6,609.40	5,877.27
Reverse Osmosis Reject (t)	External treatment	5,164.48	5,113.71	3,104.42
Saline solution (t)*	External treatment	1,858.83	-	-
Liquid wastes of low contamination (t)	Coprocessing	906.89	234.17	381.75

* IHARA has not been generating saline solution since August 2015.

MATERIALS AND WASTE

IHARA carries out its management of purchases of raw materials and packaging through the system, following production demand. In 2017 the company consumed 8,947.95 t and 1,695,197 units

of non-renewable materials. Regarding renewable materials, in the last year the company consumed 3,426,859 units.

IHARA's waste management is carried out through control and indicators sheets, all of which are shipped by type and destination. In 2017 the company discarded 6,143.28 t of waste, reducing by 1,816.11 t the total waste. The main material discarded were effluents, which amounted to 3,271.22 t.

GRI 301-1, GRI 306-2

RENEWABLE MATERIALS USED – GRI 301-1

MATERIAL NAME	MATERIAL TYPE	2016 Volume/weight	2017 Volume/weight
Recycled plastic jerrycans (unit)	Recycled packaging / jerrycans, used in the packaging of finished products.	75,920	120,120
Recycled plastic covers (unit)	Recycled covers, used in the closing of jerrycans of packed finished products.	1,768,400	3,306,739

NON-RENEWABLE MATERIALS USED

MATERIAL NAME	MATERIAL TYPE	2016 Volume/weight	2017 Volume/weight
Amine ethoxylated grease (t)	Raw material based on non-ionic surfactants, used to manufacture finished products.	1,297.18	1,093.02
Mixture of ethoxylated fatty alcohol esters (t)	Raw material	513.32	896.13
Monoisopropylamine (t)	Raw material for the manufacture of finished herbicide product.	1,767.30	1,569.00
Mineral oil (t)	Raw material used in the finished product composition.	5,638.91	4,724.40
Xylol (t)	Solvent used in the manufacture of finished products.	1,066.15	665.40
Bottles and plastic jerrycans (unit)	Mono and Coex jerrycans of 5 and 20 l; Mono and Coex jars of 250 ml and 1 l.	3,567,688	1,695,197

BIODIVERSITY

In 2017 IHARA's greatest impacts on biodiversity have remained focused on the potential misuse of pesticides and the non-preservation of protected areas. Thus, the company applies actions aimed at the precaution and prevention of accidents, as well as the preservation of biodiversity.

WASTE GENERATED BY TYPE AND METHOD OF DISPOSAL - GRI 306-2

TYPE OF WASTE	DISPOSITION METHOD	Quantity (t)		
		2015	2016	2017
Contaminated packaging, asbestos tiles, among others	Class I landfill	216.99	344.52	268.46
Solid waste, household waste and rubble	Class II landfill	145.19	161.3	417.62
Ambulatory waste	Ambulatory waste autoclave	0.01	0.01	0.01
Organic waste	Internal composting of organic waste	7.31	0.00	4.61
Effluent treatment plant sludge, effluents (solvents), complementary packaging and synthetic organic waste (ROS)	Coprocessing	1,320.67	360.62	487.85
Hazardous waste and agricultural pesticides	Incineration	22.19	55.80	122.66
Lamps, drums and plastic packaging	Class I Recyclable Waste	430.72	468.53	445.73
Paper, plastics and wood	Class II Recyclable Waste	1,146.17	1,106.58	1,125.12
Rejection of osmosis and effluent / biological sludge	External treatment (effluent treatment plant) Class II	7,657.71	5,462.03	3,271.22
TOTAL		10,946.96	7,959.39	6,143.28

SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS AND SERVICES ON BIODIVERSITY, AND THE RESPECTIVE ACTIONS OF THE COMPANY - GRI 304-2

POTENTIAL IMPACT	IHARA ACTIONS
Pollution	Incorrect use of pesticides can cause contamination of air and surface and groundwater water, negatively impacting biodiversity. To manage these risks, IHARA promotes various educational actions. Special mention should be made of projects such as Cultivida, which in 2017 focused on the free distribution of thousands of PPE to small farmers, and Programa 7 (7 Program), where IHARA's technical sales team carries out demonstration of the effectiveness of its products with a focus on the appropriate technical use and sustainable portfolio growth.
Species reduction	Suppression of vegetation can reduce wildlife habitat and provide for other complications, such as erosion events and worsening water quality. To ensure due care for regional biodiversity, IHARA preserves an area of 46.63 ha of Legal Reserve and 24.80 ha of Permanent Preservation Area on its property. Initiatives such as these promote adequate preservation in their area of action and spread the importance of caring for the environment.



ABOUT THE REPORT

GRI 102-50, GRI 102-51, GRI 102-52,
GRI 102-53, GRI 102-54, 102-56

This is the ninth Sustainability Report published by IHARA, presenting to the public its environmental, social, economic-financial and organizational profile information for the entire year 2017. It is based on the guidelines of the Global Reporting Initiative (GRI), Standards, in its “Essential” option.

With an annual emission cycle, the last report was for the entire year 2016. The company chose not to carry out an external verification of this document.

In order to define the content of this report, IHARA carried out a consultation with its stakeholders in 2015 and prepared a Materiality Matrix, presented below.

The company offers the following relationship channel for contacts related to IHARA 2017 Sustainability Report: sustentabilidade@ihara.com.br. Previous reports are available for viewing or download on the website: http://www.sustenteihara.com.br/ihara_sustente/relatorio-sustentabilidade/.



MATERIAL THEMES

GRI 102-40, GRI 102-42, GRI-102-43, GRI 102-44, GRI 102-46, GRI 102-47

In order to define the content of its Sustainability Report (and its respective GRI indicators), IHARA carried out a structured process of stakeholder consultation in 2015, culminating in the elaboration of its Materiality Matrix. Thus, it was able to know the issues of greater relevance for the organization and its stakeholders.

The process was initiated by the elaboration and subsequent application of an online materiality questionnaire, addressing three major themes - Environment, Value Chain and Economic / Products - subdivided into seven subjects, to be ordered by respondents from the most to the least relevant. Three strategic stakeholders were selected to participate in the process: internal public, suppliers and customers. This choice was based on the impact of the company's activities, products and services, as well as its expectations, interests and capabilities, on these audiences.

After the Materiality Matrix was elaborated, the company carried out a survey of all GRI indicators related to the material aspects identified, defining the indicators that IHARA understands as important for its business. Thus, the set of indicators reported in this report was established.

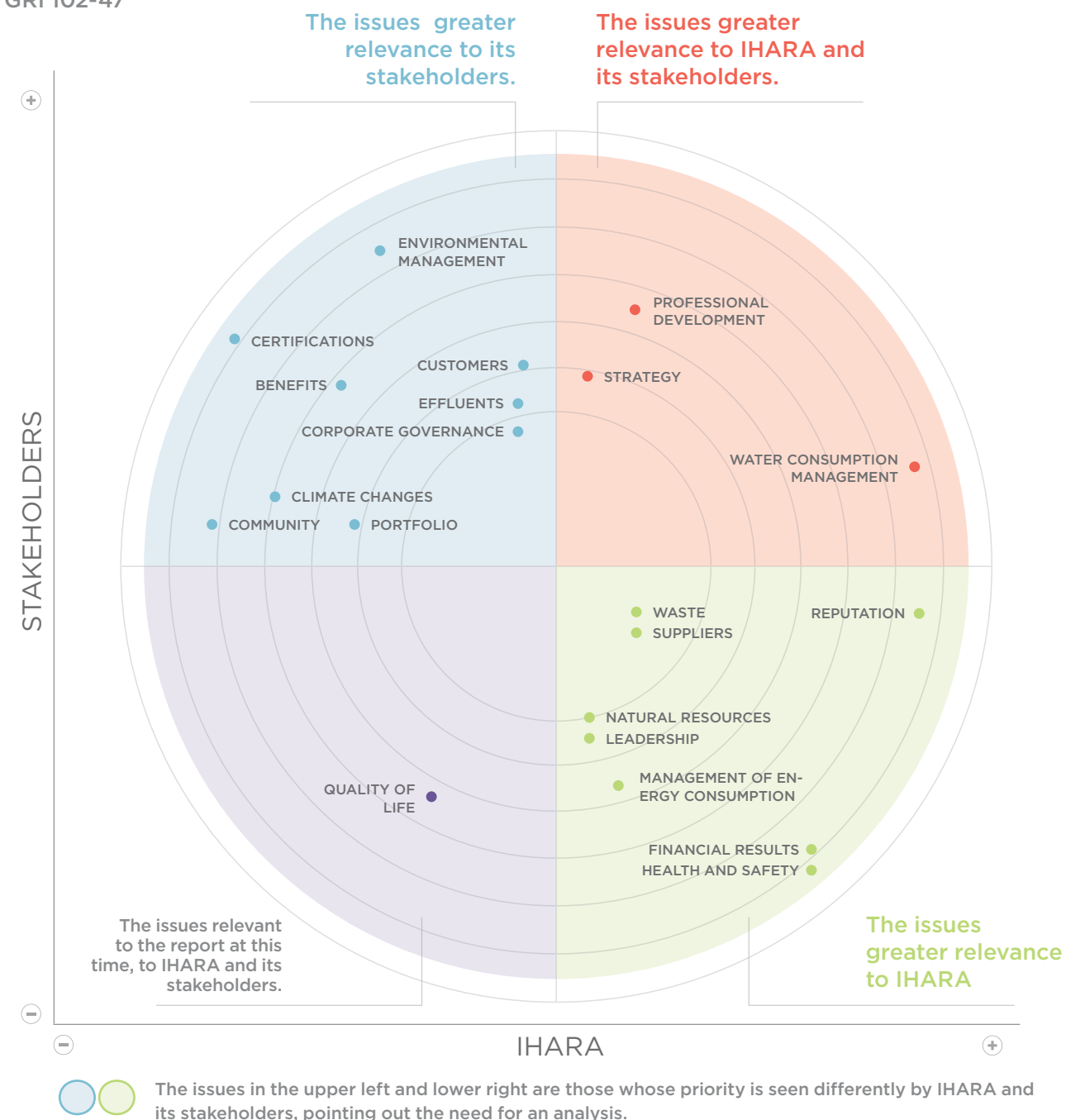
STAKEHOLDERS ENGAGEMENT

GRI 102-40, GRI 102-43

In 2017 IHARA carried out a number of written engagement projects aimed at the internal public, farmers, customers and consumers - such as the Sustainability Committee, the IHARA Sustainability Program and the Cultivated project.

MATERIALITY MATRIX

GRI 102-47



GRI 102-46, GRI 103-1, GRI 103-2, GRI 103-3

Material topics	Limit: where the impact occurs	Description of material themes	IHARA Management approach	Evaluation of the management approach
Strategy	Material within the organization.	Know IHARA ´s growth strategy and its long-term vision.	IHARA's business strategy is to deliver solutions and invest in research and development to constantly launch products that meet the complex needs of agriculture, with productivity and sustainability. Its management tool is the Objectives and Goals Panel, which is the responsibility of the Financial area. It includes all the indicators deployed from the corporate strategy for the other directories: Presidency, Commercial, Marketing, Technical, Industrial and Financial Directories. These indicators are defined once a year, according to the contribution of each area to the achievement of the corporate guideline. Some of them can be highlighted: sales target, margin, market share, productivity, profitability of applications, hedge, debt, expense reduction, new product development and record keeping. The Objectives and Goals Panel is presented monthly at the Board of Directors' meeting, being part of the constant monitoring of each area manager.	The strategic indicators are deployed by area, with periodic monitoring of Senior Management, so that monitoring and intervention are timely when necessary. This control is the driver so that the established goals are achieved.
Professional development	Material within the organization.	How IHARA values its employee, planning trainings, strengthening skills and providing a motivating work environment.	IHARA's human resources management is monitored by the Department of Human Development, which holds periodic meetings with managers in each area, using the One Page Report (OPR) approach. This approach uses the concept Knowledge, Skill and Attitude (CHA): while the Knowledge and Skill issues are worked out by the Human Development Department through training, Attitude is managed and monitored by managers. IHARA offers training to all its employees, ranging from the basic training required to perform the function to the technical and behavioral training necessary to achieve organizational goals and individual professional development.	In order to promote the development of its employees, the Human Development Department works closely with each manager. Through the Annual Training Plan, IHARA performs an annual mapping of the training needs of its various areas, followed by monthly monitoring.
Management of water consumption	Material within the organization.	IHARA water consumption monitoring actions.	The management of water consumption is a topic widely discussed at IHARA. It is monitored and evaluated weekly by the Environment area, which reports results every month to the Top Management, with definitions of causes and actions for positive and / or negative results. The established target for the reduction of water consumption is 10% in relation to the previous year. This is measured in index, that is, total water abstracted (for use in utilities - consumptions subject to reduction actions) divided by the volume produced. According to the results, the Environment area, together with the Sustainability Committee, defines improvement projects, which are presented to the Senior Management to show the gains and obtain authorization for implementation.	The management of water consumption indicators is evaluated monthly by the Senior Management, in addition to being monitored and discussed every three months with the Sustainability Committee. Based on periodic measurements, causes and actions are defined to achieve established goals and continuous improvement.

GRI CONTENT INDEX

GRI 102-55

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GRI 102-3	Location of headquarters		6, 63
GRI 102-4	Location of operations		6
GRI 102-5	Ownership and legal form		6
GRI 102-6	Markets served		9
GRI 102-7	Scale of the organization		8, 29
GRI 102-8	Information on employees and other workers		36
GRI 102-9	Supply chain		44
GRI 102-10	Significant changes to the organization and its supply chain	In 2017 there were no changes regarding size and structure. The expansion of the Synthesis production plant was started and there was a great contracting of suppliers for the expansion.	
GRI 102-11	Precautionary Principle or approach		26
GRI 102-12	External initiatives	There are no initiatives in this regard.	
GRI 102-13	Membership of associations		15
STRATEGY			
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GRI 102-15	Key impacts, risks, and opportunities		4
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GRI 102-40	List of stakeholder groups		56, 57
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GRI 102-42	Identifying and selecting stakeholders		56
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REPORTING PRACTICE			
GRI 102-45	Entities included in the consolidated financial statements IHARA has no subsidiaries.		
GRI 102-46	Defining report content and topic Boundaries		56, 58
GRI 102-47	List of material topics		56, 57
GRI 102-48	Restatements of information	In 2017 there was no reformulation of information.	
GRI 102-49	Changes in reporting	In 2017 there was no reformulation of information.	
GRI 102-50	Reporting period		55
GRI 102-51	Date of most recent report		55
GRI 102-52	Reporting cycle		55
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GRI 102: GENERAL DISCLOSURES 2017

GRI Standards	Disclosure		Remarks	Page
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	GRI 103-2	The management approach and its components		58
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GRI 102: STRATEGY	GRI 102-14	Statement from senior decision-maker		4
	GRI 102-15	Key impacts, risks, and opportunities		4
GRI 102: ETHICS AND INTEGRITY	GRI 102-16	Values, principles, standards, and norms of behavior		12, 28
GRI 102: GOVERNANCE	GRI 102-18	Governance structure		25
GRI 201: ECONOMIC PERFORMANCE	GRI 201-1	Direct economic value generated and distributed		32
	GRI 201-2	Financial implications and other risks and opportunities due to climate change		26
	GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage		40
GRI 202: MARKET PRESENCE	GRI 202-2	Proportion of senior management hired from the local community	IHARA does not have an indicator for control and management of local employees. However, when opening an opportunity or vacancy, prioritizes the hiring of candidates who are from the city of Sorocaba and nearby regions. If no professionals are found compatible with the profiles required for the existing vacancies, the candidate is questioned about the feasibility of moving the residence.	
MANAGEMENT OF WATER CONSUMPTION				
GRI 103: MANAGEMENT APPROACH 2017	GRI 103-1	Explanation of the material topic and its Boundary		58
	GRI 103-2	The management approach and its components		58
	GRI 103-3	Evaluation of the management approach		58
GRI 303: WATER	GRI 303-1	Water withdrawal by source		50
	GRI 303-2	Water sources significantly affected by withdrawal of water	Regarding the availability of groundwater from water sources, no database was found to assess its significance.	
	GRI 303-3	Water recycled and reused		50
PROFESSIONAL DEVELOPMENT				
GRI 103: MANAGEMENT APPROACH 2017	GRI 103-1	Explanation of the material topic and its Boundary		58
	GRI 103-2	The management approach and its components		58
	GRI 103-3	Evaluation of the management approach		58
GRI 404: TRAINING AND EDUCATION	GRI 404-1	Average hours of training per year per employee		38, 39
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs		38
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews		39
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY	GRI 405-1	Diversity of governance bodies and employees		29
	GRI 405-2	Ratio of basic salary and remuneration of women to men		40

GRI Standards	Disclosure	Remarks	Page
SPECIFIC STANDARDS			
ECONOMIC STANDARDS			
GRI 205: ANTI-CORRUPTION	GRI 205-1	Operations assessed for risks related to corruption	IHARA has only one business unit in Sorocaba. The unit was subjected to risk assessments related to corruption, which obtained the following results: 1 - Process: Relationship with governmental / regulatory bodies 2 - Risk: Unethical behavior in relation to regulatory agencies in the product registration process. All identified corruption risks were classified as low risk, considering mainly the controls that are established in the company, in addition to not having identified any case on this topic. Based on the risks, policies on conduct in the negotiations were developed; Code of Conduct of the Manager, based on Law No. 12,846, of 2013; Policy of Conduct with Regulatory Bodies and Government. In addition, systemic controls and approval of payments to suppliers.
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GRI 304: BIODIVERSITY	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	53
GRI 305: EMISSIONS	GRI 305-1	Direct (Scope 1) GHG emissions	49
	GRI 305-2	Energy indirect (Scope 2) GHG emissions	49
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GRI 306: EFFLUENTS AND WASTE	GRI 306-1	Water discharge by quality and destination	50
	GRI 306-2	Waste by type and disposal method	51
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GRI 401: EMPLOYMENT	GRI 401-1	New employee hires and employee turnover	40, 41
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	40
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	42, 43

GRI Standards	Disclosure	Remarks	Page
GRI 408: CHILD LABOR	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	44
GRI 409: FORCED OR COMPULSORY LABOR	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	44
GRI 413: LOCAL COMMUNITIES	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	45
GRI 414: SUPPLIER SOCIAL ASSESSMENT	GRI 414-1	New suppliers that were screened using social criteria	44
GRI 416: CUSTOMER HEALTH AND SAFETY	GRI 416-1	Assessment of the health and safety impacts of product and service categories	16
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	16
GRI 417: MARKETING AND LABELING	GRI 417-1	Requirements for product and service information and labeling	20
GRI 419: SOCIOECONOMIC COMPLIANCE	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	There was no payment of fines related to non-compliance with laws and / or regulations in the social and economic areas in the year 2017.

CREDITS

GRI 102-3, GRI 102-53

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