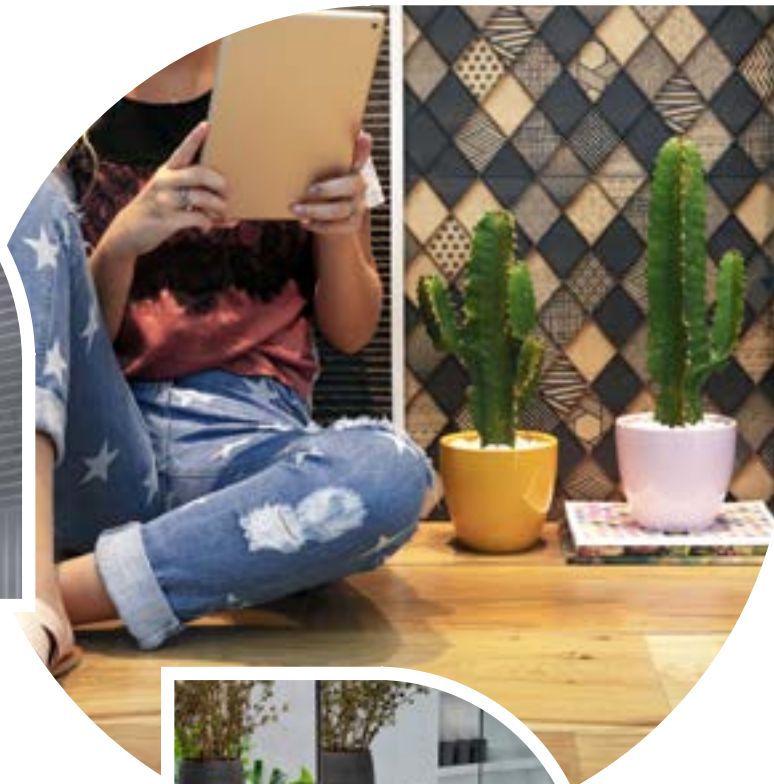


2018 Annual Report



 **Duratex** Soluções para melhor viver

deca  | hydra  | ceusa  | durafloor  | duratex 

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Summary

A modern interior space featuring two large, dark wicker armchairs with a mesh-like pattern. In front of them is a low, rectangular wooden coffee table with a metal frame. On the table sits a small, round, dark wicker basket. To the left of the table is a large, green, fan-shaped plant. The floor is made of light-colored wood. In the background, there is a large window or glass door that looks out onto a bright, outdoor area with more plants and a body of water. The scene is well-lit, suggesting daytime. Overlaid on the left side of the image is a large, teal-colored graphic element consisting of a thick, curved line that forms a partial circle. Inside this curve is a white circle. The text '01' is written in white, italicized font inside the teal curve, and 'Our report' is written in teal, italicized font inside the white circle. There are also two smaller teal shapes: a medium-sized semi-circle and a small semi-circle, located in the bottom right area of the image.

01

*Our
report*

On the following pages we present our main activities, the decisions taken to seize opportunities, improve our performance and overcome challenges, and the results achieved throughout 2018. The publication of this annual report also highlights how we add value to business, consumers, customers, shareholders, employees, suppliers and communities by pursuing our Value Proposition and following our corporate culture and strategy. [102-50](#) | [102-52](#)

This document complies with the GRI Standards (Core option) and addresses some of the Integrated Reporting guidelines. While drafting this report we also considered the commitments undertaken within the scope of the Global Compact and the Sustainable Development Goals (SDG), initiatives of the United Nations - UN (read more in the appendix on page 91). [102-54](#)

Throughout the text we refer to progress made towards the goals we have undertaken to achieve by 2025, as defined in our Sustainability Strategy. Several sections feature icons that refer to complementary contents to facilitate a deeper understanding. The GRI Standards are referenced in the excerpts of the texts that mention the topics they cover, while the content summary that condenses these topics can be found from page 92 onwards.

The numbers reported in this text refer to all of our business divisions - Wood, Deca, Ceramic Tiles and operations in Colombia - and have undergone a limited external audit by KPMG. The general content was prepared based on the contribution of employees from different areas, whose assistance we hereby acknowledge. [102-45](#) | [102-56](#)

Any questions, suggestions or requests related to this document are welcome and can be sent via email to sustentabilidade@duratex.com.br or investors@duratex.com.br. [102-53](#)

Enjoy reading the report!



02

Our company

- 07/ Our business areas
- 09/ Messages from the company's leaders
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At the end of 2018, our market value was

R\$8.16 billion



We are a company with 68 years of history that has the Value Proposition of offering Solutions for Better Living to customers and consumers in Brazil and in more than 50 countries where our products are available under the Deca, Hydra, Ceusa, Durafloor and Duratex brands. [102-2](#) | [102-6](#)

We are constantly striving to build a closer relationship with customers and consumers to clearly understand their needs with innovative and sustainable solutions. To offer the best solutions at all times, we seek above-average performance, competitive results and impeccable quality in everything we do, drawing on creativity to combine design, technology, quality and sustainability differentials, which provides unique and inspiring experiences.

We ended 2018 with 11,163 employees¹ working at our head offices in the city and state of São Paulo and at our 23 units in Brazil – seven forestry units and 16 industrial facilities –, as well as three production facilities in Colombia. This team, committed to the Way of Being and Doing (our corporate culture) and to Duratex 2025 (our strategic planning), is one of the competitive differentials that enables us to preserve a privileged position in all of our business areas. We are the largest producer of manufactured wood panels and of sanitary ware and metals in the southern hemisphere and leaders in the domestic market in these segments. [102-3](#) | [102-6](#) | [102-7](#) | [102-8](#) | [102-10](#)

In addition, since 2014 we have maintained a joint venture with Usina Caeté S.A. in Alagoas, under the name of Caetex, in which there is a eucalyptus forest. [102-6](#)

1. Includes all the apprentices.

In 2017, we acquired Ceusa, a company from the state of Santa Catarina, thereby marking our entry into the Ceramic Tiles sector, and a minority stake in Viva Decora, the main platform of content, inspiration, services and community related to architecture, design and decoration in Brazil. Just one year later, in 2018, we announced the formation of a joint venture with the Austrian group Lenzing, a partnership that will represent, as of 2022, our immersion in the dissolving wood pulp (DWP) business – with the largest individual line of the product in the world.

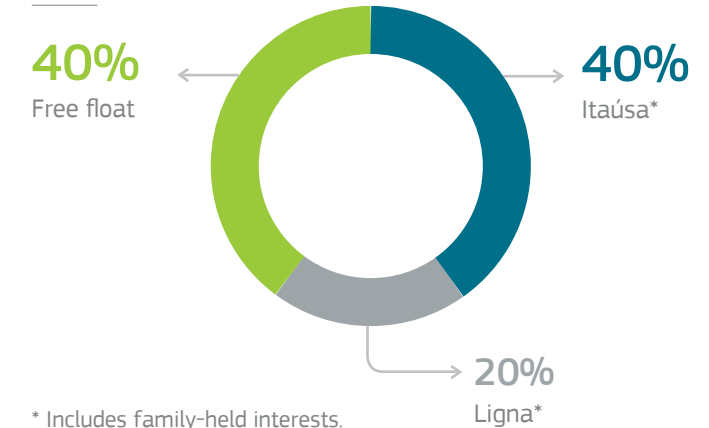
[102-2](#) | [102-3](#) | [102-6](#) | [102-7](#) | [102-10](#)

As a publicly traded company, our trading instruments are listed on the B3 S.A. – Brasil, Bolsa, Balcão Stock Exchange, under code DTEX3. We are part of the Novo Mercado segment, which contains companies that voluntarily adhere to the highest standards of corporate governance, and the Corporate Sustainability Index or ISE, its acronym in Portuguese. Our main shareholders are Itaúsa – Investimentos Itaú S.A. (Itaúsa), which holds 40% of our instruments, and Companhia Ligna de Investimentos, with 20%.

[102-5](#)

Ownership structure – Duratex S.A.

[102-1](#)



Our business areas 102-2 | 102-4 | 102-6 | 102-7

Wood: the division is responsible for manufacturing MDP (Medium Density Particle Board), MDF (Medium Density Fiber Board) and HDF (High Density Fiber Board) panels produced with certified wood from reforestation, marketed under the Duratex brand. It also includes laminate and vinyl flooring, as well as finishing accessories and skirting boards under the Durafloor brand. The business area is also present in Colombia, where we maintain three industrial facilities.

Deca: we produce sanitary ware, metals, electric showerheads and faucets with the Deca and Hydra brands. We offer customers and consumers more than 3,500 items, and 100% of our metals have water-saving options.

Ceramic Tiles: marketed under the Ceusa brand, our tiles are distinctive on account of their attributes of innovation, quality and cutting-edge technology. We were the first company in Brazil to introduce digital press for tiles, and we are the only ones to offer the Groutless Process, which makes it easier to lay ceramic tiles on walls and floors without using grouts.

Forestry: we are responsible for 251 thousand hectares of eucalyptus forests and conservation areas, of which 25 thousand hectares consist of fostered forests, grown specifically for the purpose of supplying our wood panel production facilities, and we ensure the use of the best native area conservation and management practices. Thus, in 1995, we were the first company in South America to receive Forest Stewardship Council® (FSC®) certification, and currently have certificates for 214 thousand hectares of company-owned and leased woodland. Our chain of custody is also certified, thereby enabling us to trace all the wood used in our production facilities.






A marca do manejo
florestal responsável

100%
of metals offer
water-saving options

Map of operations

Colombia

- Manizales – Caldas 
- Yarumal – Antioquia 
- Barbosa – Antioquia 

102-2 | 102-4 | 102-6 | 102-7

COLOMBIA

  Wood

   Deca


 Ceramic Tiles

BRAZIL

Paraíba

- João Pessoa 



Pernambuco

- Cabo de Santo Agostinho 

Sergipe

- Aracaju 

Minas Gerais

- Estrela do Sul 
- Uberaba 

Rio de Janeiro

- Queimados 

Santa Catarina

- Urussanga 

Rio Grande do Sul

- Taquari 
- São Leopoldo 

São Paulo

- Agudos  
- Itapetininga  
- Lençóis Paulista 
- Botucatu  
- Jacareí 
- Jundiaí  
- São Paulo 
- Av. Paulista 1938 



Messages from the Company's Leaders 102-14 | 102-15

Message from the Board

Although there is still much progress to be made, we reached the end of 2018 certain that Duratex is progressing significantly owing to the work on defining and practicing the cultural attributes we want to strengthen – already passed on to all the hierarchical levels and reflected in the daily practices of our employees.

The tenacity with which our workforce, which numbers more than 11,000 professionals, has acted to progressively bring us closer to our customers and consumers, has enabled us to progress in line with our strategic planning, which has resulted in consistent and qualified growth and made Duratex more streamlined, simple, efficient and innovative.

By building Duratex 2025, which serves as a yardstick for all projects and investments, we have clearly demonstrated our willingness to explore new business areas. We took our first step in this direction as early as 2017, with the acquisition of Ceusa and our resulting entry into the ceramic tile segment.

The suitability of the decision is reflected in our performance in this first year of operation, especially the occupancy of the production lines, which is much higher than that recorded by other companies in the sector, which inspired us to approve the investment of R\$94 million in the modernization and expansion of the Urussanga unit (SC), which should double its production capacity by mid-2019.

In 2018, we also consolidated our association with the Austrian group Lenzing AG, for the construction of a production facility which, from 2022 onwards, should house the largest individual dissolving wood pulp (DWP) production line in the world. The joint venture provides us with a number of strategic benefits, including adding value to the 43,000 hectares of forests we own in the “Triângulo Mineiro” region, while substantially reducing our exposure to fluctuations in the domestic market of construction materials and décor.

Focused on becoming more digital and innovative, we allocate 2% of our Net Revenue to research and to the development of solutions ranging from applications for mobile devices to products that provide well-being for customers and consumers.

Another highlight of the year was the set of actions implemented with a view to optimizing our assets, notably the sale of about 30,000 hectares of eucalyptus forests in the state of São Paulo. This helped us reach the end of the period with a healthy balance between supply capacity and demand in our forestry and industrial panel activity.

We should point out that this process of change is being conducted with absolute respect for the values that have always served as our guidelines, such as ethics, socio-environmental responsibility and respect for all stakeholders.

All the movements adopted and those still in progress put us in the best possible position to take advantage of the resumption of economic growth in Brazil. Moreover, we have accumulated the credentials needed to continue to advance in a sustainable manner.

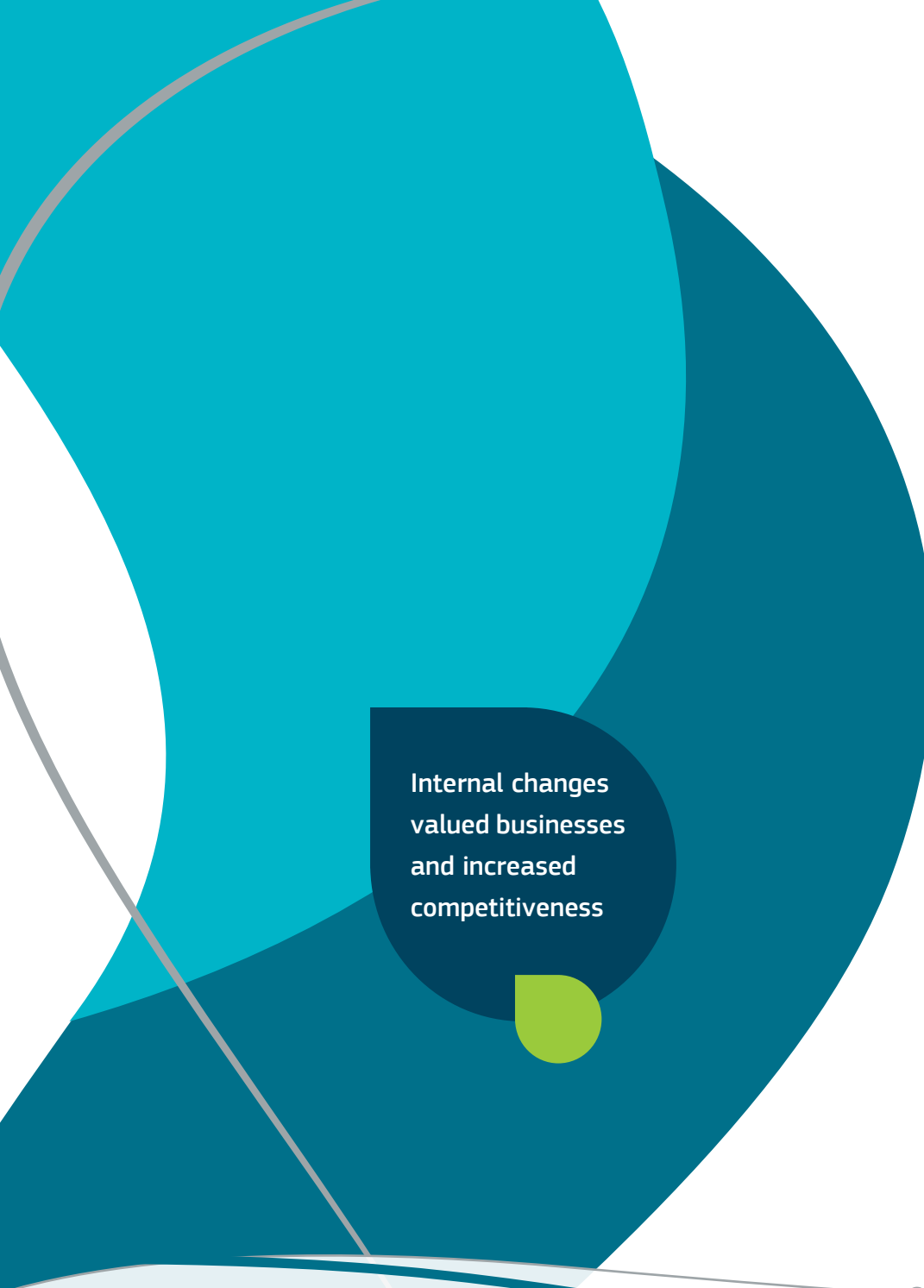
We share our satisfaction over these achievements with all our stakeholders, whom we thank for their support and partnership

throughout yet another year. We invite everyone to read this document, in which we set out, in a transparent and objective manner, our results, our aspirations, and our commitment to the development of business and the country.

Alfredo Egydio Setubal and Salo David Seibel
Co-chairs of the Board of Directors



The joint venture with
Lenzing AG
produces various
strategic benefits



Internal changes
valued businesses
and increased
competitiveness

Message from the Executive Board

The good results obtained in 2018, which accompanied the recovery of the national economy, showcase the success achieved in conducting our business strategy and in keeping up with the growth agenda defined in the previous year. We recorded growth in sales volume in all businesses, a decrease in financial leverage and increases of 24% in net revenue and 11.6% in Ebitda in comparison to the prior year. Our net income amounted to R\$271.2 million, up 50.1% on the same basis of comparison.

Throughout 2018, we implemented structural changes to enhance the value of our business and to boost the competitiveness of operations. In the Wood division, we closed down the production of thin hardboard at the Botucatu unit (SP), and transacted this line with Eucatex. In exchange we received a farm close to our unit in Itapetininga (SP), where operations were resumed after three years of mothballing due to the economic crisis. To our satisfaction, the reactivation made it possible to rehire approximately 90% of the professionals who were working at the production facility at the time of the temporary shutdown. In November, we announced the mothballing of the Botucatu unit in order to initiate a detailed technological upgrade project.

We completed the sale of almost 30 thousand hectares of woodland and forests to Suzano Papel e Celulose during the year. The transaction did not have any impact on our operations, since this enormous forest area was not used in its entirety: the quality

of the management of our biological assets, reflected in the high productivity of the eucalyptus plantations, resulted in a surplus of tradable wood. The funds obtained from the transaction (R\$1.05 billion), combined with the cash generation of our businesses, led us to reduce levels of indebtedness and financial leverage.

In the Deca division, we made changes to our management structure and formatted a new strategic plan to recuperate and accelerate business profitability. Other actions taken were the closure of our Hydra production facility in Tubarão (SC), and the transfer of production to the unit in Aracaju (SE). These actions enabled us to gain in scale and margin and to cut manufacturing costs.

We began modernization and expansion works on Ceusa's manufacturing complex to increase our market share in the segment of ceramic tiles and to enhance the diversity of the product portfolio, without detracting from the unit's core purpose: to offer high quality solutions and high added value.

We ended 2018 in a better situation than when we started, largely owing to internal reorganizations. We are now in a position to seize the opportunities that should arise with the expected recovery of the national economy, and to cope with the potential increase in demand without the need for heavy investments.

We work across all operations to achieve a better understanding of our customers, consumers and communities. We are continuously learning to listen before deciding. This is proven by the selection we support, based on dialogue rounds and/or formatting of the social projects we support, promoted by means of dialogue rounds with the community, and the relevance of our Customers Committees. 102-21

We also seek to act with the speed demanded by the market. In order to delve into the universe of innovation and entrepreneurship and build bridges to connect with companies and entities that have been accumulating scalable business experiences for longer and adopt collaborative methodologies, we held the first edition of the Duratex Garage in partnership with Endeavor, where we selected seven scale-ups to be accelerated with our mentoring.

During the year we kept going with the strong digital transformation process - the area dedicated to the development of projects for this purpose became more robust. In addition, to make appropriate use of the heavy flow of information, we have created an analytics group, which will guide us when predicting requirements, signposting opportunities and anticipating difficulties.

Another ongoing process is that of the Duratex Management System or SGD, its acronym in Portuguese, a process that has

already reached maturity and should attain full capacity in 2019, enabling us to monitor and plan actions to cut costs and heighten process efficiency. We are also keeping track of internal value creation indicators and the targets set within the framework of our Sustainability Strategy, to be met by 2025.

In order for any of our plans to materialize and any of our aspirations to come to pass, one agent is essential: the employees. I wish to express my gratitude and admiration to all of them. They are responsible for making the process of cultural change progress smoothly and for the fact that it has already yielded results – both tangible and intangible. It is also thanks to our employees that we are once again ranked among the most innovative and sustainable companies in Brazil this year. In this respect, I hope to continue relying on the incessant quest for betterment, the awareness and the dedication of the entire workforce for us to build an increasingly better Company and a more prosperous society together.

Antonio Joaquim de Oliveira
Chief Executive Officer

We have maintained the strong digital transformation process



Main strategic movements in 2018 102-10

Guided by strategic planning in the form of Duratex 2025 (page 6), we followed through on a series of negotiations, investment decisions and operational reorganizations throughout 2018 that underscore our determination to achieve greater efficiency, differentiation, competitiveness, asset profitability and value creation.

Asset swap and divestiture

In January 2018, we accepted a proposal from the Eucatex group to exchange facilities and equipment dedicated to the production of thin hardboard, in Botucatu (SP), for a farm in Capão Bonito (SP), located strategically close to the Itapetininga (SP) unit. With the resumption of production at the latter and the development of the market of reconstituted wood panels, the traded assets are no longer of strategic relevance to our business. Moreover, the exchange did not affect market supply and allowed us to maintain some of the jobs and the generation of taxes in the region of Botucatu. We will also continue to supply wood to Eucatex.

The transaction did not involve the unit's thick and thin hardboard (MDF and HDF) production lines, which we kept under our control. However, in November we decided to call a temporary halt to the production of MDF panels at the unit because we were starting a detailed technological upgrade project, which will take at least one year. When complete, we will analyze market demand and logistic conditions to define the best time to resume production. This shutdown did not affect our ability to supply the market, as when the Itapetininga unit was back operating at full capacity, it guaranteed that the demand was met.

During the year we also sold 29.5 thousand hectares of rural woodland with the respective forest assets in the central region of the state of São Paulo to Suzano Papel e Celulose. The price paid for the assets amounted to approximately R\$1.05 billion, which enabled us to reduce our net debt and financial costs, and brought us back to a strategic level of competitiveness. The sale had no negative impact on our operation, whose timber supply is fully assured, and it proved feasible due precisely to the excellence we have developed over decades in forestry that has created a considerable surplus, which has now been sold.

R\$1.1 billion
in forest assets
traded with Suzano

Joint venture with Lenzing 102-10 | 102-15

In June 2018, we announced a partnership with the Austrian group Lenzing AG for the construction of a dissolving wood pulp (DWP) production facility in Minas Gerais, an estimated investment of US\$1 billion. The result of two years of dialogue, this joint venture represents an important step, in tune with one of our avenues for growth, that of Forestry Solutions. The focus is on value creation through the development of opportunities, making use of our forestry expertise and assets present in the region.



LEARN MORE

Learn more about the avenues for growth by clicking here: www.duratex.com.br/pt/noticias/conheca-o-novo-plano-estrategico-da-duratex

Scheduled to start operating in 2022 – subject to full licensing –, the new unit represents our entry into the dissolving wood pulp (DWP) business segment. It is also, as foreseen in our strategy, a new means of reducing our dependence in regard to the Brazilian market and the Civil Construction sector.

The partnership provides for the total absorption of production by Lenzing itself, which eliminates commercial risks and, at the same time, can enable an accelerated return on investments. Dissolving wood pulp will also be directed at the international market, which loosens the tie between our performance and Brazilian demand and lessens the volatility of our consolidated results.

We work with our sights set on operating with a product cost and competitive capacity of 450 thousand tons of DWP each year. Lenzing will be the majority shareholder of the joint venture with 51% of the business, while we will hold the remaining 49%. Regarding the planned investment, a significant part of our contribution will occur through the assignment of our biological assets.

The production facility will be installed in the “Triângulo Mineiro” region, in an area where we maintain approximately 43 thousand hectares of eucalyptus forests with management certified according to FSC® standards. It is a strategically located territory, with a highly competitive medium radius of distance between production facility and forest, in a state with skilled labor that is suitable for agribusiness and has an excellent infrastructure.

US\$1 billion
will be invested in
a dissolving wood
pulp production
facility with
Lenzing

Expansion, resumption and reorganization 102-10 | 102-15

The outstanding performance of Ceusa, visible in the extensive use of its installed capacity and attractive profits, prompted us to allocate R\$94 million to modernize existing lines and introduce another one by mid-2019. In this way we will be able to manufacture 11 million square meters per year – 83% higher than our current capacity – and augment our portfolio with higher value-added solutions in order to expand our brand presence and market share, with an increase in margins and in the return on operations. The project possesses competitive conditions, since the structure of Ceusa’s industrial facility was planned with the need for growth in mind. This will help speed up activities and provide a faster return on investments.

The operations at our Itapetininga unit, which was mothballed in December 2015, were restarted in April 2018. The return of operations occurred with the unit working on a flex model, alternating production between MDF and MDP panels. This is the most modern unit of our Wood division, and in November it was back producing at full capacity. One of the important events in this resumption of production was the rehiring of approximately 90% of its former employees, fulfilling the commitment we undertook at the time of the temporary shutdown.

Another measure adopted with the intention of improving our industrial park and our logistics network was the closure of the industrial operation of electric showerhead production in the municipality of Tubarão (SC). The assets were transferred to the capital of Sergipe, Aracaju, without affecting customer service, as we did not reduce productive capacity. Nevertheless, we kept a Distribution Center in Santa Catarina to supply the south with the same level of service.

Economic, social and environmental highlights

Consolidated net revenue of
R\$4.9 billion

Recurring net income

of R\$271.2 million, 50.1% more than in the prior period

Financial

deleveraging from 2.76x in 2017 to 2.00x in 2018

Growth of
14.5%
in panel shipments

90.5%

of the energy mix in panels from renewable sources

Resumption of
production
at the Itapetininga Unit (SP)

Adjusted and recurring Ebitda of
R\$848.5 million

Announcement of joint venture with Lenzing AG for the construction of a dissolving wood pulp (DWP) production facility in Minas Gerais, a project worth
US\$1 billion

2%
of revenue invested in technology and innovation

Decrease

of approximately 50% in the rate of accidents with time off

Benchmark

in water resource management according to the Carbon Disclosure Project (CDP)

R\$2 million

allocated to Private Social Investment actions that will benefit more than 15 thousand people from 13 different local communities

Institutional recognitions

Customer and market recognition of the quality of our solutions and the way we do business market encourages us to continue to improve. Below you will find a list of some of the main awards received over the course of 2018.



🏆 **Guia Exame de Sustentabilidade 2018 (Sustainability Guide):** we were labeled a model company of the Construction Materials sector in Guia Exame de Sustentabilidade on account of our economic, environmental, social and governance performance.

🏆 **Great Place to Work 2018:** for the second year running we received the seal bestowed by the Great Place to Work consulting firm in partnership with *Época* magazine, which attests to the fact that we offer good working environment, in the opinion of our employees.

🏆 **As Melhores da Dinheiro Rural 2018:** in the fifth edition of the award organized by Editora Três, we won an award in the Indirect Agribusiness - Medium Enterprises category. The award is based on an assessment of financial and managerial aspects in the areas of Innovation, Quality, Socioenvironmental Responsibility, Human Resources and Corporate Governance..

🏆 **ABRASCA Annual Reporting Award:** the Brazilian Association of Publicly Traded Companies (ABRASCA) bestowed an honorable mention on our 2017 Annual Report owing to the quality of our disclosure of Socioenvironmental Aspects. We were also finalists in the category of Best Annual Report of Publicly Traded Company with Net Revenue equal to or above R\$3 billion.



🏆 **Prêmio Ouvidorias Brasil 2018:** we won the award for the second time in a row and were the only company in the Construction Materials sector recognized by the initiative of the Brazilian Association for Corporate and Customer Relations (Abrarec). The award was bestowed as a mark of recognition of our new Ombudsman model.

🏆 **Anuário Época Negócios 360º (Yearbook):** we were the winners in the Construction Materials and Décor category, in an event organized by *Época Negócios* magazine in partnership with the technical consulting firm of Fundação Dom Cabral (FDC). Requisites assessed by the organizers were financial health, corporate governance, innovation capacity, vision of the future, human resources policies and socioenvironmental responsibility.

🏆 **HR Top of Mind:** the initiative pinpoints the brands most clearly remembered by human resources professionals from all over Brazil in 34 different categories. We ranked among the top five national companies in environmental management and sustainability.



🔗 **Troféu Transparência (Transparency Trophy):** In the category of Companies with Net Revenues of up to R\$5 billion, we received, for the third year running, the trophy bestowed by the National Association of Finance, Administration and Accounting Executives (Anefac), known as the Oscar of Accounting. The analysis of companies is carried out by individuals with master's degrees and doctorates from the School of Economics and Administration of the Universidade of São Paulo (USP – University of São Paulo), and shared with the panel of judges for rigorous evaluation.

🔗 **Valor 1000 Ranking:** organized by *Valor Econômico* newspaper, the survey takes into account aspects such as Net Revenue, Ebitda Margin, Income, Assets, Equity and Growth Rate. In 2018, we were appointed one of the three most important companies for the Brazilian economy in the Construction Materials and Décor sector.

🔗 **Melhores e Maiores 2018 da Exame (Exame Biggest and Best):** In the traditional publication of the business magazine, we came second in the ranking in the Construction Industry sector. The survey is conducted by the consulting firm Economática and considers aspects such as market value, profit and growth rate.

🔗 **Estadão Empresas Mais 2018:** In the ranking drawn up by the newspaper *O Estado de S. Paulo*, in partnership with the Austin Rating agency and the Fundação Instituto de Administração, we featured as one of the three most important companies for the Brazilian economy in the Civil Construction sector.

🔗 **Whow! de Inovação Award:** we were labeled one of the ten most innovative companies in Brazil in the sector of Industries in an event organized by the Center for Standard Intelligence (CIP, its acronym in Portuguese). In its first edition, the event used the methodology developed by the consulting firm DOM Strategy Partners to rank the 100 most innovative companies in Brazil.

🔗 **Sustentabilidade na Cadeia de Fornecimento MRV (Supply Chain Sustainability) Award:** we received the award from MRV Engenharia in the Large Company – Environmental category, for practices related to ecoefficiency in water, energy and waste, actions to combat climate change and responsible forestry.

🔗 **Ranking Valor Inovação Brasil 2018:** we were appointed one of the three most innovative companies in the country in the Construction Materials and Décor category, in the ranking commissioned annually by *Valor Econômico* newspaper.

🔗 **Aberje Award:** Duratex won the São Paulo regional stage in the Digital Media category with a case on the Conectados (Connected) app, dedicated to conveying information and encouraging communication among our employees.

🔗 **Why Multilatinas Hold the Key to Latin America's Economic Future:** in the study conducted by the consulting branch of the Boston Consulting Group (BCG), we stood out among the 100 companies considered most relevant to the Latin American economy. The entity analyzed 5,000 companies to come up with the list of the top 100.

[+ Read about other awards achieved by Duratex](#)

03

What we are like

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What we are like

We strive for a close relationship with our customers and consumers to detect their needs and aspirations and to constantly refine our activities. At the same time, we work to develop our competencies and to respond to customer demands in a simple and efficient way, without losing sight of our pursuit of greater productivity and the best results and our insistence on having impeccable quality in all our activities. We invest in people and materials to adopt and offer the most advanced technologies and differentiated design in our solutions. Therefore, in addition to anticipating trends, we also want to provide unique and inspiring experiences to all those who choose our brands. We add attributes to these brands that facilitate and contribute to the conscious use and consumption of natural resources, enabling consumers to economize and producing less impact on the planet.

Our commitment is to act with innovation and sustainability to ensure that our solutions add value to society by providing more comfort and well-being as well as better design, today and in the future. This is all apparent in Duratex 2025, which guides our actions and decision-making for business growth in four avenues.

In 2018, we broadcasted our strategy to employees at all levels by means of dynamics with the use of a Learning Map. After four months of work involving multipliers from all units, **more than 90% of the employees had been trained.**

Duratex 2025

Avenue	Our goals	Progress already achieved
 Digital platform	To connect the construction, décor and remodeling community, and to add value for everyone involved in the consumption journey through digital products and services.	Through the acquisition of a minority stake in Viva Decora and the development of digital solutions, such as applications (<i>Marcenaria D</i> or <i>Carpentry D</i> , and <i>Deca</i>) and websites (<i>Clube do Marceneiro</i> or <i>Carpenter's Club</i> , <i>Meu Piso Ideal</i> , or <i>My Ideal Floor</i>).
 Systems for living spaces	To focus on solutions geared towards offering a complete portfolio of services for living space remodeling and <i>décor</i> .	With the acquisition and expansion of Ceusa, we have further increased the size of our portfolio of solutions.
 Water solutions	To be a benchmark in water heating and consumption management solutions.	Constant launch of smart, eco-efficient solutions, which use fewer natural resources from the moment they are produced.
 Forestry solutions	To encourage business that capitalizes on our accumulated expertise, which provides us with a competitive advantage in the market.	Formation of a joint venture with Lenzing to produce dissolving wood pulp, sell woodland and forests to Suzano, and swap assets with Eucatex.

103-2 | 103-3: Water




Moreover, in the short term, we are working towards becoming a simpler organization (with less bureaucracy, decentralization and streamlining in decision-making and efficient processes), with a rejuvenated corporate culture (by promoting a transformation in the way our employees think and act, with desirable attributes and behaviors) and able to achieve the best results (through cost cutting, working capital optimization, reduction of financial leverage and increased profitability).

To boost our competitiveness, we are promoting digital transformation in all our businesses and areas, investing in innovation (2% of our revenue), and pursuing excellence in management. Two years ago we also defined a Sustainability Strategy with the direct engagement of our employees, which sets concrete goals related to eight topics associated with the People, Processes and Products and Services pillars. Built on solid foundations, this strategy is the result of a process of analysis of studies and documents of entities; of data and practices of the sectors in which we operate; and our performance in indices such as the B3 S.A. – Brasil, Bolsa, Balcão Stock Exchange sustainability index and the Dow Jones index, as well as on dialogue with our employees, leaders, shareholders and representatives of the audiences with which we interact.

Since last year, in line with the high level of transparency adopted at the company, we have been disclosing in our annual report the progress made towards each of the set targets. Our Deca, Wood and Ceusa divisions have undertaken to achieve 45 goals by 2025, the same deadline stipulated by Duratex Colombia to achieve 34, defined according to the specific characteristics of the segment and the context in which it is included.

The Sustainability Strategy is also based on the New Business Models pillar, for which there are no predetermined goals. This is because it indicates our intention to continue investigating new investment possibilities, always with a view to adding value to the company and our stakeholders, as in the case of the joint venture with Lenzing.




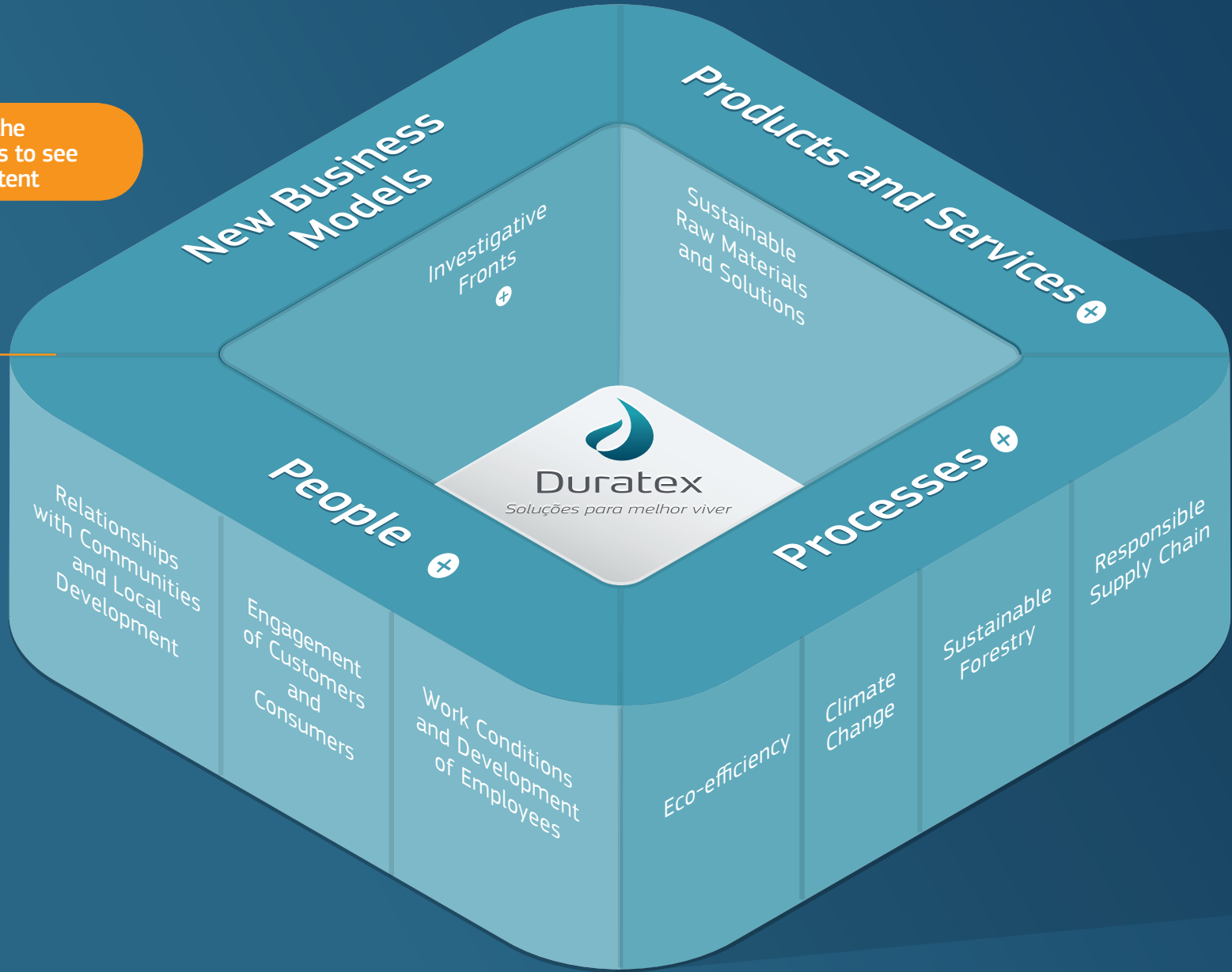
Employee engagement in the Sustainability Strategy

Goals for 2025 Sustainability Strategy

WE LOOK FOR FUTURE NEEDS
FOUNDATION IN PERENNIAL VALUE

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all content



Goals for 2025 Sustainability Strategy* 102-15



Pillar	Theme	Targets for 2025	Status	Comments
People	Work conditions and development of employees	To have attendance rate with time off equal to or less than 1 for company and third-party employees		We exceeded the projected rate for each business
		To have a rate of adhesion to the new culture equal to or more than 85%		Based on an qualitative assessment of competencies done in 2018, advancements will be planned for the coming years, with the goal of achieving the estimated result in 2020.
		To be among the best companies to work for by 2020		We received the GPTW certification seal in 2018 and will take part in the survey in 2019
		For 80% of leaders to be recognized for honest and open dialog and for personnel development		With the results of the qualitative culture and competencies assessment and the GPTW Survey in 2018, action plans will be established to make progress in this indicator
		To have 70% of jobs filled through internal transfers		Internal placement targets will be defined using a review of our selection process, dissemination of the Way of Being and Doing and evaluation of adherence to the new culture
	Engagement of customers and consumers	To develop 50% of the product portfolio using the co-creation model		The targets established for each business in 2018 were exceeded
		For 90% of carpenters, installers and electricians trained/qualified		We launched a distance learning platform at Deca, through which we held training in 2019. At Hydra, 300 electricians were trained. In Panels/laminate flooring, 15,383 installers/carpenters were trained, which is below the expectation for 2018
		To be the favored brand of 60% of carpenters and 70% of plumbing installers and electricians		We exceeded the targets established for 2018 at Hydra and Panels. Measurements will be taken at Deca in 2019
		For 20% of revenue from Wood PAATs (Authorized Technical Assistance Posts) to come from our services		Target set for 2018 was reached
		To be recognized by 90% of domestic market consumers for the attributes of sustainability and innovation		At Panels and Hydra, surveys will be done in 2019. At Deca, a survey was done with 901 consumers, the results of which were near expectations for 2018
		To be recognized by 50% of foreign market consumers for the attributes of sustainability and innovation		Survey done at the end of 2018; results will be available by the first quarter of 2019
	Relationships with communities and local development	An 80% approval rate for the community engagement process		Target set for 2018 was surpassed
		100% of managers exposed to a local community experience		Target set for 2018 was reached
		Have ten employees per operating unit acting as agents of engagement, qualified to hold a dialog with the community		Target set for 2018 was reached
		Influence two public policies (approved) per location where Duratex is present		Ongoing projects
		75% recognition of the attribute of social and environmental responsibility within the communities where operational units are present		Target set for 2018 was surpassed
		Measuring and communicating positive impacts in 100% of the communities where operational units are present		Measuring methodologies under analysis

* Approved in 2018, the targets for Ceusa will be measured in 2019 and will have their status reported as of 2020.



Pillar	Theme	Targets for 2025	Status	Comments
Processes	Eco-efficiency	To cut relative water consumption by 10%		Targets established for 2018 at Hydra and Panels were reached. At Deca, relative water consumption exceeded targets
		To send 20% less relative waste to landfills		The targets established for 2018 at Hydra and Panels were surpassed. At Hydra, the baseline will be adjusted in 2019
		To have 95% of the energy mix come from renewable resources to generate thermal energy at Panel units (by 2018)		The planned target was not reached (final value of 90.5%)
		To lower relative energy consumption at Deca and Hydra-Corona by 20%		Target set was met at Hydra, but not at Deca
		To consider social and environmental criteria in 100% of new project development		Criteria in the final approval phase
		To perform the Life Cycle Assessment (LCA) for the highest volume products in each business		The LCA was finalized at Deca Metals; a study has been done at Deca Sanitaryware
		To implement a social and environmental program within two years at acquired companies		First phase of the program implemented at Ceusa, Hydra and Duratex Colombia
	Climate change	Reduce absolute GHG emissions at Duratex by 25% (Scope 1)		Target set for 2018 was not met as a result of a new business entering the group
		Lower relative GHG emissions at Panels by 50% (Scope 1)		Target set for 2018 was surpassed
		Lower relative GHG emissions at Deca and Hydra-Corona by 10% (Scope 1)		Targets set for 2018 were surpassed
		Increase measurement of Scope 3 emissions by 50%		Target set for 2018 was surpassed
	Sustainable forestry	Use 5% fewer pesticides per effectively planted hectare, maintaining desirable production levels		Ongoing projects
		Reduce water consumed by irrigation by 50% per hectare of crops		Target set for 2018 was surpassed
		Influence 100% of neighboring landowners of conservation areas larger than 500 hectares and in a radius of 2 km to use regional connectivity		Ongoing projects
		For 100% of communities to be involved in harvest planning		Target set for 2018 was surpassed
		Double genetic bases		Target set for 2018 is near expected
		Assure that 100% of our own areas are under certified management		Target set for 2018 was surpassed. Final result was 96.16%
		Increase dry mass per hectare by 10% (by 2035)		Target set for 2018 was surpassed
		For 80% of fostered areas to be certified (by 2035)		Ongoing projects
	Responsible supply chain	For 80% of strategic suppliers to have a performance rate equal to or greater than eight		Target set for 2018 is close to expectations
		For 100% of strategic purchases to consider social and environmental criteria		Adjustments are being made to the procurement process
		For 100% of critical suppliers to be assessed up to the 2nd level of the supply chain		Analysis is being done of level 2 critical suppliers



Pillar	Theme	Targets for 2025	Status	Comments
Products and services	Products and services	For 100% of Wood products to have less E2 by 2018 and less E1 by 2021	●	Target set for 2018 was surpassed
		To develop two alternatives for renewable raw materials for manufacture of Deca and Hydra-Corona products	●	Ongoing projects
		To have revenue of BRL 20 million coming from Pro-Água services	●	Target set for 2018 was surpassed
		For 100% of the finished metals and Deca toilets portfolio to be eco-efficient	●	Target set for 2018 at Deca Metals was surpassed. At Deca Sanitaryware, the planned target was not reached
		For 35% of the sales volume at Hydra-Corona to be eco-efficient products	●	Target set for 2018 was reached
		To lead implementation of a reverse logistics model	●	Pilot project carried out at Hydra

Duratex Management System

The success achieved in executing our corporate and sustainability strategies is anchored to management excellence. In this respect, the Duratex Management System, or SGD in the Portuguese acronym, is considered an increasingly valuable tool.

2015

- Start of the process.
- The SGD allows the detection and monitoring of opportunities.
- Challenges to boost our efficiency in different areas and processes, with the promotion of continual improvement.
- Prioritization of results measurement.

The SGD has gradually become more comprehensive

When launched, it was primarily used to bring about a reduction in costs and expenses

2018

- It is now used, for example, to manage goals established in our Sustainability Strategy.
- Milestones (which indicate the successful or unsuccessful conclusion of a phase anticipated in our schedule) and action plans with macro- and micro-actions have been or are being defined for each of these goals. The development and results of these milestones are monitored through the system.

In addition to the sustainability goals, the SGD has also started to report on the initiatives of the Digital Area and of the Duraseg program (our occupational health and safety management system)

Responsible

We maintain a solid - and constantly improving - corporate governance structure, adhering to the best practices related to the topic. This initiative is crucial for shaping and implementing our strategy, while creating value in our ventures in the short, medium and long term. Accordingly, we are also better able to detect and seize opportunities, and to mitigate risks inherent to our activities.

Evidence of our efforts to ensure transparency and equity in our relationship with shareholders and other stakeholders can be seen in the fact that we trade our shares in the Novo Mercado, a B3 segment that lists the trading instruments of companies that voluntarily abide by the strictest governance rules.

Further evidence is the fact that we have featured, for the 11th year running, in the B3 Corporate Sustainability Index (ISE), which will remain valid from January 7, 2019 to January 3, 2020. The composition of the ISE is defined based on economic efficiency, environmental balance, social justice and corporate governance criteria, and it reinforces our commitment not only to the development of the company itself, but also of the country.

In line with our commitment to transparency, we present our policies and regulations on our Investor Relations page.

LEARN MORE www.duratex.com.br/ri

Management structure 102-18

Our Board of Directors is made up of nine members, three of whom are independent. Its main role is to determine the general business guidelines and to ensure their satisfactory execution through a sustainable long-term perspective. For this reason, we assess the performance of board members annually. Members receive fixed monthly compensation, without any kind of variable pay. 102-28 | 102-35

The board relies on the support of six statutory committees:
Audit and Risk Management Committee
Workforce, Governance and Nominations Committee
Committee for Evaluation of Transactions with Related Parties
Sustainability Committee
IT and Digital Innovation Committee
Disclosure and Negotiations Committee

The Executive Board, in turn, is responsible for actual business management. The board is made up of 12 members, including a Chief Executive Officer, who is responsible for directing, presiding over and coordinating our activities, complying and enforcing compliance with the law, our Bylaws, our policies and the decisions of the Board of Directors and General Assembly, as well as for supervising the activities of the other leaders. In addition to receiving a fixed monthly compensation determined based on market surveys, Executive Directors may also receive variable pay linked to corporate, business and individual goals aligned with our strategy, including aspects of social and environmental performance. 102-35

 [SEE THE RESUMES OF OUR MANAGERS](#)

[www.duratex.com.br/ri/governanca-corporativa/
conselho-da-administracao-e-diretoria](http://www.duratex.com.br/ri/governanca-corporativa/conselho-da-administracao-e-diretoria)

Governance structure 102-18





Ethical and transparent

102-16 | 102-17 | 102-34

103-2 | 103-3: Anti-corruption

103-2 | 103-3: Diversity and equal opportunity

Our daily business practices are based on ethics, which is present in all the relationships of our directors and employees, in line with our organizational culture.

In 2018, we revised our Code of Conduct to make the document simpler and thus underpin its guidelines. The revision process involved a multifunctional and technical working group. Our Code of Conduct is a document that reinforces our Way of Being and Doing and outlines the rights and duties of each employee towards our stakeholders, thereby reaffirming our commitment and responsibility to society. In 2018, we had already started to roll out the first stage, which consisted of disseminating and discussing its content in face to face. To this end, we encouraged reflection on delicate situations that can be crop up in our daily routine, and provided advice on appropriate attitudes and reactions in these circumstances. By the end of the year, more than 2,000 people had participated in these educational actions. We expect to provide training for our entire workforce.

The Code of Conduct includes information on the means of contacting our Ombudsman in Brazil (toll-free number, e-mail, intranet, Internet, address for correspondence delivered by mail and/or in person), responsible for receiving and forwarding suggestions, queries, criticism, compliments and complaints to

2 thousand
trained employees
in the Code of
Conduct guidelines

the management bodies, with assurance of secrecy, impartiality and anonymity.

During the year, in order to modernize the Ombudsman's service and to streamline processes, we hired an external company that is now responsible for receiving, sorting and pre-analyzing incoming statements. Another innovation includes the generation of a file reference number for each case to be monitored until its final resolution. [102-21](#) | [102-34](#)

After reports, cases of fraud and corruption are forwarded to the internal audit department, while situations that are in violation of the

Anti-Corruption Act are sent to the Legal Compliance area. Our Executive Directors monitor the work of the Ombudsman on a monthly basis, through reports sent to the directors. Rendering of accounts is carried out every six months with the Workforce, Governance and Nominations and Audit and Risk Management Committees.

In Colombia, contacts and complaints are received in the Te Escuchamos (We Hear You) channel, which is managed by the Internal Audit Area. The resource is available through email, telephone, facility web page or at the actual physical offices. As is the case in Brazil, the whistleblower's identity is preserved.

Prudent

102-11 | 103-2 | 103-3: Economic performance
103-2 | 103-3: Biodiversity
103-2 | 103-3: Environmental compliance
103-2 | 103-3: Supplier environmental assessment
102-3 | 103-3: Supplier social assessment
103-2 | 103-3: Child labor
103-2 | 103-3: Forced or compulsory labor
103-2 | 103-3: Supplier social assessment
103-2 | 103-3: Socioeconomic compliance

We maintain a Risk Management Policy, or PGR in the Portuguese acronym, and a model for handling potential events or actions, both internal and external, that may adversely affect our performance and society. In this way we seek to ensure a high degree of confidence with regard to the execution of our planning.

Nossa PGR (www.duratex.com.br/Arquivos/Download/politica_risco.pdf) sets out the guidelines to be followed to enable the identification, evaluation, prioritization and handling of business threats, as well as the responsibilities of different bodies and areas in connection with the topic.

In addition to approving the PGR and its revised versions, our Board of Directors is also responsible for defining risk appetite, mapped by means of inputs from the Audit and Risk Management Committee. Internal controls are designed and introduced and effectiveness tests are performed; a Risk Committee defines action plans to mitigate potential hazards. The Committee is responsible, among other tasks, for approving these initiatives and systematically monitoring the progression of threats and the degree of exposure to them.

The Management Model related to the topic provides for the maintenance of three lines of defense integrated by the managers of the different businesses and by the areas of Compliance, External Controls and Risks, and Internal Audit, as well as the duties of each of these areas in the management of hazards.

In 2018, we developed a Crisis Management Communication Manual with clear and objective guidance for employees on how to successfully conduct communication initiatives in an aligned manner in situations that jeopardize our business and reputation. The material establishes the formation of crisis committees in each of the facilities and procedures to be adopted to facilitate the construction of a communication plan tailored for each case according to the criticality level.

During the year, in addition to the review of all the risks to which we are subject, conducted by Deloitte Brazil, we also organized a new cycle of reviews of social and environmental risks - a process that involved interviewing audiences such as engineers and environmental managers. The pre-existence of a set of methods to conduct the evaluation process, tested in 2016, contributed to the streamlining and quality of the assessment, which, in turn, indicated a reduction in the absolute number of risks determined, and led to the discovery that action plans are already in place and ongoing to mitigate several of these risks.

3 lines
of defense to
minimize risks



Engaged

103-2 | 103-3: Employment
103-2 | 103-3: Training and education
103-2 | 103-3: Socioeconomic compliance

The engagement of our professionals with Duratex's Value Proposition and Strategy makes it possible for us to quickly (re) act to/on opportunities and challenges posed by the market, and to create value for stakeholders and society as a whole. At the end of 2018, we had 11,163 employees, to whom we seek to offer opportunities for personal and professional development and a respectful environment that appreciates diversity, creativity and meritocracy. With this strategy we aim to instill a sense of pride in our employees in being members of a team willing to make a difference and to act as the true owner of the business.

In this respect, since 2016 we have been involved in a process of cultural transformation and revitalization, in which, as part of a co-creation initiative, we have defined Duratex's Way of Being and Doing, based on four attributes (People, Processes, Customers and Results) and the behaviors we expect from our employees as well as those we do not tolerate. The purpose of this strategy is to gain efficiency and assertiveness in decisions and to become even more innovative, maintaining our leading role in the segment in which we operate.

Through a structured intervention backed by leadership development and empowerment actions, as well as communication campaigns, the Way of Being and Doing is being widely disseminated and practiced across all units/areas of our company.

In 2018 alone, 3,779 employees took part in workshops related to the topic, totaling 33,845 hours. We have created culture rituals, such as "*Aqui se fala, aqui se faz!*" (Here we speak and accomplish!), a regular collective activity conducted by senior executives with the purpose of sharing culture practices, aligning behaviors and consolidating the Way of Being and Doing in its four attributes. We also held meetings in all the units/areas in order to keep track of the impact of the rituals and to boost employee awareness of the changes already incorporated in the company and the possibility of new ways of doing business.

In Brazil, to sustain this entire process in an entertaining and creative way, we held the Duratex Cup, focusing on retaining the key messages of our culture. We drew on the appeal of the greatest world soccer event and encouraged the formation of internal teams. The employees formed 56 teams which faced various challenges. The members of the three winning teams received medals, while the champions got a trophy. Reporters and prominent fans were revealed, as were the units with the best practices. The Cup left a legacy that has spread through all the offices and production facilities: an exhibition that portrays the key moments of the campaign through photos, videos, anthem of the winning team and interesting facts about attributes and behaviors.

In Colombia, the journey of transformation and our Way of Being and Doing was also implemented. At the beginning of the year, 81 leaders who work at facilities in the neighboring country underwent training, and a benchmark group was selected to act as culture multipliers. Starting in May, a caravan made up of the Company's main leaders traveled around production facilities and offices and took the key messages to all the employees. A second promotional movement included workshops, which explored contents pertinent to the topic and aligned concepts to the Brazilian movement.

A culture adherence survey was also implemented, conducted impartially by the consulting firm that supports the entire journey of cultural transformation (BTA Associados), and the results proved highly satisfactory, showing that Duratex is on the right track.

Another important tool for messages about our corporate culture to reach employees in a clear and accurate manner is the maintenance and qualification of *Duratex em Rede* (the Duratex Network), composed of a set of eight internal communication vehicles. The most prominent channel with the broadest coverage is the Conectados (Connected) app, launched in 2017 in response to demands made by the employees themselves, who requested more speed and a broader range of corporate information. Between 2016 and 2018, the speed indicator rose from 53.6% to 82.3%, and the scope indicator from 67.7% to 81.5%, according to a survey conducted with the support of an independent institute. With this resource, our 11,100 employees can learn about events and achievements across all areas and produce content themselves. A contributing factor is that Conectados is a proprietary solution – a product of the joint work of the Communication and Information Technology areas in partnership with the internal audience itself –, which made it possible to develop resources aligned with our needs and objectives.

We seek to guarantee visibility across all units by contributing with inputs from managers and from the users themselves, besides providing space for employees to express their opinion about the content transmitted (through comments, likes, participation in surveys, etc.). By late 2018, Conectados had 3.4 thousand users. Since the channel was launched it has published approximately 995 articles, which prompted 2,400 comments – 10% more than the previous year – and 28,500 likes.

Due to its quality and success, Conectados was recognized in the 44th award ceremony of the Brazilian Association of Business Communication (Aberje). Our app was appointed the winner in the São Paulo (SP) regional stage of the event in the Digital Media category.

Talents

103-2 | 103-3: Employment

103-2 | 103-3: Training and education

Our Way of Being and Doing is one of the beacons for decision-making regarding people through staff selection, development and/or mobility. After all, it portrays the behaviors expected by our Company. An example of this practice is the selection of young talents through internship programs, the Program for Preparation of Forestry Managers, or PPGF in the Portuguese acronym, other student initiatives and the fourth class of the Trainee Program, in which the Way of Being and Doing was one of the main criteria of choice of the finalists. The program was developed from the perspective of collaboration, customers at the core of our decisions and the digital movement. Among the required attitudes, leadership aptitude, taste for innovation, appreciation of teamwork and respect for diversity, aligned with our corporate culture, were taken into consideration when we chose 23 young people from among the 15,500 who



signed up. They will participate in the program as of 2019, when they will be offered 18 months of intense learning according to the development track of each business area in which the recruits spend time. The retention rate of those selected as trainees in previous editions reached 75%.

We also undertook to show our appreciation for and to retain our current talents. We conduct yearly performance appraisals with our employees through the Performance (Goals and Behavioral Assessment) process of our Integrated Personnel Management cycle, which progresses gradually in qualitative and quantitative terms. In 2018, it encompassed all the Directors, Managers, Coordinators, Specialists, Supervisors and senior analysts working in the corporate areas. The assessment takes into account the behaviors of the Way of Being and Doing and the goals set for the year, as well as a joint discussion on the collection of evidence of employee deliveries (what and how). Plans of action and career development are developed for the participants based on the outcome of these assessments.

Duratex also works on building learning solutions aligned with the culture and strategy of the organization, delivering specific programs and training to satisfy the needs of the Company's different areas. Various types of training are offered, such as compulsory training, on-the-job activities, technical training aimed at developing the skills required for the position, education for sustainability program, segmented academies, leadership development programs and shaping of young talents. In 2018, we had over 9,000 participants, totaling 201,191.25 training hours - an average of 22.35 hours of training *per capita*.

In line with one of our sustainability goals, that of filling the majority of vacant posts with internal talent, in 2018, 22% of our employees

were involved in internal transfer relocations, thereby providing them with opportunities for lateral and vertical growth.

Another concern is to maintain an adequate salary policy and to offer differentiated benefits. With regard to compensation, we monitor market data to ensure adequate pay. In addition, we respect employee representative bodies; by the end of 2018, 100% of the people who made up the team were covered by individual agreements or collective bargaining agreements in Brazil. In Colombia - where workers are members of either the Sindicato Nacional de Trabajadores de la Pulpa y Cartón or Sindicato Nacional de Trabajadores de Tablemac MDF S.A. (Sintratablemac) trade union -, 26.3% of the workforce is covered by this type of negotiation. A further 73.7% of the workforce has an individual benefit agreement with us. [102-41](#)

Valuing and respecting diversity is one of the behaviors present in the Duratex Way of Being and Doing. Several initiatives show our commitment to creating an inclusive workplace across all units/ areas. With this mindset, we work on structured actions for the inclusion and training of professionals with disabilities. To benefit this group, we have developed some partnerships with entities, such as the Association of Parents and Friends of People with Learning Difficulties, or APAE, its acronym in Portuguese, with which we have formatted, in the city of São Paulo, a course for people with learning difficulties to facilitate their professional integration and development within the company. With the same entity and the National Service for Industrial Training (Senai), we have an alliance to hire people with Down syndrome to work in our eucalyptus nursery in Lençóis Paulista (SP). The course is also open to participants without the syndrome.

[103-2](#) | [103-3](#): Diversity and equal opportunity

Another initiative along similar lines is the company's support in the quest for greater gender equality in society. In 2016, Duratex became a member of *Movimento Mulher 360*, an independent nonprofit association composed of more than 50 Brazilian corporate organizations committed to the promotion of gender equality and women's empowerment by encouraging the participation of more women in companies, communities and value chains. Since then, businesses have tended to pay more attention to the issue when hiring staff and the number of women in high-ranking positions has increased. [102-12](#)



Young Apprentices

Duratex participates in the Formare Social and Apprentice program - developed in partnership with Fundação Iochpe - at the Agudos (SP), Jundiaí (SP), João Pessoa (PB) and Uberaba (MG) units. Through theory and practice classes, the young participants are trained and prepared for the professional environment. Formare classes are taught by employees from our + Appreciation (D + Valor) volunteer program. There are also specific learning programs in the other units/areas through partnerships with Sistema S or local entities.

Sustainable

To reach the goals we set until 2025 in our Sustainability Strategy, professionals need to be clear about them.

2018



Therefore, we launched the following initiatives in the year:

- **Ciranda D**, an online education program via the Internet, which provides access to a series of contents in different formats – videos, books, scientific articles, etc. The program advocates interactivity and uses the “gamification” resource to stimulate participation in activities. By suggesting and/or adding content to the *Ciranda D* library, finishing courses and/or sharing them with others, uploading videos that describe good practices and taking part in quizzes, participants are able to accumulate points that can be exchanged for prizes. In addition, it is possible to contact our Sustainability team through the program to address queries and make suggestions.
- **Ciranda D Vivências**, an arm of *Ciranda D*, had a pilot project rolled out in Bauru (SP), located about 40 kilometers from our forestry and industrial facilities of Agudos. Through this initiative, we aim to expose all of our managers to an experience with the local community by 2025. The idea is that these experiences will enable our leaders to glean a better understanding of the situation of the communities, strengthen their engagement with the Sustainability Strategy and with our cultural transformation, and rethink their role in these two ongoing processes ([read more on page 21](#)).

- The year was also marked by the second edition of **DuraTalks** at our central office in São Paulo. Eight cases of sustainability across various company areas were presented at the event, which is based on the TED model (short inspirational talks). The presentations are made by the employees themselves responsible for these practices on a day to day basis in order to recognize them.
- **PaPumTex**, a series of videos dedicated to the Commercial area and designed to support our salespeople and promoters to have the sustainability speech on the tip of their tongues (PA PUM!) when selling our solutions to the market. The videos, which are short and entertaining, are released every two weeks via WhatsApp and feature the employees themselves. Launched in June 2018, the initiative was implemented after workshops with the commercial areas of all our brands, which mapped out the questions and demands of our customers and consumers in regards to sustainability.

2019

Two new editions of *Ciranda D Vivências* should be held

103-2 | 103-3: Diversity and equal opportunities

Diálogos de Valor, or Value Dialogues, which addresses a topic relevant to the act of facing global challenges to sustainable development on an annual basis, focused on gender diversity. In the auditorium of our headquarters and online, 350 people – including Directors, Managers, Coordinators and members of the Board of Directors, the Sustainability Committee and the Workforce Committee – attended lectures and debates.



The health and safety of our employees is extremely important. Therefore, we seek to provide adequate, stimulating working environments besides training sessions to minimize the possibility of accidents and guidelines for a healthier life.

During the year, we organized the relaunch of DuraSeg, our Occupational Health and Safety Management Program. The information from this program began to be monitored through the Duratex Management System – based on the production and review of procedures and equipment and on people training.

The purpose of relaunching DuraSeg on its fourth anniversary was to reaffirm goals and objectives associated with those topics and to encourage our leaders – and, by association, our employees as well – to become increasingly engaged with its scope of coverage. Thus, we intend to achieve a rate of frequency with time off equal to or less than 1 for company and third-party employees by 2025. In its new version (4.0), DuraSeg adds improvements and practices conceived on the basis of an unprecedented meeting between the Health and Safety teams of the Forestry, Wood and Deca divisions, held in late 2017.

The involvement of leaders in discussions on health and safety at work, as well as their engagement for the adoption and monitoring of best practices on a day-to-day basis, is essential to keep teams attentive and motivated. To this end, we hold periodic meetings to convey details of the indicators. Since 2015, our leaders have also participated in the Safety Training Observation Program, or STOP, which positions them as front-line observers at the production

facilities, in the forests and at the offices, in order to establish dialogues with the teams and to disseminate best practices. [102-43](#) | [403-2](#) | [403-4](#)

Internal Committees on Accident Prevention, or Cipas in the Portuguese acronym, are also set up in our units. These are made up of employee representatives (elected) appointed directly by us, who assess the results of safety inspections and statistics relating to the topic on a monthly basis, and propose methods for customizing committee activities. [403-2](#)

Health and safety announcements targeting the internal audience are posted through the following channels: direct communication (training); visual management boards and notice boards; electronic and printed internal bulletin; Internal Occupational Accident Prevention Week, or Sipat in the Portuguese acronym, and during discussions of related topics; in the integration of direct and indirect employees and visitors; in Momento Duraseg; in the Incident File; etc. [403-4](#)

Accident frequency and severity rates among employees¹

	2018		
By business	Frequency rate ²	Severity rate	Absenteeism (%)
Forestry	1.82	23.24	0.87
Panels	2.66	24.93	0.74
Deca	2.65	67.54	1.46
Hydra	0.77	20.32	1.80
Ceusa	3.63	284.07	N.D.
Central office	0.00	0.00	0.47
Consolidated Duratex	2.24	53.75	1.24

1. See the track record for 2017 and 2016 in the GRI Appendix.

2. The frequency rate considers typical accidents with time off.

In
2018

We launched pilot projects in the Deca and Wood units with the purpose of encouraging employees who have been working longer and are engaged in the health and safety culture to act as mentors of new hires. For 30 days, they are responsible for explaining concepts and providing advice about safety rules and policies. We also offer specific safety training programs tailored to each role and the hazards inherent to activities. We hold weekly Safety Dialogues with the objective of boosting employee awareness. [403-2](#)

Regarding the health of the teams, throughout the year we carried out a series of campaigns that in 2018 included topics such as healthy diet, dengue, diabetes, hypertension and dyslipidemias, Sexually Transmitted Infections (STIs), sedentary lifestyle, smoking and drugs. [403-5](#)



At the end of the period, 16 units (production facilities and forests) were certified in OHSAS 18001 by Bureau Veritas Certification in Brazil [403-1](#)



04

How we do business

- 35/ In close proximity to our customers and consumers
- 40/ With social and environmental awareness
- 52/ With determination

Our way of doing business and producing solutions is undergoing a transformation to enable us to face challenges and seize opportunities in a scenario of constant technological developments and changes in the lifestyle of consumers and customers. We invest heavily in innovation and streamlining in building a closer relationship with our stakeholders to add value to processes and solutions and anticipate trends and demands, which contributes to social development and environmental preservation.

In close proximity to our customers and consumers

102-43

We are open and flexible in our approach to understanding our customers and consumers and responding, in an increasingly simple and efficient way, to their demands and needs. With each passing day, we become more aware that doing business “with” them is just as, if not more important than, doing business “for” them. Throughout 68 years of history, we have built up experiences and have a lot to teach. But we still have a lot to learn from people – both inside and outside the company – and organizations.

Bearing this in mind, we organized the first edition of the Duratex Garage together with Endeavor, a global organization for the furtherance of high impact entrepreneurship. The purpose of the program is to accelerate scale-ups with the potential to contribute to the transformation of the construction materials and *décor*

sector. The 381 companies enrolled in the program presented business models related to Construction and Remodeling, Operational Efficiency and Creation of Digital Platforms. At the end of the selection process, seven were chosen and began to receive guidance from Endeavor’s mentors – who have already experienced business growth challenges and advised scale-ups on the structuring of strategies and ways to eliminate bottlenecks and/or other difficulties – and to work together with the connectors (our employees) in order to add value to the business.

With the exchange of knowledge facilitated by the Duratex Garage, we enabled our company to drill even deeper into the world of innovation, and strengthened our contact with new ways of thinking and executing, which favors the development of new and/or disruptive solutions to benefit end consumers.

The first edition of the Duratex Garage comes to an end in April 2019, when a second selection round will begin in the middle of the year and new scale-ups will be able to enroll in the initiative to help us overcome new challenges.

The seven scale-ups selected at the Duratex Garage:



AH!SIM
(www.ahsim.com.br)



Monkey
(www.monkey.exchange)



Decorati
(www.decorati.com.br)



Taqe
(www.web.taqe.com.br)



Gabster
(www.gabster.com.br)



Veremobili
(www.veromobili.com.br)



Hekima
(www.hekima.com)

Imagine 2.0.

The resourcefulness of our employees is nothing new. Since 2012, the Imagine program has encouraged them to submit ideas to enhance our activities. In 2018, however, the action reached a new version (2.0) and is now running through a collaborative portal, accessible via the Internet, from any computer, smartphone or tablet, inside or outside the Company. In Imagine 2.0, we also employ chatbot technology to help employees analyze proposals in detail. The portal is collaborative and open to receiving all kinds of transformative, incremental, radical or disruptive ideas.

We also created physical environments to stimulate creativity in our “houses”: the Innovation Rooms reached four units: São Leopoldo (RS), Recife (PE), São Paulo (SP) and Aracaju (SE) in 2018. Another five are being built. They were designed to provide a comfortable, peaceful and thought-provoking place and feature décor and resources ranging from tablets to Lego pieces, as well as walls that can be drawn on. The “houses” are always open to employees, who can discuss challenges together in order to find new solutions or improvements.



In 2018, we also promoted the co-creation culture by holding hackathons, marathons for the exchange of knowledge that enable innovation to take place faster through the formulation and testing of improvements in products and processes, in a short space of time.

We organized two editions in the year: the first, intended for the external audience, took place at Campus Party, in São Paulo, an event that attracts young people interested in innovation, creativity, science, entrepreneurship and the digital universe. We launched a challenge for these youths: that of jointly creating a way of analyzing Deca's sanitary ware within 24 hours in order to identify any post-production issues. The teams responsible for the three best ideas won prizes at the event and received funds to develop the solutions presented. The second hackathon was attended by our employees, who for 48 hours co-created and executed digital resources related to services for remodeling and decorating living spaces. Two projects created during the activity are currently ongoing.

Customer Committee 102-44



The Customer Committee represents one of our primary resources to create, adapt or refine solutions through the exchange of experiences and ideas.

At Deca, they serve as a source of inspiration for the development of products with distinguishing features – ranging from superior technology to color. So much so that in 2018 one of the most relevant courses of action

involved the substantial downsizing of our portfolio by approximately 30%. The decision took into account the deliberations of the Committee participants. Based on these deliberations, the Marketing, Trendmarketing, Logistics and Industrial areas began to analyze which solutions no longer offer distinguishing features perceived by consumers. This course of action led to efficiency gains and boosted production profitability.

The wood business area also relies on the Customer Committee for decision-making and to qualify processes and products. For instance, customers were at the crux of our decision to adopt a strategy of shorter cycles when launching our higher value-added products, and provided important inputs for the development of specific Business Policies for panel retailing, manufacturing and exports throughout 2018.

In addition, the closer relationship with customers has brought about changes and gains in the logistics area: we are increasingly integrated into the supply areas of our customers, thereby ensuring greater objectivity in regards to demand forecasting. We have also adopted the strategy of constantly prioritizing Collaborative Planning, Forecasting and Replenishment, which enhances our affinity with these areas and provides a win-win relationship, including the reduction of financial and inventory costs.

In 2018, we also carried out a manufacturing vocation initiative whereby we reorganized the production of our panels in our units. In this way, we are able to truly explore the full potential of each production facility, improve our productivity and guarantee the delivery of a good product to our customers.

The dialogue with customers helped us glean a clearer understanding of their aspirations, verify the need to undertake more research and to consult new audiences in order to (re)design our strategy for these products and, as early as 2019, to make deliveries aligned to the outcome of interactions.

In the Ceramic Tiles Business Area, the year was marked by a noteworthy expansion of our brand presence at events all around Brazil, with participation in trade fairs in the states of Rio de Janeiro, Espírito Santo, Minas Gerais, Pernambuco, Ceará and Bahia, for example. Before we acquired the company, its operations were much more regionalized. Our new brand also invested in building ties with architects and customers, with an increase in the number of visits to production facilities.

In 2018, we orchestrated a program of relationship with fitters, which should gain momentum after 2019. One of our goals

with this program is to train fitters, for example, to explore distinguishing features added to our products in the best possible way. The groutless process, for instance, is not often undertaken because fitters are not familiar with it. We are the only company in Brazil to offer this type of laying, in which ceramic tiles are laid side by side without spaces, guaranteeing the single piece (seamless) effect.

Moreover, we expect to intensify efforts to approach salespeople who work at the stores that sell the brand's products: they already play a decisive role at the time of purchase, and the idea is to stress the distinguishing features and attributes of Ceusa to make these individuals feel confident about, and encouraged to recommend, our solutions.

The arrival of the Large Line (details on page 39), which includes ceramic sheets in sizes up to 1.60 m x 3.20 m, also motivated us to prepare, throughout the year, to offer customers courses (in 2019) on how to work with the material – from transport to point-of-sale display setups – and its potential applications. A team has already been formed and trained to interact with this audience, and specific training material has been developed.

Digital

We are making steady progress with the development of an internal digitization process. In 2018, the team dedicated to the initiative, which covers applications for customers through to programs to be employed in our forestry and industrial processes, grew from three to approximately 90 people. At the same time, we have advanced in the adoption of the streamlined methodology in our various business areas. This is based on the assumption that interactions and people are more important than processes and tools; the delivery of solutions must undergo continual improvement; collaboration is just as or more important than negotiations; and we should be willing to respond to change without necessarily following a plan. Thus, we work with incremental deliveries to develop valuable solutions with more rapidity and quality. We have created 16 squads in the Digital area and are thus introducing these new ways of doing and thinking in the industry.

90
people dedicated
to the internal
digitization process



In 2018 we also created an analytics team, made up of developers and data scientists - an important move to seize opportunities. Based on data analysis, the team manages to anticipate market movements, production and inventory needs, trends, etc.

The success of the Marcenaria D (Carpentry D) application, launched this year, is largely due to our new approach to work. The intention was to devise a complete and differentiated work tool and there is nobody better than the Carpenters themselves to recommend the necessary functionalities. The success of this co-creation work can be showcased by numbers: just 12 months after it was first introduced, the app has already been downloaded 160 thousand times.

At the end of the year, Marcenaria D was already enabling carpenters to design furniture in 3D on their cell phones or tablets; to plan the cutting (and quantity) of boards for the production of furniture; to draw up the product budget; to find the nearest stores in which our boards can be purchased; and to view our catalog and major market trends. Due to the widespread acceptance, we also launched a version of the app for Colombia, under the name Capintex.

In Brazil carpenters also have access to the Duratex Club, a virtual space designed for both customer loyalty and support to qualify the management of activities. Users can find content on how to take good photos to build a portfolio, prepare an accurate budget and organize the workshop to improve performance, besides having

access to polls. Depending on their level of interaction in the digital platform, carpenters receive points that can be accumulated by sending invoices proving purchase of our products, which can be exchanged for prizes.

Based on consultation with consumers, we have detected a shortage of tools to help them define the ideal floor to be applied in their homes or workplaces. In response to this need we have developed a microsite called Meu Piso Ideal (My Ideal Floor) (<http://meupisoideal.duratexmadeira.com.br>), where users answer questions about the living space in which the product will be installed and the type of existing flooring, preferred formats and colors, and the desired molding style, before receiving suggestions.

We also offer the functionality of Deca's application to architects and décor aficionados. Throughout the year, it has been refined and has added an area where professionals and customers can select brand products to be used in their projects. As a result, the tool eliminates one of the greatest concerns and difficulties - avoiding misunderstandings regarding the specifications of the products selected for projects. App users can access details of our solutions, which amount to more than 2,600, view the location of our dealerships and of technical support facilities, and receive tips on a blog as well as photos with the latest launches and news.

The use of social media was intensified at Ceusa to strengthen ties with customers. The brand has an internal team dedicated to facilitating access to technical information and answering product-related queries. One of the innovations was the creation of a customer service channel via WhatsApp.

Building a closer relationship with customers in Colombia

The working involved in building a closer relationship with carpenters in Colombia was also intensified in 2018 with the offer of training courses, regardless of the size of the company they own or work for. This training enables participants to plan/use our panels better and to convey concepts of design and projects, so that they can progressively increase the value of the furniture they make. We trained 582 people in this period alone. They also got to know the facilities of Duratex Colombia, the production process and the specifications of the panels produced. The idea is to broadcast the advantages of our solutions to all carpenters and encourage them to use these solutions, for instance, to create items in which they previously used solid wood.

We also strengthened our partnerships with construction firms in Colombia. In the properties to be launched, there are model apartments with predefined furniture - such as closets, for example. Thus we work to bolster the distinguishing features of our products and encourage their use in construction works. In 2018, the Colombian unit started to employ a specific professional to work full time on establishing and managing these relationships. During the year, 35 of the main companies in the industry (which account for approximately 70% of the market share) were contacted and visited to exchange ideas with architects and designers. As a result, 32 model apartment projects included our products.

2018 launches

Our determination to offer top quality differentiated solutions is visible in our annual launches, always inspired by the demands of customers and consumers. All products are evaluated in quality forums, which address onsite incidents. In addition, the development process includes comprehensive approval testing, with a view to both immediate post-purchase performance and reliability. Deca and Hydra products also undergo compulsory and elective certifications, such as Asfamas (Brazilian Association of Sanitation Materials), Tesis, Inmetro (National Institute of Metrology, Quality and Technology) and Anvisa (Brazilian National Health Surveillance Agency), when applied. [416-1](#)



25 years
of partnership with CasaCor,
implemented in 2018 in 17
Brazilian and four foreign cities

In 2018, through Ceusa, we introduced in Brazil a technology for printing metallic inks on ceramic tiles. We adapted our lines to allow us to manufacture the product and were the first company to apply colors with an iron or non-iron oxide base (high and low relief) and to make variations in designs on tiles of different sizes - which was not feasible with the use of printing screens and rotocolor cylinders. The innovation was presented at the Expo Revestir exhibition in São Paulo, together with the new Large Line, which made a very impressive entry into the market in September, made up of large porcelain sheets. Today we offer the largest sizes in the Brazilian market, measuring up to 1.60 m x 3.20 m. These formats have gained a noteworthy global presence and are being applied to bathroom and kitchen furnishings and gourmet spaces, replacing marble and other stones due to differentials such as resistance to stains and wear and tear. [102-15](#)

Two other products launched by Ceusa in 2018 merit special attention as they are a result of partnerships with renowned architects and designers invited to develop co-creation projects. Juliana Pippi designed the Era Mosaic, inspired by the aesthetic effect of charred mineral charcoal. The product has a soft cracked texture that highlights the grayish tones and is composed of 7 cm x 7 cm pieces glued by hand on screens measuring 29.5 cm x 29.5 cm. The innovation is already being announced, but will be launched officially at the 2019 Expo Revestir. The creator, who is from Santa Catarina, also managed an event organized by Ceusa for professionals from the sector and the press, at its industrial facility in Urussanga (SC), on the creative process, tile laying methods, and essential aspects of contemporary architecture.

Another prestigious architect, Osvaldo Tenório, was a partner in the creation of the Trama Lisboa Mosaic, inspired by traditional Portuguese mosaic tiles and that transforms porcelain rejects into distinctive pieces, which highlights its sustainable nature. The product was presented at São Paulo CasaCor as part of the Deca Cistern space, a living space that encouraged reflection on the importance of water and was awarded by a specialized jury.

In 2018, we also celebrated the 25th anniversary of our partnership with CasaCor, the largest and most complete architecture, interior design and landscaping event in the Americas, held by the Abril Group in 17 Brazilian cities and four outside Brazil. The event is an excellent opportunity to showcase the exhibition of our launches, such as the Deca Comfort technology, which is now present in all of the brand's faucets, bathroom single-handle and basin mixers. We launched the Universal Hygienic Showerhead, a patented product already equipped with these innovations that is the only one of its kind in the world, featuring applicability in any equipment and the elimination of the valve, which means it no longer has to be opened or closed during use, as a differential. In addition, with the constant water pressure produced by the open valve provided by Deca Comfort, the new showerhead prevents major leaks due to breakage of the flexible hose.

Deca also presented the market with a new color palette which it has introduced in some of its sink lines: Navy Blue, Kale Green and Vanilla. The colors add creativity and irreverence to the products and living spaces in which they are applied. We also resumed our partnership with designer Jader Almeida.

In line with our consumers' desire for more practicality and flexibility, the brand invested in the launch of products and kits to enable easier construction and remodeling. One example is the L737 Sink, which can be simply installed on a base, without the need to demolish existing structures. In July, we introduced new "toilet" kit options on the market, and in November we were the first company to launch metal kits – which combine metals and finishings – and sink kits – which are accompanied by complementary products.

In the Wood segment, the crowning event was the launch of the Viva Collection. We work with an extensive range of prints to allow consumers a choice of options in line with their preferred styles, which we have divided into four large groups: minimalist, conscientious, urban and creative. Hence the product adapts to the increasingly multifunctional characteristic of today's homes, which also often double up as the household's primary workplace.

With social and environmental awareness



102-11

We do not shirk our responsibilities and we want to go beyond our legal obligations in regards to social and environmental issues. In our production processes, we seek to minimize any kind of impact on the environment and local communities. Moreover, we invest in the development of technologies that allow our customers and consumers to reduce their expenditure and the use and/or wasting of natural resources. We also create and/or support initiatives capable of contributing to local development, designed to disseminate sustainable practices among our stakeholders.

Forestry 103-2 | 103-3: Biodiversity | 304-2



We are proud to be a reference in forestry, combining prodigal productivity with biodiversity preservation in all our units, where we have already recorded the presence of 1,152 species of flora and 836 of fauna. The plantations are established in areas already anthropized, with a history of use mainly geared towards agriculture. Thus, based on an analysis of the soil and climate conditions of the planting sites, we define the best management techniques for the areas, including, for example, the species to be planted, the spacing to be considered and the fertilizers to be applied. In addition, our Forestry Plan complies with the principles and criteria of the Forest Stewardship Council® (FSC)®.

During forestry operations, particularly in areas where crops are growing, operators are instructed not to hew, fell or cut down native trees, and in all operations, employees are cautioned about speed limits on internal roads and told not to invade, maneuver or park in conservation areas. Any nests found are not damaged, and the detection of sick or dead wild animals is reported to the Environmental Area, which evaluates referral to Wild Animal Medicine and Research Centers nearby the Forestry Unit.

We also conduct studies – many in partnership with universities – to ensure that our activities do not have significant impacts on the environment. In 2018, two surveys were initiated: one to monitor birds at the João XXIII and Moqué 2 farms in the municipality of Pilar do Sul (SP); and one of forest and ecological studies in copses and wildlife corridors at our Production Units.

Workshop with customers

In July we held a pilot workshop with six customers in the city of Arapongas, state of Paraná, which houses the second largest furniture hub in Brazil, with more than 650 production facilities. Our professionals conducted a dynamic co-creation event for customers to reflect on the possibilities and the importance of sustainability in their own business plans. The initiative also served to create and validate a methodology that will enable us to approach and mobilize customers, to be replicated on other occasions.

102-43 | 102-44

In 2018, we also renewed for a further cycle – seven years – our participation in the Torre de Fluxo studies, a cooperative program led by the Forestry Research and Studies Institute (Ipef), the French Agricultural Research Center (Cirad), and the Luiz de Queiroz College of Agriculture (Esalq/USP). The action aims to promote the long-term monitoring of carbon, water and nutrient flows in our eucalyptus plantations. Through this program we are able to gather information to improve management, including information on the continuous determination of productivity and carbon sequestration in relation to climate variables and the estimation of the use and efficiency of water by trees.

Regarding new technological resources used in forestry, we have advanced in the use of drones with automatic modules. The equipment is used to keep track of the quality of forests from the first few days after they are planted, with a view to identifying potential problems, such as the presence of pests, and in the conservation areas, for topographic surveys. We are also

developing studies to investigate the possibility of using drones to conduct inventories of our areas.

We have started to adopt new technology to monitor and control ant activity. Using software on cell phones and tablets, we are able to identify levels of pest infestation and automatically calculate the amount of formicidal bait needed for control. This information can be passed on to the machines that are used to control this pest – nowadays approximately 30% of pest control is done mechanically – and the program itself controls this distribution, providing detailed information about the process at a later stage. The technology make it possible to use considerably fewer inputs, thereby delaying application in sparsely infested areas, which allows optimal control timing. This enables us to achieve a reduction of up to 50% in the area of application together with economic and environmental benefits.

We have also introduced the universal use of Digital Recording at our farms. Because of the lack of a cell phone signal in the forests, notations made by workers were slow to arrive in our systems. Therefore, we developed the solution, installed on tablets, in which operators record their actions. As a result, we have introduced in our vehicles and trucks a program that captures information from mobile devices without the need for a cable connection. As soon as the vehicles arrive at an area with cell phone coverage, the data is immediately transmitted quickly and accurately.

Our genetic improvement program continues to advance to satisfy new demands. In 2018, we conducted studies to obtain varieties that are more resistant to extreme climate oscillations and that consider the particularities of the regions where our plantations are located, such as Colombia and Alagoas. We are also developing genetic materials to meet the future demand of the dissolving wood pulp (DWP) mill to be introduced in Minas Gerais, in partnership with Lenzing (details on page 14).

In Duratex Colombia, specifically, with the construction of a new seed-plot at the Barbosa site, we have significantly amplified our production of seedlings, which extrapolates this indicator: with the expansion of this structure we expect that, by 2019, we will already have achieved 20% of our seedlings as the clonal type, which until then didn't happen.

We are also concerned about establishing a close and respectful relationship with the communities that are close to our farms or located along the routes our machinery and trucks take to transport the harvested timber. We visit the sites to establish a dialogue with residents, make them aware of our activities, and describe the timber extraction and transportation routine.



Drones

with automatic modules used in forestry



The objective is to anticipate possible impacts and, if necessary, to adopt measures to avoid or mitigate them, for example, points for speed reduction, road wetting for dust reduction and even potential route deviation.

103-2 | 103-3: Local communities | 413-2

Eco-efficiency

102-11 | 103-2 | 103-3: Materials 103-2 | 103-3: Energy | 103-2 | 103-3: Água | 103-2 | 103-3: Biodiversity | 103-2 | 103-3: Emissions | 103-2 | 103-3: Effluents and waste | 103-2 | 103-3: Environmental compliance

We continually improve our operations, targeting a social and environmental balance across the value chain. To this end we minimize both the consumption of natural resources in our production and

forestry processes and the waste and emissions caused by our solutions - from manufacturing to disposal. In this way, we contribute to environmental preservation and achieve more competitiveness through cost and risk reduction, while contributing to society and the environment as a whole.

We maintain the Environmental Management System or SGA, its acronym in Portuguese, with ISO 14,001 certification in 62.5% of our units, and monitor our performance in terms of water, effluents, emissions, energy and waste. In 2018, we invested in a workshop with representatives of the Environment teams from all our units for the sharing and adoption of best practices. By encouraging advances in this direction, we are better able to further our progress in the indicators, aiming at the goals set out in our Sustainability Strategy.

Among these goals is our aspiration to lower relative water consumption by 10% in our operations. In 2018, we consumed more than 4 million cubic meters, of which 8% is supplied by concessionaires, while 56% and 36%, respectively, come from groundwater and surface sources*. We also managed to reuse 24% of the water we consumed in the year.

* Data not applicable to Ceusa and Colombia.

These results were possible due to the adoption of varied initiatives in our production facilities and forests. On our plantations, we adopted measures to minimize the need for water resources, such as the aforementioned genetic improvement of species more resistant to water restrictions, besides the Torre de Fluxo project, where we monitor the hydrologic cycle in forests (and carbon cycles). 303-1 | 303-3

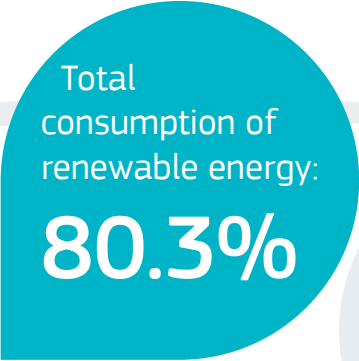
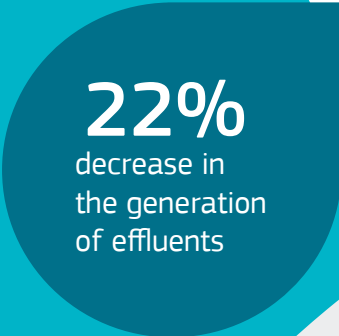
Social and environmental program

103-2 | 103-3: Supplier environmental assessment
103-2 | 103-3: Supplier social assessment

In order to maintain the level of excellence in the business model, we have undertaken to achieve the goal, in our Sustainability Strategy, of integrating newly acquired businesses, within the space of two years, into our social and environmental management model.

To do so, we have developed a program focused exclusively on the topic, which we have been implementing since 2018 at the Hydra, Ceusa and Duratex Colombia units, the latter fully acquired in 2017.

The program is structured in two 12-month modules. The first is dedicated to mapping aspects such as Management, Suppliers and Communities of the new business, while the second seeks to adopt the actions necessary for the business to reach our level of social and environmental management. These actions including setting clear and objective eco-efficiency goals, including all critical suppliers in the Duratex Supplier Management Program or GFD, its acronym in Portuguese, and organizing rounds of dialogue with the local communities, in order to then initiate action plans that guarantee local development.



Climate change 103-2 | 103-3: Emissions



During the year, we also climbed to a higher category in the water security questionnaire of the Carbon Disclosure Project, an international organization that works to prevent climate change and environmental damage. We were classified as “Leadership” when we achieved a score of A- in the 2018 edition of the survey, which deliberated about how companies deal with risks and opportunities related to water security. In our case, the way we manage water in our production processes and our transparency in reporting information to the market were our most prominent qualities.

We also focused attention on the issue of effluents: in 2018, we earmarked 1.6 million m³ of effluents for environmentally adequate treatment, down 22.3% in comparison to the previous period.

In terms of waste, we intend to minimize the relative disposal of waste in landfills by 20% until the year 2025, with growth of 16.1% in absolute reduction by 2018*. In Agudos, through the Lean project, we achieved a reduction of 242 tons of impregnated paper sent to landfills, 27.4% less than in 2017, which reflects improvements made in equipment and in the impregnation process.

We also become more energy efficient. An example of this accomplishment is the replacement of the use of fossil fuels with renewable alternatives. The reduction in our consumption of LPG from fixed sources in Taquari was higher in 2017 than in 2016. In 2018 consumption was slightly higher than in 2017.

* Data not applicable to Ceusa.

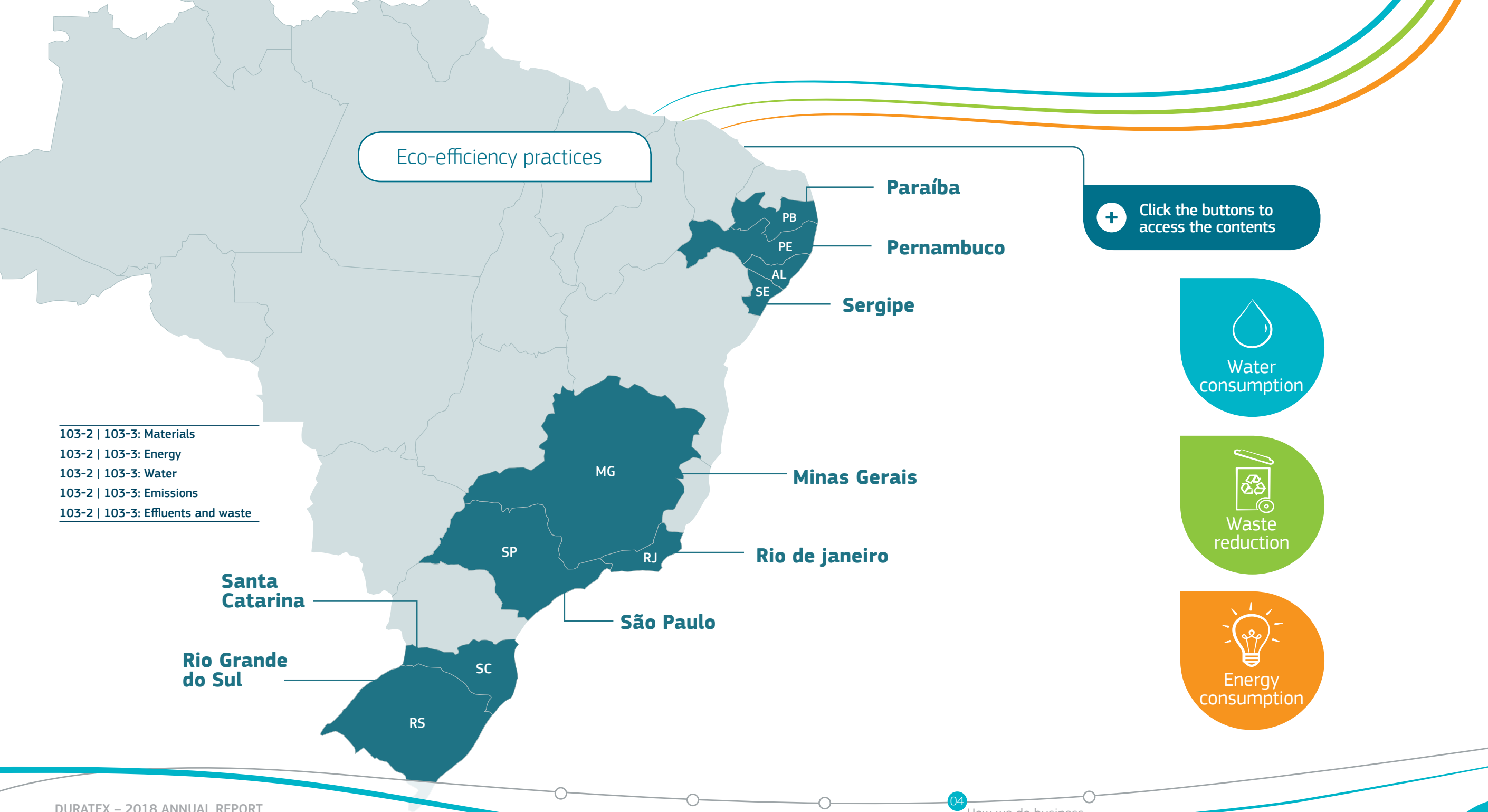
Avoiding GHG emissions in our processes is one of our objectives in helping fight climate change. We prepare an annual emissions inventory in line with the recommendations of the Brazilian GHG Protocol Program. In 2018, for the eighth time running, we received the Gold Seal of the initiative, in recognition of our commitment to transparency in the voluntary publication of this information.

In Colombia, we received the Icontec Forest Compensation certificate, an achievement linked to the Carvida Duratex program – a carbon bonus for life, in 2018. Between 2010 and 2017, our forests captured 956 thousand tons of carbon dioxide, equivalent to the total emissions of all the vehicles that circulate in the Metropolitan Area of Valle de Aburrá (Medellin and neighboring municipalities) for 14 days each year, over the period mentioned. The recognition serves as evidenced that our Greenhouse Gas Forests Compensation program based on forest cultivation is the largest in Colombia.

One way to avoid emissions is to reduce the consumption of fuels such as diesel. In order to achieve this consumption – and also to enhance the quality and productivity of tasks – in the Forest area, we train Forwarder (trucks that transport logs at the Uberaba, Itapetininga and Botucatu units) operators using a simulator. The activity enables us to understand and improve log loading, unloading and transshipment activities, thus saving on fuel.

We also seek new and less polluting equipment in our production processes. In August 2018, we deactivated an oil furnace at the São Leopoldo (RS) unit, resulting in a 56% reduction in consumption in liters of heavy fuel oil (HFO), with decreases in the unit's GHG, particulate matter and Nitrogen Oxide (NOx) emissions.







Sustainable products and services

Our solutions reflect our responsibility in relation to sustainable development, and are always conceived in such a way as to cause the least social and environmental impact, from production to disposal.

The Deca ProÁgua program, for example, is a direct result of this viewpoint. Through this program, according to customer (residential, commercial or industrial) demand, we plan actions and the application of water saving devices products and devices in buildings, from the simplest to the most complex, to rationalize and qualify the use of the natural resource. Our specialized professionals come up with diagnoses and suggest actions to be taken to monitor and minimize consumption, avoid waste – including maintenance plans – and/or promote water reuse. Since 2013, we have drafted 455 projects within the framework of the program.

The estimated time for a return on investments made by customers is no more than two years. In 2018, companies such as Kellogg's, Tetra Pak, Walita and AGV Logística and the hospitals Sírío Libanês and Albert Einstein participated in ProÁgua – the 89 projects executed represented more than R\$870 thousand in (net) sales of solutions.

The development of such a program is directly linked to our ability to create cost-saving solutions. For instance, we launched Deca Comfort, which enables water savings of up to 60%. It is a self-regulating device, which guarantees a constant flow – regardless of the type of building in which the products are installed, whether high or low pressure – and eliminates spills caused by excessive jet intensity or nozzle-sink ratio errors when choosing suitable products.

Another innovation capable of reducing wastage of the natural resource is Smart Link, a solution that makes it possible to monitor consumption by living space, day and time. The technology, coupled to the water outlet at any location, whether residential or commercial, provides this information through an online platform accessed by the user via mobile devices such as a cell phone. The Smart Link also detects leaks – from a faucet left open to the splitting of a pipe – and enables users to block the flow of water from a remote location.

We also launched the Hydra Safira Link Showerhead in 2018, the first in the market controlled through an app available for smartphones or tablets with the iOS or Android operating system. Using their mobile device, the consumer can change the desired shower settings, i.e. define time and temperature, and activate the shower via Bluetooth. The app shows a referential value – spending in Brazilian Reals – of water and electricity (kW/h), besides allowing users to visualize consumption data in real time and a recent shower history. Using the control, it is possible to save water and electricity.

60%
of water savings
with Deca Comfort

Uni Duni Tex and Choices that Last

The creation of the Uni Duni Tex project was one of the ways we found to enable end consumers to find out more about the sustainable practices we adopt when manufacturing our solutions. In 2018, residents of the cities of São Paulo and Sorocaba (SP) visited the itinerant structure, set up in stores of the Leroy Merlin chain, a partner in the project's co-creation. Here it is possible to come into contact with brands, technological differentials, our eco-efficient solutions – including floors, panels, showerheads, toilets, faucets and ceramic tiles – and the sustainable practices we adopt during the process.

At the end of 2018, we launched the Escolhas que Duram channel on YouTube for a similar purpose. It is stocked with short videos to help consumers choose the best solution when purchasing products from a financial, environmental and social point of view. To this end the videos stress aspects such as durability, quality, technology and socio-environmental responsibility, intrinsic to Deca, Hydra, Ceusa, Duratex and Durafloor products, and provide tips on how to make more conscious choices when building, remodeling and decorating living spaces.

 **LEARN MORE** UniDuniTex Videos: <http://www.duratex.com.br/en/biblioteca>

Escolhas que Duram Channel: <https://www.youtube.com/channel/UCqdTZjPtVoKqhwcONHHdUVw/videos>



Reverse logistics

We tested a program of reverse logistics of showerheads and electric faucets entitled “Compra Sustentável Hydra”, or Hydra Sustainable Purchase, during the year. We introduced points for the collection of these products in 11 Leroy Merlin stores in São Paulo, São Bernardo do Campo (SP) and Sorocaba. Consumers who delivered equipment of any brand received a discount on the purchase of a product from our portfolio. The pilot action served to analyze the most suitable format for this type of initiative, and the means of stimulating consumer participation in the most adequate return of products at the end of their useful lives. The collected material was sent to Sinctronics, the company responsible for sorting, dismantling and transforming plastic parts of showerheads and electric faucets into resin to create new products.

Social development

102-43 | 102-44 | 103-2 | 103-3: Local community

We want to establish close and qualified relationships with the communities located in the vicinity of our production facilities, forests and offices, and to thus become partners in promoting social and environmental development. One of the hallmarks of our performance in this area is that we listen to local players to define the allocation of financial, human and/or material resources to projects capable of responding to their real demands and needs.

To this end, we maintain two formal mechanisms of contact with our neighbors: the Dialogue Rounds – which in 2018 took place in the cities of São Paulo, Itapetininga (SP), Cabo de Santo Agostino (PE) and Uberaba (MG) – and the Engagement Agents (known internally as People Agents), employees trained to talk to people from local communities on a permanent basis to identify both project opportunities and potential sensitive situations. By mid-2019, all of our operational units should have these teams in place. 102-21 | 413-1

With their own and incentivized resources, projects implemented on the basis of these listening mechanisms are in accordance with the Sustainability Strategy, the pillars of the Private Social Investment Strategy, the relevance of the social and environmental impacts of the project and its potential for replication.

We care about the quality of these interactions and, therefore, we always carry out evaluation research with the participants of the Dialogue Wheels. In the last two years, ten of them were made, and the satisfaction index always exceeded 80%.

[102-44](#) | [103-2](#) | [103-3: Local communities](#) | [413-1](#)

Axles of Private Social Investment

[103-2](#) | [103-3: Indirect economic impacts](#) | [203-1](#)

Education

Formation

Professional
Training

Citizenship

Donating products and supporting
local institutions

Business promotion

Business promotion

Communal use
of the forest

Environment

Preservation of natural resources

Volunteering

Engagement Tools

Wheel of
Dialogue

Engagement
Agents

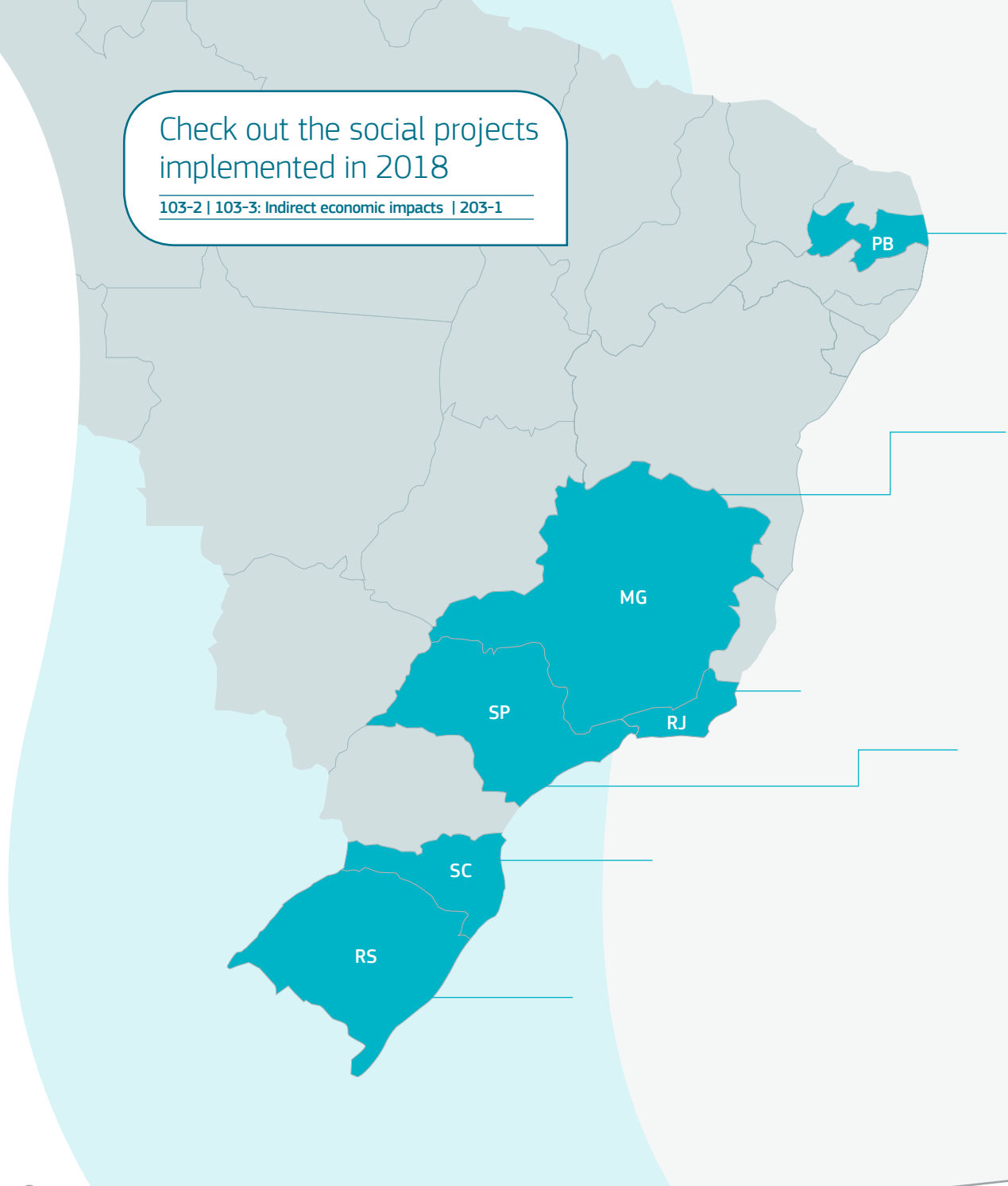


In The Right Hand [102-12](#)

Our partnership with Childhood began in 2007. Since then, we have integrated In The Right Hand, a program that aims to combat the sexual exploitation of children and adolescents on Brazilian highways. To this end, we annually carry out campaigns in our units to raise awareness about the issue, especially our transporters / truck drivers, who are still encouraged to report any abuses witnessed in the country travel. In 2018, there were three campaigns, with 1,400 participations.

Check out the social projects implemented in 2018

[103-2](#) | [103-3: Indirect economic impacts](#) | [203-1](#)



Social partnership in Colombia

103-2 | 103-3: Indirect economic impacts | 203-1 | 103-2 | 103-3: Local communities | 413-1

In Colombia, we develop social actions to benefit the units' local communities through a partnership with the NGO La Fundación – Gestión Social y Ambiental, responsible for the management of initiatives. We seek to act as good neighbors at all times, an attribute pursued by establishing dialogue and through collective construction. In 2018, the work was focused on furthering community integration for better coexistence and providing community populations with management capacities for local development.

Throughout the year, we sponsored a survey through the NGO with local community leaders to gather more accurate data on demography, culture, environment, infrastructure, power networks, and development expectations. Conducted in 14 communities, the survey results will allow social management and the development of increasingly relevant and coordinated activities. Another survey held in 2018 in eight of the adjacent communities was about the impacts of our forestry operation, specifically on their daily lives, through an interview that covered 32 scenarios in five categories.

Moreover, we are concerned with the maintenance of open channels of communication with our neighbors, with the newspaper Don Madero serving as one of the main tools in this regard. The journal had three editions in the year, and its printed version was distributed to 100% of the communities, as well as to a significant number of company employees. We also organized visits to the communities to identify impacts of our operations and enabled community members to access a communication channel to submit claims and questions. During the year the channel recorded 48 contacts involving requests, grievances, complaints and compliments – all classified and handled according to content.

One of the paths we have chosen to contribute to communities and to widen our approach is to organize actions geared towards exploring the residents' knowledge, stories and cultural imaginary. The Noches de Cine Foro (Cinema Evenings), where friends and families gather to watch movies followed by guided conversations, took place in five locations. Another initiative was the Concurso de

Cuento y Dibujo (Story and Drawing Contest), featuring the theme "What would the world be without wood?", which involved students from the city of Gomez Plata.

In addition, members of the communities (especially women) took part in Christmas crafts workshops. We offered the materials and provided tutors. There were 21 editions, of which seven featured the participation of employees of our industrial facilities. Besides learning to make the articles, the participants also had the opportunity to exchange ideas and experiences involving community values.

For children, youths and adults from three locations, we held Juegos de la Calle (Street Games), a project that encourages the practice of simple and/or improvised street games in the late afternoon or on weekends.

In 2018, we also conducted actions to motivate and disseminate management skills among neighborhood agents in order to prepare them to face challenges that arise. For example, the Amigos del Bosque (Friends of the Forest) initiative brings together groups of young students who voluntarily participate in educational workshops offered by us on environmental and forestry topics. During the period we also organized Talleres en Resolución de Conflictos (Conflict Resolution Workshops), providing training on the prevention and management of community conflicts, and formed Comités de Conciliación, or Reconciliation Committees, made up of members of the local communities. They strive to arbitrate disputes and encourage peaceful coexistence. In 2018, we worked to promote the establishment of another five of these bodies.

Finally, we conducted the pilot project known as Escuela de Padres (Parenting Classes) in the community of San Matías. The goal is to provide teachers and parents with tools to manage everyday critical situations in families. The work is supervised by a psychologist and in 2018 included workshops on prevention of drug use, sex education, family violence, and risks and opportunities of technology for children.



D+ Appreciation

Over 3,400 employees – 31% more than in the previous year – already devote time, knowledge and efforts to volunteering. + Appreciation, our program focused on this practice, organizes initiatives related to the areas of Citizenship, Education and Environment. Launched in 2016, it has already benefited 8.5 thousand people – around 5 thousand in 2018 alone – and 181 entities.

This was a special year for our initiative. We incorporated Ceusa as well as Duratex Colombia into our volunteering activities. We began to combine + Appreciation actions with social projects that receive incentivized resources, thereby increasing the positive impact that we produce on our local communities. We broke the record of engagement in all our institutional actions: the winter clothing campaign, the campaign targeting the elderly and the Christmas campaign. We have increased the number of specific volunteering actions promoted in our units by the employees themselves by around 60%, proving just how much + Appreciation is doing for individual personal and professional development, improving the organizational climate and enhancing pride over belonging to Duratex.

On December 5, International Volunteer Day, we launched a portal dedicated to the program. The collaborative tool aims to increase + Appreciation adherence and to help those interested in pinpointing local actions and institutions with which they can engage.

Volunteering actions were also staged in our Espaço Arvorar, in Agudos, in 2018: in reference to Children's Day and the International Day of Older Persons, we held multi-generational

meetings. The first was attended by residents of the retirement home Abrigo Vicentino and children, aged between 2 and 15, from Casa Renascer, both based in the municipality. The event featured our volunteers and an entertaining carpentry workshop delivered by a formerly homeless person trained by us, in 2017. In November, we held a meeting of 7- to 10-year-old students from Lar da Criança Agudense, with residents of Casa de Passagem, a homeless shelter located in Bauru. A painting on canvas workshop was also organized for the participants.

In addition, our employees organize or respond to calls for the development of campaigns to benefit entities, communities or the environment. Campaigns carried out in 2018 include:

• **Very Merry Christmas Campaign:** in the institutional campaign conducted in all our units, volunteers befriended 1,300 children living in vulnerable situations who receive assistance at 24 entities located across the eight states in which we are present. The employees collected toys, clothes, school supplies and basic hygiene products, delivered by them in person.

• **D+ Love Campaign:** in another action that involves the entire company annually, more than 350 volunteers participated in the initiative, which seeks to encourage employees to spend time socializing with elderly people living in situations of social risk in the local communities. During the year the campaign benefited 700 elderly people from 19 shelters located in the eight states where we are present.

• **D+ Warmth Campaign:** children, elderly people, homeless people, people with learning difficulties, families in situations of social vulnerability, and HIV-positive children are among those favored by the Company, which collected 3,800 articles of winter clothing – including coats, blankets, gloves, hats, scarves and socks – and passed them on to 21 civil society organizations that operate in the vicinity of the Duratex units. This quantity was 22% higher than the articles accumulated as a result of the work of the 1,100 volunteers involved in the action, who participated in the delivery of the items. Hence this is the largest collection of its kind ever organized by the Company.





Throughout the year, we negotiated with 6,315 suppliers from all over Brazil, 955 of which are newcomers. Transactions carried out with companies from across the country totaled approximately R\$2.6 billion – with 19% of this amount relating to local entrepreneurs, i.e., installed in the vicinity of our units.

Through the Duratex Supplier Management program or GFD, its acronym in Portuguese, the main mechanism of evaluation, relationship and development of business partners, we encourage the adoption of good social and environmental management practices in our productive sector. We want to contribute to the sustainable development of our partners by creating shared value while minimizing potential risks in our supply chain. [308-1](#)

Based on the results of the questionnaires, five suppliers with a score below 5 were monitored more closely by us during the year to ensure that they (re)adapt aspects of their performance to enhance their performance. Another two were blocked in the GFD because they denote tax situations that would have an impact on the supply chain. [308-2](#)

The indicators resulting from the questionnaires provide input for us to propose initiatives to qualify business partners. In the year, we determined that about 70 of the respondents did not have codes of ethics and/or conduct or had codes with gaps relating to all the criteria evaluated. Therefore, we have decided to advise them on how to prepare, implement and/or improve these documents. We conducted workshops on the topic, an activity that represented the creation of the Supplier Module in our Supply Academy – before then the Academy focused only on the development of our internal team – and the Compliance Area subsequently contributed to suppliers by verifying whether the codes created were in line with the assumptions proposed by Duratex. [414-1](#)

Generally speaking, in all the orders issued and sent, we present to all our partners the link leading to the Supplier Conduct Guide, in which we indicate and stress the conduct we expect from our business partners. In addition, by entering into agreements with us, they become aware of our Declaration of Awareness and Commitment to Combating Corruption. We also inform all our business partners about the Confidential Channel, which is able to receive any kind of complaint or grievance regarding, for example, improper practices in negotiations.



6,315
trading partners
in all of Brazil

Throughout the year we promoted the implementation of the Criticality Matrix, a tool for selecting our strategic suppliers. The improvement was based on ISO 20400 standards, which provide guidance on how to integrate sustainability into purchasing processes. Based on this work, we selected the 190 GDF participants in 2018. We did not identify significant risk for the occurrence of forced or compulsory labor, child labor or even environmental hazards among these participants. [308-2](#) | [408-1](#) | [409-1](#) | [414-1](#) | [414-2](#)

Members of the program are invited to answer questionnaires prepared with consideration given to their sectors of activity (services, heavy services, industry, mining and utilities) and topics such as management, ethics and human rights, work, compliance, relationship with the surrounding area, health and safety and the environment (includes surveys on environmental licenses, access to and consumption of water and energy, spills, impacts and biodiversity preservation, atmospheric emissions, waste disposal, environmental legislation violations, and others). In addition, some partners are chosen to receive visits in person to allow us to check whether reported actions are being conducted appropriately on site. All participants receive the feedback report with a performance score (ranging from 0 to 10) obtained by completing the form or after the visit made by our specialized consultancy, which presents a percentage representing their level of adherence to the good practices raised in each question to enable us to contribute to the preparation and adoption of plans geared towards increasingly sustainable operations. [102-43](#) | [102-44](#)



In order to guarantee transparency, compliance and ethics in negotiations, our employees must abide by our Code of Conduct in addition to our Purchasing Policy, the Purchasing Standard and the Guidelines for Purchasing Professionals - which includes the Liability Agreement and the Commitment to the Recommendations of the Guidelines for Purchasing Professionals, which all those working in the area must sign

Awards

Every year, in partnership with the external consulting firm that assists us with the GFD, we select and reward the companies that abide by or have developed the best practices. In 2018, suppliers received the award in the categories of Industry; Mining and Utilities; Services; and Heavy Services (in each of these we recognized a company of each size - large, medium or small). In 2018, we also elected the partner with the strongest engagement in the GFD in general, compared to 2017, and specifically the provider that adheres most closely to practices related to human rights - focusing on the Code of Conduct resulting from the workshop.

[LEARN MORE](#)

www.duratex.com.br/pt/noticias/duratex-reconhece-seus-parceiros-em-premio-melhoresfornecedores-2018

With determination

103-2 | 103-3: Economic performance 103-2 | 103-3: Anti-competitive behavior

We seek the best results and the utmost quality in everything we do – attributes that pervade and justify our operational and financial results. We focus on increasing productivity and generating revenue, on simplifying our organization, analyzing the potential for generating value from our assets and optimizing cash generation in order to always be prepared to seize the best opportunities and overcome the challenges in our business segments.

The year 2018 was marked by the consolidation of several structural changes in the Company that generated a non-recurring impact on the result. They are part of a major restructuring cycle we have undertaken, in line with our long-term strategy designed to reduce our leverage and boost our competitiveness. In the Wood division, we discontinued the thin hardboard business in a transaction with Eucatex, disposed of forestry surpluses in the interior of São Paulo, in a transaction worth approximately R\$1 billion with Suzano Papel & Celulose, resumed our production at our Itapetininga plant (SP), which had been suspended in 2015 due to the market slowdown, mothballed our MDF line in Botucatu (SP), which will undergo a modernization process, and announced a partnership with Lenzing, with which we will maintain a dissolving wood pulp (DWP) production facility scheduled to start operating in 2022.

At Deca, we adopted a series of measures to drive business, which included the decision to close down the operation in Tubarão (SC), with the transfer of lines to Aracaju (SE), without any detrimental impact on meeting customer demand as there has been no reduction in productive capacity. In this business area, we also focus on optimizing structures and exploiting commercial synergies between Deca and Hydra, besides having readapted our portfolio, with a substantial reduction in the number of Stock Keeping Units (SKUs), prioritizing solutions with higher added and/or perceived value that are most in demand. As a result of this prioritization we expect to generate a positive effect on productivity, inventory management and point-of-sale execution.

Ceusa's performance exceeded expectations with regards to ceramic tiles, with special emphasis on the high occupancy of its lines, which strengthened our conviction that the investment made in the acquisition of the company in 2017, and our decision to invest in the modernization and construction of lines, an amount that should reach R\$94 million by the end of 2019, with an 83% increase in our capacity, were the right choices to make.



Good results derive from the operational improvement we achieved in the year



The gradual recovery of the Brazilian economy, within the parameters we expected, also helped us progress in the period. With regard to supply, the activity of the Brazilian industry – especially the transformation sector – stepped up its pace, and expansion continued in the service sector – particularly in trade and transportation. In terms of demand, household consumption increased, reflecting the improvement in the job market and the growth of credit in Brazil, which also benefited our business, especially in the Wood area.

The Brazilian Tree Industry or IBÁ, its acronym in Portuguese, calculated a 6% increase in domestic sales in 2018: MDF sales grew by 6.2% while MDP sales were up 5.1%. The Brazilian Association of the Construction Materials Industry or Abramat, its acronym in Portuguese, also registered a 1.1% increase in civil construction deflated turnover in Brazil in 2018, with gains of 1.8% in base materials and 0.5% in finishing materials. Jobs in the sector were also up 1.7% in the period. In addition, the National Association of Manufacturers of Ceramic Tiles, Sanitary Ware and Related Products (Anfacer) calculated a 2.6% increase in sales volume as compared to 2017, which means 795.4 million square meters. In the domestic market, the increase was 1.4%, while exports were up 11.2% in the year.

For our Wood area, the year was marked by a focus on commercial policies and efforts to increase the number of high value products in the marketed mix in order to enhance profitability and sustain our market share levels. We recorded steady growth in volumes sold, driven mainly by the popular furniture chain, and shipments were up 14.5% in the year compared to 2017 – which meant a total of 2.7 million m² of panels, which was apparent from the surge in product demand, with an upward trend in our market share.

We shipped 26 million units at Deca, still reflecting the slow economic recovery. The year was very challenging due to pressure from raw material costs, currency depreciation and productivity below desired levels. However, in the second half of the year we witnessed a reversal of these aspects and saw results begin to recover, an outlook that should gradually be confirmed in the coming periods.

The Ceramic Tiles division recorded a performance that surpassed initial expectations, formed in the acquisition of the business in 2017, with sales volumes at good levels throughout the year. Combined with the consistent performance of operations, this enabled us to achieve satisfactory results: shipments of 5.3 million square meters in the year.



Economic and financial performance

102-7 | 103-2 | 103-3: Economic performance | 201-1

Investments

Our investments totaled R\$484.2 million in 2018, of which R\$254.5 million were allocated to fixed and intangible assets, while a further R\$187.7 million were allocated to biological assets and R\$42.2 to capital contributions in companies of the Group. We continued to focus mainly on leveraging our operations, and are currently in the process of increasing the capacity of our ceramic tile production at Ceusa, which should consume a total of R\$94 million, of which R\$10.2 million have already been invested. Another noteworthy event was our decision to enter the dissolving wood pulp (DWP) market, in partnership with the Austrian company Lenzing, in a project worth US\$1 billion - our contribution to this amount will mainly consist of the provision of biological assets to feed production. This project is already ongoing and our activities currently include the fulfillment of conditions precedent for the start of construction, such as obtaining licenses and detailed engineering.

Net sales revenue

Our net sales revenue totaled R\$4.9 billion – or 24% more than in 2017. If we deduct the amounts relating to the sale of forest areas to Suzano Papel e Celulose S.A. (non-recurring event) from the indicator, net sales revenue would have grown 16.7%. The overseas market represented a larger portion of our revenue in the year, and sales outside Brazil accounted for 19.2%. Therefore, the increase in net sales revenue is due to the higher volume of sales (especially in the Wood division), promotional pricing, the incorporation of Ceusa's results into the accounts and the expansion of our brand presence in the international market.

Value added ²⁰¹⁻¹

Our value added totaled R\$2.1 billion in the year, and the best part (37.0%) was allocated to employee compensation, followed by the funds allocated to the federal, state and municipal governments, in the form of taxes and contributions (29.5%). A further 20.5% was set aside for shareholder return and 13% to cover borrowing.

Debts

We have achieved our objective of reducing our debt and leverage levels through cash generation in recurring operations and the receipt of funds related to our divestment of assets. At the end of the year, our net debt was R\$1.7 billion, R\$400 million less than in 2017. Our leverage, in turn (net debt-to-Ebitda ratio), shrank to 2.00x; while at the end of the previous period it was 2.76x, which places us on a positive financial footing to achieve growth. Our net financial result at the end of the year was R\$-150.3 million, or 27.1% less than the figure recorded at the end of 2017 (R\$-206.1 million).



To find out more about our results visit:
www.duratex.com.br/ri/informacoes-financeiras/fact-sheet

201-1 – Direct economic value generated and distributed

Value Added Statement – DVA (R\$ MM)			
	2018	2017	2016
Shareholders (return on own capital)	431,796	185,015	26,229
Employees (compensation, benefits and payroll costs)	776,924	712,914	668,591
Government (taxes, rates and contributions)	620,527	483,621	516,486
Return on third-party capital (interest and rental)	272,163	367,769	446,124

05

Appendices

GRI APPENDIX

102-8 – Information on employees and other workers

Number of employees in the Deca, Wood and Hydra divisions and in Colombia/ Ceusa operations, by gender, in 2018

By gender	Corporate, Wood and Deca ¹	Percentage	Colombia ²	Percentage	Ceusa ²	Percentage
Men	8,513	83.21	424	79.25	291	79.95
Women	1,718	16.79	111	20.75	73	20.05
Total	10,231	100.00	535	100.00	364	100.00
Total employees	11,130					

1. Data relating to all employees hired according to the Consolidated Labor Laws (CLT), including apprentices.

2. Data relates to the Colombia and Ceusa operations and does not apply to apprentices.

Number of employees in the Deca, Wood and Hydra divisions, and in Colombia/ Ceusa operations, by employment contract, in 2018*

By gender	Corporate, Wood and Deca	Percentage	Colombia	Percentage	Ceusa	Percentage
Indefinite	9,951	97.26	297	55.51	364	100.00
Fixed	280	2.74	238	44.49	0	0.00
Total	10,231	100.00	535	100.00	364	100.00
Total employees	11,130					

* Data relating to all employees hired according to the Consolidated Labor Laws (CLT), including apprentices.

Number of employees in the Brazilian Deca, Wood and Hydra divisions, by employment contract and gender*

	2018				2017				2016			
By gender	Indefinite term	Percentage	Fixed term	Percentage	Indefinite term	Percentage	Fixed term	Percentage	Indefinite term	Percentage	Fixed term	Percentage
Men	8,335	83.76	178	63.57	8,532	84.22	203	67.44	8,752	85.24	169	64.50
Women	1,616	16.24	102	36.43	1,599	15.78	98	32.56	1,515	14.76	93	35.50
Total	9,951	100.00	280	100.00	10,131	100.00	301	100.00	10,267	100.00	262	100.00
Total employees	10,231				10,432				10,529			

* Data relating to all employees hired according to the Consolidated Labor Laws (CLT), including apprentices.

Number of employees in the Brazilian Deca, Wood and Hydra divisions, by employment contract and region*

	2018				2017				2016			
Region	Indefinite term	Percentage	Fixed term	Percentage	Indefinite term	Percentage	Fixed term	Percentage	Indefinite term	Percentage	Fixed term	Percentage
Northeast	2,334	23.45	77	27.50	2,078	20.51	99	32.89	N.A.	N.A.	N.A.	N.A.
Southeast	6,517	65.49	167	59.64	6,963	68.73	170	56.48	N.A.	N.A.	N.A.	N.A.
South	1,100	11.05	36	12.86	1,090	10.76	32	10.63	N.A.	N.A.	N.A.	N.A.
Total	9,951	100.00	280	100.00	10,131	100.00	301	100.00	10,267	100.00	262	100.00
Total employees	10,231				10,432				10,529			

* Data relating to all employees hired according to the Consolidated Labor Laws (CLT), including apprentices.

Number of employees in the Brazilian Deca, Wood and Hydra divisions, by type of employment and gender¹

By gender	2018				2017 ²			
	Full-time ²	Percentage	Part-time ³	Percentage	Full-time ²	Percentage	Part-time ³	Percentage
Men	8,353	83.76	160	61.78	8,569	84.26	166	63.36
Women	1,619	16.24	99	38.22	1,601	15.74	96	36.64
Total	9,972	100.00	259	100.00	10,170	100.00	262	100.00
Total employees	10,231				10,432			

1. Data relating to all employees hired according to the Consolidated Labor Laws (CLT), including apprentices.

2. Between 150 and 220 work hours per month.

3. Up to 120 work hours per month.

Number of employees in the Ceusa operations in Brazil, by employment contract and gender*, in 2018

By gender	Indefinite term	Percentage	Fixed term	Percentage
Men	291	79.95	0	0.00
Women	73	20.05	0	0.00
Total	364	100.00	0	0.00
Total employees	364			

* The data does not apply to apprentices.

Number of employees in the Ceuca operations in Brazil, by employment contract and region*, in 2018

By region	Indefinite term	Percentage	Fixed term	Percentage
South	364	100.00	0	0.00
Total	364	100.00	0	0.00
Total employees	364			

* The data does not apply to apprentices.

Number of employees in the Ceuca operations in Brazil, by type of employment and gender¹, in 2018

By gender	Full-time ²	Percentage	Part-time ³	Percentage
Men	291	79.95	0	0.00
Women	73	20.05	0	0.00
Total	364	100.00	0	0.00
Total employees	364			

1. The data does not apply to apprentices.

2. Between 150 and 220 work hours per month.

3. Up to 120 work hours per month. There are no part-time employees.

Number of employees in the Colombia operations, by employment contract and gender*, in 2018

By gender	Indefinite term	Percentage	Fixed term	Percentage
Men	222	74.75	202	84.87
Women	75	25.25	36	15.13
Total	297	100.00	238	100.00
Total employees	535			

* Apprentices are not included in this data.

Number of employees in the Colombia operations, by employment contract and region*, in 2018

By region	Indefinite term	Percentage	Fixed term	Percentage
Barbosa Plant	117	39.39	61	25.63
Yarumal Plant	88	29.63	90	37.82
Manizales Plant	4	1.35	72	30.25
Main and regional offices	88	29.63	15	6.30
Total	297	100.00	238	100.00
Total employees	535			

* In this case, the data are considered according to the regional distribution of the production facilities and forests (Barbosa, Yarumal, Manizales, etc.).

Number of employees in the Colombia operations, by type of employment and gender¹, in 2018

By gender	Full-time ²	Percentage	Part-time	Percentage
Men	424	79.25	0	0.00
Women	111	20.75	0	0.00
Total	535	100.00	0	0.00
Total employees	535			

- 1. Apprentices are not included in these data
- 2. Full-time employment in Colombia corresponds to a total of 240 work hours per month. There are no part-time employees.

102-12 – External initiatives

We voluntarily endorse the following external initiatives: Global Compact (since 2008); Sustainable Leadership Program; Pró-Ética (Instituto Ethos); Na Mão Certa Program (Childhood Brasil – since 2016); Movimento Mulher 360 (since 2016); Center for Sustainability Studies of Fundação Getulio Vargas (FGV) Corporate Initiatives (since 2014); Brazilian Integrated Reporting Oversight Commission; Brazilian GHG Protocol Program (since 2011); and the Carbon Disclosure Project.

102-13 – Membership of associations

Through our involvement with associations and entities, we anticipate trends and keep track of market developments in the different segments where we are present. In 2018, we maintained our membership of the Brazilian Association of Publicly Traded Companies (Associação Brasileira das Companhias Abertas – Abrasca), the Federation of Industries of the State of São Paulo (Federação das Indústrias do Estado de São Paulo – Fiesp), the Brazilian Institute of Investor Relations (Instituto Brasileiro de Relações com Investidores – IBRI), Instituto Ethos and the Brazilian Business Network for Life Cycle Assessment (Rede Empresarial Brasileira de Avaliação de Ciclo de Vida – Rede ACV).

Participation in sectoral organizations also contributes to the qualification of our activities. In the forestry sector we have what we consider strategic presence in the Association of Forestry Companies of Rio Grande do Sul (Associação Gaúcha de Empresas Florestais – Ageflor); Forestry Association of Minas Gerais (Associação Mineira de Silvicultura – AMS); São Paulo Association

of Planted Forest Producers (Associação Paulista dos Produtores, Fornecedores e Consumidores de Florestas Plantadas – Florestar); FSC International and FSC Brazil (Forest Stewardship Council), global references in the promotion of responsible forestry; the Brazilian Tree Industry (Ibá), where we have a representative on the Advisory Board; the Forestry Science and Research Institute (Ipef); and Forestry Investigation Society (Sociedade de Investigações Florestais – SIF).

Under the auspices of the Deca division, we are also a member of and are engaged in specific projects of the Brazilian Association of Building Systems Engineering (Associação Brasileira de Engenharia de Sistemas Prediais – Abrasip), the Brazilian Association for the Development of Hospital Buildings (Associação Brasileira para o Desenvolvimento do Edifício Hospitalar – ABDEH), and the Green Building Council Brazil (GBCB). Through Hydra we participate in the Brazilian Electrical and Electronics Industry Association (Associação Brasileira da Indústria Elétrica e Eletrônica – Abinee), while Ceusa represents us at the National Association of Ceramic Product Manufacturers (Associação Nacional dos Fabricantes de Cerâmica – Anfacer).

102-28 – Evaluating the highest governance body's performance

A formal assessment of the Board of Directors, its advisory committees and their members, is undertaken every two years, under the supervision of the Workforce, Governance and Nominations Committee. This process involves self-assessments and peer review, and includes an individual feedback stage to define action plans for continual improvement of each member.

102-34 – Nature and total number of critical concerns

Our Ombudsman Policy defines which allegations regarding moral and sexual harassment, and those involving cases of discrimination, should be reported to the Director in charge of the area in question, with copies forwarded to the Vice Chairperson and Chairpersons of the Company and of the Board of Directors. The investigation is undertaken by the Ombudsman's Office, which, depending on the case, may also call upon the Internal Audit department, which receives and investigates allegations of fraud and corruption, also sent to the Chairpersons of Duratex and of the Board of Directors. These executives, along with the Chairperson of the Audit and Risk Management Committee, also receive copies of reports on cases of corruption relating to government agencies that fall under Anti-Corruption Act no. 12,846/2013, which are processed by the Legal Compliance area (which may request the support of Internal Audit department in the investigation). Cases involving directors are reported to the Company Chairperson, the Chairpersons of the Board of Directors and the Chairperson of the Workforce, Governance and Nomination Committees, who have access to investigation findings. The whistleblower and those who collaborated in the investigation have their identity preserved. If the grounds for complaint are considered valid, the results are also passed on to the Chairperson of the Audit and Risk Management Committee.

Our Anti-Corruption Policy stipulates that the Board of Executive Directors must make decisions based on the investigations and guidelines issued by the Legal and Ethical Compliance area, while the Board of Directors is responsible for decisions that directly involve the Executive Directors, pursuant to recommendations made by the Workforce, Governance and Nominations Committee.

Contacts received by the Ombudsman by audience ¹	2018	2017 ²	2016	2015
Employees				
Total contacts received	378	535	385	412
Contacts forwarded for assessment and positioning	304	372	318	364
Concerns generated based on forwarded contacts	338	453	373	437
Suppliers				
Total contacts received	70	65	66	51
Contacts handled by the formal Ombudsman process	53	40	33	13
Contacts sent for first level processing	11	17	25	21
Contacts not processed	6	8	8	17
Concerns generated based on contacts formally processed by the Ombudsman	53	42	38	15
Other audiences³				
Total contacts	766	769	698	648

1. The data does not include the Colombia operations.
2. In 2017, the other contacts received were not processed due to insufficient information, retraction of the allegation by the whistleblower or resolution before the start of the Ombudsman process.
3. Contacts received from other audiences, which are not yet formally processed by the Ombudsman, were forwarded to the first level customer service channels.

Contacts processed by the Ombudsman by type (%)*	2018	2017	2016	2015
Criticism	79,3	77,8	78,1	85,6
Grievance (ethical misconduct)	15,9	15,8	13,6	4,4
Suggestion	0,3	1,6	1,5	4,7
Query	2,6	1,2	2,2	2
Compliment	2	3,6	4,6	3,3
Total number of concerns processed	391	495	411	452

* Numbers calculated based on the total concerns processed by the Ombudsman for stakeholders formally served by this channel (employees and suppliers). The data does not include Colombia operations.

102-34 – Nature and total number of critical concerns

Number of allegations received by the Ombudsman by status ¹	2018	2017	2016	2015
Considered Valid	13	28	15	9
Dismissed	13	10	3	6
Inconclusive	11	5	1	3
Not investigated ²	4	13	11	0
Under investigation	21	23	26	2
Total allegations received	62	79	56	20

- 1. The data does not include Colombia operations.
- 2. Allegations related to cases already analyzed or that did not provide sufficient information for the investigation.

Number of critical concerns forwarded to the Board of Directors*	2018	2017	2016	2015
	62	79	56	20

* The data does not include Colombia operations.

102-42 – Identifying and selecting stakeholders

We continually promote stakeholder (employees, customers, suppliers, communities, shareholders and civil society) engagement through institutional communications, meetings and contacts with various areas of the company. Opinion-makers and employees were engaged directly in the process of defining the Sustainability Strategy, which establishes the material topics for the Annual Report.

102-45 – Entities included in the consolidated financial statements

Deca, Hydra, Forestry, Panels, Ceusa and Colombia.

102-47 – List of material topics

The material topics of this report are those present in our Sustainability Strategy, since our stakeholders were consulted during their preparation. Find more information in the table of Standards 103-1.

102-48 – Restatements of information

Some GRI Standards had quantitative and qualitative data relating to the operations at Ceusa and in Colombia added as a means of improving the Duratex management system. When applicable, information on scope is provided in the footnotes of the tables or in the actual text.

102-49 – Changes in reporting

There were no significant changes to the reporting scope in comparison to the previous cycle. The 2018 Standards were used specifically for Topic GRI 403 (Occupational Health and Safety - OHS), according to the reformulation of the Global Reporting Initiative.

102-51 – Date of most recent report

The last edition of the annual report regarding Duratex activities in 2017 was published in March 2018.

103-1 – Explanation of the material topic and its boundary

102-47 – List of material topics

Pillar	Material topic	Impact		Related GRI topic	Associated sustainability goal	Related GRI Standards
		Internal	External			
People	Local community development and relationship		X	GRI 203: Indirect economic impacts	Managers exposed to a local community experience	203-1
				GRI 204: Procurement practices	Local community development and relationship	204-1
				GRI 413: Local communities		413-1
				GRI 419: Socioeconomic compliance	100% of the communities involved in harvest planning	413-2 419-1
	Engagement of customers and consumers	X	X	GRI 416: Customer health and safety GRI 419: Socioeconomic compliance	Engagement of customers and consumers	416-1 419-1
	Working conditions and employee development	X		GRI 202: Market presence GRI 401: Employment GRI 403: Occupational health and safety GRI 404: Training and education GRI 405: Diversity and equal opportunity GRI 408: Child labor GRI 409: Forced or compulsory labor GRI 419: Socioeconomic compliance	Adherence to the new culture	202-1
					Accident frequency rate below 1	401-1
						401-3
						404-1
						404-3
						405-1
						405-2
						408-1
						409-1
						419-1

103-1 – Explanation of the material topic and its boundary

102-47 – List of material topics

Pillar	Material topic	Impact		Related GRI topic	Associated sustainability goal	Related GRI Standards
		Internal	External			
Processes	Eco-efficiency	X		GRI 301: Materials GRI 302: Energy GRI 303: Water GRI 306: Effluents and waste GRI 307: Environmental compliance	Eco-efficient products Have revenue of 20 million from Pró-água services	301-3 301-2 303-1 303-3 306-2 307-1
	Climate change	X	X	GRI 305: Emissions	Climate change	305-1 305-2 305-3 305-4
	Sustainable forestry		X	GRI 304: Biodiversity GRI 307: Environmental compliance	Sustainable forestry Ensure that 100% of company-owned areas have certified forestry processes	304-2 304-3
	Responsible supply chain		X	GRI 308: Supplier environmental assessment GRI 408: Child labor GRI 409: Forced or compulsory labor GRI 414: Supplier social assessment GRI 419: Socioeconomic compliance	Responsible supply chain	308-1 308-2 408-1 409-1 414-1 414-2
Products and Services	Raw material and sustainable solutions	X	X	There is no related GRI Topic	Gain recognition of the sustainability and innovation attributes Lead the implementation of a reverse logistics model	None
New business models	Investigation fronts and governance and Compliance	X	X	GRI 201: Economic performance GRI 205: Anti-corruption GRI 206: Anti-competitive behavior GRI 419: Socioeconomic compliance	The pillar covers investigation fronts – and not material topics. Due to its strategic and confidential nature, these are not described in the annual report.	201-1 201-2 205-3 206-1 419-1

201-2 – Financial implications and other risks and opportunities due to climate changes

The chief tool for monitoring our performance is the emissions inventory, prepared annually since 2011 according to the guidelines of the Brazilian GHG Protocol Program. Information is audited by an outside company, a practice that has earned us the GHG Protocol Gold Seal as a testament to the high level of transparency in communicating our data related to the topic.

We also respond annually and voluntarily to the questionnaire conceived by the Carbon Disclosure Project (CDP) – available for public access at www.cdpla.net – in which we describe the risks associated with climate change. We have been estimating the financial implications of these risks since 2016, based on carbon pricing adopted in some countries and on the potential increase in energy costs in the event of a water crisis. Colombia already has an established pricing market, and we are the first large Colombian company to offset emissions and trade carbon credits.

202-1 – Ratios of standard entry level wage by gender compared to local minimum wage

Brazil Operations:

There is no difference in entry-level salaries for men and women at Duratex, and based on the data for 2017 and 2018, we did not find a significant variation in the proportion between this compensation and the national minimum wage.

Proportion between entry-level wage and minimum wage *	2018		2017		2016
	Men	Women	Men	Women	
Number of workers paid their industry's minimum wage	198	124	337	288	946
Lowest amount paid as the industry minimum (R\$)	954	954	950	950	880
National minimum wage (R\$)	954	954	937	937	880
Proportion between entry-level wage and minimum wage (%)	100	100	101	101	100

* Data relates to Brazil operations and does not include operations at Ceusa.

Proportion between entry-level wage and minimum wage*	2018	2017	2016
Number of workers paid their industry's minimum wage	322	625	946
Lowest amount paid as the industry minimum (R\$)	954	950	880
National minimum wage (R\$)	954	937	880
Proportion between entry-level wage and minimum wage (%)	100	101	100

* Data relates to Brazil operations and does not include operations at Ceusa.

Colombia Operations:

Proportion between entry-level wage and minimum wage	2018	
	Men	Women
Number of workers paid their industry's minimum wage	N.A.	N.A.
Lowest amount paid as the industry minimum (in Colombian pesos)	849,600	849,600
National minimum wage (Colombian pesos)	781,242	781,242
Proportion between entry-level wage and minimum wage (%)	8.7	8.7

204-1 – Proportion of spending on local suppliers Colombia Operations:

Proportion of spending on suppliers (in Colombian pesos)	2018
Total spending on suppliers	196,492,308,500.00
Spending on local suppliers (in the same town or city as the units)	10,040,287,185.00
Proportion of spending on local suppliers (%)	5

205-3 – Confirmed incidents of corruption and actions taken

The Ombudsman received seven allegations related to six potential cases of private corruption in 2018. The grounds for one of these cases was considered valid, and respective action was taken according to internal standards. The investigations of two other allegations were not completed due to insufficient information, while the remaining three were still being investigated in late 2018. There were no incidents involving government agencies.

Confirmed incidents of corruption and actions taken ¹	2018	2017	2016	2015
Valid grounds	1	2	2	1
Dismissed	0	0	0	1
Inconclusive	0	1	0	1
Not investigated ²	2	1	0	0
Under investigation	3	3	10	0
Total allegations received relating to corruption cases	6	7	12	3

- 1. Cases received by the Ombudsman and investigated by Internal Audit. Each case may be related to one or more contacts.
- 2. Allegations without sufficient information to warrant investigation.

206-1 – Legal actions for anti-competitive behavior, anti-trust and monopoly

There were no cases of violation of anti-competitive behavior, anti-trust and monopoly practices.

301-1 – Materials used by weight or volume

Materials consumed by the Deca division			
Renewable resources, in tons	2018	2017	2016
Paper and cardboard packaging	2,185.4	1,583.3	1,676.3
Wood packaging	3,885.9	4,806.2	3,330.4
Total consumption of renewable resources, in tons	6,071.2	6,389.5	5,006.7
Non-renewable resources, in tons			
Plastic packaging	513.9	527.9	512.7
Chemicals	1,137.0	1,384.8	1,414.6
Plaster	8,402.5	9,103.1	10,278.0
Raw material for glazing ¹	2,513.5	2,710.0	32,348.5
Raw material for mass ²	53,189.0	53,726.4	97,312.2
Molding sand	1,951.2	1,795.3	2,934.2
Clamshell	16.5	12.5	23.6
Bronze casting	14,862.1	13,367.8	11,980.6
Brass casting	8,408.3	5,184.3	7,301.8
Brass	3,869.1	3,582.1	4,051.0
Plastic	1,601.8	1,103.4	1,623.7
Zamak	557.2	457.0	688.5
Total consumption of non-renewable resources, in tons	97,021.8	92,954.6	170,469.4

1. Raw materials for glazing include dyes, feldspar, silicate, carbonate and zinc oxide.
2. Raw materials for mass include kaolin, clay, crushed stone, granite, quartz and phyllite.

	2018	2017	2016
Total consumption of renewable and non-renewable resources in tons	103,093.1	99,344.1	175,476.1
Percentage of renewable resources	5.9	6.4	2.9

Non-renewable resources, in units	2018	2017	2016
Imported components (units)	15,825,458.0	15,563,037.0	14,782,321.0
Domestic components (units)	83,357,661.0	77,377,492.0	80,504,209.0
Flapwheels and flapdisks (units)	144,367.0	152,193.0	178,263.0
Total consumption of non-renewable resources, in units	99,327,486.0	93,092,722.0	95,464,793.0

Materials consumed by the Hydra division			
Renewable resources, in units	2018	2017	2016
Paper and cardboard packaging (units)	24,507,127.00	25,269,169.00	34,790,841.00
Total consumption of renewable resources, in units	24,507,127.00	25,269,169.00	34,790,841.00
Non-renewable resources, in units	2018	2017	2016
Steel	16.84	17.80	13.50
Resin	2,676.50	2,496.40	2,205.50
Brass strip	55.83	55.05	35.73
Resistance wire	104.27	136.70	112.70
Copper	13.07	7.41	4.76
Others	1.10	-	-
Total consumption of non-renewable resources, in tons	2,867.61	2,713.36	2,372.19

Non-renewable resources, in units	2018	2017	2016
Imported components (units)	12,556,095.00	16,353,740.00	13,561,292.00
Domestic components (units)	105,013,832.00	106,168,989.00	104,161,964.00
Total consumption of non-renewable resources, in units	117,569,927.00	122,522,729.00	117,723,256.00

Non-renewable resources, in meters	2018	2017	2016
Wires, cables and isolation materials	10,266,116.08	10,176,206.58	9,491,395.60
Others	42,400.12	40,597.82	56,347.44
Total consumption of non-renewable resources, in meters	10,308,516.2	10,216,804.4	9,547,743.0

Materials consumed by the Wood division			
Renewable resources, in tons	2018	2017	2016
Organic compound fertilizers	34,206.1	20,475.8	21,797.2
Processed wood (humid)	3,096,369.3	3,240,769.1	3,152,741.5
Sawn wood (humid)*	4,233.4	565.9	4,813.9
Paper	11,072.4	10,481.8	12,872.8
Total consumption of renewable resources, in tons	3,145,881.2	3,272,292.6	3,192,225.4
* Consumption of sawn wood was lower in 2017 due to the drop in Duratree production.			
Non-renewable resources, in tons	2018	2017	2016
Traditional fertilizers	33,104.0	34,497.3	33,101.3
Paraffin emulsion*	9,190.2	7,579.2	7,898.6
Formaldehyde	89,553.7	90,347.0	93,294.6
Lubricants	693.3	916.1	449.0
Melamine	5,632.6	5,583.4	5,696.8
Methanol	59,250.6	60,108.7	60,644.7
Resin	86,178.8	65,526.4	65,218.2
Aluminum sulfate	1,365.0	1,632.1	2,316.7
Ammonium sulfate	2,109.7	1,839.3	2,039.0
Paint	1,374.4	1,356.2	1,479.0
Urea	87,236.7	83,329.6	83,112.0
Other materials	10,085.5	8,675.6	8,726.1
Total consumption of non-renewable resources, in tons	385,774.5	361,391.0	363,975.9

* The consumption of paraffin emulsion was only presented for one Panel unit in 2016. Consumption of sawn wood was lower in 2017 due to the drop in Duratree production.

	2018	2017	2016
Total consumption of renewable and non-renewable resources, in tons	3,531,655.8	3,633,683.6	3,556,201.3
Percentage of renewable resources	89.1	90.1	89.8

Materials consumed by the Ceusa division	
Renewable resources, in tons	2018
Paper packaging	692.8
Pallets	2,291.1
Total consumption of renewable resources, in tons	2,983.9
Non-renewable resources, in tons	2018
Raw materials for mass ¹	152,816.7
Deflocculants	1,256.3
Mass additives	55.9
Raw materials for glazing ²	4,587.0
Inorganic dyes	18.8
Digital Inks	46.7
Granilha (high resistance glass) and vitrosa ceramic coatings	266.4
Precious metals	0.03
Vehicles and glues	133.0
Glaze additives	8.8
Waterproofing	9.6
Total consumption of non-renewable resources, in tons	159,199.3

1. Raw materials for mass include clays, kaolins, feldspar, phyllite and argillite.

2. Raw materials for glazing include glazes, engobes, micronized materials and crude raw materials.

	2018
Total consumption of renewable and non-renewable resources, in tons	162,183.2
Percentage of renewable resources	1.8

Materials consumed in Colombia, in tons	
Renewable resources, in tons	2018
Processed wood (humid)	376,936.1
Sawn wood (humid)	0.0
Paper (processed)	0.0
Paper (other uses)	1,074.7
Total consumption of renewable materials, in tons	376,936.1
Non-renewable resources, in tons	2018
Urea concentrate and formaldehyde	0.0
Paraffin emulsion	1,684.0
Formaldehyde	1,543.3
Lubricants	48.6
Melamine	2,189.4
Methanol	8,536.0
Resin produced internally	30,747.9
Resin acquired externally	1,109.8
Aluminum sulfate	0.0
Ammonium sulfate	0.0
Paint	3.3
Dyes	38.2
Urea	10,241.5
Other materials	316.6
Total consumption of non-renewable resources, in tons	56,458.4
Total consumption of renewable and non-renewable resources, in tons	433,394.5
Percentage of renewable resources	87.0

301-2 – Recycled input materials used

Materials reused at Duratex*		
Units	Reused materials (in tons)	2018
Deca Metals	Bronze casting	14,862.1
Deca Metals	Brass casting	8,408.3
Deca Metals	Zamak	557.2
Deca Metals	Polymers	10.0
Deca Sanitary Ware	Mass reject	25,588.4
Deca Sanitary Ware	Glaze	2,147.2
Ceusa	Unused mass	9,262.8
Hydra	Reused resin	43.4
Total reused materials		60,879.3
Total materials (301-1) of the Deca/Hydra and Ceusa businesses (in tons)		268,143.9
Percentage of materials from recycling		22.7

* Data refers only to the Deca, Hydra and Ceusa operations.

302-1 – Energy consumption within the organization

Brazil operations:

Energy consumption in Brazil (GJ) ¹	2018 ²	2017	2016
A. Energy generated through fuel consumption			
Biomass	5,600,065.33	5,174,451.30	5,523,965.50
Diesel	361,523.54	328,500.30	344,825.50
Biodiesel	32,863.71	25,623.02	24,137.79
Ethanol	11,126.40	8,179.30	8,026.40
Natural gas	925,703.90	1,444,336.20	1,558,314.70
Gasoline	10,100.11	14,666.90	13,298.20
LPG	50,275.73	46,600.10	91,292.00
Heavy fuel oil (HFO)	274,860.67	258,091.10	252,019.10
Subtotal	7,233,005.58	7,274,825.10	7,791,741.40
Percentage of energy generated using renewable fuels³	78.06%	71.59%	71.31%
B. Energy acquired			
Electricity – renewable source ³	2,532,653.08	2,131,073.25	2,289,529.45
Electricity – non-renewable source	424,962.99	422,063.15	436,100.85
C. Total			
Total energy consumption (A + B)	10,190,621.66	9,827,961.56	10,517,371.70
Percentage of energy from renewable sources over total energy consumption	80.3	74.7	74.6

1. The resumption of board production activities in Itapetininga (SP), which started in April, resulted in a gradual increase in the consumption of water resources, fuels and electricity and in the generation of emissions, effluents and waste.
2. In September 2018, Deca's sanitary ware production facility in São Leopoldo (RS) disconnected the HFO furnace, bringing about a downslide in the consumption of fuel oil and energy. The termination of activities at Hydra Tubarão (SC) and the installation of electromagnetic filters at the Metals facility in Jundiaí (SP) also contributed to this reduction. The mothballing of the Wood division in Botucatu (SP), published in November 2018, made it possible to reduce the consumption of fuels, electricity and water. In the industrial plant of Agudos (SP), natural gas was replaced by biomass in July, according to the Caldeira de Agudos project. The change in the type of fuel from non-renewable to another of renewable source is considered positive for our business.
3. Ethanol and biomass are considered fuels from renewable sources. The numbers also include electricity. The percentages of diesel (biodiesel) and gasoline (anhydrous ethanol) are also used to calculate the percentage of renewable fuels, according to parameters of the Brazilian National Petroleum Agency (Agência Nacional do Petróleo - ANP). In regards to electricity acquired, percentages are considered according to the monthly monitoring bulletin issued by the Brazilian Electric System of the Brazilian Ministry of Mining and Energy. Duratex only acquires electricity and does not sell it.

Operations at Ceusa:

Energy consumption - Ceusa (GJ)	2018
A. Energy generated through fuel consumption	
Biomass	0.00
Diesel	3,616.52
Biodiesel	305.27
Ethanol	182.01
Natural gas	612,203.09
Gasoline	707.93
LPG	6,835.92
Heavy fuel oil (HFO)	0.00
Subtotal	623,795.95
Percentage of energy generated using renewable fuels*	0.08
B. Energy acquired	
Electricity – renewable source*	77,553.91
Electricity – non-renewable source	13,013.05
C. Total	
Total energy consumption (A + B)	714,362.90
Percentage of energy from renewable sources over total energy consumption	10.9

* Ethanol, biomass, biodiesel and electricity are considered fuels from renewable sources. We used the parameters of the Brazilian National Petroleum Agency (Agência Nacional do Petróleo - ANP) to calculate the percentages of biodiesel (diesel) and ethanol (gasoline). In regards to electricity acquired, percentages are considered according to the monthly monitoring bulletin issued by the Brazilian Electric System of the Brazilian Ministry of Mining and Energy. Duratex only acquires electricity and does not sell it.

Colombia operations:

Energy consumption - Colombia (GJ)	2018
A. Energy generated through fuel consumption	
Biomass	110,610.08
Diesel	9,292.01
Biodiesel	0.00
Ethanol	0.00
Natural gas	70,667.06
Gasoline	0.00
LPG	134,100.10
Heavy fuel oil (HFO)	0.00
Subtotal	324,669.25
Percentage of energy generated using renewable fuels*	34.1
B. Energy acquired	
Electricity – renewable source*	188,176.23
Electricity – non-renewable source	28,118.29
C. Total	
Total energy consumption (A + B)	540,963.77
Percentage of energy from renewable sources over the total energy consumption	55.2

* Ethanol, biodiesel and electricity are considered fuels from renewable sources. We used the parameters of the Brazilian National Petroleum Agency (Agência Nacional do Petróleo - ANP) to calculate the percentages of biodiesel (diesel) and ethanol (gasoline). In regards to electricity acquired, percentages are considered according to the monthly monitoring bulletin issued by the Brazilian Electric System of the Brazilian Ministry of Mining and Energy. Duratex only acquires electricity and does not sell it.

302-3 – Energy intensity

Energy intensity indicators	2018 ¹	2017 ²	2016
Deca Metals (GJ/item)	0.0151	0.0117	0.0160
Deca Sanitary Ware (GJ/kg)	0.0122	0.0129	0.0125
Hydra (GJ/item)	0.0055	0.0057	0.0054
Panels (GJ/m ³ of paneling)	3.2883	3.6258	3.795
Ceusa (GJ/m ² of paneling)	0.1254	N.A.	N.A.
Colombia (GJ/m ³ of paneling)	2.1522	N.A.	N.A.

1. In 2018, we included the data for the Ceusa and Colombia operations.
2. In 2017, the energy intensity values of 2016 for Hydra and Panels were reviewed.

302-4 – Reduction of energy consumption

In 2018 we recorded an increase of 362,040.39 GJ* in energy consumption across all units in Brazil as compared to 2017, up 3.7%. This increase is due to production growth along with the resumption of operations at the panel facility in Itapetininga (SP).

* The Ceusa and Colombia operations are not included in this indicator.

303-1 – Water withdrawal by source

Water consumption in operations in Brazil (m³)*	2018	2017	2016
Water collected			
Surface water	1,535,348.5	1,676,624.2	2,461,704.8
Groundwater	2,417,007.0	2,318,916.8	2,441,744.7
Directly collected rainwater	0	0	0
Effluents from other organizations	0	0	0
Public supply or supply from specialized companies	337,088.1	290,196.8	308,601.8
Total	4,289,443.6	4,285,737.8	5,212,051.3

* Data relating to the Deca, Hydra, Wood and Ceusa operations.
Operations in Colombia are not included..

303-3 – Water recycled and reused

Reused water (m³)*	2018	2017	2016
Volume of reused water	1,032,792.1	1,338,006.2	2,605,864.7
Percentage of reused water over total collected.	24.1	31.2	50.0

* Data relating to the Deca, Hydra, Wood and Ceusa operations.
Operations in Colombia are not included.

304-3 – Habitats protected or restored

Our forestry and area conservation procedures are evaluated annually by a third-party certification authority as part of the FSC monitoring audit. Biodiversity research projects are also undertaken in areas belonging to Duratex through partnerships with universities, which help the company learn more about the state of conservation of the fragments of native vegetation and the local fauna.

304-3 – Habitats protected or restored

Duratex forestry areas Duratex in 2018 by State (hectares)	2018				2017			2016		
	Right to possession	Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation
São Paulo	Leased	21,343.65	1,236.54	7,655.11	17,816.30	1,235.10	7,240.30	16,542.10	1,134.90	5,453.90
	Owned	52,986.08	3,479.46	19,681.04	74,403.90	4,388.10	25,370.10	75,782.60	4,520.30	25,940.50
Minas Gerais	Leased	76,084.41	3,320.49	28,978.75	75,607.00	3,314.40	29,188.50	75,934.80	3,312.40	29,274.90
	Owned	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rio Grande do Sul	Leased	1,555.85	183.37	812.2	1,564.20	187.2	800.6	1,565.20	186.2	800.6
	Owned	3,232.64	200.13	2,555.08	3,268.30	191	2,532.00	3,925.50	298.4	3,005.10
Total		155,202.63	8,419.99	59,682.18	172,659.70	9,315.80	65,131.50	173,750.20	9,452.20	64,475.00

Duratex Forestry areas in 2018 by State (hectares)	2018				2017			2016		
	Right to possession	Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation
São Paulo	Development	1,340.60	660.3	0	1,340.60	660.3	0	1,759.00	866.4	0
Minas Gerais	Development	542	266.96	0	877.9	432.4	0	877.9	432.4	0
Rio Grande do Sul	Development	13,300.6	10,882.60	0	13,630.90	11,152.50	0	12,653.90	10,353.20	0
Total		15,183.56	11,809.86	0	15,849.40	12,245.20	0	15,290.80	11,652.00	0

305-1 – Direct (Scope 1) GHG emissions

305-2 – Indirect (Scope 2) GHG emissions

305-3 – Other indirect (Scope 3) GHG emissions

Inventory of greenhouse gas emissions at Duratex in Brazil (tCO ₂ e) ^{1 and 4}	2018 ²	2017	2016
Scope 1	167,770.57	156,280.60	189,496.20
Scope 2	66,204.30	64,277.20	61,609.10
Scope 3 ³	106,865.70	164,184.60	128,431.60
Total	340,840.57	384,742.40	379,536.90

Biogenic emissions	2018	2017	2016
Scope 1	5,430,208.52	5,039,722.60	4,932,351.70
Scope 3	9,203.72	10,870.80	8,067.20

Biogenic removals	2018	2017	2016
Scope 1	4,903,406.60	5,662,111.60	5,486,446.40

1. Emissions from changes to soil use do not consider emissions originating from fires in native vegetation areas, but rather only consider Duratex operational areas, since the guidelines regarding the reporting of these emissions are under discussion with the Brazilian GHG Protocol Emissions Program.

2. The data for the Ceusa operations were not included in the calculation of Scopes 1 and 2 in 2018.

3. Accounting of Scope 3 sources (Upstream) was expanded in 2018, since one of the goals of our 2025 Sustainability Strategy is to “To increase the measurement of Scope 3 emissions by 50%”.

4. Our complete greenhouse gas emissions inventory is available on the online platform of the Brazilian GHG Protocol Program.

Inventory of greenhouse gas emissions at Duratex in Colombia (tCO ₂ e)			
	2018	2017	2016
Scope 1	13,335.3	9,905.20	10,531.70
Scope 2	12,614.9	11,436.00	13,683.70
Total	25,950.2	21,341.30	12,181.20

305-4 – GHG emissions intensity

GHG emissions intensity indicators for Brazil ¹	2018 ²	2017	2016
Deca Metals (tCO ₂ e/item)	0.000224908	0.000229763	0.000271581
Deca Sanitary Ware (tCO ₂ e/kg)	0.000574634	0.000617542	0.000595641
Hydra (tCO ₂ e/item)	0.000013071	0.000020847	0.000012714
Panels (tCO ₂ e/m ³ of paneling)	0.030171279	0.035128473	0.040842508
Ceusa (tCO ₂ e/m ² of ceramic) ²	0.006166693	N.A.	N.A.
Colombia (tCO ₂ e/m ³ of paneling)	0.053054413	N.A.	N.A.

1. Only scope 1 was considered for the calculation.

2. The data for the Ceusa and Colombia operations were recorded as of 2018.

306-2 – Waste by type and disposal method

Brazil operations

Waste disposal (tons)	2018	2017	2016
By class			
Hazardous	5,334.95	4,792.70	5,194.00
Non-hazardous	119,732.88	127,817.20	138,861.90
Total	125,067.83	132,609.90	144,055.90
By disposal method			
Recycling	40,342.65	27,714.90	37,223.10
Reuse	17,357.64	19,761.80	2,053.80
Landfill	9,864.32	7,092.60	5,721.40
Industrial landfill	9,453.77	15,926.80	22,016.60
Co-processing	2,489.09	2,174.70	1,823.60
Incineration	4.23	1.5	47.6
Composting	10,852.76	11,298.10	21,112.00
Autoclave	0.10	0.1	0.5
Energy generation	32,318.75	46,055.90	52,241.20
Return to supplier	528.42	510.4	372.6
Decontamination	80.57	40.5	117.8
Chemical treatment	1,775.51	2,032.70	1,325.70
Total	125,067.83	132,610.00	144,055.90

307-1 – Non-compliance with environmental laws and regulations

No significant fines or nonmonetary sanctions were received for non-compliance with environmental laws and regulations.

308-1 – New suppliers that were screened using environmental criteria

Although the adoption of the practice of analyzing social and environmental criteria for supplier screening is a goal to be met by 2025, as determined in our Corporate Strategy, this practice is already undertaken after engaging their services in almost all cases. Before entering into agreements with suppliers we also evaluate information provided at the time of their registration, such as information relating to the National Register of Reputable and Suspended Companies, or CEIS in the Portuguese acronym (a federal government website indicating whether records exist on companies for which inquiries have been made in various spheres), the Internal Revenue Service (situations related to Taxpayer ID) and the Integrated System for Information on Interstate Transactions with Commodities and Services - Sintegra (state level).

In the Duratex Supplier Management (GFD) program, which involves strategic partners, suppliers that have entered into agreements with the company are required to answer questions about environmental aspects such as licenses, access to and consumption of water and energy, spills, biodiversity conservation and impacts, atmospheric emissions, waste disposal and environmental breaches.

The prior assessment of suppliers with respect to environmental criteria occurs in accordance with Standard NSC-4 in cases where service providers are engaged to handle waste disposal. We investigate the hazard level of materials to be processed and request specific documentation from potential partners, besides paying periodic visits to their facilities to verify the control of processes that may cause environmental impacts. The supplier registration and engagement process begins after assessment and approval by the technical team. However, in 2018, no new companies entered this service provision sector.

Furthermore, the Duratex Supplier Conduct Guide dedicates an exclusive section to exposing contractors to our environmental premises on the environment.

We have FSC certification for the chain of custody of our panel mills, which means that the raw material used to manufacture our products in the Wood division is obtained from certified forests and other controlled sources, including the paper used for board coating. To this end we are audited by an outside company and maintain evidence to support the origin of raw materials.

308-2 – Negative environmental impacts in the supply chain and actions taken

Assessment of suppliers in social environmental impacts (308-2 and 414-2)	2018	2017	2016	2015
Number of suppliers that answered the self-assessment questionnaire	161	145	120	115
Number of suppliers visited	31	31	32	30
Total suppliers assessed	190 ¹	171	125	117
Number of suppliers where irregularities were identified	2 (blacklisted due to tax-related issues) + 5 (GFD)	4	10	4
Percentage of suppliers with a significant impact for which there is a plan of action	100	100	100	100
Percentage of suppliers with a significant impact whose agreement was terminated	0	0	0	0

- 1. Number of companies identified by the criticality matrix of the GFD program, with 161 respondents.
- 2. All the suppliers that participate in the GFD receive a Feedback Report at the end of the year, containing a social and environmental assessment (through indicators), an analysis of the company's status in comparison to others from the segment, and suggestions for improvements based on best market practices. Accordingly, suppliers are expected to develop action plans that allow the continual improvement of their performance.

401-1 – New employee hires and employee turnover

Number of hires and terminations in the Deca, Wood and Hydra operations

	2018		2017		2016	
By gender	Hiring	Layoffs	Hiring	Layoffs	Hiring	Layoffs
Women	709	677	448	491	554	632
Men	2,185	2,413	1,264	1,628	1,812	2,184
Total	2,894	3,090	1,712	2,119	2,366	2,816

By age group

30 and under	1,760	1,538	1,095	1,099	1,557	1,454
Between 31 and 50	1,089	1,338	596	895	797	1,173
51 and over	45	214	21	125	12	189
Total	2,894	3,090	1,712	2,119	2,366	2,816

By region

Northeast	746	605	481	540	532	515
Southeast	1,922	2,290	962	1,246	1,391	1,713
South	226	195	269	333	443	588
Total	2,894	3,090	1,712	2,119	2,366	2,816

401-1 – New employee hires and employee turnover

Number of hires and terminations in the Deca, Wood and Hydra operations (%)

	2018		2017		2016	
By gender	Hiring rate ¹	Turnover rate ²	Hiring rate ¹	Turnover rate ²	Hiring rate ¹	Turnover rate ²
Women	41.00	40.00	26.40	27.70	34.50	36.90
Men	26.00	27.00	14.50	16.60	20.30	22.40

By age group

30 and under	49.00	46.00	29.30	29.40	39.80	38.50
Between 31 and 50	18.00	21.00	10.00	12.50	13.50	16.70
51 and over	6.00	18.00	2.80	9.80	1.70	14.30

By region

Northeast	31.00	28.00	22.10	23.40	26.70	26.30
Southeast	29.00	32.00	13.50	15.50	19.40	21.60
South	20.00	19.00	24.00	26.80	32.60	38.00
Total	28.00	29.00	16.40	18.40	22.50	24.60

1 Hiring rate = number of employees hired over the headcount at the end of the period.

2 Turnover rate = average between hires and terminations over the headcount at the end of the period.

401-1 – New employee hires and employee turnover

Number of hires and terminations in the Colombia operations

	2018	
	Hires	Terminations
By gender		
Women	20	19
Men	46	49
By age group		
30 and under	34	26
Between 31 and 50	32	32
51 and over	0	10
By region		
Barbosa Plant	23	25
Yarumal Plant	15	11
Manizales Plant	6	10
Main and regional offices	22	22
Total	66	68

Hiring and turnover rates in the Colombia Operations (%)

	2018	
	Hiring rate ¹	Turnover rate ²
By gender		
Women	0	0.1
Men	0.1	0.2
By age group		
30 and under	0.1	0.1
Between 31 and 50	0.1	0.1
51 and over	0	0
By region		
Barbosa Plant	0	0.1
Yarumal Plant	0	0
Manizales Plant	0	0
Main and regional offices	0	0.1
Total	0.1	0.3

1. Hiring rate = number of employees hired over the total headcount at the end of the period.
2. Turnover rate = average between hires and terminations over the headcount at the end of the period.

401-3 – Parental leave

Parental (maternal/paternal) leave in the Deca and Wood operations

	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Total employees eligible for leave ¹	8,513	1,718	341	93	252	72
Total employees who took leave	293	68	341	93	252	72
Total employees who returned to work following leave ²	260	50	341	68	252	66
Total employees who remained employed 1 year after returning from leave	N.A.	N.A.	N.A.	N.A.	212	35
Rate of return following leave (%)	100.00	100.00	100.00	73.00	100.00	92.00
Rate of retention following leave (%)	89.00	74.00	N.A.	N.A.	84.00	49.00

1 This calculation considers that all employees active on December 31, 2018 were eligible for parental leave.

2 This calculation considers all employees who returned for at least one day following the end of their leave.

Parental leave in the Colombia Operations

	2018	
	Men	Women
Total employees eligible for leave	424	111
Total employees who took leave	10	2
Total employees who returned to work following leave	10	2
Total employees who remained employed 1 year after returning from leave	10	0
Rate of return following leave (%) ¹	100	100
Rate of retention following leave (%) ²	100	100

1. Employees who returned to work in 2018, following leave, even if their employment was terminated in 2018.

2. Employees who returned to work in 2018, following leave, and remained at the company in 2018.

403-2 – Hazard identification, risk assessment, and incident investigation

Frequency and severity of accidents rates, and absenteeism rates amongst employees¹

By business	2018			2017			2016		
	Frequency rate	Severity rate	Absenteeism (%)	Frequency rate	Severity rate	Absenteeism (%)	Frequency rate	Severity rate	Absenteeism (%)
Forestry	1.82	23.24	0.87	3.1	110.6	N.A.	4.2	111.6	N.A.
Panels	2.66	24.93	0.74	5.2	1,586.90	N.A.	2.7	75.6	N.A.
Deca	2.65	67.54	1.46	4.8	155.6	N.A.	3.2	146.6	N.A.
Hydra	0.77	20.32	1.8	5.3	37.3	N.A.	2.7	111.7	N.A.
Ceusa	3.63	284.07	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Central office ²	0	0	0.47	0	0	N.A.	2.1	13.7	N.A.
Consolidated Duratex	2.24	53.75	1.24	4.5	438.1	3.4	3.1	116.7	6,6

1. Rates are calculated according to ABNT (Brazilian Technical Standards Association) standard NBR 14280 guidelines. The accident frequency rate is equal to the number of typical accidents with time off for every 1 million man-hours of risk exposure. The accident severity rate is equal to the number of days missed or debited for every 1 million man-hours of risk exposure. Breakdown by gender is not available, since the process of managing registered accidents does not include this information.
2. There were no typical accidents with time off in 2017 and 2018 at the central office.

404-1 – Average hours of training per year per employee

In addition to training sessions focused on our organizational culture, we also invest constantly in training opportunities for our employees. In 2018, training hours per person at Duratex averaged 19.3 in the Wood, Deca and Forestry divisions and 12.6 in Colombia.

Brazil operations:

Average training hours by gender, in 2018*	
Men	20.30
Women	14.06

* In 2018, the data on average training hours by gender considered all employees, including Directors, Trainees and Board Members. In the case of Ceusa operations, we consider only culture training because it is a corporate action for all businesses.

Average training hours by job level, in 2018	
Management	44.72
Coordination	41.24
Supervisor	69.50
Superior*	18.30
Administrative	21.30
Technical Staff	20.68
Operational Staff	16.40
Apprentices	7.87
Overall	19.25

* Training hours for trainees were incorporated into the training hours of the higher job level.

Colombia operations:

Average training hours by gender, in 2018	
Men	10.27
Women	27.17

Average training hours by job level, in 2018	
Management*	NA
Coordination	47.16
Supervisor	22.15
Superior	15.21
Trainees*	N.A
Administrative	28.80
Technical Staff	9.44
Operational Staff	4.13
Apprentices	3.80
Overall	12.59

* Data for Managers and trainees were not calculated for the indicator.

404-3 – Percentage of employees receiving regular performance and career development reviews

Ceusa operations:

In 2018, due to the integration between Duratex and Ceusa, we did not perform performance assessments for the professionals working in these areas. In Colombia, however, performance assessments were held for 13.7% of the workforce, i.e., 76 people, who occupy management, coordination, supervision and administration positions.

As the integration of processes between Duratex and Ceusa took place in 2018, no performance assessments were implemented during this period.

Colombia operations:

Employees who received performance assessments by gender *	2018		
	Employees assessed	Total employees	Percentage of the total
Men	43	434	9.9
Women	33	121	27.3
Total	76	555	13.7

* The calculation includes apprentices.

Employees who received performance assessments by job level*	2018		
	Employees assessed	Total employees by job level	Percentage of the total by job level
Management	8	8	100
Coordination	53	57	93
Supervisor	13	14	93
Superior	N.A.	N.A.	N.A.
Trainees	N.A.	N.A.	N.A.
Administrative	2	2	100
Technical Staff	N.A.	N.A.	N.A.
Operational Staff	N.A.	N.A.	N.A.
Apprentices	N.A.	N.A.	N.A.
Overall	76	81	94

* In Colombia, the positions used for this consolidation were: management – Managers and Directors; coordination – Heads of departments and Coordinators; supervisor – Engineers; administrative – Specifier and Commercial Executive. The calculation includes apprentices.

404-3 – Percentage of employees receiving regular performance and career development reviews

Employees assessed, by gender	2018			2017			2016
	Employees assessed	Total employees	Percentage of total	Employees assessed	Total employees	Percentage of total	Percentage of total
Men	532	8,513	6.2	589	8,735	6.7	6.4
Women	139	1,718	8.1	121	1,697	7.1	7.3
Overall	671	10,231	6.6	710	10,432	6.8	N.A.

Employees assessed, by job level ¹	2018			2017		
	Employees assessed	Total employees	Percentage of total	Employees assessed	Total employees	Percentage of total
Executive directors ²	10	N.A.	N.A.	N.A.	N.A.	N.A.
Management	65	68	96	75	75	100
Coordination	179	191	94	197	197	100
Supervisor	257	271	95	315	315	100
Superior	160	1,077	15	103	1,086	9
Trainees	0	0	0	20	20	100
Administrative	0	1,099	0	0	1,078	0
Technical Staff	0	706	0	0	740	0
Operational Staff	0	6,539	0	0	6,620	0
Apprentices	0	280	0	0	301	0
Overall	671	10,231	7	710	10,432	7

1. The data by job level began to be consolidated in 2017. All Directors, Managers, Coordinators and Supervisors are eligible for performance assessments.

In the corporate area, only senior analysts are eligible.

2. In 2018, we included the number of directors who were assessed.

405-1 – Diversity of governance bodies and employees

Brazil operations:

Breakdown of job levels by gender	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Management	84	16	86.7	13.3	91.4	8.6
Coordination	76	24	80.7	19.3	82.2	17.8
Supervisor	90	10	92.4	7.6	90.3	9.7
Superior	64	36	64.5	35.5	64.8	35.2
Trainees	0	0	50.0	50.0	43.8	56.3
Administrative	62	38	62.4	37.6	62.8	37.2
Technical Staff	95	5	94.3	5.7	93.4	6.6
Operational Staff	89	11	89.6	10.4	90.9	9.1
Apprentices	64	36	67.4	32.6	64.5	35.5
Total	83	17	83.7	16.3	84.7	15.3

Percentage of employees by ethnicity*	2018	2017	2016
White	58	61.5	63.4
Mixed race	33	31.3	29.3
Black	8	7.0	7.1
Asian	0	0.2	0.2

* Information on ethnicity was self-declared by employees.

405-1 – Diversity of governance bodies and employees

In 2018, there was an increase in the number of executive directors and members of the Board of Directors of Duratex, with the total climbing from 27 to 32 people. Female employees account for 18.8% of these positions. There was also an increase in the participation of members aged between 31 and 50, now corresponding to 40.4% of the total (7.3 percentage points more than in 2017).

Breakdown of the governance bodies																	
	2018																
	Gender					Age group							Ethnicity				
	Men	Percentage	Women	Percentage	Total	30 and under	Percentage	Between 31 and 50	Percentage	51 and over	Percentage	Total	White	Percentage	Asian	Percentage	Total
Board of Directors and Executive Directors	26	81.3	6	18.8	32	0	0	13	40.6	19	59.4	32	31	96.9	1	3.1	32

Breakdown of the governance bodies																	
	2017																
	Gender					Age group							Ethnicity				
	Men	Percentage	Women	Percentage	Total	30 and under	Percentage	Between 31 and 50	Percentage	51 and over	Percentage	Total	White	Percentage	Asian	Percentage	Total
Board of Directors and Executive Directors	22	81.5	5	18.5	27	0	0	9	33.3	18	66.7	27	26	96.3	1	3.7	27

405-1 – Diversity of governance bodies and employees

Ceusa operations:

Breakdown of job levels by gender	2018	
	Men	Women
Management	40.0	60.0
Coordination	62.5	37.5
Supervisor	86.7	13.3
Superior	38.5	61.5
Trainees	0.0	0.0
Administrative	14.7	85.3
Technical Staff	100.0	0.0
Operational Staff	92.9	7.1
Apprentices	38.5	61.5
Total	78.5	21.5

Breakdown of job levels by age group	2018		
	30 and under	Between 31 and 50	50 and over
Management	0	80.0	20.0
Coordination	6.3	87.5	6.3
Supervisor	6.7	86.7	6.7
Superior	57.7	38.5	3.8
Trainees	0	0	0
Administrative	44.1	52.9	2.9
Technical Staff	29.6	66.7	3.7
Operational Staff	32.1	60.8	7.1
Apprentices	100.0	0	0
Total	34.6	59.3	6.1

405-2 – Ratio of basic salary and remuneration of women to men

Brazil operations:

Basic salary by gender and job level (R\$)	2018			2017			2016		
	Women	Men	Proportion (%)	Women	Men	Proportion (%)	Women	Men	Proportion (%)
Management	24,574.00	26,489.00	92.8	23,843.00	25,423.00	93.8	24,722.97	24,333.19	101.6
Coordination	11,639.00	11,994.00	97.0	10,955.00	11,741.00	93.3	10,666.84	11,268.98	94.7
Supervisor	6,347.00	6,534.00	97.1	6,838.00	6,296.00	108.6	6,171.83	5,874.67	105.1
Superior	5,037.00	5,385.00	93.5	5,044.00	5,091.00	99.1	4,776.77	5,104.52	93.6
Trainees*	0	0	0.0	5,186.00	5,186.00	100.0	5,270.39	5,087.85	103.6
Administrative	1,763.00	1,841.00	95.8	1,829.00	1,895.00	96.5	1,777.80	1,833.26	97.0
Technical Staff	2,681.00	3,516.00	76.3	2,910.00	3,563.00	81.7	2,608.54	3,425.55	76.1
Operational Staff	1,214.00	2,006.00	60.5	1,220.00	2,050.00	59.5	1,231.74	1,939.98	63.5
Apprentices	580.00	635.00	91.4	557.00	559.00	99.6	556.42	559.46	99.5
Staff average	2,715.00	2,820.00	96.0	2,864.00	2,685.00	106.7	6,420.37	6,603.05	97.2

* On December 31, 2018 there were no trainees working at the Company.

Ceusa operations:

Basic salary by gender and job level (R\$)*	2018		
	Women	Men	Proportion (%)
Management	11,411	15,687	72.7
Coordination	6,801	7,648	88.9
Supervisor	5,750	5,749	100.0
Superior	4,618	4,349	106.2
Trainees	N.A.	N.A.	N.A.
Administrative	3,208	3,264	98.3
Technical Staff	N.A.	4,035	N.A.
Operational Staff	2,720	2,700	100.7
Apprentices	568	521	108.9
Staff average	3,784	3,237	1.17

* As of December 31, 2018, without considering interns or the sales variable of the eligible jobs.

Colombia operations:

Basic salary by gender and job level (in Colombian pesos) ¹	2018		
	Women	Men	Proportion (%)
Management ²	N.A.	N.A.	N.A.
Coordination	4,141,523	5,449,804	76.0
Supervisor	3,302,111	3,310,147	99.8
Superior	1,698,322	1,552,254	109.4
Trainees ³	0	0	0.0
Administrative	2,904,724	5,517,013	52.7
Technical Staff	1,191,869	2,305,375	51.7
Operational Staff	1,129,479	1,170,534	96.5
Staff average	1,796,004	2,413,141	0.6

1. Apprentices are not calculated in this indicator.

2. The basic salaries of "Management" level jobs are not disclosed in the operation in Colombia.

3. There were no trainees at the Company in 2018.

413-1 – Operations with local community engagement, impact assessments, and development programs

In Brazil, the percentage of industrial and forestry units with a survey of environmental aspects and impacts is 72.72% (16 of 22 units) – environmental monitoring is constant across all of these areas. The percentage of Colombian units with a survey of environmental aspects and impacts is 33.33% (one of three units).

From the social perspective, 86.63% (19 out of a total of 22 units) of operations have undergone a formal engagement process and have initiatives based on the demands registered in the listening process, which are part of our Private Social Investment strategy. Only three units have not completed the process cycle, which includes listening to opinions and effectively implementing actions in the communities, which will be finalized in 2019 with actions in Cabo de Santo Agostinho, Aracaju and Jacaré.

413-2 – Operations with significant actual and potential negative impacts on local communities

We continually seek to minimize the negative local impacts inherent to our business activities. At the forestry units, prioritized aspects include dust emissions and any damage to unpaved roads due to truck traffic. In this aspect, we follow strict logistics planning and carry out preventive actions, such as wetting routes prior to use and changing operating hours. In industrial activities, impacts are related to noise and particulate emissions, which are mostly found at units near urban areas: Metals São Paulo (SP), in the Deca Division; and Uberaba (MG), Agudos (SP)

and Taquari (RS), in the Wood Division. We have developed a Monitoring Plan at these locations to guarantee that sound and air pollution are within legal limits, and we have created a formal procedure for registering, processing and resolving the demands of these communities.

The occurrence of natural fires or cases of arson in forests is an inherent part of the process. Our mitigation actions include fire brigade training, an area with lakes for firefighting, trucks for water collection, an emergency action plan and a local community communication plan for reporting fires.

As for the trucks that transport timber, our sustainability strategy sets out the goal of having all the local communities involved in harvest planning by 2025. These are our actions to reach the goal:

1. Characterization of the surrounding area in the vicinity of forests where harvesting is underway, and dialogues with the audiences present
2. Supplementation of micro-planning of operations with environmental characterization, relying on the assistance of the social and environmental monitoring technicians
3. Dialogues with audiences present in the areas where harvesting is ongoing, and monitoring of impacts of the operation
4. Improvement of methodology and tools used for monitoring activities and dialogue regarding operations

In 2018, these actions were undertaken at the following units: Metals São Paulo (SP), Itapetininga (SP), Cabo de Santo Agostinho (PE) and Uberaba (MG) and at all the industrial facilities.

414-1 – New suppliers that were screened using social criteria











The screening of our suppliers does not yet initially take social and environmental parameters into consideration. However, in a later stage we carry out checks on these aspects, especially at partners participating in the GFD Program. For this reason, we do not report the percentage of contractors based on these criteria, but we aim to incorporate this practice by 2025, as defined in our Corporate Strategy.

419-1 – Non-compliance with laws and regulations in the social and economic areas

We did not record any significant fine or sanction in 2018.

Correlation between Global Compact and SDG

Principles of the UN Global Compact	Pages
Human Rights 	27, 29 to 31, 46 to 48, 50 to 51
Labour 	29 to 31, 46 to 48, 50 to 51
Environment 	27 and 28, 40 to 44
Anti-corruption 	27, 28, 50 and 51

SDG	Pages
 5	27 and 47
 6	40 to 44, 46 to 48
 7	42 to 44
 8	29 to 31, 42 to 44, 50 and 51
 9	7, 14, 20, 35 and 36
 10	47
 11	42 to 44
 12	42 to 44, 50 and 51
 13	21, 28, 32, 40 to 43
 14	21, 40 to 44
 15	21, 27, 28, 46 to 48, 50 and 51

GRI content index 102-55



The GRI Service for Materiality Disclosure has revised that GRI's content summary is clearly presented and that references to Disclosures 102-40 through 102-49 are aligned with the appropriate sections in the Report's body.

GRI 101: Foundation 2016						
GRI 101: Foundation 2016	Standard	Page	Omission	UNGC	SDG	External assurance
Organizational profile						
	102-1: Name of the organization	6				✓
	102-2: Activities, brands, products, and services	6 to 8				✓
	102-3: Location of headquarters	6				✓
	102-4: Location of operations	7 and 8				✓
	102-5: Ownership and legal form	6				✓
	102-6: Markets served	6 to 8				✓
	102-7: Scale of the organization	6 to 8 and 54				✓
	102-8: Information on employees and other workers	6, 55 to 59		6	8	✓
	102-9: Supply chain	50 and 51				✓
	102-10: Significant changes to the organization and its supply chain	6, 13 and 14				
	102-11: Precautionary principle or approach	28, 40 to 43				
	102-12: External initiatives	31, 47 and 60				✓
	102-13: Membership of associations	60				✓
Strategy						
	102-14: Statement from senior decision-maker	9 to 12				
	102-15: Key impacts, risks, and opportunities	6 to 12, 14, 20, 22, 39				
Ethics and integrity						
	102-16: Values, principles, standards, and norms of behavior	27		10	16	
	102-17: Mechanisms for advice and concerns about ethics	27		10	16	

GRI 101: Foundation 2016

GRI 101: Foundation 2016	Standard	Page	Omission	UNGC	SDG	External assurance
Governance structure						
	102-18: Governance structure	26				✓
	102-21: Consulting stakeholders on economic, environmental, and social topics	12, 27 and 46			16	
	102-28: Evaluating the highest governance body's performance	26 and 60				
	102-34: Nature and total number of critical concerns	27, 61 and 62				
	102-35: Remuneration policies	26				
Stakeholder engagement						
	102-40: List of stakeholder groups	20				✓
	102-41: Collective bargaining agreements	31		3	8	
	102-42: Identifying and selecting stakeholders	63				✓
	102-43: Approach to stakeholder engagement	20, 33, 35, 46 and 51				✓
	102-44: Key topics and concerns raised	36, 46, 47, 51				✓
Reporting practice						
	102-45: Entities included in the consolidated financial statements	4 and 63				✓
	102-46: Defining report content and topic boundaries	20				✓
	102-47: List of material topics	63 to 65				✓
	102-48: Restatements of information	63				
	102-49: Changes in reporting	63				
	102-50: Reporting period	4				
	102-51: Date of most recent report	63				
	102-52: Reporting cycle	4				
	102-53: Contact point for questions regarding the report	4				
	102-54: Claims of reporting in accordance with the GRI Standards	4				✓
	102-55: GRI content index	92				
	102-56: External assurance	4, 100				✓

Material topics	Standard	Page	Omission	UNGC	SDG	External assurance
GRI 201: Economic performance 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	20, 21, 28, 52, to 54		1, 8	1, 5, 8, 16	
	103-3: Evaluation of the management approach	20, 21, 28, 52, to 54				
	201-1: Direct economic value generated and distributed	54			2, 5, 7, 8, 9	✓
	201-2: Financial implications and other risks and opportunities due to climate change	66		7	13	
GRI 202: Market presence 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21		1, 8	1, 5, 8, 16	
	103-3: Evaluation of the management approach	21				
	202-1: Ratios of standard entry level wage by gender compared to local minimum wage	66		6	1, 5, 8	
GRI 203: Indirect economic impacts 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 47 and 48		1, 8	1, 5, 8, 16	
	103-3: Evaluation of the management approach	21, 47 and 48				
	203-1: Infrastructure investments and services supported	47 and 48			2, 5, 7, 9, 11	
GRI 204: Procurement practices 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	50 and 51		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	50 and 51				
	204-1: Proportion of spending on local suppliers	50 and 66			12	
GRI 205: Anti-corruption 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	27		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	27				
	205-3: Confirmed incidents of corruption and actions taken	67		10	16	

Material topics	Standard	Page	Omission	UNGC	SDG	External assurance
GRI 206: Anti-competitive behavior 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	52		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	52				
	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	67			16	
GRI 301: Materials 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 42 and 44		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21, 42 and 44				
	301-1: Materials used by weight or volume	68 to 70		7, 8	8, 12	✓
	301-2: Recycled input materials used	71			8, 12	✓
GRI 302: Energy 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 42 to 44		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21, 42 to 44				
	302-1: Energy consumption within the organization	72 and 73		7, 8	7, 8, 12, 13	✓
	302-3: Energy intensity	73		8	7, 8, 12, 13	
GRI 303: Water 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	19, 21, 42 to 44		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	19, 21, 42 to 44				
	303-1: Water withdrawal by source	42 and 74		7, 8	6	✓
	303-3: Water recycled and reused	42 and 74		8	6, 8, 12	

Material topics	Standard	Page	Omission	UNGC	SDG	External assurance
GRI 304: Biodiversity 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 28, 40 and 41		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21, 28, 40 and 41				
	304-2: Significant impacts of activities, products, and services on biodiversity	40 and 41		8	6, 14, 15	
	304-3: Habitats protected or restored	75		8	6, 14, 15	
GRI 305: Emissions 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 42 to 44		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21, 42 to 44				
	305-1: Direct (Scope 1) GHG emissions	76		7, 8	3, 12, 13, 14, 15	✓
	305-2: Energy indirect (Scope 2) GHG emissions	76		7, 8	3, 12, 13, 14, 15	✓
	305-3: Other indirect (Scope 3) GHG emissions	76		7, 8	3, 12, 13, 14, 15	✓
	305-4: GHG emissions intensity	77		8	13, 14, 15	
GRI 306: Effluents and waste 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 42 to 44		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21, 42 to 44				
	306-2: Waste by type and disposal method	77		8	3, 6, 12	✓
GRI 307: Environmental compliance 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21 and 28		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21 and 28				
	307-1: Non-compliance with environmental laws and regulations	78		8	16	✓

Material topics	Standard	Page	Omission	UNGC	SDG	External assurance
GRI 308: Supplier environmental assessment 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 28, 42, 50 and 51		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21, 28, 42, 50 and 51				
	308-1: New suppliers that were screened using environmental criteria	50 and 78		8		✓
	308-2: Negative environmental impacts in the supply chain and actions taken	50, 51 and 78		8		✓
GRI 401: Employment 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	20, 21, 29 to 31		1, 8	1, 5, 8, 16	
	103-3: Evaluation of the management approach	20, 21, 29 to 31				
	401-1: New employee hires and employee turnover	79 to 81		6	5, 8	✓
	401-3: Parental leave	82		6	5, 8	
GRI 403: Occupational health and safety 2018						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21 and 33		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21 and 33				
	403-1 Occupational health and safety management system	33			3, 8	
	403-2 Hazard identification, risk assessment, and incident investigation	33			8	✓
	403-3 Occupational health services	33			3, 8	
	403-4 Worker participation, consultation, and communication on occupational health and safety	33			3, 8	
GRI 404: Training and education 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 29 to 31		1, 8	1, 5, 8, 16	
	103-3: Evaluation of the management approach	21, 29 to 31				
	404-1: Average hours of training per year per employee	83		6	4, 5, 8	✓
	404-2: Programs for upgrading employee skills and transition assistance programs	84 and 85		6	5, 8	

Material topics	Standard	Page	Omission	UNGC	SDG	External assurance
GRI 405: Diversity and equal opportunity 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 27, 29 to 32		1, 8	1, 5, 8, 16	
	103-3: Evaluation of the management approach	21, 27, 29 to 32				
	405-1: Diversity of governance bodies and employees	86 to 88		6	5, 8	
	405-2: Ratio of basic salary and remuneration of women to men	89		6	5, 8, 10	
GRI 408: Child labor 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 28, 50, 51		1, 8	1, 5, 8, 16	
	103-3: Evaluation of the management approach	21, 28, 50, 51				
	408-1: Operations and suppliers at significant risk for incidents of child labor	51		5	8, 16	
GRI 409: Forced or compulsory labor 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 28, 50, 51		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21, 28, 50, 51				
	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	51		4	8	
GRI 413: Local communities 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 42, 46 to 48		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21, 42, 46 to 48				
	413-1: Operations with local community engagement, impact assessments, and development programs	46 to 48 and 90		1		
	413-2: Operations with significant actual and potential negative impacts on local communities	42 and 90		1	1, 2	

Material topics	Standard	Page	Omission	UNGC	SDG	External assurance
GRI 414: Supplier social assessment 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21, 28, 50 and 51		1, 8	1, 5, 8, 16	
	103-3: Evaluation of the management approach	21, 28, 50 and 51				
	414-1: New suppliers that were screened using social criteria	50, 51 and 90		2	6, 8, 16	✓
	414-2: Negative social impacts in the supply chain and actions taken	51 and 78		2	6, 8, 16	
GRI 416: Customer health and safety 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21 and 28		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21 and 28				
	416-1: Assessment of the health and safety impacts of product and service categories	90				
GRI 419: Socioeconomic compliance 2016						
GRI 103: Management approach	103-1: Explanation of the material topic and its boundary	64 and 65				
	103-2: The management approach and its components	21 and 28		1, 8	1, 8, 16	
	103-3: Evaluation of the management approach	21 and 28				
	419-1: Non-compliance with laws and regulations in the social and economic area	90			16	✓

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Limited assurance report of the independent auditors

To the Board of Directors,
Shareholders and Other Stakeholders

Duratex S.A.

São Paulo - SP

Introduction

We were hired by Duratex SA (Duratex or "Company") to apply limited assurance procedures on the sustainability information disclosed in Duratex's 2018 Annual Report for the year that ended on December 31, 2018.

Responsibilities of Duratex administration

Duratex management is responsible for the proper preparation and presentation of the sustainability information disclosed in the Annual Report in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and with the internal controls that it has determined as necessary to enable the preparation of the information to be free of material misstatement, whether caused by fraud or error.

Responsibility of the independent auditors

Our responsibility is to express the conclusion on the information disclosed in the 2018 Annual Report, based on the limited assurance engagement conducted in accordance with Technical Communication (CT) 07/2012, approved by the Federal Accounting Council and prepared based on NBC TO 3000 (Work of Audit and Review Different Assurance), issued by the Federal Accounting Council - CFC, which is equivalent to the international standard ISAE 3000, issued by the International Federation of Accountants, applicable to historical non-financial information. These standards require compliance with ethical requirements, including independence requirements, and that the work is performed for the purpose of obtaining limited security that the information disclosed in the 2018 Annual Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists primarily of inquiries of the management of Duratex and other Company professionals involved in the preparation of information in the Annual Report 2018, as well as the application of analytical procedures to obtain evidence that enables us to conclude in the form of limited assurance on the sustainability information taken together. Limited assurance work also requires the execution of additional procedures when the independent auditor becomes aware of matters that lead him or her to believe that the information disclosed in the 2018 Annual Report, taken as a whole, may present material misstatements.

The procedures selected were based on our understanding of the aspects related to the compilation, materiality and presentation of the information contained in the 2018 Annual Report and other work circumstances and our consideration of areas and processes associated with the material sustainability information disclosed in the Report 2018, where relevant distortions could exist. The procedures comprised:

- (a) planning of the work: consideration of the materiality of the aspects for Duratex activities, the relevance of the information disclosed, the volume of quantitative and qualitative information and the operating systems and internal controls that served as the basis for the preparation of the Duratex 2018 Annual Report. This analysis defined the indicators to be tested in detail;

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- (b) entendimento e análise das informações divulgadas em relação à forma de gestão dos aspectos materiais;
- (c) analysis of processes for the preparation of the 2018 Annual Report and its structure and content, based on the GRI (GRI-Standards) Global Reporting Initiative Sustainability Reporting Standards and Content Principles;
- (d) evaluation of the non-financial indicators sampled:
- understanding of the calculation methodology and the procedures for the compilation of the indicators through interviews with the managers responsible for the elaboration of the information;
 - application of analytical procedures on quantitative information and inquiries on qualitative information and its correlation with the indicators published in the Annual Report 2018;
 - analysis of evidence supporting the information disclosed;
 - visits to Duratex units and offices for the application of these procedures, as well as items (b) and (c);
- (e) analysis of the reasonableness of justifications for the omissions of performance indicators associated with aspects and topics identified as material in the Company's materiality analysis;

- (f) comparison of financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence, and results obtained in our work are sufficient and appropriate to substantiate our conclusion in a limited manner.

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less extensive than those applied in a reasonable assurance engagement.

Consequently, we are not able to obtain assurance that we are aware of all matters that would be identified in a reasonable assurance engagement, the purpose of which is to express an opinion. If we had performed reasonable assurance work, we could have identified other issues and possible distortions that may exist in the information contained in the 2018 Annual Report.

Non-financial data are subject to more inherent limitations than financial data given the nature and diversity of the methods used to determine, calculate or estimate such data. Qualitative interpretations of materiality, relevance and accuracy of data are subject to individual assumptions and judgments. In addition, we do not perform any work on data reported for prior periods, to assess the adequacy of its policies, practices and performance in sustainability, nor in relation to future projections.

Conclusion

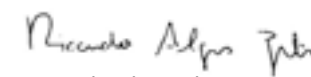
Based on the procedures performed, described in this report, nothing has come to our attention that leads us to believe that the information contained in Duratex's 2018 Annual Report has not been compiled in all material respects in accordance with the Sustainability Reporting Standards the Global Reporting Initiative (GRI) and the records and archives that served as a basis for its preparation.

São Paulo, February 28, 2019

KPMG Assessores Ltda.
CRC 2SP034262/O-4 F-SP



Eduardo V. Cipullo
Contador CRC 1SP135597/O-6
KPMG Financial Risk & Actuarial Services Ltda.



Ricardo Algis Zibas

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