

SUSTAINABILITY REPORT 2016

UNABRIDGED VERSION



Nitro Química

Solutions that simplify life



Summary

| | |
|-----------|--|
| 6 | FOREWORD |
| 7 | 2016 HEADLINES |
| 8 | STATEMENT FROM THE CEO |
| 10 | PROFILE |
| 11 | Our Company |
| 17 | About this report |
| 22 | Marketing overview |
| 24 | OUR STRATEGY |
| 30 | Financial performance |
| 33 | Governance |
| 34 | Risk & safety |
| 40 | SOCIAL AND ENVIRONMENTAL MANAGEMENT |
| 41 | Water |
| 43 | Emissions |
| 45 | Waste |
| 46 | Corporate social responsibility |
| 48 | OUR PEOPLE |
| 49 | Health |
| 51 | Development |
| 56 | GRI SUMMARY |

Foreword

Nitro Quimica is pleased to publish our first Annual and Sustainability Report

This Annual & Sustainability Report for the year 2016 is truly a milestone for our company. The report has been prepared in accordance with Global Reporting Initiative (GRI) guidelines, a best-practice framework for sustainability reporting. This important step demonstrates our commitment to our stakeholders and our accountability in demonstrating how we engage on issues surrounding sustainability.

In this report we present our key initiatives and achievements in 2016, as well as our strategy and operational, financial, social and environmental performance.



2016 Headlines G4-1

International expansion with the acquisition of US-based Alchemix Corporation

New regional office opened in Vienna, Austria



R\$ 60 million, one of the highest levels of investment spend in recent years, largely allocated to plant maintenance and expansion. 14% of total investment was allocated to research and development

5 new product launches

2 new patents pending

10% net revenue growth

Nitrocellulose solutions plant expansion to accommodate growing demand over the coming years and new portfolio additions

10% energy savings at nitrocellulose plant

Message from the CEO

Solutions that simplify life

2016 was a year of high achievement for Nitro Química. We invested R\$ 60 million in the year, with 70% allocated to plant expansion and upgrades. These investments, the highest in recent years, were despite the challenging economic environment in Brazil and further delivered on our commitment to developing solutions that make life simpler for customers.

Customer focus is at the heart of our strategy. We strive to work closely with our customers to ensure our products and services are a perfect fit for their needs. As part of this, we have recently established a number of business units and offices outside Brazil to cater to our export customers in more than 70 countries on all continents.

In 2016, our journey to internationalization began with the acquisition of Alchemix Corporation, North America's leading producer of nitrocellulose-based solutions for flexible packaging, cosmetics, automotive refinishing coatings – and

importantly, pharmaceutical and dermatological products. The Atlanta-based company will further expand our product portfolio and strengthen our presence in a key region for our business. We have also opened a regional office in Austria to serve the European, Middle East and Asian markets. Our international expansion will continue in the coming years with further operations and service offices in key consumer markets.

We have also worked closely with our customers to further develop and expand our product portfolio, which has grown from industrial grade nitrocellulose in cotton form into a complete range of chemical solutions and systems formulated from – biorenewable – nitrocellulose. Our new product ranges have been developed as a collective effort of our sales teams – who work closely with customers to understand their needs – and our research, development and technical support departments, where industry specialists work to develop best-in-class solutions. These solutions have helped our customers improve efficiency and competitiveness by reducing process steps, while also providing us the benefits of new market access and a value-added product and service offering. Our R&D efforts and investments have continued to grow. Investments in 2016 accounted for 14% of our CAPEX. This was

“In 2017 we hope to set a new investment record and will continue on our journey of responsible growth.”



achieved in a highly challenging year in which most companies in every industry tightened their investment spend due to the extended economic crisis in Brazil. Our strategy has proven to be successful, delivering net revenue growth of more than 10% and generating 50 new job opportunities in Brazil, the US and Austria.

In 2017 we hope to set a new investment record and will continue on our journey of responsible growth. Safety is a fundamental pillar in our management approach, and safety awareness is disseminated company-wide. Nitro Química's Safety Committee and its nine subcommittees provide safety coordination at all levels of the organization, from occupational health and safety to transportation safety.

We recognize our responsibility to our communities in Sao Miguel Paulista, East Sao Paulo, Brazil, where our headquarters has been since 1935 and where approximately 70% of our employees live. We continuously engage with community leaders and government agencies around our policies and initiatives on safety, accident prevention and social and environmental responsibility.

Our achievements and accomplishments in 2016 are described in detail in this, our first, Annual and Sustainability Report. We hope through this report to share with our stakeholders, and especially our customers, the strength of our business and our commitment to working closely with our customers to deliver increasing efficiencies and high-quality, sustainable products and solutions that make life simpler.

Marcos Cruz
CEO, Nitro Química

PROFILE



Our company G4-3, G4-5, G4-11

DEDICATED TO CUSTOMERS

We provide solutions to the flexible packaging, cosmetics and industrial coating segments

Our headquarters are located in the Sao Paulo district of Sao Miguel Paulista, home to 70% of our employees. Nitro Química is committed to social and environmental sustainability as a requirement given the nature of our operations. We engage with regulatory agencies and communities to discuss issues such as health, safety and the environment. Our social and environmental policies conform, and were certified in 2016, to the Responsible Care Management Framework developed by the Brazilian Chemical Industry Association (ABIQUIM) (read more about the program on page 38).

Nitro Química is a Brazilian-based, privately held, globally leading provider of nitrocellulose-based chemical specialties. We have recently experienced strong expansion in both local and global markets, growing our presence and enhancing our service to the markets where we operate.

Operating out of Brazil, the US and Austria, we export to more than 70 countries on all continents, offering chemical solutions that improve people's lives and our customers' business performance. We primarily supply to the flexible packaging, cosmetics, pharmaceutical, wood coatings, automotive refinishing and leather segments.

In recent years we have delivered strong financial results and consistent annual revenue growth of over 10%. This growth has benefited our employees directly through new professional opportunities, investment in training and development, and workforce expansion of more than 25% in the last 5 years.

70+
countries purchase Nitro
Química products and
solutions that improve
people's lives

We market products
to more than 70 countries
on all continents

OUR GUIDING PRINCIPLES G4-5,6

VISION

To be recognized as a leader in management and efficiency, training and development. To be a globally leading provider of nitrocellulose solutions and expand nitrocellulose applications, while focusing on safety, health, the environment and renewable sourcing.

VALUES

Customers

Our success hinges directly on our ability to deliver products and services that will help our customers achieve and exceed their objectives.

Health, Safety & Environment

We believe that every accident is preventable and work to implement international best practice in safety and environmental management.

Our Way

Our team runs our business with responsibility, a sense of ownership and a focus on growth and profitability.

People

We hire, develop and retain people who are better than us, highly motivated and capable of making a difference for the Company's and Brazil's future. We lead by example in an open environment that fosters learning and growth.

Results

We thrive on exceeding our goals and recognize they can always be taken to the next level, and that improving efficiency and cost performance is a continuing effort. Our rewards are based on merit and ownership.

OUR PRESENCE G4-5, G4-6



Brazil
Sao Paulo (SP) – Head Office,
Manufacturing Sites and Research and
Development Center.



US
Atlanta, GA – Alchemix –
Manufacturing Plant and Research &
Development Center

Two distribution centers:
Atlanta - GA
New Jersey - NJ



Europe
Vienna (Austria) – regional offices

Distribution centers:
Le Havre (France)
Rotterdam (The Netherlands)
Tavazzano (Italy)

PORTFOLIO G4-4

Nitro Quimica's flagship product is nitrocellulose, a resin used in the manufacture of paints and varnishes. Nitrocellulose has high sustainability value as a product deriving from cellulose, a substance derived from either wood or cotton linter, both of which are renewable raw materials. Originally a supplier of nitrocellulose in cotton form, since 2013 the Company has intensified investments in research and development to continue to meet customer's evolving needs and diversify our portfolio to include higher engineered products. Learn about our product ranges below:

NQ COTTON

The NQ COTTON range spans our entire portfolio of industrial-grade nitrocellulose in cotton form, with a variety of viscosity and nitrogen content options. NQ COTTON can be damped in isopropanol or ethanol. Our ethanol-damped nitrocellulose product has set the standard for sustainability in the coatings market with its biorenewable materials content of up to 80%.

NQ SOLVE

The NQ SOLVE range of nitrocellulose-based solutions can be fully customized to customer needs and the application. By choosing NQ SOLVE, customers eliminate the cotton nitrocellulose dissolution step and can focus their efforts on what they do best: formulating and manufacturing coatings.

NQ SYSTEM

Developed for coatings manufacturers, the NQ SYSTEM range offers plasticized nitrocellulose solutions tailored to the needs of each customer. The NQ SYSTEM range allows one-step formulation of concentrated bases and varnishes.



NQ SYSTEM+

NQ SYSTEM+ offers complete chemical systems of nitrocellulose, solvents, plasticizers and supplementary resins developed for each application. It improves productivity by eliminating multiple process steps in the manufacture of coatings.

NQ PRISMA

Nitro Quimica's premium product range, with best-in-class performance in terms of optical properties, viscosity and water content. This range spans all product categories: NQ PRISMA COTTON, NQ PRISMA SOLVE, NQ PRISMA SYSTEM and NQ PRISMA SYSTEM +.

Ácido Sulfúrico

An industrial-grade product supplied to the local pulp and paper, sugar and ethanol, sulfates, fertilizers and chemicals industries.

NEW PRODUCT LAUNCHES IN 2016

Five new products were launched and by year-end had reached a revenue share of slightly more than 10%.

NQ PRISMA SYSTEM + 2000 SERIES

Intermediate varnishes for nail polish formulations, containing nitrocellulose, supplementary resin, plasticizer and solvents. This product range delivers significant productivity improvements.

NQ PRISMA SYSTEM + 2100 SERIES

Intermediate varnishes for nail polish formulations, containing nitrocellulose, solvents and supplementary resin. This product range is produced with hypoallergenic components such as ATBC and acrylic resin.

NQ PRISMA SYSTEM 2000 SERIES

Also developed for the cosmetics segment, the NQ PRISMA SYSTEM 2000 range comprises intermediate bases produced by dissolution of plasticized nitrocellulose in the primary solvents used in this segment. The products in this range allow customers to formulate varnishes and pigment bases for nail polishes in a one-step process.

A CONTINUING DRIVE FOR INNOVATION AND IMPROVEMENT

In 1935, two visionary entrepreneurs – Wolf Klabin and Jose Ermirio de Moraes – co-founded Companhia Nitro Quimica Brasileira, Brazil’s first chemical company. The project went from idea to startup ceremony – with the then president Getúlio Vargas in attendance – in only five years, during a period of social and political turmoil. With many products in short supply during World War II, Nitro Quimica grew and expanded its portfolio to become the largest wholly Brazilian-owned chemical company in the country.

Beginning in 1955, further diversification was achieved through the construction of dedicated manufacturing sites for carbon disulfide, viscose flakes, caustic soda and derivative products, sulfuric acid, viscose yarn for tires, and cotton linter cellulose.

NQ SYSTEM + 4000 SERIES

Semi-finished chemical systems formulated by dissolution of nitrocellulose and supplementary resins in the primary solvents used in the wood coatings segment.

NQ ACQUASYS 6000 SERIES

An example of Nitro Quimica’s efforts to develop sustainable products, NQ ACQUASYS comprises a range of water-based chemical systems used in formulating water-based-varnishes for intermediate and topcoats for leather treatment.

A company reorganization fifteen years later provided the economic strength and expanded capabilities needed to serve both local and global markets. At a time when computers were just beginning to find their way into industry, Nitro Quimica built its first data center and implemented its Quality Program. Under the Company’s new human resources policy, managers were well aware of the importance of a good academic background and valued employee development, competencies and dedication.

With environmental stewardship and social responsibility already high on the company’s agenda for more than 25 years, Nitro Quimica undertook extensive investment, developing the most modern nitrocellulose plant in the world.

The Company continued to innovate in the 2000s, developing a new plant to build the production capacity needed to meet growing global demand for nitrocellulose.

In 2011, Faro Group acquired 100% ownership of Nitro Quimica and, three years later, the company developed a new nitrocellulose-based solutions plant to provide customized products to customers.

Internationalization was a significant milestone for the Company in 2016. To build a closer presence to customers in the different regions where we

operate, Nitro Quimica set up a new regional office in Vienna, Austria during the year. The Company also acquired Alchemix, a producer of nitrocellulose-based solutions based in Atlanta.

In addition to growing our international presence, the year also saw an increased focus on innovation and portfolio expansion, including investment in our Research and Development Center, manufacturing facilities and new product launches that will continue to support our sustainable growth.

Employees G4-10

We continually invest in the development of our employees

Nitro Quimica ended 2016 with a workforce of 885 people at our headquarters site in Sao Paulo. All employees, except third-party employees and apprentices, work full time. We are supported by 386 third-party employees at our operations, of which less than 5% are freelance workers. Our workforce is subject to seasonal fluctuation during the maintenance turnaround of the sulfuric acid plant, when approximately 150 third-party workers are typically employed over a period of 45 days.

Workforce/total employees

| |  MEN |  WOMEN |
|------------------------|--|--|
| 2016 | | |
| Total employees | 421 | 78 |
| Contractors | 339 | 47 |
| Total workforce | 760 | 125 |

Total workforce by functional level and gender

| | Men | Women |
|----------------------|------------|-------|
| Board | 2 | 0 |
| Top Management | 9 | 0 |
| Middle Management | 15 | 4 |
| Leader/coordinator | 10 | 4 |
| Technical/supervisor | 39 | 3 |
| Administrative | 53 | 39 |
| Operational | 277 | 14 |
| Trainees | 3 | 5 |
| Third-party | 339 | 47 |
| Apprentices | 3 | 4 |
| Interns | 10 | 5 |
| Total by gender | 760 | 125 |
| Total | 885 | |

Total workforce by employment contract - 2016

| | Men | Women |
|-----------------|------------|-------|
| Definite term | 355 | 61 |
| Indefinite term | 405 | 64 |
| Total by gender | 760 | 125 |
| Total | 885 | |

We invest in our workforce as an imperative

AMONG BRAZIL'S 1000 LARGEST COMPANIES (VALOR ECONÔMICO)

Nitro Quimica ranked prominently in the 2016 edition of *Valor Econômico's* annual list of the 1000 largest companies in Brazil, *Valor 1000*. The list is developed based on criteria that include consolidated financial statements, gross revenue and strategic items for business growth.

Widely recognized by executives and entrepreneurs, the publication provides a review of 25 industries in Brazil, the 1000 largest companies country-wide, the 50 largest by region, the 100 largest banks and the 250 largest holding companies.

The final ranking is the result of detailed studies conducted by Fundação Getulio Vargas and reviewed by Serasa Experian.

Nitro Quimica has consistently made the list in recent years and in 2016 ranked fourth in the "Chemicals & Petrochemicals" segment.

A leading position among Brazil's 1,000 largest companies

About this report

G4-18

We have used a systematic approach to identifying issues that are relevant to our sustainability management for the first time in developing this report. This set of relevant issues has been identified using the materiality principle to develop content that is relevant to and meets the expectations of our stakeholders. A materiality exercise is part of the reporting framework established by the Global Reporting Initiative (GRI), a recognized authority in sustainability reporting. This report is in accordance with the Core option of the G4 GRI guidelines, which a focus on identified material issues. **G4-32**

Nitro Quimica began monitoring and reporting on our sustainability indicators using this methodology from 2016. In addition to providing a snapshot of each aspect based on monitored disclosures, we can also establish goals for each metric and translate them into actions to improve our sustainability management. The data presented in this report is for our Brazilian operations. Over the coming years we will additionally report on our US-based acquisition, Alchemix. **G4-17**

The decision to publish our Annual and Sustainability Report is part of an effort to further our communications and dialog with stakeholders.

The materiality process was initiated in 2016 with the identification and definition of our internal and external stakeholders. Issues that are material to the company and our industry were then identified from a collection of Company, industry and sustainability documentation.

After identifying 22 key issues, a stakeholder survey was conducted using on-line forms and in person and telephone interviews. Employees, suppliers, distributors and customers as well as community members and an industry association were invited to participate in this preliminary process. Interviews were also held with the CEO and company executives. Ten issues were deemed most relevant in the stakeholder survey and were validated by top management as material issues. **G4-24, G4-26**

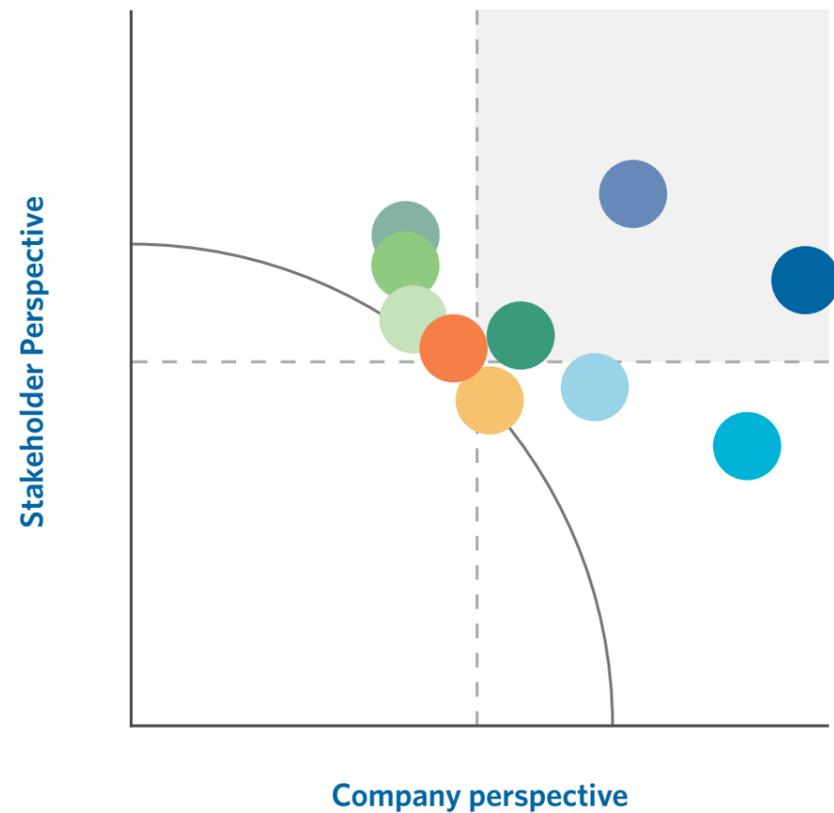
Stakeholder map G4-25

A workshop with key management personnel identified and prioritized Nitro Quimica's stakeholder groups



MATERIALITY MATRIX G4-19, G4-27

Nitro Quimica has developed a materiality matrix out of identified material issues, containing five strategic pillars spanning 10 material issues:



INNOVATION
● Product and process innovation

ENVIRONMENT
● Controlling emissions
● Water management
● Waste management

PEOPLE
● Developing human capital

SAFETY
● Process and operations safety
● Employee health and safety
● Community health and safety risks

COMMUNITIES
● Stakeholder engagement
● Local development

Disclosures by material topic

G4-20, G4-21

Nitro Quimica has developed a materiality matrix out of identified material issues

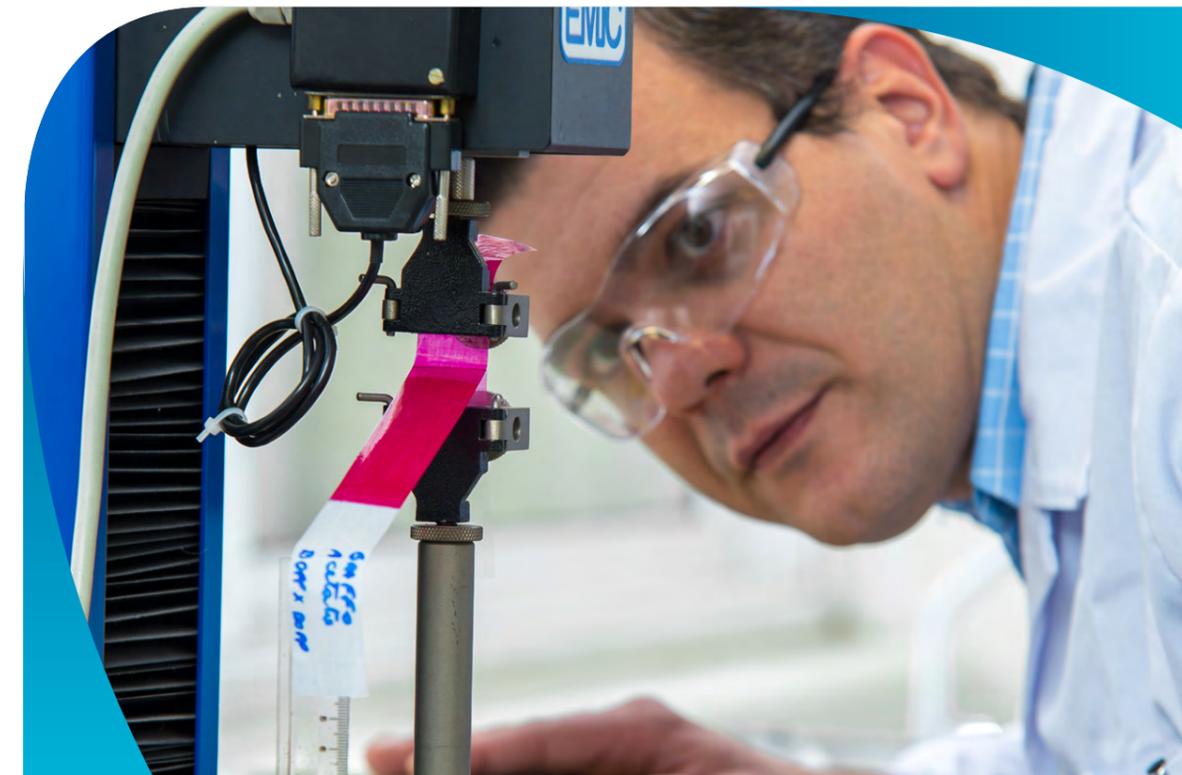
| MATERIAL ISSUE | GRI ASPECTS AND DISCLOSURES | WHERE THEY OCCUR (affected stakeholders) |
|---|--|--|
| Product and process innovation (research and development of safer chemicals, solvents and auxiliary substances) | Economic performance G4-EC1: statement of added value (EVG&D)* | Within and outside the organization (employees; universities, customers and partners) |
| Process and operations safety (incident, spill and fire prevention at our plants and distributors and during product transportation) | Customer health and safety G4-PR1: Percentage of product categories for which health and safety impacts are assessed for improvement G4-PR2: Total number of incidents of non-compliance concerning the health and safety impacts of products during their life cycle Effluents and waste G4-EN24: Total number and volume of significant spills | Within and outside the organization (employees and third-party workers; community and suppliers) |
| Employee health and safety (exposure to chemicals, handling hazardous and flammable products; medical management) | Health & safety G4-LA6: Rates of injury, occupational diseases, and absenteeism G4-LA7: Rates of occupational disease G4-LA16: Number of grievances about labor practices | Within and outside the organization (employees and third-party workers; community) |
| Community health and safety risks (liability in the event of a toxic release, loss of operational control or fire; community engagement) | Local communities G4-SO2: Operations with significant actual or potential negative impacts on local communities | Within and outside the organization (employees and third-party workers; community) |
| Stakeholder engagement (including transparent communication and grievance management) | Grievance and complaints mechanisms related to impacts on society G4-SO11: Number of grievances about environmental impacts | Outside the organization (industry associations, community, government and press) |

*This disclosure was not addressed in this initial reporting cycle and has been included as an opportunity for improvement in the following years.

| MATERIAL ISSUE | GRI ASPECTS AND DISCLOSURES | WHERE THEY OCCUR (affected stakeholders) |
|--|---|--|
| Local development (community relations and programs) | <p>Significant indirect economic impacts, including the extent of impacts G4-EC8: Significant indirect economic impacts</p> <p>Procurement practices G4-EC9: Proportion of spending on locally-based suppliers at significant locations of operation</p> | Outside the organization (community, suppliers and government) |
| Emissions control (releases of gases and volatile organic compounds [VOC] and carbon capture) | <p>Emissions G4-EN15: Indirect greenhouse gas (GHG) emissions (Scope 1) G4-EN16: Energy indirect greenhouse gas (GHG) emissions (Scope 2) G4-EN17: Other indirect greenhouse gas (GHG) emissions (Scope 3) G4-EN20: Emissions of ozone-depleting substances (ODS) G4-EN21: NO_x, SO_x, and other significant air emissions</p> | Within and outside the organization (employees; community and government) |
| Water management (water usage efficiency and reuse) | <p>Water G4-EN8: Total water withdrawal by source G4-EN10: Percentage and total volume of water recycled and reused</p> <p>Effluents and waste G4-EN22: Total water discharge by quality and destination</p> | Within and outside the organization (employees; community, customers and government) |
| Waste management (waste recycling, treatment and proper disposal) | <p>Effluents and waste G4-EN23: Total weight of waste by type and disposal method G4-EN25: Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention</p> | Within and outside the organization (employees; community and government) |

| MATERIAL ISSUE | GRI ASPECTS AND DISCLOSURES | WHERE THEY OCCUR (affected stakeholders) |
|--|--|--|
| Development of human capital (training and education) | <p>Employment G4-LA1: Rates of new employee hires and employee turnover G4-LA2: Benefits provided to full-time and temporary employees</p> <p>Training and education G4-LA9: Average hours of training G4-LA11: Percentage of employees that regularly undergo performance and career development analyses</p> | Within the organization (employees) |
| | <p>Market presence G4-EC5: Variance between the lowest wage compared to the local minimum wage</p> | |

Any suggestions or questions about the topics addressed in this report can be submitted by e-mail to sustentabilidade@nitroquimica.com.br





Nitro Química Brazil

Market Overview

Nitro Química has experienced strong growth both in Brazil and globally

Nitro Química is a Brazilian multinational company currently experiencing strong expansion both in Brazil and globally. We supply nitrocellulose products to customers in more than 70 countries on all continents and have operations in Brazil, the US and Austria.

We are a globally leading producer of chemical specialties for nitrocellulose-based formulations. Our company is Brazilian-owned and has a robust corporate governance framework, including a Board of Directors comprising leading executives and entrepreneurs who apply industry best practice in the day-to-day management of the business.

Our recent R&D pipeline has developed a range of new products that significantly reduce operational complexity for customers in a variety of segments,

including flexible packaging, cosmetics, pharmaceuticals, and wood, leather and automotive refinishing coatings.

The acquisition of US-based Alchemix has added to our portfolio of systems for the pharmaceutical and dermatological segments. Beginning in 2017, part of our nitrocellulose-based solutions portfolio will be produced at Alchemix for US customers.

OUR CUSTOMERS' INDUSTRIES G4-8

Nitrocellulose and nitrocellulose solutions are widely used in the manufacture of coatings in various segments, including cosmetics, pharmaceuticals, flexible packaging and wood processing. Our products offer the unique properties needed for each application, while also providing the end product with a more sustainable formulation, one of our key differentiators.

Cosmetics

The nail polish market accounts for the bulk of our cosmetics business and is forecast to outgrow other beauty segments in Brazil through to 2019, according to global industrial research firm Technavio. It is a highly dynamic market with a large variety of products differing in both color and texture. Product differentiators can include, for example, allergen-free nail polishes for certain applications. These products require the use of high purity, non-toxic raw materials providing good durability and uniformity following application, with no alterations in color and gloss. These combined properties are dependent on the quality of the nitrocellulose feedstock.

Our nitrocellulose and other portfolio products are used by the leading global players in this segment. In 2016 we invested substantially in developing new products for this segment and improving our production processes through a newly implemented best-practice program based on the requirements of the beauty segment. This program will continue into 2017.

Flexible packaging

Nitrocellulose is a key component in flexo and gravure ink performance properties such as good adhesion, fast drying speed and pigment dispersion.

Responding to the dynamics and challenges of this segment, in recent years we have expanded our product portfolio and pipeline to support our customers in achieving productivity and superior ink and varnish performance.

Wood processing

Due to the cellular structure of the substrate, wood surface treatment products need to be formulated with raw materials possessing unique technical qualities. In addition to enhancing the natural grain of the wood surface a high-quality varnish should accommodate the naturally occurring contraction and expansion with changes in temperature and air humidity, especially where a wood structure is exposed to the elements. Furniture and interior woodwork applications, in turn, require non-toxic and odorless products. Nitro Química's nitrocellulose-based products are specially formulated to deliver these properties.

Automotive refinishing

Predating the automotive assembly line, nitrocellulose has developed with technological progress in automated refinishing, and is used in a number of stages of the body repair process, from body fillers through primers to enamels. Nitrocellulose can be used to formulate coatings with high solids content and quick drying speeds.

Leather

Nitrocellulose is used to produce fast-drying top coats that impart a high-gloss finish while maintaining the natural aspects of leather surfaces.

Pharmaceuticals

Nitrocellulose is used in liquid dressings and dermatological products. Products for this market are currently supplied by US-based Alchemix and therefore conform to the technical requirements established by the US Food and Drug Administration (FDA) for cosmetics and other products.

We work to build close collaboration with our customers

OUR STRATEGY



Our newly launched slogan, “Solutions that make life simpler” expresses our growth strategy, which builds on our original portfolio of nitrocellulose products through product differentiation, portfolio expansion and greater proximity to customers. Our commercial, marketing, innovation and other departments have worked together to understand business challenges facing our customers in every segment and delivering solutions that improve productivity and product quality

Internationalization

As part of our expansion strategy, we have recently taken our first steps on our journey to internationalization. To better serve our customer base in more than 70 countries on all continents, we concluded our first international acquisition in 2016. **Alchemix**, a US-based producer of nitrocellulose-based solutions, is now a Nitro Quimica Group company. Located in Atlanta, Georgia, Alchemix supplies products to the pharmaceutical and dermatological product segments, adding to our capabilities. Besides resins, our US division also supplies sulfuric acid used in the manufacture of batteries for generators and heavy machinery.

Our new US manufacturing site will allow us to extend our local portfolio to the US market. Customers currently sourcing from Alchemix will now have access to additional product and service offerings and Alchemix can now develop additional accounts with an expanded product portfolio. As a logistics strategy, the Company has allocated space at two distribution centers in Atlanta, GA and New Jersey, NJ.

We also expanded our European operations in 2016 with a new regional office in Vienna, Austria. The new office provides a closer presence to customers in Europe as well as the Middle East and Asia. We also have allocated space under contract

with three important distribution centers in Le Havre (France), Rotterdam (The Netherlands) and Tavazzano (Italy).

Total investment in 2016 was R\$ 60 million and we have medium-term plans to continue our international expansion, building a presence in key consumer regions and closer relations with our international customers.

R\$ 60 million
One of the highest levels of company
investment



Customer orientation

Nitro Quimica is committed to working closely and collaboratively with our customers

We use a systematic approach to understand our customers' requirements and translate them into business opportunities and new, tailored products and services that cut through operational complexity. New product formulations in the chemicals industry can require considerable R&D effort.

In 2016, we invested 14% of our CAPEX in R&D, a new record. Investment spend was allocated to developing new technologies and products and hiring researchers for our Research Center. This has made our New Product Development process more

disruptive, connected to the market and integrated with other functions across the company. All levels of the organization now work closely with R&D staff from idea to go-to-market (see page 28 for further information on New Product Development). An Innovation Committee was also created towards the end of 2015 and began functioning in early 2016. The Committee will play a more strategic role throughout 2017 in coordinating NPD.

Five new product categories were launched throughout 2016 (learn more on page 13) and Nitro

Quimica's new portfolio has been incorporated into new product ranges and brands that reflect the Company's strategy more effectively. In 2016, these new products achieved a revenue share of just over 10%.

PRODUCTS WITH SUSTAINABLE ATTRIBUTES

Among the resins used in the coatings market, nitrocellulose is by nature a renewable and biodegradable substance as it is derived from cellulose, a natural raw material. The industrial-grade nitrocellulose produced globally has an average of 50% biorenewable content, while Nitro Quimica produces nitrocellulose that is up to 80% biorenewable. This is because our resin is developed from sugarcane ethanol, which is itself a renewable raw material. The Company has continued to invest across all product ranges and in our internal processes to achieve continued disruption in environmental attributes.

We have also made important progress in the use of cellulose as a raw material. While cellulose from pine wood is typically used in the industry to produce nitrocellulose, Nitro Quimica has progressively replaced pine wood with eucalyptus as a raw material. This has required technology and process changes while maintaining high standards of product quality. The upgrades have paid both environmental and strategic dividends, as eucalyptus wood is both highly available in Brazil and derives from reforestation.

Environmental awareness permeates our R&D efforts - all products in our New Product Development pipeline undergo environmental assessments at each stage of the process. In addition to water-based formulations, our researchers are also developing organic solvents using more sustainable components. Every stage of product development is monitored by environmental specialists to mitigate any impact.

COMPREHENSIVE TECHNICAL SUPPORT

Customer service is provided not only by our sales team, but every Company department understands its responsibility to customers and the need to work on a daily basis to provide high-quality solutions. We offer our customers an enhanced technical support experience that goes from understanding customers' evolving requirements and developing solutions that address them, to advice and best practice recommendations on the use of our products.

As another differentiator demonstrating our commitment to customers is the access we provide to our unique subject-matter expertise in areas such as exports, drawing from our experience of supplying products to more than 70 countries. For customers looking to operate in foreign markets, we provide trusted advice on legal and safety issues and compliance with Brazilian and foreign legislation.

80%
Renewable content in ethanol

70
Countries import our products

An innovative culture

Established in 2015, our Innovation Committee works continually to foster a culture of innovation. One of the Committee's first programs, called Innovation Leads, encourages and rewards employees who generate new product and process improvement ideas.

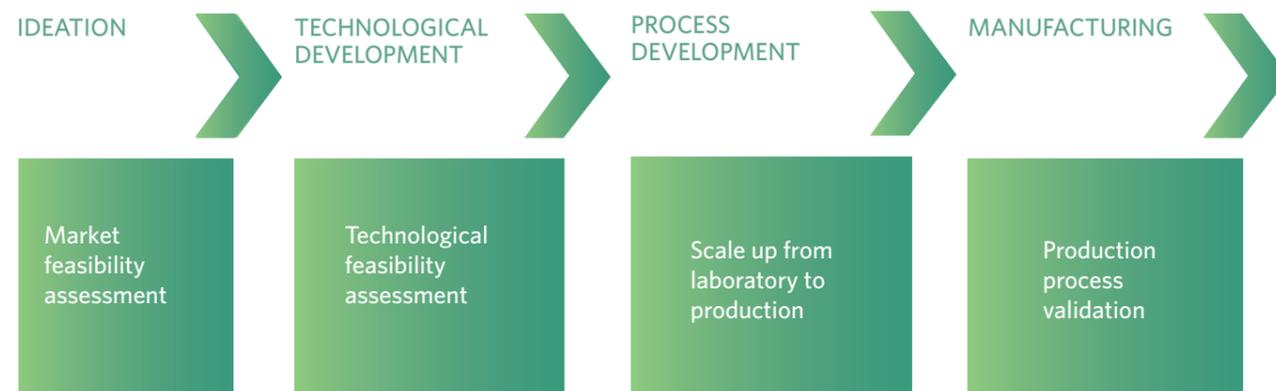
Nitro Quimica elicited more than 100 process improvement and product leads in 2016, of which 19 were under study, 9 in progress and 23 completed at year-end. One implemented lead improved our product label printing process. Product labels are now printed on an application-specific printer without requiring outsourced printing services. This has generated cost savings and helped to minimize printing waste, as any layout changes previously

meant that all labels in stock had to be disposed of and replaced with new labels. Other leads are currently under study.

Beginning in 2017, new product leads will be processed through the NPD workflow of ideation, technology and process development, manufacturing and go to market, as shown in the graph below.

Process improvement leads generated by employees will continue to be handled by the Innovation Committee. The next step of implementation will be handled directly by the relevant department. The Innovation Committee's successes in recent years led to the creation of Inova Nitro, expanding the Committee's scope of activity. Improvement leads will now be handled by the Management team.

LEADS



Nitro Quimica's R&D function also works with universities and research organizations to develop technology and innovation projects. The Company is currently working with the Federal University of Santa Catarina (UFSC) on the development of analytical methods for nitrocellulose. We have also collaborated with Instituto Senai de Inovação in

developing new sustainable products. Other universities and research centers in Brazil, Latin America, North America and Europe have been approached or concluded contracts for technical cooperation.

Investment

Nitro Quimica set a new record of investment in 2016 despite Brazil's challenging economic environment

We allocated R\$ 60 million to R&D, plant expansion and upgrades, sustaining capital and health, safety and environmental performance.

Substantial investment was also made in building our team, including 50 new hires in 2016 for our Brazil operations as well as investment in training and development programs aligned with employees' individual development plans.

OPERATIONS AND PERFORMANCE IMPROVEMENTS

Every two years, our sulfuric acid plant conducts a preventive maintenance turnaround to ensure the integrity of our assets. In 2016, the plant was shut down for a turnaround lasting 30 days. This can typically lead to added CO_x emissions generated during shutdown and startup. However, emissions levels were lower than expected thanks to the team's efforts during plant startup. As a result, the plant achieved its highest availability levels in the last 10 years (see the chapter Social and environmental management for more information about emissions). These positive results provide good prospects for the next turnaround in 2017, with a planned duration of 40 days, and the scheduled shutdown in 2018 to implement a new converter technology that will increase productivity by 20% and reduce SO_x emissions.

The nitrocellulose plant, which was originally built to operate using cotton linter as a feedstock, has been upgraded so it can also operate on wood- and especially eucalyptus-based cellulose. This will both enhance our carbon footprint and further diversify our sources of raw materials, as both pine timber and cotton linter are imported from overseas markets. In 2017 we will continue our transition to wood-based cellulose adoption, keeping the weight

75%
overall plant efficiency

of raw materials in our costs at more competitive and sustainable levels.

A centrifuge at the nitrocellulose plant will also be replaced with a more efficient and economical model in 2017, further improving plant performance.

Productivity improvements have also been implemented at our nitrocellulose solutions plants, where nitrocellulose-based products our custom-crafted to meet customers' unique industry requirements. In 2016, the plant produced approximately 600 metric tons per month for customers across a range of segments and regions. In 2017, plant capacity will be expanded to more than 1,000 metric tons per month by year-end to accommodate growing demand over the coming years and new additions to our product portfolio in recent years. With the added capacity, nitrocellulose solutions will increase in revenue share.

In addition to expanded volume capacity, overall plant efficiency is another indicator that has improved. Overall plant efficiency in 2016 was 75%.

We also installed new chlorine dispensing systems at our water treatment plants in 2016. This improvement was especially designed to mitigate risks to surrounding communities in the event of a spill, as required by Convention 174 (Prevention of Major Industrial Accidents Convention) of the International Labor Organization.

Financial performance

The year ended 2016 saw strong financial performance. Net revenue rose by 10% over 2015. Total investment in the year, was R\$ 60 million, of which approximately 14% was allocated to Research &

Development. Our statement of financial position for 2016 has been audited by KPMG Auditores Independentes.

Financial results (in R\$)

| Net revenue | |
|-------------|----------------|
| 2015 | 486,763,000.00 |
| 2016 | 551,264,000.00 |
| Change | 10% |

G4-EC4 Financial assistance received from government

Our R&D department received innovation tax incentives and grants totaling R\$ 3.86 million in 2016.

We have also received tax incentives through *Lei do Bem*, including funding from FINEP (Financiadora de Estudos e Projetos), a government agency.

Financial assistance received from government (R\$ thousand)

| | 2014 | 2015 | 2016 |
|--|---------------------|---------------------|---------------------|
| Tax incentives and tax credits | 1,005,954 | 1,041,832 | 2,051,172 |
| Subsidies | 0 | 0 | 0 |
| Investment, research and development and other relevant grants | - | 8,477,649.44 | 1,814,496.46 |
| Total amount | 1,005,953.84 | 9,519,481.71 | 3,865,668.46 |



Number of R&D projects

| 2014 | 2015 | 2016 |
|------|------|------|
| 16 | 20 | 24 |

Patents:

2014: NQ PURCELL
2015: NQ ACQUASYS
2016: NQ SOLIDSYS and ACQUASYS Imobiliária

Projects monetized:

2014: NQ SYSTEM 6000, NQ SOLVE;
2015: NQ SOLVE, NQ SYSTEM 1000, NQ SYSTEM 3000
2016: NQ PRISMA SYSTEM + 2000, NQ PRISMA SYSTEM 2000, NQ PRISMA SYSTEM+ 2100, NQ SYSTEM+ 4000

Customer satisfaction survey

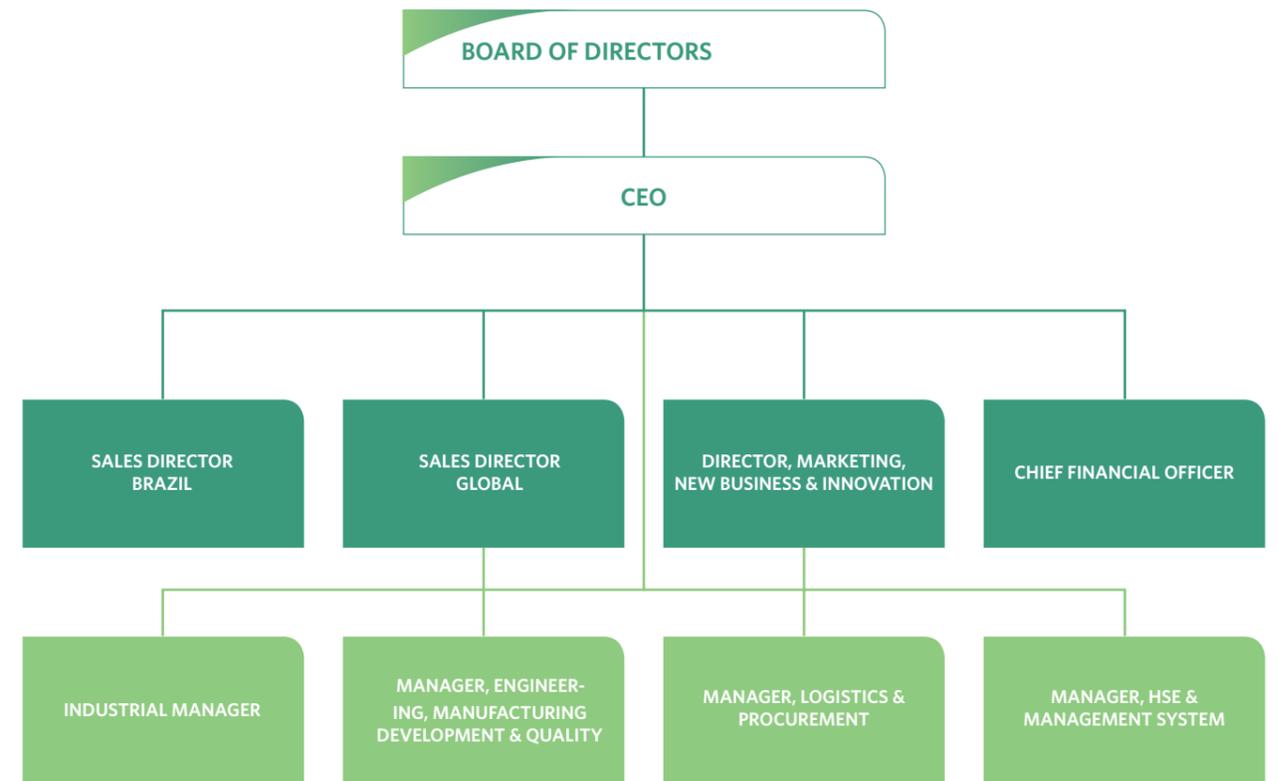
In 2016, Nitro Quimica conducted its first customer satisfaction survey using the NPS Net Promoter Score (NPS), a methodology used by leading organizations in Brazil and globally. Customers answer the question: "On a scale of 0 to 10, how likely are you to recommend our company?". Based on the scores given, a calculation is made to rate customers' perception of the company. Nitro Quimica obtained an NPS score of 41 in the survey (on a scale of -100 to 100). This denotes that our customers recognize the value created by our products and services and see us as strategic partners for their business.

Governance ^{G4-7}

Nitro Quimica is a Brazilian-owned, privately held company

Nitro Quimica has been held by Faro Capital Group, an investor-owned holding company, since 2011. Our highest decision-making body is our Board of Directors, comprising five members including shareholders and independent directors. Our annual financial statements are audited by internationally recognized auditors.

ORGANIZATIONAL STRUCTURE ^{G4-34}



The CEO, our highest executive position, reports directly to the Board of Directors and is reported to by four officers and four managers.

A Financial committee meets regularly with top management and majority shareholders to discuss matters of interest to Nitro Quimica.

Two other committees operate under our senior leadership: a Safety committee and an Innovation committee. The Safety Committee has nine sub-committees (learn more about the subcommittees on page 35). The Innovation Committee was implemented at year-end 2015 and reports directly to the Marketing, New Business and Innovation Director. It gained greater strategic importance in 2017 with its mission of developing a culture of innovation within the Company and building our product pipeline.

In 2016 we revisited our risk map

ETHICS AS A PRINCIPLE

Nitro Quimica issued a Code of Business Conduct in 2012, providing guidance on the ethical and business conduct expected of employees. The Code explains the Company's approach to dealings with all stakeholders, including communities, government and the media.

Identifying and monitoring risks, and implementing action to ensure operational safety, is an integral part of our day-to-day operations. In 2016, we implemented a Business Continuity Plan and continued our Process Risk Analysis process. The Company uses hazard and operability (HAZOP) studies to identify hazards with the potential to cause accidents or incidents. Information about risks and hazards is shared with all employees. Gas releases and fire hazards are, in general, the primary aspects addressed by the Company, especially in relation to the Water Treatment Plant chlorination system and nitrocellulose and sulphuric acid handling.

Working with independent consultants, in 2016 Nitro Quimica also conducted a comprehensive survey of major risks to business continuity, such as dependence on a single port for product exports and single suppliers for certain raw materials.

All potential risks - from process to business risks - are monitored and initiatives are developed by our Safety Committee and subcommittees to address each of these risks.

Risks & safety

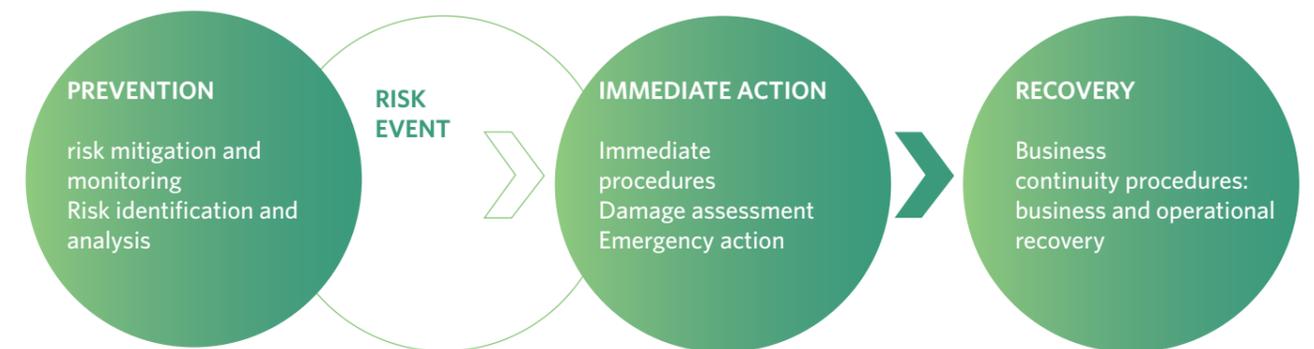
G4-PR1, G4-SO2

We recognize our responsibility as a company

As a chemicals manufacturing business, Nitro Quimica recognizes our responsibility towards our employees, communities and the environment. We take safety seriously at all levels of the organization as a requirement for our business sustainability, recognizing that our license to operate depends entirely on our ability to control any risks to human health and the environment.



BUSINESS CONTINUITY PLAN



SAFETY COMMITTEE

Nitro Quimica's Safety Committee meets with senior management to discuss initiatives related to health, safety and the environment. Each subcommittee under the Safety Committee is championed by a member of senior management.

SUSTAINABILITY SUBCOMMITTEE

This committee is responsible for raising awareness about the efficient use of natural resources and working preventively to reduce environmental impacts. It also communicates our social responsibility initiatives to communities and engages with relevant stakeholders. The Sustainability Subcommittee's activities in 2016 included ensuring compliance with applicable regulations.



PROCESS SAFETY SUBCOMMITTEE

This Subcommittee is responsible for implementing process safety improvements and assessing and addressing process, systems and procedures issues posing any risks to workers' health or the environment. In 2016 the Process Safety Subcommittee conducted hazard and operability (HAZOP) studies at the sulphuric acid plant and optimized alarm systems.

OCCUPATIONAL HEALTH AND SAFETY SUBCOMMITTEE

This subcommittee is responsible for taking preventive action to improve occupational health and safety performance. Activities in 2016 included occupational vaccination against the flu, tetanus and typhus.

SERVICE PROVIDER SUBCOMMITTEE

This subcommittee is responsible for enhancing integration between service companies and Nitro Quimica and ensuring they implement best-practice management. Activities in 2016 included evaluating service company performance and auditing their management systems in compliance with legal requirements.

N3 10 (ELECTRICITY) AND NR 12 (MACHINERY AND EQUIPMENT SAFETY) SUBCOMMITTEES

The NR 10 Subcommittee implements control measures and preventive systems to protect the health and safety of workers interacting directly or indirectly with electricity. Activities in 2016 included training, audits on electrical installations, safety talks on electrical hazards, updates to power system records and reports, and updates to electrical schematics.

The NR 12 Subcommittee implements control measures and preventive systems to protect the health and safety of workers interacting directly or indirectly with machinery and equipment. Activities in 2016 included the installation of mechanical guards and electrical protections at the maintenance workshop. Machinery inspections were also performed at other departments to ensure compliance with NR 12.

TRANSPORTATION & HANDLING SUBCOMMITTEE

The Transportation & Handling Subcommittee is responsible for documenting procedures, monitoring regulatory developments and establishing safety requirements for the transportation and handling of hazardous products. Activities in 2016 included a review of internal handling procedures in a workshop with partners (trucking companies with highest key performance indicators are rewarded).

Product transportation logistics G4-PR1, G4-PR2

Nitro Quimica's logistics operations, including product movements between plants and warehouses and storage and inventory management, are managed by a third-party company. This supplier handles 80% of our cargo volumes, with the remaining 20% handled by qualified trucking companies. We are currently served by more than 20 trucking companies. To transport our chemical products, trucking companies require special permits from government agencies.

When contracting with licensed trucking companies, Nitro Quimica also requires them to implement certain best-practice requirements for greater safety in transportation operations. Truck fleets are required to be less than five years in service and follow a stringent maintenance program, and all drivers are required to undergo training on accident prevention. Vehicles are also equipped with route tracking and speed management technology. Trucking companies are also audited by our Logistics, Environment and Safety departments to ensure they uphold our values and to inspect their documentation on site.

Each vehicle entering the company's premises is inspected against a checklist and any failed trucks will lose their shipments.

All trucking companies and their permits are registered in an internal system that ensures permits are renewed 90 days prior to expiration. In 2016, no instances of nonconformity with these procedures were identified.

EMERGENCY RESPONSE PLAN SUBCOMMITTEE

This subcommittee is responsible for documenting emergency response procedures and requirements. It plans, develops and delivers training to the emergency brigade, employees in general and service companies on addressing specific incidents. Activities in 2016 included implementation of a Support Brigade Training Program, Emergency Brigade Monthly Training Program and Department Drill Program.

INSPECTION AND RISK ANALYSIS SUBCOMMITTEE

This subcommittee ensures that issues raised by employees are reviewed and changes are made to prevent accidents. It uses a methodology in which employees are trained and able to identify and analyze risks. In 2016, a group of trained employees conducted systems and people - facilities and behaviors - audits and provided instructions, corrections and retraining where deviations and risk exposure were identified.

A general meeting is held monthly with employees and attended by top management. Meeting topics include health and safety, prior month performance and any safety incidents. The purpose of these meetings is to ensure that any incidents, however minor, are discussed to prevent recurrence.

THE FIRST JOINT RESPONSE ORGANIZATION IN SAO PAULO CITY

A Joint Response Organization is a not-for-profit organization that develops joint response plans involving industry, the municipal government, the fire department and the Civil Defense Department. On a monthly basis, these stakeholders meet to discuss emergency response plans and commit to supplying resources and maintenance services. Nitro Quimica is a co-founder and member of the first Joint Response Organization in Sao Paulo, further improving our emergency readiness at our facilities. Prior to creating the Sao Paulo chapter, Nitro Quimica was already a member, and currently remains a member, of the Joint Response Organization for Alto Tiete.

OTHER CERTIFICATION

ISO 9001 – Quality Management System – Since 1994

ISO 14001 – Environmental Management System – Since 2012

OHSAS 18001 – Occupational Health & Safety Management System – Since 2014

COMMUNITY ENGAGEMENT G4-S02

As a recommendation of the Brazilian Chemical Industry Association (Abiquim), Nitro Quimica has a Community Engagement Board as a channel for sharing industry information with our communities and discussing matters of common interest and issues related to safety, health and the environment. The Board is composed of company representatives, community leaders and members of government agencies. Meetings are held on a quarterly basis alongside the East Zone Joint Response Organization meetings to enhance interaction.

In a key program in 2016, called “Community Safety, safety technicians in training at associate-level education schools in Sao Miguel Paulista visited public schools in the region to implement improvements related to health, safety and the environment in the school setting. Students presented their projects at the end of the program and the highest scoring group received a prize.

Once a year, Abiquim organizes a National Community Engagement Board Conference bringing together community engagement boards from all chemical companies in Brazil, where more than 50 delegates share their engagement experience.

RENEWED HSE CERTIFICATION

Nitro Quimica has continuous improvement processes in place that ensure we implement industry best practice and achieve required industry certifications. In 2016, our efforts to improve on health, safety and environmental compliance were recognized through renewed certification to the Chemical Industry Association’s Responsible Care program (“Atuação Responsável®”).

All certifications are subject to annual internal and independent audits. In internal audits, a team of company employees conducts a thorough analysis of the relevant matters. Independent audits are conducted by independent certification firm ABS Group.

CUSTOMER SAFETY

We monitor safety risks across our supply chain – from our suppliers to our customers. In 2016 we initiated an audit to map our product delivery risks and review the internal safety procedures in place at our customers. On-site monitoring will be ongoing to ensure continual improvement and mitigate any risks in product delivery.

In the event of a spill on customer premises, we are notified and provide an immediate response to a third-party emergency response firm.

Safety is a key subject in interactions within the company and with our communities



SOCIAL AND ENVIRONMENTAL MANAGEMENT



Nitro Quimica invests in eco-efficiency initiatives that factor sustainability aspects into our approach to innovation at our manufacturing plants. Sustainability attributes embedded in our products are a competitive differentiator and add further, long-term value to our resins and solutions

Facilities improvement projects delivered

10%
energy savings at
our nitrocellulose
plant



5%
water
savings



All environmental indicators are included as components of annually monitored corporate targets.

Water

The water we use in our production process is pumped directly from the Tiete river. Nitro Quimica's manufacturing facilities use approximately 400 m³ of water per hour, which is carefully metered. The water from the Tiete River - infamous for its high levels of municipal pollutants - is treated on-site prior to use in our plants. At the nitrocellulose plants, water is reutilized in a number of processes before it becomes an effluent, reducing our consumption of filtered water. In the sulfuric acid process, industrial wastewater is further reutilized in a gas scrubber consuming 40 cubic meters of water per hour. With a focus on reducing water consumption, Nitro Quimica uses the Lean Six Sigma methodology to improve performance by eliminating waste.

Nitro Quimica's water resources also include on-site artesian wells. All wastewater is pumped to a company-operated wastewater treatment plant. At the plant, wastewater undergoes primary treatment (pH adjustment and sludge removal) and quality control. Primary treatment is followed by a second, biological treatment stage at the municipal treatment plant. Following secondary treatment, part of the water returns to the river and part is recycled into the process. Our water discharge amounts to approximately 400 m³ per hour. **G4-EN22**

WATER USAGE AT NITRO QUIMICA

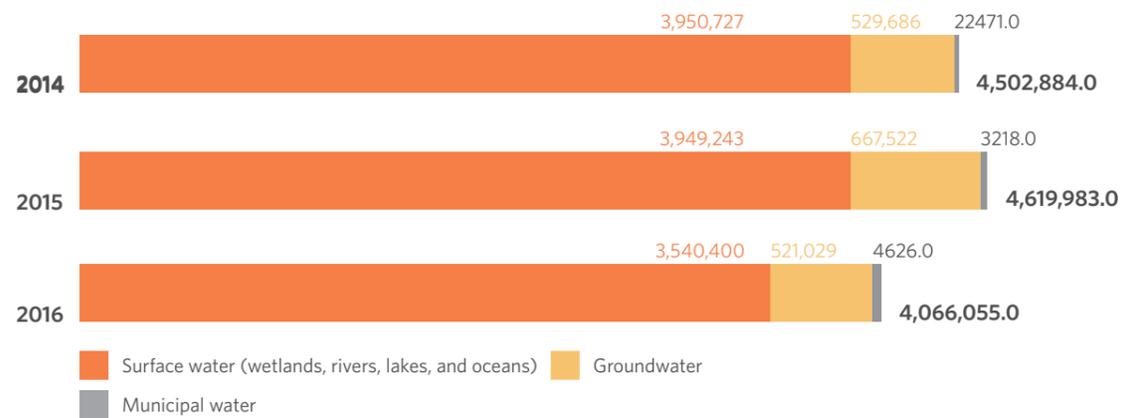
Conveyance water (40 m³/h): used in one of the stages of nitrocellulose production (digestion). The product is boiled and the water is drained and filtered before being pumped to a recycling system.

Scrubber in sulfuric acid process (72 m³/h): the sulfuric acid process incorporates a scrubber using water from the wastewater treatment plant (ETE).

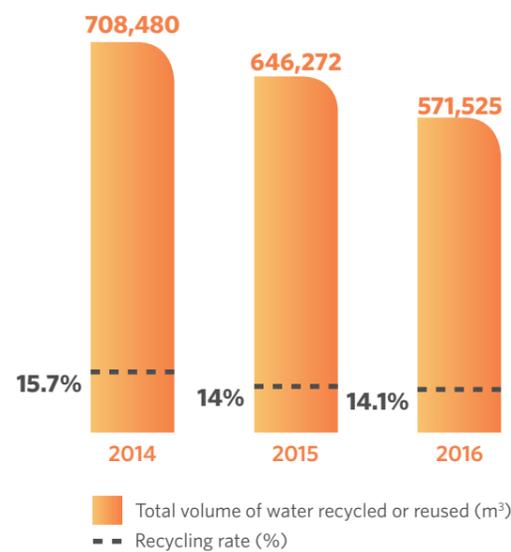
Reverse osmosis (20 m³/h): in the water treatment process, part of the water that would otherwise be disposed of as wastewater is sent to the treatment plant for further use as plant water.

In recent years, the Company has reutilized an average of 15% of total water withdrawal (G4-EN8). Total reutilized water volumes in 2016 were 571,525 m³.

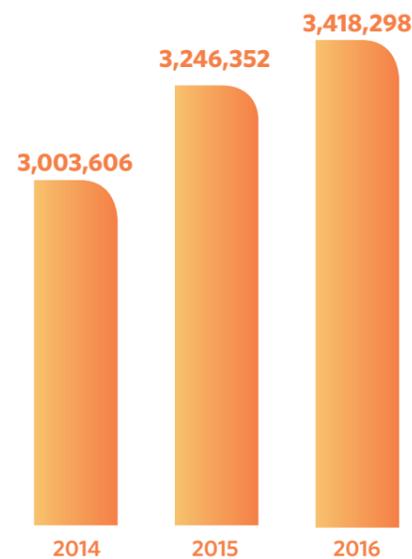
Total water withdrawal by source in m³ G4-EN8



Water recycled and reused G4-EN10



Total water discharge in m³ G4-EN22



EMISSIONS

G4-EN15, G4-EN16, G4-EN17

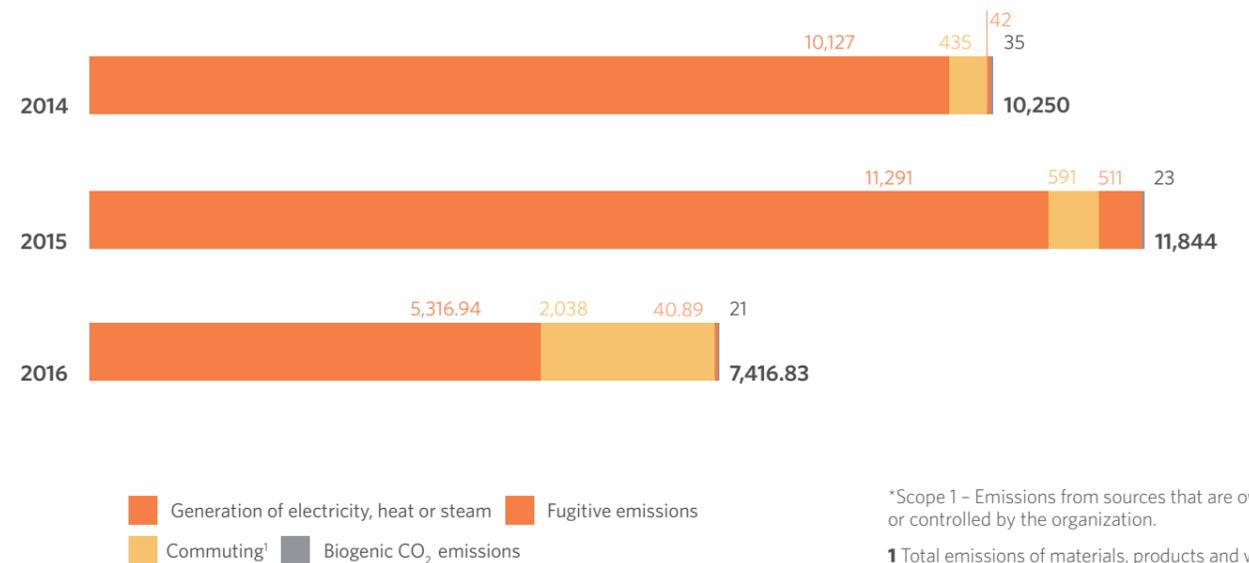
The primary emissions from our operations are CO_x (carbon oxides) and SO_x (sulfur oxides) from burning sulfur to produce sulfuric acid, and NO_x (nitrous oxides) from the manufacture of nitrocellulose. While our emissions levels are below the regulatory limits required by the Sao Paulo State environmental regulator (CETESB), Nitro Quimica has established its own, more stringent emissions targets. SO_x and emissions are monitored online in real time and reports are transmitted to the environmental regulator. In 2018 our sulfuric acid plant will migrate to a new technology that will reduce SO_x emissions.

Consumption of refrigerant gases at our manufacturing plant increased in 2015, resulting in higher volumes of fugitive emissions. Transportation emissions may have been affected as a result of our recently hiring a new trucking company.

Nitro Quimica has prepared inventories of its scope 1 and 2 greenhouse gas emissions since 2014, using the Brazilian GHG Protocol Program platform. Scope 3 emissions are not measured due to the difficulty in tracking these emissions across the value chain. The possibility of extending our inventories to these emissions will be considered in 2017.

SO_x and NO_x emissions are monitored in real-time

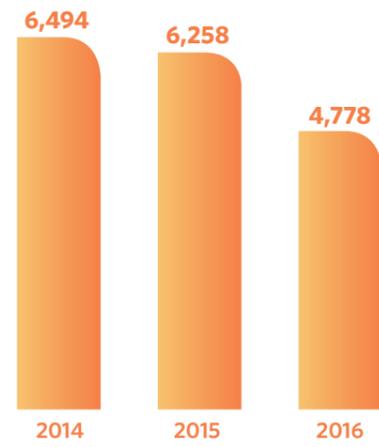
Indirect greenhouse gas emissions (scope 1) by source in metric tons of CO₂ eq. G4-EN 15



¹Scope 1 – Emissions from sources that are owned or controlled by the organization.

¹Total emissions of materials, products and waste will also be included in 2017.

Indirect greenhouse gas emissions (scope 2) by source in metric tons of CO₂ eq. G4-EN 16

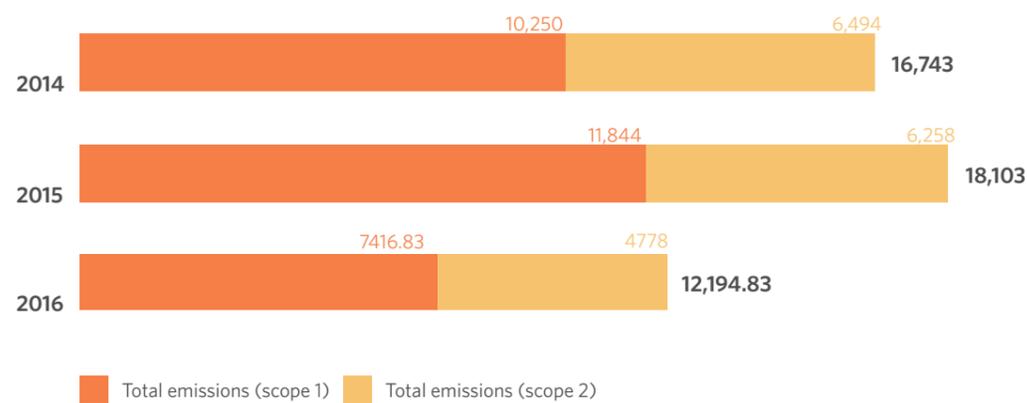


Electricity, heating, refrigeration and steam purchased for own consumption

ON-SITE POWER GENERATION

We produce up to 40% of the electricity used at our plant from a small on-site co-generation thermal power plant. A turbine installed in the Utilities Plant uses steam from sulfur burning in the manufacture of sulfuric acid to generate electricity. In 2018, with the added capacity at the sulfuric acid plant, the proportion of electricity produced on-site should increase to 50%.

Direct and indirect greenhouse gas emissions (scope 1 and 2) by source in metric tons of CO₂ eq.



Total emissions (scope 1) Total emissions (scope 2)

NO_x, SO_x and other significant air emissions by type and weight G4-EN21:

| Category | Emissions source | 2014 | 2015 | 2016 |
|-----------------------------------|--|--------|--------|--------|
| NO _x (ppm) | Nitric acid - nitrocellulose production process | 31,055 | 34,939 | 34,019 |
| SO _x (t) | Sulfur combustion in the production of sulfuric acid (H ₂ SO ₄) | 334 | 367 | 424 |
| CO _x (m ³) | Natural gas combustion to produce steam (Boilers) | 9,618 | 10,639 | 3,747 |

NO_x - Emissions measured by online analyzers at the outlet of the absorption column.
SO_x - Emissions measured using stoichiometric calculations based on sulfuric acid output.
CO_x - Emissions measured based on annual combustion of natural gas using an emissions factor.

Waste Material

We continuously develop sustainable approaches to managing the waste streams we produce. Beginning in 2017, the sludge from our on-site wastewater treatment plant will be sent for composting at a partner firm. In this biological process, microorganisms transform the organic matter in the sludge into a compost fertilizer for agriculture. The sludge from water treatment was previously disposed of at a sanitary landfill.

Nitro Quimica works with specialized firms to ensure the proper disposal of waste materials, and any hazardous waste is transported outside Company premises.

G4-EN23: Total weight of waste by type and disposal method
G4-EN25: Weight of hazardous waste transported

Since 2016, our solvent waste streams from the manufacture of end products have been recycled by a partner firm into paint thinners and industrial cleaning solvents.

Nonhazardous waste (in metric tons)

| Disposal method | 2014 | 2015 | 2016 | Total waste disposed |
|-----------------|--------------|--------------|--------------|---|
| Reutilization | 1,539 | 1,015 | 1,463 | Sulfur sludge and wood |
| Recycling | 181 | 290 | 496 | Paper, corrugated cardboard, plastic, scrap metal |
| Landfill | 2,029 | 1,743 | 2,013 | Construction waste, canteen waste, discarded nonhazardous products, sweeping waste, thermal insulation, wastewater treatment sludge |
| Total | 3,748 | 3,046 | 3,972 | |

Hazardous waste (in metric tons)

| Disposal method | 2014 | 2015 | 2016 | Total waste disposed |
|-------------------------|--------------|--------------|-----------|--|
| Recycling (calcination) | 2.26 | 31.41 | 0.60 | V2O5 catalysts, lamps and batteries |
| Reclamation | 11.1 | 15.0 | 3.2 | Used lube oil/burnt oil; solvents and resins |
| Incineration | 1.3 | 3.7 | 1.3 | Laboratory reagents, contaminated liquid waste |
| Co-processing | 15.4 | 19.8 | 11.9 | Miscellaneous contaminated solid waste |
| Total | 30.06 | 69.91 | 17 | - |

Social responsibility G4-EC8

Nitro Quimica runs a social responsibility program in São Miguel Paulista, where our headquarters is located. With 70% of our employees living in this district, investments in local projects are designed not only to benefit community residents but also to provide training and education to Company employees, ensuring the long-term availability of a skilled workforce and providing job and income opportunities to their families. In 2016, Nitro Quimica allocated more than R\$ 1.2 million to support social responsibility projects and donations.

SUPPORTED PROJECTS ESCOLA DE TALENTOS

This initiative develops an entrepreneurial mindset in students at public schools. Using case studies describing the professional and personal achievements of leading entrepreneurs and leaders in the region and company employees, the project aims to motivate students to achieve their dreams and discover their inner talents.

Escola de Talentos also encourages students to overcome the social and economic challenges they face and supports their personal development by identifying their vocations and providing job-seeking advice.

ARTE URBANA - GRAFITARTE

The 900-meter long, 2,500 square-meter wall surrounding the Nitro Quimica plant served as a canvas for artists in the region to express the 400-year history of the district of São Miguel Paulista through graffiti art. It is one of the largest graffiti murals in Latin America.

The initiative was supported through tax incentives. Nitro Quimica painted the 900-meter wall white for participating artist to then exercise their creativity.

Around 30 graffiti artists were selected and attended history classes to plan their art projects. The project is a case study in combining art with social inclusion, and has become an excursion destination for public schools in the region.

MARTIAL ARTS

Children from poor communities in the region attend taekwondo lessons in an initiative supported by Nitro Quimica. In a 10-month workshop hosted at the Jesus Mestre Church, in Jardim Lapenna, 60 children attended twice a week to learn more about this martial art, which has recently become an Olympic sport.

TUCCA AND THE BARRETOS CANCER HOSPITAL

Nitro Quimica supports two of Brazil's leading organizations in the fight against cancer: TUCCA (Association for Children and Adolescents with Cancer) and the Barretos Cancer Hospital.

TUCCA aims to improve survival rates and quality of life for impoverished children and adolescents in treatment for cancer at hospitals in São Paulo. In 2016, Nitro Quimica supported the McDonald's Happy Day fundraiser for children with cancer by purchasing 500 tickets. The company also supported a Comprehensive Care project called "Diagnosis to Cure", which offers accurate diagnostics and high-quality, multi-disciplinary care to impoverished children and adolescents with cancer.

The Barretos Cancer Hospital is today Brazil's most advanced center for cancer treatment. Last year alone it performed 2.2 million medical procedures, 80,555 chemotherapy sessions and provided care to 21,480 inpatients and 151,883 outpatients from 2032 municipalities in districts across Brazil. The hospital offers treatment free of charge.

Nitro Quimica has supported the Barretos Cancer Hospital since 2015 with tax-deducted funds allocated to research and equipment for cancer treatment.

NO CANTO DA CIDADE

Combining literature with music, the *No Canto da Cidade* project opens doors for artists in São Paulo's far east district. Nitro Quimica sponsored project performances at *Fábrica de Cultura* venues in Itaim Paulista and São Miguel Paulista and at schools in the region. Funds provided were tax deductible.

CULTURE AT HOSPITALS

Created by Associação Arte Despertar, this project helps to create a more humane hospital experience through artistic interventions using the language of literature and music, including role-play activities involving patients, caregivers and health professionals.

Every week, at least eight hours of activities are provided at the Tide Setúbal Municipal Hospital, located near our Company headquarters. Nitro Quimica co-sponsors the project (with tax deductible funds) and has also promoted the initiative at the hospital and in the community.

ENGAGING DIRECTLY WITH SOCIETY

Nitro Quimica provides an Ombudsman's Office through which employees, suppliers, customers and community members can anonymously report concerns and complaints. The service is run by an independent firm and can be reached via a toll-free number or by e-mail at ouvidorianitroquimica@optum.com.br



Culture at Hospitals - Tite Setubal Hospital

OUR PEOPLE



The sustainability of any business requires investment in developing talent. And retaining top talent requires more than simply offering rewards and good pay. It requires investment in both personal and professional development and improving the well-being and health of employees and their families

Health

Nitro Quimica's employee well-being initiatives include prevention and health management programs for Company employees.

NITRO+ SAÚDE

Nitro+ Saúde is a company health program comprising a range of projects and initiatives. In addition to a 24/7 outpatient clinic and attending physicians from Monday to Friday, Nitro Quimica also monitors these medical services and uses the data to inform and plan initiatives and campaigns to improve employee health. Employees with chronic diseases, such as diabetes and hypertension, are given special care to help them better cope and improve their quality of life. The Company's canteen offers employees a varied menu with low sodium, fat and sugar content.

Nitro + Saúde also encourages employees to adopt a healthier lifestyle, exercise regularly and prevent disease. The program follows a monthly calendar of health campaigns.

Nitro Quimica also holds meetings with family members to answer questions about their health insurance plans. The health insurance provider holds lectures to inform employees on how to use their health insurance plans and address subjects of interest depending on users' epidemiological profile and the season.

FREE GYM G4-LA2

Employees have an on-site gym available at our headquarters site in São Paulo. No fees are charged and fitness training, Pilates and other activities are supervised by physical education professionals. Around 15% of our employees currently use the gym. Employees are also entitled to support to participate in marathon races previously announced by the Company.

All employees also have access to sports courts for soccer, tennis, volleyball and other sports interests.

BENEFITS

Our employees are entitled to a range of benefits, including some benefits that, while mandatory under Brazilian regulations, include enhanced features for our employees. Benefits are provided to all employees except part-time employees (apprentices and interns), who are not entitled to private pension plans or to use of the company's credit union facilities.

The Company provides these employees with basic benefits including meal vouchers and transportation tickets, life insurance, health insurance and maternity/paternity leave. Nitro Quimica matches employees' contributions to the Company's pension fund. For employee's well-being and financial peace of mind, the Company offers a credit union as well as school materials for employees' children. **G4-LA12**

IMPROVEMENTS BEYOND ERGONOMICS **G4-LA6, G4-LA7**

Back pain is one of the most common complaints at the workplace. In 2016, Nitro Quimica conducted an ergonomics assessment that mapped out locations and departments placing greater physical strain on employees. Based on this assessment, in 2017 a functional biomechanics project was initiated to improve employee posture at previously identified workstations. A physiotherapy professional will be hired to address posture and needed workplace adaptations.

The Engineering Department is also developing a project to improve our automation systems at workstations requiring greater physical exertion. Other than these biomechanical issues, there are no activities at Nitro Quimica posing and occupational health hazard to employees.

Our reported health and safety indicators are for our operations in São Paulo and exclude first aid cases. Data is compiled through a specific system and includes injuries involving employees and third-party workers. We have not recorded any fatalities in the past 19 years.



G4-LA16 Health and safety indicators (employees and third-party workers), by gender

| | 2014 | | 2015 | | 2016 | |
|---------------------------------|--------|-------|--------|-------|--------|-------|
| | Men | Women | Men | Women | Men | Women |
| Total recordable case frequency | 1.7% | 0% | 0.4% | 0% | 0.4% | 0% |
| Occupational disease rate | 0% | 0% | 0% | 0% | 0% | 0% |
| Total lost days | 0 | 0 | 15% | 0 | 0 | 0 |
| Absentee rate | 21.37% | | 12.99% | | 19.22% | |
| Total fatalities | 0 | 0 | 0 | 0 | 0 | 0 |

G4-LA16 Labor practices grievance mechanisms

| | 2016 |
|--|------|
| Total number of complaints and grievances related to labor practices during the reporting period | None |

Development

Employee turnover at Nitro Quimica has been historically very low. We believe our exceptional ability to retain talent can be attributed to an effective talent acquisition and selection process that attracts professionals who are not only competent in their roles, but above all, aligned with the beliefs and behaviors we value.

To further improve our approach, in 2016 we conducted a comprehensive competencies drill-down exercise that mapped all positions, profiles and job descriptions across the organization. We also outlined a training roadmap for technical and operational positions, and a separate training roadmap for leadership and management positions. This provides greater clarity to new hires on what is expected of each position. Another program, called *Ciclo de Gente*, assesses our employees' competencies.

TRAINEE PROGRAM

Nitro Quimica launched a new trainee program in 2016, attracting 6,000 thousand candidates from universities across Brazil in the first year of the program. Eight candidates who completed the program were selected to begin work in 2017, and all were subsequently hired for positions in Marketing, Management Systems, Logistics, Procurement, Production, Controllership and Technical Support. At the end of the year, an additional team of 6 trainees was selected for the 2017 edition of the program.

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region

Rates of new employee hires and turnover were measured using this approach only in 2016; all hires and terminations were at the same operation (São Paulo).

| Terminations by gender | 2016 |
|------------------------|------|
| Men | 16 |
| Women | 9 |

| Terminations by age group | 2016 |
|---------------------------|------|
| Under 30 | 16 |
| 31 to 50 | 5 |
| Over 50 | 4 |

| Turnover by gender (%) | 2016 |
|------------------------|-------|
| Men | 3,20% |
| Women | 1,80% |

360° FEEDBACK G4-LA11

Once a year, all employees take part in a comprehensive and objective performance assessment process. One of the individual performance assessment criteria is achievement against annual targets based on the company's strategic roadmap and annual tactical roadmap. The outcome from performance assessments covers two factors: collective goals and individual goals.

Every employee undergoes a 360° feedback assessment once a year, in which they assess their own performance and are assessed by their manager, peers and subordinates (as applicable). After completing a cycle of eight assessments, employees receive feedback from their managers. The outcomes from the assessments are input into a matrix through which employees can view how well they are performing and where investment is needed in professional development. An individual development plan is prepared as a final outcome from the process to inform employees on how best to improve their performance and structure their career plans. Assessments are not formally recorded for apprentices and interns.

Achievement of individual goals entitles employees to receive variable compensation depending on their position and level in the organization.

| Turnover by age group (%) | 2016 |
|---------------------------|-------|
| Under 30 | 3,20% |
| 30 to 50 | 1,00% |
| Over 50 | 0,80% |

G4-EC5 Ratio of standard entry level wage by gender compared to local minimum wage

| | 2016 | |
|--|--------------|--------------|
| | Men | Women |
| Entry-level salary | R\$ 1,388.39 | R\$ 1,388.39 |
| Statutory or union-determined minimum salary | R\$ 1,388.39 | R\$ 1,388.39 |
| Percent ratio | 1 | 1 |

EDUCATION SPONSORSHIP PROGRAM

Around 20% of Nitro Quimica employees have been awarded education grants. Half are enrolled in engineering and post-graduate programs, and the other half in language courses. Education grants pay for part of employees' tuition fees and are awarded to employees longer than one year with the company according to their training requirements as identified through 360° Feedback.

The company also supports and sponsors short training programs targeting employees' specific training requirements. Through a partnership with a local university, employees and their relatives are eligible to a 50% discount on any graduate program.

G4-LA9 Average number of hours of training per year per employee, broken down into job type

| Hours of training by gender and job type ¹ (2016) | Men | | Women | |
|--|-------------------|--|-------------------|--|
| | Hours of training | Average hours of training (per employee) | Hours of training | Average hours of training (per employee) |
| Top Management | 42 | 4.7 | 0 | 0.0 |
| Middle Management | 20 | 1.3 | 36 | 9.0 |
| Leader/coordinator | 32 | 3.2 | 16 | 4.0 |
| Technical/supervisor | 39 | 1.0 | 15 | 5.0 |
| Administrative | 729 | 13.8 | 308 | 7.9 |
| Operational | 524 | 1.9 | 0 | 0.0 |
| Trainees | 112 | 37.33 | 112 | 22.4 |
| Apprentices | 24 | 8.0 | 32 | 8.0 |
| Interns | 256 | 25.6 | 178 | 35.6 |
| Total | 2254 | 5.4 | 3837 | 49.2 |

¹ Records are not kept of training provided to the board or third-party workers.

Our Human Resources department provides information on training provided by third-parties. Evidence and attendance records showing hours of training provided by different departments and in-house instructors (such as safety, quality and environment training) are kept by the relevant departments or individuals. For education grants, in some cases only the total number of course hours have been documented. Records are not kept of the actual number of hours of classes taken in each course.



Average hours of training

| | NUMBER OF EMPLOYEES | HOURS OF TRAINING | AVERAGE HOURS OF TRAINING |
|---------------------------|---------------------|-------------------|---------------------------|
| Average hours of training | 497 | 6,091 | 12.3 |

FULL SUPPORT

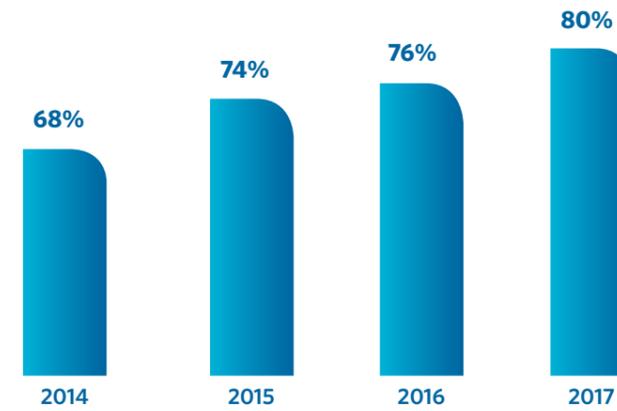
Nitro Quimica's Employee Assistance Program offers assistance and advice to employees or relatives facing financial, legal or health problems.

The service is offered by specialist professionals to help employees resolve personal problems. The program recorded 49 cases handled and 206 inbound and outbound calls in 2016, achieving a utilization rate of 10.1% compared with a global average of 3.5%.

All sessions are confidential and address issues that include:

- life changes and crises;
- family concerns;
- marital or relationship problems;
- matters relating to child or elderly care;
- fears and anxieties;
- mood swings (sadness, anguish and discouragement);
- loss of loved ones/mourning;
- substance dependence, alcoholism and smoking;
- interpersonal conflicts on or off the job.

Climate Survey Improvement



% of people who view Nitro Quimica as a great place to work

CLIMATE SURVEY

Over the last four years, overall employee "favorability" has improved by 11 percentage points, from 67% in 2012 to 76% in 2016. Nitro Quimica has partnered with Great Place to Work, an organizational research firm, to assess survey results across five dimensions: respect, fairness, camaraderie, company pride and credibility. Based on survey results, action plans are implemented to address our strengths and weaknesses requiring development across the company.

The Company also runs a not-for-profit credit union of which 70% of our employees are members, offering personal loans at lower-than-market interest rates.

In 2016 we implemented a Retirement Planning Program to assist employees who are nearing retirement. The program was created specifically to assist employees in making decisions and organizing and planning for retirement. Through the program, employees can better prepare for their departure from the company. The aim of the program is to help employees nearing retirement to prepare ahead for intangible aspects including social, economic, health and personal issues and to minimize the anguish that some people experience as they approach this period in life. Six retirement planning meetings were held with 35 employees in attendance. The program is run on a biennial basis.

PREPARING AHEAD FOR E-SOCIAL

Nitro Quimica has prepared ahead for the future implementation of *e-Social*, a Brazilian government program that will unify company filings to social security agencies such as the National Social Security Institute (INSS), the Ministry of Social Security and the Ministry of Labor and Employment. The Company's management system integrates payroll, human resources and health and safety information, allowing us to seamlessly conform to *e-Social* filing requirements.

GRI content summary

| STANDARD DISCLOSURES | Page/where addressed | External assurance |
|---|--|--------------------|
| Strategy and analysis | | |
| G4-1 Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability | Page 8, 9 | |
| G4-2 Description of key impacts, risks, and opportunities: focus on the organization's key impacts on sustainability and effects on stakeholders | Page 8, 9 | |
| Organizational profile | | |
| G4-3 Name of organization | Page 11 | |
| G4-4 Primary brands, products, and services | Page 11, 12, 13 | |
| G4-5 Location of organization's headquarters | Page 11, 12 | |
| G4-6 Number of countries where the organization operates, and names of countries either with major operations or that are specifically relevant to the sustainability issues covered in the report | Page 12 | |
| G4-7 Nature of ownership and legal form | Page 33 | |
| G4-8 Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries) | Page 22 | |
| G4-9 Scale of organization | Page 11 | |
| G4-10 Total number of employees UNGC | Page 15 | |
| G4-11 Percentage of total employees covered by collective bargaining agreements UNGC | Page 15 | |
| G4-12 Description of organization's supply chain | 50% of our direct suppliers (raw materials, utilities and process inputs) and 95% of indirect suppliers (Capex and inventory) are local companies. The company seeks where possible to identify indirect suppliers located within the metropolitan area of São Paulo for reasons that include proximity, cost savings and fostering local economic development. The Procurement department does not currently have a documented local sourcing policy. | |
| G4-13 Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain | Page 7 | |

| | | |
|--|--|--|
| Organizational profile | | |
| G4-14 Whether and how the precautionary approach or principle is addressed by the organization | The precautionary approach is addressed for every newly developed product | |
| G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses | We subscribe to the Brazilian Chemical Industry Association's (Abiquim) Responsible Care program ("Atuação Responsável") | |
| G4-16 List memberships of associations (such as industry associations) and national or international advocacy organizations | Brazilian Chemical Industry Association (Abiquim) | |
| Identified material aspects and boundaries | | |
| G4-17 List all entities included in the organization's consolidated financial statements or equivalent documents | Page 17 | |
| G4-18 Explanation of the process for defining the report content and aspect boundaries | Page 17 | |
| G4-19 List of all material aspects identified in the process for defining report content | Page 18 | |
| G4-20 For each material aspect, report the aspect boundary within the organization | Page 19 | |
| G4-21 For each material aspect, report the aspect boundary outside the organization | Page 19 | |
| G4-22 Effect of any restatements of information provided in previous reports, and the reasons for such restatements | N/A | |
| G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries | N/A | |
| Stakeholder engagement | | |
| G4-24 List of stakeholder groups engaged by the organization | Page 17 | |
| G4-25 Basis for identification and selection of stakeholders with whom to engage | Page 17 | |
| Stakeholder engagement | | |
| G4-26 The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process | Page 17 | |
| G4-27 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns | Page 18 | |

| Report profile | | | | |
|---|---|----------------------|----------|--------------------|
| G4-28 Reporting period (such as fiscal or calendar year) for information provided | January 01, 2016 to December 31, 2016. | | | |
| G4-29 Date of most recent previous report (if any) | This is our first Annual and Sustainability Report | | | |
| G4-30 Reporting cycle (such as annual, biennial) | Annual, beginning with this edition | | | |
| G4-31 Contact point for questions regarding the report or its contents | Page 21 | | | |
| Report profile | | | | |
| G4-32 'In accordance' option the organization has chosen | Page 17 | | | |
| G4-33 Policy and current practice with regard to seeking external assurance for the report | Assurance will be sought for our reports beginning in 2017 | | | |
| Governance | | | | |
| G4-34 Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts | Page 33 | | | |
| Ethics and integrity | | | | |
| G4-56 The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics | Page 12 | | | |
| SPECIFIC STANDARD DISCLOSURES | | | | |
| Economic | | | | |
| Material aspects | DMA and disclosures | Page/where addressed | Omission | External assurance |
| Economic performance UNGC | G4-DMA Management approach | Page 29 | | |
| | G4-EC4 Financial assistance received from government | Page 30 | | |
| Market presence | G4-DMA Management approach | Page 53 | | |
| | G4-EC5 Ratio of standard entry level wage by gender compared to local minimum wage at significant locations of operation | Page 46 | | |

| Economic | | | | |
|----------------------------------|---|---|--------------------|----------|
| Indirect economic impacts | G4-DMA Management approach | Page 46 | | |
| | G4-EC8 Significant indirect economic impacts, including the extent of impacts | Page 46 | | |
| Procurement practices | | | | |
| Procurement practices | G4-DMA Management approach | Page 34 | | |
| | G4-EC9 Proportion of spending on locally-based suppliers at significant locations of operation | Nitro Quimica does not have a formal local sourcing policy. However, 50% of our direct suppliers (raw materials, utilities and process inputs) and 95% of indirect suppliers (Capex and inventory) are local companies preferably located within the metropolitan area of São Paulo for reasons that include proximity, cost savings and fostering local economic development. A more detailed supplier assessment will be performed in 2017. | | |
| Environment UNGC | | | | |
| Aspect | Description | Page/where addressed | External assurance | Omission |
| Materials | | | | |
| Water | G4-DMA Management approach | Page 41 | | |
| | G4-EN8 Total water withdrawal by source | Page 41 | | |
| | G4-EN10 Percentage and total volume of water recycled and reused | Page 42 | | |

| | | | | |
|-----------|---|---------|--|--|
| Emissions | G4-DMA Management approach | Page 43 | | |
| | G4-EN15 Direct greenhouse gas (GHG) emissions (scope 1) | Page 43 | | |
| | G4-EN16 Energy indirect greenhouse gas (GHG) emissions (scope 2) | Page 44 | | |

Environment UNGC

| Aspect | Description | Page/where addressed | External assurance | Omission |
|--------|-------------|----------------------|--------------------|----------|
|--------|-------------|----------------------|--------------------|----------|

| | | | | |
|-----------|--|---|--|--|
| Emissions | G4-EN17 Other indirect greenhouse gas (GHG) emissions (scope 3) | Page 44 | | |
| | G4-EN20 Emissions of ozone-depleting substances (ODS) | Some of our operational processes generate emissions regulated by the Montreal Protocol. This data will be reported in our next report. | | |
| | G4-EN21 NO _x , SO _x , and other significant air emissions | Page 44 | | |

Effluents and waste

| | | | | |
|---------------------|--|--|--|--|
| Effluents and waste | G4-DMA Management approach | Page 45 | | |
| | G4-EN22 Total water discharge by quality and destination | Page 42 | | |
| | G4-EN23 Total weight of waste by type and disposal method | Page 45 | | |
| | G4-EN24 Total number and volume of significant spills | In 2017 we will determine the threshold from which a spill is deemed significant and include this information in incident investigation forms. | | |

Environment UNGC

| | | | | |
|---------------------|---|---------|--|--|
| Effluents and waste | G4-EN25 Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention (Annex I, II, III, and VIII) and percentage of transported waste shipped internationally | Page 45 | | |
|---------------------|---|---------|--|--|

Social – labor practices and decent work UNGC

| Aspect | Description | Page/where addressed | External assurance | Omission |
|--------|-------------|----------------------|--------------------|----------|
|--------|-------------|----------------------|--------------------|----------|

| | | | | |
|------------|---|---------|--|--|
| Employment | G4-DMA Management approach | Page 49 | | |
| | G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region | Page 52 | | |
| | G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | Page 50 | | |

Social – labor practices and decent work UNGC

| Aspect | Description | Page/where addressed | External assurance | Omission |
|--------|-------------|----------------------|--------------------|----------|
|--------|-------------|----------------------|--------------------|----------|

| | | | | |
|--------------------------------|---|---------|--|--|
| Occupational health and safety | G4-DMA Management approach | Page 50 | | |
| | G4-LA6 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender | Page 50 | | |
| | G4-LA7 Workers with high incidence or high risk of diseases related to their occupation | Page 50 | | |

| Social - labor practices and decent work UNGC | | | | |
|---|---|---------|--|--|
| Training and education | G4-DMA Management approach | Page 51 | | |
| | G4-LA9 Average hours of training per year per employee by gender, and by employee category | Page 54 | | |
| | G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | Page 52 | | |

| Social - labor practices and decent work UNGC | | | | |
|---|--|----------------------|--------------------|----------|
| Aspect | Description | Page/where addressed | External assurance | Omission |
| Labor practices grievance mechanisms | G4-DMA Management approach | Page 51 | | |
| | G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms | Page 51 | | |

| Category: social - society | | | | |
|----------------------------|---|----------------------|--------------------|----------|
| Aspect | Description | Page/where addressed | External assurance | Omission |
| Local communities UNGC | G4-DMA Management approach | Page 34 | | |
| | G4-SO2 Operations with significant actual or potential negative impacts on local communities | Page 34 | | |

| Category: social - society | | | | |
|---|---|---|--|--|
| Grievance and complaints mechanisms related to impacts on society | G4-DMA Management approach | Page 47 | | |
| | G4-LA16 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms | In 2016 a single community complaint was received, addressed and resolved by the Company. | | |

| Social - product responsibility | | | | |
|---------------------------------|---|----------------------|--------------------|----------|
| Aspect | Description | Page/where addressed | External assurance | Omission |
| Customer health and safety | G4-DMA Management approach | Page 34 | | |
| | G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | Page 34, 37 | | |
| | G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes | Page 37 | | |

Credits

GENERAL COORDINATION

PEOPLE MANAGEMENT, HEALTH,
SAFETY & ENVIRONMENT
MARKETING

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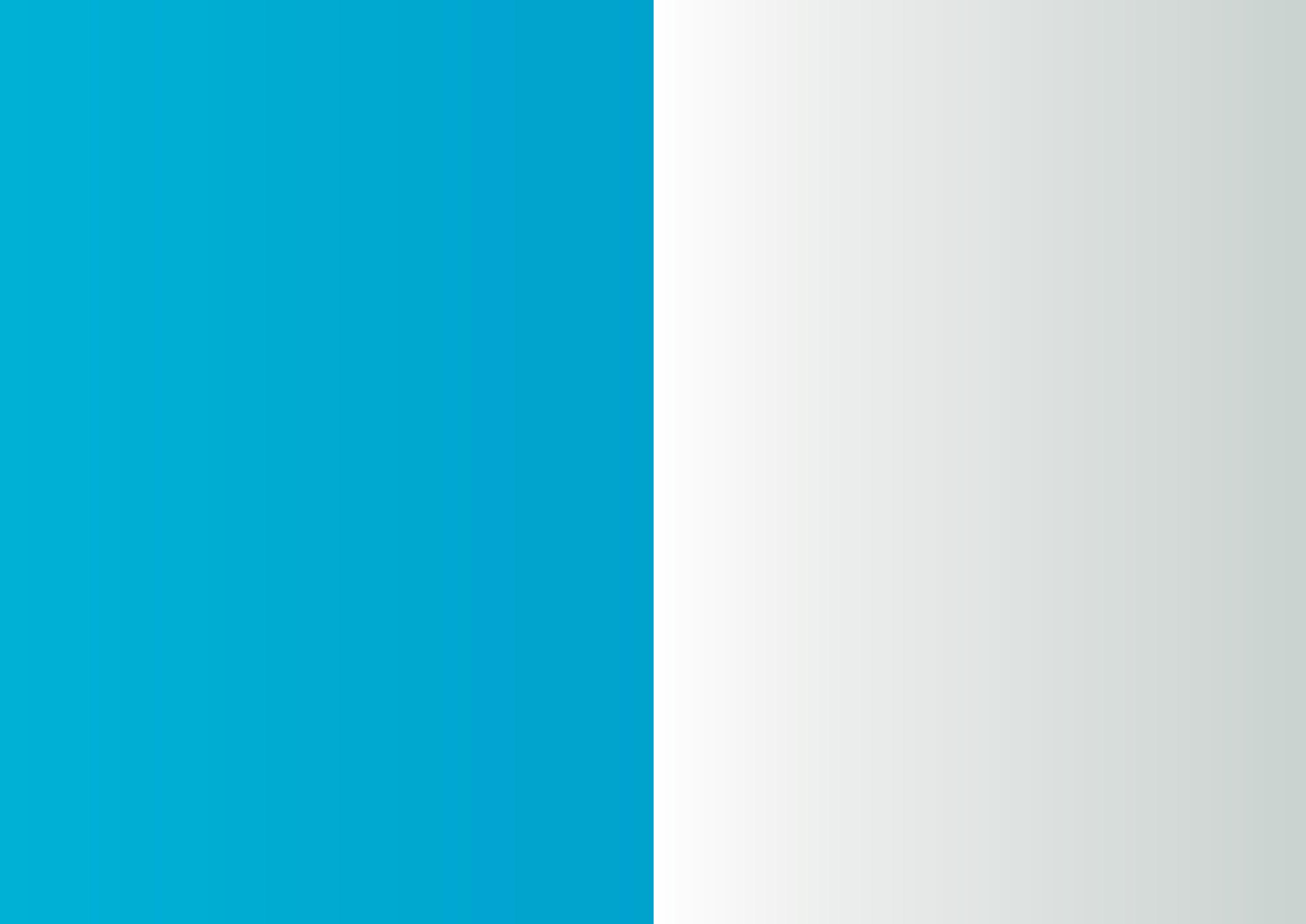
**MATERIALITY PROCESS, GRI CONSULTING,
EDITORIAL COORDINATION AND DESIGN**
REPORT SUSTENTABILIDADE

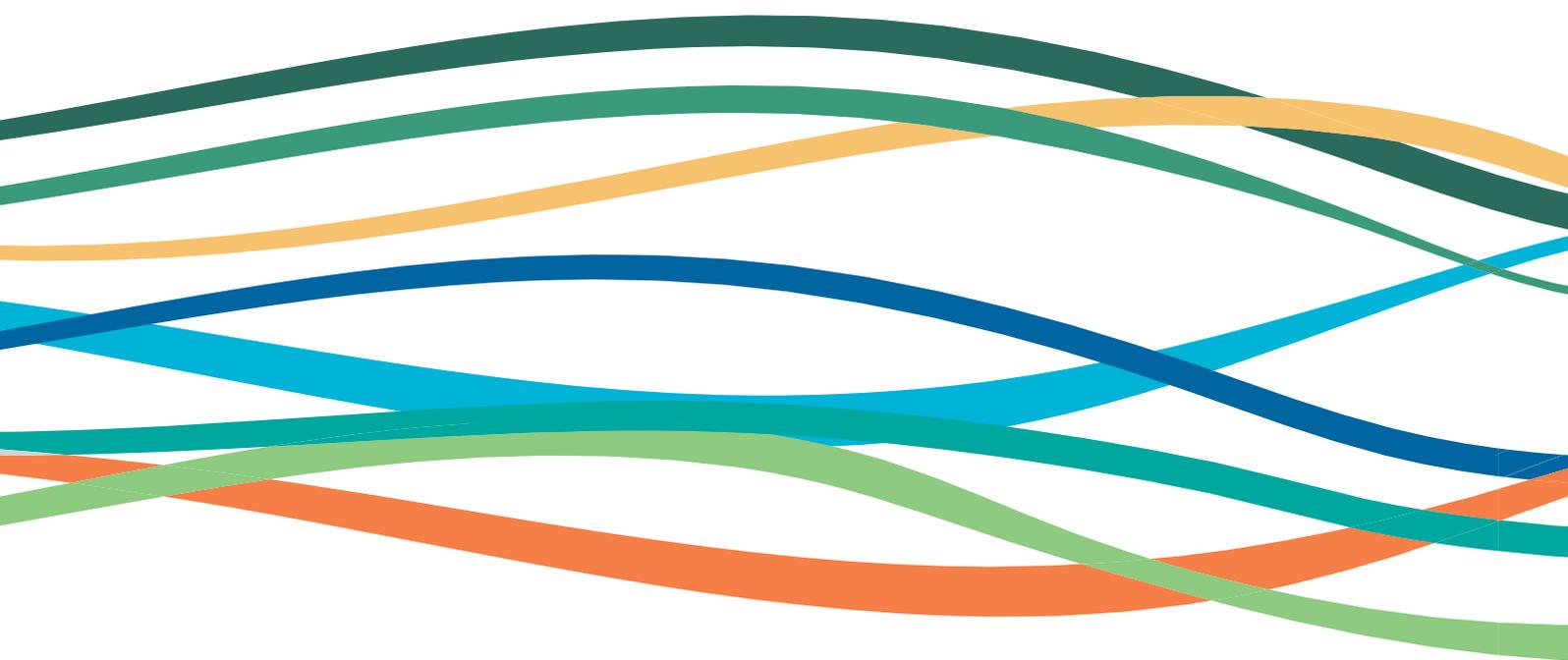
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