

2019 Integrated Report



Duratex

Solutions for better living



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PRESENTATION

We have been publishing our Annual Report since 2004, presenting the performance and the results of our operations, the challenges faced and the opportunities seized, in addition to the targets and strategies assumed in line with the purpose of offering Solutions for Better Living. [|102-52|](#)

This report* has been prepared in accordance with the GRI Standards: Core option, of the Global Reporting Initiative (GRI), and the criteria of the Brazilian Association of Publicly-Listed Companies (Abrasca). In 2019, in order to strengthen our strategic long-term vision and present the process through which we create value for society, we went even further and presented this first Integrated Report, in line with the guidelines of the International Integrated Reporting Council (IIRC). [|102-54|](#)

The content reflects the topics that are relevant to shareholders, customers and suppliers – consulted during the materiality process stage

* The pictures were taken before the COVID-19 pandemic.

[\(learn more here\)](#) – in addition to the vision of the members of the senior management who were involved in stages of analysis and validation of these topics, taking into consideration our management instruments, sector context and macro trends.

The indicators refer to the activities of all of our business divisions – Wood, Deca and Ceramic Tiles – in Brazil and Colombia, related to the period from January 1 to December 31, 2019. Both the Financial Statements and the environmental and social data were subject to an external audit by KPMG Auditores Independentes. [|102-45, 102-50, 102-56|](#)

Questions related to this publication may be forwarded to our Investor Relations (investidores@duratex.com.br) and Sustainability (sustentabilidade@duratex.com.br) teams. [|102-53|](#)

Enjoy your reading!

Mainstreaming Pillar



Proper Business Environment

This involves our strategy and the elements that support it, such as ethical principles and innovation culture.



People who Transform

This refers to the concerns with which we attract, develop and retain the talented professionals that make up our staff.



Responsible Processes

This shows the extension of our environmental and social responsibility to the entire value chain and the areas around our operations.



Sustainable Solutions

This shows the solutions created for better living, which includes the eco-efficiency of our products and the comfort to our customers.



To learn more, please click [here](#).

Message from the Board of Directors

|102-14, 103-2: Economic performance, 103-2: Market presence|

The year 2019 was characterized, at Duratex, by important achievements in the ongoing search for operational efficiency, focused on satisfying our customers and delivering results that are higher than our cost of capital. At the same time, the Company completed the processes of cultural transformation, adjustments to the production chain and approval of the largest investment in its history, this time in the dissolving wood pulp segment.

We understand that diversity of knowledge expands the ways to perceive and interpret the market and society and, for this reason, we seek to renew our management with executives who have experience in other segments, in addition to recognizing the work that has already been done internally – a merit that is regularly attested in the scope of the performance process of the Integrated People Management Cycle.

Reaching consistent targets and results is the focus of attention of the more than 10,000 employees of the Company who have been increasingly more aligned with the Way of Being and Doing and working in actions to integrate processes and build closer relations with customers and consumers.

The actions guided by the 2025 Duratex Strategic Planning and implemented during the year reflect the strengthening of this organizational culture and attest to the potential of Duratex to explore new business areas. In this aspect, the acquisition of Cecrisa Revestimentos Cerâmicos S.A. and the works for the modernization and expansion of the plant of Ceusa Urussanga (State of Santa Catarina) are important highlights this year since they consolidate Duratex's participation in the ceramic tile segment, which started just less than three years ago.

Also, with an aim at new challenges, 2019 was characterized by the completion of feasibility analyses of the engineering studies and by negotiations with Lenzig AG for the creation of a joint venture (LD Celulose) in the dissolving wood pulp segment. The production will be fully sold to the plants of Lenzig AG in Europe, Asia and North America, which reduces the exposure of Duratex to fluctuations in the domestic market of construction materials and interior design.

Another highlight for the year was the continuity of the structured plan aimed at the optimization of assets. The highlights, in this context, were the divestments in the wood panel plant in Botucatu (State of São Paulo) and in the sanitary ware unit in São Leopoldo (State of Rio Grande do Sul), as well as the sale of forest assets in the central region of the State of São Paulo. These actions, in addition to not reducing the production volume, balanced the supply capacity with respect to the existing demand and maintained the potential for the operations to keep up with a possible increase in demand.



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

Despite the negative prospects with respect to the growth of the global economy for 2020 – arising from the global health crisis that threatens to increase the unemployment rate and, consequently, consumption – the end of the year, with the completion of important cycles of operational optimization, makes us confident that the company is prepared for the future.

Working in a safe environment, with people who transform, always seeking to reduce our environmental impacts and anticipate trends, is the way that Duratex found to adjust to the current scenario of fast changes. Always aware of society's trends, we remain confident about the successful steps on the path that the Company has ahead of it and about the value that will be shared with shareholders and other stakeholders that follow us on this journey.

Message from the Executive Board

[102-14, 103-2: Economic performance, 103-2: Market presence]

We ended 2019 with the certainty of having overcome major challenges. In the macroeconomic scenario, the sluggishness to approve reforms, improve public accounts, reduce the unemployment rate and resume investments hindered Brazil's recovery.

Internally, however, we consolidated important transformations aimed at sustaining our growth over the next few years. In the Wood division, we completed the process of disinvestment in assets based on the identification of our vocation for manufacturing. Therefore, we closed the panel unit in Botucatu (State of São Paulo) whose operation has been suspended since November 2018. We also negotiated forest assets in the central region of the State of São Paulo. This action strengthens our search for greater efficiency and productivity, especially in a market in which competition has been particularly fierce in the past few years. Currently, the production of panels represents around 60% of net revenue – a share that will likely decrease as we expand in our other operating segments.

In Deca division, in line with the strategy to search for greater manufacturing efficiency, we chose to discontinue the sanitary ware unit in São Leopoldo (State of São Paulo), transferring its machinery to the other units of the Company so as not to affect the division's production capacity. The change is similar to the movement that we made to the electric showers lines in 2018. At the beginning of the year, the plant in Aracajú (State of Sergipe) already operated with a new layout and supplied the production capacity of the unit in Tubarão (State of Santa Catarina), which was wound up in the year before.

Meanwhile, in the Ceramic Tiles division, a business that we have started to manage more recently, we acquired Cecrisa Revestimentos Cerâmicos S.A., after which we owned the Portinari brand, and increased our capacity by 20 million sq. m. We concentrated the industrial activities of the division in the State of Santa Catarina, where the plants of Ceusa and Portinari were located. Last year, we also started the segment's first 4.0 industry in Brazil, with a production capacity of 6 million sq. m. The new line will operate with a focus on large format parts and products with higher added value.

Today, we are an integrated business platform, focused on offering Solutions for Better Living. This understanding is a reflection of the consolidation of the elements of our culture, whose transformation process started around four years ago. Since then, we have reformulated our staff, particularly our management, and established management standards that strengthen the Way of Being and Doing, focused on the People, Processes, Customers and Results pillars.

Our operation is also characterized by elements of Innovation and Sustainability, departments that were brought together under the same board in 2019. Among the improvements, we restructured our Innovation Center to better disseminate the topic among the members of our staff. Externally, we sought proximity with startups and scale-ups, some of which became our partners in the implementation of innovative projects.

Meanwhile, in Sustainability, we followed our strategy, structured on the People, Processes, Products and Services, and New Business Models pillars, taking into consideration material topics that determine the targets to be achieved by 2025.



Antonio Joaquim de Oliveira
CEO

As signatories to the United Nations Global Compact (UN), we are still committed to ensuring human rights in all regions where we operate. The process of listening to the communities, by means of the *Rodas de Diálogo* (Dialogue Circles), was intensified in 2019 in the Hydra unit and extended to the locations where we have started to operate more recently, such as Urussanga (State of Santa Catarina) and Aracajú (State of Sergipe) asepis of our units and central. With defined priorities, we allocated more than R\$11 million to 47 social projects.

The prospect for 2020 is of contraction of the Brazilian economy, affected by the global effects of COVID-19. Nevertheless, we remain confident in the work that is internally performed in all levels, whether structural, such as the discontinuations of industrial plants, maintaining the production capacity, or circumstantial, such as the prevention measures against the novel coronavirus pandemic, which include the establishment of the home office system and cash reinforcement, among other initiatives. We are prepared for the future!

[Stand on COVID-19*

Taking care of our People, our Processes, our Customers and our Results is part of the Way of Being and Doing. In view of the pandemic caused by the novel coronavirus (COVID-19), it could not be different! We are alert, assessing the scenario and implementing actions on a daily basis, in line with the guidance of the World Health Organization (WHO) and government authorities. For the purpose of fighting the spread of the virus and avoiding impacts on the health and safety of employees and partners and on our commitment to consumers, we have established a Crisis Committee whose purpose is to serve as an information center, manage risks and align stakeholders, always with the support of health specialists. The initiatives coordinated by this Committee are divided into five fronts (People and Communication, Industrial/Supplies, Information Technology, Commercial and Finance), as described below.

* Fact subsequent to the period covered by this report.

People and Communication

For the purpose of minimizing the impact on our communities and cooperating with the prevention of the pandemic, we adopted many measures to ensure the safety and health of our employees and others.

We established the home office system for collaborators from the administrative and commercial areas to reduce the flow of employees in the physical spaces at the units. Meanwhile, to ensure the integrity of the staff that has to be in the field, we reinforced the cleaning, sanitization and asepsis of our units and central office, particularly canteens, chartered buses and common spaces. We also increased the transportation fleet to observe the social distancing measures and stimulated the structuring of working groups for the safe resumption, taking into consideration all the necessary protocols and the recommendations of the WHO and government authorities, among other initiatives.

The internal communication was reinforced with guidance and tips that were forwarded to employees, partners (woodworkers, hydraulic installers and registered technical assistance providers) and their family members. The senior management actively participates in this work by means of video films sent to the staff every week, with a content focused on well-being and motivational actions and with updated protection information.

Additionally, we made available the Personal On-Call Service (PAP), which may be accessed 24/7, including weekends, and offers specialized help in three fields that are very important to everybody: financial, legal and psychological.

Industrial/Supplies

The activities of the markets in which we operate and our inventory and production levels are factors that are assessed on a daily basis so as to minimize the impact of the crisis in this current scenario of uncertainties, fully meeting the demand of our customers.

Taking these factors into consideration, we chose, in April, to temporarily suspend the operations of all wood panel units, maintaining only the shipment of products and control of inventories. In order to avoid stoppages in the future, we brought forward the annual maintenance schedule to this period. The forest operations are still active with reduced personnel.

Also in April, in the Deca division, the operations of the sanitary ware unit located in Queimados (State of Rio de Janeiro) and the electric showers unit located in Aracaju (State of Sergipe) were temporarily suspended. The other units, including the Ceramic Tiles unit, continued to operate with reduced capacity so as to observe the measures necessary to maintain the health of employees and the determinations of the Federal and State governments in the regions where they are located.

We note that, in May, following increased demand, we resumed the activities of all the plants.

Information Technology (IT)

By supplying all the necessary support to ensure the safety of employees, as well as the continuous performance of our activities, our Information Technology (IT) staff works with the purpose of ensuring systems, connection and support to the operations of the new remote working models.

Sales

In addition to the strategic analysis of inventories, we work to ensure the supply to all of our customers, respecting the government restrictions. We also understand that caring for the maintenance of our commercial relations is essential for seeking better solutions for the continuity of operations and ensuring the long-term partnerships.

Finance

In view of the difficulty in measuring the impacts that this pandemic will have on the economy, we are determined to ensure the financial liquidity and continuity of our operations. In line with the debt management work that has been performed since 2018, we raised R\$1.6 billion. This initiative encompasses all payments scheduled for 2020, the dissolving wood pulp project and the continuity of operations. Additionally, we remain focused on actions aimed at reducing costs and expenses and optimizing the maintenance of our assets and on projects that are essential for our units.

Support to Community

In order to contribute to and help society – particularly the communities where our operations are located – to fight the pandemic, we donated around R\$10 million to public hospitals and health-related bodies. Of this amount, R\$1.0 million was donated to the initiative Matchfunding Salvando Vidas organized by the National Bank for Economic and Social Development (BDNES), and R\$5.0 million was donated to Todos pela Saúde (All for Health), an alliance organized by Itaú Unibanco Holding S.A. against COVID-19, and the funds of which are managed by a group of specialists from various health segments ([learn more here](#)).

Donations of more than R\$2.6 million were made in products of the Deca and Duratex brands to the field hospitals of Pacaembu (State of São Paulo), Ibirapuera (State of São Paulo), Anhembi (State of São Paulo) and to the new Field Hospital located at Expominas (State of Minas Gerais); and donations were also made for the construction of the new space annexed to the Municipal Hospital of M'Boi Mirim Dr. Moysés Deutsch (State of São Paulo), to the Pia do Bem (Sink of Good) Project (State of Rio de Janeiro), to the São José Taquari Hospital (State of Rio Grande do Sul) and to the Oswaldo Cruz University Hospital (State of Pernambuco).

As this is still a scenario of constant changes, in addition to the actions mentioned above, other actions have been taken to address the challenges that arise every day.



To learn more about our actions, please click [here](#).

We are thankful for the engagement of all workers (employees and partners) that follow us with **#Mãosàobraparavencerovírus** (**#Handson to overcome the virus**).

WHO
WE ARE



A Company in Transformation

We are part of the daily lives of people, working in the segments of wood panels, sanitary ware and metals, electric showers and ceramic tiles by means of brands that are recognized in their segments for their design and quality: Durafloor, Duratex, Deca, Hydra, Ceusa and Portinari.

Together, we turn houses into homes, ambience into experiences, dreams into reality. In 2019, we added important steps to our trajectory of almost seven decades of transformations and Solutions for Better Living.

Please to meet you, we are Duratex S.A. [102-1]



To learn more, please access our website [here](#).

Where We Are

[102-2, 102-3, 102-4, 102-6, 102-7]

10,441 EMPLOYEES

16 PLANTS IN BRAZIL

3 PLANTS IN COLOMBIA

More than 200,000
HECTARES OF PLANTED FORESTS
AND CONSERVATION AREAS IN BRAZIL
AND COLOMBIA

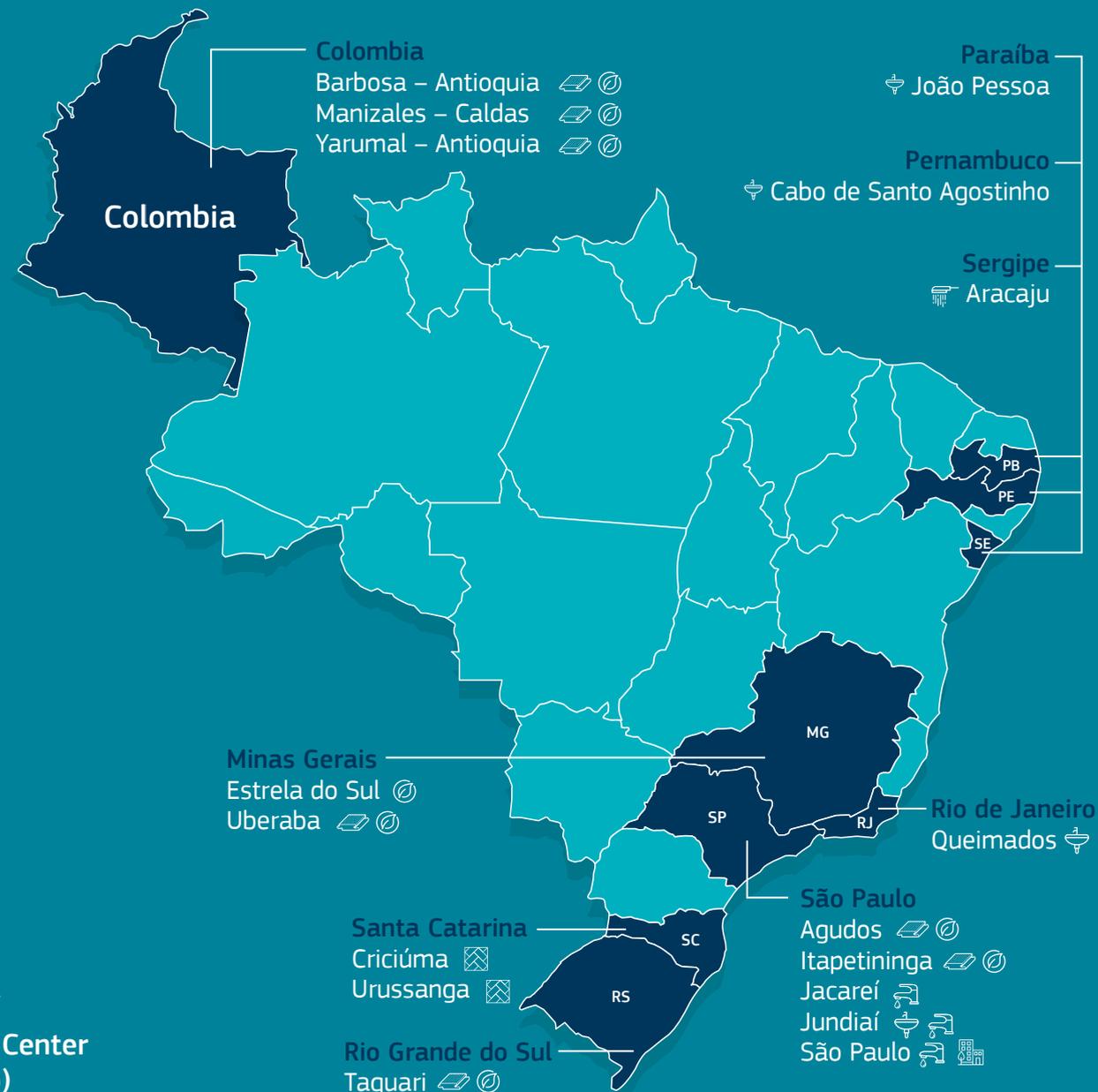
CONSOLIDATED NET REVENUE OF
R\$5.0 billion

ADJUSTED AND RECURRING EBITDA OF
R\$908.9 million

RECURRING NET INCOME OF
R\$275.1 million

Inauguration of the Shared Service Center (CSC) in Jundiaí (State of São Paulo)

Final approval of the creation of the joint venture for the construction of a new dissolving wood pulp plant and beginning of the land-leveling process



Wood

Deca

Ceramic Tiles

Head office

Portfolio |102-21

Largest producer of wood panels in Brazil.

Leading company in the production of sanitary ware and metals.

One of the leading companies in the ceramic tile segment in Brazil.

1 | Wood division:
it covers the brands **Durafloor**, under which wood laminate floors and vinyl flooring from 100% recyclable PVC are sold, and **Duratex**, which is responsible for the manufacturing of raw and coated MDP and MDF panels that are used in the furniture and civil construction industries and have high machining capability.

2 | Deca Division:
under the **Deca** and **Hydra** brands, it manufactures washbasins for commercial and residential bathrooms and sinks for kitchens (stainless steel sinks), toilets for commercial and residential bathrooms, electric and gas showers, flush valves for toilets, faucets for bathrooms and kitchens, among other related products.

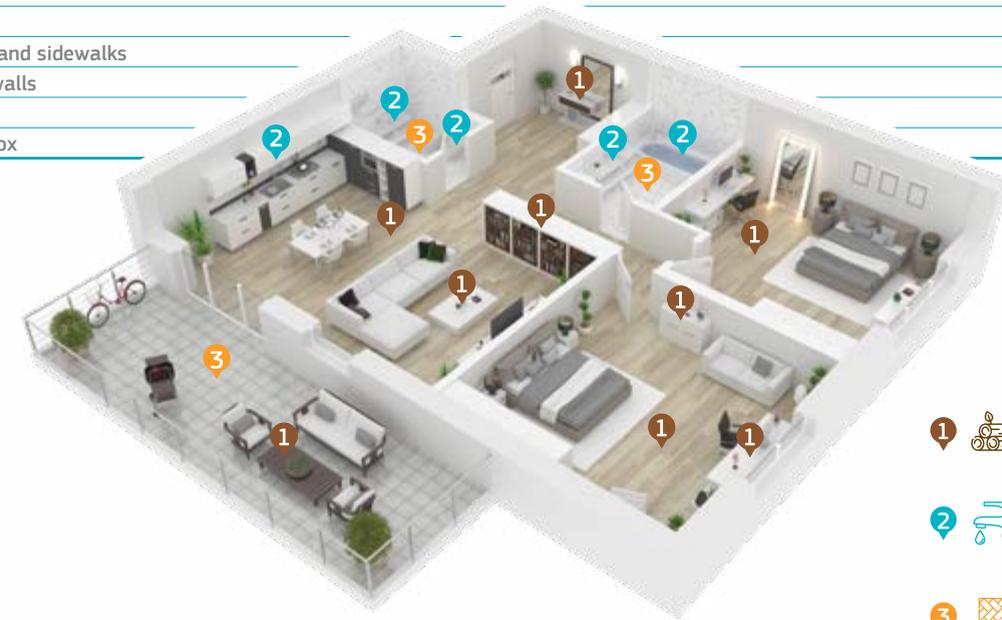
3 | Ceramic Tiles Division:
it produces **polished porcelain** to be used in the driest rooms of houses, such as living rooms, corridors and bedrooms, tiles for different uses, and **special coatings**, with exclusive designs and 3D technology.

Product

Laminate floors and vinyl flooring, finishing and skirting boards
Laminate floors and vinyl flooring, finishing and skirting boards
Wood furniture, frames and coating
Wood furniture, frames and coating
Furniture
Bases, filters, faucets, mixers, single-handle faucets, showers, douches, washbasins, lavatories, basins, seats, flushing systems, bidets, urinals, accessories, finishing, supplementary materials and sanitary spray hoses
Washbasins, faucets, mixers, single-handle faucets, supplementary materials and filters
Douches, faucets, flushing systems
Faucets
Walls and flooring
Walls and flooring
Roof tiles
Coatings
Coatings
Coatings and sidewalks
Internal walls
Coatings
Shower box

Use

Living room
Bedroom
Living room
Bedroom
Kitchen
Bathroom
Kitchen
Bathroom
Kitchen
Bathroom
Kitchen
Facade
Terrace
Garage
Facade
Living room
Kitchen
Bathroom



- 1** Wood
- 2** Deca
- 3** Ceramic Tiles



deca | hydra | ceusa | durafloor | duratex | PORTINARI

**DURATEX WAY
OF BEING
AND DOING**



[Macroeconomic Scenario and Macro Trends

Despite reflecting Brazil's low economic growth, inflation in 2019 reached the lowest levels of the past two decades. With no pressure on prices, the Central Bank of Brazil (Bacen) gradually reduced the basic interest rate (Selic) to 4.5%, the lowest to that date, making the scenario more favorable for business, with less expensive credit lines that supported consumption.

In the wood panel segment, according to data from the Brazilian Industry of Trees (IBÁ), the national demand dropped 1.0% from 2018, with an increase in the volumes of MDP of 0.1% and a decrease in the volumes of MDF of 1.8%. In the foreign market, there was a decrease of 16.1% in relation to the previous year and the exports of MDP and MDF dropped 11.2% and 19.4%, respectively.

Meanwhile, in the ceramic tile market, in accordance with the National Association of Ceramic Manufacturers (Anfacer), the sales volume reached 896.8 million sq. m. in 2019, a growth of 3.1% in relation to the previous year.

The Brazilian Association of the Construction Materials Industry (Abramat) also reported an increase of 2.0% in the billing of the civil construction materials industry between 2018 and 2019.

The launches and sales of new real estate properties totaled, respectively, 105,565 and 113,854 units in 2019 in accordance with the Brazilian Association of Real Estate Developers (Abrainc). Compared with 2018, these figures correspond, respectively, to an increase of 6.0% in total units launched and to a drop of 1.1% in the volume sold.

A new round of challenges arises in 2020 for the global economy in view of the effects of the coronavirus in many countries. The social distancing adopted as a prevention measure imposes changes in consumption patterns. The traffic of data used in videoconferences, streaming services, news and e-commerce websites increased since the declaration of the pandemic.

Additionally, a study conducted by LEK Consulting indicates that other changes are in progress around the world and have the potential to transform the civil construction industry.

By 2050, the world population is expected to grow to 9.7 billion people and around 68% of them will be in the urban areas. The relative price of housing will also continue to increase and this indicator more than doubled in some cities over the course of the past two decades.

Such trends have led to the construction of more compact houses, with multiuse and shared spaces, located in commercial centers – so as to reduce long commutes.

The industry is also increasingly more pressured to produce efficiently with respect to the consumption of resources and responsibly in the generation and disposal of waste. Professionals will be challenged to consider new materials, particularly those of biological origin.

Strategic Planning

[103-2 and 103-3: Procurement practices]

When we look at the future, we establish our strategy with a focus on people. For this reason, the proximity to our customers and consumers is our priority, always seeking to better understand their interests and needs.

In order to anticipate trends, we have been strengthening our innovation culture in all divisions and corporate departments, with internal actions, stimulated by our Innovation Center, and external actions, together with the entrepreneurial ecosystem, aimed at the search for new business opportunities or the development of current businesses ([learn more here](#)).

Internally, we understand that the talented professionals in our staff are our strength and, for this reason, over the past few years, we have been carrying out a large project of review of our culture, with investments aimed at the high performance of staff and leaders who are increasingly engaged in the purpose of offering Solutions for Better Living.

The redesign of the organizational structure contributed to accelerate the cultural transformation. We consolidated our teams in order to obtain more synergy between them, which led us to a reduction of 26% in the number of leaders. A leaner structure is also aimed at bringing leaders and the operation closer so that everyone can work based on a common understanding of stipulated targets and objectives.

We are guided by financial results and environmental and social efficiency. For this reason, with a focus on the return of the capital invested, we are constantly reviewing our portfolio of assets and our positioning of brands and products with a view to long-term sustainable growth. We also invest in rigorous process management by means of

the Duratex Management System (SGD), which has been increasingly stronger year on year as a tool that provides us with increasing intelligence and security in operations. With respect to corporate strategy, we also work with a focus on:

Business development, which includes the search for accuracy in the consolidation of our results as a leverage to accelerate the decision-making process, as well as the management of market corporate intelligence, seeking to map trends, evolve in the competition context and in products and sector actions, in addition to the development of simpler processes (CSC) and more efficient management solutions ([learn more here](#)).

Cash generation and funding in order to bring business and customers closer based on the restructuring of the credit process and digital technologies, leverage sales with risk control and extend debts with differentiated costs and leverage opportunities.

Supplies with competitive advantages focused on negotiation and procurement processes, concentration of activities (CSC) and structured and standardized actions.

Consolidation and stabilization of the internal control and compliance as a reflection of the dissemination of the Code of Conduct and internal policies, and of the definition of the risk appetite in line with the senior management ([learn more here](#) and [here](#)).

Digital transformation in order to ensure the constant update of our technological complex in view of the needs of each business, digital innovations and disruptive technologies.

People, Results, Processes and Customers are, therefore, the pillars that underpin our strategy, consolidate the Way of Being and Doing, and reflect the way we create and share value with society and provide return for our shareholders.

The Way of Being and Doing – Strategic pillars



People
People are our strength



Results
Sustainable high performance



Processes
We do it well, in a simple and safe way



Customers
We are the best choice

Integrated Process and Business

The integration of systems, processes, staff and business support our strategy and prepare us for growth.

Governance, Risk Management and Projects



New business opportunities

Development of current businesses

Systems, business support and operational efficiency

Infrastructure, security and services

} Operations

Business Units

In 2019, we made progress towards better use of plant capacity, diversification of activities and consolidation as a company with Solutions for Better Living.

With three business divisions in operation – Wood, Deca and Ceramic Tiles – we completed the winding up of some units and the consequent reallocation of production aimed at higher productivity and efficiency.

With three business divisions and attentive to market trends, we are a complete platform of Solutions for Better Living.

Strategic Agenda by Division



Wood

- ▶ Commercial strategy focused on distinctive products;
- ▶ cost reduction based on the identification of our vocation for manufacturing and verticalization (forest units);
- ▶ optimization of assets and focus on increased added economic value.



Deca

- ▶ Operational and logistics efficiency from the consolidation of the transfers of production lines and optimization of teams and processes;
- ▶ acceleration of the innovation process;
- ▶ increased market intelligence, with projects in progress;
- ▶ people management;
- ▶ commercial performance with excellence from the structuring of the channel intelligence department and guided by the obtainment of synergies between brands.



Ceramic Tiles

- ▶ Ceusa and Portinari brands with their differentials aimed at products with increased added value;
- ▶ centralization of administrative and commercial processes;
- ▶ optimization of processes and plants;
- ▶ adjustment to the Duratex Management System (DMS) standards.

Wood

In 2019, the Wood division gave continuity to its restructuring process that started the year before. Last year, it negotiated forest assets in the central region of the State of São Paulo and opted to definitively wind up the production of the Botucatu unit whose operations had been suspended since November 2018. The decision resulted from the competitive environment in the wood panel industry and, mainly, from our manufacturing vocation strategy that, among other objectives, seeks to optimize the potential of each unit, thus reducing production costs. The winding up did not imply the discontinuation of the supply of products, preserving our leading position in the market and the full service to customers in the long term.

In this segment, we operate with approximately 70% of our production capacity, which allows us to meet the current demand of the market, as well as a possible growth in demand. The idle capacity also allows for the increase of production in a proportion that is higher than the volume decommissioned in the year.

Currently, we are directing efforts towards the portfolio diversification, particularly portfolios with increased added value, as we make progress in the Deca and Ceramic Tile segments with more profitable products.

Our Forest

We are responsible for over 200,000 hectares of planted forests and conservation areas distributed over our own and leased farmlands for the supply of our wood panel plants. As a proof of our responsibility in the management of these assets, in 1995, we were the first company in the southern hemisphere to obtain the Forest Stewardship Council® (FSC®) certification. Currently, 94% of our own areas bear the seal and, in 2019, we started a project to involve partner producers so as to guide them for the obtainment of this certification.

Last year, our assets were also analyzed by an international consulting firm and reached a maximum evaluation score, which ensures the efficient management of our forests (learn more [here](#)). The strategy of the division consists of obtaining synergy from the industrial and forest operations, in addition to allowing for new business opportunities.



Deca

The changes in Deca division 2019 were guided by its strategic growth agenda whose initiatives are divided into the pillars of Operational and Logistics Efficiency, Innovation, Market Intelligence in Action, Commercial Performance with Excellence, New Sources of Revenue, and People.

In the Operational and Logistics Efficiency pillar, we chose to discontinue the operations of the sanitary ware unit in São Leopoldo (State of Rio Grande do Sul) and transfer its equipment to the units of Queimados (State of Rio de Janeiro), João Pessoa (State of Paraíba) and Cabo de Santo Agostinho (State of Pernambuco), without affecting the division's production capacity. This change arose from our focus on the search for greater productivity and on the rigorous control of costs, which fell by nearly R\$16 million a year, resulting in an increase of 170 bps in the EBITDA margin.

Similarly, in 2018, we transferred the operations of our electric shower plant in Tubarão (State of Santa Catarina) to the unit in Aracajú (State of Sergipe). At the very beginning of 2019, the unit in Sergipe started to operate with a new layout and to supply the production capacity of the discontinued plant. The margin growth presented by Deca in the year reflects, in part, the gains obtained from this restructuring process.

In spite of the discontinuations that took place over the past two years, Deca not only maintained its production capacity unchanged, but it has also been presenting significant productivity gains on its assets, which will enable to increase its volumes until 2025 without the need for new investments. We estimate that the gains brought by operational efficiency may reach R\$120 million.

In this division, we also directed our focus towards the obtainment of synergies between Deca and Hydra brands. To this end, we are structuring the Channel Intelligence department. There is also the intention to innovate in other categories of products and services, which will undergo a new market and consumer needs analysis.

As a result, we have been accelerating the innovation process at Deca. The entry into the segment of stainless steel sinks in 2019, for example, took place in just four months. It is worth mentioning the fact that they are not internally manufactured, thus strengthening the Asset Light business model, under which we control the least possible number of assets but still access all resources required for the operation.



Ceramic Tiles

In 2019, we acquired Cecrisa Revestimentos Cerâmicos S.A., owner of the Portinari and Cecrisa brands, with an annual production capacity of approximately 20 million sq. m., distributed into three manufacturing units: two in Criciúma (State of Santa Catarina) and one in Santa Luzia (State of Minas Gerais).

We discontinued the plant in Santa Luzia (State of Minas Gerais) with a view to operational and logistics efficiency gains from the centralization of all of the division's assets in the Southern region of Brazil. Therefore, we took the equipment from the plant in Minas Gerais to the Portinari plant. The geographical proximity confers synergies between both operations, which will be reflected in future results.

In Urussanga (State of Santa Catarina), we invested around R\$94 million in the first 4.0 industry of coatings in Brazil. The unit has digitalized process controls and is operated by robots, in addition to being more sustainable – with the increase of energy efficiency and water-free production processes, such as dry grinding, and use of water in closed circuit for the other processes. The management is supported by tools that allow professionals to monitor, via smartphones and in real time, statistical process controls that are carried out by the operators on a daily basis.

We completed the consolidation actions and our annual production capacity in the segment increased more than fivefold, reaching 31 million sq. m. a year. The purpose is to allocate a further R\$60 million to modernize, in 2020, the units in Criciúma (State of Santa Catarina) that belonged to Cecrisa.

Another project that is in progress is the 100% Extra, which provides for the reuse of parts for the creation of other merchandising products and tools. To this end, we are investing more than R\$5 million in the acquisition of control equipment aimed at ensuring the maintenance of the products' exclusive advantages and adjusting the controls to the new ISO 10545 standard, which comes into effect next year.

In the market, we chose to stop operating under the Cecrisa brand, maintaining only the Ceusa and Portinari brands. The intention is for the former to make products with a maximalist and casual design and for the latter to present minimalist collections, without losing sophistication. The purpose is to reduce the convergence between the portfolios to increase the diversification of products and the scope at the point of sales. On both fronts, we will discontinue products with less added value, expanding the offer of other very high-quality products with a focus on the high-end market and on the goal of being Brazil's best ceramic tile company.

Although they present their own portfolio, the brands are managed on an integrated basis. The organizational structure of the division was redesigned so that the supervisors of each brand can report to the same strategic manager, facilitating the alignment of the team and the careful distribution of targets to ensure the profitability of both brands.



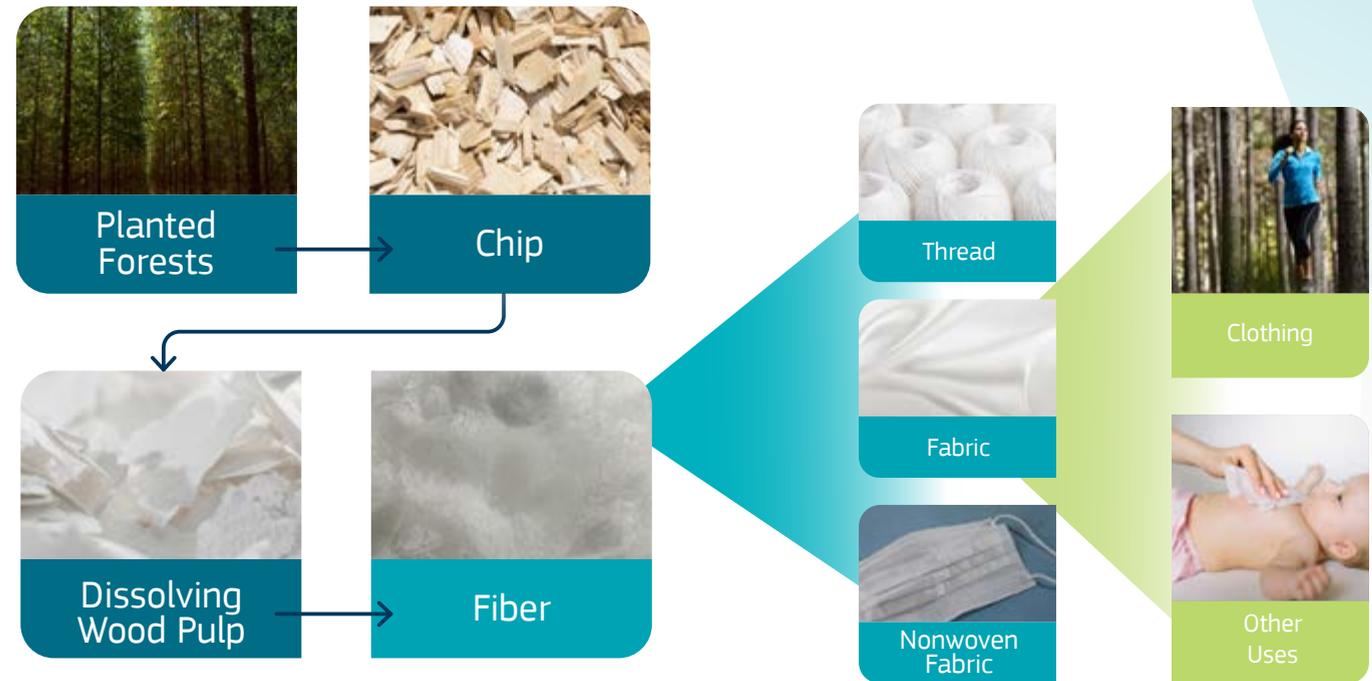
New Business – LD Celulose

In the previous year, we announced a partnership with Austria’s Lenzing AG for the construction of a dissolving wood pulp plant in the State of Minas Gerais in which we will have an interest of 49% and Lenzing, 51%. In 2019, the creation of the joint venture LD Celulose for the construction of the plant and the beginning of the land-leveling process were finally approved.

The unit, which is expected to start to operate in 2022, will have a manufacturing capacity of 500,000 metric tons a year, with one of the world’s lowest production costs. The industrial investments will total R\$5.2 billion and are practically assured – the production will be entirely sold to the plants of Lenzing AG in Europe, Asia and North America.

For the investment in the new company’s capital, our key contribution will be through the forest assets of around 43,000 hectares of effective plantation of eucalyptus trees that are 100% certified by the FSC®, in addition to a financial contribution. To make up the total investment amount, the joint venture will seek financing from third parties so as to optimize its capital structure.

This agreement will not affect the capacity to supply our own wood to our panel production units. Accordingly, we optimized our forest asset structure, leveraging the profitability of operations.



Digitalization and Innovation

We are in the middle of an intense process of digital transformation that consists of strengthening the internal innovation culture and is aimed at supporting our proposal to offer Solutions For Better Living.

Over the past two years, we made progress in the adoption of technologies that involve cloud computing, big data, artificial intelligence and new work formats, with the Agile model and the integration of management software in all divisions.

In 2019, for example, the highlight was the implementation of the master data management system, which will allow, before the end of 2020, the improvement of the product launch process and the digital integration with the major online sales media (e-commerce and marketplace), providing a significant improvement in purchasing experience to the end user. The expectation is for a substantial savings in operating costs and a greater assertiveness in the dimensioning of logistics processes. [|102-10|](#)

We constantly invest in training on and dissemination of the internal innovation culture. Over the course of the year, we restructured our Innovation Center, which received 16 voluntary employees, of whom 12 are members and 4 are team mentors. The recruitment process received more than one hundred applications and tried to map professionals from our staff with high potential to stimulate the innovation culture. The finalists were

also subject to a workshop on the development of projects that are in line with our strategy. The best projects were chosen to be further developed over the next year.

The creativity of our employees is also stimulated in the scope of the *Programa Imagine* (Imagine Program). Since 2018, the initiative has been reformulated with the launch of a platform for the enrollment of ideas – which totaled more than 5,000, of which 2,000 have already been implemented.

Physical environments, called Innovation Rooms, are being inaugurated to stimulate the professionals that work at the industrial operations. In 2019, this novelty arrived at Deca's sanitary ware unit in the State of Pernambuco. Following the same model of the rooms inaugurated in the previous year, the room has technological and interactive resources, in addition to hosting activities aimed at raising the spirit of cooperation and the respect for new ideas.

Externally, we seek to be closer with the entrepreneurial ecosystem, particularly in the civil construction industry, by means of the *Garagem Duratex* (Duratex's Garage). Developed in 2018, in partnership with Endeavor, the initiative is aimed at developing emerging companies by means of mentoring sessions that involve experienced professionals, connections with other entrepreneurs in similar stages and projection opportunities through the synergy with our business.

Of the seven scale-ups selected in the previous year, four are already implementing projects with us, including communication channels that offer 3D product models for architects, a virtual catalogue and services with solutions for refurbishments and interior design. In the first edition alone, the initiative contributed to the growth of 81% in total billing and 40% in the number of employees of these companies in relation to the previous year.

The year was also characterized by the selection of projects that included a phase of interviews with supervisors from all divisions to define challenges and objectives. More than one hundred candidates were able to enroll their projects in accordance with two topic lines: Construction and Renewal, and Operational Efficiency. Another novelty was the popular voting by our employees, together with a panel of specialized professionals, for the selection of seven scale-ups that, since October, have been subject to individual and collective mentoring sessions, in addition to interactions with professionals from the Endeavor network and our staff – a phase that lasted until April 2020.

Also, with a view to fuel and enhance the innovation culture among our staff members, we joined the HousingPact network in 2019. This is a social impact initiative that gathers entrepreneurs and large companies from the civil construction and related industries. The projects developed in the scope of this action are aimed at positively impacting the lives of approximately 12.3 million Brazilians who live in irregular households and of more than 6.9 families that do not have a place to live.

During the year, 17 startups were subject to acceleration programs for six months, six of which were selected to, starting in 2020, develop their own projects in a pilot in the district of Jardim Ibirapuera, subdistrict of Jardim São Luiz, city office of M'Boi Mirim, in São Paulo (State of São Paulo). To this end, entrepreneurs will receive a small financial contribution, mentoring sessions and an immersive teaching program in the format of a workshop and practical activities, such as an exchange with the staff of the supporting companies and the development or improvement of the projects applied.

Just in 2019, we invested approximately R\$205 million in innovation, an amount that represents around 4.1% of our consolidated billing (R\$5 billion).



Get to know the seven scale-ups selected in the second edition of *Garagem Duratex*

- ▶ **Brasil ao Cubo** • modular construction company that allows for the acceleration of construction works and the return of investments up to four times faster (www.brasilaoacubo.com).
- ▶ **Home Hero** • a refurbishment management tool, from planning to performance (www.homehero.com.br).
- ▶ **InstaCasa** • a system that indicates the ideal project options for each type of land (flat, uphill slope or downhill slope), in accordance with legislation and construction regulations (www.instacasa.com.br).
- ▶ **Digibee** • a platform that connects companies with the digital world, allowing for the integration and automation of data management and control operations, sales channel security, among other benefits (www.digibee.com.br).
- ▶ **SintecSys** • forest fire detection technology that uses photovoltaic energy without the need of the Internet because it uses its own system for trafficking – which allows for a 24/7 monitoring (www.sintecsys.com).
- ▶ **EasyDeco** • online interior design project that brings customers and architects together in a 100% digital environment (www.easydeco.com.br).
- ▶ **BirminD** • industrial optimization lab focused on Industrial Analytics concepts, one of the pillars of the 4.0 industry (www.birmind.com.br).

 To learn more about Garagem Duratex, please access [here](#). And about the HousingPact, please access [here](#).

Sustainability Strategy

||103-2 and 103-3: Materials, 103-2 and 103-3: Environmental compliance, 103-2 and 103-3: Diversity and equal opportunities, 103-2 and 103-3: Customer's health and security, 103-2 and 103-3: Environmental and social compliance|

Launched in 2017, our Sustainability Strategy establishes real targets related to eight topics associated with the four People, Processes, Products and Services, and New Business Models pillars. For the purpose of fostering the development of the commitments and the initiatives related to this last pillar, the Sustainability Office took the responsibility for the initiatives of corporate innovation, supporting the strategic development of Duratex, for the purpose of investigating new investment possibilities, always with a view to adding value for us and our stakeholders – as in the case of the joint venture Lenzing AG, for example ([learn more here](#)).

Our Wood, Deca and Ceramic Tiles divisions are committed to the achievement of 45 targets by 2025, defined in accordance with the specificities of the segment and the context in which they are placed.

Committed to transparency, every year we disclose the developments and challenges with regard to each of the targets ([learn more here](#)).



Looking at the Future

Taking into consideration that we are continuously expanding our business and operation areas, we are also revisiting our Sustainability Strategy. This work is aimed at strengthening our focus on inspiring ambitions, based on the purpose of offering Solutions for Better Living.

To this end, we have the involvement of members of the Executive Board, the Sustainability Committee and the Board of Directors in qualitative interviews about our journey and new strategic guidelines. The

process will also take into consideration the 2030 Agenda for Sustainable Development proposed by the UN and which includes the Sustainable Development Goals (SDGs).

Our intention is to reframe the way we understand sustainability and revalidate the materiality of priority topics in our businesses, starting to work with a focus on the intensification of the positive impact of our operations in the coming years.



Environmental and Social Program |102-431



Related Sustainability Strategy goals

By 2025, to implement the environmental and social program within two years in the acquired companies ([learn more here](#)).

In order to ensure that new businesses are quickly guided based on our sustainability strategy and adjusted to the corporate policies, practices and systems, we developed the environmental and social program. The initiative was structured to be carried out over two years and prepares newly-acquired companies to compose our management model.

The first year is of introduction. In this stage, we structure a local team to work on the environmental and social topics, assess existing programs and projects, identify environmental and social risks and opportunities, disseminate our policies (environmental, occupational safety and sustainability), standardize the management of indicators, determine the adherence to market indexes (Corporate Sustainability Index – ISE, among others), verify compliance with legislation in force, map critical suppliers, and observe the way the relationship with the surrounding communities is established.

Meanwhile, the second year is of consolidation, with the implementation of management and action plan systems, inclusion of critical suppliers in the Duratex Supplier Management (DSM) program ([learn more here](#)), dialogues with the communities and definition of targets related to the indicators mapped with a view to the conformity of the new business with the market indexes and our sustainability strategy.

In 2019, we closed the first implementation cycle of the program in the units of Ceusa, Hydra and in the plants in Colombia. In 2020, the process for the implementation of the initiative with Portinari, an operation acquired in 2019, will begin.

The Environmental and Social Program ensures the alignment of all operations with our sustainability strategy and best practices.

Materiality [102-40, 102-42, 102-44, 102-46, 102-47, 103-1]

We organized a perception study in 2019 for the purpose of maintaining the focus of our communication on the topics that are relevant to our stakeholders. The purpose of this work was also to guide the clear and objective presentation of our strategy of creation of value in the short, medium and long terms.

The methodology took into consideration institutional documents (corporate strategy, guidelines of each business division, sustainability strategy, among others) and sector studies, from which central topics to be presented as priorities to investors, customers and suppliers were identified.

More than ten in-depth interviews were conducted by an external consulting firm so that the interviewees could feel safe to express their perceptions with respect to our operations and to the way we manage environmental and social and Corporate Governance topics.

The priority topics were also presented to members of the Executive Board and Board of Directors so that they could validate them, taking into consideration the maturity of our management tools, the industry context in which we are and other elements of our strategic planning.





Value Creation

Environments exist to be lived in. We create value by combining form and function. We manage an integrated platform of brands and businesses with a solid reputation that is capable of innovating, anticipating trends and bringing together sustainable products, with design and quality.

During almost seven decades, we have been working to keep the balance between the excellence in the development of people and the focus on operational efficiency and forest and industrial management to surprise customers and deliver higher returns to our shareholders.

In conformity with the principles of the IIRC, we developed our business model. Our purpose is to show how we create value for our stakeholders and share this value with them.

This work had the active participation of the members of the Executive Board and Board of Directors, in addition to consultations of institutional documents and sector studies and studies on mega trends.

Capitals

Our business model includes many capitals that interact and provide support to the growth of the organization and the main ones are:



Human Capital

People are our strength, the capacity and ability to implement Duratex Way of Being and Doing and strengthen the culture so that we can be more agile, make better decisions and make a difference in the markets in which we operate.



Financial Capital

The financial resources allow us, in addition to supporting and expanding our operations, to invest in market opportunities, always aimed at returns above the cost of capital.



Intellectual Capital

Our brands are recognized for their innovation, design and high quality. We invest in an intense process of digital transformation so that we can quickly adjust to demands and anticipate trends



Natural Capital

We use sustainable materials and inputs in operations, seeking to positively contribute to carbon capture by means of our forest operations.



Reputational Capital

The ethical and close relationship with our stakeholders, which inspires us and allows us to develop solutions and transform environments in which to live.



Productive Asset Capital

We do things well and assimilate new production models and processes, including outsourcing. This is how we work to have increasingly operational and productive management.

Value Creation Framework

To reach our purpose of Solutions for Better Living, we have at the center of our strategy and actions a personality of careful designers, determined engineers, restless inventors and committed supervisors. These four qualities are present

in our three drivers of creation of value: Duratex Way of Being and Doing, efficient and responsible processes, sustainable solutions and, consequently, their outcomes.

- Cash generation
- Commercial performance
- Environmental and industrial efficiency
- Supply chain management

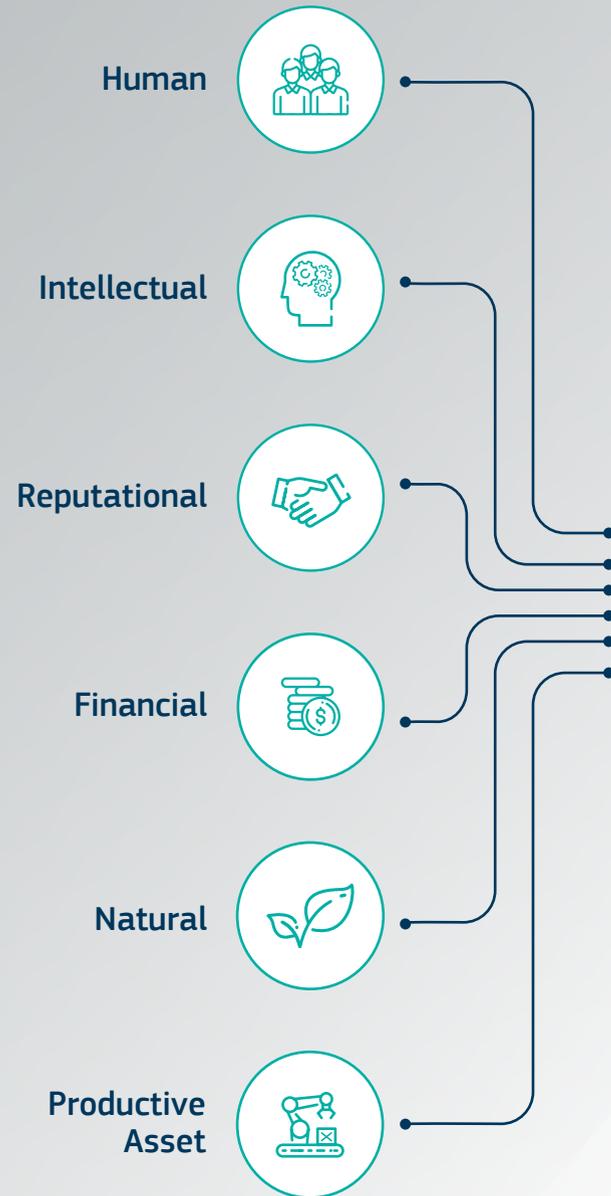


- Innovation
- New sources of revenue
- Anticipation of trends
- Market intelligence

- Clear purpose and strategy
- Strong and recognized brands
- Cultural journey (People, Processes, Customers and Results)
- Digital transformation

Business Model

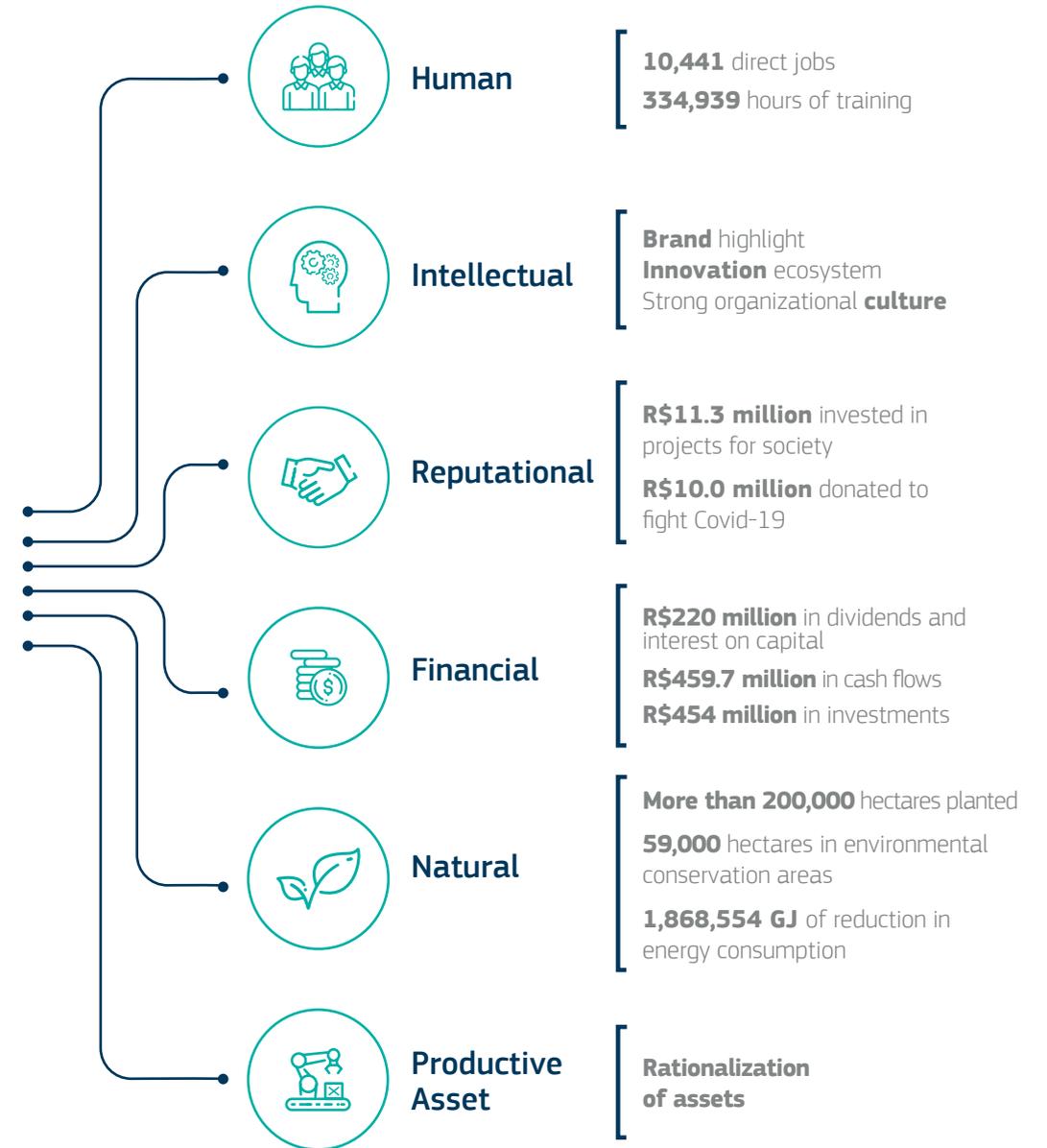
Capitals



Value Creation Framework



Business Indicators



Ecosystem and Deliveries in 2019



Wood



3.2%
increase in unit revenue

Increase in the sale of panels with higher value added

36% drop in water consumption*

51% reduction in the generation of waste

92% of the energy mix of renewable source

Ceramic Tiles



31 million
square meters/year of production

5x increase in production capacity

3% reduction in the disposal of waste in landfills

Beginning of the production of the new line, first 4.0 industry



1 Wood

2 Deca

3 Ceramic Tiles

Deca



R\$16.0
million in productivity gains
(McKinsey, 28 strategies)

1.7% increase in the EBITDA margin

39% reduction in the generation of waste

6% drop in energy consumption

Focus on the Industrial and Logistics Efficiency **pillar**

LD Celulose



R\$5.2
billion in investments

500,000 metric tons of dissolving wood pulp of productive capacity

100% of production sold

Expectation of inauguration for the 1st quarter of 2022

Creation of Value – Indicators

Investors

44%
of Total Shareholders Return (TSR)

Environmental

Positive balance
205,000 tCO₂e

Society

Taxes paid
R\$542.6 million
Employee compensation and benefits
R\$790.6 million

* Discontinuation of the operations in Botucatu (State of São Paulo).

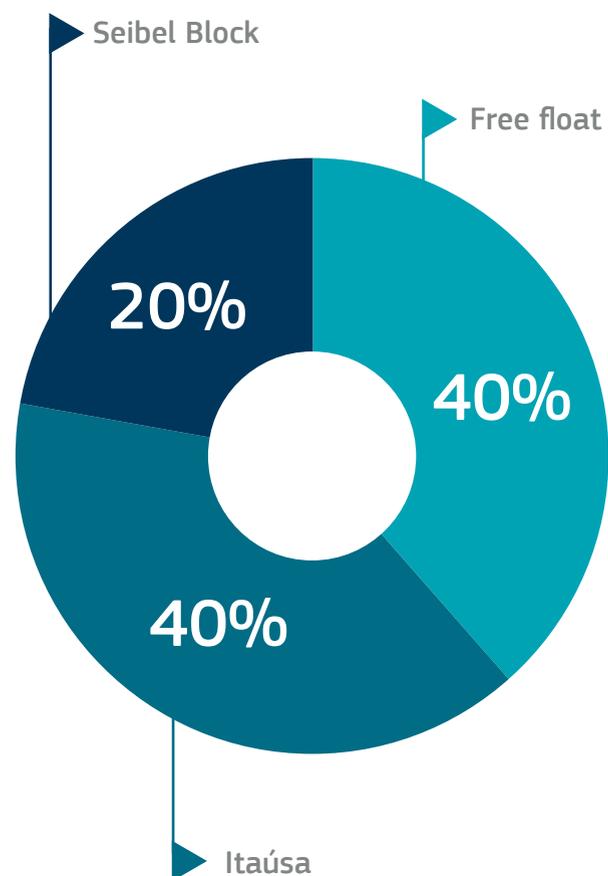
Corporate Governance

In the capacity of a publicly-listed company, we have our shares traded in the New Market of B3 S.A. – Brasil, Bolsa, Balcão (B3) under the ticker DTEX3, with a 100% tag along. We have also been part, for more than ten years, of the Corporate Sustainability Index (ISE) of B3, which serves as benchmark for responsible investment in Brazil. In 2019, we were selected to stay in this portfolio, which will be effective between January 6, 2020 and January 1, 2021. This achievement reflects our effort in considering environmental and social criteria in the decision-making processes. [102-51](#)

We also adhered the Abrasca Code of Self-Regulation and Good Practices of Publicly-Listed Companies of the Brazilian Association of Publicly-Listed Companies (Abrasca) of which we are members. Accordingly, we are in tune with the best market practices and with the principles of transparency, equity, accountability and corporate responsibility.

Our practices support the irreproachable reputation of our controlling shareholders: Itaúsa, which guides investment strategies in the financial and industrial areas, in addition to managing social institutions, and the Seibel Block, which gathers investments in the retail, industrial, energy generation, real estate, agricultural and financial areas.

Capital Structure [102-1, 102-51](#)



Executives Skills and Abilities [103-2 and 103-3: Diversity and equal opportunities](#)

The nominations for the executive positions should be made for people who have not yet reached the age of 65, in the case of officers, and of 70, in the case of board members, by the election date. The nominees must also present recognized and proven experience in the duties for which they will be chosen.

In the past four years, we worked to strengthen the pillars of our culture, which will support growth in the long term. Accordingly, changes in the management body were necessary to reduce hierarchies and increase the engagement of all teams in our strategy.

With eyes attentive to the innovations that we want to make in the industry, we understand that the diversity of knowledge in the Board of Directors and Executive Board is essential. Therefore, we seek to integrate executives with professional experience in the most varied sectors of the economy: civil construction, food, technology, retail, among others. Additionally, we value the most different educational backgrounds since this expands the ways to perceive and interpret the market and society.



To learn more about our practices and commitments, as well as the compositions and duties of the governance bodies, please click [here](#).

Governance Structure [102-18]



General Shareholders' Meeting

- ▶ It elects the members of the Board of Directors, decides upon the financial statements and the allocation of profit, resolves upon any forms of corporate restructuring, among other duties;
- ▶ the meetings are convened in accordance with Brazilian Corporate Law (Law No. 6,404/1976).

Board of Directors

- ▶ It is composed of nine members, of whom three are independent.
- ▶ it is responsible for the general guidance of the business;
- ▶ it meets ordinarily six times a year and, extraordinarily, whenever required;
- ▶ the members are evaluated at the end of each term of office, which is in effect for one year, and reelections are permitted;
- ▶ the members are paid a fixed compensation determined at the General Meeting. [\[102-35\]](#)

Committees

- ▶ They support the Board of Directors in the assessment of strategic topics (please see chart on the left).

Executive Board

- ▶ It is composed of 11 members, elected and removable by the Board of Directors for a term of office of one year and reelections are permitted;
- ▶ it is responsible for the effective management of the business;
- ▶ the members receive a fixed compensation established based on market research, and variable compensations tied to the achievement of targets established based on our strategic planning. [\[102-35\]](#)

Business Integrity |102-16, 102-17,

103-2 and 103-3: Anticorruption, 103-2 and 103-3: Unfair competition, 103-2 and 103-3: Environmental compliance|

Duratex Way of Being and Doing is guided by ethics, legality and justice. Therefore, in order to ensure alignment in behavior, all employees and outsourced employees are asked to sign our Code of Conduct.

This material was prepared to guide professionals in the day-to-day relationship with shareholders, customers, consumers and competitors, suppliers, communities and public authorities and, also, in the relations that are internally established between our employees and outsourced employees.

In 2019, we intensified the dissemination of the content of the Company's Code of Conduct, which was reviewed in the previous year, by means of in-person meetings that prompted 77% of the professionals that make up our staff to reflect on delicate situations that may be experienced in their day-to-day work.

Additionally, we have established, since 2015, the Combating Corruption Policy, which establishes obligations and fines applicable to individuals or legal entities that represent our brand before the public authorities.

Our compliance structure is responsible for preventing and detecting risks of corruption by means of the activities provided for in or Integrity Program and practices defined in our Code of Conduct and in the Combating Corruption Policy. |102-16|

To clarify doubts or register concerns with respect to actions that may breach the Code of Conduct and applicable legislation, we have the Ombudsman's Office, a channel that can be accessed by telephone, email, website and mail and it is also available for in-person service in the city of São Paulo upon appointment. In line with the best practices, the anonymity of the complainant is assured. This is because an external company is responsible for receiving, screening and pre-analyzing the registrations. For each contact, a receipt number is generated for monitoring each case until its resolution.

Cases of fraud and corruption are forwarded to the internal audit department whereas situations that breach the Anticorruption Law are forwarded to the Corporate Governance department. Our Executive Board regularly monitors the work of the Ombudsman's Office by means of reports. Any situation of conflict of interests or other situations that are not provided for in the Code of Conduct or in our institutional rules are decided by the Ethics Commission or, if it involves a member of the Executive Board, by the Board of Directors, based on an opinion of the Personnel, Governance and Nomination Committee. Every six months, accountability is provided to the Personnel, Governance and Nomination and Audit and Risk Management committees.

The story of our Ombudsman's Office was told in 2019 in the book called *Os Melhores Casos de Ouvidoria no Brasil* (The Best Case Studies of Ombudsmen' Work in Brazil) released by Editora Leader with the support of the Brazilian Association of Company-Customer Relations (Abrarec). The book compiles the successful examples of

CONTACT CHANNELS

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16 companies awarded during the seven editions of the Ombudsman's Offices Brazil Award in which we are the only company of the Construction Materials industry to be recognized ([learn more here](#)).

In Colombia, doubts and complaints are registered by the Te Escuchamos (We Hear You) channel, which is available by telephone, email and website and at the offices. The management of the channel is the responsibility of the Internal Audit department, however, like in Brazil, the identity of the complainant is preserved.

As an institutional stand, we are also signatories to the UN's Global Compact and the Corporate Pact for Integrity and Against Corruption of the Ethos Institute. We also serve on the Working Group for Integrity and Against Corruption of the Ethos Institute and of the Aberje Governance, Ethics and Compliance Committee of the Brazilian Association of Corporate Communication (Aberje).

Process Management

Our operations are supported by the Duratex Management System (SGD). Launched in 2015 to allow for reduction in costs and expenses, this tool is becoming more comprehensive. In 2019, the Supervisory Committee of the SGD, which was implemented in the previous year, was consolidated and the platform started to also consider the departments of Marketing of Deca, Human Resources and Information Technology, and it is being prepared to be implemented by the Ceramic Tiles division in the coming years.

Currently, the SGD is an important ally in the management of corporate, operational and sustainability targets, which are monitored based on milestones that indicate the completion of phases, in accordance with the schedules and action plans.

Another significant development in the year was the consolidation of the Shared Service Center (CSC). With the new structure, located in Jundiaí (State of São Paulo), internal processes that were previously performed by many teams from different departments are now carried out in a joint manner. Since May 2019, the unit operates with a team of 90 employees in the control of all commercial operations – from procurement to payment, from sales to receipt, and so on. [|102-10|](#)



The professionals have standardized systems and procedures. In this context, the highlights are the Robotic Process Automation (RPA), a technological tool that automates parts of or full processes activities, helping in the elimination of repetitions and the reduction of errors, and the Service Catalogue, which documents all procedures carried out by the CSC staff. The plan for next year is to concentrate in this structure the activities related to people management and give continuity to the studies on opportunities aimed at synergies between the teams and optimization of processes.

With our Duratex Management System (SGD), all processes are monitored with a view to better results.

Risk Management [102-29]

In May 2019, the Board of Directors reviewed our Risk Management Policy. The document establishes the guidelines for the identification, assessment and monitoring of the risks inherent to our processes, as well as the maintenance of residual risks at risk appetite levels in the control environments.

The risk management process is guided by the senior management and carried out by three levels of defense: in the first level, supervisors are responsible for understanding the risks to which their departments are exposed and establishing control and mitigation measures; in the second level, the staff from the Internal Control, Risks and Compliance department support the supervisors in the identification of the causes and consequences associated with the risks; and, finally, there is the Internal Audit department, which has the independence to assess and certify the implemented controls.

The purpose is to challenge each supervisor to identify and control the risks inherent to the processes of their departments, particularly those whose activities may affect our result, our reputation and/or the scope of the objectives stipulated in the strategic planning.

An accurate risk mapping project was completed in 2018. With the support of Deloitte Brazil, 59 gross risks were identified and classified as Critical, High, Medium and Low.

In line with the Risk Management Policy, we seek protection associated with the following categories:

- ▶ Strategic risks: related to decision making. They are managed by the Board of Directors and Executive Board with the support of the executive committees ([learn more here](#));
- ▶ Financial risks: they relate to the exposure of our financial operations (volatility of interest, variation of inflation, foreign exchange variation, among other factors);
- ▶ Operational risks: arising from operational and procedural flaws, obsolescence of equipment or fraud, among other factors, in addition to external events, such as catastrophes, that harm the performance of the operations;
- ▶ Regulatory risks: arising from possible changes in legislation that may have an impact on the profitability of our activities.

To check the effectiveness of the Risk Management Policy, the Corporate Governance department provides clarifications on the evolution of the mapping and mitigation work to the Audit and Risk Management Committee, which assists the Board of Directors.

 For more information on risk management, access our Reference Form [here](#).



Culture Management



Related Sustainability Strategy goals

Until 2025, achieve a rate equal to or higher than 85% of adherence to the new culture ([learn more here](#)).

Internal Stakeholders

At the end of 2019, we had 10,441 employees who support our cultural transformation journey. Developed based on a diagnosis completed in 2015, the purpose of this initiative is to ensure the practice of Duratex Way of Being and Doing in all businesses by means of the behaviors that reflect the People, Customers, Processes and Results attributes.

In the People attribute, we believe that people are the strength and they carry out our Processes, doing things right, in a simple and safe manner. We work to be the best choice for our customers and seek high sustainable performance in our results. Our priority agenda has been to evolve in the cultural transformation journey by means of robust and cross-cutting governance, structured based on three pillars: cultural support by leaders, review of processes and practices in view of Duratex Way of Being and Doing and monitoring of success indicators.

Over the course of 2019, actions were carried out in all locations where we operate – in Brazil and Colombia – with a view to increase the awareness of employees on the changes that have already been incorporated, and strengthen the behaviors that put the elements of our culture into practice. These actions involved the totality of the management members and employees and the management members were the main leaders in the process of reinforcing the culture to their teams.

At the end of the year, we measured the evolution of Duratex Way of Being and Doing practice. The survey, conducted by an independent consulting firm that supports us in the entire journey of cultural transformation, was completed on a sampling and confidential basis in two formats: qualitative and quantitative. As a result of this process, we verified the evolution and reached a percentage rate that was above the estimated target, taking into consideration the entire journey.

We also participated in the Best Companies to Work For Survey, with the participation of 87% of employees, and maintained the Great Place to Work (GPTW) seal. Other survey initiatives were also conducted internally, showing the great engagement of employees and that we are on the right path with respect to the consolidation of a new organizational culture.

Development and Succession |404-2, 103-2 and 103-3: Training and education|

By means of the Performance Cycle, we evaluate our employees senior analyst and higher levels, taking into consideration the behaviors of Duratex Way of Being and Doing and the targets defined for the year. This process contributes to ensure the alignment of the corporate strategy with the individual targets, and to recognize the best results through two dimensions: deliveries and behaviors. The purpose is to develop and retain the right people, in the right positions, ensuring the practice of meritocracy.

Additionally, every year, we have a feedback and feedforward period related to what has been delivered during the year and, in particular, how these deliveries were made (presented behaviors), and we also align the expectations and action plan for the following year. For the other stakeholders, each business carries out its Assessment Cycle in a format that is more in line with its needs, but ensuring a frank dialogue about the performance presented and the alignment with the organizational culture. Every year, we notice more rigor and engagement in the discussions on scores, indicating the ongoing evolution of this important process.

The year was also characterized by the implementation of programs for the development of leaders and talents and the purpose of identify and form leaders that are increasingly prepared for the future challenges. The programs permit an increased basis for decision making about people, using tools

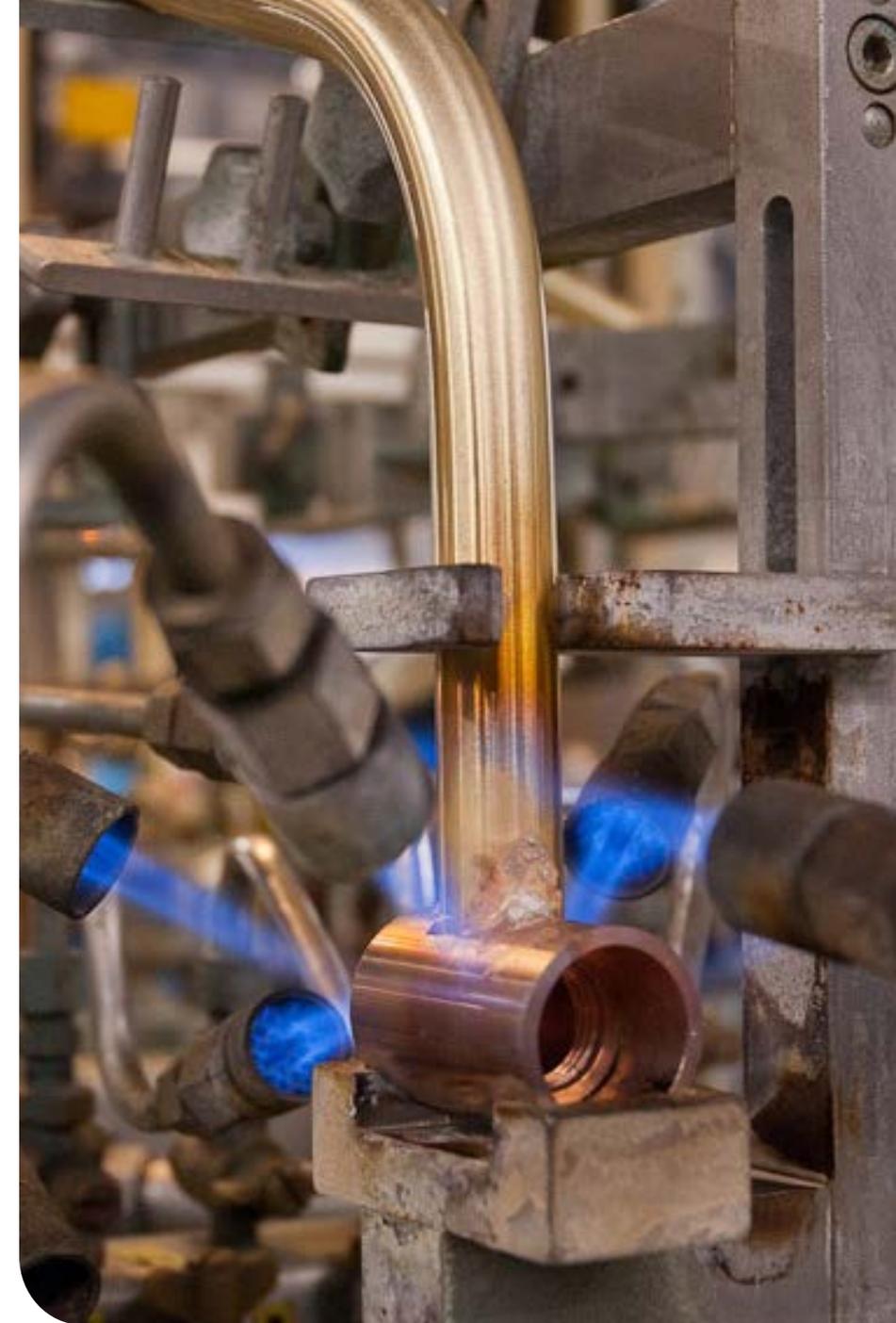
that provide more clarity regarding the needs and opportunities for the development of the mapped professionals.

To support the development of employees, specific and training programs that meet the needs of the different departments are offered. Career tracking and training programs, such as technical and behavioral training aimed at developing the skills for the performance of the job and segmented schools are offered, among other actions. We have also been working internally on the guideline on protagonism by employees and their responsibility for their professional development and career management, in which we encourage our teams to step on-the-job actions, with the internal multiplication of knowledge, and to invest in their self-development.

Other supplementary training initiatives are offered, such as the highlight in the Exame Sustainability Guide published in 2019 and *Ciranda D* (D Circle), an online education program for sustainability. This initiative uses gamification resources to stimulate participation in the activities. It also allows employees to contact our Sustainability team to clarify doubts and make suggestions.



To learn more, please click [here](#).



Attraction [103-2 and 103-3: Employment]

A major instrument for the qualification of future professionals is our Trainee Program. In January 2019, another new class of new graduates joined our team. This program lasts 18 months, along which trainees follow the institutional development path consisting of immersion in our businesses and educational actions with a technical and behavioral focus, development of projects and activities in the departments, together with the ongoing encouragement to self-knowledge and self-development.

The Program for Preparation of Forest Managers (PPGF) and internship programs are also entry points for our team, thus diversifying the options for attracting talents. The former is organized specifically for the forest units, through a consortium at the Institute of Forest Research and Studies (IPEF), and is intended to attract new graduates in Forest Engineering. The internship program in turn provides students from different undergraduate and technical courses with the opportunity to develop skills and take over, whenever possible, a position with our staff. The development program encourages learning in practice, with the support of a mentor and educational self-development actions. In 2019, we strengthened our presence at student fairs to disclose our brand and get closer to the university audience.

By working towards the local development of the regions where we have operations, we encourage young people joining the labor market through the *Programa Jovem*



Aprendiz (Young Apprentice Program). Some of our partners are the National Service for Industrial Training (Senai), the Company-School Integration Center (CIEE) and several other entities in the places where Duratex has units. We also promote, in partnership with the Lochpe Foundation, the Formare Social and Apprentice program. This learning initiative consists of providing technical training courses at our units in Agudos, Itapetininga and Jundiaí (State of São Paulo) and João Pessoa (State of Paraíba). At the Uberaba (State of Minas Gerais) unit, the program has a social character. Classes are taught by employees who take on the role of volunteer educators.

[103-2 and 103-3: Market presence]

In addition to these initiatives, in Jundiaí (State of São Paulo) at Deca, we started a pilot project in 2019 with Taqe, one of the accelerated startups within the scope of Duratex Garage (learn more [here](#)). This initiative consists of using an application that adopts gamification to hire operational and technical professionals. While selecting, the tool provides the qualification of the candidates, who follow a pedagogical trail. Throughout the process, this technology identifies the people most engaged in the activities and those who live closest to the unit. It is intended to expand the use of technology to support the company's attraction and selection processes.

Recognition and Inclusion [|103-2 and 103-3: Diversity and equal opportunities|](#)

We have prepared a job and salary plan based on the relative weight of jobs, the amounts set by the market and the internal balance of functions, which allows for salary progression – both horizontal (within the same salary range) and vertical (promotions).

Salary surveys are carried out and compare practices of other companies in the most varied industries and in the various regions in which we operate. The results of such surveys guide any applicable adjustments to keep our competitiveness in the labor market and ensure the retention of talents.

Salary adjustments are also given according to the rates set in Collective Labor Agreements negotiated with each of the respective categories of employees. At the end of 2019, we had 100% of employees in Brazil covered by collective labor agreements or conventions. In Colombia, 22.6% of our staff is covered by this type of negotiation. The remainder maintains individual benefit agreements. [|102-41|](#)

We also negotiate with unions the conditions for applying the Profit Sharing Program to which all employees are eligible, to encourage individual performance, teamwork and value creation engagement.

Respect for diversity is another way of valuing the individual potential in our team. Several initiatives evidence our commitment to creating an inclusive work environment. One of them is our commitment to dedicated actions to professionals with disabilities. We work in partnership with several institutions to attract professionals with disabilities and we offer an administrative apprentices program; at the units we have training courses in Brazilian Sign Language to improve communication with our hearing-impaired professionals.

We also work for more gender equality in society. Therefore, since 2016 we have been signatories to the *Movimento Mulher 360* (Women 360 Movement), an independent non-profit association of over 50 Brazilian business organizations. [|102-12|](#)

Communication Accessible to the Hearing-Impaired

In 2019, we announced the implementation of the Brazilian Sign Language accessibility tool on our institutional website and intranet. All text and video content is simultaneously translated from Portuguese to the Brazilian Sign Language.



Health and safety | 403-1, 403-2, 403-4, 403-5, 103-2 and

103-3: Occupational health and safety|



Related Sustainability Strategy goals

By 2025, having an Accident Frequency Rate with time off equal or below one for our own and third-party employees ([learn more here](#)).

Under the Occupational Health and Safety Management Program – DuraSeg –, we hold events and training sessions aimed at spreading this culture among the teams. We intend to achieve an accident frequency rate with time off equal or below one for our own and third-party employees by 2025.

In this regard, indicators are monitored through the DuraSeg Management System – SGD ([learn more here](#)), with the engagement of leaders in periodic meetings. Leaders also participate in the Safety Training Observation Program (STOP) at all units.

Employees are guided and made aware to constantly monitor the work environment to identify risks and take corrective and preventive actions, as well as propose improvements, think and act to prevent occupational incidents and accidents and immediately report any deviations, risk situations, incidents and accidents.

They also receive guidance on the right to refuse, ensuring that all employees are entitled to refuse starting or interrupting an activity because they believe it involves a serious and imminent risk to their own or others' safety and health. Once the risk situation is identified, the employee must immediately report it to their superior or to the safety technician, who, if necessary, must take the appropriate measures to eliminate or neutralize the risk without expecting reprisals.

DuraSeg is OHSAS18001 standard certified and covers all business at different stages of implementation, according to their acquisition by each unit.

The identification and analysis of critical incidents is also planned within the scope of DuraSeg, in which possible events with the potential to lead to a life-altering or fatal accident are widely disclosed and addressed, regardless of the occurrence of injuries. This system also includes the identification of critical incident precursors (reasonably detectable event, condition or action that serves as the warning alert of an event with the potential to result in a critical incident). All employees who perform activities at our facilities go through an integration program, in which the dangers, risks and planned control measures are reviewed.

In compliance with legislation, Internal Committees on Accident Prevention (CIPAs) are set up in our facilities, with representatives elected by employees and appointed directly by the Management, who monthly evaluate the results of safety inspections and related statistics.

With respect to the health of the teams, in 2019 we launched the *Cuidar Juntos* (Caring Together) program, aimed at promoting and increasingly influencing our employees' health and wellbeing. This initiative addresses internal actions related to wellbeing (physical and psychological), a healthy diet, and disease prevention, among other topics. Noteworthy, therefore, are health education and communication, preventive intervention actions, facilities and support networks to reduce sedentary behavior and to promote physical activities, preventive examinations, interactive lectures and workshops with healthcare providers, preparation for retirement; etc.

Health and safety announcements intended to the internal stakeholders are posted through the following channels: supervisor – employee dialogue, training and use of institutional communication outlets, such as visual management boards and notice boards, online and printed internal bulletins, Internal Occupational Accident Prevention Week (Sipat), and during discussions of related topics. As well as in the integration of direct and indirect employees and visitors, in the *Momento DuraSeg* (DuraSeg Moment), and in mapping and analyzing incidents, among others.

Suppliers [102-9, 102-43, 103-2 and 103-3: Procurement practices]



Related Sustainability Strategy goals

By 2025, having 80% of strategic suppliers with a performance rate equal to or greater than eight, and 100% of strategic purchases factoring in E&S criteria (learn more [here](#)).

The sustainability of our business relies on a supply chain that shares our principles and commitments. For this reason, we developed the Duratex Supplier Management program (GFD), set up seven years ago, a structured process to assess strategic suppliers based on environmental, social, economic and quality criteria, by recognizing, through the Best Supplier Award, those who have come forward with outstanding practices under the program.

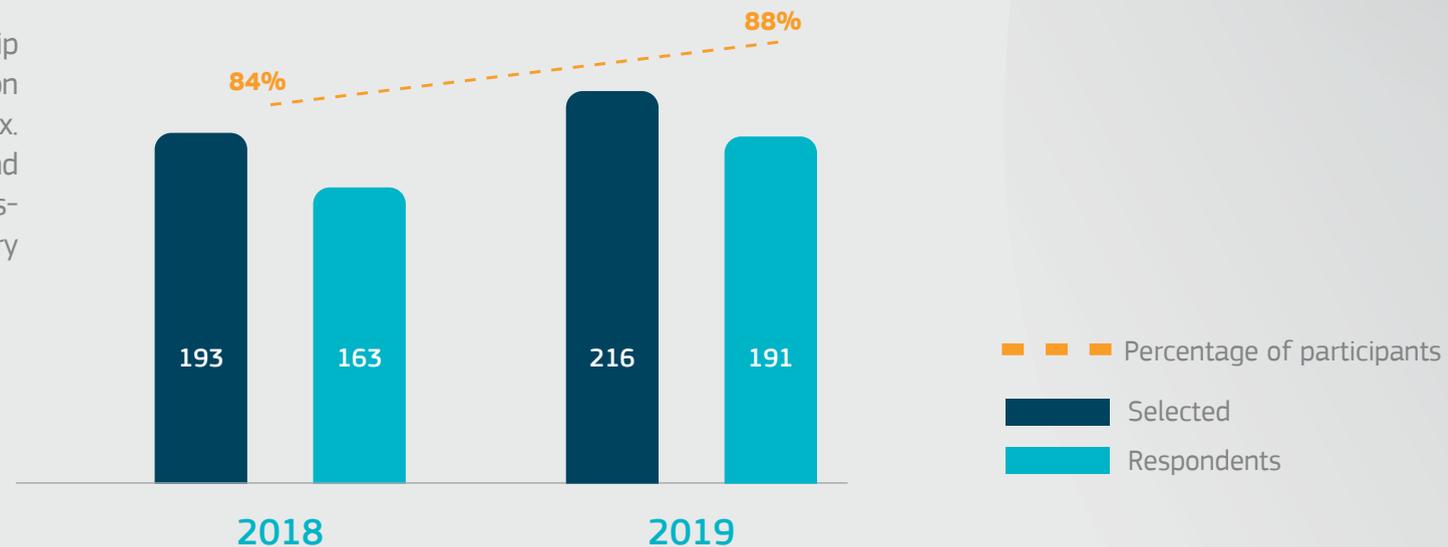
Annually, we select strategic suppliers from our relationship base to join the GFD. This process consists of the provision of information about all purchases in a criticality matrix. Therefore, these data are analyzed based on the risk and materiality to the operation quadrants, resulting in the classification of suppliers. Partners assessed as critical and very critical are prioritized in the program. (learn more [here](#)).

Since it was created in 2012, the GFD has involved approximately 400 strategic partners from several segments. Just in 2019, 191 were engaged, representing over 50% in expenses. In the last edition, the highlights were the inclusion of suppliers of Ceusa, the ceramic tile brand acquired in 2017, and the increased engagement of guest suppliers as shown in the graph below. [\[102-10, 102-44\]](#)

As a result, we improved the performance of the indicator mapped by the program, reaching an average of 7.6 in the consolidated, without the occurrence of suppliers with scores below five. We also had over 70% of the participants performing at or above seven.

Although the GFD so far does not include the Colombian supply chain, a process whose adaptations are still under study, we are part of the Multinational Companies program that serves us both in Brazil and in Colombia, our neighboring country – so that they consider, even indirectly, the operations of suppliers operating in Colombia. Even so, the operation in Colombia carries out an evaluation using its own methodology, in which it considers as a critical supplier the one offering goods or services that, when a failure occurs, can generate representative non-compliance affecting the customer satisfaction, occupational safety or the environment. If, in the assessment of suppliers, any type of risk or non-compliance is evidenced, an action plan must be created and its results must be regularly monitored.

Supplier Engagement in GFD



Throughout the year, we provided 34 participants of the GFD with workshops on ethics and conduct. In 2018, other 42 companies had already been trained, totaling 76 in the last two years ([learn more here](#)). In 2019 the events were held in São Paulo (State of São Paulo) and Urussanga (State of Santa Catarina) and were attended by representatives of 34 companies. This activity is part of the Supplier Module of our Supply Academy, established in 2018 to include partners in training and education whose access had been previously restricted to our team. |102-16, 102-43, 103-2 and 103-3: Anti-competitive behavior|

Another progress in 2019 was the application of an socio-environmental questionnaire to critical, very critical and strategic suppliers, as defined by the GFD. Therefore, we are aligned with the goal of evaluating 100% of strategic purchases based on sustainability criteria.

Since 2017, we have maintained a due diligence system for the purchases of wood, through which we ensure the compliance of our suppliers of non-certified wood, including incentives, in relation to labor, environmental, land, tax and occupational health and safety legislation, laying the foundations for future certification.

Our supply chain totals 6,553 suppliers across Brazil. Acquisitions totaled R\$2.7 billion* in 2019, of which 22% were directed to suppliers located around our facilities.

* The 2,7 billion spend does not includes Cecriisa.





**SOLUTIONS FOR
BETTER LIVING**

Products and Services

2019 was characterized by a number of launches in all divisions, strengthening our purpose of offering Solutions for Better Living. Our product development process encompasses several resilience and performance tests, in addition to assessments at quality forums. It also complies with internal standards even stricter than regulatory requirements, corroborated by tests carried out by a qualified technical department to ensure the best performance and more durability in use, as well as customer satisfaction. Deca and Hydra products also go under mandatory and elective certifications, such as Asfamas, Tesis, Inmetro, and Anvisa, when applicable. Furthermore, Ceusa and Portinari branded porcelain tiles and ceramic tiles were quality certified after being audited, which resulted in our achieving 100% conformity for five consecutive times. [\[416-1\]](#)

In 2019, the Wood division introduced its new vinyl and laminate flooring collections to the market, and outstanding was Dura-floor's moisture-resistant Street and Unique

lines, which may be applied to kitchens and bathrooms. The plants in this segment have made headway in digital impression in MDF and decorative papers with versatility in colors and textures.

Meanwhile, the Deca division has expanded its brand exposure in the kitchen space, with the launch of stainless steel sink bowls. A novelty is the Wish line, available in different sizes and featuring bactericidal and anti-noise protection, a multiuse board and a flexible sink siphon, allowing for better use of internal space of the sink cabinet. Another breakthrough is the Dream line, in copper or pewter, with finishing resistant to ultraviolet rays allowing for its installation in direct sunlight. These products have been launched onto the market in four months only, evidencing the division's increasingly agile innovation process. It is worth mentioning the fact that they are not internally manufactured, thus strengthening a business model under which we control the least possible number of assets but still access all resources required for the operation.



The division has also expanded its portfolio of bathroom and half-bath sinks with Rose Millennial, a color that will not stain or fade away and is in the vogue at decoration exhibitions. This finishing is available with the L.131.C surface-mounted model, which features a grid soap dish and allows the faucet and water tap mixer to match the finishing, and the L.737 supporting model, with the Plug&Play solution, which replaces the built-in oval sink bowl (L.37 model) without the need to replace or break down the counter, coming in a size big enough to cover any existing table-top universal cutting; it also helps take advantage of the table-top hole drilling to install bathroom fittings.

Also to make the life of customers increasingly easier, Deca has launched bowl kits including all items required for installation. Each set includes a bowl, a coupled box (depending on the model), a seat, an installation kit, flexible steel mesh connection, a sealing ring and side-way installation bolts.

After acquiring Portinari, the Ceramic Tiles division introduced the Color Connection, an innovative color scale to facilitate the harmonization of products. This collection is made up of five groups of color shades: Bone White, Warm Gray, Natural Honey, Urban Brown, and Essential Black.

Now talking about Ceusa, the novelty was the *Cada Casa é um Caso* (Every Home is a Different Case) concept, with different solutions inspired by the four seasons of the year, ensuring spaces with daring and balanced color combinations at the same time. With the Ceusa brand, we are pioneers in Brazil in digital printing in tiles and the only company to offer the dry laying system, making it feasible to layer ceramic tiles on floors and walls with no need of laying joints.

Customer Relations | 102-43, 103-2 and

103-3: Market presence|



Related Sustainability Strategy goals

By 2025, having 50% of the portfolio of products developed based on the co-creation model (10% at Ceusa); having 90% of woodworkers, installers and electricians qualified/ trained; and being the favorite brand of 60% of woodworkers and installers and 70% of plumbing installers and electricians (learn more [here](#)).

Duratex Way of Being and Doing is based on our dialogue with customers and consumers so that we understand their demands and foresee trends. In this way, the Customer Committee is a key tool for us to become closer to customers and consumers and a source of inspiration to the development of Solutions for Better Living in all business divisions.

Supported by this structure, in 2019 the Wood department made headway with the strategy adopted in 2018 to reduce the product launch cycle to one from two years. This close relationship allows for gains in our logistics operations – such as foreseeing demands and reducing stocks – as these are integrated with the customer procurement departments. Furthermore, the service becomes increasing customized, which adds value to products and services.

In 2019, the Wood division intensified its relationship with woodworkers, architects and digital influencers in Brazil and Colombia. These professionals are offered training to get more acquainted and better work with our panels, flooring and finishing. It also continued its partnerships with construction companies so that our brands are always in display in furnished apartment models.

2019 was characterized by launches and innovations in all segments we operate.

Communication with these stakeholders was also improved with the division's new website, featuring interactive sections to help users find the ideal decoration solution for their spaces. The search area allows for searching products by type, line, space, and color, among other features. Moreover, the page includes a wide gallery of images and a blog with tips, information and inspiration for each project.

Another digital novelty was the Carpintex app, the Colombian version of *Marcenaria D* (Carpentry D), launched in 2018. With this tool, and through smartphones or tablets, users can project furniture in 3D, plan cuttings and how many plates they will use, request estimates before ordering, find the closest stores to buy our plates, check our catalogue and get to know the market trends.

Deca also had the support of the Customer Committee in 2019. The division implemented a new innovation process based on the consumer's insights, based on which it has sought synergies between the Deca and Hydra brands. Therefore, its portfolio has already scaled down to 58 from 180 projects, with a major focus on features perceived as unique by customers.

Customers can try the division's solutions in physical spaces, such as the Deca Exclusive Resale (RED) or Partner Boutique Stores, where we display our exclusive lines in fully decorated spaces, in addition to setting relationships via e-commerce platforms and social networks (Facebook and Instagram) – channels where the brands strengthened their presence over the year.

Seeking the customer loyalty, the division proceeded with the Deca Club Exclusive program. From January 1 to December 31, 2019, this reward program, which connects specifier professionals of Deca products to exclusive experiences – by promoting the engagement of the stakeholders involved, such as professionals, retailers and sellers – offered an exploration travel through the Explora circuit as its main reward. At the end of the year, over 13,000 people had enrolled in the program and registered sales totaled R\$110 million.

Meanwhile, the Ceramic Tiles division disclosed Ceusa's new website, featuring different experiences to each different stakeholder: end consumer, specifier, merchant, and commercial team. It also launched two apps to improve the audience's digital experience with the brand. The first one is the EaD Ceusa app, a platform

with online classes that outstripped the milestone of 370 students enrolled already in the first month it was launched. The other is the Space Simulator app, which uses augmented reality for users to simulate the application of products in the space – an innovative app with already 4,000 hits a month.

With the Portinari brand, the division continued with its outstanding presence in social networks (Facebook and Instagram) with channels ranked as leaders in viewing in this segment. It also set up a wide relationship program with specifiers, promoting contests, events at the stores and field visits to plants, among other actions.

In Buenos Aires, Argentina, the brand opened the first Portinari Ceramic Gallery outside Brazil. This space is dedicated to the display of all products in the portfolio. One of the novelties is the integration of channels from the physical and digital worlds. Therefore, customers may start by choosing a product on the Internet, without leaving home, by means of the User Guide app, and by completing the purchase at a physical store, with the help of a guiding team. The *Galeria Cerâmica Portinari* in São Paulo also counts on this innovation.

To support our sales promoters, the brand has also launched software Agile Promoter, allowing for the direct communication with the plant and offering an information base about sales point to improve commercial strategies.



For further information on the Wood division's customer relations, please access the website [here](#).



For further information on the Deca division's customer relations, please access the website [here](#).



For further information on the Ceramic Tiles division's customer relations, please access the website [here](#).

Finance Results

|103-2 and 103-3: Economic performance|

Investments

Consolidated investments in 2019 totaled R\$455.7 million, below the R\$500 million forecast in our budget. Out of this total, R\$179.2 million was allocated to the development of biological assets and R\$276.5 million to fixed and intangible assets, with the amount of R\$85.9 million invested in the new ceramic tiles line.

The highlight in the period was the allocation of R\$289.8 million to acquire Cecrisa Revestimentos Cerâmicos S.A., in addition to the transfer of liabilities in the amount of R\$438.5 million. Also in 2019, R\$45.4 million was paid in civil, tax and labor contingencies, an amount forecast in the additional price of up to R\$275 million in the case of certain suspensive conditions are met in the future.

Also in 2019 the company received R\$816 million from the sale of land and forests, of which R\$395.3 million relate to the sale to Suzano S.A. in July 2018, added to R\$420.7 million for the sale of assets to Bracell in the second half of 2019 due to the closure of operations in the Botucatu (State of São Paulo) unit.

Cash Flows

In 2019, free cash generation totaled R\$459.7 million, more than double the amount generated in 2018. This result reflects the good performance in working capital management, mainly driven by the strict supplier payment policy and better terms for receivables from customers.

Therefore, the financial cycle was reduced by 22 days, closing the year with a total term of 60 days in comparison with 82 days in the previous year. Another highlight was the fall in maintenance CAPEX expenses recorded in the period, mainly driven by the restructuring of assets. If we included the non-recurring effects of expenses on the expansion projects of the Ceramic Tiles division, the acquisition of Cecrisa and the amounts received in connection with the sale of forest assets, cash generation in 2019 would total R\$744.2 million.

Net Revenue

Net revenue totaled R\$5,011.7 million, up 1.3% from 2018. However, if we excluded the sale of forest assets and the amount received for the latest tranche of the sale of biological assets to Suzano S.A. and Bracell, the increase would be by 4.8% year-on-year. This increase was mainly driven by the rise in prices in the Deca division and the inclusion of Cecrisa's results.

In Colombia specifically the currency depreciation, together with the worsening competitive scenario, has impacted net revenue, which contracted by 6.4% in 2018. Furthermore, the rise in international freight cost led to lower profitability of our products in the foreign market, which led the share of revenue from foreign markets to account for 16.6% of the total amount – against 19.2% recorded in the previous year.

Indebtedness

Net debt recorded at the end of the year totaled R\$1,705.3 million, leading the leverage ratio to 1.88 times of the Net Debt to Adjusted Recurring EBITDA. This result was mainly driven by higher cash generation in the period and the amounts received from the sale of forest assets, in spite of the inclusion of Cecrisa's debt.

Added Value [201-1, 103-2 and 103-3:

Economic performance]

Added value for the year totaled R\$2,001.7 million. Out of this amount, R\$542.6 million (27.1%) was allocated to the federal, state and municipal governments as taxes and contributions.

Statement of Value Added (R\$ million) [201-1]	2019	2018	2017
Shareholders (return on own capital)	405,727	431,796	185,015
Employees (compensation, benefits and charges)	790,557	776,924	712,914
Government (taxes, fees and contributions)	542,558	620,527	483,621
Return on third-party capital (interest and rents)	262,905	272,163	367,769



To learn more, please access our website [here](#).



Eco-efficiency and Environmental Management

Forest Management [102-11]



Related Sustainability Strategy goals

By 2025, using 5% fewer pesticides per effectively planted hectare, maintaining desirable production levels, doubling the genetic bases, and ensuring that 100% of own areas have certified management (learn more [here](#)).

In 2019, we were assessed by an international consulting firm, which rated our forest management practices to be among the world's best standards, which reflects our commitment to sustainable development since the very beginning of our operations. [\[103-2 and 103-3: Biodiversity\]](#)

With over 200,000 hectares of company-owned and leased woodland, certified under the FSC® standards, in 2019 we started a process to engage partners producers and guide them to obtain this certification seal. Approximately 50 of

these fostered partners attended the meeting in which we introduced certification-related concepts and an overview of the adjustments required to obtain the certificate. It is expected that the first fostered partners will become certified by 2020, based on these worldly recognized requirements.

We seek to lead by example by adopting the best practices and cutting-edge technologies. Accordingly, we highlight the use of drones to monitor forests and conservation areas.



The mark of responsible forestry



The mark of responsible forestry



To fight possible wildfires, we keep our forest unit teams ready, through training and development, so that we are able to promptly and actively respond to emergencies. In 2019, we replaced motorbikes by vehicles less vulnerable to accidents, equipped with a rapid response kit to fight wildfires at the first signs of fire. Radio and camera systems and satellite surveillance equipment installed in our forests allow for real-time surveillance of the security of our assets.

We are aware of the flora and fauna diversity found in our forest areas, with 1,383 and 1,059 species, respectively, recorded since the 1970s, when we started our biodiversity research projects. Our employees are instructed on the care that should be taken during operations to avoid or minimize any impacts of our operations on the environment, such as not cutting down native trees or invading conservation areas.

Since 2008, we have been participating of the *Programa Torre de Fluxo* (Tower of Flow Program). This is a cooperative initiative coordinated by the Institute of Forest Research and Studies (IPEF), the French Agricultural Research Center (Cirad), and the Luiz de Queiroz College of Agriculture of the University of São Paulo (Esalq/USP), to periodically collect data on carbon, water and nutrients flows of the planted forests. It is intended to gather more and more insights for researches on the best responsible forest management practices, by aligning productivity and sustainability together. In 2019, we renewed our participation in this program for seven additional years.

We also run a genetic improvement program that allows for the development of varieties that generate forests more adapted to climate change, with more productivity and more resistance to pests and diseases, among other desirable features. In 2019, we also opened the first pottery nursery in Colombia, located in the city of Barbosa. This site is aimed at increasing productivity and improving the quality of the wood used in industrial processes. Our genetic improvement program also factors in the assessment of the most adequate species to meet the demands of the future dissolving wood pulp plant in Minas Gerais in partnership with Lenzing AG ([learn more here](#)).



Our Forest Management practices are ranked among the best in the world.

Eco-efficiency



Related Sustainability Strategy goals

By 2025, sending 20% less relative waste to landfills, and lowering the relative energy consumption at Deca and Hydra by 20% ([learn more here](#)).

We have the Environmental Management System (SGA) with ISO 14,001 certification in 47% of our units, and continually monitor our performance in terms of water, effluents, emissions, energy and waste in all our plants and forest operations, aimed at their respective reductions. [|103-2 and 103-3: Water | 103-2 and 103-3: Energy | 103-2 and 103-3: Waste and Effluents, 103-2 and 103-3: Emissions, 103-2 and 103-3: Materials|](#)

In 2019, over 3.2 million cubic meters of water were consumed at all our units, of which 10% were supplied by concessionaires, 81% came from groundwater and 9% from surface sources. We also reused approximately 215,000 cubic meters of water ([learn more here](#)). [|303-1, 303-3|](#)

Water consumption in the Forest division was 12.91% lower year-on-year, which reflects the learning acquired under the *Torre de Fluxo* and genetic improvement programs ([learn more here](#)). Accordingly, we have made headway with the adoption of soil conditioners, which are polymers mitigating a possible lack of frequent water availability, and non-continuous irrigation, applied only in the sites of seedlings and upon lack of rainfall.

Seeking alternatives to ensure eco-efficiency upon the generation of waste and effluents is also part of the day-to-day of our units. For example, at the Deca division the technology adopted by the Sanitary Metals units is able to recover and reuse all the bronze and brass scrap left from the casting process in other production stages. At the São Paulo Sanitary Metals, since February 2019 we have reached the hallmark of zero-waste intended for landfills. Waste from restaurants are now sent for composting, and general waste is transformed into fuel for energy generation. Together with this action, we have assessed the possibility to replace dumpsters with a waste compactor, which enabled the project to be implemented with no additional cost.

As to the Wood division, the plant in Itapetininga (State of São Paulo) no longer disposes impregnated paper waste to landfills, after it has found alternatives for its disposal. For 2020, we will expand the organic waste composting plant in Agudos (State of São Paulo) by increasing the capacity of and efficiency in the composting of ash and sludge waste.

We also pay attention to effluent-related issues: In 2019, we allocated over 895,000 cubic meters of effluents to environmentally suitable treatment, which represented a 49.2% fall in generation year-on-year ([learn more here](#)).



Climate Risks [102-29, 103-2 and 103-3: Emissions]

In partnership with the Brazilian Agricultural Research Company (Embrapa), in 2019 we set specific forest management conditions based on the edaphoclimatic zoning of each region. This initiative has helped us map possible vulnerabilities for the next four decades in order to anticipate scenarios for planning operations.

More than just being prepared, we seek to help fight climate change. This attitude encompasses replacing the use of fossil fuel with renewable alternatives and adopting new and less polluting equipment in our industrial processes. In 2019, approximately 74% of all our energy came from renewable sources, and outstanding was the panel operations in Brazil, with 92% of its matrix composed of renewable energy.

Every year we calculate the volume of Greenhouse Gas (GHG) emissions from our activities. To this end, we follow the guidelines of The Greenhouse Gas Protocol – the main international benchmark for calculation of corporate emissions – and its Brazilian version, the Brazilian GHG Protocol Program (learn more [here](#)).

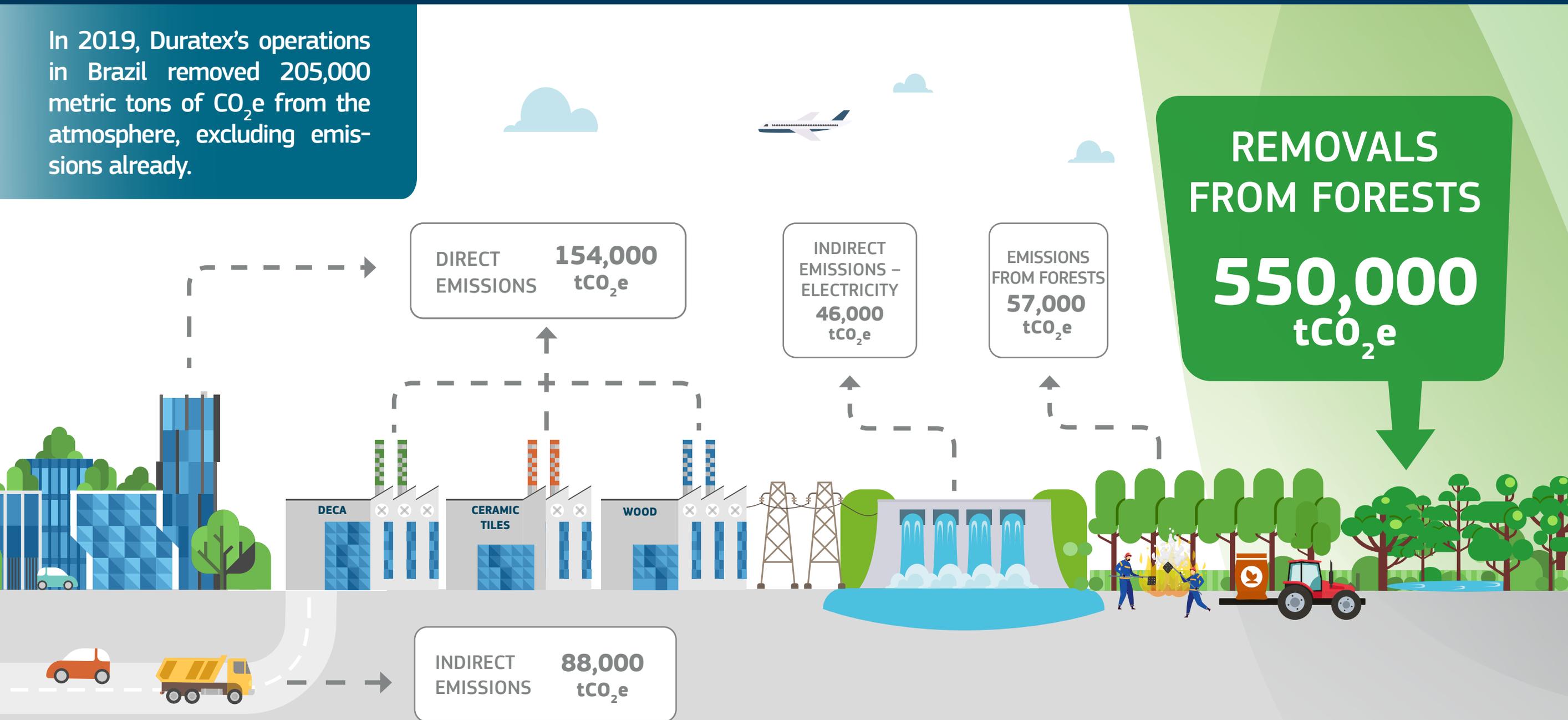
From 2018 to 2019, we carried out a revision of our calculation of GHG emissions. We critically assessed both our industrial emission and agricultural emission inventories, with the support of Plantar Carbon consulting firm. With the recommendations provided, we have improved our agricultural emissions inventory by enhancing the methodology approach to native areas, planted areas and presentation of our balance of emissions and removals and adhering to the ABNT NBR ISO 14064:2007 standard. Please see below our positive carbon balance in 2019, with the capture of 205,000 metric tons of carbon.

In Colombia, we proceed with the Carvida Duratex – A Carbon Bonus for Life program, which ensured, from 2010 to 2017, the capture of 956,000 metric tons of carbon dioxide from the atmosphere by way of the forests in that country. This volume is equivalent to the total emissions of all vehicles driving for 14 days in the metropolitan area of Valle de Aburrá, the second most populated area in Colombia. With these results, we have received the Icontec Forest Compensation Certification, which ranks our initiative as the best forest GHG compensation program in Colombia.



Carbon Balance – Duratex 2019

In 2019, Duratex's operations in Brazil removed 205,000 metric tons of CO₂e from the atmosphere, excluding emissions already.



Conscious Customers [102-43]



Related Sustainability Strategy goals

By 2025, having revenue of R\$20 million from ProÁgua services and leading the implementation of a reverse logistics model (learn more [here](#)).

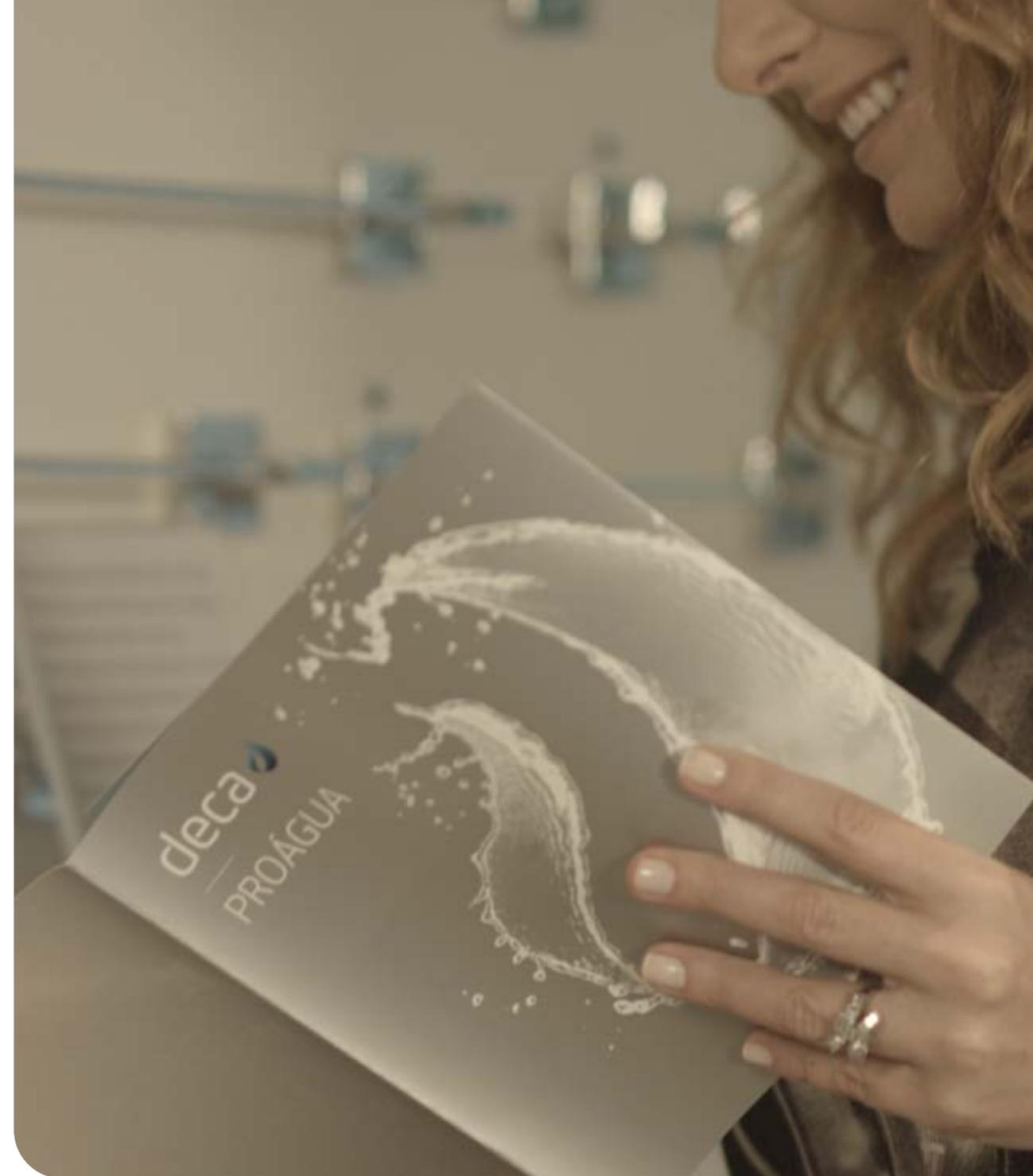
The solutions we bring to the market reflect our commitment to supporting our customers in increasingly conscious and sustainable choices when they are constructing, renovating and decorating.

Among the practices that prove this stance, the highlight goes to the *Deca ProÁgua* (Deca Pro-Water) program. This initiative is aimed to help residential, commercial and industrial customers to make a more efficient use of water in their buildings. After analyzing their consumer habits, the project brings forward customized action plans prepared for free by Deca professionals, with suggestions of money-saving

solutions that may be installed in the spaces to prevent waste and/or promote the reuse of water. Since 2013 when it was implemented, this initiative has already involved over 606 projects, of which 151 were carried out in 2019 only (learn more [here](#)).

In 2019, we launched the *Escolhas que Duram* (Choices that Last) channel on YouTube ([please click here](#)), which gathers ideas, tips and lots of information on the unique features of our products to help consumers make conscious choices when making purchases.

With the Uni Duni Tex project, we bring to customers innovation and sustainability features offered through our products. It is an itinerant space, installed inside the chain stores of Leroy Merlin, a project partner. In 2019, the last year of this initiative, the Uni Duni Tex project was installed in Campinas (State of São Paulo). In 2018, it had travelled to the cities of São Paulo and Sorocaba (State of São Paulo). A total of about 4,000 people visited the site.



Aimed at strengthening our customer and community relations, in 2017 we opened the doors of the *Espaço Arvorar*, located in our forest unit of Agudos (State of São Paulo). Interested people can visit this site free of charge, upon prior scheduling, during which we introduce the history of wood in society through sensorial experiences that promote knowledge in a creative and innovative way. In 2019, this site was visited by over 8,000 people, most of whom were students of the schools in the region.

The year 2019 was characterized by the reverse logistics *DescarteConsciente* (conscious waste disposal) pilot project. Launched by Deca originally in three cities in São Paulo's interior – Indaiatuba, Sorocaba, and Itu –, this initiative is aimed at reducing the incorrect disposal of metallic and plastic materials. This project was carried out in partnership with Sinctronics, a circular economy company. It was intended for consumers to dispose

products of Deca, Hydra and other manufacturers, regardless of their wear and tear, into customized waste collectors at the accredited authorized sites of our brands. In the first year, 274 kilos of material were already collected, which returned to the industry as raw materials (not necessarily to us). For 2020, we have designed an expansion to the pilot project that will take place in the second half of the year.



To learn more, please click [here](#).

How the Conscious Waste Disposal Works



First step:

Customers take the post-consumption products to an authorized collection site.



Second step:

The collection site weighs and stores the material.



Third step:

The Sinctronics team comes to the site to collect the material.



Fourth step:

The material is sorted, classified and forwarded to the approved partner, responsible for recovering the raw material and properly return it to be used in the industry.



Social Development

[102-44, 103-2 and 103-3: Local communities, 103-2 and 103-3: Indirect economic impacts]



Related Sustainability Strategy goals

By 2025, having ten employees per operating unit acting as agents of engagement qualified to hold a dialogue with the community (learn more [here](#)).

Offering Solutions for Better Living includes contributing for the social development of the communities where we have operations. For this support to become even more effective, we have strengthened an active listening process year by year, carried out dialogue circles with the communities surrounding our facilities. We seek to invite local people in a diverse manner so that we can have different approaches on each community.

Concurrently, we have talks with local government authorities to get to understand their plans and priority demands, based on which we can prepare a diagnosis to guide the projects to be implemented in each community.

This work is carried out by employees who are trained specifically to act as local agents of engagement and integrate the People Agents program. These professionals, who are qualified for talking with the community, work as key allies in the internal disclosure of actions and incentive to volunteering, among other members of their teams and in line with business strategies. In 2019, we trained 130 agents in 12 units.

These initiatives bring stakeholders closer (Dialogue Circles and Our Agents) were extended over the year to more communities after the end of the program implementation cycle in ceramic tiles unit in Urussanga (state of Santa Catarina) and Hydra. Similar initiatives will be held next year in the newly acquired ceramic tiles in Criciúma (State of Santa Catarina) ([learn more here](#)).

A customized approach is taken in the forest units, where we also have the Dialogue with the Community project, where the parties impacted by our management are notified about our operations and may cooperate to identify potential social impacts. Under this

initiative, closer contacts are made before, during and after operations. The purpose is ensuring the efficacy of the measures adopted to mitigate impacts.

The transfer of own or subsidized* funds was improved over the year. The selection process is now carried out based on a unified channel, a website, in which applicants enroll and organizational assumptions are later checked by our social department team and approved by the Sustainability Committee. In 2019 over 400 projects were assessed, of which 13 will be implemented as of 2020.

Among the criteria assessed, we consider the alignment to our Sustainability Strategy and Social Investment Strategy pillars, the materiality of the project environmental and social impacts, and the potential for replication. In 2019, over R\$11 million were invested in 47 projects, totaling 24,000 people impacted.

[203-1, 413-1]

* Rouanet Law, Sports Incentive Law, Municipal Funds for Children and Adolescents, among other funds.



To learn more, please click [here](#).

Local Community Relations



Main Social Projects Carried Out in 2019 |203-1, 413-1|

Bem Cuidar (Taking Good Care)

It systematically addresses the sensitive topic of sexual exploitation of children and teenagers. It proposes a survey of the situational diagnosis and the build-up of a safety net and initiatives involving the community (learn more in the next page).

Municipalities: João Pessoa – State of Paraíba

Results: 102 agents of the municipality safety net, 5 institutions/schools, 12 educators, 400 children and adolescents, and 60 families.

De Palma em Palma (Hand in Hand)

This project promotes social inclusion through art by encouraging creativity, self-esteem and the leading role of socially vulnerable children and teenagers. This initiative also appreciates local artists and comes to the aid of the regional culture. The program includes workshops of music, dance, theatre, popular culture and short films. At the end, a festival prepared by the children is presented to the community free of charge.

Municipalities: Itapetininga – State of São Paulo, Queimados – State of Rio de Janeiro, São Leopoldo – State of Rio Grande do Sul, Cabo de Santo Agostinho – State of Pernambuco, João Pessoa – State of Paraíba, and Aracaju – State of Sergipe

Results: 6 schools, 6 local artists, and 729 students.

Caminhos da Água e da Biodiversidade (Water and Biodiversity Paths)

An Environment Education Program focused on the conscious use of water and the importance of planted forests. This Program comprises training educators, working in the classroom, a contest of drawings and a graphite pencil drawing workshop – of which the following municipalities take part.

Municipalities: Aracaju – State of Sergipe, Cabo de Santo Agostinho – State of Pernambuco, João Pessoa – State of Paraíba, Jundiá – State of São Paulo, Queimados – State of Rio de Janeiro, Urussanga – State of Santa Catarina, Itapetininga – State of São Paulo, Agudos – State of São Paulo, São Paulo – State of São Paulo, Jacareí – State of São Paulo, Jundiá – State of São Paulo, Uberaba – State of Minas Gerais, and Taquari – State of Rio Grande do Sul

Results: 90 schools, 238 teachers, and 6,643 students.

Heróis em Ação (Heroes in Action)

This project is aimed at engaging the community to work together and identify opportunities to improve the environment. This program kicks off with a game called “There where I live”, for which educators are trained to help students prepare a survey to make improvements to the community. Students ultimately undertake projects that bring solutions to societal issues.

Municipalities: Jacareí – State of São Paulo, Uberaba – State of Minas Gerais, and Taquari – State of Rio Grande do Sul

Results: 15 projects by school, 104 educators, and 270 students.

Jovens Talentos Empreendedores (Young Talented Entrepreneurs)

This initiative is aimed to prepare socially vulnerable adolescents to the labor market based on youth entrepreneurship and leadership.

Municipalities: Criciúma and Urussanga – State of Santa Catarina

Results: 410 youth, of whom 169 joined the labor market with a regular employment contract.

Cantos da Leitura (Corners of Reading)

Aimed at encouraging reading, this project expands the importance of books for educating and producing citizens, creating an insight into the world. Under this project, structures with over 1,200 books are implemented in line with the topics worked.

Municipalities: Uberaba – State of Minas Gerais, Bauru and Itapetininga – State of São Paulo – SP

Results: 3 schools and NGOs, 65 teachers, and 1,500 students.

Futebol de Rua (Street Soccer)

An educational proposal based on soccer-playing for human development. It is aimed at boosting teaching and learning actions. Therefore, the project also promotes the monitoring of the children’s school performance and family relations.

Município: Uberaba – State of Minas Gerais

Results: 160 children and adolescents.



Fighting the Sexual Exploitation of Children and Adolescents |102-12 | 413-1|

Since 2007, we have taken part in the *Na Mão Certa* (In the Right Hand) program organized by Childhood Brasil, which is focused on preventing and fighting sexual violence against children and adolescents in Brazil. Since then we have carried out annual campaigns in our units to raise awareness particularly among our carriers, who are encouraged to report any abuses witnessed.

In addition to proceeding with this initiative, in 2019 we made headway with the *Bem Cuidar* (Taking Good Care) project, also carried out in partnership with Childhood Brasil and NGO Aldeias Brasil SOS, to design the João Pessoa Municipality Plan to Fight Sexual Violence against Children and Adolescents (State of Paraíba). This project is a response to the high levels of sexual violence in this municipality. According to data from the Disque 100 hotline in 2017, 338 cases of sexual violence against children and adolescents were reported in the Paraíba state, of which 56 alone in João Pessoa.

The *Bem Cuidar* project has counted on the training and qualification of the Local Safety Net, supported by the municipal government, and actions intended to children and families of the communities in João Pessoa.

Carried out in partnership with Childhood, Duratex, Intercement, and Aldeias SOS and inspired by the *Na Mão Certa* program, another initiative was the *Na Mão Certa* Week, aimed to place João Pessoa as the pioneering municipality in actions to fight violence against children and adolescents and broaden the discussion on violence.

Therefore, integrated actions were carried out for raising awareness among children and adolescents and educating families on how to address the topic among the youth, in addition to raising awareness among communities, third parties and employees. Approximately 806 people were impacted already in the first year of this initiative.

Volunteering

Our volunteering program *D+ Valor* (Value More) seeks to promote the development of local communities where we operate by way of actions led by our employees. The idea is engaging these employees so they may become leaders and undertake social changes in the regions where they work and often live with their families. In 2019, employees from all units engaged in these actions, which favored institutions serving low-income populations in highly vulnerable regions, including children, elderly and people with physical and intellectual disabilities.

Employees may access the Volunteering Portal, in our intranet, to help locate local actions and institutions in which they want to engage.

The 2020 goal is helping redesign this program to increasingly engage volunteers in incentivized social projects to boost our potential of social transformation according to the priorities identified in each region.





RECOGNITIONS

Benchmark in the fight against the sexual exploitation of children | We were the highlight in the “Solutions and Tools – Community” category in the 12th Annual Meeting of the Childhood Brasil’s *Na Mão Certa* (In the Right Hand) program. This award is a special recognition for the work carried out in João Pessoa (State of Paraíba), where we operate through the Deca brand, under the *Proteger e Sorrir em Rede* (Protecting and Smiling Network) program. In 2019, we kicked off the Municipality Plan to Fight Sexual Violence against Children and Adolescents (learn more [here](#)).

Benchmark in employability of minority groups | Since 2018, in partnership with the Leo Madeiras Institute and the social mobilization group Entrega por SP, we have been providing free-of-charge training in woodwork to the homeless people in the city of São Paulo (State of São Paulo). In 2019, this initiative was one of the study cases presented in the Diversity and Corporate Inclusion Congress, in the panel “Employability: Connecting Diversity”, and was deemed a benchmark in terms of employability of homeless people.

Imec Award 2019 | Organized by the Civil Engineering Institute of the State of Minas Gerais (Imec), this initiative annually recognizes the best suppliers in the Construction Materials segment in Brazil. With our brand Deca, we were recognized for the innovation and quality of our solutions in bathroom fixtures and fittings.

Benchmark in water management | The way we manage our water resources was deemed benchmark by the Carbon Disclosure Project (CDP), an international organization working in the prevention of climate change and environmental damage. With an A- score in the 2018 edition of the water security report, we made headway to the “Leadership” category. We are one of the 30 Latin American companies among over 680 that responded to the questionnaire, which also evidences our transparency to the market.

Leading company in the engagement of suppliers for Sustainability | We were also certified as a leading company by CDP in the Supplier Engagement category during the Conexão CDP 2019, an event that gathered representatives from Latin American companies in São Paulo (State of São Paulo) that reported on their Climate, Water and Forest initiatives through questionnaires. Among our actions we have, since 2012, the GFD program that evaluates our strategic suppliers based on environmental, social, economic and quality criteria (learn more [here](#)).

MRV’s Sustainability in the Supply Chain Award | We ranked the most sustainable large company and elected as the highlight in the environmental category by MRV, Latin America’s largest construction company of residential properties.

Exame Sustainability Guide | For the fifth (and fourth running) time, we were the highlight in the “Construction Material” segment in the 20th edition of the Exame Sustainability Guide, among the 77 companies deemed as the most sustainable in 19 operation sectors. Another highlight was the *Ciranda D* (D Circle) (learn [here](#)), our online Education for Sustainability Program.

Best in Show 2019 | We were one of the big winners of the Best in Show 2019 award, an initiative recognizing the best products displayed at the Expo Revestir, Brazil’s largest architecture and decoration exhibition fairway were elected for the fourth time by a specialized jury of architects, interior designers, journalists and influencers in this segment.

2019 Ombudsman’s Offices Brazil Award | For the third consecutive year, our Ombudsman’s Office won the Brazil Ombudsman’s Office Award organized by the Brazilian Association of Company-Customer Relations (Abrarec), with the support of the Brazilian Association of Ombudsmen (ABO), the Brazilian Federation of Banks (FEBRABAN), the Central Bank of Brazil (Bacen), and the Federal Ombudsman’s General Office (OGU). We are the only construction material company to be recognized, among other public and private institutions from different industries.

Valor Inovação Brasil 2019 | We ranked among the five most innovative companies in Brazil in the Construction and Decoration category in the Valor Inovação Brasil’s ranking. We were ranked 33rd in the general ranking. One of the initiatives that contributed to this recognition was our program in partnership with Endeavor, which supports high-growth entrepreneurs (learn more [here](#)).

The 100+ Innovative Companies in the Use of IT 2019 | We were the number one in the 100+ Innovative Companies in the Use of IT 2019 in the Engineering and Construction industry category, with the Imagine Program, which encourages employees to bring forward creative ideas to sort out the daily setbacks in our activities. Organized by IT Mídia in partnership with PricewaterhouseCoopers (PwC), this award is aimed at encouraging innovations in Brazil’s largest companies (learn more [here](#)).

Top Of Mind | Deca is the first brand that comes to the consumers’ mind when they are asked about bathroom fixtures and fittings. This achievement is corroborated by Top of Mind’s 2019 edition, which is the most important and respected brand recall award in Brazil, organized by Datafolha. The Bathroom Fixtures and Fittings category was created in 2016 and has had only one winner: Deca, which shows its strength in the Brazilian consumer’s mind.



To learn more, please access our website [here](#).



GRI ATTACHMENT

Goals for 2025 Sustainability Strategy [GRI 102-15]

Pillar	Topic	Target	Status	Comments
People	Work conditions and development of employees	To have an accident frequency rate with time off equal to or below one for our own and third-party employees and third-party employees.		The Accident Frequency Rate decreased.
		To have a rate of adherence to the new culture equal to or higher than 85%		The indicators measured by an independent consulting firm already exceeded the projected target. This target will be revisited for the next cycle.
		To be among the best companies to work for by 2020.		We kept the Great Place to Work (GPTW) certification seal.
		For 80% of leaders to be recognized for honest and open dialogue and personnel development.		Target met. Result measured by evaluating the skills in the year
		To have 70% of vacancies filled through internal transfers.		With the review of the selection process, the spread of Duratex Way of Being and Doing, and the culture qualitative assessment, some actions are being developed to improve the indicator.
	Engagement of customers and consumers	To have 50% of the portfolio of products using the co-creation model (10% at Ceusa).		We progressed in co-creation through workshops and specification visits with customers, collecting and including their insights in the prototype and product development process.
		To have 90% of carpenters, installers and electricians to be qualified/ trained.		In 2019, over 21,600 professionals were trained, including carpenters, installers, specifiers and salespeople.
		To be the favorite brand of 60% of carpenters and 70% of plumbing installers and electricians.		We made progress in engaging woodworkers in the <i>Clube Duratex</i> (Duratex Club), <i>Festa do Marceneiro</i> (Woodworker's Party) and <i>Marcenaria D</i> (Carpentry D) application.
		To have 20% of revenue from Authorized Technical Assistance Centers of the Wood division to come from our services.		Increased revenue from Authorized Technical Assistance Centers of the Wood division, driven by services made available by Durafloor.
		To be recognized by 90% of domestic market consumers by its sustainability and innovation features.		We are operating in digital and social media, fairs and events aiming at strengthening our brands in terms of sustainability and innovation. In 2019, a survey was carried out with foreign market customers to identify how they understand sustainability and innovation.
		To be recognized by 50% of foreign market consumers for its sustainability and innovation features.		
	Community relations and local development	To have approval rate of 80% for the community engagement process.		Surveys were carried out with all stakeholders engaged in strategic social projects to get to understand the effectiveness and contribution of our actions to local communities.
		To have 100% of supervisors exposed to a local community experience.		Supervisors took part in Dialogue Circles and in setting up internal engagement committees by means of local leaders.
		To have ten employees per operating unit acting as agents of engagement, qualified to hold a dialogue with the community.		Target achieved. More trained agents than the expected number. This target will be revisited for the next cycle.
		To influence two public policies (approved) per location where Duratex is present.		We work on developing a policy to fight sexual exploitation of children and adolescents in the city of João Pessoa.
		To have 75% recognition for its social and environmental responsibility within the communities where operating units are present.		Surveys were carried out with all stakeholders engaging in strategic social projects to get to understand the effectiveness and contribution of our actions and our image to local communities.
		To measure and report positive impacts in 100% of the communities where operating units are present.		An external disclosure system is in place for all social impact initiatives and their results.

Pillar

Topic

Target

Status

Comments

Processes

Eco-efficiency

Climate change

Sustainable forest management

To reduce relative water consumption by 10% (20% in Ceusa).		The share of the Panel business in total water collection is worth noting. With the discontinuation of the Panel unit in Botucatu in the second half of 2018, the absolute water consumption sharply decreased in 2019 in relation to the previous year. This significantly impacted the relative consumption of the Panel division in Brazil and, consequently, the overall consumption.
To reduce the relative disposal of waste in landfills by 20% (100% at Ceusa).		The bathroom fittings and Ceusa business, which account for most of the waste disposed in landfills, significantly reduced their absolute and relative waste disposal.
To have 95% of the energy mix from renewable sources to generate thermal energy at the Panel division (by 2018).		The use of renewable energy sources by the Panel business in Brazil increased, reaching 92.25%.
To reduce the relative energy consumption at Decca and Hydra by 20%.		The bathroom fittings and Ceusa business accounted for a significant share in the absolute energy consumption at Decca Hydra Ceusa divisions and both business significantly reduced their absolute and relative consumption.
To take into account environmental and social criteria in 100% of new projects development.		The approach to environmental and social criteria in new project development is under analysis.
To perform the Life Cycle Assessment (LCA) for the product with the highest volume in each business.		Life Cycle Assessment (LCA) studies at the Panel and Hydra divisions advanced and are in progress.
To implement an environmental and social program within two years at the acquired companies.		The implementation of the Environmental and Social Program was completed at Hydra, Duratex Colombia and Ceusa and is in progress at Portinari.
To reduce absolute GHG emissions at Duratex by 25% (Scope 1).		The target set was exceeded.
To reduce the relative GHG emissions at Panel divisions by 50% (Scope 1).		The relative emissions of the Panel division exceeded the target.
To reduce the relative GHG emissions at Decca and Hydra by 10% (Scope 1).		The relative emissions of Decca bathroom fittings had a major reduction, which largely contributed to the overall result based on its share in the Decca Hydra division.
To increase measurement of Scope 3 emissions by 50%.		Scope 3 measurement has been significantly and constantly extended.
To use 5% fewer pesticides per effectively planted hectare, maintaining desirable production levels.		Metrics and assumptions related to this target are under analysis to better measure and disclose an indicator.
To reduce water consumed by irrigation by 50% per hectare of crops.		The target was exceeded.
To influence 100% of neighboring landowners of conservation areas larger than 500 hectares and in a radius of 2 km to use regional connectivity.		The activities planned for this target will begin in 2020.
For 100% of communities to be involved in harvest planning.		The activities planned for this target will begin in 2020. The involvement with these stakeholders exceeded the target. We adopted procedures to manage potential social impacts and implemented an application to facilitate interface with the community.
To double genetic bases.		Genetic bases have been expanded as planned, which is inherent in the forest business, and the target was exceeded.
To ensure that management of 100% of our own areas is certified.		94% of our own areas are certified, with expansion plans for 2020.
To increase dry mass per hectare by 10% (by 2035).		Dry mass has been increasing as planned.
For 80% of fostered areas to be certified (by 2035).		We held a meeting with producers at Taquari, where most fostered areas are located, to explain the demands required for certification and how we intend to assist them in this process.

Pillar	Topic	Target	Status	Comments
Processes	Responsible supply chain	For 80% of strategic suppliers to have a performance rate equal to or above eight.		74% of the critical suppliers are rated above 7, and 35% of them are already rated above 8. The suppliers overall average rate was 7.62.
		For 100% of strategic procurement to take into account environmental and social criteria.		An assessment process for environmental and social criteria was implemented for strategic procurement.
		For 100% of critical suppliers to be assessed up to the 2 nd level of the supply chain.		An assessment methodology for second level suppliers is being developed.
Products and services	Products and services	For 100% of Wood products to have less Scope 2 emissions by 2018 and less Scope 1 emissions by 2021.		Scope 2 emission continues to be controlled in a manner inherent in the process.
		To develop two alternatives for renewable raw materials for the manufacturing of Deca and Hydra-products.		The use of renewable raw materials for product components at the Deca and Hydra division is being tested.
		To have R\$20 million revenue from the ProÁgua services.		Net revenue totaled R\$666,600.00.
		For 100% of the Deca's portfolio of finished fittings and toilet bowls to be eco-efficient.		30% of the bathroom fittings portfolio and 100% of the bathroom faucets portfolio stand out for their eco-efficiency.
		For 35% of the sales volume at Hydra to be of eco-efficient products		Hydra has been working on the development of electronic and digital products.
		To lead the implementation of a reverse logistics model.		A pilot project was developed at Deca bathroom fittings in 2019, and the collection sites are being expanded.

Internal commitments for 2019:

-  Fulfilled or exceeded, with planned activities carried out.
-  Partially fulfilled, with planned activities partially carried out.
-  Not fulfilled, with planned activities postponed or not carried out.

Disclosures

102-8 – Information on employees and other workers

Number of employees in the operations in Brazil and Colombia, by gender

	2019						2018						2017					
	Corporate, Wood and Deca ⁽¹⁾		Ceramic Tiles ⁽²⁾		Colombia ⁽²⁾		Corporate, Wood and Deca ⁽¹⁾		Ceramic Tiles ⁽²⁾		Colombia ⁽²⁾		Corporate, Wood and Deca ⁽¹⁾		Ceramic Tiles ⁽³⁾		Colombia ⁽⁴⁾	
	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)
Men	7,887	82	294	88	436	80	8,513	83.21	291	79.95	424	79.25	8,735	84	258	78	-	-
Women	1,675	18	41	12	108	20	1,718	16.79	73	20.05	111	20.75	1,697	16	73	22	-	-
Total	9,562	100	335	100	544	100	10,231	100	364	100	535	100	10,432	100	331	100	-	-

(1) Data include all employees hired under the Consolidation of Labor Laws (CLT) and apprentices.

(2) This does not include apprentices.

(3) Out of the total employees in 2017, 12 were apprentices, who were the only ones to work part time and under fixed-term employment contract

(4) In 2017, we did not report the number of employees segmented by gender and by employment contract for Colombia.

Number of employees in the operations in Brazil and Colombia, by employment contract

	2019						2018						2017					
	Corporate, Wood and Deca ⁽¹⁾		Ceramic Tiles ⁽²⁾		Colombia ⁽²⁾		Corporate, Wood and Deca ⁽¹⁾		Ceramic Tiles ⁽²⁾		Colombia ⁽²⁾		Corporate, Wood and Deca ⁽¹⁾		Ceramic Tiles		Colombia ⁽³⁾	
	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)	Number of employees	Percentage (%)
Permanent employment contract	9,097	95	323	96	283	52	9,951	97.26	364	100	297	55.51	10,131	97	319	96	-	-
Fixed-term employment	465	5	12	4	261	48	280	2.74	0	0	238	44.49	301	3	12	4	-	-
Total	9,562	100	335	100	544	100	10,231	100	364	100	535	100	10,432	100	331	100	-	-

(1) Data include all employees hired under the Consolidation of Labor Laws (CLT) and apprentices.

(2) This does not include apprentices

(3) In 2017, we did not report the number of employees segmented by gender and by employment contract for Colombia.

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

	2019				2018				2017			
	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)
Men	7,575	83	312	67	8,335	83.76	178	63.57	8,532	84.22	203	67.44
Women	1,522	17	153	33	1,616	16.24	102	36.43	1,599	15.78	98	32.56
Total	9,097	100	465	100	9,951	100.00	280	100.00	10,131	100.00	301	100.00

* Data include all employees under the Consolidation of Labor Laws (CLT) and apprentices. Total employees decreased from 2018 to 2019 mainly due to the activity reduction at the forest unit at Lençóis Paulista and the sale of the Botucatu industrial operations.

Number of employees in the Deca, Wood and Hydra divisions in Brazil, by employment contract and region⁽¹⁾

	2019				2018				2017 ⁽²⁾			
	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)
Northeast	2,254	25	99	21	2,334	23.45	77	27.50	2,078	20.51	99	32.89
Southeast	6,425	71	348	75	6,517	65.49	167	59.64	6,963	68.73	170	56.48
South	418	4	18	4	1,100	11.05	36	12.86	1,090	10.76	32	10.63
Total	9,097	100	465	100	9,951	100.00	280	100.00	10,131	100.00	301	100.00

(1) Data include all employees under the Consolidation of Labor Laws (CLT) and apprentices.

(2) This includes units of the Deca and Wood divisions and Head Office. Additionally, at the end of 2017 we had 331 employees at the Ceramic Tiles division, acquired in the second half of the year. All these professionals were covered by collective labor agreements or conventions. The breakdown by gender presents 22% women and 78% men. Out of the total employees, 12 were apprentices, who were the only ones to work part time and under term employment contract.

Number of employees in the Corporate area and in the Deca, Wood and Hydra divisions in Brazil, by type of employment and gender⁽¹⁾

	2019				2018				2017			
	Full-time ⁽²⁾	Percentage (%)	Part-time ⁽³⁾	Percentage (%)	Full-time ⁽²⁾	Percentage (%)	Part-time ⁽³⁾	Percentage (%)	Integral ⁽²⁾	Percentage (%)	Part-time ⁽³⁾	Percentage (%)
Men	7,776	83	131	52	8,353	83.76	160	61.78	8,569	84.26	166	63.36
Women	1,552	17	123	48	1,619	16.24	99	38.22	1,601	15.74	96	36.64
Total	9,308	100	254	100	9,972	100.00	259	100.00	10,170	100.00	262	100.00

(1) Data include all employees under the Consolidation of Labor Laws (CLT) and apprentices.

(2) Between 150 and 220 work hours per month.

(3) Up to 120 work hours per month.

Number of employees in the Ceramic Tiles operations, by employment contract and gender⁽¹⁾

	2019				2018			
	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)
Men	289	89	5	42	-	-	291	80
Women	34	11	7	58	-	-	73	20
Total⁽²⁾	323	100	12	100	-	-	364	100

(1) Data refer to the Ceusa brand only.

(2) All these employees work in the Southern region of Brazil.

Number of employees in the Ceramic Tiles operations, by type of employment and gender⁽¹⁾

	2019				2018			
	Full-time ⁽²⁾	Percentage (%)	Part-time ⁽³⁾	Percentage (%)	Full-time ⁽²⁾	Percentage (%)	Part-time ⁽³⁾	Percentage (%)
Men	288	89	6	46	291	79.95	-	-
Women	34	11	7	54	73	20.05	-	-
Total⁽²⁾	322	100	13	100	364	100.00	-	-

(1) Data refer to the Ceusa brand only.

(2) Between 150 and 220 work hours per month.

(3) Up to 120 work hours per month.

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

	2019				2018			
	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)
Barbosa Plant	100	35	73	28	117	39.39	61	25.63
Yarumal Plant	78	28	107	41	88	29.63	90	37.82
Manizales Plant	6	2	70	27	4	1.35	72	30.25
Head and regional offices	99	35	11	4	88	29.63	15	6.30
Total	283	100	261	100	297	100.00	238	100.00

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

Number of employees in the operations in Colombia, by type of employment and gender⁽¹⁾

	2019				2018			
	Full-time ⁽²⁾	Percentage (%)	Part-time	Percentage (%)	Full-time ⁽²⁾	Percentage (%)	Part-time	Percentage (%)
Men	436	80	-	-	424	79.25	-	-
Women	108	20	-	-	111	20.75	-	-
Total	544	100	-	-	535	100.00	-	-

(1) This does not include apprentices.

(2) Full-time employment in Colombia corresponds to a total of 240 work hours per month. There are no part-time employees.

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

	2019				2018			
	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)
Men	206	73	230	88	222	74.75	202	84.87
Women	77	27	31	12	75	25.25	36	15.13
Total	283	100	261	100	297	100.00	238	100.00

* Apprentices are not included in these data.

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

	2019				2018			
	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)	Permanent employment contract	Percentage (%)	Fixed-term employment	Percentage (%)
Barbosa Plant	100	35	73	28	117	39.39	61	25.63
Yarumal Plant	78	28	107	41	88	29.63	90	37.82
Manizales Plant	6	2	70	27	4	1.35	72	30.25
Head and regional offices	99	35	11	4	88	29.63	15	6.30
Total	283	100	261	100	297	100.00	238	100.00

102-34 – Nature and total number of critical concerns |103-2 e 103-3: Anticorruption|

Our Ombudsman's Office Policy sets out the moral and sexual harassment and discrimination complaints that must be reported to the officer in charge of the reported department in question, with copies forwarded to the Vice Chairmen, Chairman and members 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, investigates and send fraud and corruption complaints to the Executive Board and Board of Directors. These executives, along with the Chairman of the Audit and Risk Management Committee, also receive copies of reports on cases of corruption relating to government bodies falling under Anticorruption Act No. 12,846/2013 and are handled by the Legal Compliance department (which may request the support of the Internal Audit department in the investigation).

On a semiannual basis, the Ombudsman's Office submits its activities to the Executive Board Committee and its main indicators to the Personnel, Governance and Nomination Committee, and renders account of its performance to the Audit and Risk Management Committee and, when requested, to the Board of Directors.

In August 2018, we implemented a supplier operations model, responsible for receiving, screening and previously analyzing the calls, with the internal staff being in charge of handling and investigating the reports. This new process, which receives calls through

an independent channel, ensures higher independence and safety for their receipt and handling. The result was a reduction in the number of visits to the channel in 2019 – and higher quality in calls received, which can be measured by the percentage of calls handled. Additionally, as of August 2018, contacts from companies and professionals wishing to be our suppliers and/or employees are no longer being computed as calls to the Ombudsman's Office (although they receive a standard reply), which has also contributed to reducing the annual volume of registered contacts.

Cases involving management members are reported to the CEO, the Chairman of the Board of Directors and the Chairman of the Personnel, Governance and Nomination Committee, who have access to investigation findings. The caller and those who collaborated in the investigation have their identity preserved. If the complaint is confirmed, the results are also submitted to the Chairman of the Audit and Risk Management Committee.

Our Anticorruption Policy sets forth that the Executive Committee must make decisions based on the investigations and guidelines issued by the Legal and Ethical Compliance department, while the Board of Directors is responsible for decisions directly involving members of the Executive Board, in accordance with the recommendations of the Personnel, Governance and Nomination Committee.

Calls received by the Ombudsman's Office, by stakeholder

	2019	2018	2017
Employees			
Total calls received	298	378	535
Calls handled by the formal Ombudsman's Office process ⁽¹⁾	251	304	372
Issues generated based on forwarded calls ⁽²⁾	251	338	453
Suppliers			
Total calls received	60	70	65
Calls handled by the formal Ombudsman's Office process ⁽¹⁾	45	53	40
Calls forwarded to be handled by the first level customer service	10	11	17
Calls not handled	5	6	8
Issues generated from calls formally handled by the Ombudsman's Office ⁽²⁾	45	53	42
Other stakeholders			
Total calls received⁽³⁾	409	766	769
Total calls	767	1,214	1,369

(1) Other calls received were not handled due to insufficient information, complaint withdrawn by the complainant, solution before the beginning of the Ombudsman's Office process or complaints forwarded to the first level customer service.

(2) As of August 2018, the number of issues generated is equal to the number of calls because of the change in the Ombudsman's Office methodology.

(3) Calls from other stakeholders were handled by the Ombudsman's Office together with the first level customer service.

Calls handled by the Ombudsman's Office, by type (%)

	2019 ⁽¹⁾	2018	2017
Criticism	77.8	79.3	77.8
Complaint	21.2	15.9	15.8
Suggestion ⁽²⁾	N/A	0.3	1.6
Query	1.0	2.6	1.2
Compliment	N/A	2.0	3.6
Total	100	100	100

(1) As of 2019, figures were calculated based on the total calls handled by the Ombudsman's Office from all stakeholders who accessed the channel. From 2012 to 2018, figures were calculated based on the total issues handled by the Ombudsman's Office, brought by stakeholders formally served by the channel (employees and suppliers).

(2) Since August 2018, the Ombudsman's Office no longer receives suggestions and compliments, which must be directly sent to supervisors.

Complaints received by the Ombudsman's Office, by status

	2019	2018	2017
Legitimate	25	13	28
Illegitimate	17	13	10
Inconclusive	15	11	5
Not investigated*	7	4	13
Under investigation	18	21	23
Total	82	62	79

* Complaints regarding cases already analyzed or lacking sufficient information for the investigation.

Number of critical concerns forwarded to the Board of Directors

	2019	2018	2017
Number of critical concerns	82	62	79

102-35 – Remuneration policies

[103-2 and 103-3: Employment, 103-2 and 103-3: Market presence]

In 2019, we revisited rules on fixed compensation, salary changes and compensation of executives. The first rule, applied to all employees under permanent employment contract, sets out the guidelines for managing the job and salary structure and our staff mobility. The second rule covers all managers, officers, vice presidents and president registered with the Head Office and Duratex Florestal Ltda. and is in accordance with Law No. 10,101, of December 19, 2000, as amended by Law No. 12,832, of June 20, 2013. The compensation package for the Board of Directors is composed of a basic salary and additional amount for holding the position of Chairman of a committee (except for Chairmen of committees who are also shareholders). The compensation package for the executive group includes a basic salary, short-term incentives,

long-term incentives and benefits. Short- and long-term incentives are part of variable compensation and are contingent upon corporate, business and individual targets being met, in line with our strategy, which include E&S performance aspects. In case of termination, the Board of Directors is responsible for approving the extinguishment of options (in accordance with item 7.3 of the Long-Term Incentive Plan regulation) and, if options are not extinguished, the former executive may exercise the total options available for them and this will not be impacted by lock up and vesting periods, for a three-year term. With regard to the termination process of this group, it is worth mentioning that there is no difference from the termination process adopted for other employees, except for the legal provisions that must be complied with for statutory hiring.

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

Operations in Brazil

There is no difference in the entry level wage between men and women.

Ratio of entry-level wage to minimum wage*

	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of workers paid their industry's wage floor	803	423	1,226	587	498	1,085	337	288	625
Lowest amount paid as the industry's wage floor (R\$)	1,007	1,007	1,007	954	954	954	950	950	950
National minimum wage (R\$)	998	998	998	954	954	954	937	937	937
Ratio of entry-level wage to minimum wage (%)	101	101	101	100	100	100	99	99	99

* Data do not include the Ceramic Tiles units of Cecrisa, since they have been only recently acquired.

Operations in Colombia

Ratio of entry-level wage to minimum wage

	2019		2018	
	Men	Women	Men	Women
Number of workers paid their industry's wage floor	N/A	N/A	N/A	N/A
Lowest amount paid as the industry's wage floor (in Colombian pesos)	903,125	828,116	849,600	849,600
National minimum wage* (in Colombian pesos)	828,116	828,116	781,242	781,242
Ratio of entry-level wage to minimum wage (%)	109	100	108.7	108.7

* The minimum wage in Colombia is determined by the Government and unions each January.

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

102-46 – Defining report content and topic boundaries

102-47 – List of material topics

102-49 – Changes in reporting

Pillar	Topic 2019	Materiality Assessment	Impacts		GRI Topic Management approach 103-1 103-2 103-3	GRI Disclosure	
			Internal	External			
Proper business environment	Ethics and compliance	High priority	X		Anticorruption Environmental compliance	205-1; 205-2; 205-3 307-1	
	Innovation and digitalization	Medium priority	X		No related GRI topic		
	Cash generation and funding	Medium priority	X		Environmental performance	201-1	
	Diversification of business portfolio	Low priority	X	X	Procurement practices	204-1	
People who transform	Health and safety	High priority	X	X	Customer health and safety	403-1; 403-2; 403-4; 403-5; 403-9	
					Customer health and safety	416-1	
					Supplier social assessment	414-2	
					Socioeconomic compliance	419-1	
	Diversity	Low priority	X		Diversity and equal opportunities	405-1; 405-2	
	Professional training	High priority	X		Training and education	404-1; 404-2; 404-3	
Local development	Low priority			X	Indirect economic impacts	203-1	
					Local communities	413-1; 413-2	
Environmental education	Low priority			X	Indirect economic impacts	203-1	
					Local communities	413-1; 413-2	
Responsible processes	Supply chain	High priority	X	X	Supplier environmental assessment	204-1	
					Supplier environmental assessment	306-2	
					Supplier social assessment	414-2	
	Forest management	Medium priority			X	Biodiversity	304-3
						Supplier environmental assessment	306-2
						Environmental compliance	307-1
						Supplier environmental assessment	306-2
	Environmental performance	High priority			X	X	Materials Energy Water
						X	301-1; 301-2 302-1 303-1; 303-3
						X	Emissions Effluents and waste Environmental compliance
Climate change	Low priority				X	305-1; 305-2; 305-3; 305-4 306-1; 306-2; 306-3 307-1	
					X	305-1; 305-2; 305-3; 305-4	
					X	Emissions	
Sustainable solutions	Eco-efficient solutions	Low priority			X	No related GRI topic	
	Environment solutions	Medium priority			X	No related GRI topic	

204-1 – Proportion of spending on local suppliers

Duratex operations in Brazil*

Proportion of spending on local suppliers (in R\$)

	2019	2018
Total spending on suppliers	2,701,312,844.05	2,635,900,406.93
Spending on local suppliers (in the same municipality of the units)	584,114,888.49	499,955,442.98
Percentage of spending on local suppliers (%)	22	19

* For calculating the number of local suppliers in 2019 for Duratex operations in Brazil, the location was once again based on the zip code, and the two first digits of the number were taken into account, which, according to the Post Office, represent the main city and its surroundings, comprising the sub-region of a location. Therefore, we obtained an amount closer to the actual amount when adopting the "local supplier" criterion, understanding that potential suppliers located in the sub-region (surroundings of the industrial/forest unit) could be engaged, provided that the commercial and quality criteria are met.

Operations in Colombia*

Proportion of spending on local suppliers (in Colombian pesos)

	2019	2018
Total spending on suppliers	175,329,182,351.00	196,492,308,500.00
Spending on local suppliers (in the same municipality of the units)	40,155,736,820.00	10,040,287,185.00
Percentage of spending on local suppliers (%)	23	5

* For Colombia, in 2019, the calculation was similar to the calculation for Duratex Brazil, and it was based on suppliers located in the city where the plants are located and surrounding areas, rather than only on suppliers operating in the same cities of our plants in Yarumal, Barbosa and Manizales.

205-3 – Confirmed incidents of corruption and actions taken

Cases of private corruption⁽¹⁾

	2019	2018	2017
Legitimate cases	-	2	3
Illegitimate cases	1	2	1
Inclusive cases	1	-	1
Not investigated cases ⁽²⁾	-	2	2
Under investigation	-	0	0
Total private corruption-related complaints received	2	6	7

(1) No public corruption has been reported involving Duratex. The complaints reported are associated with private corruption related to misconduct and receipt of undue reward. Additionally, no legitimate case significantly impacted the Company's financial statements and information.

(2) Cases not investigated: complaints lacking sufficient information to open an investigation.

301-1 – Materials used by weight or volume

Materials consumed by Deca (Bathroom Fittings and Fixtures)

Renewable materials (metric tons)

	2019	2018	2017
Paper and cardboard packaging	2,407.6	2,185.4	1,583.3
Wood packaging	3,896.5	3,885.9	4,806.2
Total consumption of renewable materials	6,304.1	6,071.2	6,389.5

Non-renewable materials (metric tons)

	2019	2018	2017
Plastic packaging	540.6	513.9	527.9
Chemicals	1,109.2	1,137.0	1,384.8
Plaster	7,847.0	8,402.5	9,103.1
Raw material for glazing ⁽¹⁾	2,114.0	2,513.5	2,710.0
Raw material for mass ⁽²⁾	48,050.3	53,189.0	53,726.4
Molding sand	1,828.0	1,951.2	1,795.3
Clamshell	14.1	16.5	12.5
Bronze casting	12,891.0	14,862.1	13,367.8
Brass casting	6,866.5	8,408.3	5,184.3
Brass	3,600.6	3,869.1	3,582.1
Plastic	1,500.0	1,601.8	1,103.4
Zamac	573.6	557.2	457.0
Total consumption of non-renewable materials	86,935.9	97,021.8	92,954.6

(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.

Percentage of renewable materials

	2019	2018	2017
Total consumption of renewable and non-renewable materials (metric tons)	93,240.0	103,093.1	99,344.1
Percentage of renewable materials (%)	6.8	5.9	6.4

Non-renewable materials (unit)

	2019	2018	2017
Imported components	16,821,001.0	15,825,458.0	15,563,037.0
Domestic components	86,143,288.0	83,357,661.0	77,377,492.0
Flapwheels and flapdisks	149,188.0	144,367.0	152,193.0
Total consumption of non-renewable materials	103,113,477.0	99,327,486.0	93,092,722.0

Materials consumed by Deca (Hydra)

Renewable materials (unit)

	2019	2018	2017
Paper and cardboard packaging	18,014,524.5	24,507,127.0	25,269,169.0
Total consumption of renewable materials	18,014,524.5	24,507,127.0	25,269,169.0

Non-renewable materials (metric tons)

	2019	2018	2017
Steel	12.2	16.8	17.8
Resin	2,537.1	2,676.5	2,496.4
Brass strip	46.8	55.8	55.1
Resistance wire	103.9	104.3	136.7
Copper	8.8	13.1	7.4
Other	0.7	1.1	-
Total consumption of non-renewable materials	2,709.5	2,867.5	2,713.4

Percentage of renewable materials

	2019	2018	2017
Percentage of renewable materials (%)	N/A	N/A	N/A

Non-renewable materials (unit)

	2019	2018	2017
Imported components	12,596,247.0	12,556,095.0	16,353,740.0
Domestic components	116,772,901.0	105,013,832.0	106,168,989.0
Total consumption of non-renewable materials	129,369,148.0	117,569,927.0	122,522,729.0

Non-renewable materials (meters)

	2019	2018	2017
Wires, cables and isolation materials	9,476,381.5	10,266,116.1	10,176,206.6
Other	49,580.8	42,400.1	40,597.8
Total consumption of non-renewable materials	9,525,962.4	10,308,516.2	10,216,804.4

Materials consumed by the Wood division

Renewable materials (metric tons)

	2019	2018	2017
Organic compound fertilizers	28,304.0	34,206.1	20,475.8
Processed wood (humid)	3,485,745.6	3,096,369.3	3,240,769.1
Sawn wood (humid)	-	4,233.4	565.9
Paper	10,836.3	11,072.4	10,481.8
Total consumption of renewable materials	3,524,885.9	3,145,881.2	3,272,292.6

Non-renewable materials (metric tons)

	2019	2018	2017
Traditional fertilizers	29,834.3	33,104.0	34,497.3
Paraffin emulsion	8,691.8	9,190.2	7,579.2
Formaldehyde*	59,591.8	89,553.7	90,347.0
Lubricants	447.8	693.3	916.1
Melamine	6,116.1	5,632.6	5,583.4
Methanol	45,208.2	59,250.6	60,108.7
Resin	90,458.7	86,178.8	65,526.4
Aluminum sulfate	1,068.2	1,365.0	1,632.1
Ammonium sulfate	2,019.9	2,109.7	1,839.3
Paint	64.2	1,374.4	1,356.2
Urea	63,524.9	87,236.7	83,329.6
Other materials	9,368.5	10,085.5	8,675.6
Total consumption of non-renewable materials	316,394.4	385,774.5	361,391.0

* The unit used for formaldehyde is net ton.

Percentage of renewable materials

	2019	2018	2017
Total consumption of renewable and non-renewable materials (metric ton)	3,841,280.2	3,531,655.8	3,633,683.6
Percentage of renewable materials (%)	91.8	89.1	90.1

Materials consumed by the Ceramic Tiles division*

Renewable materials (metric tons)

	2019	2018
Paper packaging	636.0	692.8
Pallets	2,296.8	2,291.1
Total consumption of renewable materials	2,932.8	2,983.9

* This does not include Cecrisa.

Non-renewable materials (metric tons)

	2019	2018
Raw material for mass ⁽¹⁾	164,076.6	152,816.7
Deflocculants	1,251.7	1,256.3
Mass additives	52.1	55.9
Raw material for glazing ⁽²⁾	4,601.0	4,587.0
Inorganic dyes	11.8	18.8
Digital inks	43.3	46.7
Granilha (high resistance glass) and vitrosa ceramic coatings	155.3	266.4
Precious metals	0.01	0.03
Vehicles and glues	142.4	133.0
Glaze additives	1.5	8.8
Waterproofing	2.8	9.6
Total consumption of non-renewable materials	170,338.4	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.

Percentage of renewable materials

	2019	2018
Total consumption of renewable and non-renewable materials (metric tons)	173,271.2	162,183.2
Percentage of renewable materials (%)	1.7	1.8

* This does not include Cecrisa.

Materials consumed in Colombia

Renewable materials (metric tons)

	2019	2018
Processed wood (humid)	343,256.2	376,936.1
Paper	906.4	1,074.7
Total consumption of renewable materials	344,162.5	378,010.8

Non-renewable materials (metric tons)

	2019	2018
Paraffin emulsion	1,637.2	1,684.0
Formaldehyde	1,061.8	1,543.3
Lubricants	49.8	48.6
Melamine	2,269.1	2,189.4
Methanol	8,171.1	8,536.0
Resin produced internally	27,060.1	30,747.9
Resin acquired externally	199.6	1,109.8
Paint	2.9	3.3
Dyes	38.7	38.2
Urea	9,612.5	10,241.5
Other materials	329.4	316.6
Total consumption of non-renewable materials	50,432.0	56,458.4

Percentage of renewable materials

	2019	2018
Total consumption of renewable and non-renewable materials (metric tons)	393,688.2	433,394.5
Percentage of renewable materials (%)	87.2	87.0

301-2 – Recycled input materials used

Business division	Reused materials (metric tons)	2019	2018
Deca	Bronze casting	12,891.0	14,862.1
Deca	Brass casting	6,866.5	8,408.3
Deca	Zamac	573.6	557.2
Deca	Polymers	-	10.0
Deca	Unused mass	27,348.9	25,588.4
Deca	Glaze	2,526.5	2,147.2
Deca	Reused resin (Hydra)	92.0	43.4
Ceramic Tiles	Unused mass	11,339.1	9,262.8
	Total reused materials	61,637.6	60,879.3
	Total materials (301-1) of Deca/Hydra and Ceramic Tiles business	269,221.1	268,143.9
	Percentage of reused materials (%)	22.9	22.7

302-1 – Energy consumption within the organization

Energy consumption in Brazil (GJ)

	2019 ⁽¹⁾	2018	2017
A. Energy generated through fuel consumption			
Biomass	4,356,304.8	5,600,065.3	5,174,451.3
Diesel	291,100.8	331,571.5	302,877.3
Biodiesel	31,083.3	33,169.0	25,623.0
Ethanol	17,297.3	13,366.4	8,179.3
Natural gas	1,501,948.5	1,537,907.0	1,444,336.2
Gasoline	5,682.1	8,750.0	14,666.9
LPG	73,619.6	57,111.7	46,600.1
Heavy fuel oil (HFO)	41,925.8	274,860.7	258,091.1
Subtotal	6,318,962.22	7,856,801.5	7,274,825.1
Percentage of energy generated using renewable fuel (%)⁽²⁾	69.7	71.9	71.6
B. Energy acquired			
Electricity – renewable source ⁽³⁾	2,105,171.1	2,610,207.0	2,131,073.3
Electricity – non-renewable source	380,829.4	437,976.0	422,063.1
C. Total			
Total energy consumed (A + B)	8,804,962.7	10,904,984.6	9,827,961.56
Percentage of energy from renewable sources to total energy consumption (%)	73.9	79.7	74.7

(1) The termination of Wood and Deca operations and the acquisition of Ceusa resulted in a significant change in the fuel consumed and in the percentage of renewable sources in our energy mix. The termination of the Botucatu and Bathroom fixtures – South operations resulted in a decrease in biomass and HFO consumption and, with the acquisition of Ceusa, consumption of natural gas increased, which contributed to the reduction in the share of consumption by Duratex operations in Brazil.

(2) For calculating the percentage of fuel from renewable sources, one takes into account fuel from renewable sources – ethanol, biomass and the shares of biodiesel (diesel) and of anhydrous ethanol (gasoline), in accordance with parameters of the National Petroleum, Natural Gas and Biofuel Agency (ANP), and the renewable electricity acquired.

(3) With regard to electricity from renewable sources, one takes into account the percentages of the Brazilian Energy Production Mix, stated in the monthly monitoring report of the Brazilian Electric System (December 2019), of the Brazilian Ministry of Mines and Energy. Duratex only acquires electricity (we do not sell it).

Energy consumption in Colombia (GJ)

	2019	2018
A. Energy generated through fuel consumption		
Biomass	360,379.7	110,610.1
Diesel	9,365.4	9,292.0
Biodiesel	-	-
Ethanol	-	-
Natural gas	66,491.5	70,667.1
Gasoline	-	-
LPG	120,164.4	134,100.1
Heavy fuel oil (HFO)	-	-
Subtotal	556,400.9	324,669.3
Percentage of energy generated using renewable fuel (%)	64.8	34.1
B. Energy acquired		
Energy – renewable source	187,946.7	188,176.23
Energy – non-renewable source	28,084.0	28,118.29
C. Total		
Total energy consumed (A + B)	772,431.6	540,963.77
Percentage of energy from renewable sources to total energy consumption (%)*	71.0	55.2

* Ethanol, biomass, biodiesel and electricity are considered fuel from renewable sources. Duratex only acquires energy (it does not sell it).

303-1 – Water withdrawal by source

303-3 – Water recycled and reused

Water consumption in Brazil (cubic meters)*

	2019	2018	2017
Water collected			
Surface water	158,602.1	1,535,348.5	1,676,624.2
Groundwater	2,604,397.3	2,498,306.9	2,318,916.8
Directly collected rainwater	-	-	-
Effluents from other organizations	-	-	-
Public supply or supply from specialized companies	308,863.5	342,289.1	290,196.8
Total	3,071,862.8	4,375,944.5	4,285,737.8
Reused water			
Volume of reused water	214,458.0	1,032,792.1	1,338,006.2
Percentage of reused water to total collected water (%)	7.0	23.6	31.2

* Data do not include information on Cecrisa operations.
Significant reduction in water consumption (particularly surface water) driven by the termination of the Botucatu operations by Duratex (production of hardboard, which consumed a significant volume of water and accounted for a large share of the Company's water reuse and for the generation of a large amount of industrial effluents).

Water consumption in Colombia (cubic meters)

	2019	2018	2017
Surface water	141,416.0	121,540.4	131,564.2
Groundwater	5,387.0	5,139.0	6,042.0
Directly collected rainwater	1,444.9	1,443.5	-
Effluents from other organizations	-	-	-
Public supply or supply from specialized companies	6,498.4	13,051.1	14,920.2
Total	154,746.2	141,173.0	152,526.4
Volume of reused water	591.0	257.0	-
Percentage of reused water to total collected water (%)	0.4	0.2	-

304-3 – Habitats protected or restored

In 2019, we sold commercial forests and their respective conservation areas, in addition to minor negotiations, which reflect the difference in areas from the last two years.

Brazil

Owned and leased forest areas, by state (ha)

		2019			2018			2017		
		Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation
São Paulo	Leased	11,124.2	921.2	5,963.0	21,343.7	1,236.5	7,655.1	17,816.3	1,235.1	7,240.3
	Owned	43,560.9	3,003.9	17,652.6	52,986.1	3,479.5	19,681.0	74,403.9	4,388.1	25,370.1
Minas Gerais	Leased	75,396.0	3,712.2	29,532.0	76,084.4	3,320.5	28,978.8	75,607.0	3,314.4	29,188.5
	Owned	-	-	-	-	-	-	-	-	-
Rio Grande do Sul	Leased	1,555.9	190.8	804.8	1,555.9	183.4	812.2	1,564.2	187.2	800.6
	Owned	3,232.6	248.1	2,507.1	3,232.6	200.1	2,555.1	3,268.3	191.0	2,532.0
Total		134,869.6	8,076.2	56,459.5	155,202.6	8,420.0	59,682.2	172,659.70	9,315.80	65,131.50

Fostered forest areas, by state (ha)

		2019			2018			2017		
Ownership relations		Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation
São Paulo	Fostering	1,340.6	660.3	-	1,340.6	660.3	-	1,340.6	660.3	-
Minas Gerais	Fostering	542.0	267.0	-	542	267.0	-	877.9	432.4	-
Rio Grande do Sul	Fostering	13,694.6	11,204.6	-	13,301.0	10,882.6	-	13,630.9	11,152.5	-
Total		15,577.2	12,131.9	-	15,183.6	11,809.9	-	15,849.4	12,245.2	-

Colombia

Duratex's forest areas in 2019 (ha)

	Total	Planted	To be planted	Native forests and other uses
Owned				
North of Antioquia	3,333	2,254	-	1,079
Northeast of Antioquia	2,154	1,080	61	1,013
Tolima	1,554	783	-	771
Caldas	411	270	6	135
Magdalena Medio	216	114	20	82
Subtotal of owned areas	7,668	4,501	87	3,080
Third parties				
Northeast of Antioquia	1,894	1,876	19	
Magdalena Medio	1,200	682	-	518
Subtotal of third parties	3,094	2,558	19	518
Total	10,762	7,059	106	3,598

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 (tCO₂e)⁽¹⁾⁽²⁾

	2019	2018	2017
Scope 1	154,478.7	168,046.5	156,280.6
Scope 2 ⁽³⁾	51,548.2	66,209.2	64,277.2
Scope 3	87,973.1	98,778.7	164,184.6
Total	294,000.0	333,034.5	384,742.4

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

(2) In 2019, the emissions of Cécrisa operations were not included in the calculation.

(3) Location-based result of emissions.

Inventory of greenhouse gas emissions at Duratex in Colombia (tCO₂e)

	2019	2018	2017
Scope 1	12,714.9	13,335.3	9,905.20
Scope 2	12,599.5	12,614.9	11,436.00
Total	25,314.4	25,950.2	21,341.30

305-4 – GHG emissions intensity

GHG emissions intensity indicators*

	2019	2018	2017
Deca Bathroom Fittings (tCO ₂ e/item)	0.000251721	0.000224908	0.000229763
Deca Bathroom Fixtures (tCO ₂ e/kg)	0.000540043	0.000574634	0.000617542
Hydra (tCO ₂ e/unit)	0.00000766	0.000013071	0.000020847
Panels (tCO ₂ e/cubic meters)	0.014576077	0.030171279	0.035128473
Ceusa (tCO ₂ e/sq, m)	0.005729975	0.006166693	N/A
Colombia (tCO ₂ e/cubic meters)	0.054033760	0.053054413	N/A

* Only Scope 1 was included in calculation. The emissions of Cecrisa operations were not included in calculation.

306-1 – Total water discharge by quality and destination

Operations in Brazil (Deca, Wood and Ceramic Tiles divisions)*

By destination	2019	2018
Effluent discharge in the public sewer system	374,948.9	417,297.3
Effluent discharge in water bodies	394,950.7	318,033.0
Effluent discharge in septic tank	10,791.4	9,139.2
Effluent discharge in irrigation field	-	874,355.9
Total	780,690.9	1,618,825.4
By treatment method		
Physical-chemical treatment only	124,526.7	99,706.0
Biological treatment only	13,777.0	18,196.5
Physical-chemical and biological treatment	631,595.9	618,786.3
Not treated (authorized by legislation)	10,791.4	882,136.6
Total	780,690.9	1,618,825.4

* Reduction in effluent discharge driven by the discontinuation of the Botucatu line operation, which accounted for a significant share of water consumption and generation of effluents.

Operations in Colombia*

By destination	2019	2018
Effluent discharge in the public sewer system	-	-
Effluent discharge in water bodies	115,051.4	143,395.8
Effluent discharge in septic tank	-	-
Effluent discharge in irrigation field	-	-
Total	115,051.4	143,395.8
By treatment method		
Physical-chemical treatment only	-	-
Biological treatment only	-	-
Physical-chemical and biological treatment	115,051.4	143,395.8
Not treated (authorized by legislation)	-	-
Total	115,051.4	143,395.8

* In operations in Colombia, unlike operations in Brazil, we work with only one effluent discharge and water treatment method.

306-2 – Total waste weight by type and disposal method

Waste disposal (metric tons)

Operations in Brazil	2019	2018	2017
By type			
Hazardous	4,130.6	5,303.3	4,792.7
Non-hazardous	82,477.0	119,732.9	127,817.2
Total	86,607.6	125,067.8	132,609.9
By disposal method			
Recycling	30,439.6	40,344.4	27,714.9
Reuse	6,595.0	17,357.6	19,761.8
Landfill	489.5	9,864.3	7,092.6
Industrial landfill	22,561.2	9,453.8	15,926.8
Co-processing	4,463.8	2,489.1	2,174.7
Incineration	1.4	4.2	1.5
Composting	7,938.9	10,852.8	11,298.1
Autoclave	0.7	0.1	0.1
Energy generation	12,792.5	32,318.8	46,055.9
Return to supplier	41.1	528.4	510.4
Decontamination	50.3	80.6	40.5
Chemical treatment	1,233.7	1,775.5	2,032.7
Total	86,607.6	125,067.8	132,609.9

Operations in Colombia	2019
By type	
Hazardous	80.7
Common	3,975.9
Recyclable	3,207.7
Total	7,264.3
By disposal method	
Recycling	195.3
Reuse	0.5
Landfill	263.5
Industrial landfill	3,415.1
Co-processing	-
Incineration	0.2
Composting	297.4
Autoclave	-
Energy generation	3,012.4
Return to supplier	-
Decontamination	-
Chemical treatment	80.0
Reuse	0.5
Total	7,264.3

103-2 and 103-3: Supplier environmental assessment

103-2 and 103-3: Supplier social assessment

103-2 and 103-3: Forced or compulsory labor

In 2019, we implemented the compliance assessment form based on environmental and social criteria for strategic suppliers in Brazil, bid participants and those falling under critical and very critical categories. This model was applied as a test and obtained experiences from the feedback from those involved in procurement processes. The analysis is similar to the questionnaire sent to the participants of the Supplier Management Program (GFD), although more summarized and broken down in only two materials: one for logistics companies, because of the specific characteristics of the industry, and another to suppliers in general. Based on the self-assessment questionnaire responded by the supplier, we are able to rate

the performance and compare it against other competitors. This rate is not the only factor in the decision making process to select the supplier, but rather supplementary data in cases of compliance or E&S impact risk to the business.

The Supplier Management Program provides for strategic suppliers to respond different E&S related questions, and this is one of the seven dimensions assessed by the program. Environmental issues include surveys on environmental licenses, access to and consumption of water and energy, spills, biodiversity impacts and preservation, air emissions, waste disposal, environmental legislation violations. With regard

to social issues, strategic suppliers respond several questions about human rights and related commitments they assumed, for example, when formalizing in their Code of Ethics and Conduct their objection against compulsory labor, child exploitation, corruption, and when presenting practices evidencing their motivation of social impact, inclusion, relations with surrounding communities and support to fight the sexual exploitation of children and adolescents. However, this survey aims at verifying the way suppliers manage social issues, and it is a request for figures, since the purpose is not to impact possible confidential information or aggravate the business relationship. Suppliers who are randomly selected to be

visited must submit evidence to corroborate the truthfulness of the information provided in the self-assessment questionnaire.

We also assess our waste management service suppliers based on environmental criteria, complying with internal approval procedures to approve these suppliers. Visits are paid regardless of the classification of the waste to be disposed of or the size of the receiving company. The supplier registration and engagement process begins after assessment and approval by the technical team.

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

414-2 – Negative social impacts in the supply chain and actions taken

Supplier social and environmental assessments	2019	2018	2017
Number of suppliers that responded the self-assessment questionnaire	191	161	145
Number of suppliers visited	31	31	31
Total number of suppliers assessed	216⁽¹⁾	190	171
Number of suppliers where irregularities were identified	7 (points of attention were identified and will be monitored in 2020; however, over 5 were identified)	2 (blacklisted due to tax-related issues) + 5 (GFD)	4
Percentage of suppliers with significant impact for which there is a plan of action (%)	100	100	100
Percentage of suppliers with significant impact whose agreement was terminated (%)	-	-	-

(1) Number of companies identified by the criticality matrix of the Supplier Management Program (GFD), with 191 respondents.

All the suppliers engaging in the Supplier Management Program receive a Feedback Report at the end of the year, which includes a social and environmental assessment (based on indicators), an analysis of the company's status against others from the segment, and suggestions for improvement based on best market practices. Accordingly, suppliers are expected to develop action plans to allow the continuous improvement of their performance.

401-1 – New employee hires and employee turnover

Operations in Brazil

Number of hires and terminations	2019		2018		2017	
	Hires	Terminations	Hires	Terminations	Hires	Terminations
By gender						
Women	625	687	709	677	448	491
Men	1,899	2,529	2,185	2,413	1,264	1,628
By age group						
Below 30 years old	1,539	1,488	1,760	1,538	1,095	1,099
Between 31 and 50 years old	928	1,528	1,089	1,338	596	895
Over 51 years old	35	200	45	214	21	125
By region						
Northeast	678	623	746	605	481	540
Southeast	1,669	1,885	1,922	2,290	962	1,246
South	637	708	226	195	269	333
Total	2,524	3,216	2,894	3,090	1,712	2,119

Hiring and turnover rates (%)	2019		2018		2017	
	Hiring rate ⁽¹⁾	Turnover rate ⁽²⁾	Hiring rate ⁽¹⁾	Turnover rate ⁽²⁾	Hiring rate ⁽¹⁾	Turnover rate ⁽²⁾
By gender						
Women	36.4	38.2	41	40	26.4	27.7
Men	23.2	27.0	26	27	14.5	16.6
By age group						
Below 30 years old	44.8	43.9	49	46	29.3	29.4
Between 31 and 50 years old	16.3	21.2	18	21	10.0	12.5
Over 51 years old	4.7	15.7	6	18	2.8	9.8
By region						
Northeast	28.6	27.4	31	28	22.1	23.4
Southeast	24.3	25.8	29	32	13.5	15.5
South	22.8	56.9 ⁽³⁾	20	19	24.0	26.8
Total	5.1	32.0	28	29	16.4	18.4

(1) Number of employees hired to total employees at the end of the period.

(2) Average between hires and terminations to total employees at the end of the period.

(3) Difference between 2019 and 2018 driven by the termination of the bathroom fixtures unit in São Leopoldo (State of Rio Grande do Sul).

Operations in Colombia

Number of hires and terminations	2019		2018	
	Hires	Terminations	Hires	Terminations
By gender				
Women	20	24	20	19
Men	92	77	46	49
By age group				
Below 30 years old	66	46	34	26
Between 31 and 50 years old	45	46	32	32
Over 51 years old	1	9	-	10
By region				
Barbosa Plant	43	41	23	25
Yarumal Plant	37	30	15	11
Manizales Plant	6	7	6	10
Head and regional offices	26	23	22	22
Total	112	101	66	68

Hiring and turnover rates	2019		2018	
	Hiring rate ⁽¹⁾	Turnover rate ⁽²⁾	Hiring rate ⁽¹⁾	Turnover rate ⁽²⁾
By gender				
Women	0.04	0.1	-	0.1
Men	0.2	0.3	0.1	0.2
By age group				
Below 30 years old	0.1	0.2	0.1	0.1
Between 31 and 50 years old	0.1	0.2	0.1	0.1
Over 51 years old	0.002	0.018	-	-
By region				
Barbosa Plant	0.1	0.2	-	0.1
Yarumal Plant	0.1	0.1	-	-
Manizales Plant	0.01	0.024	-	-
Head and regional offices	0.05	0.1	-	0.1
Total	0.2	0.4	0.1	0.3

(1) Number of employees hired to total employees at the end of the period.

(2) Average between hires and terminations to total employees at the end of the period.

401-3 – Parental leave

Parental (maternal/paternal) leave in operations in Brazil

	2019		2018		2017	
	Men	Women	Men	Women	Men	Women
Total employees eligible for leave ⁽¹⁾	7,887	1,675	8,513	1,718	341	93
Total employees who took leave	295	65	293	68	341	93
Total employees who returned to work following the leave ⁽²⁾	288	62	293	68	341	68
Total employees who remained employed one year after returning from the leave	270	63	260	50	N/A	N/A
Rate of return following the leave (%)	98	95	100	100	100	73
Rate of retention following the leave (%)	94	83	89	74	N/A	N/A

(1) In 2019, unlike prior years, the calculation considered that all employees active on December 31, 2019 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 (maternal/paternal) leave in operations in Colombia

	2019		2018	
	Men	Women	Men	Women
Total employees eligible for leave	436	108	424	111
Total employees who took leave	5	1	10	2
Total employees who returned to work following the leave	5	-	10	2
Total employees who remained employed one year after returning from the leave	5	-	10	-
Rate of return following the leave(%) ⁽¹⁾	100	100	100	100
Rate of retention following the leave (%) ⁽²⁾	-	-	100	-

(1) Employees who returned to work following the leave, even if their employment was terminated in 2019.

(2) Employees who returned to work following the leave and remained at the company in 2019.

403-9 – Work-related injuries

Operations in Brazil

Frequency and severity of accident rates and absenteeism rates among employees (%)⁽¹⁾

By business	2019			2018			2017		
	Frequency rate	Severity rate	Absenteeism	Frequency rate	Severity rate	Absenteeism	Frequency rate	Severity rate	Absenteeism
Forest	1.45	155.73	2.98	1.82	23.24	0.87	3.1	110.6	N/A
Panels	1.06	59.14	2.25	2.66	24.93	0.74	5.2	1,586.9	N/A
Deca	2.65	84.91	3.59	2.65	67.54	1.46	4.8	155.6	N/A
Hydra ⁽²⁾				0.77	20.32	1.80	5.3	37.3	N/A
Ceramic Tiles	1.08	17.31	1.19	3.63	284.07	N/A	N/A	N/A	N/A
Head office	1.92	16.35	1.98	-	-	0.47	-	-	N/A
Duratex Consolidated⁽³⁾	2.11	80.28	3.16	2.24	53.75	1.24	4.5	438.1	3.4⁽⁴⁾

(1) Rates are calculated according to the guidelines of the NBR 14,280 standard of ABNT (Brazilian Technical Standards Association). 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.

(2) Hydra was included in Deca.

(3) Absenteeism for Duratex Consolidated does not include Ceusa data.

(4) Up to 2017, the absenteeism rate was not calculated by unit.

The internal communication for workers is planned through our health and safety management system, DURASEG, that includes a documented and implemented incident registration system, classifying incidents based on their potential to generate life-altering changes and fatalities, and through a critical incidents system, also known as Serious Injuries and Fatalities (SIF). Internal communication is also carried out by leaders and supervisors by means of disclosure of performance indicators, lectures, courses, awareness raising campaigns, visual management boards and/or specific meetings. Employees are guided and made aware to constantly monitor the work environment to identify risks and take corrective and preventive actions, as well as propose improvements, think and act to prevent occupational incidents and accidents and immediately report any deviations, risk situations, incidents and accidents.

Employees receive guidance on the right to refuse, ensuring that all employees are entitled to refuse starting or interrupting an activity because they believe it involves a serious and imminent risk to their own or others' safety and health. Once the risk situation is identified, the employee must immediately report it to their superior or to the safety technician, who, if necessary, must take the appropriate measures to eliminate or neutralize the risk without expecting reprisals.

403-9 – Work-related injuries

Operations in Colombia*

	2019	
	Frequency rate (%)	Severity rate (%)
Barbosa	11	115
Yarumal	4	106
Manizales	7	129
Office	1	4

* In 2019, based on Resolution No. 0312 of February 13, minimum occupational safety and health indicators were changed for companies in Colombia, which must include events of one day off, as follows: Accident frequency: Number of occupational accidents in the month / Number of workers in the month * 100 Accident severity: Number of days off due to occupational accidents in the month + number of days paid in the month / Number of workers in the month * 100.

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

Corporate, Wood and Deca – Brazil

Average hours of training per year per employee	2019 ⁽¹⁾	2018 ⁽²⁾	2017
By gender			
Men	32.00	20.3	32.4
Women	22.76	14.06	41.8
By job level			
Management	29.01	44.72	47.8
Coordination	24.08	41.24	29.0
Supervisors	52.18	69.50	23.4
Senior management	24.47	18.30	17.8
Trainees ⁽³⁾	391.45	-	143.2
Administrative	15.16	21.30	9.2
Technical staff	48.32	20.68	21.7
Operational staff	30.34	16.40	15.2
Apprentices	20.63	7.87	177.4
Overview	30.44	19.25	34.4

(1) In 2019, data on average hours by gender and job level included all employees, including officers, interns and board members. For the Ceramic Tiles operations, since there is a merger process in progress, the data have not yet been integrated and are therefore still presented separately.

(2) In 2018, the data on average hours by gender included all employees, including officers, interns and board members. For the Ceramic operations, only culture training was included as it is a corporate action for all business. In the same year, training under the Culture Project on Duratex Way of Being and Doing was provided for all levels of leaders– this is why figures are higher.

(3) Training hours of trainees in 2018 were included in the training hours of the higher job level.

Ceramic Tiles*

Average hours of training per year per employee	2019
By gender	
Men	27.26
Women	54.99

* Data still do not include Ceccrisa's Ceramic Tiles units, since they have been recently acquired.

Colombia

Average hours of training per year per employee	2019	2018
By gender		
Men	62.8	10.3
Women	62.8	27.2
By job level		
Management	62.8	N/A
Coordination	62.8	47.2
Supervisors	61.6	22.2
Senior management	66.5	15.2
Trainees	N/A	N/A
Administrative	62.8	28.8
Technical staff	62.8	9.4
Operational staff	62.8	4.1
Apprentices	62.8	3.8
Overview	62.8	12.6

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

Brazil	Employees assessed	Total employees	Percentage to the total (%)
By gender			
Men	428	7,905	6
Women	110	1,677	5
Overview	538	9,582	5.6
By job level			
Management	59	68	87
Coordination	140	173	81
Supervisors	191	240	80
Senior management	119	1,066	11
Trainees	22	22	100
Administrative	N.A.	N.A.	N.A.
Technical staff	N.A.	N.A.	N.A.
Operational staff	N.A.	N.A.	N.A.
Apprentices	N.A.	N.A.	N.A.
Overview	538	9,582	5.6

Colombia	2019			2018		
	Employees assessed	Total employees	Percentage to the total (%)	Employees assessed	Total employees	Percentage to the total (%)
By gender						
Men	46	436	10.6	43	434	9.9
Women	35	108	32.4	33	121	27.3
Grand total	81	544	14.9	76	555	13.7
By job level*						
Management	7	7	100	8	8	100
Coordination	15	20	75	53	57	93
Supervisors	59	54	109	13	14	93
Senior management	-	-	N/A	N/A	N/A	N/A
Trainees	-	-	N/A	N/A	N/A	N/A
Administrative	-	-	N/A	2	2	100
Technical staff	-	-	N/A	N/A	N/A	N/A
Operational staff	-	-	N/A	N/A	N/A	N/A
Apprentices	-	-	N/A	N/A	N/A	N/A
Grand total	81	81	100	76	81	94

* In Colombia, job positions used for this consolidation were: management (managers and officers), coordination (heads and coordinators), supervision (engineers) and administrative (specifier and commercial). The calculation includes apprentices.

405-1 – Diversity of governance bodies and employees

Breakdown of governance bodies (Board of Directors and Executive Board)*

2019	Total men	Percentage of men (%)	Total women	Percentage of women (%)
Board of Directors	8	89	1	11
Executive Board	12	92	1	8

* We report to Duratex's Board of Directors, not counting Specialists and Alternates.

Breakdown of governance bodies (Board of Directors and Executive Board) by gender

2019				2018				2017			
Total men	Percentage of men (%)	Total women	Percentage of women (%)	Total men	Percentage of men (%)	Total women	Percentage of women (%)	Total men	Percentage of men (%)	Total women	Percentage of women (%)
25	81	6	19	26	81	6	19	22	82	5	19

Breakdown of governance bodies (Board of Directors and Executive Board) by age group

2019						2018						2017					
Below 30 years old	Percentage (%)	From 31 to 50	Percentage (%)	Over 51 years old	Percentage (%)	Below 30 years old	Percentage (%)	From 31 to 50	Percentage (%)	Over 51 years old	Percentage (%)	Below 30 years old	Percentage (%)	From 31 to 50	Percentage (%)	Over 51 years old	Percentage (%)
-	-	10	32	21	68	-	-	13	41	19	59	-	-	9	33	18	67

Employees by ethnicity (operations in Brazil)* – %

	2019	2018	2017
White	56	58	61.5
Pardo Brazilians	34	33	31.3
Black	10	8	7.0
East Asians	1	-	0.2

* Information on ethnicity was self-declared by employees. In addition to these data, our staff includes 0.1% indigenous and 0.3% of workers did not indicate their ethnicity.

Breakdown of job levels by gender (Corporate, Wood and Deca – Brazil) – %

	2019		2018		2017	
	Men	Women	Men	Women	Men	Women
Management	80	20	84	16	86.7	13.3
Coordination	76	24	76	24	80.7	19.3
Supervisors	87	13	90	10	92.4	7.6
Senior management	64	36	64	36	64.5	35.5
Trainees	55	45	-	-	50.0	50.0
Administrative	62	38	62	38	62.4	37.6
Technical staff	96	4	95	5	94.3	5.7
Operational staff	90	10	89	11	89.6	10.4
Apprentices	50	50	64	36	67.4	32.6
Total	73	27	83	17	84	16

Breakdown of job levels by gender (Ceramic Tiles)* – %

	2019		2018	
	Men	Women	Men	Women
Management	100	-	40	60
Coordination	67	33	62	37
Supervisors	93	7	87	13
Senior management	44	56	38	61
Trainees	-	-	-	-
Administrative	58	42	15	85
Technical staff	100	-	100	-
Operational staff	95	5	93	7
Apprentices	42	58	38	61
Total	88	12	78	21

* Data still do not include Ceccrisa's Ceramic Tiles units, since they have been recently acquired.

Breakdown of job levels by age group (Corporate, Wood and Deca – Brazil) – %

	2019			2018			2017		
	Below 30 years old	Between 31 and 50 years old	Over 51 years old	Below 30 years old	Between 31 and 50 years old	Over 51 years old	Below 30 years old	Between 31 and 50 years old	Over 51 years old
Management	-	74	26	-	80	20	-	72	28
Coordination	8	80	13	6	87	6	10	78	13
Supervisors	13	76	11	7	87	7	13	76	11
Senior management	34	61	5	58	38	4	37	58	5
Trainees	100	-	-	-	-	-	100	-	-
Administrative	47	50	3	44	53	3	50	45	4
Technical staff	18	74	8	30	67	4	23	70	8
Operational staff	32	60	8	32	61	7	34	58	8
Apprentices	100	-	-	100	-	-	100	-	-
Total	34	59	7	35	59	6	36	57	7

Breakdown of job levels by gender (operations in Colombia) – %

	2019	
	Men	Women
Management	86	14
Coordination	75	25
Supervisors	46	54
Senior management	59	41
Trainees	-	-
Administrative	53	47
Technical staff	95	5
Operational staff	94	6
Apprentices	-	-
Total	80	20

Breakdown of job levels by age group (Ceramic Tiles)* – %

	2019			2018			2017		
	Below 30 years old	Between 31 and 50 years old	Over 51 years old	Below 30 years old	Between 31 and 50 years old	Over 51 years old	Below 30 years old	Between 31 and 50 years old	Over 51 years old
Management	-	100	-	-	80	20	-	72	28
Coordination	-	100	-	6	87	6	10	78	13
Supervisors	-	100	-	7	87	7	13	76	11
Senior management	22	78	-	58	38	4	37	58	5
Trainees	-	-	-	-	-	-	100	-	-
Administrative	70	24	6	44	53	3	50	45	4
Technical staff	31	66	3	30	67	4	23	70	8
Operational staff	34	59	7	32	61	7	34	58	8
Apprentices	100	-	-	100	-	-	100	-	-
Total	37	57	6	35	59	6	36	57	7

* For the Ceramic Tiles operations, since there is a merger process in progress, the data have not yet been consolidated and are therefore still presented separately.

Breakdown of job levels, by age group
(operations in Colombia) – %

2019

	Below 30 years old	Between 31 and 50 years old	Over 51 years old
Management	-	71	29
Coordination	5	85	10
Supervisors	30	66	4
Senior management	28	56	17
Trainees	-	-	-
Administrative	47	46	6
Technical staff	16	64	20
Operational staff	28	55	16
Apprentices	-	-	-
Total	29	57	14

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

Operations in Brazil*

Basic salary by gender and job level (R\$)

	2019			2018			2017		
	Women	Men	Proportion (%)	Women	Men	Proportion (%)	Women	Men	Proportion (%)
Management	25,168	27,374	92	24,574	26,489	93	23,843	25,423	94
Coordination	12,020	12,740	94	11,639	11,994	97	10,955	11,741	93
Supervisors	6,746	6,929	97	6,347	6,534	97	6,838	6,296	109
Senior management	5,102	5,667	90	5,037	5,385	93	5,044	5,091	99
Trainees	5,517	5,519	100	-	-	-	5,186	5,186	100
Administrative	1,717	1,849	93	1,763	1,841	96	1,829	1,895	96
Technical staff	2,858	3,621	79	2,681	3,516	76	2,910	3,563	82
Operational staff	1,301	2,073	63	1,214	2,006	60	1,220	2,050	59
Apprentices	591	627	94	580	635	91	557	559	100
Staff average	6,780	7,378	92	2,715	2,820	96	2,864	2,685	107

* For the Ceramic Tiles operations, since there is a merger process in progress, the data have not yet been consolidated and are therefore still presented separately.

Ceramic Tiles

Basic salary by gender and job level (R\$)

	2019			2018		
	Women	Men	Proportion (%)	Women	Men	Proportion (%)
Management	N/A	26,000	N/A	11,411	15,687	73
Coordination	8,826	10,220	86	6,801	7,648	89
Supervisors	6,368	6,090	104	5,750	5,749	100
Senior management	4,683	4,046	116	4,618	4,349	106
Trainees	N/A	N/A	N/A	N/A	N/A	N/A
Administrative	2,693	2,522	107	3,208	3,264	98
Technical staff	N/A	4,255	N/A	N/A	4,035	N/A
Operational staff	3,149	2,874	109	2,720	2,700	101
Apprentices	585	544	107	568	521	109
Staff average*	3,023	3,299	91	3,784	3,237	117

* The change between 2018 and 2019 figures reflects the search for synergies between Ceusa units and the operations acquired in 2019.

Operations in Colombia

Basic salary by gender and job level (in Colombian pesos)⁽¹⁾

	2019			2018		
	Women	Men	Proportion (%)	Women	Men	Proportion (%)
Management ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A
Coordination	6,695,105	6,909,615	97	4,141,523	5,449,804	76
Supervisors	4,040,927	3,942,785	102	3,302,111	3,310,147	100
Senior management	3,432,330	2,805,997	122	1,698,322	1,552,254	109
Trainees ⁽³⁾	-	-	-	-	-	-
Administrative	1,781,710	2,213,092	81	2,904,724	5,517,013	53
Technical staff	1,561,036	2,462,800	63	1,191,869	2,305,375	52
Operational staff	1,185,378	1,237,852	96	1,129,479	1,170,534	96
Staff average	2,077,387	2,174,682	96	1,796,004	2,413,141	74⁽⁴⁾

(1) Apprentices are not included in this indicator.

(2) In the operation in Colombia, management basic salaries are not disclosed.

(3) There were no trainees in 2018 and 2019.

(4) The 2018 data was emended due to calculation correction.

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

Based on the Sustainability Strategy, the action plan is focused on enhancing positive impact, taking into account eco-efficiency processes, sustainable forest management and responsible supply chain.

We continuously seek to minimize negative local impacts inherent in our business activities. In the forest units, the priority aspects for action are dust emission and possible damage to unpaved roads due to truck traffic. In this regard, we comply with a strict logistics plan and carry out preventive actions, such as prior humidification of routes and improvement of road conditions.

To address the impacts from wood harvest and transportation, our sustainability strategy includes a target to have 100% of communities involved in the harvest planning by 2025. To meet this target, we carried out a characterization of the surrounding areas of forests where harvesting is underway, operation micro-planning including care measures

to be adopted, assisted by environmental and social monitoring technicians, and dialogues with stakeholders present in the areas, such as timber harvesting and transportation operations and operation impact monitoring. In 2019, these actions were carried out at the following units: Bathroom Fittings São Paulo (State of São Paulo), Itapetininga (State of São Paulo), Cabo de Santo Agostinho (State of Pernambuco), Uberaba (State of Minas Gerais) and at all plants.

Impacts on industrial activities are related to noise and particulate emissions, mostly found at units near urban areas: Bathroom Fittings São Paulo (State of São Paulo), in the Deca Division; and Uberaba (State of Minas Gerais), Agudos (State of São Paulo) and Taquari (State of Rio Grande do Sul), in the Wood Division. We have developed a Monitoring Plan at these locations to guarantee that sound and air pollution is within legal limits, and created a formal procedure for registering, managing and solving the demands of the communities in these regions.

The occurrence of wildfires, either natural or arson, is inherent in the process. Our mitigation actions include fire brigade training, sites for water collection for firefighting with water trucks, an emergency action plan and a local community communication plan for care and cooperation.

The negative impact of Colombia operations in the forest area is reflected on timber transportation by trucks on roads also used by communities, which often cross small cities. In some cases, the roads are blocked for a period and we also have to deal with some truck traffic restrictions. We have been actively working with local government and communities through actions and agreements on forest operations in common agreement among the parties.

Correlation between Global Compact and SDG

PRINCIPLES OF THE UN GLOBAL COMPACT

PAGES

HUMAN RIGHTS



5; 6; 14; 23; 30; 32; 36 a 41; 44 a 48; 50; 55 to 57; 69; 71; 83; 84; 90; 93

LABOR



28; 36; 38; 39; 41; 49; 64 a 68; 71; 85; 88 to 90 and 92

ENVIRONMENT



5; 6; 14; 23; 30; 32; 36; 39 to 41; 44 to 48; 49; 50 to 52; 55; 62; 69; 73 to 84

ANTICORRUPTION



32; 40; 41; 69; 70



1. Respect and support internationally proclaimed human rights in their area of influence.



2. Make sure that the company is not complicit in human rights abuses.



3. Uphold the freedom of association and the recognition of the right to collective bargaining.



4. Eliminate all forms of forced and compulsory labor.



5. Eradicate all forms of child labor in its production chain.



6. Encourage practices that eliminate any type of discrimination in respect of employment.



7. Assume practices that adopt a precautionary, responsible and proactive approach to environmental challenges.



8. Develop initiatives and practices to promote and spread environmental responsibility.



9. Encourage the development and diffusion of environmentally friendly technologies.



10. Fight corruption in all its forms, including extortion and bribery.



SUSTAINABLE DEVELOPMENT GOALS

PAGES

1	5; 6; 14; 23; 30; 32; 36 to 41; 44 to 48; 50; 55; 69; 71; 83 and 93
2	47; 55; 56; 93
3	52; 80 to 82
4	88 and 89
5	5; 6; 14; 23; 30; 32; 36 to 41; 44; 46 to 48; 50; 55; 56; 64 to 67; 69; 71; 84; 85; 86; 89 to 92
6	48; 49; 50; 53; 56; 59; 62; 81; 82 and 84
7	47; 48 to 50; 55; 56; 62; 77
8	5; 6; 14; 23; 30; 32; 36 to 41; 44 to 48; 50; 55; 64 to 69; 71; 85 to 92

PAGES

9	10; 11; 21; 22; 47; 55; 56
10	55; 57; 59; 92
11	48 to 50; 55; 56
12	40; 41; 48 to 50; 52; 73 to 78; 82
13	23; 48; 49; 51; 52; 77; 80; 81
14	23; 48; 48; 50; 52; 78
15	52; 79 and 80
16	5; 6; 14; 23; 30; 32; 34; 36 to 41; 44 to 48; 50; 51; 55 to 57; 69; 71; 73; 83 and 84



To learn more, please click [here](#).



To learn more, please click [here](#).

GRI Content Index |102-55|

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index and the references for Disclosures 102-40 to 102-49 are aligned with the appropriate sections in the body of the report. The service was developed in the Portuguese version of the document.



GRI 101: Foundation 2016

GRI 102: General disclosures 2016	Standard	Page and/or Direct Answer	Omission	UNGC	SDG
Organizational profile					
	102-1: Name of the organization	10; 30			
	102-2: Activities, brands, products, and services	10; 11			
	102-3: Location of headquarters	10			
	102-4: Location of operations	10			
	102-5: Ownership and legal form	30			
	102-6: Markets served	10			
	102-7: Scale of the organization	10			
	102-8: Information on employees and other workers	64 to 68		6	8
	102-9: Supply chain	40; 41			
	102-10: Significant changes to the organization and its supply chain	20; 33; 40			
	102-11: Precautionary principle or approach	48			
	102-12: External initiatives	<p>We voluntarily endorsed the following external initiatives: Global Compact (since 2008); Programa Liderança Sustentável (Sustainable Leadership Program); Pró Ética (Pro Ethics – Ethos Institute); Na Mão Certa (in the Right Hand) program (Childhood Brasil – since 2016); Movimento Mulher 360 (Women 360 movement) (since 2016); Iniciativas Empresariais Centro de Estudos em Sustentabilidade da Fundação Getulio Vargas (Business Initiatives – Center for Sustainability Studies of Fundação Getulio Vargas (FGV) – since 2014); Comissão Brasileira de Acompanhamento do Relato Integrado; Programa Brasileiro GHG Protocol (Brazilian Integrated Reporting Oversight Commission; Brazilian GHG Protocol Program – since 2011); and the Carbon Disclosure Project.</p>			
	102-13: Membership of associations	<p>The involvement with associations and entities enable us to anticipate trends and monitor market evolutions in the different segments in which we operate. In 2019, we continued to take part in Abrasca (Brazilian Association of Publicly-Held Companies, Fiesp (Federation of Industries of the State of São Paulo), IBRI (Brazilian Institute of Investor Relations), Ethos Institute and Rede Empresarial Brasileira de Avaliação de Ciclo de Vida (Rede ACV - Brazilian Corporate Network for Life Cycle Assessment), where we have a representative in the Decision Making Council. Participation in industry organizations has also contributed to the qualification of our activities. With regard to the forest industry, we understand our presence as strategic in the following associations: Associação Gaúcha de Empresas Florestais (Ageflor – Association of Forest Companies of Rio Grande do Sul); Associação Mineira de Silvicultura (AMS – Forestry Association of Minas Gerais); Associação Paulista dos Produtores, Fornecedores e Consumidores de Florestas Plantadas (Florestar – Association of Producers, Suppliers and Consumers of Planted Forests of the state of São Paulo); FSC International and FSC Brazil, global benchmark in responsible forest management; IBÁ, where we have a representative in the decision Making Council; Instituto de Pesquisa e de Estudos Florestais (IPEF - Institute of Forest Research and Studies); and Sociedade de Investigações Florestais (SIF – Forest Investigation Society). Through the Deca division, we are also associated to and engaged in specific projects of Abrasip (Brazilian Association of Engineering for Building Systems), ABDEH (Brazilian Association for the Development of Hospital Building) and Green Building Council Brazil. Through the Hydra division we participate in the Abinee (Brazilian Electrical and Electronics Industry Association), whereas Ceusa represents Duratex in Anfacer (Brazilian Association of Manufacturers of Ceramic Tiles).</p>			
Strategy					
	102-14: Statement from senior decision-maker	5; 6			
	102-15: Key impacts, risks, and opportunities	61			

GRI 102: General disclosures 2016	Standard	Page and/or Direct Answer	Omission	UNGC	SDG
Ethics and integrity					
	102-16: Values, principles, standards, and norms of behavior	32; 41		10	16
	102-17: Mechanisms for advice and concerns about ethics	32		10	16
Governance structure					
	102-18: Governance structure	31; 32			
	102-28: Evaluating the highest governance body's performance	The formal evaluation of the Board of Directors, and of its supporting committees, is carried out every two years, under the supervision of the Personnel, Governance and Nomination Committee, taking into consideration self-evaluations and peer analyses. This process also includes an individual feedback step to set out action plans for the ongoing improvement of each executive.			
	102-29: Identifying and managing economic, environmental, and social impacts	34; 51			16
	102-34: Nature and total number of critical concerns	69			
	102-35: Remuneration policies	31; 71			
Stakeholder engagement					
	102-40: List of stakeholder groups	25			
	102-41: Collective bargaining agreements	38		3	8
	102-42: Identifying and selecting stakeholders	25 We continuously foster our stakeholder engagement (employees, customers, suppliers, communities, shareholders and civil society) through institutional communications, meetings and contacts of our different departments. Investors, customers, suppliers, opinion makers and employees were specifically engaged in the Materiality Process to this Report and to the Sustainability Strategy definition process.			
	102-43: Approach to stakeholder engagement	24; 40; 41; 44; 53			
	102-44: Key topics and concerns raised	25; 40; 55			
Reporting practice					
	102-45: Entities included in the consolidated financial statements	4 Our financial statements include the results and other information of the Wood (including our operations in Colombia), Deca and Ceramic Tiles divisions. As of July 31, 2019, we consolidate the results of newly acquired Cecrisa, a ceramic tile company that holds the Cecrisa and Portinari brands. Information on the dissolving wood pulp (DWP) project in partnership with Lenzing AG is also included.			
	102-46: Defining report content and topic boundaries	25; 72			
	102-47: List of material topics	25; 72			
	102-48: Restatements of information	Not applicable.			
	102-49: Changes in reporting	72			
	102-50: Reporting period	4			
	102-51: Date of most recent report	4			
	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	95 to 100			
	102-56: External assurance	4; 101; 102			

Material topics	Standard	Page and/or Direct Answer	Omission	UNGC	SDG
GRI 201: Economic performance 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	5; 6; 46; 47		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	46; 47			
	201-1: Direct economic value generated and distributed	47			2, 5, 7, 8, 9
GRI 202: Market presence 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	5; 6; 37		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	37			
	202-1: Ratios of standard entry level wage by gender compared to local minimum wage	71		6	1, 5, 8
GRI 203: Indirect economic impacts 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	55		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	55			
	203-1: Infrastructure investments and services supported	55; 56			2, 5, 7, 9, 11
GRI 204: Procurement practices 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	14; 40; 41		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	14; 40; 41			
	204-1: Proportion of spending on local suppliers	73			12
GRI 205: Anti-corruption					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	32; 69		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	32; 69			
	205-3: Confirmed incidents of corruption and actions taken	73		10	16
GRI 206: Anti-competitive behavior 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	32; 41		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	32; 41			
	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No cases of anti-competitive behavior, anti-trust and monopoly practices reported.			16
GRI 301: Materials 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	23; 50		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	23; 50			
	301-1: Materials used by weight or volume	73 to 76		7, 8	8, 12
	301-2: Recycled input materials used	76			8, 12

Material topics	Standard	Page and/or Direct Answer	Omission	UNGC	SDG
GRI 302: Energy 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	50		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	50			
	302-1: Energy consumption within the organization	77		7, 8	7, 8, 12, 13
GRI 303: Water 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	50		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	50			
	303-1: Water withdrawal by source	50		7, 8	6
	303-3: Water recycled and reused	78			
GRI 304: Biodiversity 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	48		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	48			
	304-3: Habitats protected or restored	79 and 80		8	6, 14, 15
GRI 305: Emissions 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	50; 51		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	50; 51			
	305-1: Direct (Scope 1) GHG emissions	52; 80		7, 8	3, 12, 13, 14, 15
	305-2: Energy indirect (Scope 2) GHG emissions	52; 80		7, 8	3, 12, 13, 14, 15
	305-3: Other indirect (Scope 3) GHG emissions	52; 80		7, 8	3, 12, 13, 14, 15
305-4: GHG emissions intensity	81		8	13, 14, 15	
GRI 306: Effluents and waste 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	50		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	50			
	306-1: Water discharge by quality and destination	81		8	3, 6, 12, 15
	306-2: Waste by type and disposal method	82		8	3, 6, 12
	306-3: Significant spills	No significant leakage occurred at Duratex units in 2019.		8	3, 6, 12, 15

Material topics	Standard	Page and/or Direct Answer	Omission	UNGC	SDG
GRI 307: Environmental compliance 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	23; 32		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	23; 32			
	307-1: Non-compliance with environmental laws and regulations	We received a total of 12 tax assessment notices, but the monetary amount of the fines was not significant. We clarify that these are not significant, non-recurring and specific occurrences for which we have already taken proper measures, as well as we have lodged and submitted our defense and responses to proper bodies.		8	16
GRI 308: Supplier environmental assessment 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	83		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	83			
	308-2: Negative environmental impacts in the supply chain and actions taken	84		8	
GRI 401: Employment 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	37; 38; 71		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	37; 38; 71			
	401-1: New employee hires and employee turnover	85 and 86		6	5, 8
	401-3: Parental leave	86		6	5, 8
GRI 403: Occupational health and safety 2018					
GRI 103: Management approach 2018	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	39		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	39			
	403-1: Occupational health and safety management system	39		8	
	403-2: Hazard identification, risk assessment, and incident investigation	39			3, 8
	403-4: Worker participation, consultation, and communication on occupational health and safety	39			8
	403-5: Worker training on occupational health and safety	39			
	403-9: Work-related injuries	87 and 88			
GRI 404: Training and education 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	36		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	36			
	404-1: Average hours of training per year per employee	88		6	4, 5, 8
	404-2: Programs for upgrading employee skills and transition assistance programs	36			8
	404-3: Percentage of employees receiving regular performance and career development reviews	89		6	5, 8

Material topics	Standard	Page and/or Direct Answer	Omission	UNGC	SDG
GRI 405: Diversity and equal opportunity 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	23; 30; 38		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	23; 30; 38			
	405-1: Diversity of governance bodies and employees	90 to 92		6	5, 8
	405-2: Ratio of basic salary and remuneration of women to men	92		6	5, 8, 10
GRI 409: Forced or compulsory labor 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	83		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	83			
	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	In 2019, no significant risk for incidents of forced, compulsory or child labor in the operations in Brazil and in Colombia was identified.		4	8
GRI 413: Local communities 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	55		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	55			
	413-1: Operations with local community engagement, impact assessments, and development programs	55 to 57		1	
	413-2: Operations with significant actual and potential negative impacts on local communities	93		1	1, 2
GRI 414: Supplier social assessment 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	83		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	83			
	414-2: Negative social impacts in the supply chain and actions taken	84		2	6, 8, 16
GRI 416: Customer health and safety 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	23		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	23			
	416-1: Assessment of the health and safety impacts of product and service categories	43			
GRI 419: Socioeconomic compliance 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	25			
	103-2: The management approach and its components	23		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	23			
	419-1: Non-compliance with laws and regulations in the social and economic area	No significant fines or sanctions for non-compliance with laws and regulations in the socioeconomic area were received in 2019.			



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Independent auditors' limited assurance report

To the Board of Directors, Shareholders and Stakeholders
Duratex S.A.
São Paulo - SP

Introduction

We have been engaged by Duratex S.A. (Duratex or "Company") to apply limited assurance procedures on the sustainability information disclosed in Duratex's Annual Report 2019, related to the year ended December 31st, 2019.

Responsibilities of Duratex's Management

The Management of Duratex is responsible for adequately preparing and presenting the sustainability information in the Annual Report 2019 in accordance with the *Standards for Sustainability Report of Global Reporting Initiative -GRI*, as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the Duratex's Annual Report 2019 based on a limited assurance engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards) and the methodology developed globally by KPMG for assurance of social and environmental information disclosed in sustainability reports denominated KPMG Sustainability Assurance Manual - KSAM, applicable to historical non-financial information.

These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Duratex's Annual Report 2019, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards) and the KPMG Sustainability Assurance Manual - KSAM consists mainly of questions and interviews with the Management of Duratex and other professionals of the Company involved in the preparation of the information disclosed in the Duratex's Annual Report 2019 and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor ac-

knowledges issues which may lead them to believe that the information disclosed in the Duratex's Annual Report 2019 taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the Annual Report 2019, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) Engagement planning: considering the material aspects for Duratex's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Duratex's Annual Report 2019. This analysis defined the indicators to be checked in details;
- (b) Understanding and analysis of disclosed information related to material aspects management;

KPMG Financial Risk & Actuarial Services Ltda., uma sociedade simples brasileira, de responsabilidade limitada, e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Financial Risk & Actuarial Services Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

(c) Analysis of preparation processes of the Annual Report 2019 and its structure and content, based on the Principles of Content and Quality of the Standards for sustainability report of the Global Reporting Initiative - GRI (GRI-Standards);

(d) Evaluation of non financial indicators selected:

- Understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
- Application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Annual Report 2019;
- Analysis of evidence supporting the disclosed information;
- Visits to Duratex's operations and offices for application of these procedures, and items (b) and (c);

(e) Analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;

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

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the Annual Report 2019.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in Duratex's Annual Report 2019 is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of *Global Reporting Initiative - GRI (GRI- Standards)*, as well as its source records and files.

São Paulo, July 15th, 2020

KPMG Financial Risk & Actuarial Services Ltda.


Ricardo Algis Zibas
Principal

KPMG Financial Risk & Actuarial Services Ltda., uma sociedade simples brasileira, de responsabilidade limitada, e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

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We present the carbon balance of our operations in Brazil, as well as the biogenic emissions from renewable fuel and information on emissions in Colombia. This is the first year of the report in accordance with ISO 14,064-I, following the discussion lines and suggestions relevant to the industry of trees from planted forests.

Brazil

Inventory of GHG emissions and removals (tCO₂e)

	2019
Scope 1	
Emissions ⁽¹⁾	154,478.7
Biogenic emissions ⁽²⁾	57,208.6
Biogenic removals ⁽²⁾	-550,172.9
Subtotal (Scope 1)	-338,485.7
Scope 2 (market-based)⁽³⁾	45,926.9
Total Duratex Scope 1 + Scope 2	-292,558.8
Scope 3	87,973.1
Total Duratex (balance between emissions and removals)	-204,585.6

(1) These include industrial Scope 1 emissions and agriculture emissions from the use of chalk and nitrogen-based fertilizer.

(2) Emissions and removals from changes in carbon stock in planted forests, growth of native vegetation areas and losses (wildfires).

(3) Result of Scope 2 emissions. Location-based corresponds to 51,548.22 tCO₂e.

Biogenic emissions – renewable fuel

	2019
Scope 1	491,249.7
Scope 3	8,009.8

Colombia

Inventory of GHG emissions and removals (tCO₂e)

	2019
Scope 1	12,714.9
Scope 2	12,599.5
Scope 3	-
Total	25,314.4

Biogenic emissions – renewable fuel

	2019
Scope 1	40,431.9
Scope 3	-

Inventory of GHG emissions and removals (tCO₂e) – Duratex S.A. Consolidated Information

	2019
Scope 1	
Emissions	167,193.5
Biogenic emissions	57,208.6
Biogenic removals	-550,172.9
Subtotal (Scope 1)	-325,770.8
Scope 2	58,526.4
Total Duratex Scope 1 + Scope 2	-267,244.4
Scope 3	87,973.1
Total Duratex (balance between emissions and removals)	-179,270.2

Biogenic emissions – renewable fuel

	2019
Scope 1	531,681.7
Scope 3	8,009.8

DECLARAÇÃO

Plantar Carbon Ltda.

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Declaramos que a Plantar Carbon Ltda. executou trabalho de revisão metodológica de inventário de emissões e remoções de gases de efeito estufa, para a componente de uso da terra e florestas, realizado pela Duratex S.A. (ano base 2019). O objetivo geral foi avaliar a consistência dos cálculos realizados pela própria empresa. O referido trabalho de revisão foi baseado no seguinte escopo:

- Análise da forma de coleta e processamento de dados, premissas e principais fatores.
- Revisão da metodologia de estimativa de estoques e fluxos (remoções e/ou emissões) de carbono florestal.
- Revisão dos fatores de emissão de gases de efeito estufa relacionados a fertilização, calagem e incêndios.
- Sugestões de melhoria.

Com base no escopo acima, bem como nas premissas e pressupostos adotados pela Duratex S.A., entendemos que os cálculos referentes ao ano-base 2019 estão coerentes com a base metodológica adotada pela empresa (*ISO14.064-1*, *GHG Protocol* e diretrizes gerais do *IPCC*).

Belo Horizonte, 6 de maio de 2020.


Fábio Nogueira de Avelar Marques
Diretor


Diego de Paula Toledo
Analista Sênior

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