

F0. Introduction

F0.1

**(F0.1) Give a general description of and introduction to your organization.**

Duratex is a publicly traded company with 69 years of history, that has the Value Proposition of offering Solutions for Better Living to customers and consumers. With its business divisions - Wood, Deca and Ceramic tile - we are working to produce and sell products for the furniture and finishings sectors in the civil construction industry. We are part of people's daily lives, working in the segments of wood panels, bathroom fixtures and metals, electric showers and ceramic tiles through our brands recognized in their segments for design and quality: Durafloor, Duratex, Deca, Hydra, Ceusa and Portinari (this last one acquired in 2019).

Duratex now has sixteen industrial units located in the South, Southeast and Northeast regions of Brazil and three additional wood panels units in Colombia, Notable among the products in our portfolio are MDP and MDF paneling, fiberboard sheets, wood flooring, sanitary ware, metals, metal fittings and electric showers. Besides serving the Brazilian market, our products reach over 50 countries, with a special presence in South America, Central America, Africa and the USA. In addition to the factories, Duratex is responsible for more than 200 thousand hectares of planted forests and conservation areas in Brazil and Colombia. Duratex ensures the use of the best native area conservation and management practices. In 1995, we were the first company in South America to receive FSC (Forest Stewardship Council) certification for responsible forest management. Our chain of custody is also certified, assuring the traceability of wood used in our production process. In our forest areas in Brazil and Colombia, we produce eucalyptus seedlings in nurseries, planting them at our own farms and at leased farms and using the wood to supply the fiberboard and paneling factories. We also manufacture the resin used to bind the particles and fibers in MDP and MDF panels. Verticalization of operations and the proximity between planted areas and industrial units are some of our main competitive advantages, adding value to our business at a lower cost. We also hold a minority stake in the Viva Decora startup, the main digital platform with content and services on architecture, design and décor in Brazil. In 2019, we completed the feasibility analyzes of the engineering studies and negotiations with Lenzing AG to create a joint venture in the dissolving wood pulp segment.

F0.2

**(F0.2) State the start and end date of the year for which you are reporting data.**

	Start Date	End Date
Reporting year	January 1 2019	December 31 2019

F0.3

**(F0.3) Select the currency used for all financial information disclosed throughout your response.**

BRL

F0.4

**(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on. For each forest risk commodity selected, identify the stages of the supply chain which best represents your organization's area of operation.**

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Production Processing Trading Manufacturing	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

F0.5

**(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?**

No

F1. Current state

## F1.1

### (F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

#### Timber products

##### Activity

Growing/production of raw materials  
Harvesting  
Milling  
Crushing  
Using as input into manufacturing process for power generation  
Using as input into product manufacturing

##### Form of commodity

Sawn timber, veneer, chips  
Unprocessed wood fiber  
Boards, plywood, engineered wood  
Other, please specify (Wood from forest plantations (pine and eucalyptus))

##### Source

Owned/managed land  
Smallholders  
Contracted suppliers (processors)

##### Country/Area of origin

Brazil  
Colombia

##### % of procurement spend

Not applicable

##### Comment

Duratex carries out its own production of wood products. We are responsible for more than 200 thousand hectares of planted forests and distributed conservation areas on owned and leased farms, with approximately 143 thousand hectares to supply our wood panel factories. The percentage of spending on acquisitions is not relevant to our organization due to the lease agreements and fostered areas we have.

## F1.2

### (F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

	% of revenue dependent on commodity	Comment
Timber products	51-60%	The Madeira business corresponds to 59% of Duratex's revenue.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F1.3

**(F1.3) Provide details on the land area you control and/or manage that is used for the production of your disclosed commodity(ies)?**

**Forest risk commodity**

Timber products

**Type of control**

Own land

**Country/Area**

Brazil

**Land type**

Tree plantations

**Area (Hectares)**

142945.8

**% Area certified**

94

**Certification scheme**

FSC Forest Management certification

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

<Not Applicable>

**% covered by natural forests**

<Not Applicable>

**Please explain**

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. 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.

FSC Certificate - FSC C006042 - FSC C003088

FSC\_Chain\_of\_Custody.pdf

FSC\_Forest\_Management.pdf

---

**Forest risk commodity**

Timber products

**Type of control**

Own land

**Country/Area**

Colombia

**Land type**

Tree plantations

**Area (Hectares)**

7059

**% Area certified**

73

**Certification scheme**

FSC Forest Management certification

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

<Not Applicable>

**% covered by natural forests**

<Not Applicable>

**Please explain**

Duratex received forest management certification thanks to the result obtained from the formal evaluation process that began in April 2012, which demonstrated compliance with the "Standards for Voluntary Forest Certification of Forest Plantations in Colombia under the FSC® Scheme", This is largely due to the good management of the reforestation program that the company has been carrying out. Also thanks to its business approach based on social responsibility and environmental sustainability, and the committed work that the staff has been doing since 2011 to fulfill this task. Duratex currently has 8,099 hectares that are FSC® certified of the total area. 5,158 hectares are suitable for pine and / or eucalyptus forest plantations, comprised of 4 forest centers. The preservation of nature is vital, that's why we have 2,947 hectares of FSC® certified native protected forest.

FSC Certificate - FSC C109955

Duratex\_Colombia\_FSC-C109955.pdf

---

**F1.4**

**(F1.4) Provide details on the land you control and/or manage that was not used for the production of your disclosed commodity(ies) in the reporting year.**

**Forest risk commodity**

Timber products

**Country/Area**

Brazil

**Type of control**

Own land

**Land type**

Set-aside land

**Area (hectares)**

56459.5

**% covered by natural forests**

100

**Please explain**

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. 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.

**Forest risk commodity**

Timber products

**Country/Area**

Colombia

**Type of control**

Own land

**Land type**

Set-aside land

**Area (hectares)**

3598

**% covered by natural forests**

100

**Please explain**

Duratex received forest management certification thanks to the result obtained from the formal evaluation process that began in April 2012, which demonstrated compliance with the "Standards for Voluntary Forest Certification of Forest Plantations in Colombia under the FSC® Scheme", This is largely due to the good management of the reforestation program that the company has been carrying out. Also thanks to its business approach based on social responsibility and environmental sustainability, and the committed work that the staff has been doing since 2011 to fulfill this task. Duratex currently has 8,099 hectares that are FSC® certified of the total area. 5,158 hectares are suitable for pine and / or eucalyptus forest plantations, comprised of 4 forest centers. The preservation of nature is vital, that's why we have 2,947 hectares of FSC® certified native protected forest.

**F1.5**

**(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?**

	Data availability/Disclosure
Timber products	Consumption and production data available, disclosing
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F1.5a**

**(F1.5a) Disclose your production and/or consumption data.**

**Forest risk commodity**

Timber products

**Data type**

Production data

**Volume**

2504371

**Metric**

Cubic meters

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

---

**Forest risk commodity**

Timber products

**Data type**

Consumption data

**Volume**

3829001.8

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

---

**F1.5b**

---

**(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.**

**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (São Paulo)

**% of total production/consumption volume**

53.79

**Please explain**

In 2019, 53.79% of all wood consumed by the Brazilian factories came from São Paulo state. Our plants in Agudos, Botucatu and Itapetininga were supplied by these sources, mainly our own forests.

---

**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Minas Gerais)

**% of total production/consumption volume**

26.48

**Please explain**

In 2019, 26.48% of all wood consumed by the Brazilian factories came from Minas Gerais state. Our Uberaba plant was supplied by these sources, mainly our own forests.

---

**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Rio Grande do Sul)

**% of total production/consumption volume**

19.74

**Please explain**

In 2019, 19.74% of all wood consumed by the Brazilian factories came from Rio Grande do Sul state. Our Taquari plant was supplied by these sources, mainly fostered smallholders.

---

**F1.6**

---

**(F1.6) Has your organization experienced any detrimental forests-related impacts?**

Yes

**F1.6a**

---

**(F1.6a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.**

**Forest risk commodity**

Timber products

**Impact driver type**

Physical

**Primary impact driver**

Forest fires

**Primary impact**

Impact on company assets

**Description of impact**

Fires occurred in Duratex's planted areas.

**Primary response**

Other, please specify (monitoring and mitigation plan)

**Total financial impact**

1726714.03

**Description of response**

The occurrence of forest fires, 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.

To fight possible forest fires, 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 forest fires 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.

The financial impact refers to the areas affected by the forest fires. During the year, 1,796.68 hectares were totally or partially affected by forest fires.

---

**F2. Procedures**

---

**F2.1**

---

**(F2.1) Does your organization undertake a forests-related risk assessment?**

Yes, forests-related risks are assessed

**F2.1a**

---

**(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.**

**Timber products**

**Value chain stage**

Direct operations  
Supply chain

**Coverage**

Full

**Risk assessment procedure**

Assessed as part of other company-wide risk assessment system

**Frequency of assessment**

Annually

**How far into the future are risks considered?**

> 6 years

**Tools and methods used**

Internal company methods

**Please explain**

To assess the company's general risks, including the analysis of socio-environmental risks, are evaluated according to their impact and vulnerability. The impact consists of the assessment of risks according to qualitative and quantitative criteria, with weighted variables, taking into account financial impact, scope of operations, damage to the image, operational and legal. These variables are properly weighted. According to the impact, risks are classified as critical, high, medium and low. For the vulnerability, it is evaluated how much the company is exposed or unprotected to risk events, where the frequency of recurrence of the event is evaluated, the internal controls adopted and the response time to regularize or treat the risk. Weights are also assigned. As for vulnerability, risks are also classified as critical, high, medium and low. After analyzing the impact and vulnerability, the resulting risks as critical and high are always classified as considerable risks. However, there are monitoring for all risks assessed by Duratex. For the two classification "critical" and "high" for the socio-environmental risks, mitigation plans are established and risk managers are designated for continual monitoring, with a check by the Audit area and Sustainability Area. The Risk Commission is responsible for providing accountability every semestre for action plans executed to the Audit and Risk Management Committee which advises our Board of Directors.

In addition to corporate risk assessments, we have a risk assessment specifically for our forests, where we identify and assess the risks related to our rs forest activities inherent to our operation, with a 21-year horizon and evaluated, verified and reviewed annually by the operation Duratex Forestry, also encompassing our chain.

**(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?****Availability of forest risk commodities****Relevance & inclusion**

Relevant, always included

**Please explain**

The lack or scarcity of inputs can cause adverse effects on the results resulting from unscheduled stoppages of the production lines. In addition, variations in prices and availability of inputs and raw materials can increase production costs and negatively impact the Company's operations. The supply of wood is dependent on the production of forests. Accordingly, the distance and availability of mature and available forests to supply the Company's operations can significantly impact Duratex's costs. Therefore, the Company chose to verticalize most of this process in forests close to the industrial panel manufacturing operations.

Focused on forest production and supply, Duratex uses the Risk & Opportunity Forest Management and considers a risk for the organization the availability of wood from our forests in our direct operations or in our supply chain (this last one on a smaller scale). The non-availability of wood could cause a risk of supply to Duratex's panel factories. This risk directs the management and practices of forest management and the continuous rise in productivity of our business, as well as the monitoring and preservation of our forest assets.

**Quality of forest risk commodities****Relevance & inclusion**

Relevant, always included

**Please explain**

As well as availability, the wood quality is a risk assessed and monitored by the company. For the assessment, Duratex uses the Risk & Opportunity Forest Management and considers a risk for the organization the quality of wood produced in our forests, which will influence directly in our process and in Duratex's wood products quality. The quality of the wood is accompanied by the forestry operation and also by Duratex's factories.

**Impact of activity on the status of ecosystems and habitats****Relevance & inclusion**

Relevant, always included

**Please explain**

Impact of wood activity on the status of ecosystems and habitats is a relevant risk that Duratex considers. We continuously monitor the ecosystems in which we operate, adopting the best practices, conserving natural habitats, to leave a smallest ecological footprint. Duratex is convinced that preservation is the best way to sustain forestry businesses in the long term and that is how we guide our management practices and preservation actions.

**Regulation****Relevance & inclusion**

Relevant, always included

**Please explain**

Regulations may have a positive or negative impact on Duratex's business. To assess the possible risk and impact of regulations, Duratex has a system for monitoring legislation and applicability for the entire company and even for the forestry business (Sistema Ambito). New regulations applicable to the business and products are evaluated in order to verify the possible impact on the company's activities. Duratex also has a legal department that monitors all laws that may have a possible impact on the Company on all fronts. In addition, we rely on sectorial support, especially from the Brazilian Tree Industry - Ibá, to assess trends in regulations for the forestry sector, carry out governmental fronts and new laws, and actively monitor Duratex specialists.

**Climate change****Relevance & inclusion**

Relevant, always included

**Please explain**

Climate change is a risk that we consider for Duratex's business, and especially for the forestry business, as it can directly affect forest production in the long term. Adaptations to climate change are carried out and we undertake studies for a genetic improvement that allows for the development of varieties that generate forests more adapted to climate change, with more productivity and more resistance. One of the methodologies for assessing climate risks in forestry businesses is the Edafoclimatic Risk Assessment, following the RCP 8.5 model.

**Impact on water security****Relevance & inclusion**

Relevant, always included

**Please explain**

Duratex's operations require the use of water for industrial operations and forestry production. This resource is relevant to Duratex's business and we assess the impact on water security. The possible lack of this natural resource can make operations unviable and poor management of the resource can cause damage to the image and penalties for the company.

**Tariffs or price increases****Relevance & inclusion**

Relevant, always included

**Please explain**

Tariffs or price increases can impact Duratex's operations due to the increase in the price of the commodity or innovations in processes to reduce costs. Variations in the price of wood, price in inputs, new taxes and increased costs of operations are possible risks that may affect Florestal's operations. These risks are assessed by forestry operations.



## Loss of markets

### Relevance & inclusion

Relevant, always included

### Please explain

Loss of market due to other material preferences by consumers, new product regulations, performance of the company's products in relation to the market and in relation to competitors are risks assessed by Duratex. The commercial intelligence of the Madeira business, evaluates these points and verifies possible risks that they may suggest related to the loss of the market.

## Brand damage related to forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

We consider the risk of Brand damage related to our wood products.

Duratex being associated to a brand that uses unacceptable forest management and deforestation practices is a risk to the brand image. Risk of loss of certification may also cause damage to the brand.

We also established a communication plan for Duratex and we also have a Crisis Committee internally to avoid the risk of damage to the brand. We also believe that the deterioration of relations with the surrounding communities and with professional associations may incur damage to the image and assets, in addition to partial interruption of the Company's activities.

In all regions where Duratex has manufacturing units, there are relationships with groups that defend the interests of a certain class or community. Although there are constant efforts to maintain a good relationship, the Company cannot guarantee that actions by these groups will not occur, such as property invasions or blocking access to units, which may interrupt the Company's industrial activities. In addition, such events could be publicized by the media, on terms not manageable by the Company, which could have an impact on the image of Duratex and its products with its customers and suppliers.

## Corruption

### Relevance & inclusion

Relevant, always included

### Please explain

Corruption is a risk monitored by Duratex.

We have instituted, since 2015, the Anti-Corruption Policy, which establishes obligations and penalties applicable to individuals or companies that represent our brand before the Public Administration.

Our Compliance structure is responsible for preventing and detecting corruption risks through the activities provided for in our Integrity Program and practices defined in our Code of Conduct and the Anti-Corruption Policy.

Our Anti-Corruption Policy establishes that the Executive Committee makes decisions based on investigations and guidelines issued by the Legal and Ethical Compliance Area, while the Board of Directors is responsible for decisions that directly involve the members of the Executive Board, as recommended by the Executive Board. People, Governance and Nomination Committee.

## Social impacts

### Relevance & inclusion

Relevant, always included

### Please explain

The Forestry Business actively monitors and mitigates the possible social risks that the operations may cause to the surrounding communities.

We use a social impact matrix, used to measure and assess the specific impacts of forestry operations.

In addition, in order to strengthen relationships with communities, we also continuously use our forests socially, which consists of taking advantage of the structures of our farms to carry out productive or recreational activities that do not consist of wood production.

It is important to mention that the communities around the operations do not have a record of invasion and sabotage. On the contrary, there is a good relationship and dialogue with the communities around Duratex.

## Other, please specify

### Relevance & inclusion

Please select

### Please explain

## F2.1c

---

### (F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

#### Customers

### Relevance & inclusion

Relevant, always included

### Please explain

Duratex's customers are diverse, considering the company's extensive portfolio, and dialoguing with customers and consumers in order to understand demands and anticipate trends is one of our lines of action. About the Wood Division, the Forestry area has sawmill customers, consumers of biomass, and Duratex Panel factories (considered internal customers). In addition, for the Panels business, we have customers from the civil construction and furniture, in addition to the final consumers of the products. In this sense, the Clients Committee is an important instrument of approximation and source of inspiration to develop Solutions for Better Living in all areas of our business divisions. For the Madeira division, the Customer Committee was created in 2017, with the objective of being closer to the furniture industry and retailers and to co-create new solutions that increase consumer satisfaction.

## Employees

### Relevance & inclusion

Relevant, always included

### Please explain

Our employees are considered in all of our assessments.

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. Duratex also negotiates 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.

In our Occupational Health and Safety Management Program – DuraSeg, we hold events and training sessions aimed at spreading this culture among the teams. In this regard, Duraseg's indicators are monitored through the Duratex Management System – SGD, 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.

We are aware of the flora and fauna diversity found in our forest areas, and 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.

## Investors

### Relevance & inclusion

Relevant, always included

### Please explain

Duratex considers investors as relevant in its risk assessment because forest related risks and opportunities could have a significant impact in our results, of which Wood Division (Forest and Panels) represents 59% of Company's revenue. Impact in our reputation could shrink the access to investments and impact investment decisions.

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. 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.

As a commitment to transparency, we publish our annual reports, such as Integrated Reporting, the Forest Management Plan, in addition to our financial statements, other public policies and certifications on our website. We have been participating in SPOTT Timber & Pulp since 2017, where we took the leadership among companies in Brazil in 2020, referring to the 2019 cycle. We also participated in the CDP Climate Change, CDP Water and CDP Florest (this being the first year of participation).

## Local communities

### Relevance & inclusion

Relevant, always included

### Please explain

To identify and assess the demands of local communities, we use engagement and relationship tools that help us direct investments, efforts and prioritize actions. In the Forestry business, it is Duratex's tradition to maintain the communication with internal and external communities in order to enable dialogue. The low incidence of situation records conflicting indicates that care for the environment, people and the community assumed in the Forest Management Plan are incorporated into the activities and operations developed in the company. Established in rural areas, forestry farms are predominantly surrounded by other forest properties, agricultural cultivation areas (usually sugarcane and soybeans) and cattle pastures. Duratex does not manage areas demarcated as

indigenous or from traditional peoples. In these cases it is established that the free, prior and informed consent of the impacted communities must be obtained before the beginning of the forestry activities. In every forestry operation we identify all stakeholders that might be affected by our activities and prior to the beginning of the harvesting we do the "Community Dialogue", in which our neighbors and people on the transportation route can appoint potential impacts and help us to define control measures. This dialogue continues during the activities and these stakeholders have an open channel to make complaints to us. After we finish our activities in that forest, we engage with them once more in order to assure that all impacts were mitigated and any complaints are resolved.

Also, to further strengthen the relationship with our surrounding communities, we have the Espaço Arvorar, a space located in our largest panel unit and a relevant planting area in the city of Agudos-SP, where it is possible to present the history of wood in society through sensory experiences that promote knowledge in a creative and innovative way.

## NGOs

### Relevance & inclusion

Not relevant, included

### Please explain

NGOs are stakeholders considered and addressed in our assessment in a sectorial way, via Ibá (Brazilian Tree Industry), and other state forestry associations.

Considering that Duratex's operations are located in areas largely free from conflicts or strong NGO presence, they are not a relevant stakeholder. Regardless of that, we consider them in our planning and assessments.

## Other forest risk commodity users/producers at a local level

### Relevance & inclusion

Relevant, always included

### Please explain

State associations, local wood suppliers and consumers, small landowners, are considered in our forest growth and expansion plan, being considered in our risk assessments and in the company's planning decisions. In one of our Brazilian factories, the great majority of wood supply comes from fostered smallholders, which must be considered on our short and medium-term planning and risk assessments.

## Regulators

### Relevance & inclusion

Relevant, always included

### Please explain

Regulators are interested party in Duratex's risks, especially environmental agencies responsible for the locations where we operate. We follow sectorial regulations, drafting of laws and new trends also at the federal, state and municipal levels, in addition to having a specific system in the company for monitoring legal requirements. Our legal department also have procedures to follow the government and to foresee any new regulations that might impact our operations.

## Suppliers

### Relevance & inclusion

Relevant, always included

### Please explain

Through the Duratex Supplier Management program (GFD Program), the main evaluation, relationship and development of business partners, we encourage the adoption of good socio-environmental management practices in our sector productive. We want to contribute to sustainable development of our partners by promoting value creation shared and, at the same time, minimize potential risks in our supply chain. 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. 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, 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.

Specifically for wood supply, Duratex has a due diligence system to assess every third-party supplier according to legal, environmental, social, labor and land tenure criteria. This system includes field audits and interviews with their workers, ensuring that all timber used on our processes come from responsible sources.

## Other stakeholders, please specify

### Relevance & inclusion

Relevant, always included

### Please explain

Our competitors are also considered and analyzed. Another interested party that Duratex considers is the academy (universities and research center). We have partnerships and close relationships to support our research and improve forestry practices. For example, Duratex is a founding member of IPEF (Forestry Research and Studies Institute), a renowned Brazilian institute which gathers some of the biggest forestry companies in Brazil to foster research and develop technologies to improve forest management. One of these projects is Euflux, a cooperative study about the carbon, energy and water fluxes on Eucalyptus forests.

## F3. Risks and opportunities

### F3.1

**(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?**

	Risk identified?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

### F3.1a

**(F3.1a) How does your organization define substantive financial or strategic impact on your business?**

To assess the company's general risks, including the analysis of socio-environmental risks, are evaluated according to their impact and vulnerability. The impact consists of the assessment of risks according to qualitative and quantitative criteria, with weighted variables, taking into account financial impact, scope of operations, damage to the image, operational and legal. These variables are properly weighted. According to the impact, risks are classified as critical, high, medium and low. For the vulnerability, it is evaluated how much the company is exposed or unprotected to risk events, where the frequency of recurrence of the event is evaluated, the internal controls adopted and the response time to regularize or treat the risk. Weights are also assigned. As for vulnerability, risks are also classified as critical, high, medium and low. After analyzing the impact and vulnerability, the resulting risks as critical and high are always classified as considerable risks. However, there are monitoring for all risks assessed by Duratex.

For both classifications "critical" and "high", the socio-environmental risks are considered substantive financial or strategic risks. As a result, mitigation plans are established and risk managers are designated for continual monitoring, with a check by the Audit area and Sustainability Area. The Risk Commission is responsible for providing accountability every semestre for action plans executed to the Audit and Risk Management Committee which advises our Board of Directors.

Critical risks are considered to be above 3% of shareholders' equity (impacts greater than R\$ 147,965,040.00). High risks are considered between 2% and 3% of shareholders' equity (between R\$ 98,643,360.00 and R\$ 147,965,040.00)

**F3.1b**

---

**(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.**

**Forest risk commodity**

Timber products

**Type of risk**

Physical

**Geographical scale**

Forest management unit

**Where in your value chain does the risk driver occur?**

Direct operation

**Primary risk driver**

Rising mean temperatures

**Primary potential impact**

Reduction or disruption in production capacity

**Company-specific description**

The non-availability of wood could cause a risk of supply to Duratex's panel factories and impact the Wood business (Forestry and Panels), which corresponds to 59% of Duratex's revenue.

This risk directs the management and practices of forest management and the continuous rise in productivity of our business, as well as the monitoring and preservation of our forest assets. Climatic events, water scarcity, reduced growth and productivity in forest areas, incidence of pests and fires in commercial forest areas, are factors that can influence the impact of the risk.

Duratex has also carried out a study to assess current and future climate vulnerabilities in the Zona da Mata region (Atlantic Forest), in regions that are important for our forest business. The edaphoclimatic study identified, evaluated and quantified temperatures, water balance, rainfall, water deficiency and temperature evolution in the regions studied, between the years 1980 to 2050, with projections and scenarios for the long term (climatic scenario RCP 8.5 and climate model Hadgen2-ES). As a result, it was found that none of the objective areas of the study for Duratex presented risks in the scenarios evaluated for our specific characteristics of our planted forests. Even so, Duratex understands that investments in forest productivity and reduction in the use of natural resources is strategic for the company.

**Timeframe**

>6 years

**Magnitude of potential impact**

High

**Likelihood**

Unlikely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact (currency)**

<Not Applicable>

**Potential financial impact figure - minimum (currency)**

<Not Applicable>

**Potential financial impact figure - maximum (currency)**

<Not Applicable>

**Explanation of financial**

Duratex does not yet disclose this figure.

**Primary response to risk**

Implementation of environmental best practices in direct operations

**Description of response**

Our management practices ensure the protection of conservation areas and the rational use of natural resources, such as water and soil, allowing the long-term production of the input that supplies our factories. Duratex has been carrying out a genetic improvement program for over 40 years, which aims to select the eucalyptus species that best adapt to different climatic conditions and present higher quality standards (such as density and resistance to pests and diseases). We have instituted the silviculture protocol, which includes practices such as minimum cultivation and the soil fertilization program, with the best practices for protection and better use of nutrients. We also count on the best practices of forest monitoring (which also includes the monitoring of possible increase in pests, prioritizing their biological control) and a forest protection program (with actions that guarantee the prevention and fight against forest fires, in order to protect cultivation and conservation areas, as well as the community and the company's employees, machines and facilities). Since 2008, we have been participating of the Euclux program. This is a cooperative initiative coordinated by academies and research center to periodically collect data on carbon, water and nutrients flows of the planted forests. These actions and investments are strategic so that we can be more productive, reduce the use of natural resources, minimizing the risk of wood reduction.

**Cost of response**

0

**Explanation of cost of response**

Duratex does not yet disclose this figure.

---

F3.2

**(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

	Have you identified opportunities?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F3.2a**

**(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.**

**Forest risk commodity**

Timber products

**Type of opportunity**

Efficiency

**Where in your value chain does the opportunity occur?**

Direct operation

**Primary forests-related opportunity**

Increased efficiency of manufacturing and/or distribution processes

**Company-specific description & strategy to realize opportunity**

A new high capacity wood transport is an opportunity and a innovation for Duratex’s business.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Measure is still under evaluation.

**F4. Governance**

**F4.1**

**(F4.1) Is there board-level oversight of forests-related issues within your organization?**

Yes

**F4.1a**

**(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.**

Position of individual	Please explain
Board Chair	Duratex's Board of Directors is responsible for the general direction of the Company's business. Duratex, operating in the segments of sanitary ware and metals, electric showers, ceramic tiles and wood panels, has 59% of its revenue in this last segment. Therefore, forests related issues are a big concern to our Board. The Forestry business is monitored by the Company's Board of Directors and Florestal's Annual Plan has its approval, also being part of the strategic decisions of this business.
Chief Executive Officer (CEO)	Duratex's Executive Board is composed of 11 members and led by our Chief Executive Officer. They are responsible for the effective management of the business, including our Forest and Panels operations. Our CEO also reports on forestry issues to the Company's Sustainability Committee, which also supports the Board of Directors. The CEO of our company is supported and makes joint decisions with the Vice Presidency of Madeira, one of the members of Duratex's Executive Committee, covering operations in Brazil and Colombia. The Financial Vice Presidency of Duratex, which is part of the Company's Executive Committee, also participates in Forestry decisions. Decision-making for the Forestry Business is directed in the Company's structured agenda for dealing with and deciding on forestry issues, namely: costs and productivity of forests, workers and safety issues, associated risks and decisions in forestry areas, expansions, Forest Inventory.
Chief Operating Officer (COO)	On our Executive Board, there is a vice president and a board responsible for the Wood Business (Panels and Forests), composed of 3552 direct employees in Brazil and Colombia, encompassing Duratex's forestry operations, with a dedicated operational team, who perform the management, management, operation and monitoring of planted and conservation areas, genetic improvements, forestry certifications, firefighting, biodiversity management. Our Forestry Director is responsible for forestry management, covering operational issues, costs and productivity of forests, workers and safety issues, associated risks and forest inventory, supporting and supporting the decisions of the Executive Committee.

**F4.1b**

**(F4.1b) Provide further details on the board's oversight of forests-related issues.**

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Providing employee incentives Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing innovation / R&D priorities Setting performance objectives	The meetings of the Board with the CEO of Duratex encompass all issues related to the Company's forestry business, as well as the other business of the company (Panels, Deca and Ceramic Coating) in their respective agenda and Committees. All the topics mentioned are addressed at the respective meetings of the Forestry business and are directed to the Company's strategic decisions. The Board of Directors holds monthly meetings involving the Executive Committee, dealing with and resolving on the Company's forestry matters. The Board participates in the approval of Florestal's annual budgeting and annual and strategic plan, in line with Duratex S.A.'s macro strategy and purpose With our governance, forestry issues are addressed from the most operational level to the level of the most strategic decisions. One of the 2019 actions of the Board of Directors, in conjunction with our Presidency, was the conclusion of the feasibility analyzes of the engineering studies and negotiations for creation of a joint venture (LD Celulose) in the soluble cellulose segment. Another highlight was the continuity of the structured plan aimed at optimizing assets, such as divestments in the panel plant in Botucatu (SP) and the sale of forest assets in the State of São Paulo. These movements, in addition to not reducing the volume of production, balanced the supply capacity in relation to the existing demand and maintained the potential to monitor the operations in an eventual increase in demand.

**F4.2**

**(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Chief Executive Officer (CEO)	Both assessing and managing forests-related risks and opportunities	More frequently than quarterly	Our operations are supported by the Duratex Management System (SGD), which has been strengthening year after year as a tool that ensures more and more intelligence and safety in operations, providing cost and expense reduction. SGD is an important ally for the management of corporate, operational and sustainability goals, accompanied by milestones that indicate the completion of phases, as timelines and action plans. In this tool, we monitor the Company's indicators, also including questions about costs, productivity and quality of our forests. Follow-up meetings range from the operational level, Executive Committee and CEO, to our Board of Directors. Weekly and monthly meetings are held by the CEO to monitor the Forestry Business, including productivity and operation of forests, monitoring of indicators (SGD), associated forestry risks and strategic decisions for the Company.
Chief Operating Officer (COO)	Both assessing and managing forests-related risks and opportunities	More frequently than quarterly	The Forestry Director, who reports to the Vice President of the Madeira Business (member of the Executive Committee), monitors and directs all operational issues and decisions that affect our forestry area. It also has a constant synergy with the Panel Board, involving all logistic and wood supply operations for the manufacture of our panels and floors. The Forestry Directorate is responsible for the result of Forest Inventories, productivity of planted forests and preservation of our conservation areas, genetic improvement program and protection of forests. There is a specific monitoring of the forestry area for discussions of risks, expansions, monitoring of the safety program and issues related to our employees (training, qualification, salary issues and variable remuneration). The results of the board of directors are presented weekly to the company's Executive Committee, and there are also specific meetings on a monthly basis. Commissions for investment approvals for forestry areas, purchase of equipment and CAPEX projects, have a specific address at the Company. There are also marketing approval committees for timber products, which are established as an additional way to ensure compliance and damage to the brand. As a highlight of 2019, there was the involvement of the Forestry Department to monitor and assess forest risks in the LD Celulose joint venture.

**F4.3**

**(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?**

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	Duratex has forestry goals applied from the area director to the rural worker. Annual goals for the director, managers and coordinators are established and we also have a system of variable remuneration according to the productivity, quality and cost of the forest area.

**F4.3a**

**(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?**

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Executive Officer (CEO) Chief Operating Officer (COO)	Achievement of commitments and targets Supply chain engagement	The Forestry Department has objectives and goals linked to variable remuneration, including not only the directory but also all employees of this business. There are annual goals, linked to the cost, production and quality of operations, as well as specific goals for forest protection and monitoring and carbon balance, for example. The indicators are monitored in the results of the Company and the evaluation of the achievement of the goals is evaluated by the direct leadership and by the company's human resources team, in semiannual follow-ups of the evolution of the commitments and in a final annual evaluation, to validate the achievement of the goals within of our Integrated People Management program.
Non-monetary reward	Chief Executive Officer (CEO) Chief Operating Officer (COO) Chief Sustainability Officer (CSO) Other C-suite Officer	Achievement of commitments and targets Supply chain engagement	At Duratex's Sustainability Strategy, the theme "Sustainable forest management" was established within the pillar "Processes". Duratex has 8 specific public goals in relation to this topic, to be addressed and achieved, among them, the lowest use of pesticides, efficient irrigation, increase of genetic bases, certified areas (own and fomented). All goals are public and disclosed annually, with their evolution, in our Integrated Report. The assessments are annual and monitored by the Sustainability area.

**F4.4**

**(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?**

Yes (you may attach the report – this is optional)  
Book Duratex\_RI\_ing.pdf

**F4.5**

**(F4.5) Does your organization have a policy that includes forests-related issues?**

Yes, we have a documented forests policy that is publicly available



F4.5a

**(F4.5a) Select the options to describe the scope and content of your policy.**

	Scope	Content	Please explain
Row 1	Company-wide	<p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of forests-related standards for procurement</p>	<p>Our Sustainability policy establishes principles for the management of environmental aspects and impacts of activities, in order to reaffirm Duratex's commitment as an environmentally responsible company. Forest management is presented as one of the processes that we continually improve in our operations, aiming at socio-environmental balance throughout the value chain.</p> <p>Among our procedures and responsibilities are:</p> <p>Use appropriate forestry and forest nutrition practices and develop genetic improvement programs that allow the maximizing forest productivity indexes;</p> <p>Promote integrated pest and disease management and understanding of climate change, ensuring the forest productivity;</p> <p>Use optimized harvesting, processing and transportation techniques aimed at reducing the use of resources and mitigating impacts socio-environmental;</p> <p>Protect biodiversity, springs, water courses, as well as how to conserve the soil and forest genetic bases aiming at maintenance and / or improvement of ecosystem services and values environmental issues.</p> <p>Constantly seek technological innovations in processes.</p> <p>We also have our Environmental Policy, which establishes principles for the management of environmental aspects and impacts of activities.</p> <p><a href="https://www.duratex.com.br/Arquivos/Download/Politica-de-Sustentabilidade.pdf">https://www.duratex.com.br/Arquivos/Download/Politica-de-Sustentabilidade.pdf</a></p> <p><a href="https://www.duratex.com.br/Arquivos/Download/politica-ambiental.pdf">https://www.duratex.com.br/Arquivos/Download/politica-ambiental.pdf</a></p>

F4.5b

**(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.**

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to remediation, restoration and/or compensation of past harms</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p>	<p>Our Sustainability policy establishes principles for the management of environmental aspects and impacts of activities, in order to reaffirm Duratex's commitment as an environmentally responsible company. Forest management is presented as one of the processes that we continually improve in our operations, aiming at socio-environmental balance throughout the value chain.</p> <p>Among our procedures and responsibilities are:</p> <p>Use appropriate forestry and forest nutrition practices and develop genetic improvement programs that allow the maximizing forest productivity indexes;</p> <p>Promote integrated pest and disease management and understanding of climate change, ensuring the forest productivity;</p> <p>Use optimized harvesting, processing and transportation techniques aimed at reducing the use of resources and mitigating impacts socio-environmental;</p> <p>Protect biodiversity, springs, water courses, as well as how to conserve the soil and forest genetic bases aiming at maintenance and / or improvement of ecosystem services and values environmental issues;</p> <p>Constantly seek technological innovations in processes.</p> <p>We also have our Environmental Policy, which establishes principles for the management of environmental aspects and impacts of activities.</p> <p>We also have, specifically for Florestal, the Management Plan. The Forest Management Plan contains the guidelines and procedures for the management of forest areas certified. This document integrates the documentation of the Duratex Management.</p> <p><a href="https://www.duratex.com.br/Arquivos/Download/Politica-de-Sustentabilidade.pdf">https://www.duratex.com.br/Arquivos/Download/Politica-de-Sustentabilidade.pdf</a></p> <p><a href="https://www.duratex.com.br/Arquivos/Download/politica-ambiental.pdf">https://www.duratex.com.br/Arquivos/Download/politica-ambiental.pdf</a></p> <p><a href="https://www.duratex.com.br/upload/sustentabilidade/Plano-Manejo-Florestal-2020.pdf">https://www.duratex.com.br/upload/sustentabilidade/Plano-Manejo-Florestal-2020.pdf</a></p>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F4.6

---

**(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?**

Yes

## F4.6a

---

**(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?**

Other, please specify (FSC Membership)

## F4.6b

---

**(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.**

**Forest risk commodity**

Timber products

**Criteria**

No conversion of natural ecosystems

No conversion of High Conservation Value areas

Adoption of the UN International Labour Organization principles

No sourcing of illegally produced and/or traded forest risk commodities

**Operational coverage**

Direct operations

**% of total production/ consumption covered by commitment**

100%

**Cutoff date**

Not applicable

**Commitment target date**

No target date

**Please explain**

Duratex is a member of FSC Brasil and FSC International and, therefore, is a signatory to the policy of the FSC Association, which mission is to promote the environmentally appropriate, socially beneficial and economically viable management of the world's forests.

Below follows the policy:

<https://fsc.org/en/document-centre/documents/retrieve/53eab6fd-915c-4210-a56b-f6b57d67e153>

---

## F5. Business strategy

---

## F5.1

---

**(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	>30	Forestry issues are integrated into Duratex's long-term strategic business plan. The company has more than 200 thousand hectares of planted forests and conservation areas with wood from reforestation to supply the panel factories and, when appropriate, make sales to the market. The forestry area manages its forests in order to guarantee ecologically adequate, socially just and economically viable production, with FSC certification. Planting is carried out in owned and leased areas, with some leases having contracts for more than 30 years. The company is also a benchmark in forestry production with productivity above the national and international average. All of this, in line with one of the lowest production costs in the market. Duratex annually updates its short and long term strategic plan for all businesses with validation by the board of directors. Both the panels and the forestry areas are included in the strategic plan and are considered core business by the company. In addition, the Strategy and Sustainability areas are allocated to the same board, which further consolidates our responsibility and unified thinking for the company's future.
Strategy for long-term objectives	Yes, forests-related issues are integrated	>30	Forestry issues are integrated into Duratex's long-term strategic business plan. The company has more than 200 thousand hectares of planted forests and conservation areas with wood from reforestation to supply the panel factories and, when appropriate, make sales to the market. The forestry area manages its forests in order to guarantee ecologically adequate, socially just and economically viable production, with FSC certification. Planting is carried out in owned and leased areas, with some leases having contracts for more than 30 years. The company is also a benchmark in forestry production with productivity above the national and international average. All of this, in line with one of the lowest production costs in the market. Duratex annually updates its short and long term strategic plan for all businesses with validation by the board of directors. Both the panels and the forestry areas are included in the strategic plan and are considered core business by the company. In addition, the Strategy and Sustainability areas are allocated to the same board, which further consolidates our responsibility and unified thinking for the company's future.
Financial planning	Yes, forests-related issues are integrated	>30	Forestry issues are integrated into Duratex's long-term strategic business plan. The company has more than 200 thousand hectares of planted forests and conservation areas with wood from reforestation to supply the panel factories and, when appropriate, make sales to the market. The forestry area manages its forests in order to guarantee ecologically adequate, socially just and economically viable production, with FSC certification. Planting is carried out in owned and leased areas, with some leases having contracts for more than 30 years. The company is also a benchmark in forestry production with productivity above the national and international average. All of this, in line with one of the lowest production costs in the market. Duratex annually updates its short and long term strategic plan for all businesses with validation by the board of directors. Both the panels and the forestry areas are included in the strategic plan and are considered core business by the company. In addition, the Strategy and Sustainability areas are allocated to the same board, which further consolidates our responsibility and unified thinking for the company's future.

**F6. Implementation**

**F6.1**

**(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

**F6.1a**

**(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Type of target**

Other, please specify (Forest production)

**Description of target**

One of the goals of the Sustainability Strategy for our Forest Management is to increase dry mass per hectare by 10% (by 2035).

**Linked commitment**

Not linked to specific commitment

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

<Not Applicable>

**Start year**

2017

**Target year**

2035

**Quantitative metric**

Percentage

**Target (number)**

<Not Applicable>

**Target (%)**

10

**% of target achieved**

6.14

**Please explain**

One of the goals of Duratex's Sustainability Strategy for our Forest Management is to increase dry mass per hectare by 10% (by 2035). The baseline was 21.55 ton.dry mass / ha. In 2019, we reached the value of 22.96 ton.dry mass / ha, that is, we reached the rise in dry mass per hectare by 6.14%. Dry mass has been increasing as planned.

---

**Target reference number**

Target 2

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

For 80% of fostered areas to be certified (by 2035).

**Linked commitment**

Other environmental commitments

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC Forest Management certification

FSC Forest Management Group certification

FSC SMLIF (small or low-intensity managed forest)

**Start year**

2017

**Target year**

2035

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

80

**% of target achieved**

0

**Please explain**

In the first years of the proposed goal, the engagement of producers where the promoted areas are concentrated is being carried out, so the "zero" percentage in reaching this goal. The reach will be in the coming years, considering the 2035 horizon for reaching the goal. In 2019, 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.

---

F6.2

---

**(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?**

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	<p>All our Brazilian factories are certified according to FSC Chain of Custody standard, which ensures only wood from responsible sources are used in our manufacturing process.</p> <p>For wood grown in our own forests, we have a complete database that allows us to track every truck load of wood up to the plot within the forest. Every load has the transportation documentation as required by law.</p> <p>For procured wood, we have a due diligence system in place. Every supplier is assessed against our standard and measures are taken according to the risk of origin. This system requires us to conduct field audits in all our suppliers' forests that are not FSC-certified, including all the suppliers of the mills that supply us sawdust. Every audit results in a score and if a supplier reaches a established threshold, it can be suspended until the issues identified on the audit are solved or, if there are major problems (child labor, for example), it can be banished from our pool of suppliers. This system is annually audited by a third party as part of our FSC chain of custody certification.</p> <p>For example, in 2019 we conducted 41 field audits on the suppliers of our Taquari plant. As a result of these audits, 1 supplier were suspended due to the lack of formal employment registration of a worker.</p>	Not applicable	<Not Applicable>
Palm oil	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.2a**

**(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).**

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Tree plantation	100

**F6.3**

**(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption.**

**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Forest Management certification

**Certification coverage**

Production volume

**% of total production/consumption volume certified**

98.62

**Form of commodity**

Hardwood logs

Softwood logs

**Volume of production/ consumption certified**

4939168.99

**Metric**

Cubic meters

**Please explain**

As a proof of our responsibility in the management of our forests, in 1995, we were the first company in the southern hemisphere to obtain the Forest Stewardship Council® (FSC®) certification for Brazil's operations. Committed to improvement, we have two specific goals in our sustainability strategy aimed at expanding certifications:

- To ensure that management of 100% of our own areas is certified.
- For 80% of fostered areas to be certified (by 2035).

In 2019 two farms were included on our certified scope, with further five being added in 2020. The remaining areas that are still not certified are mostly recent acquisitions where the forests are still far from harvesting age or areas where the wood was bought as standing forest. Nevertheless, we expect to have all these areas certified by 2020, according to our Sustainability Strategy goal.

**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Forest Management certification

**Certification coverage**

Consumption volume

**% of total production/consumption volume certified**

81

**Form of commodity**

Hardwood logs

Softwood logs

**Volume of production/ consumption certified**

3206272.62

**Metric**

Cubic meters

**Please explain**

All Duratex factories in Brazil have chain of custody certification and therefore only consume FSC certified or controlled wood. The figure reported above represents all FSC-certified wood consumed by our factories in 2019, which is 81% of the grand total. The remaining portion is comprised of controlled wood that was assessed through our due diligence system.

In addition to that and in line with our Sustainability Strategy goals, in 2019 we began a process of helping some of our fostered suppliers to achieve FSC certification. A kick-off meeting was held in november/2019 attended by more than 100 people. The first group is expected to receive the certification audit by the end of 2020.

**F6.4**

**(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?**

	A system to control, monitor or verify compliance	Comment
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.4a

**(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).**

### Forest risk commodity

Timber products

### Operational coverage

Direct operations  
Supply chain

### Description of control systems

Direct operations: Duratex is an FSC member, and as such has the commitment not to convert any natural forest into plantations or any other land use. As part of our annual third party audits, we have to show compliance to this requirement, with greater detail for the areas that are being included into the certified scope. The assessment and monitoring of these areas are made initially through satellite imagery and, if necessary, field visits.

Supply chain: According to our wood supply policy, we do not buy wood from areas being converted. Through our due diligence system for wood procurement, we visit all our suppliers in field audits and one of the assessed points is the presence of deforestation or conversion. If any of these are found on the area, the supplier is immediately suspended.

### Monitoring and verification approach

Geospatial monitoring tool  
Ground-based monitoring system  
First-party verification

### % of total volume in compliance

100%

### % of total suppliers in compliance

100%

### Response to supplier non-compliance

Suspend & engage  
Exclude

### Procedures to address and resolve non-compliance with suppliers

Re-integrating suppliers back into supply chain based on the successful and verifiable completion of activities

### Please explain

If a supplier is found not to be complying to our due diligence system requirements, it can be suspended according to the relevance of the issue. Evidence of deforestation is enough for the automatic suspension. After a supplier is suspended, it can propose corrective actions in order to solve the problems with defined deadlines. If the issue is resolved, it can be allowed to be a Duratex supplier again, otherwise it will be still suspended. If many other problems are found during the audit, the supplier can be excluded.

## F6.5

**(F6.5) For your disclosed commodity(ies), indicate if you collect data regarding your own compliance and/or the compliance of your suppliers with the Brazilian Forest Code.**

	Do you collect data regarding compliance with the Brazilian Forest Code?	Please explain
Timber products	Yes, from both suppliers and owned/managed land	Owned land: 100% of our managed areas is compliant with the Brazilian Forest Code. Every property is registered on CAR, legal reserves are in place and permanent preservation areas are respected. As part of FSC certification, we have annual third party audits which inspect on the ground how we comply with applicable laws, including the Forest Code. All CAR receipts are filed on our database.  Suppliers: As part of our due diligence system, we require all suppliers to be registered on CAR, as well as to have a valid environmental permit (where required). This, along with field audits, ensures that every property is compliant with the Forest Code.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.5a

**(F6.5a) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure your own compliance with the Brazilian Forest Code and your performance against these indicator(s).**

**Forest risk commodity**

Timber products

**KPIs**

% of owned and/or managed properties registered on the Rural Environmental Registry (CAR) database, with active status

**Performance against indicators**

91-100%

**Please explain**

Every owned or leased area is registered in CAR. All of our managed areas have active status.

**Forest risk commodity**

Timber products

**KPIs**

% of owned and/or managed properties with no gross deforestation after July 2008

**Performance against indicators**

91-100%

**Please explain**

Duratex does not engage in any form of deforestation. All forests are planted in already anthropized areas, mainly with a long history of use for forest plantations, cattle raising or agriculture. As part of FSC certification, no conversion after 1994 is allowed in certified areas.

**F6.5b**

**(F6.5b) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure the compliance of your suppliers with the Brazilian Forest Code and their performance against these indicator(s).**

**Forest risk commodity**

Timber products

**KPIs**

% of suppliers registered on the Rural Environmental Registry (CAR) database, with active status

**Performance against indicators**

100%

**Please explain**

As part of our due diligence system, we require all our suppliers to be registered in the CAR ("active status") before they can supply us timber. Consequently, all our supply units have been registered on CAR.

**F6.6**

**(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.**

	Assess legal compliance with forest regulations	Please explain
Timber products	Yes, from both suppliers and owned/managed land	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.6a**



**(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.**

**Timber products**

**Procedure to ensure legal compliance**

Own areas: Duratex has many systems to ensure full compliance with all applicable laws. We have a corporate compliance department which conducts internal audits, independent from the business divisions, both for environmental and health/safety issues. Our legal department follows changes of legislation on many themes, such as taxation, labor, civil, commercial, environmental and health and safety. Within the forestry division, we have a system in place to monitor all environmental and health/safety applicable legislation, with frequent verification of conformity and registration of compliance evidence. Furthermore, 94% of our own and leased areas are FSC-certified, which includes annual third-party audits on, among other criteria, legal compliance. It is important to mention that the forest management activities on certified and not yet certified areas is completely the same. All our procedures and control systems apply to all our areas, regardless of certification. Therefore, we cover 100% of our areas.

Suppliers: our due diligence system was designed to assess our suppliers on their compliance on several issues: land tenure, workers' rights, environmental laws (Forest Code included, such as our requirement for CAR registration), health and safety, training, tax payments. We also require our suppliers to show us compliance certificates from government agencies, such as Ibama (federal environmental agency), states' environmental agencies, federal and state tax bureaus, Labor Justice, Labor Attorney General and Ministry of Labor. In addition to desk audits, we also do field audits in all our suppliers to ensure legal compliance. These procedures allow us to ensure all our suppliers' conformity with the law.

**Country/Area of origin**

Brazil

**Law and/or mandatory standard(s)**

General assessment of legal compliance  
Brazilian Forest Code

**Comment**

These methodologies apply only to Brazil.

**F6.7**

**(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?**

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Supply chain mapping Capacity building Financial and commercial incentives	Supplier audits Offering on-site technical assistance and extension services Providing agricultural inputs Organizing capacity building events Purchase guarantee linked to best agricultural practices	259	For our approach with smallholders we have in place our fostering program. Through this program we can reach smallholders that are located nearby our factories and establish a partnership with them, where we supply seedlings and technical assistance for them to plant forests. In 2019 we had 259 smallholders enrolled in this program through 664 contracts. As part of the fostering contract, Duratex is the preferred buyer of the production. The cost of seedlings is then discounted from the timber sales price. This program helps smallholders to diversify their income, reducing their dependency on the sale of agricultural goods. Regardless of being a participant of the fostering program, all suppliers must be assessed according to our due diligence system in order to be able to sell timber to our factories. These assessments include desk and field audits to ensure compliance with laws and other commitments. In 2019 we begun our process of helping some of our smallholder suppliers to get FSC-certified by the end of 2020. Last November we organized a meeting with several suppliers (more than 100 people attended) to explain what was FSC certification, the benefits and what they need to do to become certified. In 2020 we are financially and technically supporting these smallholders to get ready for certification.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.8**

**(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?**

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier audits Offering on-site training and technical assistance Organizing capacity building events Purchase guarantee linked to best agricultural practices	100%	For our approach with smallholders we have in place our fostering program. Through this program we can reach smallholders that are located nearby our factories and establish a partnership with them, where we supply seedlings and technical assistance for them to plant forests. As part of the fostering contract, Duratex is the preferred buyer of the production. The cost of seedlings is then discounted from the timber sales price. This program helps smallholders to diversify their income, reducing their dependency on the sale of agricultural goods. Regardless of being a participant of the fostering program, all suppliers must be assessed according to our due diligence system in order to be able to sell timber to our factories. These assessments include desk and field audits to ensure compliance with laws and other commitments. In 2019 we begun our process of helping some of our smallholder suppliers to get FSC-certified by the end of 2020. Last November we organized a meeting with several suppliers (more than 100 people attended) to explain what was FSC certification, the benefits and what they need to do to become certified. In 2020 we are financially and technically supporting these smallholders to get ready for certification.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.9**

**(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?**

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Supply chain mapping	On-site meetings with indirect suppliers Supplier audits	As part of our due diligence system for wood suppliers, we have the same requirements for first-tier suppliers (direct suppliers) as for second-tier suppliers (sub-suppliers). Most of the wood procured by Duratex comes from direct suppliers, but in cases we buy wood sub products (chips, for example) we assess all the sub-suppliers of our suppliers like they are our own suppliers. In 2019 we procured wood from 6 sawmills and all their suppliers were assessed against our due diligence system through both desk and field audits.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.10**

**(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?**

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in multi-partnership or stakeholder initiatives

**Initiatives**

UN Global Compact  
Forest Stewardship Council (FSC)

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

As signatories to the Global Compact of the United Nations (UN), since 2008, Duratex is still committed to ensuring human rights in all regions and forests where it operates. Duratex is also a member of FSC International and FSC Brazil, being elected in 2019 to be a member of the FSC Brazil Board of Directors through 2022.

---

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Engaging with communities

**Initiatives**

<Not Applicable>

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

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. 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. 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.

---

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Funding research organizations

**Initiatives**

<Not Applicable>

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

Since 2008, we have been participating of the 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.

---

**F6.11**

**(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?**

Yes

## F6.11a

---

**(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Set aside land

**Primary motivation**

Required by regulation

**Description of project**

Brazilian Forest Code (Law 12651/2012) requires all rural properties to set aside at least 20% of their areas to conservation in Mata Atlantica, Cerrado and Pampa biomes. Therefore, Duratex had at the end of 2019 28.3% of its own and leased lands set aside for conservation purposes (56.4 thousand hectares). In order to measure the environmental quality of these areas, we conduct biodiversity studies (every 3 years for fauna, every 5 years for flora) in some key plots that are representative of the remaining areas. For areas that were planted with eucalyptus and now are set aside for conservation, we have procedures in place to monitor the natural regeneration for at least 5 years in order to evaluate if further actions are needed. For the first time, in 2019 we calculated our carbon stocks in these conservation areas.

**Start year**

2012

**Target year**

Indefinitely

**Project area to date (Hectares)**

56459.48

**Project area in the target year (Hectares)**

56459.48

**Country/Area**

Brazil

**Latitude**

-23.940794

**Longitude**

-47.73391

**Monitoring frequency**

Every two years

**Measured outcomes to date**

Biodiversity  
Carbon sequestration

**Please explain**

The 2012 beginning date is defined by the approval of the most recent Brazilian Forest Code. Duratex has been maintaining set aside areas for several years, dating back to the 70s. However, considering that many areas were acquired throughout the years, we chose the 2012 date for standardization. Since this is a continuous action, we repeated the target area. The coordinates are from one of our set aside areas, just for example. All our farms have set aside areas according to the law.

---

## F7. Verification

---

### F7.1

---

**(F7.1) Do you verify any forests information reported in your CDP disclosure?**

No, but we are actively considering verifying in the next two years

## F8. Barriers and challenges

---

### F8.1

---

**(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.**

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Primary barrier/challenge type**

Limited availability of certified materials

**Comment**

---

**F8.2**

**(F8.2) Describe the main measures that would improve your organization’s ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.**

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Main measure**

Greater supplier awareness/engagement

**Comment**

---

**F17 Signoff**

---

**F-FI**

---

**(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization’s response. Please note that this field is optional and is not scored.**

Duratex is 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 about four years ago. Since then, we have reformulated our team, especially our leaders; and we establish management standards that strengthen Our Way of Being and Doing, focused on the People, Processes, Customers and Results pillars.

2019 was marked, at Duratex, by important achievements in the continuous search for operational efficiency, with a focus on satisfying our customers and deliver results that exceed our cost of capital. The Company concomitantly concluded the processes of cultural transformation, adjustments in the production chain and approval of the largest investment in its history, now in the soluble cellulose sector. Our net revenue totaled R \$ 5,011.7 million, an increase of 1.3% in relation to 2018. However, if we disregard the sale of forest assets and the receipt related to the last tranche of the sale of biological assets for Suzano S.A., a 4.8% increase over the previous year. This increase is mainly due to the implementation of price increases in the Deca division and the incorporation of Cecrisa's results.

Specifically in Colombia, the currency devaluation coupled with the worsening in the competitive scenario impacted net revenue, down 6.4% under 2018.

In addition, the increase in the cost of international freight has reduced the profitability of our products in the international market, leading the share of revenue from the foreign market to represent 16.6% of the total calculated - compared to the 19.2% recorded in the previous year.

Consolidated investments in 2019 totaled R \$ 455.7 million, below the R \$ 500 million provided for in the budget. Of this total, R \$ 179.2 million was spent on the formation of biological assets and R \$ 276.5 million was invested in fixed and intangible assets, which includes the disbursement of R \$ 85.9 million in the new ceramic coating line.

Of note in the period was the allocation of R \$ 289.8 million in the acquisition of the company Cecrisa Revestimentos Cerâmico S.A., in addition to the incorporation of liabilities in the amount of R \$ 438.5 million. Not yet R \$ 45.4 million were paid in civil, tax and labor contingencies during the year, an amount provided for in the additional price of up to R \$ 275 million in the event of future verification of certain suspensive conditions.

In the year, the receipt of R \$ 395.3 million related to the sale of land and forests to Suzano, carried out in July 2018, with direct effect on cash, was also determined.

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. 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. In 2019, Duratex had a positive carbon balance, with the sequestration of 205,000 metric tons of carbon.

**F17.1**

**(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.**

	<b>Job Title</b>	<b>Corresponding job category</b>
Row 1	Chief Executive Officer of Duratex	Chief Executive Officer (CEO)

SF. Supply chain module

---

SF0.1

---

(SF0.1) What is your organization's annual revenue for the reporting period?

	Annual revenue
Row 1	5011706000

SF0.2

---

(SF0.2) Do you have an ISIN for your organization that you are willing to share with CDP?

Yes

SF0.2a

---

(SF0.2a) Please share your ISIN in the table below.

	ISIN country code	ISIN numeric identifier (including single check digit)
Row 1	BR	DTEXACNOR3

SF1.1

---

(SF1.1) In F6.3 you were asked "Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption". Can you also indicate, for each of your disclosed commodity(ies), the percentage of certified volume sold to each requesting CDP supply chain member?

Yes

SF1.1a

---

(SF1.1a) For each of your requesting CDP supply chain members, indicate the percentage of certified volume sold per disclosed commodity(ies).

**Requesting member**

MRV Engenharia e Participações

**Forest risk commodity**

Timber products

**Form of commodity**

Other, please specify (Laminate flooring)

**Third-party certification scheme**

FSC Chain of Custody

**Total volume of commodity sold to member**

602900

**Metric**

Square meters

**What % of the volume reported in column 5 is certified?**

100%

**Comment**

All our forest products (laminate flooring) supplied to MRV are FSC-certified.

---

SF2.1

---

**(SF2.1) Please propose any mutually beneficial forests-related projects you could collaborate on with specific CDP supply chain members.**

**Requesting member**

MRV Engenharia e Participações

**Commodity related to the project**

Timber products

**Category of project**

Relationship sustainability assessment

**Type of project**

Assessing products or services life cycle to identify efficiencies

**Estimated timeframe for realization of benefits to customer**

Unknown

**Details of project**

Life cycle assessment of Duratex products in the installation phase by the construction company before delivery to the final consumer. This will make it possible to have greater knowledge of Duratex products in its chain (downstream)

**Projected outcome**

Evaluation of the product's environmental footprints in the use phase and also the possibility of improvements in the installation process, reducing the impact.

---

SF2.2

---

**(SF2.2) Have requests or initiatives by CDP supply chain members prompted your organization to take organizational-level action to reduce or remove deforestation/forest degradation from your operations or your supply chain?**

No

SF3.1

---

**(SF3.1) For your disclosed commodity(ies), do you estimate the GHG emission reductions and/or removals from land use and land use change that have occurred in your direct operations and/or supply chain?**

**Timber products**

**Estimate GHG emissions and removals from land use and land use change**

Yes, willing to share details with requesting CDP SC members

**Please explain**

Emissions from forestry activities in relation to land use. Emissions related to land use change do not apply to Duratex. Specifically for the Forestry business, emissions in the last 5 years decreased by 44.5%, due to improvements in management, sales of rural properties and better calculation of the agricultural inventory.

SF3.1a

---

**(SF3.1a) For your disclosed commodity(ies), provide details on the actions implemented in your direct operations and/or supply chain that have resulted in a reduction of GHG emissions and/or enhancement in removals.**

**Forest risk commodity**

Timber products

**Description of actions**

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 expert advice. 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. With the recommendations, it was possible to calculate Duratex's carbon balance with better precision. In 2019, Duratex's operations in Brazil removed 205,000 metric tons of CO2e from the atmosphere, excluding emissions already.

**CO2e reductions and removals achieved from base year (metric tons CO2e)**

550172.9

**Base year**

2018

**Emissions accounting boundary**

Included in the corporate GHG inventory boundary

**Scope**

Scope 1

**Emissions accounting methodology and standards**

The GHG Protocol Agricultural Guidance

**Please explain calculation**

The removals of 550 thousand ton of carbon come from changes in carbon stock in planted forests, growth of native vegetation areas.

---

Submit your response

---

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I am submitting to	Public or Non-Public Submission	Are you ready to submit the additional Supply Chain Questions?
I am submitting my response	Investors Customers	Public	Yes, submit Supply Chain Questions now

**Please confirm below**

I have read and accept the applicable Terms