



# Sustainability Report 2018



Cover photo: Packaging central receiving station in Rondonópolis, MT.



# About this report

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

This report has been prepared in accordance with the GRI Standards: essential option. Its content includes information about inpev and the six receiving units under its direct management (central stations) for the period starting on January 1 to December 31, 2018. Issued on a yearly cycle, the last published report covered the year of 2017.

In order to define its content, inpev conducted a Materiality Matrix elaboration process in 2017, based on a consultation with its stakeholders. The report was structured according to the topics that emerged

as most relevant on this matrix, presented in the chapter “Material topics of inpev”.

Only the financial statements published herein were submitted to external verification (audit), carried out by PricewaterhouseCoopers (PwC). The independent auditor’s report on this topic is an integral part of the Sustainability Report (for more information, see the “Annexes” chapter).

In case of any doubts, comments, criticisms or suggestions about this report, please use our Contact Us channel via e-mail [faleconosco@inpev.org.br](mailto:faleconosco@inpev.org.br) or the inpev website, <http://inpev.org.br/fale-conosco/>.





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# Message from the president

GRI 102-14, GRI 102-15

INPEV CLOSED 2018 WITH MANY ACHIEVEMENTS WORTH CELEBRATING, DESPITE THE CHALLENGING SCENARIO PERSISTING THROUGHOUT THE YEAR.

We have reached an important milestone: the environmentally appropriate disposal of 500,000 tons of crop protection packaging materials since the start of the Campo Limpo (Clean Field) System operations in 2002. Guided by excellence-based performance and by fostering integration among the various links of the agricultural chain - farmers, manufacturing industry, distribution channels and government -, we keep a structure in line with the growth of the Brazilian industry, besides sharing the knowledge acquired along the journey, as well as the principles and procedures that have brought us here.

LAST YEAR WE REACHED OUR GOALS WITH THE CORRECT DISPOSAL OF 44,261 TONS OF EMPTY PACKAGING. THIS WELL-STRUCTURED AND MATURE SYSTEM IS PREPARED TO RECEIVE AND CORRECTLY DISPOSE OF 100% OF ALL PACKAGING PLACED IN THE BRAZILIAN MARKET. This result has been consistently achieved over the last years. Around 94% of primary plastic packages (that are in direct contact with the product) sold in the country were properly disposed in 2018.

InpEV is also involved with the proper disposal of post-consumption leftover products which may still have been in

possession of farmers. In 2018, the Institute continued its project of receiving this type of material at the Campo Limpo System units, ending the year with 103 central stations and 101 outposts suited for this activity. Last year, 99.8 tons of post-consumption leftovers were disposed.

2018 also imposed challenges and probably the greatest was the truckers' strike, which caused important impacts to inpEV, since our activities are directly linked to logistics. Management of operational issues directly arising from this stoppage and the cost effects derived from the new established shipping values required efforts and dedication from inpEV in order to mitigate the impacts

BY ALWAYS EMBRACING THE OPPORTUNITIES TO IMPROVE MANAGEMENT AND ITS PROCESSES, THROUGHOUT LAST YEAR INPEV WORKED ON SEVERAL PROJECTS FOCUSING ON EFFICIENCY AND PRODUCTIVITY GAINS, such as changes to the label and insert cleaning process of rigid plastic packages, which will be submitted to automated cleaning executed by partnering recyclers, thus generating operational gains and reducing costs; the non-washed rigid packaging recycling project, which replaces incineration and required restructuring the Procurement area, which now counts with a Strategic Sourcing tool that allows greater control and efficiency in our procurement processes.



InpEV has also invested in the areas of work and process safety. Each of our packaging receiving units is managed with all the necessary care from an environmental, safety and hygiene standpoint. Recently, inpEV has started to reflect on the importance of having more centralized and integrated management of this structure, thereby seeking gains in efficiency, cost reduction and greater safety for all links of the chain. These discussions started in 2018 and are already at an advanced stage and we hope they evolve quickly in the near future.

All this work not only brings concrete results but also yields recognition from society, by inspiring other innovative actions and helping to spread even more best practices in reverse logistics. **THUS, IT WAS A GREAT SATISFACTION TO HAVE INPEV PARTICIPATE AT THE CROPLIFE CHINA EVENT IN 2018 AND PRESENT ITS SUCCESSFUL EXPERIENCES IN RECEIVING AND RECYCLING CROP PROTECTION PACKAGING.** Besides this, the Campo Limpo System was recognized as a success case in the Circular Economy work, which discusses this so important concept to deal with sustainability challenges in our contemporary world.

It is within this continuous improvement horizon and convinced of the importance of our work for a productive activity that combines efficiency and suitability to environmental needs that we celebrate our 2018 results and look forward to 2019, certain of new achievements.



“In 2018 we reached an important milestone: the environmentally appropriate disposal of 500,000 tons of crop protection packaging materials”


**João Cesar M. Rando**  
CHIEF EXECUTIVE OFFICER



# InpEV

GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6

The National Institute for Processing Empty Packages (inpEV) is a non-profit organization founded in 2001 by the crop protection manufacturing industry to promote the correct disposal of post-consumption packages of this type of product throughout the national territory, in accordance with the provisions of Federal Law nr. 9.974/00<sup>1</sup>.



At the central receiving stations, the packaging is separated, compressed and baled prior to being sent to recycling or incineration.





Headquartered in São Paulo, inpEV it is the intelligence hub of The Campo Limpo (Clean Field) System (SCL) - the Brazilian reverse logistics program for empty crop protection packages or those containing post-consumption crop protection leftovers.

Formed by a group that includes over 100 crop protection manufacturing companies and entities that represent the sector, as well as distributors and farmers, inpEV made it possible to integrate the various links of the agricultural chain and the public sector by providing guidelines for the post-consumption packaging cycle from the field until its correct disposal. Also, in accordance with legislation, the Institute promotes environmental educational and awareness actions on the topic, a responsibility shared with distributors and the public power.

1. Federal Law nr. 9.974/00 modified Law nr. 7.802/89 and defined the management principles and environmentally correct disposal of empty crop protection packaging based on the responsibilities shared among all agents of agricultural production: farmers, distribution channels and cooperatives, industry and the public power.



# Mission, Vision & Values

GRI 102-16



## Mission

Contribute towards conservation of the environment and the Campo Limpo System by means of self-sustainable management of the final disposal of empty packages of plant health products and by providing services in the solid waste area, with the involvement and integration of all links of the agricultural productive chain.



## Vision

Be acknowledged worldwide as a center of excellence in the final disposal of empty plant health packages, as a reference in providing services in the solid waste area and becoming self-sustainable in Brazil.



## Values

- **Integrating attitude:** this is the leadership characteristic of the Institute, by valuing team work, integrating the links in the chain and disseminating knowledge.
- **Innovation:** it is our dynamics, entrepreneurship, creativity and ability to overcome challenges that position inpEV as a global reference in the reverse logistics of empty crop protection packaging.
- **Integrity:** this means behavior based on ethics, respect for differences, transparency in all actions performed and providing accurate information.
- **Social and environmental responsibility:** it is the *raison d'être* of the Institute, which acts as the intelligence center of the Campo Limpo System.
- **Safety:** it is the care for the well-being and physical integrity of our employees and all those involved in the Campo Limpo System, as well as the protection of information and assets.



# Corporate governance

GRI 102-18

Consistent with the values that guide its actions and committed to the pillars that sustain its role as the intelligence center of the Campo Limpo System, inpEV seeks the best market practices in its management. Its bylaws reiterate the need to abide by the principles of legality, impersonality, morality and equality. Its corporate governance structure consists of the Members' General Assembly, the Board of Directors, the Board of Auditors and the Executive Committee.

The General Assembly is composed by the members of inpEV, the crop protection manufacturing industry, and by entities that represent the various links of the sector. It meets twice a year to validate the Institute's strategy and evaluate its performance.

The Board of Directors is formed by five representatives from contributing member companies (elected during a General Assembly, eight representatives from member entities and the Institute's CEO.

This board is responsible, among other duties, for ensuring that the inpEV by-laws are fulfilled and for provisioning for asset protection, besides legal compliance and strengthening the bond among all links in the chain.

The entities that represent the links of the agricultural chain in the Board of Directors participate in the decisions and are responsible for disseminating information and deliberations about the Campo Limpo System, besides adding expertise and providing guidelines for the seamless operation of the SCL.

The purpose of inpEV's Board of Auditors is to provide support and oversee all other levels of governance and is formed by three members elected during the General Assembly. In 2018, these members were Arysta and FMC.

Lastly, inpEV's Executive Board is responsible for guiding management, strategy implementation and for inpEV's performance. It is presided by the CEO, who is an independent professional (without any bond to member companies) nominated by the Board of Directors.

The Institute's management model is based on rigid audit and control standards.

AS PART OF ITS TRANSPARENCY COMMITMENT TOWARDS MEMBER COMPANIES AND ENTITIES AND OTHER LINKS OF THE CHAIN, INPEV DISCLOSES THE RESULT OF ITS ACTIVITIES AND OPERATIONS ON AN ANNUAL BASIS IN ACCORDANCE WITH BRAZILIAN ACCOUNTING PRINCIPLES, UNDER THE INSTRUCTIONS OF EXTERNAL AUDITORS AND WITH THE OPINION OF ITS BOARD OF AUDITORS.

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## Board Of Directors – Companies

### **Basf S.A.**

Roberto Melo Araújo  
Mauricio do Carmo Fernandes

### **Bayer S.A.**

Gerhard Bohne  
Alessandra Fajardo

### **Dow AgroSciences Industrial Ltda.**

Adriano Pescarmona  
Felipe Bissoli

### **Iharabras S.A. Indústrias Químicas**

Gustavo Urdan  
Juliano Justo

### **Syngenta Proteção e Cultivos Ltda.**

Jorge Buzzetto  
José Pelaquim

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## Board of Directors - Entities

### **Associação Brasileira do Agronegócio (ABAG)**

Luiz Antonio Beltrati Conacchioni  
Luiz Antonio Pinazza

### **Associação Brasileira dos Defensivos Genéricos (AENDA)**

Túlio Teixeira de Oliveira

### **Associação Nacional dos Distribuidores de Insumos Agrícolas e Veterinários (ANDAV)**

Salvino Camarotti  
Henrique Mazotini

### **Associação Nacional de Defesa Vegetal (ANDEF)**

Mario Von Zuben

### **Associação Brasileira dos Produtores de Soja (APROSOJA)**

Fabricio Morais Rosa

### **Confederação Nacional da Agricultura e Pecuária do Brasil (CNA)**

Daniel Kluppel Carrara  
José Eduardo Brandão Costa

### **Organização das Cooperativas Brasileiras (OCB)**

Evaristo Câmara Machado Netto  
Renato Nobile

### **Sindicato Nacional da Indústria de Produtos para Defesa Vegetal (SINDIVEG)**

Silvia de Toledo Fagnani  
Fernando Marini



Compressed packages organized on pallets to be shipped to their final destination.



## Support committees and the National Central Stations Council

In its governance, inpEV also has its thematic committees and the National Central Station Council, which together provide knowledge and support to leadership decisions.

- **Tax Committee:** formed by inpEV professionals and by external consultants, it facilitates compliance of participants of the Campo Limpo System regarding tax, fiscal and corporate issues.
- **Logistics Committee:** discusses measures to improve reverse logistics processes and technologies under the scope of the Campo Limpo System.
- **Labor Committee:** debates issues related to professionals working at the inpEV headquarters in São Paulo and at the receiving units directly managed by the Institute, as well as the staff of other receiving units of the Campo Limpo System thereby offering support to the managers of these units.

- **National Central Station Council:** a cross-functional team formed by central station managers that has among its functions general requirements of the System and dissemination of best practices to the regional councils to support the inpEV administration.

## Work groups

Work groups are committees that have a fundamental role in carrying out some activities.

- **Artifact Approval Committee:** evaluates, controls and approves the manufacturing of artifacts using spent packaging from the Campo Limpo System.
- **Packaging Committee:** evaluates new trends, the life cycle of packaging materials and innovations of the sector.



## Code of Conduct

GRI 102-16, GRI 205-2, GRI 412-2

InpEV's Code of Conduct seeks to explicit its principles, values and mission and guides the actions of its collaborators and determines the Institute's standpoint taking into account its different stakeholders. This document also attempts to define some precepts involving knowledge dissemination and cooperation sponsorship among all links of the agricultural chain that are part of the disposal system of empty crop protection packaging.

All inpEV employees receive a copy of the Code of Conduct at the time of admission. This document is available to all stakeholders,

in Portuguese only, on the Institute's website ([inpev.org.br](http://inpev.org.br)).

The Code of Conduct was updated in 2017, after which training was provided to all Institute collaborators regarding this document. In 2018, this training was offered to all new employees during their orientation training and covered all issues presented in the Code, such as non-discrimination, gender equality, proper work environment, anti-corruption policy, competition policy and social and environmental responsibility. Last year, 42 hours were dedicated to training on the Code of Conduct.

### Collaborators that received training on the Code of Conduct, per functional category, in 2018

Functional category	Total number of collaborators	Number of collaborators that received training	Percentage of collaborators that received training
Directors	1	0	0%
Managers	9	2	22%
Coordinators	19	4	21%
Supervisors	4	0	0%
Administrative	22	7	32%
Operational	23	4	17%
Apprentices	3	3	100%
Interns	2	1	50%
<b>Total</b>	<b>83</b>	<b>21</b>	<b>25%</b>

### Collaborators that received training on the Code of Conduct, per region, in 2018

Region	Total number of collaborators	Number of collaborators who received training	Percentage of collaborators that received training
Southeast	63	16	25%
Midwest	9	3	33%
South	6	2	33%
Northeast	5	0	0%
<b>Total</b>	<b>83</b>	<b>21</b>	<b>25%</b>



# 2018 Commitments and performance

	Unit	Goal	Performance
Disposed empty packaging*	t	44,200	44,261
Schools participating in the Campo Limpo Environmental Educational Program (PEA)	nr.	2,380	2,462
Central stations offering activities during the National Clean Field Day	nr.	100	107
Stations receiving post-consumption leftovers**	nr.	110	103

\* In the 2017 Sustainability Report, the empty packaging disposal goal was set at 44,700 tons for 2018. Along the year, this goal was revised and changed to 44,200 tons.

\*\* In 2018, the goal for stations receiving packaging with post-consumption leftovers was not achieved due to difficulties in obtaining the necessary licenses for this operation at some locations.

## Main actions and acknowledgments in 2018



### Launch of the Circular Economy book

The Campo Limpo System was one of the topics addressed by the publication on Circular Economy, a model that leverages the economy, generates jobs and protects the environment, organized by Carlos Odhe, from Sinctronics Green IT Innovation Center, and launched in 2018.

### Celebration of the Term of Commitment in the state of São Paulo

In 2018, the Term of Commitment towards the reverse logistics of empty crop protection packaging was renewed in the state of São Paulo.

### CropLife China Event in Beijing

In 2018, inpEV participated in a workshop promoted by CropLife China, in Beijing, dedicating to disseminating the best global practices on disposal and recycling of empty crop protection packaging.

### Tax & Logistics Network Design, in São Paulo

At the end of 2018, inpEV participated in the Tax & Logistics Network Design, an event sponsored by Deloitte, in São Paulo, that gathered specialists to present opportunities and share experiences on logistics efficiency and tax burden reduction.

# 2018 Highlights

GRI 301-3

Over **500,000  
tons**

of empty packaging correctly  
disposed since 2002



**93%**

of the material received by the Campo Limpo System **returned to the productive cycle as raw material**, which corresponds to the percentage of recyclable packaging



**44,300  
tons**

of empty packaging  
disposed during the year

**99.8  
tons**

of packaging containing post-consumption leftovers disposed by the Campo Limpo System





**110 central stations and 301 receiving outposts**

of empty packages comprise the Campo Limpo System

**103 central stations and 101 outposts**

qualified to receive post-consumption crop protection leftovers



**Over 14,000 participants**

in the Campo Limpo System Remote Learning course, using our on-line platform



**77,000 participants**

in the National Clean Field Day activities



**230,000 participating students**

in the Clean Field Environmental Educational Program (PEA)

# The Campo Limpo System

The Campo Limpo System is the Brazilian reverse logistics program for empty crop protection packages or those containing leftover products that has inpEV as its intelligence hub.

Facade of the packaging central  
receiving station in Rondonópolis, MT.





The System covers all the regions of the country and is based on the concept of responsibility shared by farmers, manufacturers, distribution channels, and government, according to Federal Law 9.974/00, and its Regulatory Decree 4.074/02.

The activities of the Campo Limpo System are an internationally renown success model. If these packages were to be abandoned in the environment or improperly disposed, they could jeopardize the soil, surface water and water tables. The capillarity of the System's actions, its excellence in articulating among different agents of the agricultural productive chain and the proper environmentally-friendly disposal of 94% of commercialized primary plastic packages have made Brazil become a worldwide reference.

Besides guaranteeing ample coverage and different receiving modes (see p. 20 and 21), the Campo Limpo System is continuously being improved, which is fundamental within the context of the strong dynamics of agriculture and Brazilian agribusiness, which have grown above the average of other productive sectors. With the expansion of the agricultural frontier and cultivation modernization, it has become crucial for the System to expand and improve its operations in order to guarantee proper residue management.

93% of the material received by the Campo Limpo System in 2018 returned to the productive cycle in the form of raw materials for other products. This corresponds to the percentage of recycled packaging: plastic packages that have been properly washed after field use, lids, cardboard packages and metallic containers. Non-washable packages (about 5% of the total sold) and those not properly washed by farmers were sent to accredited incinerators.

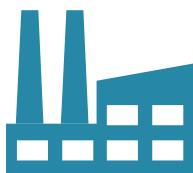
## Shared responsibilities



- **Farmers:** wash, void and temporarily store the packages, according to technical guidelines; return them to the location indicated on the bill of sale and keep the proof of return (supplied by the receiving unit) for one year.



- **Distribution channels (resellers and cooperatives):** indicate on the bill of sale the return location for post-consumption packaging; maintain such return locations available; receive and properly store the material; issue proof of return to farmers; and educate and develop awareness among farmers about the importance of following the correct procedures and participating in the reverse logistics.



- **Manufacturing industry (represented by inpEV):** remove the packaging stored at the receiving units; provide proper destination to this material (recycling or incineration); educate and develop awareness among farmers about the importance of following the correct procedures and participating in the reverse logistics.

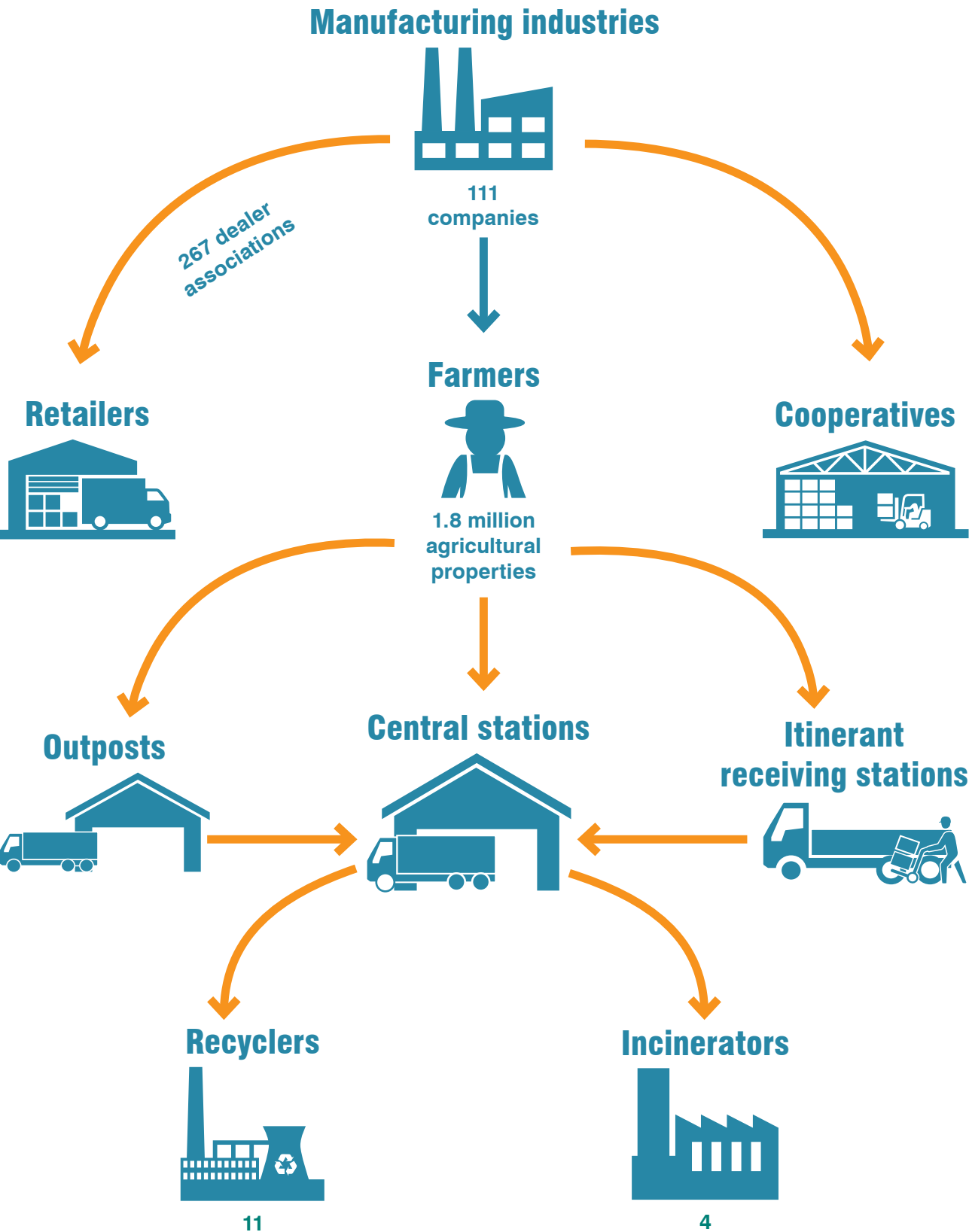


- **Public power:** oversee compliance of different agents with their legal responsibilities; grant licensing to receiving units; and educate farmers on the importance of following the correct procedures and participating in the reverse logistics.



# Flow Diagram of the Campo Limpo System

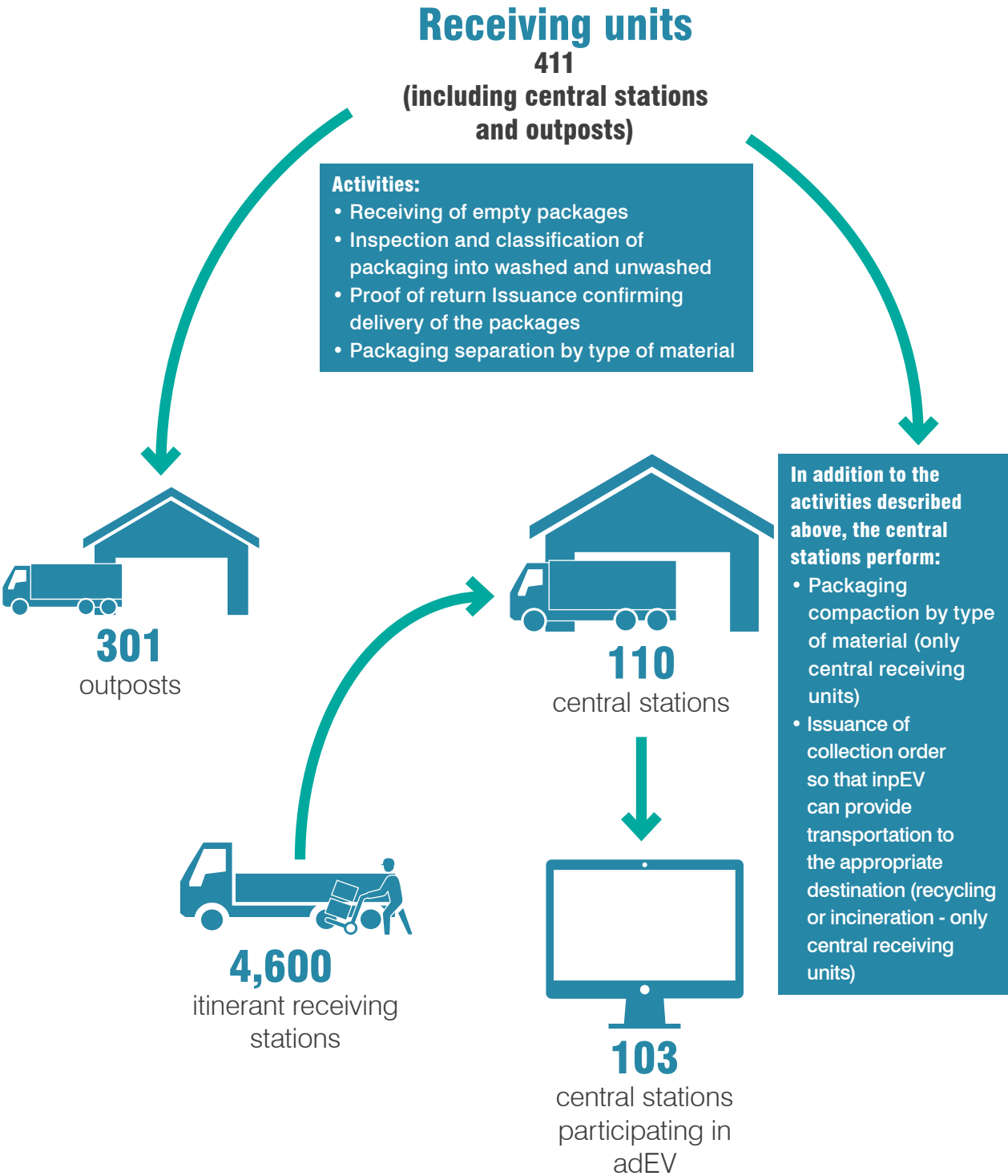
GRI 102-7, GRI 102-9



# Receiving units

GRI 102-7, 102-9

In 2018, the Campo Limpo System had 411 receiving units distributed across Brazil. Each one of them - called central stations or outposts, according to their size and type of services provided - follows specific technical standards and undergoes an environmental licensing process to receive packages and post-consumption leftovers.





- **Central stations:** structures responsible for receiving, separating and processing the empty packaging to be sent to appropriate destination.
- **Outposts:** smaller structures than the central stations, they are capable of receiving the empty packaging and segregate it, after which it is shipped to the central stations.
- **Itinerant receiving stations:** moving units for the temporary receipt of empty containers in more distant regions from the fixed receiving units.
- **Scheduled Return of Empty Packages (adEV):** a system that allows farmers to schedule the return of empty packaging or that containing leftovers using a computer or a mobile device.

# Packaging disposed by the Campo Limpo System

GRI 306-2

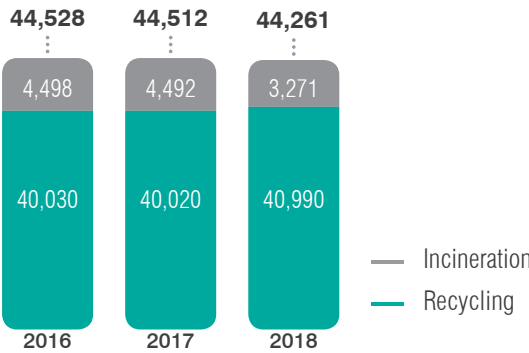
## • Empty crop protection packaging

In 2018, 44,261 tons of empty crop protection packaging were disposed by the Campo Limpo System, of which 93% were sent to recycling and 7% to incineration, reaching the established goal of 44,200 tons for the year. In addition to the disposed material, 8,640 tons of packaging returned by farmers were in stock at the System's receiving stations awaiting shipment to their final destination.

For 2019, the goal is to provide environmentally proper disposal to 43,500 tons of empty packages. This number reflects changes in packaging types, which have reduced the amount of materials used in their manufacturing. It is important to stress that the Campo Limpo System is prepared

to receive and dispose in an environmentally proper fashion of 100% of all packages placed in the market by the industry.

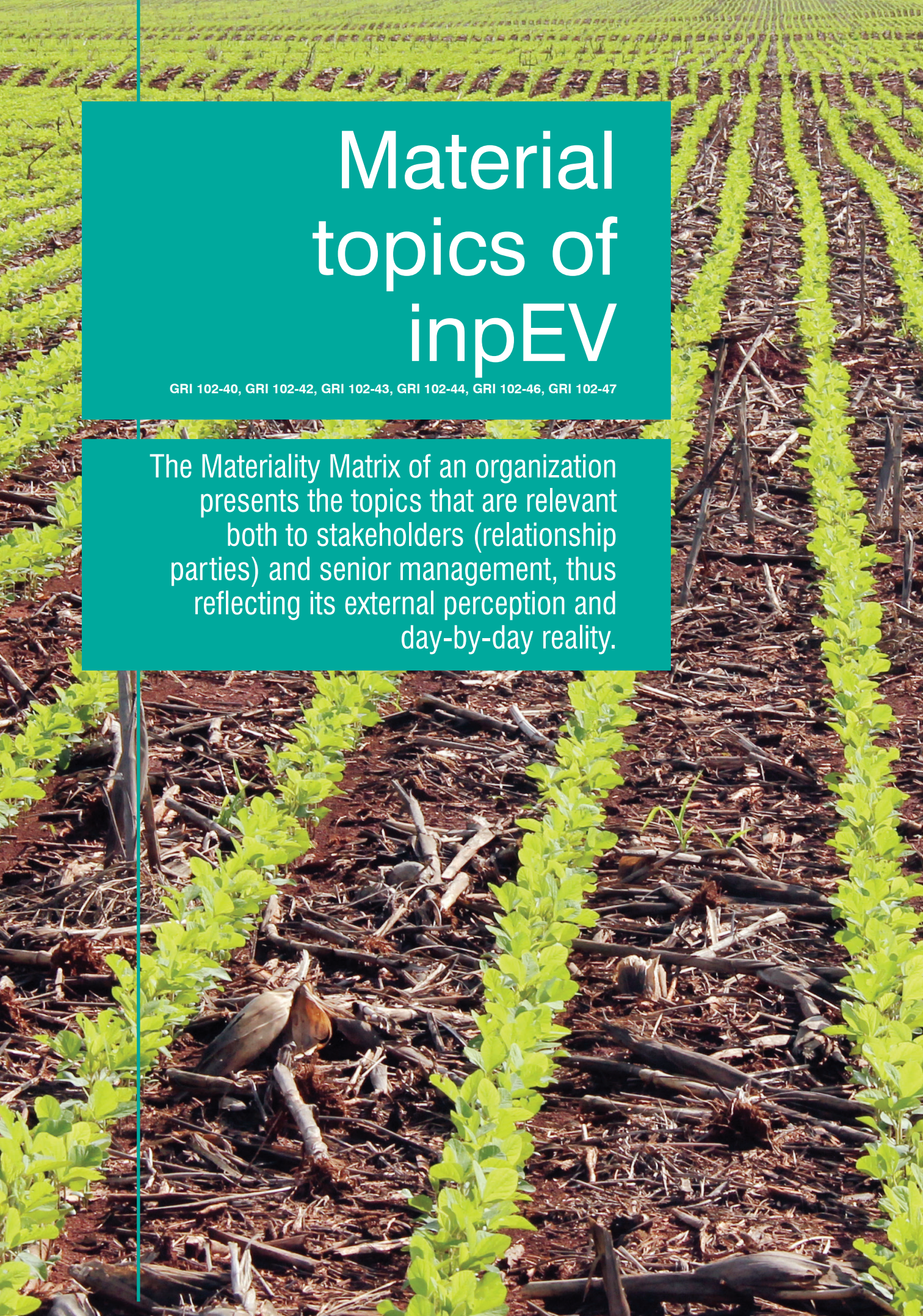
## Disposed packages, according to destination (t)



## • Packages with post-consumption leftovers

Packages with post-consumption leftovers are exclusively sent to incineration. In 2018, 99.8 tons of improper products were destined to incineration.





# Material topics of inpEV

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

The Materiality Matrix of an organization presents the topics that are relevant both to stakeholders (relationship parties) and senior management, thus reflecting its external perception and day-by-day reality.





InpEV's matrix presents eight material topics, i.e., topics considered relevant to all relevant parties of the Institute, which are: Expansion of operations, Operational ecoefficiency, Innovation and technology, Human development; Multistakeholder dialog and cooperation; Education and awareness; Logistics; and Economic feasibility.

In order to define them, an elaboration process was used, organized into three phases: identification, prioritization and strategic validation. During the first phase, identification, topics relevant to the business were listed using document analysis (internal guidelines, sector studies and prior materiality) and a revision, by the management team, of the main impacts, involved parties, and areas. After this, during the prioritization phase, external and internal interviews were conducted as well as on-line consultation with managers, employees and members. Finally, the last phase consisted of strategically validating the list of material topics with the inpEV board.

Throughout this process, all parties consulted by inpEV included: its CEO, Institute managers, external specialists, collaborators and members. These parties were defined by considering the degree of influence inpEV has upon them and their impact on the Institute.

In the following chapters, the main inpEV projects and actions developed during 2018 will be presented in correlation with each material topic.



# Operational expansion

GRI 102-10, GRI 103-2, GRI 103-3

The structure of the Campo Limpo System is key to ensure its proper performance. In 2018, the System ended the year with 110 central stations and 301 outposts (in 2017, there were 111 central stations and 298 outposts). This year, inpEV kept the 6 central stations it already managed during the previous year: Taubaté – SP, Unaí – MG, Uruçuí – PI, Alto Parnaíba – MA, Boa Vista do Incra – RS and Rondonópolis – MT.

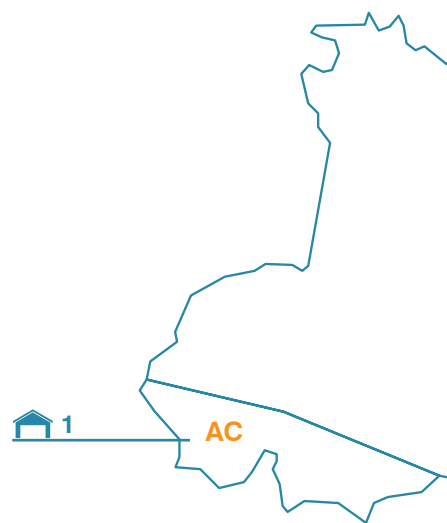
## Receipt of post-consumption leftovers

Packaging containing post-consumption leftovers refer to any crop protection product leftovers, manufactured and sold in Brazil on a regular basis and registered at the competent agencies, that are in possession of farmers with an expired validity date or that have suffered damage, thus making their use impossible. Receipt of this type of material is different from receiving empty packages and requires specific care.

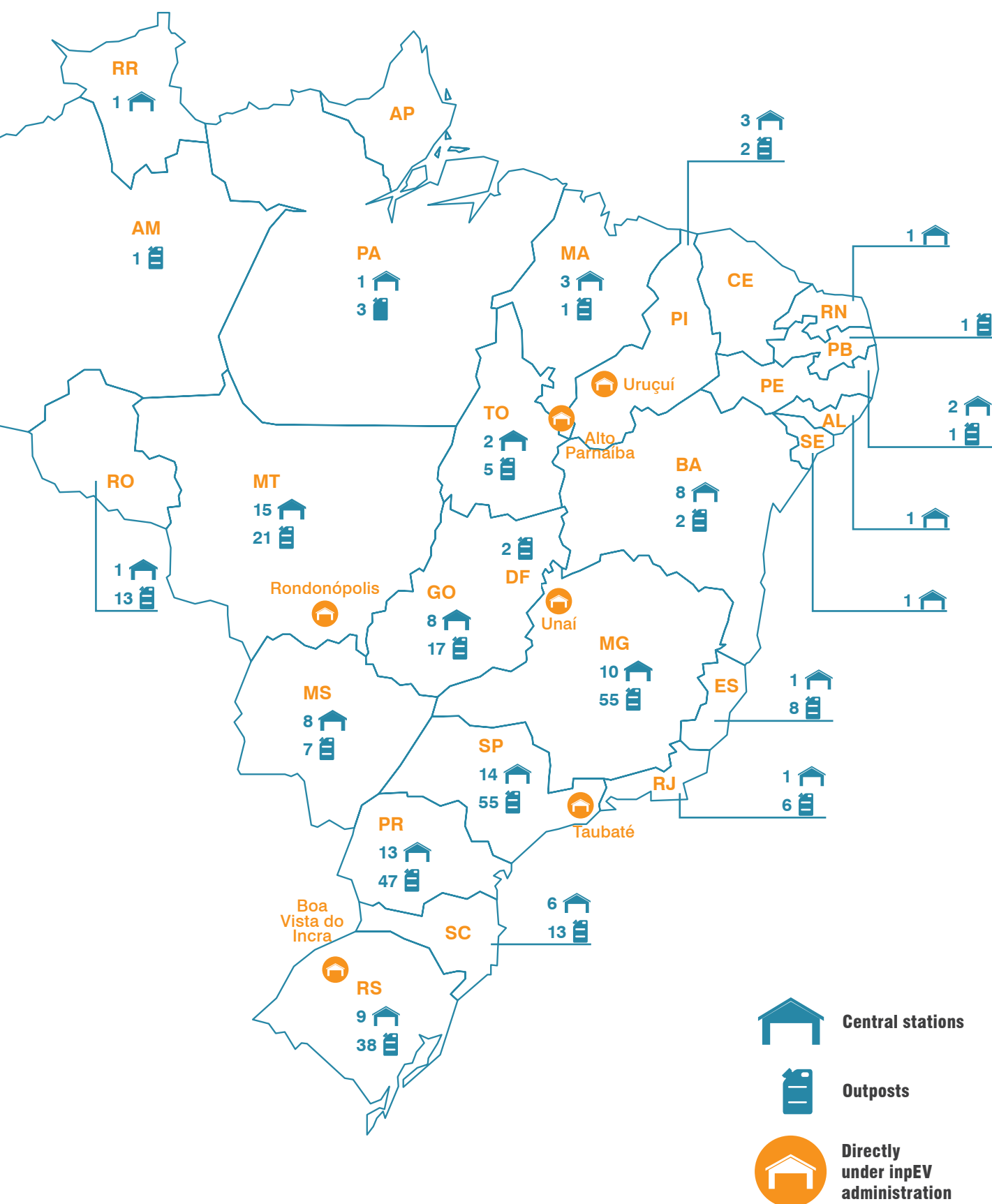
Since 2015, the Campo Limpo System has implemented physical changes to its units in order to receive this type of material, including the definition of a specific space for its storage, in accordance with the provisions of Conama Resolution nr. 465/14. Units not managed by inpEV receive instructions from the Institute during the entire adaptation process regarding infrastructure changes as well as licensing and operational procedures.

InpEV's goal for 2018 was for all central stations of the Campo Limpo System to be prepared to receive post-consumption leftovers, but this was not achieved due to difficulties in obtaining licenses and executing the necessary works or starting the operations. Therefore, the System ended the year with 103 central stations and 101 outposts ready for this kind of receipt. Throughout the year, 99.8 tons of post-consumption leftovers were disposed.

Legal authorities rely on inpEV's support regarding specific actions for the final disposal of improper and/or obsolete crop protection products (these are defined as products prohibited by law since 1985 in the national territory, according to Ordinance Nr. 329 of the Ministry of Agriculture). In 2018, 16 tons of improper and obsolete products were disposed during specific actions with the government; since 2005, more than 880 tons have undergone the same process in partnership with states. Receiving units are not used in these operations.







# Operational eco-efficiency

GRI 103-2, GRI 103-3

## Eco-efficiency of the Campo Limpo System

GRI 305-5

The Campo Limpo System's ecoefficiency is evaluated every year by means of a life cycle analysis study carried out the Espaço Eco Foundation ([espacoeco.org.br](http://espacoeco.org.br)) and followed by inpEV's Sustainability area. By establishing a comparison between a scenario determined at the start of this study with a hypothetical scenario in which the System does not exist, as was the case until 2002, this study has consistently concluded that the Campo Limpo System is the most ecoefficient alternative to receive and dispose of empty crop protection packaging in Brazil.

A highlight related to energy efficiency in 2018 was the installation, in October, of a photovoltaic system at the Unaí, MG station. With this change, an 88% reduction in electric energy consumption was observed at that unit, between the months of November and December of last year, when compared to the same period of the preceding year.

Between 2002 and 2018, the Campo Limpo System has contributed to:

Avoidance of around

688,000  
tCO<sub>2</sub>

To offset these emissions, it would be necessary to plant 4,000,000 trees.

Savings of

30  
billion MJ

which is equivalent to the annual supply of 4 million homes.





In 2018, after its eighth audit cycle, inpEV obtained renewal of its NBR ISO 9001:2015 certification, which certifies that the organization's Quality Management System is adequate in accordance with this set of standards.

## ISO 9001 recertification

InpEV obtained renewal of its NBR ISO 9001:2015 certification, in 2018. During this last cycle, the Uruçuí, PI station was included in the scope, which is now certified together with the Boa Vista do Incra, RS, Rondonópolis, MT, Taubaté, SP and Unaí, MG stations.

Certification of these five central stations was under the responsibility of BRTÜV - Tüv Nord Group, which audited the processes of receiving, segregation, processing, storage and shipment of packaging to their final destination. **INPEV'S MANAGEMENT PROCESSES FOR RECEIVING STATIONS, LOGISTICS AND FINAL DESTINATION OF EMPTY PACKAGES WERE ALSO AUDITED.**

Renewal of the quality certificate certifies that inpEV follows the good practices of the sector, thus offering safety to its stakeholders, mainly to receiving unit collaborators, who are aware of the administrative, operational and human resource premises that guide their work.

# Innovation & technology

GRI 103-2, GRI 103-3

## Efficiency of receiving units

InpEV always seeks ways of making its operations more efficient by investing in the System's productivity.

One of the projects that proves this started in 2015 and is scheduled to start in 2019. It seeks to boost process efficiency by means of changes to the label and insert cleaning procedures of rigid plastic containers: these will no longer have labels and inserts that must be manually removed at central stations and outposts, but will instead be removed at partnering recyclers of the Campo Limpo System in an automated fashion. This initiative will result in operational gains, besides cost reductions and increased efficiency in operations.

Started in 2017, the packaging compression project is also ongoing, which seeks to identify more efficient equipment for this type of activity. Besides this, inpEV concluded a feasibility study and pilot in 2018 to recycle unwashed rigid packages instead of sending them to incineration. This process is scheduled to start operation in 2019 and

will generate positive impacts for the Campo Limpo System.

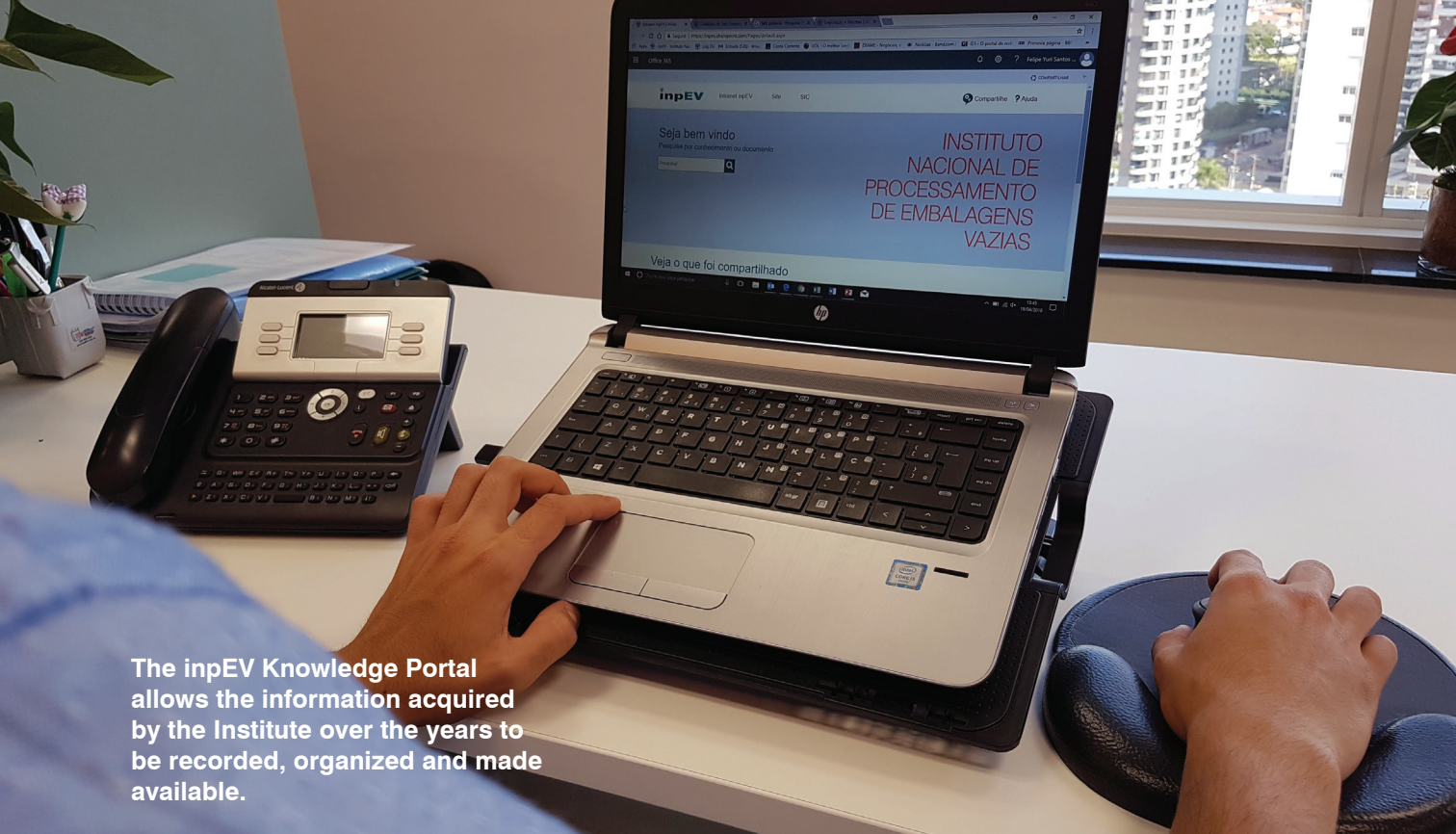
## Procurement Project

One of the great challenges for inpEV in 2018 was to restructure its Procurement area, which was started in 2017 - with a diagnosis, done by an external consultancy, to identify improvement points and opportunities for this area - and is scheduled to be concluded early in 2019.

Over the last year, inpEV took on the task of addressing issues identified in this diagnosis by implementing actions such as new methodologies and tools, collaborator training and conception of new processes and flow diagrams. One of the highlights of this process was the implementation of a Strategic Sourcing tool, which allows the Procurement area to define the best form of purchase for each product or service.

One of the outcomes of this project refers to a study to purchase tapes and seals in a centralized fashion which will result in financial





**The inpEV Knowledge Portal allows the information acquired by the Institute over the years to be recorded, organized and made available.**

gains. The Institute has already started negotiations with two vendors to ensure that all its receiving units are catered, expected to begin early in 2019.

Besides this, studies on the supply of personal protection equipment are expected to be concluded in the beginning of 2019 and contemplate the changes required by the eSocial program as well as labor health and safety aspects.

## InpEV Knowledge Management

Launched in the beginning of 2018, the inpEV Knowledge Portal is a platform that seeks to register, organize and make available for consultation, in a structured fashion, all

knowledge acquired during the Institute's existence, with the purpose of supporting decision-making and perpetuating the good practices adopted until here. Besides this, the platform works as an information database regarding the development of reverse logistics in Brazil.

Work to develop this portal was started in 2017 and included interviews with managers, video production and analysis of already existing material to be part of its content. Once the portal was launched in 2018, inpEV tried to disseminate a culture of using its own resources, besides planning improvements and new functionalities, to be implemented in 2019. The plan is to offer more communication and human resource functionalities to make the portal even more attractive.

# Human development

GRI 102-7, GRI 102-8, GRI 102-41, GRI 103-2, GRI 103-3

At the end of 2018, inpEV counted on 83 collaborators, 79 of which were direct employees and 4 outsourced, a 2% reduction when compared to 2017, when the Institute had 85 collaborators. They are concentrated in the Southeast region (76%) and are divided in 40% women and 60% men. Last year all collaborators were covered by collective bargaining agreements.

## Collaborators by working hours and gender

	Full time	Part-time
Male	50	0
Female	29	4
<b>Total</b>	<b>79</b>	<b>4</b>
	<b>83</b>	

## Collaborators per type of labor contract and gender

	Indefinite period	Fixed period
Male	48	2
Female	31	2
<b>Total</b>	<b>79</b>	<b>4</b>
	<b>83</b>	



76%

of collaborators are concentrated in the Southeast region



60%

of collaborators are men and 40% are women



InpEV employees during a training at the end of 2018.



Collaborators per type of labor contract and region

	Indefinite period	Fixed period
South	6	0
Southeast	59	4
Midwest	9	0
Northeast	5	0
North	0	0
<b>Total</b>	<b>79</b>	<b>4</b>
	<b>83</b>	

Collaborators by functional level and gender

	Male	Female
Directors	1	0
Managers	5	4
Leaders/coordinators	11	8
Technicians/supervisors	3	1
Administrative	7	12
Operational	19	3
Apprentices	2	1
Interns	1	1
Third-party	1	3
<b>Total</b>	<b>50</b>	<b>33</b>
	<b>83</b>	

At inpEV, the main focus of the Health and Safety area is to reduce the number of incidents by extensive risk identification and establishing various preventive actions to reduce them. Some examples of such actions in 2018 include the old presses being replaced by new ones and the installation of fall protection systems. Besides this, managers were trained to be qualified and develop awareness on health and safety.

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## Health and safety

GRI 403-2, GRI 416-1

By having safety as one of its values, the care for people has always been a priority for inpEV, which makes efforts to incorporate more and more a safety culture in the daily lives of all those involved with the Campo Limpo System.

This is why the Institute has invested in developing its Health and Safety Management System in 2018, which seeks to standardize some processes and procedures, identify the risks in different activities, improve working conditions and maintain a good environment with adequate facilities and quality equipment.

With an attentive attitude and by intensifying health and safety actions and encouraging all units to adopt better practices, it is possible to achieve important results. This is how inpEV significantly improved its health and safety indicators in 2018, when compared to the preceding year. The injury rate, for example, dropped 20%, while the lost time rate dropped 68%.





Operator at the Rondonópolis, MT, central station.

## Health and safety rates \*

	2016 **	2017		2018			
	Total	Male	Female	Total	Male	Female	Total
Injury rate	N/A	22.50	0.00	12.20	15.40	0.00	9.79
Occupational illnesses rate	N/A	0.00	0.00	0.00	0.00	0.00	0.00
Lost days rate	N/A	112.50	0.00	61.20	30.81	0.00	19.59
Absenteeism rate	N/A	0.00	0.00	0.00	1.21	0.02	1.92
Number of deaths	0	0	0	0	0	0	0

\* These rates are calculated according to the registry system of the International Labour Organization (ILO): number of injuries/illnesses/days/hours lost per MHW (man hours worked, including overtime hours) x 1,000,000.

\*\* InpEV identified a calculation mistake in the health and safety rates published in the year of 2016. For this reason, except for the number of deaths, these data were disregarded in this report since it is impossible to recalculate them.



## Training and development

GRI 404-1

InpEV remains committed and attentive to the constant improvement of its staff, by providing training every year that offers growth opportunities to collaborators and improves internal processes, both at its headquarters and at the central stations under its direct management.

In 2018, 1,200 hours of training were offered to our headquarter employees, an average of 14.52 hours per collaborator - in 2017, this average was 15.34 hours.

For receiving station employees, inpEV mainly offered training related to work safety and operational procedures in 2018. Around 1,200 hours of training were offered to these collaborators, representing an average of 34.66 hours per collaborator - in 2017, this average was 13.93. The variation in training between these years was due to new training needs identified in 2018 and syllabus increase for routine training courses.

In 2018,

# 1,200

hours of training were offered for inpEV's headquarter employees and receiving stations under direct management.





### Average training hours at headquarters, per functional category and gender

	Number of collaborators	Number of training hours provided	Average hours of training
<b>Functional category</b>			
Directors	1	0.00	0.00
Managers	9	172.00	19.11
Coordinators	19	408.00	21.47
Supervisors	4	0.00	0.00
Administrative	22	529.00	24.05
Operational	23	6.00	0.26
Apprentices	3	32.00	10.67
Interns	2	58.00	29.00
<b>Total</b>	<b>83</b>	<b>1,205.00</b>	<b>14.52</b>
<b>Gender</b>			
Male	50	525.00	10.50
Female	33	680.00	20.61
<b>Total</b>	<b>83</b>	<b>1,205.00</b>	<b>14.52</b>

### Average training hours at receiving stations under direct management, by functional category and gender

	Number of collaborators	Number of training hours provided	Average hours of training
<b>Functional category</b>			
Administrative	3	99.00	33.00
Apprentices	1	13.00	13.00
Housekeeping staff	3	37.00	12.33
Operational	19	786.00	41.37
Operational leaders	3	156.00	52.00
Supervisors	6	122.00	20.33
<b>Total</b>	<b>35</b>	<b>1,213.00</b>	<b>34.66</b>
<b>Gender</b>			
Male	28	1,110.00	39.64
Female	7	103.00	14.71
<b>Total</b>	<b>35</b>	<b>1,213.00</b>	<b>34.66</b>

# Multistakeholder dialog and cooperation

GRI 103-2, GRI 103-3

## Reverse logistics Term of Commitment

In 2018, inpEV renewed the Term of Commitment for the reverse logistics of empty crop protection packaging in the State of São Paulo, together with ANDAV (National Association of Veterinary and Agricultural Input Distributors) and the Government of São Paulo. The celebration of this addendum represents the commitment the sector has together with the government to continue developing the Campo Limpo System.

This term reinforces the importance of the reverse logistics program in the field to provide more sustainable agriculture and gives the proper importance and relevance to the commitments and responsibilities of each link of the productive chain, which is one of the aspects that allowed the success of the Campo Limpo System.

Besides the reverse logistics Term of Commitment celebrated with the state of São Paulo, inpEV has also endorsed two other similar terms with the states of Paraná and Ceará.

## ABRAMPA - Associação Brasileira dos Membros do Ministério Público do Meio Ambiente (Brazilian Association of the Members of the Environmental State Prosecutor's Office) Seminar

The Campo Limpo System was the topic of one panel at the "State Prosecutor's Office and solid waste management and reverse logistics" seminar, promoted in September, 2018 by the Brazilian Association of the Members of the Environmental State Prosecutor's Office (ABRAMPA) in São Paulo. This event occurred in the eighth year in which Law nr. 12.305/2010, which defines the National Policy on Solid Waste, has been in effect and focused on debating the topic and discussing means to implement it.

Besides this seminar in São Paulo, inpEV also participated in the 18th





Brazilian Congress of the Environmental State Prosecutor's Office in April in Porto Alegre.

At both occasions, inpEV shared the Campo Limpo System experience as an example of solid waste management and circular economy, which help keep Brazil as a global reference in the reverse logistics of empty crop protection packaging by engaging all links of the agricultural productive chain.

## Update of ABNT NBR 9843

ABNT NBR 9843 is the Brazilian technical standard that deals with the proper storage of crop protection products and the like with the purpose of preserving product quality and

avoiding accidents. Organized into four parts, each one focuses on one specific aspect: 1) industry and large distribution centers; 2) resellers; 3) farmers; and 4) laboratories.

In 2018, by ceasing the opportunity created by the standard revision, inpEV suggested to the ABNT Work Group to add a fifth item specifically related to storing the empty packaging or that containing post-consumption leftovers, at receiving stations and outposts. This suggestion was submitted to the Brazilian Association of Technical Standards (ABNT - Associação Brasileira de Normas Técnicas) and is expected to be submitted to public hearing early in 2019.

# Education and awareness

GRI 103-2, GRI 103-3, GRI 413-1

As a representative of the crop protection industry regarding reverse logistics, the development and application of educational and awareness actions are part of inpEV's activities since its foundation. The Communication and Education area is in charge of managing this topic, create educational materials, provide guidelines on its application and measure results. The main projects and results for 2018 follow:

## National Clean Field Day (DNCL - Dia Nacional do Campo Limpo)

Since 2005, inpEV has celebrated the National Clean Field Day, an event that recognizes the importance of involving all links of the agricultural chain - farmers, distribution channels, manufacturers and government - to ensure the success of the Campo Limpo System. The National Clean Field Day has already gathered over one million people throughout Brazil since its creation.

In 2018, the inpEV central station in Rondonópolis, MT, hosted the 14th edition of the official event, and the central topic was "Shared Responsibilities, Celebrating Results!". Alongside System representatives, this unit received authorities and people from surrounding communities, as well as around 350 children from municipal schools.

In addition to Rondonópolis, special actions were promoted during last year for this date in another 107 central stations of the System, in 22 states of Brazil, which counted with 77,000 participants, including authorities, community members, schools, universities, partners, producers, recyclers, among others. The units promoted entertaining and educational activities related to the System's operations and environmental conservancy, besides including in the program local modalities of the celebration, such as the DNCL Open Doors; the DNCL Solemnity, which includes the presence of public authorities; the University DNCL, which promotes actions intended for Technical and College students; the DNCL Action with Farmers, which disseminates information and sustainable solutions among farmers; and the DNCL Community Action, which sponsors community engagement in environmentally-oriented practices..

## Clean Field Environmental Educational Program

In 2010, inpEV launched the Environmental Educational Program, thereby contributing to develop environmental awareness among Elementary School students. By partnering with schools and producing stimulating materials on the addressed topics, this program has been developing the topic of shared responsibilities involving solid waste





Recreational and educational activity held during the 2018 Campo Limpo National Day.

management since 2016, the year in which it focused on the role of communities and, in the following year, 2017, on the importance of schools regarding this topic. In 2018, the program again focused on the contribution families have in the correct disposal of solid waste.

Last year, 101 inpEV central stations participated in this program, which shared it at 2,462 Brazilian schools, reaching an audience of approximately 231,000 4th and

5th grade students, with the involvement of around 12,000 education professionals, among which were classroom teachers and team members of school administration boards. Thus, in 2018, the program was able to reach out to 298 cities in 22 states.

Of all schools participating in the program, 36% are located in the rural areas of the aforementioned cities, 90% are public and comprise the municipal educational system, and only 3% are private schools.

## The Campo Limpo Environmental Educational Program in numbers

	2016	2017	2018
Cities involved	274	294	298
Participating stations	100	104	101
Participating schools	2,060	2,380	2,462
Classrooms involved	8,360	9,743	9,722
Involved students	210,428	228,962	230,857

## E-learning

By means of its website, inpEV offers a free Remote Education Course on the Campo Limpo System, which covers the regulatory legislation on the disposal of empty crop protection packaging, the responsibilities of each involved stakeholder, the work carried out at the receiving units and proper destination (recycling or incineration). Once the course has been concluded, students can print out a certificate of participation.

Available in a web version since 2007, this course is being restructured in a new platform, with a more current layout and communication, besides offering more appealing digital resources. It is expected to be launched early in 2019.

IN 2018, MORE THAN 14,000 STUDENTS TOOK THIS COURSE. THIS IMPRESSIVE NUMBER WAS REACHED THANKS TO THE CONTRIBUTION OF THE INPEV UNIVERSITY CHALLENGE, IN PARTNERSHIP WITH THE INSTITUTE AND ENACTUS, WHICH DISSEMINATED THE CAMPO LIMPO SYSTEM IN THE ACADEMIC ENVIRONMENT.

### InpEV University Challenge

In 2018, the Institute entered into a partnership with Enactus Brasil and launched the inpEV University Challenge, with the intent of acknowledging the most successful communication initiatives of the Campo Limpo System within the academic

environment, starting with the Remote Learning Course of the Campo Limpo System, available on the inpEV website.

During the first award phase, 66 Enactus teams focused on disseminating the course within the university environment, which resulted in over 10,000 conclusion certificates. During the next phase, the teachers of these educational institutions disseminated the knowledge acquired in the course among students pursuing various careers. For the third phase, the four groups with the best results during the first phases were qualified, which were challenged to organize and execute the “Campo Limpo System Day” event with eco-efficiency as its central topic.

The four finalist teams of the third phase were the Universidade Federal Rural from Rio de Janeiro (UFRRJ) and three institutions from Ceará, the Universidade Estadual do Vale do Acaraú (UVA), the Faculdade Vale do Salgado (FVS) and the campus Iguatu do Instituto Federal de Educação, Ciência e Tecnologia do Ceará (IFCE). After evaluation of the finalists - which included commitment to the topic, interaction between the speaker and the audience, the aesthetics and decoration of the event, commitment with the agenda and registration and overall event management -, FVS classified first, followed by IFCE.



# Economic feasibility

GRI 103-2, GRI 103-3, GRI 201-1

InpEV's main source of financing comes from member company contributions, but also includes accreditation fees of partnering recyclers of the Campo Limpo System, initial fees to cover receiving unit costs and rental of the Campo Limpo Plastic Transformation and Recycling S.A. revenues. The budget of its areas is monitored on a monthly basis by managerial meetings as well as by Board meetings. Its financial statements are audited annually by independent auditors.

The Institute's management is committed with reducing costs and increasing efficiency while at the same time seeking to capture value from the chain managed by inpEV and also by expanding its operational area. To add value to recycling is a way of capturing value and reverting such to mitigate the costs of the

Campo Limpo System. This is why Campo Limpo Plastic Recycling and Transformation, since 2008, and Campo Limpo Plastic Lids and Resins, since 2015, have acted as recyclers, by manufacturing and selling new crop protection packaging made with plastic recycled by the System.

In 2018, inpEV implemented several actions intended to reduce costs, increase efficiency and leverage productivity, both for the Institute and the Campo Limpo System. Among these are the restructuring of the Procurement area and the automated cleaning project of package labels and inserts as well as recycling of rigid unwashed container recycling (for more information, see chapters "Innovation and technology" and Operational Eco-efficiency").

## Economic-financial performance

	2016	2017	2018
Total assets (R\$ million)	96.0	101.1	108.8
Total resources that fund the program (inpEV + links of the chain) accumulated since 2002 (in million R\$ )	1,006	1,129	1,253
Net revenue of activities (R\$ million)	116.0	126.5	135.4
Member contributions (R\$ million)	61	67	72
Accreditation fees (R\$ million) *	12	14	15
Campo Limpo Property Lease (R\$ million) **	7	7	8
Net equity (R\$ million)	79	84	98
Net Indebtedness (R\$ million) ***	1	2	2

\* Paid by recyclers for sending packages and for the technical cooperation with inpEV.

\*\* Rent paid by the Campo Limpo Plastic Transformation and Recycling to inpEV.

\*\*\* Only obligations with suppliers are considered, excluding obligations with central stations and outposts.

# Logistics

GRI 103-2, GRI 103-3, GRI 306-4

To transport materials considered as hazardous waste, including unwashable packages, those not correctly washed by farmers as well as post-consumption leftovers, the shipping process is standardized in accordance with the valid legislation.

With logistics playing a fundamental role within the System, inpEV constantly seeks to improve its efficiency in this area, by means of various actions that focus on reducing costs and optimizing processes. One of them is the constant dialog with the main haulers of the System in an attempt to comply with legislation and implement improvements in the process. Preventive actions are also taken, such as checking the vehicles prior to departure, with the support of a checklist that includes items such as documentation, tires, breaks, straps to tie down bales as well as driver conditions. As a result of all this care, in 2018 there were no logistical accidents involving trucks of the System.

One measure adopted by the Campo Limpo System to optimize the process and reduce costs that is worth highlighting is the return shipment: the same vehicle that

In 2018, the Campo Limpo System hauled

12,227

truckloads of empty crop protection packaging, being:

8,885

of which were from outposts to central stations and

3,342

from central stations to final destinations (recyclers or incinerators)



delivers crop protection products from the manufacturer to producers, distributors and cooperatives transports the empty packages and post-consumption leftovers from the receiving units to recyclers and incinerators. Besides the environmental advantages, this type of shipping reduces costs by roughly 45%. Furthermore, it reduces the number of vehicles in transit and decreases pollutant emissions. This initiative also contributes to reduce risks, since truck drivers qualified to haul full packages are more specialized.

There are also other actions that contribute to improve logistic planning. One of them is adEV (discussed in "The Campo Limpo System" chapter), which offers farmers the possibility of scheduling the packaging return by computer. Another one is a tool called Central Offices Information System (SIC - Sistema de Informações das Centrais), which makes data available on the web regarding receipts, classification, processing, output materials, among other operational information, thus facilitating logistical planning. Finally, itinerant receiving stations allows empty packages

to be received at mobile units, which allows more remote regions from fixed receiving units to participate in the Campo Limpo System, mainly those in which the amount of packaging does not justify the installation of a fixed unit.

Also with respect to logistical efficiency, it is worth mentioning that in 2018 inpEV faced an important challenge with the truck driver strike. The drivers' stoppage throughout the country affected all companies in general, impacting volumes and margins, and mainly affected inpEV's costs when the National Agency of Ground Transportation (ANTT - Agência Nacional de Transportes Terrestres) restated shipping values. The new price chart resulted mainly in increased shipping costs for non-hazardous products (or of non-hazardous packaging), which corresponds to about 90% of everything shipped by the Institute. Once faced with this challenge, the Institute's Logistics area made a big management effort to mitigate these impacts - a successful endeavor that resulted in significantly reducing the impact of this event on inpEV's costs.

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In 2018, the truck driver strike mainly affected the costs of inpEV when the ANTT (National Agency of Ground Transportation) restated shipping values. Once faced with this challenge, the Institute's Logistics area made a big management effort to mitigate these impacts - a successful endeavor that resulted in significantly reducing the impact of this event on inpEV's costs.

# GRI

## Content Index

GRI 102-55

GRI Standards	Disclosure	Observations	Page in report	Omission
<b>GRI 101: FOUNDATION 2016</b>				
<b>GENERAL DISCLOSURES</b>				
GRI 102: GENERAL DISCLOSURES 2016	<b>ORGANIZATIONAL PROFILE</b>			
	GRI 102-1	Name of the organization.	6	
	GRI 102-2	Activities, brands, products, and services.	6	
	GRI 102-3	Location of headquarters.	6, 87	
	GRI 102-4	Location of operations.	6	
	GRI 102-5	Ownership and legal form.	6	
	GRI 102-6	Markets served.	6	
	GRI 102-7	Scale of the organization.	19, 20, 30	
	GRI 102-8	Information on employees and other workers.	30	
	GRI 102-9	Supply chain.	19, 20	Based on the nature of inpEV's activities as manager of the Campo Limpo System, the main input used are the empty crop protection packaging materials, which are returned to the 411 receiving units (110 central stations and 301 outposts).
	GRI 102-10	Significant changes to the organization and its supply chain.	24	In 2018, inpEV did not undergo significant changes in size, structure, etc. The main changes relative to the number of central stations and outposts are described in the chapter "Expansion of operations".



GRI Standards	Disclosure	Observations	Page in report	Omission
GRI 102: GENERAL DISCLOSURES 2016	GRI 102-11 Precautionary Principle or approach.	InpEV does not directly adopt the precaution principle, but manages risks when receiving and disposing of packages, thus contributing to reduce environmental impacts.		
	GRI 102-12 External initiatives.	InpEV has endorsed, since 2015, the Climate Protocol of the São Paulo State Government.		
	GRI 102-13 Membership of associations.	InpEV is a member of CropLife Latin America, an international organization that defends agricultural productivity and sustainability, and partakes in all committees of both member entities: the National Plant Protection Association (Andef - Associação Nacional de Defesa Vegetal) and the National Union of Plant Health Products Industry (Sindiveg - Sindicato Nacional da Indústria de Produtos para Defesa Vegetal).		
	<b>STRATEGY</b>			
	GRI 102-14 Statement from senior decision-maker.		4	
	GRI 102-15 Key impacts, risks, and opportunities.		4	
	<b>ETHICS AND INTEGRITY</b>			
	GRI 102-16 Values, principles, standards, and norms of behavior.		8, 12	
	<b>GOVERNANCE</b>			
	GRI 102-18 Governance structure.		9	
	<b>STAKEHOLDER ENGAGEMENT</b>			
	GRI 102-40 List of stakeholder groups.		22	
	GRI 102-41 Collective bargaining agreements.		30	
	GRI 102-42 Identifying and selecting stakeholders.		22	
	GRI 102-43 Approach to stakeholder engagement.		22	
	GRI 102-44 Key topics and concerns raised.		22, 54	

GRI Standards	Disclosure	Observations	Page in report	Omission
GRI 102: GENERAL DISCLOSURES 2016	<b>REPORTING PRACTICE</b>			
	GRI 102-45	Entities included in the consolidated financial statements.  In addition to the inpEV headquarters in São Paulo - SP, the financial statements include the six receiving stations under direct management of the Institute: • Boa Vista do Incra, RS; • Taubaté, SP; • Unai, MG; • Rondonópolis, MT; • Alto Parnaíba, MA; • Uruçuí, PI.		
	GRI 102-46	Defining report content and topic Boundaries.	22	
	GRI 102-47	List of material topics.	22, 54	
	GRI 102-48	Restatements of information.  There were no reformulations arising from acquisitions, period / base year and measurement methods, nor from the nature of inpEV. In case reformulations of any other nature exist, they will be indicated in the notes, along with the indicators.		
	GRI 102-49	Changes in Reporting.  Any significant changes are indicated in notes along with the indicators to which they refer.		
	GRI 102-50	Reporting period	2	
	GRI 102-51	Date of most recent report.	2	
	GRI 102-52	Reporting cycle.	2	
	GRI 102-53	Contact point for questions regarding the report.	2, 87	
	GRI 102-54	Claims of reporting in accordance with the GRI Standards.	2	
	GRI 102-55	GRI content index.	44	
	GRI 102-56	External assurance.	2	



GRI Standards	Disclosure	Observations	Page in report	Omission
<b>MATERIAL TOPICS</b>				
<b>OPERATIONAL EXPANSION</b>				
GRI 103: MANAGEMENT APPROACH 2016	GRI 103-1	Explanation of the material topic and its Boundaries.	54	
	GRI 103-2	The management approach and its componentes.  The Operations area is responsible for managing the physical expansion regarding new receiving units. Residue management projects for other sectors or consultancy are under the responsibility of the Sustainability area.  All inpEV stakeholders are encouraged to contact the Institute by means of the Contact Us channel. In 2018, there were no manifestations related to this material topic.	24	Not applicable: there are no quantitative and/or qualitative goals regarding this material topic.
	GRI 103-3	Evaluation of the management approach.	24	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	GRI 416-1	Assessment of the health and safety impacts of product and service categories.  At inpEV, 100% of the activities are evaluated in order to identify best practices and implement improvements.	32	
<b>OPERATIONAL ECO-EFFICIENCY</b>				
GRI 103: MANAGEMENT APPROACH 2016	GRI 103-1	Explanation of the material topic and its Boundaries.	54	
	GRI 103-2	The management approach and its componentes.  All inpEV stakeholders are encouraged to contact the Institute by means of the Contact Us channel. In 2018, there were no manifestations related to this material topic.	26	Not applicable: there is no corporate policy related to this material topic, nor specific legislation, but the focus of seeking ever more eco-efficient solutions is constant in inpEV's operations.
	GRI 103-3	Evaluation of the management approach.	26	
GRI 301: MATERIALS 2016	GRI 301-3	Reclaimed products and their packaging materials.	14	
GRI 302: ENERGY 2016	GRI 302-1	Energy consumption within the organization.		Information unavailable: the inpEV energy consumption values published in previous reports provided the consumption of the entire complex in which inpEV is located, and not just the Institute's office space. Since it is not possible to only measure consumption attributed to the Institute, this information is currently unavailable for reporting purposes.

GRI Standards	Disclosure		Observations	Page in report	Omission
GRI 303: WATER 2016	GRI 303-1	Water withdrawal by source.	The Institute's headquarters and its Rondonópolis, MT station use city-supplied water, while the other stations have artesian wells. inpEV's activities do not generate effluents.		Information unavailable: the inpEV water consumption values published in previous reports informed the consumption of the entire complex in which inpEV is located, and not just the Institute's office space. Since it is not possible to only measure consumption attributed to the Institute, this information is currently unavailable for reporting purposes.
GRI 305: EMISSIONS 2016	GRI 305-5	Reduction of GHG emissions.		26	
GRI 306: EFFLUENTS AND WASTES 2016	GRI 306-2	Waste by type and disposal method.		21	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	GRI 307-1	Non-compliance with environmental laws and regulations.	No fines nor non-monetary sanctions were imposed upon inpEV nor any of its subsidiaries due to non-conformance with environmental laws and regulations.		
<b>INNOVATION AND TECHNOLOGY</b>					
	GRI 103-1	Explanation of the material topic and its Boundaries.		54	
GRI 103: MANAGEMENT APPROACH 2016	GRI 103-2	The management approach and its componentes.	<p>This topic is managed under the scope of corporate projects, since the various projects have a strong innovation component. No specific area is responsible for managing the innovation and technology topic, but corporate project meetings are presided by the CEO and are the responsibility of the Projects area.</p> <p>All inpEV stakeholders are encouraged to contact the Institute by means of the Contact Us channel. In 2018, there were no manifestations related to this material topic.</p>	28	Not applicable: there is no corporate policy related to this material topic, nor information on investments in this topic.
	GRI 103-3	Evaluation of the management approach.		28	



GRI Standards	Disclosure	Observations	Page in report	Omission
<b>HUMAN DEVELOPMENT</b>				
GRI 103: MANAGEMENT APPROACH 2016	GRI 103-1	Explanation of the material topic and its Boundaries.	54	
	GRI 103-2	The management approach and its componentes.  All inpEV stakeholders are encouraged to contact the Institute by means of the Contact Us channel. In 2018, there were no manifestations related to this material topic.	30	
	GRI 103-3	Evaluation of the management approach.	30	
GRI 205: ANTI-CORRUPTION 2016	GRI 205-2	Communication and training about anti-corruption policies and procedures.	12	Information unavailable: inpEV informs its suppliers and other partners (recyclers and incinerators) about policies and procedures to fight corruption, but has no information on the number of partners notified during the period covered by this report.
GRI 404: TRAINING AND EDUCATION 2016	GRI 404-1	Average hours of training per year per employee.	34	
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	GRI 412-2	Employee training on human rights policies or procedures.	12	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	32	
<b>MULTISTAKEHOLDER DIALOG AND COOPERATION</b>				
GRI 103: MANAGEMENT APPROACH 2016	GRI 103-1	Explanation of the material topic and its Boundaries.	54	
	GRI 103-2	The management approach and its componentes.  All inpEV stakeholders are encouraged to contact the Institute by means of the Contact Us channel. In 2018, there were no manifestations related to this material topic.	36	Not applicable: there is no corporate policy related to this material topic, nor legislation, goals, investments, projects and specific programs related to this topic.
	GRI 103-3	Evaluation of the management approach.	36	

GRI Standards	Disclosure	Observations	Page in report	Omission
GRI 413: LOCAL COMMUNITIES 2016	GRI 413-1	Operations with local community engagement, impact assessments, and development programs.	38	
<b>EDUCATION AND AWARENESS</b>				
	GRI 103-1	Explanation of the material topic and its Boundaries.	54	
GRI 103: MANAGEMENT APPROACH 2016	GRI 103-2	The management approach and its componentes.  All inpEV stakeholders are encouraged to contact the Institute by means of the Contact Us channel. In 2018, there were no manifestations related to this material topic.	38	Not applicable: there is no corporate policy related to this material topic.
	GRI 103-3	Evaluation of the management approach.	38	
GRI 413: LOCAL COMMUNITIES 2016	GRI 413-1	Operations with local community engagement, impact assessments, and development programs.	38	
<b>LOGISTICS</b>				
	GRI 103-1	Explanation of the material topic and its Boundaries.	54	
GRI 103: MANAGEMENT APPROACH 2016	GRI 103-2	The management approach and its componentes.  All inpEV stakeholders are encouraged to contact the Institute by means of the Contact Us channel. In 2018, there were no manifestations related to this material topic.	42	
	GRI 103-3	Evaluation of the management approach.	42	
GRI 306: EFFLUENTS AND WASTES 2016	GRI 306-4	Transport of hazardous waste.	42	
<b>ECONOMIC FEASIBILITY</b>				
	GRI 103-1	Explanation of the material topic and its Boundaries.	54	
GRI 103: MANAGEMENT APPROACH 2016	GRI 103-2	The management approach and its componentes.  All inpEV stakeholders are encouraged to contact the Institute by means of the Contact Us channel. In 2018, there were no manifestations related to this material topic.	41	Not applicable: there is no corporate policy related to this material topic, nor consolidated information on inpEV's investments in this topic.
	GRI 103-3	Evaluation of the management approach.	41	



GRI Standards	Disclosure	Observations	Page in report	Omission
GRI 201: ECONOMIC PERFORMANCE 2016	GRI 201-1	Direct economic value generated and distributed.	41	
	GRI 201-4	Financial assistance received from government.	InpEV does not receive any financial assistance from governments nor funds from credit agencies.	
GRI 419: SOCIOECONOMIC COMPLIANCE 2016	GRI 419-1	Non-compliance with laws and regulations in the social and economic area.	In 2018, inpEV signed a Term of Conduct Adjustment with the Ministry of Labor of Rondonópolis (MT) in relation to the activities developed at its receiving station located in the city, pledging to carry out a series of actions intended to communicate and adopt good practices and safety measures in all the receiving units of the Campo Limpo System in the state of Mato Grosso.	



# Attachments

Campo Limpo Plastic Resins and Lids LTD, partnering recycler of the System.







# Breakdown – Material topics

GRI 102-44, GRI 102-47, GRI 103-1

The following chart presents a detailed description of each material topic, its relevance to inpEV, and an indication of where impacts may occur.

Material topics	Description	Why the topic is considered material?	Where does the impact occur?
Operational expansion	Geographic expansion following the expansion of the agricultural frontier; processing of other agricultural product containers	The topic on operational expansion consists of two pillars. The first is related to physical expansion since the Campo Limpo System must follow the expansion of agricultural frontiers regarding empty packaging receipt after their use by farmers, which requires new physical units or itinerant receiving stations, which are under the responsibility of distribution channels with support from inpEV. The second has to do with inpEV's vision of becoming financially self-sufficient where the incorporation of new activities (such as managing waste from other agricultural sectors) and providing consultancy are considered as possible revenue generators and subsidiary means for such.	Material outside inpEV
Operational eco-efficiency	Natural resource management: use of materials, water and energy; reduction; and recycling of materials resulting from operations; sustainable facilities and emissions.	Eco-efficiency and environmental protection are part of inpEV's DNA. The Campo Limpo System is a concrete case of a circular economy and guarantees that 94% of crop protection packages placed in the market receive environmentally proper destination at its partnering incinerators or recyclers. The quest for ever more sustainable processes and more eco-efficient facilities are also an ongoing activity at the Institute.	Material outside inpEV
Innovation & technology	Innovation and technology in operations.	Innovation has always been a transversal material topic within inpEV: the Institute is always seeking more efficient ways to do more and better, whether by means of process innovations (e.g., unwashed packaging compacting, receipt of post-consumption leftovers, or project to change the empty packaging cleaning process), or in products (such as the development of the Ecoplástica® and Ecocap packaging materials).	Material inside and outside inpEV

Material topics	Description	Why the topic is considered material?	Where does the impact occur?
Human development	Career management; collaborator training and development; employee preparation for retirement; talent attraction and retention.	Developing internal competencies is key to any business activity. For inpEV, collaborator development generates motivation, business innovation, talent retention and less turnover.	Material inside inpEV
Multistakeholder dialog and cooperation	Multistakeholder engagement processes; dialog and partnerships; interaction with government and influence on the public power; sector articulation with a positive influence upon the regulatory environment.	One of inpEV's values is an "integrating attitude", which reflects the Institute's leadership characteristic, value placed on teamwork, integration among chain links and knowledge dissemination. It brings together characteristics such as "team spirit", "satisfaction of members and other stakeholders" and "solutions developed with the client". Thus, to value dialog and multistakeholder cooperation is in the essence of inpEV's DNA.	Material inside and outside inpEV
Education and awareness	Socio-environmental awareness development and educational actions involving surrounding communities of the receiving units or regions considered critical from a packaging correct disposal standpoint; actions focusing on farmers that reinforce the importance of the correct disposal of packages.	Law nr. 9.974/00 and its Regulatory Decree nr. 4.704/02, which establish the shared responsibilities within the agricultural chain to execute the reverse logistics of empty crop protection packaging, set forth educational and awareness actions regarding the various responsibilities of manufacturers, distribution channels and government. Thus, since inpEV represents the crop protection industry with regard to reverse logistics, development and application of educational actions is part of the Institute's activities since its foundation.	Material inside and outside inpEV
Logistics	Reverse logistics; safe routes; logistics infrastructure; ease of returning packaging and conditions of transportation.	In order to dispose of packages throughout the country, inpEV coordinates a complex logistical operation. Only in 2018 more than 12,000 trucks hauled packaging from receiving units to their destinations (recyclers or incinerators). This is why logistical management is an essential part of the inpEV business, which is responsible for enabling the reverse logistics of packaging all across the country.	Material outside inpEV
Economic feasibility	Economic and financial performance; growth; new businesses; generation of shared value.	InpEV is a nonprofit entity whose activities are mainly funded by the contributions of its members and, to a lesser extent, from revenues generated by the System itself. The topic of "economic feasibility" was considered material since it is directly related to the Institute's vision regarding economic self-sufficiency. Towards this purpose, cost reduction actions, increased efficiency, productivity gains, revenue generation resulting from managing waste from other agricultural sectors and consultancy gain relevance.	Material inside inpEV



# How to join inpEV

Manufacturing industries or importers that are registrants of crop protection products according to Federal Law nr. 7802/89 can become members of inpEV provided that, at the time of becoming members they fall under one of the following circumstances: they manufacture (directly or indirectly by means of “tolling” contract), formulate or import at least one crop protection product already commercialized in the Brazilian market; and are the titleholders of the manufacturing, formulation or import rights relating to the registration of said product before the competent organ.

The company must contact inpEV by e-mail or phone to receive the information necessary to schedule an in-person meeting with its legal representative. During this meeting the inpEV reverse logistics system will be explained, as well as the membership procedures, internal processes and costs. The membership proposal is submitted to the Board of Directors once a month for final approval.

## InpEV Members

- ADAMA BRASIL S.A.
- ADM DO BRASIL LTDA.
- AGBITECH CONTROLES BIOLÓGICOS LTDA.
- AGRIVALLE BRASIL INDUSTRIA E COMÉRCIO DE PRODUTOS AGICOLAS LTDA.
- AGRO IMPORT DO BRASIL LTDA.
- AGROCETE INDÚSTRIA DE FERTILIZANTES LTDA.
- AGROFRESH BRASIL LTDA.
- AGROVANT COMÉRCIO DE PRODUTOS AGRÍCOLAS LTDA.
- ALAMOS DO BRASIL LTDA.
- ALLIERBRASIL AGRONOMIA LTDA.
- ALTA - AMÉRICA LATINA TECNOLOGIA AGRÍCOLA LTDA.
- AMERIBRÁS INDÚSTRIA E COMÉRCIO LTDA.
- AMVAC DO BRASIL REPRESENTAÇÕES LTDA.
- ANASAC BRASIL COMÉRCIO E LOCAÇÃO DE MÁQUINAS LTDA.
- ANDERMATT DO BRASIL SOLUÇÕES BIOLÓGICAS LTDA.
- ARYSTA LIFESCIENCE DO BRASIL INDÚSTRIA QUÍMICA E AGROPECUÁRIA S.A.
- ATANOR DO BRASIL LTDA.
- ATTA-KILL IND. E COM. DE DEF. AGRIC. LTDA.
- AVGUST CROP PROTECTION IMPORTAÇÃO E EXPORTAÇÃO LTDA.
- BALLAGRO AGRO TECNOLOGIA LTDA.
- BASF S.A.
- BAYER S.A.
- BEQUISA INDÚSTRIA QUÍMICA DO BRASIL LTDA.
- BIO CONTROLE MÉTODOS DE CONTROLE DE PRAGAS LTDA.
- BIOCONTROL SISTEMA DE CONTROLE BIOLÓGICO LTDA.
- BIOTECH CONTROLE BIOLÓGICO LTDA.
- BIOVALENS LTDA.

- BRA DEFENSIVOS AGRÍCOLAS LTDA.
- CCAB AGRO S.A.
- CHDS DO BRASIL COMÉRCIO DE INSUMOS AGRÍCOLAS LTDA. (ANTIGA MACROSEEDS)
- COPALLIANCE - COOPERATIVA DE CONSUMO DE PRODUTOS AGROPECUÁRIOS, IMPORTAÇÃO, EXPORTAÇÃO E COMÉRCIO LTDA.
- CROPCHEM LTDA.
- CROSS LINK CONSULTORIA E COMÉRCIO LTDA.
- DALNEEM BRASIL COM. DE PROD. AGROPECUÁRIOS LTDA.
- DE SANGOSSE LA LTDA.
- DEGESCH DO BRASIL INDÚSTRIA E COMÉRCIO LTDA.
- DINAGRO AGROPECUÁRIA LTDA.
- DOMINUS QUÍMICA LTDA.
- DOW AGROSCIENCES INDUSTRIAL LTDA.
- DU PONT DO BRASIL S.A.
- EVONIK BRASIL LTDA.
- FÊNIX AGRO PECUS INDUSTRIAL LTDA.
- FMC QUÍMICA DO BRASIL LTDA.
- FORQUÍMICA AGROCIÊNCIA LTDA.
- HELM DO BRASIL MERCANTIL LTDA.
- IHARABRÁS S.A. INDÚSTRIAS QUÍMICAS
- INDOFIL INDUSTRIES DO BRASIL LTDA.
- INDÚSTRIA QUÍMICA DIPIL LTDA.
- INQUIMA LTDA.
- IRRIGAÇÕES DIAS CRUZ LTDA. (KEEP DRY)
- ISAGRO BRASIL COMÉRCIO DE PRODUTOS AGROQUÍMICOS LTDA.
- ISCA TECNOLOGIAS LTDA.
- KOPPERT DO BRASIL HOLDING LTDA.
- LABORATÓRIO DE BIOCONTROLE FARROUPILHA LTDA.
- LANDEVO QUÍMICA DO BRASIL LTDA.
- LUXEMBOURG BRASIL COMÉRCIO DE PRODUTOS QUÍMICOS LTDA.
- MANEOGENE AGROCIÊNCIAS S.A.
- MASTERBOR INDÚSTRIA E COMÉRCIO DE PRODUTOS QUÍMICOS LTDA.
- MICROQUÍMICA INDÚSTRIAS QUÍMICAS LTDA.
- MICROSAL INDÚSTRIA E COMÉRCIO LTDA.
- MITSUI & CO (BRASIL) S.A.
- MOMENTIVE PERFORMANCE MATERIALS INDÚSTRIA DE SILICONES LTDA.
- MONSANTO DO BRASIL LTDA.
- MORSOLETTO SANTOS E VICENTE CANO LTDA.
- NICHINO DO BRASIL AGROQUÍMICOS LTDA.
- NORTOX S.A.
- NOVOZYMES BIOAG PRODUTOS PARA AGRICULTURA LTDA.
- NUFARM INDÚSTRIA QUÍMICA E FARMACÊUTICA S.A.
- OURO FINO QUÍMICA LTDA.
- OXIQUEMICA AGROCIÊNCIA LTDA.
- OXON BRASIL DEFENSIVOS AGRÍCOLAS LTDA.
- PACKBLEND INDÚSTRIA E COMÉRCIO DE LUBRIFICANTES LTDA.
- PB BRASIL IND. E COMÉRCIO DE GELATINAS LTDA.
- PETROBRÁS DISTRIBUIDORA S.A.
- PILARQUIM BR COMERCIAL LTDA.
- PLATO DO BRASIL COMÉRCIO LTDA.
- POLAND QUÍMICA LTDA.
- PRENTISS QUÍMICA LTDA.
- PROMIP MANEJO INTEGRADO DE PRAGAS LTDA.
- PROPHYTO COMÉRCIO E SERVIÇOS LTDA.
- PROREGISTROS REGISTROS DE PRODUTOS LTDA.
- PROVENTIS LIFESCIENCE DEFENSIVOS AGRÍCOLAS LTDA.
- PRTRADE TECNOLOGIA E INDÚSTRIA QUÍMICA E FARMACÊUTICA LTDA.
- RAINBOW DEFENSIVOS AGRÍCOLAS LTDA.
- RIZOFLORE BIOTECNOLOGIA S.A.
- ROTAM DO BRASIL AGROQUÍMICA E PRODUTOS AGRÍCOLAS LTDA.
- SABERO ORGANICS AMÉRICA S.A.
- SHARDA DO BRASIL COMÉRCIO DE PRODUTOS QUÍMICOS E AGROQUÍMICOS LTDA.
- SIMBIOSE INDÚSTRIA E COMÉRCIO

- DE FERTILIZANTES E INSUMOS MICROBIOLÓGICOS LTDA.
- SINON DO BRASIL LTDA.
- SIPCAM NICHINO BRASIL S.A.
- SOLUS INDÚSTRIAS QUÍMICAS LTDA.
- STOCKTON - AGRIMOR DO BRASIL
- STOLLER DO BRASIL LTDA.
- SUMITOMO CHEMICAL DO BRASIL REPRESENTAÇÕES LTDA.
- SYNGENTA PROTEÇÃO DE CULTIVOS S.A.
- TAGROS BRASIL COMÉRCIO DE PRODUTOS QUÍMICOS LTDA.
- TAMINCO DO BRASIL PRODUTOS QUÍMICOS LTDA.
- TECNICONTROL INDÚSTRIA E COMÉRCIO DE PRODUTOS BIOLÓGICOS LTDA.
- TECNOMYL BRASIL DISTRIBUIDORA DE PRODUTOS AGRÍCOLAS LTDA. (ANTIGA GENBRA)
- TERRA NOSSA INDÚSTRIA, COMÉRCIO, IMPORTAÇÃO E EXPORTAÇÃO DE FERTILIZANTES LTDA.
- TOYOBO DO BRASIL LTDA.
- TRADECORP DO BRASIL COMÉRCIO DE INSUMOS AGRÍCOLAS LTDA.
- TUNDRA AGROINDUSTRIAL LTDA.
- TZ BIOTEC LTDA. ME
- UNIBRÁS AGROQUÍMICA LTDA.
- UNION AGRO LTDA.
- UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.
- VECTORCONTROL INDÚSTRIA E COMÉRCIO DE PRODUTOS AGROPECUÁRIOS LTDA.
- VITTIA FERTILIZANTES E BIOLÓGICOS LTDA.
- W. NEUDORFF SERVIÇOS DE AGRICULTURA DO BRASIL LTDA.

## Partnering incinerators and recyclers

Recyclers		
Legal Name	City	State
PLASTIBRÁS INDÚSTRIA E COMÉRCIO LTDA.	Cuiabá	MT
CIMFLEX IND. E COMÉRCIO DE PLÁSTICOS LTDA.	Maringá	PR
VALPASA INDÚSTRIA DE PAPEL LTDA.	Tangará	SC
VASITEX VASILHAMES LTDA.	Guarulhos	SP
DINOPLAST INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Louveira	
ECO PAPER PRODUTOS EM PAPEL LTDA.	Pindamonhangaba	
GLOBAL STEEL TRANSPORTE E COMÉRCIO DE FERRO E AÇO EIRELI	Piracicaba	
CAMPO LIMPO TAMPAS E RESINAS PLÁSTICAS LTDA.	Taubaté	
CAMPO LIMPO RECICLAGEM E TRANSFORMAÇÃO DE PLÁSTICO S.A.	Taubaté	
TUBOLIX EMBALAGENS LTDA.	Tietê	
NOVOFLEX INDÚSTRIA E COMÉRCIO DE PRODUTOS PLÁSTICOS LTDA.	Várzea Paulista	

Incinerators		
Legal Name	City	State
ECOVITAL CENTRAL DE GERENCIAMENTO AMBIENTAL S.A.	Sarzedo	MG
NEOTECH SOLUÇÕES AMBIENTAIS LTDA.	Uberaba	
CLARIANT S.A.	Suzano	SP
ESSENCIS SOLUÇÕES AMBIENTAIS S.A.	Taboão da Serra	



# Financial statements

## Independent auditor's report

To the Associates and Managers of the Instituto Nacional de Processamento de Embalagens Vazias – inpEV

### Opinion

We have audited the accompanying financial statements of Instituto Nacional de Processamento de Embalagens Vazias - inpEV ("Institute"), which comprise the balance sheet as at December 31, 2018 and the statements of surplus, changes in net worth and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Instituto Nacional de Processamento de Embalagens Vazias - inpEV as at December 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

### Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Institute in accordance with

the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a relevant uncertainty exists related to events or conditions that could cast significant doubt on the ability of the Institute to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, February 18, 2019

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Luciano Jorge Moreira Sampaio Junior  
Contador CRC 1BA018245/O-1

## Balance sheet at December 31— All amounts in thousands of reais

Assets	2018	2017	Liabilities and net worth	2018	2017
Current assets			Current liabilities		
Cash and cash equivalents (Note 6)	39,554	39,384	Accounts payable	2,400	1,665
Accounts receivable (Note 7)	11,673	7,903	Payables to centers and stations (Note 12)	2,309	2,105
Advances granted (Note 8)	5,935	6,264	Center surplus (Note 13)	2,483	2,600
Prepaid expenses	101	111	Salaries and social charges	2,988	3,017
			Taxes payable	340	344
	57,263	53,662	Provision for contingencies (Note 14)	50	48
			Advances from associates (Note 15)	2	6,536
Non-current assets					
Long-term receivables				10,572	16,315
Security deposit for rent (Note 9)	119	77			
Property and equipment (Note 10)	51,071	46,928	Non-current liabilities		
Intangible assets (Note 11)	338	393	Provision for contingencies (Note 14)	22	287
	51,528	47,398	Total liabilities	10,594	16,602
			Equity (Note 16)		
			Net worth	98,197	84,458
Total assets	108,791	101,060	Total liabilities and net worth	108,791	101,060

The accompanying notes are an integral part of these financial statements.



## Statement of surplus

Years ended December 31 — All amounts in thousands of reais

	2018	2017
<b>Net revenue from activities (Note 17)</b>	135,359	126,547
<b>Expenses with activities</b>		
General and administrative (Note 22)	(128,196)	(123,617)
Other gains, net	53	83
Provision for impairment of accounts receivable, net of reversals (Note 7)	41	(5)
	(128,102)	(123,539)
<b>Operating surplus</b>	7,257	3,008
Finance costs (Note 23)	(687)	(816)
Finance income (Note 23)	2,387	2,768
Finance income, net	1,700	1,952
<b>Surplus for the year</b>	8,957	4,960

The accompanying notes are an integral part of these financial statements.

## Statement of changes in equity — All amounts in thousands of reais

	Net worth	Reserve for new associates	Accumulated surplus	Total
<b>At January 1, 2017</b>	77,733	852	-	78,585
Surplus for the year			4,960	4,960
Affiliations of new associates (Note 16)		913		913
Allocation of surplus for the year	4,960		(4,960)	
<b>At December 31, 2017</b>	82,693	1,765	-	84,458
Surplus for the year			8,957	8,957
Affiliations of new associates (Note 16)		4,782		4,782
Allocation of surplus for the year	8,957		(8,957)	-
<b>At December 31, 2018</b>	91,650	6,547	-	98,197

The accompanying notes are an integral part of these financial statements.

# Statement of cash flows

Years ended December 31 – All amounts in thousands of reais

	2018	2017
<b>Cash flows from operating activities</b>		
<b>Surplus for the year</b>	8,957	4,960
<b>Adjustments</b>		
Depreciation and amortization	7,529	7,284
Net book value of property and equipment and intangible assets disposals	349	50
Provision for net contingencies	1,477	1,935
Reversal of provision for impairment of accounts receivable	(41)	5
	18,271	14,234
<b>Changes in assets and liabilities</b>		
Accounts receivable	(3,729)	(2,094)
Advances granted	329	2,660
Prepaid expenses	10	(25)
Judicial deposits	(1,739)	(1,811)
Security deposit for rent	(42)	60
Accounts payable	735	532
Accounts payable to centers and stations	204	(4,486)
Centers surplus	(117)	308
Salaries and social charges	(29)	536
Taxes payable	(4)	13
Advances from associates	(6,534)	2,134
<b>Net cash provided by operating activities</b>	7,355	12,062
<b>Cash flows from investing activities</b>		
Acquisitions of fixed assets and intangible assets	(11,967)	(7,603)
<b>Net cash used in financing activities</b>	(11,967)	(7,603)
<b>Cash flows from financing activities</b>		
Contributions from new affiliations	4,782	913
<b>Net cash inflow from financing activities</b>	4,782	913
<b>Net increase in cash and cash equivalents</b>	170	5,372
<b>Cash and cash equivalents at the beginning of the year</b>	39,384	34,012
<b>Cash and cash equivalents at the end of the year</b>	39,554	39,384

The accompanying notes are an integral part of these financial statements.

# Notes to the financial statements at December 31, 2018 –

All amounts in thousands of reais unless otherwise stated

## 1. General information

Instituto Nacional de Processamento de Embalagens Vazias ("inpEV" or "Institute") (National Institute for Processing Empty Containers), headquartered in São Paulo, was founded on December 14, 2001, to operate for an indefinite period. The Institute is a private non-profit organization whose objective is to manage the disposal of empty agrochemical and similar containers in Brazil, provide manufacturers, distributors and farmers with support and guidance in the fulfillment of their legal responsibilities, promote education and awareness about the protection of the environment and human health and support the technological development of agrochemical and similar containers.

In order to achieve those objectives, the Institute depends primarily on contributions made by the associates.

In accordance with current legislation, the Institute benefits from certain federal tax exemptions because it is an association-type entity.

Law 9,718 of December 1998 established the rules for entities exempt from income tax and social contribution (such as the Institute). According to this law, in order to maintain the tax exemption, the Institute cannot have a surplus for the year, or if there is a surplus, it must be fully allocated to the maintenance and development of the Institute's social purposes.

At December 31, 2018, 111 agrochemicals manufacturers in Brazil were associates of the Institute (2017 - 108 associated companies).

### 1.1. Business model description

The Institute, which represents the agrochemicals industry, has the legal

responsibility for carrying out the proper disposal of empty agrochemical containers.

In order to achieve this, units for the receipt of empty containers were created to collect containers from rural areas, which the Institute subsequently disposes of in a suitable environmental manner.

After being delivered to the Empty Container Receiving Units (UREs) (units or centers managed by dealer associations), the Institute becomes responsible for the final disposal of these empty containers, which may be recycled or incinerated, depending on their technical characteristics.

The Institute enters into agreements with recycling companies for the purposes of technical and operational cooperation for the recycling of materials from empty containers of phytosanitary products received at the UREs, when recycling is possible.

The containers are sent for recycling by the Centers, under the responsibility of the Institute, through a shipping operation performed by the receiving center to the recycling company. .

#### **(a) Accreditation fee for recycling companies**

The Institute receives an accreditation fee from recycling companies, which corresponds to (i) the transfer of know-how to the recycling companies for the utilization of empty containers from agrochemical industries in the development of new products; and (ii) training sessions offered to employees of recycling companies concerning the proper handling of empty phytosanitary containers.



### **(b) Contributions to the costing of UREs**

In addition, the recycling companies make payments to the Institute for the containers received as contributions to the costing of UREs. The contributions to the costing of UREs are used as a reimbursement for the costs incurred by collection centers and units when receiving empty containers and preparing them for final disposal.

This contribution made to the Institute by the recycling companies is transferred to dealer associations (responsible for the management of UREs) as reimbursement for expenses and costs incurred when preparing empty containers for final disposal, through a strict periodic accountability process.

Management carried out, together with its lawyers, an in-depth analysis of the Institute's business model and, as from December 2009, has made changes in its processes, one of which consisting of the dealer associations delivering empty containers to recycling companies for just a symbolic amount and issue of a shipping invoice.

The accreditation fees and contributions to the costing of UREs are calculated based on the product weight delivered to the recycling companies and represent, respectively, about 30% to 40% and 60% to 70% of the volume of processed products.

### **(c) Allocation of resources**

While the contributions to the costing of UREs are periodically transferred to dealer associations for the maintenance of URE operations, the resources obtained as accreditation fees from recycling companies were allocated to the expansion of assets owned by the Institute and leased to Campo Limpo - Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."), whose stockholders are associates of the Institute (Note 1.4), located in the city of Taubaté, state of São Paulo.

### **(d) Centers surplus**

The finance results from the shipment of empty containers made by the receiving centers to the recycling companies, excluding the costs shared between the Institute and the dealer associations, normally result in deficits. However, due to the improvements in the operating processes and increase in the volume of empty containers, in certain months the centers may have a surplus that is offset against deficits of prior months. Once the deficit amounts are offset, in cases where the final result is a surplus, the Institute accounts for it as "Centers surplus". Since the Institute is responsible for managing the financial resources, the balances from the "Centers surplus" are controlled in a specific current account and identified individually per the related centers.

The agreements the Institute enters with the dealer associations establish that the centers with surplus will have the right to use it, upon mutual consent with the Institute, in the following order:

- 1<sup>st</sup> - Improvements (expansion, renovation and necessary equipment) in the Receiving Unit;
- 2<sup>nd</sup> - Construction of stations and improvements (expansion, renovation and necessary equipment) in the stations managed by the association of dealers;
- 3<sup>rd</sup> - Improvements in the Receiving Units (Centers), which comprise the package destination system in the same State;
- 4<sup>th</sup> - Improvements in the Empty Container Receiving units in the same State;
- 5<sup>th</sup> - Improvements in the Receiving Units and State Stations, according to the aforementioned sequence.

### **(e) Evaluation of taxes levied on the Institute's operations**

Together with the analysis of the new business model and, for the purposes of mitigating

the risks arising from possible different interpretations about the taxes levied on the operations carried out by the Institute, management obtained from its lawyers a detailed study on the taxation of its operations. This study includes the matter related to the revenue from the operation of the new shipping model, which is not subject to any taxes or contributions..

## 1.2. Management of the business units

The management of the Institute is divided into three segments, as follows:

- (a) Basic processes - This comprises the construction, maintenance and granting of subsidies to the UREs; the transportation of empty containers from the stations to the centers and then to the final destination (to be recycled or incinerated); and the costs regarding the final destination of containers for incineration (Note 22).
- (b) Support processes - This comprises the communication and publicity regarding the Institute's operations; the education, training and awareness of interested parties and stakeholders; legal support; and projects for the system self-sustainability (Note 22).
- (c) Administrative process - this segment includes the maintenance of the Institute's administrative area, including all personnel (Note 22).

## 1.3. Business unit – recycling

With the purpose of providing self-sustainability to the Institute's business model, a recycling unit was constructed to receive parts of the containers sent to the UREs. These parts are used for the manufacture of new plastic containers. In 2008, this group of assets was leased to Campo Limpo Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."). The Institute's investments in the construction, assembly and expansion of the factory currently amount to R\$ 70,261 (2017 - R\$ 65,761) (Note 10).

## 1.4. Campo Limpo - Reciclagem e Transformação de Plásticos S.A.

One of the Institute's objectives is to attain economic self-sustainability for the reverse logistics program of agrochemicals empty containers. This will be made through the verticalization of the container receipt and destination process. To achieve this, an investment plan has been established as initially structured in the following four stages: 1st - rigid plastic recycling; 2nd - turning rigid plastic into containers; 3rd - recycling of flexible plastic; and 4th - flexible plastic transformation.

In 2006, the Institute's associates approved the implementation of stages 1 and 2, which have led to the construction and structuring of Campo Limpo - Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."), whose purpose is to recycle empty containers and manufacture containers with the quality required by the associates, which are manufacturers of phytosanitary products.

At the Annual General Meeting held on April 18, 2011, the associates agreed to cancel stages 3 and 4 and to expand stages 1 and 2, making investments in the purchase of blow molding equipment (manufacture of containers).

The expansion of stages 1 and 2 required the purchase of four new blow molding machines, totaling an investment of R\$ 20,000 (unaudited). All of these machines were installed up to December 2013, when the project investments were completed.

In order to make the operations of Campo Limpo S.A. feasible, a lease agreement was entered into with the Institute for the assets described in Note 10, with remuneration for the Institute of about 10% of the net billings of Campo Limpo S.A. (Note 21).

On December 8, 2015, an amendment to the lease agreement was executed in order to

establish that, should the Parties be interested and agree, Campo Limpo S.A. may install new equipment or replace it in order to seek to increase its revenue and the quality of products, which directly impacts the lease amount paid to inpEV.

The said amendment further established in its clause 1.3.2.1 that Campo Limpo shall be incumbent for maintenance of the equipment and shall deduct such maintenance expenses incurred by it from subsequent lease payable after incurring the expenses, of which the payment must be proved by proper supporting documentation.

In view of this, the disbursements made by Campo Limpo in connection with expenses incurred for the maintenance of the assets started to be deducted from lease payable.

In order to reduce the total cost of such system, the general meeting of inpEV's associates held on September 19, 2016, approved making investments to expand the company's activities, in the amount of approximately R\$ 41,200 for the period ranging from 2017 to 2019 (2017 - R\$ 2,727 and 2018 - R\$ 7,455), in order to seek to reduce total cost of the system, through revenue generation from lease of fixed assets, as well as to increase Campo Limpo S.A.'s operating results.

### 1.5. Campo Limpo Tampas e Resinas Plásticas Ltda.

In order to complete the container's life cycle, on January 24, 2014, Campo Limpo Tampas e Resinas Plásticas Ltda. ("Campo Limpo Tampas") was established, with 99.99% of its quotas held by Campo Limpo S.A. Its purpose is to produce a high-performing sealing system known as Ecocap. Accordingly, the customer will be offered a complete solution with containers (produced by Campo Limpo S.A.) and caps (produced by Campo Limpo Tampas).

For the performance of the operations in Campo Limpo Tampas, the Institute leased a space within Campo Limpo S.A. paying rent calculated on the basis of 0.5% of its monthly billing.

In 2018, the Institute obtained lease revenue from the Campo Limpo Tampas operations amounting to R\$ 173 (2017 - R\$ 157), which is detailed within "Operating lease agreement" (Note 21).

## 2. Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented.

### 2.1. Basis of preparation

The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the provisions of the Brazilian Federal Accounting Council (CFC) Resolution 1,409/12, which approved the Technical Interpretation ITG 2002 - "Non-profit Entities", and the accounting pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC).

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise judgment when applying the Institute's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The Institute's Statutory Audit Board and Management on February 18, 2019 approved these financial statements.



### 2.1.1. New accounting standards effective January 1, 2018

The following standards were first adopted from January 1, 2018 and have not generated significant impacts for the Institute:

IFRS 9/CPC 48 - "Financial Instruments ", addresses classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance of IAS 39/CPC 38, about classification and measurement of financial instruments. The main changes introduced by IFRS 9 are:

(i) new criteria for the classification of financial assets.

Until December 31, 2017, the Institute classified its financial assets as loans and receivables, pursuant to CPC 38. With the adoption of IFRS 9/CPC 48, financial assets were reclassified to amortized cost (Note 2.3).

(ii) new hybrid model between expected losses and incurred losses models for determining impairment of financial assets (hereafter referred to as expected losses model), replacing the current incurred losses model.

The expected losses model, provided for by IFRS 9/CPC 48, has not generated impact on the financial statements of InpEV, since the Institute's accounts receivable basically comprise contributions by associates, linked to the recognition of expenses incurred, as well as amounts receivable from the recycling companies for the supply of containers.

There is no history of default on accounts receivable from contributions since recycling companies must, under Law 7,802, implement a reverse logistics program for empty agrochemicals containers in order to be allowed to conduct their activities in Brazil and, if they do not pay InpEV, which is the representative

of such industry in Brazil, they will no longer be allowed to continue operating.

There is a technical cooperation agreement in place among recycling companies for the supply of containers and, in case of such default, this supply is interrupted and the defaulting company is no longer allowed to participate in the System, thus generating significant losses for its business.

(iii) relaxation of the requirements for adopting hedge accounting.

The Institute does not have hedge transactions, as such, this item of IFRS9/CPC48 is not applicable.

#### Transition

The changes in accounting policies resulting from the adoption of IFRS 9 / CPC 48 were applied retrospectively on a simplified basis, with no effects as of the transition date.

IFRS 15/CPC 47 - "Revenue from Contracts with Customers " - This new standard brings the principles that must be applied by an entity for revenue measurement and recognition timing purposes. This standard is based on the principle that revenue must be recognized when control of an asset or service is transferred to customer, therefore, the principle of control will replace the principle of risks and rewards. It replaces IAS 11/CPC 17 - "Construction Contracts " and IAS 18/CPC 30 - "Revenue" and corresponding interpretations.

The Institute's Management has not identified impacts from adoption of IFRS 15/CPC 47, since the revenue recognition criteria adopted by InpEV follow the principle of transfer of control of an asset or service to customer which, for InpEV, takes place as the costs and expenses to manage the system are incurred (Note 2.14).

Transition

The Institute adopted CPC 47/IFRS 15, using the retrospective method, that is, with first adoption of the standard on January 1, 2018, without restating prior periods. In addition, Management analyzed the balances at December 31, 2017 and did not identify any impacts from adoption of this standard.

IFRIC 22/ICPC 21 - "Foreign Currency Transactions ", also effective January 1, 2018, provides clarifications about transaction date to be used in currency translation of advances made or received in foreign currencies.

The Institute does not have transactions in foreign currencies, thus IFRIC 22/ICPC is not applicable to InpEV.

## 2.2. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value..

## 2.3. Financial assets

### 2.3.1. Classification

The Institute classifies its financial assets at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at their initial recognition.

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Institute's loans and receivables comprise "Cash

and cash equivalents", "Accounts receivable", "Security deposit for rent" and "Judicial ".

### 2.3.2. Impairment of financial assets

#### Assets carried at amortized cost

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flow from the financial asset or group of financial assets, and this impact can be reliably estimated.

The criteria used to determine that there is objective evidence of impairment include, among others:

- . significant difficulty to receive amounts from the associate;
- . default or delinquency in interest or principal payments..

For financial assets recognized at amortized cost, impairment is the difference between the asset's recorded amount and the present value of the estimated future cash flows, discounted at the effective original interest rate of the financial asset. The carrying amount is reduced directly by the impairment loss for all financial assets.

## 2.4. Accounts receivable

The balances of accounts receivable, represented by the amounts due from associates and relating to the consideration for the services rendered by the Institute in the course of its business, are recognized initially at transaction value and subsequently measured at amortized cost, less the provision for impairment of accounts receivable. Expected losses are established whenever there is

evidence that it is probable that the Institute will not receive all the amounts due. The amount of expected loss is the difference between carrying amount and recoverable amount.

Until December 31, 2017, the Institute used the model of incurred losses to set up the provision for impairment of accounts receivable.

The average receipt term of accounts receivable is 30 days.

**2.5. Advances granted**

Advances granted represent funds transferred in advance to collection centers and units to cover short-term cash needs. They are carried at cost.

**2.6. Judicial deposits**

Judicial deposits, in local currency, are deposited with the courts in an escrow bank account linked to a lawsuit, to ensure the settlement of a possible future obligation and which can only be used after a judicial order. These deposits accrue interest and are presented in the balance sheet as a deduction from the provision for contingencies (Note 14).

**2.7. Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation.

Subsequent additions are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. The carrying amount of the replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of surplus during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets less

their residual values over their estimated useful lives, as follows:

	Years
Buildings	50 - 60
Equipment and installations	10-15
Vehicles	5
Furniture and fittings	12 - 16
Other	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to the recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on asset disposals are determined by comparing the proceeds with the net book value and are recognized within "Other gains (losses), net" in the statement of surplus.

**2.8. Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of all incentives received from the lessor) are charged to the statement of surplus on the straight-line basis over the term of the lease.

**2.9. Intangible assets**

Computer software licenses acquired are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

**2.10. Impairment of non-financial assets**

Assets that are subject to depreciation or amortization are reviewed for impairment



whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGUs)). Non-financial assets other than goodwill that suffered impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

### 2.11. Accounts payable

These refer to obligations payable and are substantially represented by expenses incurred by dealer associations for the maintenance of units responsible for the receipt of containers.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice..

### 2.12. Provisions

The Institute recognizes provisions when: (a) it has a present legal or constructive obligation as a result of past events; (b) it is probable that a transfer of economic benefits will be required to settle the obligation; and (c) the obligation amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a rate before tax effects that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

### 2.13. Employee benefits – bonus

The Institute recognizes a liability and an expense for payment of bonus based on targets achieved by its employees. The bonus is commonly recognized at the end of the year, when the Institute can accurately calculate the amount.

### 2.14. Revenue recognition and related expenses

Revenue comprises the present value of contributions made by associates, revenue of recycling companies (accreditation fee paid by recycling companies, contributions to the costing of UREs), revenue from operating leases and extraordinary contributions made by associates for investments in Campo Limpo S.A.

The amounts related to the business unit dealing with the management of the reverse logistics systems for empty containers of agrochemicals are recognized as revenue for the year to the extent the costs and expenses with the management of the system are incurred.

#### (a) Associate contributions

Considering that the contributions of the associates are made for the costing of all expenses with the container receiving, transportation and incineration processes, among others, the amount considered as associate contribution corresponds to the related costs and expenses incurred. The contributions are approved by associates when preparing the annual budget, being submitted monthly for approval in the Institute's meetings with Management.

Those contributions in excess of the costs and expenses incurred are accounted for in "Advances from associates" in current liabilities.

**(b) Accreditation fee for recycling companies**

The amount of the accreditation fee paid by recycling companies is calculated based on the containers received and destined for recycling, and is recognized when the empty containers are effectively delivered to the recycling companies. This amount is equivalent to approximately 30% to 40% of the amount obtained from the containers sent for recycling. The annual contribution of the Institute's associates is reduced by this amount.

**(c) Contributions to the costing of UREs**

Contributions to the costing of UREs, which range from 60% to 70% of the amount obtained from the containers sent for recycling and applied in the business unit that deals with the management of the reverse logistics systems for empty containers, are recorded when the containers are effectively delivered to the recycling companies and are invested when the UREs (centers and stations) present the costs incurred in the process of preparing the containers to be sent to their final destination.

**(d) Operating leases**

Operating lease revenue is recorded on the accrual basis of accounting at 10% of the monthly net revenue from the sales of Campo Limpo S.A. and Campo Limpo Tampas products, as provided for by the Property Lease Agreement by and between the parties.

**(e) Extraordinary contributions**

These are funds transferred by Campo Limpo S.A., on behalf of its stockholders that are also inpEV's associates, which are approved in Annual General Meetings, in order to reduce the amount of annual contributions due to inpEV.

Revenue from extraordinary contributions is recognized after such funds are approved in Campo Limpo S.A.'s General Meeting.

The extraordinary contributions are used to reduce the amount of the annual contribution made by associates to inpEV.

### 3. Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events.

The Institute makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**(a) Process of management of the final disposal of empty phytosanitary product containers and taxation of the recycling company accreditation fee**

Up to November 2009, dealer associations would sell the empty containers to the recycling companies. The Institute received amounts from the recycling companies as an accreditation fee, which was due for the accreditation of the recycling companies, for the transfer of know-how related to the recycling process of plastic residues, for the manufacture of new products from such material and for the training of employees of the recycling companies regarding the proper handling of empty containers of phytosanitary products.

To avoid challenges from tax authorities on the sales of containers by the system participants, and considering that the owners of these containers are the manufacturers of the phytosanitary products, the Institute's management, supported by external lawyers, made changes in its business model (Note 1.1.).

With the implementation of the new business model on December 1, 2009, the sales of empty containers to recycling companies were discontinued, and the amounts that the recycling companies used to pay to dealer associations for the empty containers were incorporated into the amount of contributions to the costing of the UREs and started to be charged directly by the Institute. On the other hand, a portion of such contributions received by the Institute started to be used as a subsidy for some of the costs incurred by those units receiving empty containers, which include dealer associations.

The Institute, based on a study prepared by its external lawyers, understands that no payment of taxes on the container shipping operations is applicable..

#### **(b) Provision for tax and labor contingencies**

As described in Note 14, the Institute is challenging in court the Social Contribution on Revenues (COFINS) levied on the accreditation fee, in addition to the payment of termination benefits to former employees (own employees and URE employees). Provisions are established for all contingencies referring to litigation that represents probable losses and can be reliably estimated. The assessment of the likelihood of an unfavorable outcome in these lawsuits and administrative proceedings includes the analysis of the evidence available, the hierarchy of the laws, available former court decisions, the most recent court decisions and their importance in the Brazilian legal system, and the opinion of external legal counsel. Management believes that the provisions for tax and labor risks are fairly presented in the financial statements.

## **4. Financial risk management**

### **4.1. Financial risk factors**

The Institute is exposed to finance risks related to credit and liquidity. .

#### **(a) Credit risk**

The Institute makes financial investments only with highly-rated financial institutions in order to minimize credit risks.

Accounts receivable are comprised of amounts from associates and recycling companies that have not yet been received. When the associate or recycling company is in default (Note 7), the Institute's management initiates an out-of-court collection process to receive the outstanding balance and, if it becomes a problem, the Institute's Management may file a judicial collection proceeding.

#### **(b) Liquidity risk**

This is the risk of the Institute not having sufficient liquid funds to meet its financial commitments, due to the mismatch of terms or volume in expected receipts and payments.

To manage liquidity of cash in local currency, assumptions for future disbursements and receipts are determined, and the finance department monitors these daily.

### **4.2. Capital management**

The Institute's objectives when managing capital are to safeguard its ability to continue as a going concern for reinvestment and to maintain a capital structure that is sufficient to meet its short-term obligations.



## 5. Financial instruments by category

Cash and cash equivalents (substantially financial investments in investment funds), accounts receivable represent the Institute's financial assets from associates, security deposit for rent and judicial deposits. They are all classified in the category of amortized cost.

Financial liabilities, such as accounts payable, advances from associates and recycling companies and provisions for contingencies, are classified as subsequently measured at amortized cost.

### 5.1. Credit quality of financial assets

The Institute's cash and cash equivalents and financial investments are negotiated with financial institutions classified under the following ratings (FICTH):

	2018	2017
Cash and cash equivalents and securities Banco Itaú S.A. – AAA	39,179	39,371
	39,179	39,371

The credit quality of trade receivables is assessed based on the risk of a customer failing to honor payments at the related maturity dates and on the difficulty to recover this receivable through an out-of-court process.

## 6. Cash and cash equivalents

	2018	2017
Cash	15	13
Banks - current accounts	360	7
Investment funds (*)	39,179	39,364
	39,554	39,384

(\*) This amount represents applications in financial investment funds remunerated at 98.20% of the Inter-bank Deposit Certificate (CDI) rate with Banco Itaú S.A. (2017 – Banco Itaú S.A. – 100.64%), being readily redeemable, with no significant discount on redemption.

## 7. Accounts receivable

	2018	2017
Associate contributions – Agrochemicals	7,664	4,362
Recycling companies		
Accreditation of recycling companies	1,055	860
Contributions to the costing of UREs	4,505	2,791
Operating lease - Campo Limpo S.A.	2,286	1,419
Extraordinary contributions	-	2,262
Other accounts receivable	-	87
Provision for impairment of accounts receivable	(3,837)	(3,878)
	11,673	7,903

Changes in the Institute's provision for impairment of accounts receivable are as follows:

	2018	2017
At January 1	(3,878)	(3,873)
Additions	-	(5)
Reversal due to receipt	41	-
At December 31	(3,837)	(3,878)

The Institute, after out-of-court collection attempts, through its lawyers decided to file a lawsuit against the associate in default, Fersol Indústria e Comércio Ltda., whose outstanding balance at December 31, 2018 amounted to R\$ 3,667 (2017 - R\$ 3,667). The remaining balance of R\$ 170 refers to two recycling companies undergoing financial difficulties in their operations, in view of this, the Institute decided to set up a provision for this amount.

The amounts receivable by maturity are as follows:

	2018	2017
Not yet due	3,394	3,828
Overdue		
Up to 60 days	7,410	4,066
From 61 to 90 days	880	10
From 91 to 180 days	4	-
From 181 to 360 days	23	45
Over 360 days	3,799	3,832
	15,510	11,781

## 8. Advances granted

	2018	2017
Advances to centers (i)	3,941	4,231
Advances to units (i)	1,033	1,307
Advances to employees	68	64
Payroll advances	203	326
Other advances	690	336
	5,935	6,264

(i) Pursuant to the agreement entered into with the dealer associations responsible for the management of the collection centers and units dealing with empty containers, effective until November 2009, the Institute assumed a portion of the costs incurred and the related deficit balances. When the new business model came into effect (Note 1.1.) in December 2009, the Institute became the manager of the funds

generated by the shipping of containers to recycling companies and the reimbursement of all costs incurred by the dealer associations.

Depending on the circumstances, the Institute makes advances to collection centers and units, based on the average of total expenses for the last three months presented by the centers. These advances are recognized in the statement of surplus for the year, upon presentation of supporting documentation for the incurred expenditures.

Of the balance of R\$ 3,941 at December 31, 2018, R\$ 1,942 corresponds to amounts prepaid to certain centers, which are in surplus, in accordance with the monthly accountability process and the remaining balance refers to the advances granted that are still within the period established by the Institute for accountability. However, because these centers are in surplus, they did not use the funds paid in advance for the execution of their activities and, as mentioned in Note 1.1 (d), the Institute has recorded in its liabilities, under centers Surplus, balances payable to centers in surplus and which are used according to the previously established hierarchy of use.

## 9. Security deposit for rent

The balance of R\$ 119 (2017 - R\$ 77) refers to the security deposit defined in the lease agreement of the property located at Avenida Roque Petroni Junior, 850, which is the address of the current headquarters of the Institute. This amount will be redeemed at the end of the agreement.

## 10. Property and equipment

	Land	Buildings and improvements	Equipment and installations	Vehicles	Furniture and fittings	Other	Total in operation	Construction in progress/ advances	Total property and equipment
On December 31 <sup>st</sup>	431	12,334	32,934	611	308	28	46,646		46,646
Acquisition		657	2,127	483	234		3,501	3,948	7,449
Disposal			(21)	(18)	(11)		(50)		(51)
Depreciation		(940)	(5,726)	(351)	(88)	(12)	(7,117)		(7,116)
On December 31 <sup>st</sup>	431	12,051	29,314	725	443	16	42,980	3,948	46,928
Total cost	431	18,224	60,978	1,979	1,001	118	82,733	3,948	86,681
Accumulated depreciation		(6,173)	(31,664)	(1,254)	(558)	(103)	(39,753)		(39,753)
Net book value	431	12,051	29,314	725	443	16	42,980	3,948	46,928
On December 31 <sup>st</sup>	431	12,051	29,314	725	443	16	42,980	3,948	46,928
Acquisition		231	4,346	999	112	8	5,697	6,172	11,869
Disposal			(180)	(137)	(31)		(348)		(348)
Depreciation		(975)	(5,896)	(415)	(81)	(10)	(7,378)		(7,378)
On December 31 <sup>st</sup>	431	11,307	27,584	1,172	443	14	40,951	10,120	51,071
Total cost	431	18,456	64,754	2,246	1,080	126	87,093	10,120	97,213
Accumulated depreciation		(7,149)	(37,170)	(1,074)	(637)	(112)	(46,142)		(46,142)
Net book value	431	11,307	27,584	1,172	443	14	40,952	10,120	51,071

Note 1.3 to the financial statements discloses that the associates established a separate entity denominated Campo Limpo Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."). The assets of Campo Limpo S.A. were acquired by the Institute and are recorded in the Institute's property and equipment account. The cost of these assets at December 31, 2018 amounted to R\$ 70,261 (2017 - R\$ 65,761).

On May 1, 2008, the Institute entered into an agreement with Campo Limpo S.A. for the lease of property, industrial equipment, electric, hydraulic and gas installations, tools, vehicles, furniture and fittings, computers and peripherals as well as other assets that are already installed and operating, in addition to other spare equipment attached to the property. Should this agreement not be terminated by one of the parties, it will be effective for ten years and automatically renewed for the same period, which occurred in 2018.



The assets leased to Campo Limpo S.A., included in the table above, are the following:

2018			
Description	Cost	Accumulated depreciation	Net book value
Buildings and improvements	16,831	(5,987)	10,844
Equipment and installations	46,888	(28,068)	18,820
Vehicles	467	(268)	199
Furniture and fittings	579	(404)	175
Construction in progress	5,466	-	5,466
Other	30	(24)	6
	70,261	(34,751)	35,510

2017			
Description	Cost	Accumulated depreciation	Net book value
Buildings and improvements	16,831	(5,326)	11,505
Equipment and installations	45,410	(23,700)	21,810
Vehicles	426	(281)	145
Furniture and fittings	535	(359)	176
Construction in progress	2,436	-	2,436
Other	23	(23)	
	65,761	(29,689)	36,072

## 11. Intangible assets

	Software acquired
On December 31 <sup>st</sup> , 2016	407
Addition	154
Amortization	(168)
On December 31 <sup>st</sup> , 2017	393
Total cost	1,905
Accumulated amortization	(1,512)
Net book value	393
On December 31 <sup>st</sup> , 2017	393
Addition	97
Amortization	(152)
On December 31 <sup>st</sup> , 2018	338
Total cost	2,000
Accumulated amortization	(1,662)
Net book value	338

The intangible assets related to Campo Limpo S.A. at December 31, 2018, included in the table above, are as follows:

Description	Cost	Accumulated amortization	Net book value
Hardware and software	651	(483)	168

## 12. Accounts payable to centers and stations

These amounts refer to accounts payable to the receiving units (UREs), that is, centers and stations, due to the operating maintenance shared costs established in the agreement entered into by the Institute and the managers of such units (dealers), whose balance, at December 31, 2018, amounted to R\$ 2,309 (2017 - R\$ 2,105).

## 13. Centers surplus

As described in Note 1.1. (d), the surplus balance of certain centers, amounting to R\$ 2,483 (2017 - R\$ 2,600), is segregated in a specific financial investment account controlled by each center, and will only be used upon previous approval of the Institute and provided that the hierarchy of priorities, as established in the agreement entered into by the parties, is respected.

## 14. Contingencies

Legal proceedings and corresponding judicial deposits are as follows:

	Judicial deposits		Contingency	
	2018	2017	2018	2017
Tax - Social Contribution on Revenues (COFINS) (i)	16,717	14,978	16,767	15,026
Labor (ii)			22	287
	16,717	14,978	16,789	15,313
Judicial deposits related to litigation	(16,717)	(14,978)	(16,717)	(14,978)
Net amount under litigation			72	335
Less current liabilities			(50)	(48)
Non-current liabilities			22	287

In 2018 and 2017, the changes in legal proceedings were as follows:

	Tax	Labor	Total
On January 1 <sup>st</sup> , 2017	13,034	344	13,378
Complement/additions (iii)	982	287	1,269
Reversal/write-off		(344)	(344)
Indexation accruals	1,010		1,010
On December 31 <sup>st</sup> , 2017	15,026	287	15,313
Complement/additions (iii)	1,105	16	1,122
Reversal/write-off		(281)	(281)
Indexation accruals	636		636
On December 31 <sup>st</sup> , 2018	16,767	22	16,790

(i) Since 2004, the Institute has generated revenue from accreditation fees, according to agreements entered into with recycling companies. Differently from the Brazilian Federal Revenue Service (RFB), the Institute and its tax lawyers consider that the Social Integration Program (PIS) and the Social Contribution on Revenues (COFINS) should not be levied on these revenues. Accordingly, on July 2, 2004, the Institute filed a query with the Regional Superintendency of Federal Revenue of the 8th Tax Region, in São Paulo, in order to clarify the

lack of legal definition about the taxation of PIS and COFINS on other types of revenue (revenue from accreditation fee) of not-for-profit entities, which are exempt from income tax.

The Institute received a positive response on June 9, 2008 regarding the PIS taxation, with the confirmation that PIS should be levied only on payroll balances, which has been the Institute's practice since the beginning of its operations, in March 2002.

On the other hand, the Regional Superintendency of Federal Revenue stated that COFINS is to be levied on this type of revenue. The Institute, supported by its tax lawyers, disagreed with this interpretation and, in February 2009, filed for a writ of mandamus in order to assure its right for the non-payment of COFINS on the accreditation fee. This injunction was denied on May 13, 2009.

The sentence handed down in October 2013 denied the Institute's claim and determined in favor of the payment of COFINS. In November 2013, the Institute lodged an appeal with the Federal Regional Court, which is currently pending judgment.

As a preventive measure, and in order to safeguard the original amount of the tax obligation, the Institute deposited in court the total balance of the provisioned amount plus interest and fines, referring to the period from 2004 to December 2018, totaling R\$ 16,767 (2017 - R\$ 15,026). The corresponding judicial deposit is presented as a deduction in liabilities.

Other than the COFINS matter referred to above, based on the opinion of the Institute's external lawyers and, because it is related to the transfer of information and technical knowledge regarding the handling of empty containers up to their final disposal, no further taxes are being levied on the Institute's revenues.

In 2014, the Federal Tax Authorities presented their counterarguments in respect of the Appeal on the merits of the case filed by the Institute, and the case records were sent to the Federal Regional Court (TRF) of the 3rd Region. Currently, the Appeal regarding the merits of the case lodged by the Institute is pending judgment.

(ii) A labor provision was recorded for a claim filed by former employees of UREs, for which the lawyers considered the likelihood of loss as probable.

(iii) The balance of R\$ 1,105 (2017 - R\$ 982) refers to taxes to be paid in 2018 deposited in court in relation to a judicial discussion regarding the COFINS levied on the accreditation fee.

#### **(a) Possible losses, not provided for in the balance sheet**

Other labor claims were filed by former employees of the UREs, for which the Institute, as joint obligor, regularly carries out a follow-up with its legal area.

The purpose of this follow-up is to advise the dealers, who are the employers, of the processes. At December 31, 2018, the contingency amounted to R\$ 457 (2017 - R\$ 1,078).

In the event of an unfavorable outcome, the Institute will incur the cost in proportion to its contribution in the monthly expenses of these UREs.

#### **Joint obligation for compliance with labor obligations**

In 2015, the Federal Labor Prosecution Office (MPT) of Mato Grosso filed a public-interest civil action against the Institute, of approximately R\$ 58,000, questioning the labor obligation in the management of the Sapezal Receiving Unit, which is administered exclusively by the Association of Agronomists of Sapezal (AEASA), and the Institute and the other defendants (manufacturers) were included as joint obligors in the fulfillment of labor obligations.

According to its legal advisors, the attribution of labor joint obligation to the Institute is without merit since there is no type of labor responsibility that could be attributed to the Institute and the other defendants, due to the sharing of environmental obligations in the flow of a reverse logistics chain.



In May 2018, the Labor Court of Sapezal – Mato Grosso State rendered a ruling considering the public-interest civil action to be partially substantiated, and ordering AEASA to pay indemnity for collective personal damages in the amount of R\$ 30, as well as indemnity for individual damages of R\$ 4 for each employee working at the Receiving Unit. Such ruling further acknowledged that both the Institute and the manufacturers were not held responsible for any of the facts disputed in the litigation. MPT filed an appeal, which is currently pending judgment by the Regional Labor Court of the 23rd Region.

The Institute's management, based on the evaluation of its legal advisors, assessed the

risk of loss in this process as possible and, accordingly, did not establish any provision in the financial statements at December 31, 2018.

15. Advances from associates

Considering that the associated companies contribute to costing expenses for the receipt, transportation and final disposal processes of empty containers, among others, the excess of contributions over costs and expenses incurred is accounted for as advances from associates.

The changes in advances from associates are as follows:

	January 1, 2018	Additions	Reductions	December 31, 2018
Associate contributions (i)	6,534	68,639	(75,173)	-
Crop Life Associados - sanitizers	2			2
	6,536	68,639	(75,173)	2

(i) The Institute's budget for each year sets out the investments required for expansion, maintenance and improvements in centers and units. The remaining balance at the end of each year corresponds to the portion of investments approved for that year but not yet incurred up to the reporting date.

The contribution additions from associates amounted to R\$ 68,639 and substantially correspond to estimated associate contributions amounting to R\$ 85,917, less the contribution reduction plan amounting to R\$ 20,000 and extraordinary contributions of associates that

are also stockholders of Campo Limpo S.A. amounting to R\$ 2,722.

The reductions in 2018 represent the net revenue recognition of the associate contributions of R\$ 75,173, resulting from the gross contributions from agrochemicals of R\$ 92,452 (Note 17), less the capital contribution of R\$ 20,000, plus the amount transferred by Campo Limpo S.A. of R\$2,722.

The balance of associate advance at December 31, 2017, comprising committed funds of R\$

4,270 and budget excess of R\$ 2.264, was realized in 2018. At December 31, 2018, there is no associate advance balance since all the contributions were used in 2018.

## 16. Net worth

Pursuant to the Institute's articles of association, the net worth, revenues, funds and operational surplus are to be fully applied in Brazil, for the maintenance and development of the Institute's social objectives. The distribution of profits, dividends, share of results or dilution of a portion of net worth is not permitted under any circumstances.

### (a) Reserve for new associates

During 2013, the Board of Directors of inpEV, together with the executive board, discussed the need to charge a fee for membership to the new applicants as a reimbursement for all investments already made by current associates throughout the existence of the Institute.

At the 17th General Meeting of Associates, held on April 14, 2014, the associates approved the following main terms for affiliation of new associates:

- (i) One-time payment, in the amount of twenty minimum salaries, due as from the granting of the application for membership by the Board of Directors;
- (ii) 1.5% of the annual net revenue of the new associate computed on the basis of the agricultural pesticides business, paid for three years and calculated each year of the effective payment as from the first year in which the associate informs that it places packaging on the market directly, if it has not done so since the beginning; and
- (iii) 150% of the value of the average cost/kilo of packaging ascertained in the annual inpEV budget multiplied by the number of containers placed by the associate on the

market, directly and/or through third parties, paid for five years, and collected from the first year in which the associate informs that it has placed containers on the market (directly and/or through third parties), if it has not done so since the beginning.

The new associates as from January 2014, who sell agrochemicals, are now responsible for removing their empty packaging from the environment. Accordingly, they began the process of payment of membership fees, which, in the year ended December 31, 2017, corresponded to the amount of R\$ 4,782 (2017 - R\$ 913).

The increase of R\$ 3,869 in the reserve for new associates in 2018 is due to the suspension of fee collection (Fees II and III) in 2017, due to the review by the Institute's Management and approval by the Board of Directors, of calculation of fee III, no longer on the basis of 1.5% of the average cost per kilo of inpEV, but at half average cost per kilo of associates containers.

An analysis and review of the fee calculation formula were performed in 2017, suspending any collection until a final definition is made in this respect. The new calculation formula was approved in the 25th Extraordinary General Meeting held on April 16, 2018.

After the approval in the meeting, the Institute collected fees for two periods (2017 - R\$ 2,175 and 2018 - R\$ 2,607). Considering that this is a contribution for the affiliation of a new associate, the amounts received are being recorded in net worth under Reserve for new associates.

### (b) Plan to reduce contributions

The original self-sustainability project for the Institute included consideration of a reduction of projected contributions from associates due

to the generation of revenues, pursuant to its business model (Note 1.1.). In an outgoing mail to associates in November 2017, it noted that the associates' contributions for 2018 decreased by R\$ 15,000 (2017 - R\$ 15,000).

However, due to better revenue generation performance, there was an additional reduction of the contributions by R\$5,000, totaling a reduction of R\$20,000 in 2018.

## 17. Net revenue from activities

	2018	2017
Associate contributions – agrochemicals (Note 15 (i))	92,451	84,668
Recycling company accreditation fee (Note 18)	14,544	13,546
Contributions to the costing of UREs (Note 19)	38,328	36,900
Extraordinary contributions (Note 20)	2,722	3,062
Operating lease (Note 21)	7,688	6,780
Voluntary work (Management and Statutory Audit Board)	611	601
Other	303	1
	156,647	145,558
Deductions from revenues		
Reduction in the associate contribution (Note 15(i))	(20,000)	(17,865)
COFINS levied on accreditation fee	(704)	(631)
COFINS levied on lease	(584)	(515)
Net revenue from activities	135,359	126,547

## 18. Accreditation fee for recycling companies

In 2004, the Institute entered into agreements with recycling companies regarding services of technical and operational cooperation for the recycling of plastic residues. These services include the development, training and studies for improvements in the stages of the recycling process.

Because of these agreements, the Institute recorded revenue in 2018 amounting to R\$ 14,544 (2017 - R\$ 13,546).

## 19. Contributions to the costing of UREs

As from December 2009, with the application of the new model for container shipping, a new form of revenue generated by the recycling company was created as the contributions to the costing of UREs. As described in Note 1.1., revenue from these contributions is used to subsidize the

costs incurred by the units receiving the empty containers.

In 2018, revenue from contributions to the costing of UREs totaled R\$ 38,328 (2017 - R\$ 36,900).

## 20. Extraordinary associate contributions

As authorized by the Annual General Meeting of Campo Limpo S.A., the amounts received from its stockholders, who are also associates of the Institute, are to be invested for the constant improvement of the operations, logistics and management of final disposal for empty containers of phytosanitary products, including support and orientation activities for the participants of this system.

In revenue from the recycling, the Institute's management recognized the amount received from Campo Limpo S.A. of R\$2,722 (2017 – R\$3,062) as extraordinary contribution. .



## 21. Operating lease

This lease refers to the agreement for the lease of property, industrial equipment, electric, hydraulic and gas installations, tools, vehicles, furniture and fittings, computer and peripherals and other operating assets attached to the property of Campo Limpo S.A. The lease, amounting to R\$ 7,688, of which R\$ 7,515 is related to "Campo Limpo S.A." and R\$ 173 to Campo Limpo Tampas (2017 - R\$ 6,623 and R\$ 157, respectively), corresponds to 10% of the net monthly revenue calculated by the lessee, and the minimum amount is R\$ 50 per month.

The operating lease agreement also comprises a package of services that the Institute renders to Campo Limpo S.A., mainly related to information technology, tax advisory and communication.

The minimum future payments of the non-cancellable operating lease of the plant built by Campo Limpo S.A. in Taubaté, in total and for each of the periods presented below, are as follows:

	2018	2017
Up to one year	7,076	8,604
More than one year and less than five years	69,855	68,617
Over five years	26,636	38,836
	103,567	116,057

Minimum future payments for periods over five years include the receipts over ten years (the effective period of the agreement) and the renewal for another ten years, after approval of

both parties, totaling 20 years.

As established in clause 2.1.1. of the contract, the renewal period shall automatically occur for the same period and under the same conditions, if not challenged by either party, in writing, within 210 days prior to the expected expiration of the lease (May 2, 2018), that is, 10 years. As no parties declare otherwise prior to the 210-day period, the lease was renewed on December 31, 2017 as well as the Institute's commitment with future payments.

As described in Note 1.4, in 2016, a plan was approved to expand Campo Limpo S.A.'s activities in the approximate amount of R\$ 41,200 to be realized by the Institute, whose objective will be to increase the lease revenue received by the Institute.

The agreement was renewed in 2018 for the same period initially agreed upon, that is, for additional 10 years.

## 22. General and administrative expenses

A administração das despesas administrativas e gerais do Instituto é efetuada por meio de três segmentos, conforme apresentados a seguir:

	2018	2017
Infrastructure	(37,164)	(32,803)
Support process	(6,158)	(5,858)
Basic process	(84,874)	(84,956)
	(128,196)	(123,617)

On the financial statements date, the Institute had the following amounts related to general and administrative expenses:

	2018	2017
Infrastructure		
Facilities	(523)	(701)
Personnel, plus social charges	(19,455)	(18,056)
Voluntary work (Management and Statutory Audit Board)	(611)	(601)
General expenditures (i)	(11,725)	(9,600)
Outsourced services (ii)	(2,591)	(1,630)
Information technology	(1,689)	(1,504)
Institutional	(570)	(711)
	(37,164)	(32,803)
Support process		
Legal (iii)	(1,030)	(906)
Communication, education and campaigns (iv)	(4,566)	(4,434)
Technological development	(191)	(267)
Projects (v)	(371)	(251)
	(6,158)	(5,858)
Basic process		
Operations (vi)	(53,481)	(51,530)
Logistics (vii)	(24,028)	(23,522)
Final destination (viii)	(7,365)	(9,904)
	(84,874)	(84,956)

(i) Refers mainly to depreciation and amortization expenses totaling R\$ 7,563 (2017 - R\$ 7,262) and to expenses with maintenance of property and equipment leased to Campo Limpo S.A. totaling R\$ 1,114 (2017 - R\$1,058).

(ii) Refers mainly to expenses with the following advisory services:

- Tax - R\$ 119 (2017 - R\$ 241).
- Human resources- R\$ 118 (2017 - R\$ 107).
- Internal and external audits - R\$ 448 (2017 - R\$ 363).
- Administrative - R\$ 1,705, projects, supplies and solid waste management – GRI (2017 - R\$ 221).

(iii) Refers to support of external legal advisors during the monitoring of lawsuits in progress, of R\$ 806 (2017 - R\$ 866).

(iv) Refers to expenditures with communication, publicity and training events. The balance mainly includes:

- Campaign expenditures - R\$ 593 (2017 - R\$ 547).
- Dia Nacional (National Day) Campo Limpo - R\$ 1,635 (2017 - R\$ 1,677).
- Communication/institutional material - R\$ 636 (2017 - R\$ 578).
- Triple rinsing regional campaign - R\$ 177 (2017 - R\$ 154).
- Outsourced services/communication services - R\$ 842 (2017 - R\$ 523).
- Institutional events - R\$ 367 (2017 - R\$ 349).

(v) Refers to the Institute's activities in connection with the management of projects which were previously approved by the Board Members, mainly the removal of obsolete and inadequate products - R\$ 369 (2017 - R\$ 250).

(vi) Refers mainly to costs incurred by the units receiving the empty containers, which are reimbursed by the Institute and are used for the expansion, renovation and maintenance of collection centers and units, amounting to R\$ 51,658 (2017 - R\$ 49,192), and those for the construction of collection centers and units, amounting to R\$ 993 (2017 - R\$ 250).

(vii) Refers substantially to expenses incurred with freight for the transportation of empty containers rinsed for recycling, amounting to R\$ 19,825 (2017 - R\$ 18,493), and not rinsed for incineration, amounting to R\$ 1,200 (2017 - R\$ 1,825).

(viii) Refers to expenses with incineration of containers not rinsed amounting to R\$ 6,999 (2017 - R\$ 9,081).

## 23. Finance income and costs

	2018	2017
Revenue from financial investments	2,085	2,668
Other finance income	302	100
	2,387	2,768
Withholding Income tax on financial investment	(414)	(489)
COFINS on financial investment	(84)	(141)
Other finance costs	(189)	(186)
	(687)	(816)
	1,700	1,952

## 24. Management remuneration

Management includes the president and seven officers. The remuneration paid or payable to key management personnel for their services is shown below:

	2018	2017
Salaries, vacation pay and 13 <sup>th</sup> month salary	(3,614)	(3,661)
Social charges	(1,327)	(1,275)
Other remuneration (*)	(2,497)	(1,941)
	(7,438)	(6,877)

(\*) Other remuneration includes annual bonus, defined contribution private pension plan, health care and group life insurance.

## 25. Commitments

During 2018, the Institute entered into agreements with third parties for the maintenance and implementation of improvements in its business management units, which, despite being approved in the 2018 budget, will be performed in 2019. The commitments entered into with third parties at December 31, 2018 and 2017 are as follows:

	2018	2017
Infrastructure process (i)	(588)	(791)
Support process (ii)	(239)	(299)
Basic process (iii)	(1,586)	(3,180)
	(2,413)	(4,270)

(i) Relates to expected IT and administrative expenses, amounting to R\$ 153 and R\$ 435, respectively.

(ii) Mainly relates to projects for communication and projects regarding obsolescence amounting to R\$ 239.

(iii) Relates to improvements in equipment, remodeling of the centers and incineration agreements, amounting to R\$ 266, R\$1,153 and R\$ 168, respectively.

## 26. Insurance

The Institute seeks support from insurance advisors in setting the coverage compatible to its size and operations. The insurance policies at December 31, 2018 indicated the following levels of coverage:

Location	Amounts covered
InpEV – office	
Fire damage to property and equipment	5,000
InpEV - 111 centers	
Civil liability	12,000



## 27. New standards not yet effective

The following standard has been issued by IASB but is not yet effective for the year 2018. Early adoption of standards, although encouraged by IASB, is not allowed in Brazil, by the Accounting Pronouncements Committee (CPC).

- IFRS 16 - "Leases ": lessees will have to recognize the liability for future payments and the right to use the leased asset for virtually all lease agreements, including operational leases, in addition, certain short-term contracts or of small amounts do not fall within the scope of this new standard. The criteria for recognizing and measuring leases in the lessors' financial statements are substantially maintained. IFRS 16 becomes effective for years beginning on or after January 1, 2019 and replaces IAS 17 / CPC 06 - "Leases " and corresponding interpretations.

The Institute's management does not foresee significant impacts arising from the adoption of IFRS 16. At December 31, 2018, inpEV had two operating lease agreements related to the lease of two floors of an office building where the Institute's headquarters are located.

The lease term and the amount of the lease agreements are presented below

- i) 18<sup>th</sup> floor – Offices 181 to 184 (4 offices)  
Lease amount: R\$ 25 thousand/month  
restated annually by reference to the IGPM variation  
Term: 12/01/2016 to 11/30/2021 – 60 months  
Amount: R\$ 1,530.
- ii) 13<sup>th</sup> floor – Offices 131 and 134 (2 offices)  
Lease amount: R\$ 14 thousand/month  
restated annually by reference to the IGPM variation  
Term: 11/01/2018 to 12/31/2028 – 120 months  
-Amount: R\$ 1,680.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on inpEV's financial statements.

João Cesar Meneghel Rando

CEO - inpEV

Regina Marta de Santana Sousa  
Accountant inpEV CRC 1SP177254/O-6

# Credits

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## This publication is the responsibility of inpEV

Headquarters address: Avenida Roque Petroni  
Júnior, 850 - 18º andar - Torre Jacerú, São  
Paulo (SP)

In case of any doubts, comments, criticisms  
or suggestions, please use our Contact Us  
channel via e-mail ([faleconosco@inpev.org.br](mailto:faleconosco@inpev.org.br))  
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