

Annual Report 2017



Duratex



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This document is interactive. Click on the special icons throughout the Report for more information on the topics discussed.





Intro duc tion



About the report

Duratex underwent major transformations and attained important achievements in 2017. Our Annual Report is the platform we use to communicate with all of our stakeholders regarding how we reached these results and where we are taking the company in the coming years.

Our goal with this publication is to show how our activities, innovations and investments contribute to bringing more well-being to the places where people live and to the cities where we can be found.

We are committed to transparent and responsible accountability. That is why this document follows internationally recognized and approved guidelines. The Report is in accordance with 2016 **GRI Standards** and with the **Integrated Reporting** guidelines. The data and information in the report, covering the period of January 1 to December 31, 2017, was verified by an independent company.

We would like to thank all of the collaborators and partners that were involved, directly and indirectly, in putting this narrative together.

Navigation guide



We have produced this Report using navigation technologies and interactivity, improving our stakeholders' understanding of value generated from the economic, environmental and social standpoint of our businesses. Click on the icons available on the pages to view additional information and access other important documents to understand the company's strategy and advancements.

Throughout the document, we highlight our contributions to global movements that support sustainable development, such as the Sustainable Development Goals (SDGs) and the Global Compact - United Nations (UN) initiatives. We also show how our projects and investments generate value in six different types of capital, as proposed by Integrated Reporting (financial, human, intellectual, natural, manufactured and social and relationship).

The GRI Standard indicators reported according to the requirements proposed by the organization are shown at the bottom of the page. The GRI Content Index starts on page 71, allowing for navigation of the document according to each stakeholder's interests.

Generation of value in the six capitals of Integrated Reporting



Global Compact Principles



Sustainable Development Goals



@

Questions, suggestions and comments on our Report can be sent by e-mail to sustentabilidade@duratex.com.br or investidores@duratex.com.br.

Our structure

We are the country's largest producer of wood panels and are among market leaders in the production of sanitary ware, metal fitting and eletronic showers in Brazil. Through our two business divisions, Deca and Wood, we have a wide-ranging and diverse portfolio, with products that bring customers quality of life and comfort, in Brazil, in Colombia (where we have three industrial units) and in the over 50 countries to which we export our solutions.

In 2017, we expanded our operations with the acquisition of Ceusa, a manufacturer of ceramic tiles located in the state of Santa Catarina, which uses innovation and state-of-the-art technology. We also purchased a minority stake in the Viva Decora startup, the main digital platform with content and services on architecture, design and décor in Brazil.

These new acquisitions contribute to our goal of offering more than quality products and services; we aim to be closer to our customers and consumers, delivering solutions that improve quality of life and well-being for people in their homes, workplaces and leisure areas.



Click here to learn about our business model, which establishes how our operations generate value for all stakeholders in a manner that is integrated with our strategy

Our operations



ABOUT OUR PORTFOLIO

-  **deca** 
www.deca.com.br
-  **hydra** 
www.hydra-corona.com.br
-  **ceusa** 
www.ceusa.com.br
-  **durafloor** 
duratex 
www.duratexmadeira.com.br
-  **Duratex** 
www.duratex.com.br



Forestry operation

Our planted eucalyptus forests in Brazil guarantee the supply of our wood paneling factories. We use responsible management practices and conservation of native areas in managing this forestry asset. In 1995, we were the first company in South America to receive FSC® (Forest Stewardship Council®) certification. Our chain of custody is also certified, allowing all of the wood used in our factories to be traced.

FSC license codes: FSC-C006042, FSC-C117807, FSC-C003088

**In early 2018, we provided notice of the sale of rural and forest areas in the state of São Paulo to Suzano Papel e Celulose. This operation is being analyzed and approved by Brazil's Administrative Council for Economic Defense (CADE).*



**275
k**

hectares
in Brazil*

Capital Market

DTEX3

- Listed in the Novo Mercado segment of B3
- Included on the ISE (Corporate Sustainability Index) since 2008
- Market Cap: **BRL 6.3 billion***

**On Dec. 31, 2017*



**11
k**

hectares in
Colombia

Evolution and growth



With a 66-year history, Duratex forecasts trends and the needs of its customers and consumers in order to transform its business, adapt its products and processes and generate value sustainably for all of its stakeholders. Through planning and solid investments, we have expanded our production capacity, made strategic acquisitions and reinforced our position as a leader in the Brazilian market.

In 2014, when Brazil entered one of its worst-ever economic crises, we identified an opportunity to focus our efforts to make Duratex an even better company. That year, we set up the Duratex Management System or SGD, its acronym in Portuguese, which has continually raised our efficiency and productivity. We adopted important tools to improve our processes, such as Zero-Based Budgeting or ZBB, which promoted significant reductions in costs within our business model. Over four years, we have lowered our costs by BRL 226 million.

In 2013, our leaders undertook a commitment to make Duratex:

- **Larger and more profitable**
- A source of **pride** for shareholders and employees
- **More respected** in the market
- **More admired** by stakeholders

To do this, we invested in

- Planning
- Cost management
- Productivity
- Engagement of teams
- Leadership development



Excellence management

2013

- We acquired **Thermosystem**, marking our foray into the electronic showerhead segment
- We expanded our operations abroad and increased our stake in **Tablemac**, a wood paneling manufacturer in Colombia that is a Duratex subsidiary, to **80.62%**

2014

- We created **Caetex**, a joint operation geared towards formation of eucalyptus forests in the Northeast region of Brazil

2015

- We created the **Duratex Management System (SGD)**, aimed at making us a more efficient and an even more productive company
- We acquired Duchas Corona, which along with Thermosystem forms what is now **Hydra**, making us the second largest showerhead manufacturer in the country

2016

- We adopted **Zero-Based Budgeting (ZBB)** to review all of our processes
- We consolidated **SGD** and continued to reap the fruits of lowering costs
- We revised our **Sustainability Strategy**, establishing goals to be achieved by **2025**
- We involved our leaders in the process of updating our corporate culture and built the **Way of Being and Doing**
- We increased our stake in **Tablemac to 99%**

2017

- The new **Solutions for Better Living** value proposition was created
- We strengthened the **SGD** and internalized methodology, with a dedicated team
- We spread the **Way of Being and Doing** and the **Sustainability Strategy** throughout the company
- We acquired **Ceusa**, a manufacturer of ceramic tiles, to grow and diversify our portfolio of innovative solutions
- We purchased a minority stake in the **Viva Decora** digital platform, to be even closer to our stakeholders

• Messages from the management



A NEW PURPOSE FOR DURATEX

After the most acute and prolonged economic recession in Brazil, we finished 2017 with renewed expectations and a belief that the coming years could be even more promising for Brazilian society. To seize the opportunities on the horizon, we are carrying out an in-depth process of transform our corporate culture, with impacts on improvement of processes as well as on how we position ourselves in the market.

During the last year, we have continued intensely dedicated to building the foundations of a new business model that will transform Duratex into much more than an industry with a vast portfolio. We are placing the consumer increasingly at the center of our strategy to create innovative solutions that improve people's quality of life in their homes and workplaces. That is why we have revised the company's purpose and are announcing it to all of our stakeholders: Solutions for Better Living.

Our employees are the centerpiece for us to be able to take this position in the market. That is why in 2017 we also spread the Way of Being and Doing, the result of a process of cultural transformation that we began two years ago and that was built collectively, with the participation of the Board of Directors and our leaders. Based on four pillars – People, Processes, Customers and Results – the Way of Being and Doing brings together the behaviors we expect from our employees as well as the attitudes we will not tolerate.

Within this context, innovation and sustainability are even more relevant and essential for the company's development. We need to be open to learning about and exploring new business models. For precisely this reason, we also revised our Duratex 2025 Strategic Plan, which now serves as a guide for all of our investments and projects.

The acquisition of Ceusa, a manufacturer of ceramic tiles located in Santa Catarina, was already a significant step taken in this direction in the last year. The company has a portfolio of unique products and a capacity for innovation that is in line with our aspirations. A BRL 280 million investment in this business did not impact our leverage ratio.

Signs of recovery in important economic indicators in the last year, such as falling inflation and lower interest rates, are important indicators that the country is once again on the path towards growth. However, the political and macroeconomic environment is still uncertain and will continue to demand attention be paid to improve processes, lower costs and provide excellence in service.

Striving to transform company culture and adapt our structures to rise to the challenge of a new business environment, guided by the definition of a value proposition and of strategic planning, we are confident that we are on the best path towards longevity for Duratex.

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

INNOVATION, COLLABORATION AND SUSTAINABILITY TO GROW

Duratex's business was positively impacted by improvement in the economy, lower inflation and a drop in the interest rate, signs that could suggest the start of recovery in the sectors in which we operate. In the last year, we had recurring net revenue of BRL 180.7 million, with net revenue 2.1% higher in comparison to 2016, results that are joined by a gross margin of 28.7% and EBITDA of BRL 760.0 million.

Although these positive numbers from the last year have yet to reach the same level as seen before the crisis in Brazil shook the civil construction industry, they show the success of actions geared towards rationalization of investments, optimization of cash generation and support of operations. With the continuity and expansion of the initiatives that make up the Duratex Management System (SGD), in 2017 alone we saw costs reduced by around BRL 76 million.

The focus on short-term management is relevant for us to confront today's challenges and maintain our position as a leader. At the same time, it is also important to look to the future and prepare to operate in an increasingly digital market, with consumers looking for innovative and unique solutions. That is why we are working to build our new strategic planning, Duratex 2025.

In line with the value proposition of offering Solutions for Better Living, Duratex 2025 defines four avenues for the company's growth: Digital platform, Solutions for living spaces, Solutions in water and Forestry solutions. On these fronts, we will become an even more agile company, connected to the new consumer profile; we will leverage our brands to offer solutions that improve quality of life and help in more sustainable water and power consumption; and

we will use our human and intellectual capital to explore new business models.

The acquisition of Ceusa, a manufacturer of ceramic tiles, exemplifies how we will execute our strategy. With this investment, the company is making a foray into a new market segment and expanding its portfolio, which is already recognized for the Duratex, Durafloor, Deca and Hydra brands.

Innovation and sustainability are transversal to avenues of strategic planning. Our employees are continually motivated to find solutions that increase people's well-being and comfort, allowing our products to have positive social and environmental impacts. This engagement was intensely developed in 2017 through actions to spread the Way of Being and Doing, which started with a collaborative effort to transform our corporate culture and achieve high-performance results. Our purpose is reinforced through the various volunteer initiatives in which Duratex participates, including alignment with the principles of the United Nations Global Compact.

In 2018, we began to make strategic moves to place the company at a new level of competitiveness. Early in the year, we accepted a proposal for the sale of facilities and equipment used to produce thin particle board in Botucatu. This operation includes the exchange of these facilities and equipment for forestland strategically located near the Itapetininga unit, whose operations are scheduled to resume in April.

We also disposed of surplus land and forests in an operation split into two parts: sale of a plot of land and forests and an option for another plot

of land, to be exercised by the start of July. These transactions will significantly reduce our leverage. It is worth noting that both transactions are dependent upon approval by the Administrative Council for Economic Defense (CADE) and will only be finalized after this approval is received.

We will continue to strive to simplify the organization and facilitate processes, in a constant attempt to maintain growth with profitability and accelerate the stages of cultural transformation. With this, we are strengthening Duratex to face the challenges of today and tomorrow.



Antonio Joaquim de Oliveira
Chief Executive Officer

Our mana gement

| *Corporate
governance*

| *Risk management*

| *Transparency,
ethics and integrity*

| *Recognition
in 2017*

| *Cultural
transformation*

| *Our value
proposition*

| *New acquisitions*

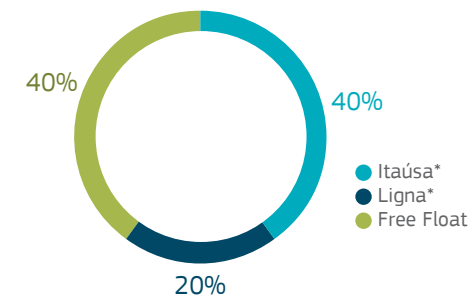
Corporate governance



To generate value sustainably, our business model is supported by a corporate governance structure whose people, policies and processes guarantee the company's growth. Everything is conducted in accordance with perennial values and ethical and upstanding practices in relations with customers, suppliers, government agencies and all other stakeholders. As a listed company, Duratex follows Novo Mercado regulations, the highest level of governance of the B3, where shares are traded.

Our Board of Directors, which has three independent members, is made up of nine full members plus three alternates, representing controlling and minority shareholders. The Board establishes the general guidelines for Duratex's growth, observing externalities, risks and opportunities in the markets in which we operate or where we can develop new business.

Shareholder Structure



*Includes participation of families



To define strategic guidelines, board members analyze a wide range of economic, environmental and social aspects that can generate opportunities or situations that may negatively impact our business. To support this analysis, the Board of Directors is backed by six Advisory Committees – the most recent of which is IT and Digital Innovation, established last year.

Committee members can come from the Board of Directors and the Executive Board. One highlight of our governance is the formation of a Committee to Assess Related-Party Transactions, on which only independent board members serve.

Our Executive Board is responsible for strategically conducting business and defining the goals of our business, according to guidelines outlined by the Board of Directors. Our leadership includes the Chief Executive Officer, two Vice Presidents (Deca and Wood) and seven Directors for administrative, commercial and operational areas.

IT and Digital Innovation Committee

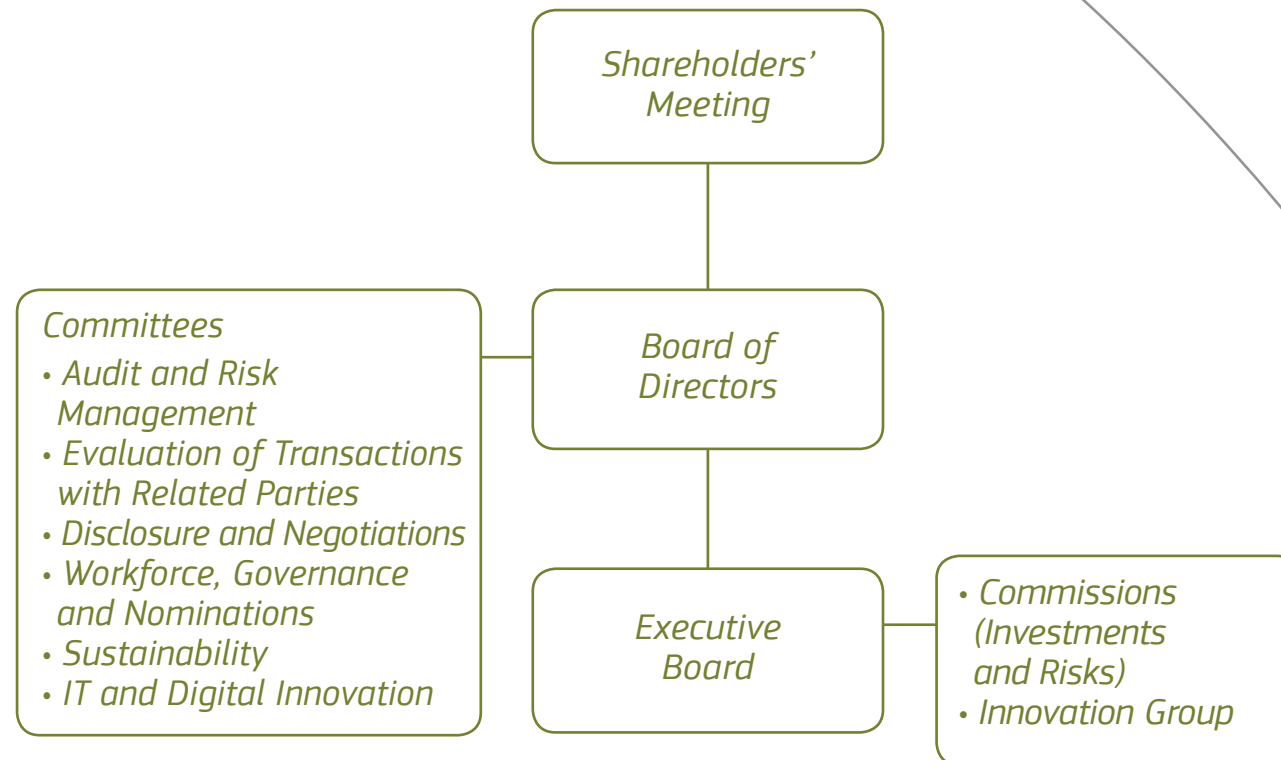
Established in 2017, it supports the process of digital transformation at Duratex

LEARN MORE
See who the members of the Board of Directors and the Executive Board are and their resumes

-  Learn about the formation of the committees advising the Board of Directors
-  Access all of the policies and rules that guide our corporate governance
-  Learn how the process works to assess those responsible for our governance



Governance Structure





Risk management

Our Risk Management Policy establishes guidelines for identification, assessment, prioritization and treatment of risks to our business. It has been in effect since 2011 and was revised in 2016.

We currently have 54 mapped risks. Learn about the actions and programs we developed to deal with these risks on our Reference Form, in section *5.1 – Risk Management Policy*.

The risk management process monitors risks, including the following non-exhaustive list of risk types:



We manage risks continually and guarantee compliance with the Risk Policy using a structure that includes:

Audit and Risk Management Committee

- Responsible for supervising Internal Auditing work and internal control and risk management processes, as well as for assessing the quality and integrity of financial statements

Internal auditing

- Performs assessments on the effectiveness of risk management systems and internal controls, verifying compliance with standards and regulations

Internal Controls

- Implements and spreads best practices for internal controls, according to the projects most relevant to strategy or with the areas most exposed to high-priority risks. Reports its conclusions to the Audit and Risk Management Committee

Risk Committee

- At the executive level, the committee assesses and monitors risks involved in operations and activities, providing accountability every two months to the Audit and Risk Management Committee regarding assessment of risks and proposals for mitigation. The Committee is coordinated by the Finance, IR and Corporate Services Director and the other members of the Executive Board serve on the Committee.

Our intangible assets and competitive advantages

People

- Engagement of employees and the technical knowledge of our teams are assets relevant to our business model. The company trains its professionals and fosters attraction and retention of talent by managing dynamic and integrated personnel.

Brand

- The strength of our brands, which have been awarded and recognized by the market, is a major asset, since it conveys credibility and confidence to customers and consumers. In 2017, our brands were recognized with various awards in their sectors of action. Throughout the year, we promote initiatives to engage and expand our presence in digital channels, strengthening our connection with our customers and consumers. In our communications and marketing actions, we reinforce characteristics that are important to customers, such as proximity, flexibility, innovation, dynamism, design, beauty, sustainability and innovation.

Innovation

- Investments in research and development of new products, solutions and technologies allow us to keep up with new technological and market trends, offering products that meet consumers' demands and needs. In 2017, we established the IT and Digital Innovation Committee under the auspices of the Board of Directors and strengthened initiatives in this theme through the Innovation Group, with the Wood Division Hackathons and Innovation Week deserving special mention.

Technology

- Technological enhancement of industrial processes is done constantly, combining greater productivity with fewer social and environmental impacts. The industrial complex is equipped with the latest generation of machinery, software and hardware and uses robotic processes. Through the Business Continuity Plan, databases can be replicated and stored in a safe external environment.

Quality

- The standard of quality for our products is a benchmark in the Brazilian market that is assured by operational practices adopted across all units and based on process certifications. Highly trained and qualified sales teams, nationwide technical service and service channels, such as the Customer Service Center or SAC, its acronym in Portuguese, also convey credibility and reliability to consumers.

Geographic diversity

- Our industrial plants are strategically located, near supply sources and consumer markets, allowing the domestic market to be served with the utmost agility and quality. On the international market, Duratex Colombia is the largest panel sector company in Colombia, guaranteeing a strategic presence to serve the Latin American market.

Eco-efficiency

- The environmental aspects of production processes are continually and systematically monitored, with a focus on using fewer natural resources and boosting efficiency. Wood used as a raw material comes from forestry areas certified according to FSC standards and from other controlled sources. We have an Environmental Management System and most of the industrial units are ISO 14001-certified. At industrial plants, the company invests in equipment and programs to cut water and energy consumption, increase reuse and recycling of waste and encourage the use of renewable resources in its energy mix, which is additionally aimed at lowering greenhouse gas emissions.



Transparency, ethics and integrity

Ethics, transparency and integrity are the basis of the relationship we have built with our stakeholders. In line with the cultural transformation we are undergoing, in the last year we revised our Code of Conduct. The new version, which will be available to all employees in 2018, contains Duratex's ethical guidelines and the type of conduct that company administrators and employees should have in interactions with each type of public.

Every six months, we carry out accountability for the period with the People, Governance and Appointment and Audit and Risk Management committees, which advise the Board of Directors

Our Executive Board monitors the work of the Ombudsman on a monthly basis, through reports submitted to administrators

Cases that may involve fraud and corruption are forwarded to Internal Auditing for treatment. Situations that are in violation of the Anti-Corruption Act are sent to the Legal Compliance area, which will investigate with the support of Internal Auditing

The Duratex Ombudsman, which has existed since 2012, should be informed occurrence of deviations in relation to the Code of Conduct. The Ombudsman is responsible for forwarding reports of conduct that is not in accordance with company values and policies

Recognition in 2017



Click on the awards
for more information on
the Duratex website



**19º PRÊMIO
ABRASCA
RELATÓRIO
ANUAL**



We received the Honorable Mention at the 19th edition of the Abrasca Annual Reporting Award for clarity, transparency and objectivity in reporting our social and environmental information to the market in the 2016 Annual Report.



We were considered the most innovative company in Brazil in the Construction Materials and Décor category. This recognition was given to us by the Valor Inovação Brasil 2017 ranking, published by Valor Econômico, which highlights the companies with the best innovation practices in the national market.



In 2017, Duratex received the Pro-Ethics seal of integrity. This recognition is given annually by the Ministry of Transparency and the Federal Controller General, through an evaluation of the Integrity Programs instituted by Brazilian companies, according to the Anti-Corruption Act (Law no. 12.846). The initiative began in 2010, and since 2014 we have been included on the Pro-Ethics list.



For the 11th year, we were named the best company in Brazil in Construction Materials and Décor by the Best of Dinheiro Awards, from IstoÉ Dinheiro magazine. This publication recognizes companies that have the best integrated management of the Financial Sustainability, Human Resources, Innovation, Social and Environmental Responsibility and Governance aspects.



For the third time Duratex is considered the model company of the Construction Materials sector by Guia Exame de Sustentabilidade for our economic, environmental, social and governance performance. The initiative recognizes the Brazilian companies that stand out the most in sustainability, based on the methodology of the Center for Sustainability Studies of FGV (GVCes).



For 10 years running, we have been included in portfolio for the B3 Corporate Sustainability Index, which acts as a reference guide for responsible investment in Brazil and shows our commitment to integrating aspects of sustainability into our business.



We were highlighted at the ninth edition of the Época Green Company Award for our sustainable practices related to Water, Climate Change and Genetic Improvement. This initiative, promoted by Época magazine, published by Editora Globo, recognizes the companies most concerned about the environment.



Click on the awards
for more information on
the Duratex website

eco | Prêmio Eco Brasil



We were the overall winners of the ECO Award, in the Processes category, for the environmental projects we have implemented at the Taquari unit, in Rio Grande do Sul, related to reusing effluents and using biomass to generate energy.



We were considered the best company in Brazil in the Construction Materials and Décor category by the Annual Época Negócios 360° Publication. This annual publication looks at aspects of Social and Environmental Responsibility, Future Vision, Financial Health, Capacity for Innovation, Corporate Governance and HR Policies. We were ranked 4th overall.



We were the best company in Sustainability in the agribusiness sector at the 13th edition of the Best in Agribusiness Award, an annual publication put out by Globo Rural magazine. Our Sustainability Strategy, with goals focused on Forestry Management, and the Genetic Improvement Program were highlights at the award.



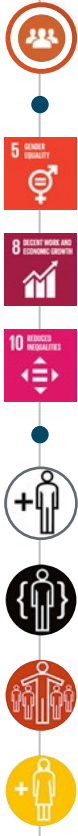
In 2017, we won the São Paulo stage of the "Communication of Programs Geared towards Corporate Sustainability" category of the Aberje Award, for our program to spread a culture of sustainability to all company employees. This initiative awards the best practices in Corporate Communication in Brazil.



Awarded by Brazil's National Association of Finance, Administration and Accounting Executives, the Transparency Trophy recognizes the clarity and objectivity with which Brazilian companies report their financial information to the market. At the 2017 edition, 25 Brazilian companies were awarded, and we were among them.



We won the 6th edition of the Ombudsmen Brazil Award, recognizing the work that Ombudsman areas at Brazilian companies develop with their customers, suppliers, employees and governments. This is the first time that a company in the Construction Materials industry has been given this recognition.



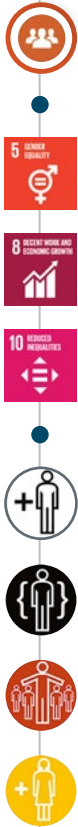
Cultural transformation

The successful execution of our business strategy depends greatly on the knowledge, technical ability and performance of our employees. That is why in parallel to the company's advancement processes, which started with the Duratex Management System (SGD) to increase our efficiency and productivity, we began an in-depth process to review and strengthen our corporate culture.

In the second half of 2015, we started the "Culture Management and Leadership Development Project." At that time, we mapped the cultural traits that guided our practices and the action of those facing future challenges and opportunities. From this "snapshot," we found that our culture had positive points (such as employees' pride in belonging), but also demanded the need for us to reinvent ourselves in order to guarantee the company's success and leadership.



In 2016, the Board of Directors, Directors, Managers and Coordinators collectively built the Way of Being and Doing, defining the attributes (People, Processes, Customers and Results) and behaviors that we encourage and those that we will not accept in our employees' conduct. During this time, leaders were also engaged in the new culture through workshops and practical activities that led to thinking on the application of such behaviors on a daily basis.



Spreading the Way of Being and Doing

As of June 2017, the Way of Being and Doing began to be disseminated to all Duratex employees. We created an internal communication campaign with the catchphrase #MeuPapelNaDuratex (my role at Duratex). Visual identity was inspired by origami, the Japanese art of paper folding that creates representations of beings and objects, in order to show the importance of each employee's contribution to the company's cultural transformation.

Leaders at Duratex were trained by a consulting firm to locally spread the attributes and behaviors of the Way of Doing and Being. Managers held meetings with their teams to discuss concepts and, together, build collective and individual plans of action for behavioral practices.

Over two months, company administrators visited the units during initiatives that we called the Way of Being and Doing Caravans. The major difference of this form of action was the cross-interaction between businesses: leaders from the Wood division visited Deca factories – and vice-versa.

The dissemination and consolidation of the Way of Being and Doing will continue in 2018, including through establishment of mechanisms to assess team's adherence to the new culture.

2015

- The first step to reach the new Duratex culture was execution of a **wide-ranging diagnosis** of the company and how it works
- **402 interviews** with employees at every hierarchical level

2016

- Leaders were called to build the bases of what would become the **Way of Being and Doing**
- The first version was written "**in pencil**", with the aim of making it easily changeable. Next came the version "**in pen**", which a group of managers and coordinators presented to the Board of Directors. It served as the basis for fine-tuning, allowing the document to be set "in stone."
- **74 managers and 40 coordinators** were direct participants in building the Way of Being and Doing

"Piloting"

this is the practice of learning, that is, practicing while you learn, with determination and discipline. It means practicing the conduct in the Way of Being and Doing every day.

- Through "**piloting**", our leaders were called to review their own conduct and define actions with immediate impact
- **Prose Talks** were promoted with managers and coordinators to provide for honest dialog about questions, dilemmas and obstacles to materialization of the expected behaviors

2017

- **Engagement** starts with supervisors, leaders who have daily and direct contact with teams
- **480 employees** participated in preparatory workshops to spread the **Way of Being and Doing**
- Dissemination of the Way of Being and Doing takes over Duratex and reaffirms our **commitment** to the journey of transformation



Our value proposition

When we started the “Culture Management and Leadership Development Project,” we understood that cultural transformation at Duratex should include the revision of the company’s Mission and Vision. Under the leadership of the Board of Directors, we sought to understand the role of our company in today’s society.

Fully aligned with the Way of Being and Doing, our new value proposition – Solutions for Better Living was announced to all stakeholders in 2017. The result of reflection by leaders, it translates Duratex’s reason for existing and what the company proposes to do for its customers and consumers.

Our goal is to direct investments, projects and efforts towards understanding people’s needs and offering more than quality products. We always want to deliver innovative solutions that improve people’s quality of life and well-being.

Within this challenging context, we are confident that we will be able to raise employee commitment, customer and consumer satisfaction and supplier engagement. Transformation of our corporate culture will help us to more quickly achieve our goals and our strategic targets and is fundamental to the longevity of our operations and new growth cycles.

**“SOLUTIONS FOR
BETTER LIVING” IS THE
VALUE PROPOSITION THAT
GUIDES ALL BUSINESS
AT DURATEX**



New acquisitions

Throughout our history, we have made advancements on building a business model that will transform Duratex into much more than an industry with an extensive portfolio to offer the market. Our ambition is to increasingly place the consumer at the center of our strategy to deliver innovative and quality solutions.

BRL 280 million

on the acquisition of Ceusa

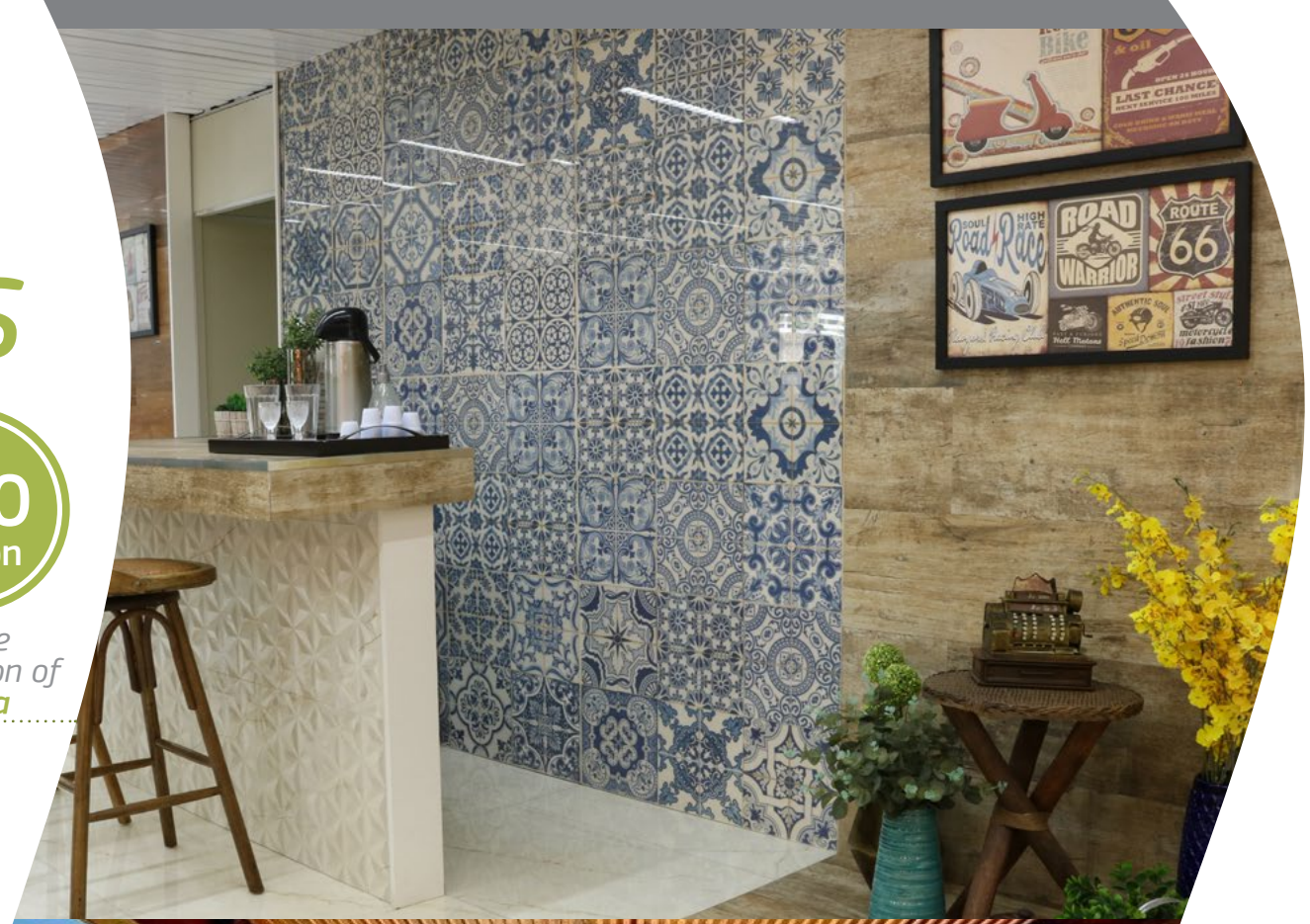
In line with our new purpose – Solutions for Better Living – in 2017 we acquired **Ceusa**, a manufacturer of ceramic tiles that operates two units of production in Urussanga, Santa Catarina, through a competitive business model anchored in technology, innovation and design. The BRL 280 million investment was also stimulated by the synergies between the businesses and marked our foray into this market segment, expanding the solutions offered in our portfolio, which is traditionally recognized for the Duratex, Durafloor, Deca and Hydra brands.

Another deal aligned with our new purpose was the purchase of a 28.57% stake in **Viva Decora**, a digital platform with segmented content on décor and interior design, aimed at industry professionals, through a BRL 6.2 million investment. Through this partnership, we are progressing towards the digital economy, further diversifying our action in the market and strengthening our communication with architects and interior designers, moving even closer to our strategic publics.

There are currently over 37,000 professionals registered on the Viva Decora platform, with 132,000 photographs of decorated spaces, 500,000 products in the marketplace and traffic of 2 million visits per month. In addition to highlighting trends and reporting on market information, the portal also functions as a showcase for various specialists in the civil construction industry that want to expand their networks and establish new business partnerships.

BRL 6.2 million

to acquire a 28.57% stake in Viva Decora



Our performance



Economic and financial results

SCENARIO AND MARKET

Starting in the second half of 2017, the Brazilian economy began to show signs of recovery, after a period of crisis and falling consumption. Lower inflation, a drop in interest rates and recovering credit growth have positively impacted economic activity and contributed to our achievement of better results in comparison to 2016.

In the wood panel segment, the Brazilian Tree Industry or IBÁ, its acronym in Portuguese, found year-over-year growth of 4% in domestic demand for this product. Growth in exports was even higher, reaching 21% for the year.

The data disclosed by the Brazilian Association of the Construction Materials Industry or ABRAMAT, its acronym in Portuguese, also found that industry companies generated 4% less revenue compared to 2016, an improvement in comparison to the previous year. For 2018, the organization is projecting gradual recovery in demand and year-over-year growth of 1.5%.

Recovery in Brazil's GDP, more favorable economic environment and renewed purchasing power among Brazilian families can stimulate the markets in which we operate. With greater efficiency and productivity, rationalization of investments and a strategy focused on offering innovative and diversified solutions, we are confidently expanding our capacity to generate value in a new cycle of growth in the country.

6%

increase in the volumes shipped at Deca

10.9%

growth in operating income in the Wood division



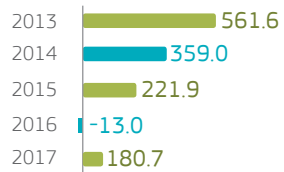
FINANCIAL RESULTS

Consolidation of the Duratex Management System (SGD), geared towards gains in efficiency and productivity, and efforts to maximize cash generation and reduce the company's financial leveraging contributed to the positive results we achieved in 2017. A total of BRL 365.9 million in investments were geared towards industrial and forestry operations in the last year, an amount lower than the initial estimate of BRL 420 million. In relation to cost management, based on SGD methodology, we achieved savings of BRL 76 million.

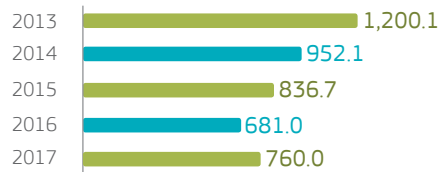
Net revenue was 2.1% higher compared to 2016, while the cash cost (COGS) was 1.1% higher in the same period. EBITDA, an indicator that shows the company's potential for cash generation, was 11.6% higher. At the end of the year, recurring net revenue was BRL 180.7 million, reflecting the cost reduction resulting from the SGD, the price increases implemented throughout the year and a more favorable financial result due to the drop in interest rates and reprofiling of financial liabilities.

Financial indicators (BRL millions)

Recurring net revenue



Recurring Ebitda



Net revenue



FREE CASH FLOW AND DEBT

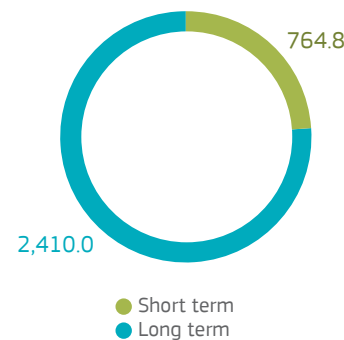
In 2017 we worked to lower the company's financial leverage ratio, which will continue to be one of our priorities throughout the coming year. The combination of better operational cash management and asset management with a lower financial cost and prolongment of part of our debt led to improvement in the net debt to EBITDA ratio.



*Free cash flow adjusted for the expenditure related to acquisition of Ceusa.
**Net debt /recurring and adjusted TTM EBITDA.



Gross debt at the end of December 2017 (BRL millions)



VALUE-ADDED

Value-added at the end of 2017 totaled BRL 479.6 million. Of this amount, BRL 133.6 million, or 27.9% of the total, went to the federal, state and municipal governments in the form of taxes and contributions. By statute, shareholders are guaranteed a minimum required dividend corresponding to 30% of the adjusted net earnings for the period. Through a proposal by the Board of Directors, a dividend of BRL 60.8 million was paid out, equal to BRL 0.08826330461 per share.

ASSET MANAGEMENT

On January 31, 2018, we announced the swap of facilities and equipment at the Botucatu (SP) unit, which produced thin particle board, with Eucatex. The transaction involves exchange of these assets for a farm in the municipality of Capão Bonito (SP), strategically located near our Itapetininga (SP) unit, whose operations are set to resume in April of this year. The operation has a base value of BRL 60 million.

On February 5, 2018, we announced the sale of surplus land and forests, totaling 9,500 hectares, to Suzano Papel e Celulose, in addition to an exclusive option for another 20,000 hectares, to be exercised by July 2. These operations totaled BRL 1.057 billion.

Throughout our history, with the evolution in our management techniques, which has allowed for increased productivity, and the natural assets we have accumulated, we now hold a volume of land and forests that surpasses our current and planned needs for production of wood paneling. Focused on profitability and in an effort to gain greater efficiency, we decided to dispose of the available surplus.

MAIN FINANCIAL INDICATORS

Consolidated Financial Summary (BRL thousands)	2017	2016	% de variação
<i>Deca volume shipped (thousands of pieces)</i>	26,053	24,590	5.9%
<i>Deca volume shipped (thousands of m²)</i>	531.463	-	-
<i>Paneling volume shipped (thousands of m³)</i>	2,399,134	2,433,246	-1.4%
Consolidated net revenue	3,990,866	3,909,760	2.1%
<i>Gross income</i>	1,143,769	1,009,132	13.3%
<i>Gross margin</i>	28.70%	25.80%	-
<i>EBITDA CVM 527/121</i>	986,788	901,184	9.5%
<i>EBITDA Margin CVM 527/12</i>	24.70%	23.00%	-
<i>Non-cash adjustments</i>	(220,191)	(161,090)	36.7%
<i>Extraordinary items</i>	(6,587)	(59,133)	-
Adjusted and recurring EBITDA²	760,010	680,961	11.6%
Adjusted and recurring EBITDA margin	19.00%	17.40%	-
<i>Net revenue</i>	180,015	26,229	605.4%
<i>Recurring net revenue</i>	180,668	(12,966)	-1,493.4%
<i>Recurring net margin</i>	4.5%	-0.3%	-
INDICATORS			
<i>Current ratio³</i>	1.95	2.69	-27.4%
<i>Net debt⁴</i>	2,100,460	2,040,681	2.9%
<i>Net debt/TTM EBITDA⁵</i>	2.76	2,997	-7.8%
<i>Average net equity</i>	4,625,991	4,563,840	1.4%
<i>ROE⁶</i>	4.0%	0.6%	-
<i>Recurring ROE</i>	3.9%	-0.3%	-
SHARES			
<i>Net profit per share (BRL)⁷</i>	0.2682	0.0346	675.1%
<i>Closing price (BRL)</i>	9.2	6.80	35.3%
<i>Book value of equity per share (BRL)</i>	6.84	6.63	3.2%
<i>Shares in treasury (shares)</i>	2,478,659	2,485,759	-0.3%
<i>Market value (BRL thousands)</i>	6,341,614	4,687,231	35.3%

1. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): measure of operational performance according to CVM Instruction 527/12.

2. EBITDA adjusted for non-cash events resulting from variation in the fair value of biological assets and combination of business, in addition to extraordinary events.

3. Current Ratio: Current Assets divided by Current Liabilities. Indicates the availability in BRL to handle each BRL in short-term obligations.

4. Net Debt: Total Financial Debt (-) Cash.

5. Financial leverage calculated over recurring EBITDA for the last 12 months, adjusted by accounting events and non-cash items.

6. ROE (Return on Equity): measure of performance provided by the Net Revenue for the period, annualized by the average Net Equity.

7. Net Profit per Share is calculated by dividing the profit attributable to the Company's shareholders by the average weighted amount of ordinary shares issued during the period, not including ordinary shares kept in treasury.

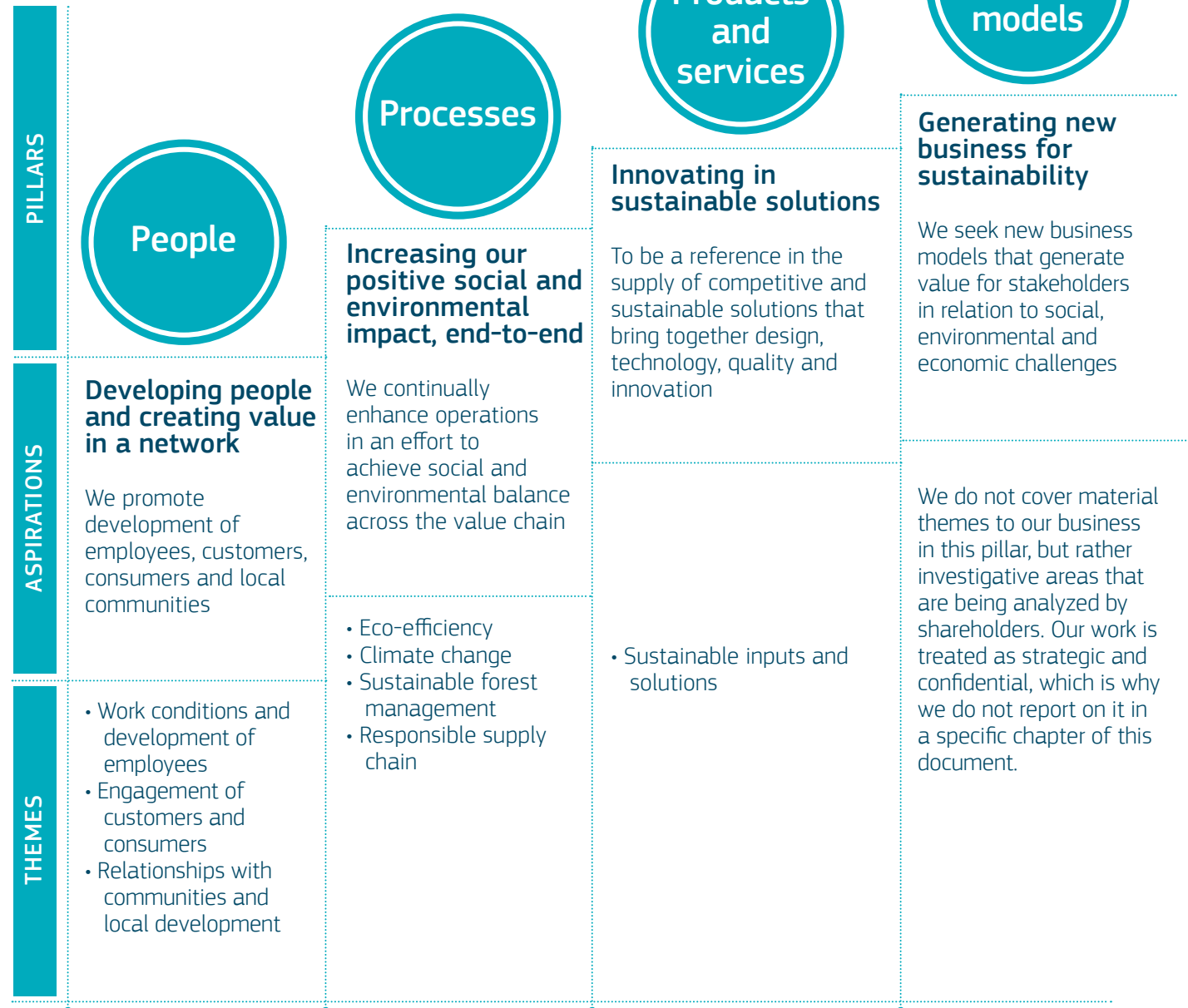
Sustainability Strategy



Our 2025 Sustainability Strategy, built with the participation and engagement of the company's employees and leaders in 2016, is one of the pillars supporting our strategic planning. The Strategy was built on four pillars and on relevant topics for which we have established social and environmental performance targets to be achieved by 2025, through involvement and action by the administrative and operational areas at Duratex.

Based on this Report, maintaining our commitment to transparency, we began to provide accountability on the company's performance in relation to the 45 targets we established. All material themes mentioned are transversally relevant to our activities. Each topic has more or less relevance in each business according to the goals established in the Strategy. Geographically, aspects are material in all regions where our units are located.

Sustainability Strategy





The focus of our action in 2017 was definition of a system and of criteria to make management of our performance viable, according to the goals of the Sustainability Strategy. With this, we were able to identify our main value leverages and any needs for route corrections. In early 2018, Duratex Colombia approved its own targets in line with the pillars of the Sustainability Strategy ([click here](#) to see them).

To facilitate understanding by our stakeholders, on the next pages we will discuss our evolution, organizing initiatives according to the three pillars which we use to cover relevant topics. The initiatives and projects reported were developed by Duratex teams throughout 2017, according to planning outlined for the business by our administrators.



How we build our Sustainability Strategy

- We analyze internal practices, policies and documents and assess our performance using platforms and methodologies recognized by the market for measuring sustainability performance – such as the DJSI (Dow Jones Sustainability Index) and the ISE (Corporate Sustainability Index)
- We interviewed our shareholders and executives, as well as external stakeholders (opinion-makers), and considered studies and documents from organized civil society entities, to assess the external environment and macro trends
- We evaluated the sustainability management strategy and mechanisms used by 15 companies in the wood, sanitary ware and metals and electric showerheads sectors, as well as by representatives from other segments recognized for having good practices
- We defined pillars and topics relevant to the Strategy and enhanced our aspirations with the involvement of our executives in workshops, based on the recommendations of the Sustainability Committee and the Board of Directors
- Throughout eight thematic meetings, engaging employees from different areas of Duratex, we discussed challenges, opportunities and goals for each material topic
- As a result, we arrived at our 45 targets, which were validated by our Sustainability Committee and Executive Committee and approved by the Board of Directors



DISSEMINATION OF STRATEGY

We established the Education for Sustainability Program to communicate, raise awareness and provide information to our employees, training our leaders to spread the Strategy and promote internal engagement actions.

In the first four months of 2017, we held workshops with leaders where we discussed issues related to sustainability in Brazil and the world, conducting an interactive activity with a fun game that contains a visual depiction of the Strategy. Multipliers formed in these training actions were responsible for spreading content and using the interactive game at our industrial and forestry units.

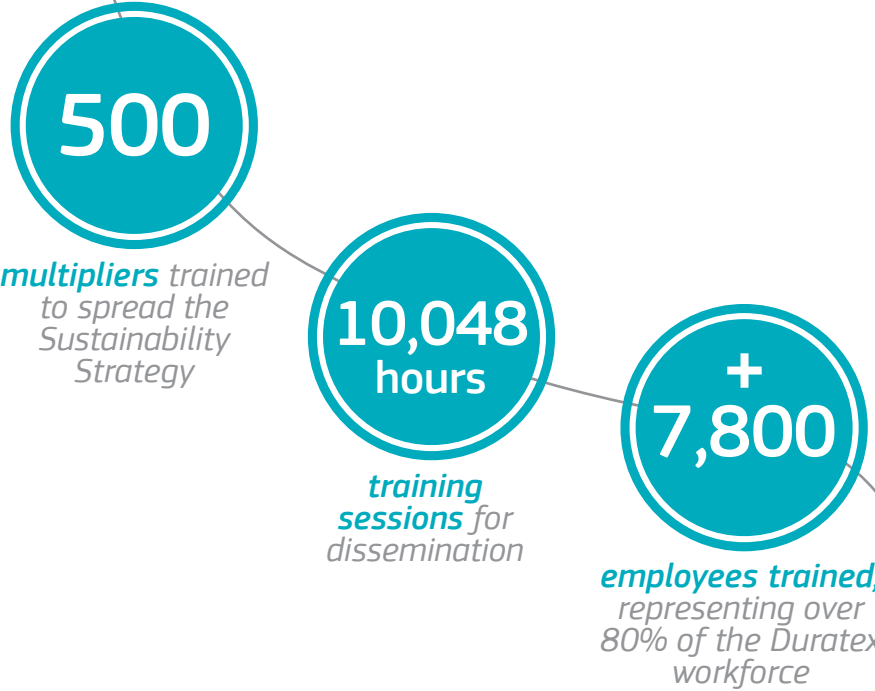
Other communication actions and campaigns were carried out to conduct this dissemination. In one, employees were able to send postcards to colleagues, recognizing an individual initiative that was in line with the pillars and themes of the Strategy. Employees were also impacted by the company's internal communication channels, talks and events aimed at dialog on sustainability themes.

VALUE DIALOGUES

To reinforce the engagement of our leaders with sustainability and contribute to identifying opportunities for improvement, in 2017 we began the Value Dialogues program. The central theme of the first meeting was Climate Change.

Approximately 140 guests – including directors, managers, coordinators and members of the Duratex Board of Directors and Sustainability Committee – took part in the event, held at our Central Office in São Paulo.

The audience attended talks by specialists on this topic and by the company's President and were able to debate the risks and opportunities that climate change poses to business today.



DURATALKS

In 2017, our employees involved in the initiatives and projects to enhance our performance in sustainability were invited to take part in the first edition of DuraTalks. The event, held at the Central Office, included presentations to the internal and external publics on initiatives related to topics such as Sustainable Forestry Management, Reuse of Waste, Relations with Neighboring Communities and Eco-Efficiency, among others. Cases were explained using the TED model, which is recognized for promoting sharing of knowledge through short inspirational talks.



People

16,584
hours

*of activities to
spread the **Way of Being
and Doing***

Employees, customers and consumers along with the local communities in the municipalities where we operate are important publics for the development and growth of Duratex. Among the goals of the strategy we outlined are creating and sharing value with this extensive network of people, with whom we relate every day with ethics, transparency and a spirit of collaboration.

Work Conditions and Development of Employees

Our team is made up of around 11,000 employees working at our industrial and forestry units, administrative offices and commercial areas in Brazil and abroad. They are the people that make our value proposition to offer Solutions for Better Living a reality. A higher level of satisfaction and commitment to the values and culture we are building is maintained through a professional environment with respect, diversity, care for health and safety and opportunities for individual development.

In 2017, we spread the Way of Being and Doing to 100% of our employees, which joins the attributes and behaviors we encourage and those we do not tolerate. All of our leaders, up to the supervisory level of the industrial and forestry units, were trained to be able to incorporate and spread these behaviors to their teams, through a continual and long-term process of acculturation.

GREAT PLACE TO WORK

In 2017, we took part for the first time in the Great Place to Work (GPTW) survey, which recognizes the organizations with the best workplaces. We received the GPTW 2017 certification seal, given to companies that reach a minimum confidence level of 70% among the employees that take part in the survey. Our goal this year is to once again take part in the survey to demonstrate our good practices and identify opportunities for improvement. Being among the Best Workplaces is a goal Duratex wants to reach by 2020.



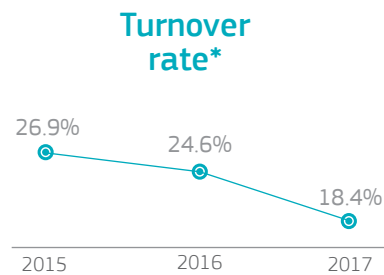


ATTRACTING AND DEVELOPING TALENT

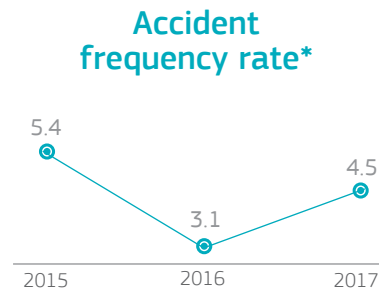
Since 2016, the Way of Being and Doing has influenced how our human capital is prepared and continually trained. Our turnover has fallen over the last three years, as a reflection of actions to enhance the selection processes for new employees, in line with our values and the culture we are building.

Refinement of the employee performance assessment process has also contributed to this result. The Integrated Personnel Management program, or GIP, its acronym in Portuguese, is a system that we use to build professional development initiatives. It covers 100% of our directors, managers, coordinators, supervisors and specialists, in addition to a portion of our workers holding senior analyst and trainee positions.

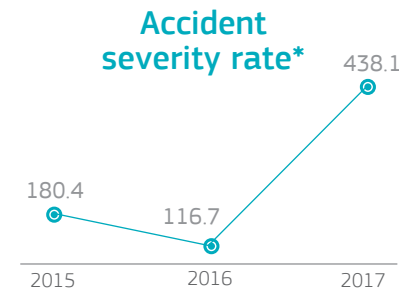
Through the GIP, we promote an annual employee performance assessment according to our map of competencies and to the vision of managers, following a model of calibrating assessments based on objective aspects. This process culminates in a feedback meeting, aimed at building an individual career development plan, or PDI, its acronym in Portuguese, which is done jointly between manager and employee. The GIP also supports the entire process of mapping and preparing talent to be able to occupy leadership positions when new opportunities come up at the company.



*Calculated based on the average between hires and terminations over the headcount at the end of the period.



*Number of accidents with time off for every 1 million man-hours of risk exposure.



*Number of days lost or debited for every 1 million man-hours of risk exposure.

HEALTH AND SAFETY

We are committed to guaranteeing that our employees work in a safe and healthy environment every day. That is why three years ago we set up Duraseg, our occupational health and safety system, centralizing actions to raise employee awareness, reinforce a culture of safety by observing risks and behaviors and making investments in improving equipment and facilities.

Our main indicators related to employee safety have been systematically evolving since 2014. However, in the last year, we had one fatal accident with one of our employees at the Botucatu (SP) unit, in the Wood Division. This accident shows that there is still a significant challenge to create and maintain a completely safe environment, requiring continual and daily efforts from all of our workers.



First Formare Apprentice class graduates in Botucatu

At the Wood Division unit in Botucatu (SP), 18 young people graduated from the production operator course, offered by Duratex under the auspices of the Formare Apprentice program. Seven members of this first class were hired to work at the company in 2017.

Under this format, classes are given to young people at Duratex facilities by volunteer employees. A second class has started in Botucatu and another class has started at the Sanitary Ware unit in João Pessoa (PB).

Duratex has participated in the Formare program, developed in partnership with Fundação IOCHPE, since 2003. The Apprentice format began to be adopted in 2017. A project school, under the Social format, is maintained at the Uberaba (MG) unit.



DIVERSITY

Valuing and respecting diversity is one of the behaviors found in the Duratex Way of Being and Doing. Various initiatives show our commitment to creating an inclusive workplace at all of our units.



In 2017, we began a partnership with the Association of Parents and Friends of the Intellectually Disabled, or APAE, its acronym in Portuguese, to establish an educational course geared towards intellectually disabled people. There are currently 15 participants in the program, which is aimed at professional integration and development within the company. Since 2008, people with Down Syndrome have worked at our Lençóis Paulista (SP) unit, where our eucalyptus nursery is located, through a partnership with APAE and Senai.



At the end of 2017, our staff included 511 people with disabilities. Of this total, 37% had a hearing disability, which motivated employees at Duratex units to volunteer to learn Brazilian Sign Language or Libras and teach it to their colleagues.

Another initiative in this sense, in line with global movements, is the company's support to achieve greater gender equality in society. In 2016, Duratex became a member of Movimento Mulher 360, which discusses women's professional and economic empowerment. This focus has, for example, allowed for greater representation by women in forestry activities – in Botucatu, we already have 3 women working as tractor drivers, 22 women on rural teams and 1 brush cutter operator.



OUR TARGETS FOR 2025

Target	Status	In 2017
<i>To have attendance rate with time off equal to or less than 1 for company and third-party employees</i>		<i>We had 41% more number of accidents with time off in relation to 2016. Unfortunately, there was a fatal accident at the Botucatu (SP) unit in 2017</i>
<i>To have a rate of adhesion to the new culture equal to or more than 85%</i>		<i>Based on an assessment of competencies done in 2017, advancements will be planned for the coming years, with the goal of achieving the estimated result in 2020</i>
<i>To be among the best companies to work for by 2020</i>		<i>We received the GPTW certification seal in 2017 and took part in the survey once again in 2018</i>
<i>For 80% of leaders to be recognized for honest and open dialog and for personnel development</i>		<i>With the results of the competencies assessment in 2017 and the GPTW Survey, action plans will be established to make progress in this indicator</i>
<i>To have 70% of jobs filled through internal transfers</i>		<i>Internal placement targets will be defined using a review of our selection process, dissemination of the Way of Being and Doing and evaluation of adherence to the new culture</i>

Engagement of Customers and Consumers

Our customers and consumers are at the core of our strategy and motivate us to always find unique solutions and innovations to offer well-being, comfort and design. In order to be closer to these publics, in 2017 we invested in growing our presence on digital channels and in building interactive tools that help us to identify trends, forecast demands and innovate.

Acquisition of a 28.57% stake in Viva Decora, a platform offering content on décor and supporting project development, is part of this strategy. Along the same lines, the purchase of Ceusa, a ceramic tiles manufacturer, diversifies our portfolio and allows us to offer complete solutions to our customers and consumers.

“Our alignment with Duratex’s vision of sustainability has been reflected in the value added to the brand, in a better understanding of needs and in the sharing of ideas to generate positive impacts beyond the doors of both companies”

Marcelo Guaranha,
Quality and Processes Manager
at Construtora Adolpho Lindenberg

AWARDS RECEIVED BY OUR BRANDS

In the last year, the Deca brand was chosen as the consumer favorite by popular vote in the *Época Reclame Aqui Award*, under the Sanitary Ware and Metals Manufacturers category. The Durafloor and Hydra brands were also award finalists in their categories.



Other notable awards include:



- **Outstanding Supplier**, from *Hotéis Magazine*
- **Folha Top of Mind**, from Instituto Datafolha
- **Pini Award**, from *Editoria Pini*



- **National Aspacer Award**, 1st place in the special items category, 1st place in the concept category, 2nd place in the porcelain tiling category
- **Anamaco** (National Association of Construction Materials Merchants) Top 10, in quality
- **Revestir Best in Show** – Grand Prix Category (chosen by architects and interior designers)



- **Folha Top of Mind**, from Instituto Datafolha
- **Outstanding Supplier**, from *Hotéis Magazine*
- **31st MCB Design Award**, from Museu da Casa Brasileira
- **ABEMD Award**, from the Brazilian Association of Data Marketing, in the Digital/Mobile category
- **Best In Show**, in the Ceramic Ware category – Sinks
- **Anamaco Award**, taking 1st place in four categories and 2nd place in two other categories
- **Pini Award**, in the best sanitary ware and metals supplier category



CUSTOMER SATISFACTION

Every year, the Deca and Wood divisions gauge customer satisfaction through an engagement survey. In 2017, the Wood Division reached its highest level since 2014, demonstrating the success of the various initiatives to engage and build ties with customers. For example, training sessions and workshops for carpenters and specifiers positively impacted over 15,000 professionals. The Deca Division had steady performance in relation to recent years, with a favorable rate of satisfaction.

In the last year, the Wood Division also set up the Customers Committee, aimed at building relations with the furniture-making industry and retailers and at co-creating new solutions to increase consumer satisfaction. Seven meetings were held in the last year with representatives of these publics, leading to enhancements such as the development of a catalog organized by hues and not just by product lines, facilitating the choice process for those also purchasing our flooring and paneling.

From 2016 to 2017, Deca carried out a wide-ranging survey to map the consumer journey and to therefore define the most suitable strategies for offering content and purchase recommendations. Investments were funneled to inbound marketing campaigns, on the digital platforms most used by people during the different stages of the purchase process – inspiration, research, purchase online or at a brick-and-mortar store, refurbishing and use of products. The result of



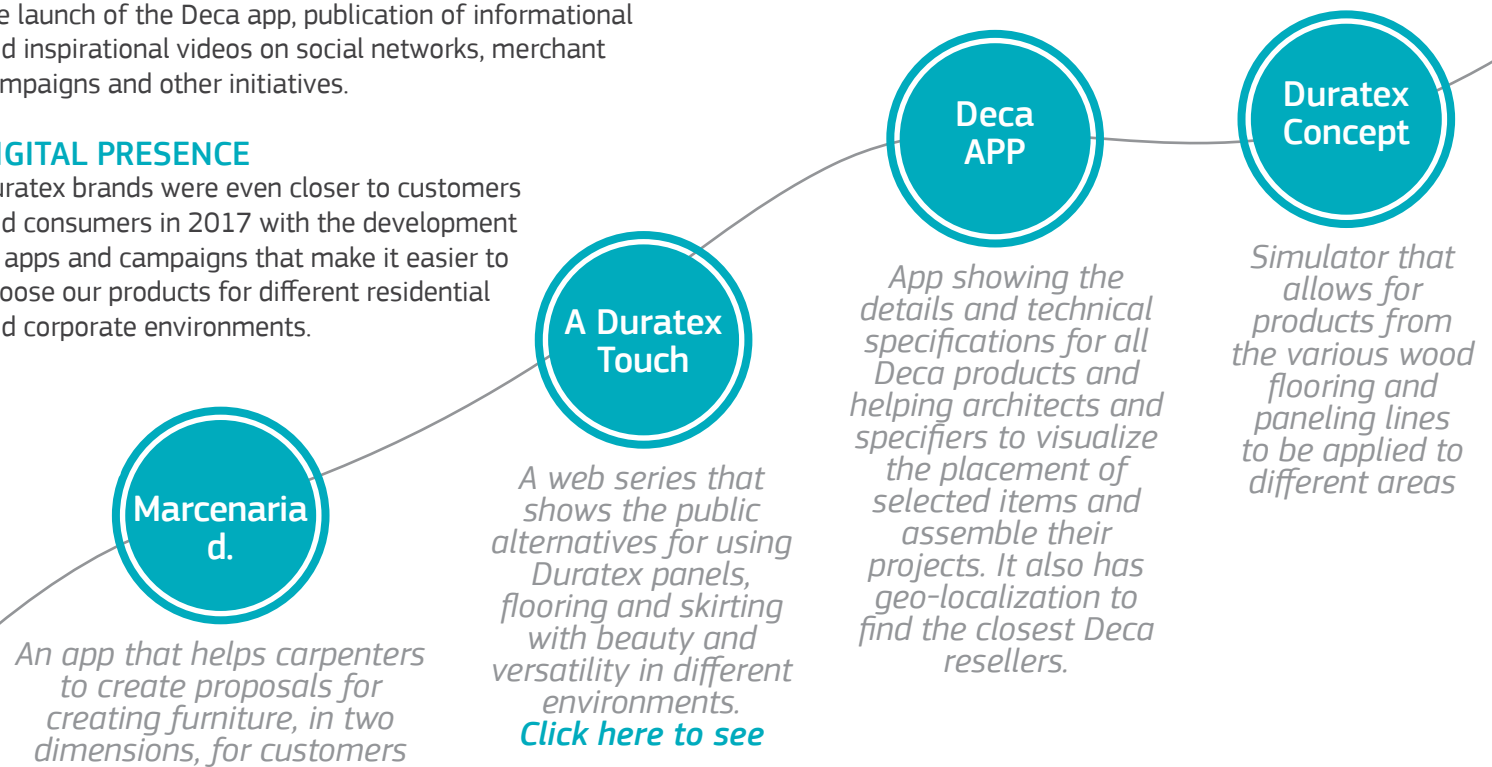
Uni Duni Tex house

We inaugurated the Uni Duni Tex house in the Leroy Merlin store in Morumbi (São Paulo) in 2017, a space that shows consumers the different sustainable and innovative solutions we offer through the brands Duratex, Durafloor, Deca, Hydra and Ceusa. With a playful and fun environment, the space highlights the sustainability attributes not only of the products but also of the manufacturing processes of our wood floors and panels, showers, basins, taps and ceramic tiles.

this new approach was restructuring of the brand's website, the launch of the Deca app, publication of informational and inspirational videos on social networks, merchant campaigns and other initiatives.

DIGITAL PRESENCE

Duratex brands were even closer to customers and consumers in 2017 with the development of apps and campaigns that make it easier to choose our products for different residential and corporate environments.





OUR TARGETS FOR 2025

Target	Status	In 2017
To develop 50% of the product portfolio using the co-creation model	●	We established criteria to classify products resulting from co-creation and started monitoring this indicator in 2018
For 90% of carpenters, installers and electricians to be trained and/or qualified	●	Hydra moved forward with training, reaching 36.6% of electricians. In Wood, we reached 15,000 carpenters and specifiers through training and workshops
To be the preferred brand of 60% of carpenters	●	Surveys will be done in each specific market for assessment and to take a preliminary measurement
To be the preferred brand of 70% of plumbers	●	Surveys will be done in each specific market for assessment and to take a preliminary measurement
To be the preferred brand of 70% of electricians	●	Surveys will be done in each specific market for assessment and to take a preliminary measurement
For 20% of revenue from Wood Authorized Technical Assistance Posts to come from our services	●	In 2017, actions were planned for the first half of 2018
To be recognized by 90% of consumers in Brazil for the attributes of sustainability and innovation	●	We engaged commercial and marketing area employees through workshops and outlined the work plan for 2018
To be recognized by 50% of foreign market customers for the attributes of sustainability and innovation	●	Work has been planned and will start in 2018



Relationships with Communities and Local Development

Our industrial and forestry units are found in eight states in Brazil: Minas Gerais, Paraíba, Pernambuco, Rio de Janeiro, Rio Grande do Sul, Santa Catarina, São Paulo and Sergipe. This geographic distribution drives our ability to contribute to social and environmental development in the regions where we have operations, through investments and through the social projects we develop.

Our Private Social Investment, or ISP, its acronym in Portuguese, policy was revised in 2017 and is now supported by four pillars.



Education

Professional training and education

- Deca School
- Carpentry School
- Formare School
- Arvorar Space

Fostering Social Businesses

Social entrepreneurship

- Social forest use
- Support for income generation

Citizenship

Provide access

- Product donations

Environment

Conservation of national resources

- Environmental management

We use engagement and relationship tools to identify, understand and evaluate the demands and needs of local communities, helping us to earmark our investments. We therefore seek to assure alignment of the initiatives proposed with our stakeholders' expectations and the corporate strategies for business at Duratex.



Engagement

- Dialog Talks
- Mapping of public policies
- Agents of engagement

Relations

- Participation in local forums
- Factory visits
- City events





DIALOGUE TALKS

We have formal mechanisms for engaging the community at all of our units in Brazil. These processes have yet to be fully incorporated into corporate management at the two recently acquired Ceusa units.

One of our main tools for promoting local engagement is Dialogue Talks, a structured process that allows for stakeholder mapping and prioritization of stakeholders, opening up dialog and taking suggestions for defining a plan of action.

Dialogue Talks began to be held in the regions where we have operations in 2016 and continued through the last year.



6
Dialog Talks held since 2016

40
institutions involved

130
participants

ARVORAR SPACE

In 2017, we opened the Arvorar Space at the Agudos (SP) forest unit, a place dedicated to raising visitor awareness about the history and importance of wood, through sensorial experiences and lots of information. There are five environments that are open to visits by children, young people and adults, free of charge. Anyone interested in visiting the Arvorar Space should schedule a time by e-mail at arvorar@duratex.com.br.

“It’s very important to have a space like the Arvorar Space, which shows how much wood is present in our day-to-day and how it can be produced with care and respect for the environment. The inauguration was a very special moment and it surprised me”

Marcelo Maganha,
Secretary of Culture
for Lençóis Paulista (SP)



INCENTIVE LAWS

Using state incentive laws, Duratex invested over BRL 1.9 million in 2017 through the Cultural Action Program or Proac, its acronym in Portuguese, and the Sports Incentive Program or PIE, its acronym in Portuguese. Another BRL 150,000 (from 2016 Income Tax) supported projects for the Municipal Council for the Child and Adolescent Rights or CMDCA, its acronym in Portuguese, and the Elderly Fund. These funds were distributed as shown in the table.

• <i>Arvorar Space</i>	PROAC	Agudos - SP	1 k	R\$ 500 k
• <i>Sustainability festival</i>	PROAC	São Paulo - SP	900 k	R\$ 345 k
• <i>Carpentry Project (Tomie Ohtake)</i>	PROAC	São Paulo - SP	40	R\$ 200 k
• <i>Sports Tournament São Paulo State Beach Soccer</i>	PIE	São Paulo - SP	5 k	R\$ 167 k
• <i>Sports Tournament Mundialito de Clubes</i>	PIE	Vargem Grande Paulista - SP	3 k	R\$ 330 k
• <i>Pedalada ciclista (Biking) Pedala Tour</i>	PIE	Jundiaí - SP	2.500	R\$ 250 k
• <i>Instituição Pella Bethannia</i>	Fundo do Idoso	Taquari - RS	70	R\$ 75 k
• <i>Instituição APAE Areiópolis</i>	FUMCAD	Areiópolis - SP	5	R\$ 75 k

In 2018, around 20 social, cultural and sports projects and projects to support senior citizens and people undergoing cancer treatment who live in the regions where the company operates will benefit from around BRL 2 million in funds that will come from federal and state incentive laws.

People Impacted in 2017

Investment

911,600 people

BRL 1.942 million

D+ VALOR

Our + Appreciation (D+ Valor) volunteer program celebrated its one-year anniversary in 2017. During this time, it benefitted over 3,500 seniors, kids, homeless people and people with physical and intellectual disabilities living in socially vulnerable situations around our 22 industrial and forestry units.

The actions of + Appreciation are based on three pillars of our Private Social Investment strategy: Citizenship, Education and the Environment. Around 2,600 employees are currently involved with an activity in the program.

AGENTS OF LOCAL ENGAGEMENT

To strengthen relations with local communities, in 2017 we formed our first group of Local Engagement Agents. Twelve employees in Agudos and Lençóis Paulista (SP) were trained to become the link connecting the company to the people in the community surrounding units, identifying and providing the internal impetus for opportunities to meet the needs and expectations of these populations, in line with our strategic guidelines.



OUR TARGETS FOR 2025

Target	Status	In 2017
An 80% approval rate for the community engagement process		We held six Dialogue Talks with local communities and the rate of satisfaction found in the post-meeting evaluation was within our target
100% of managers exposed to a local community experience		We are carrying out a pilot project with our employees in 2018 in relation to this aspect
Influence two public policies per location where we are present		We carried out a preliminary diagnosis in four municipalities where we have operations and identified opportunities for action. Our goal in 2018 is to build ties with local government to define how to contribute to formation and execution of public policies
Gain 75% recognition of the attribute of social and environmental responsibility within the communities where our operational units are present		We carried out the first survey in 2017, and in 2018, we are defining plans of action based on the consolidated results. Our goal is to repeat the survey cycle and action plans every two years
Measure and communicate positive impacts in 100% of the communities where operational units are present		We are dedicated to analyzing different methodologies to measure impacts and communicate transparently and remain open to dialog



Processes

Offering Solutions for Better Living means always looking to grow business with sustainability, balance and an attentive eye towards social and environmental impacts across the value chain. Continually improving our industrial operations and engaging our suppliers so that they also adopt best practices to generate value by lowering costs, mitigating risks and making gains in competitiveness.

Eco-efficiency

In our industrial and forestry operations, we work to:

- *Lower water consumption, increase reuse of water and reduce generation of effluents;*
- *Cut energy consumption and increase the use of renewable resources (such as biomass) in our energy mix;*
- *Reduce waste sent to landfills and consumption of raw materials.*

Management of environmental impacts at our factories is based on the Environmental Management System or SGA, its acronym in Portuguese, certified according to the ISO 14001 standard, which makes continual monitoring feasible for a series of indicators related to energy, water and fuel consumption, in addition to treatment and disposal of effluents and waste. The SGA also qualifies us to monitor action plans to mitigate social and environmental risks at our units.

The SGA is constantly evolving, and in 2018, our goal is to enhance it so that our management is able to achieve the social and environmental targets established for each of our industrial and forestry units. This process also contains plans for employee engagement, through internal procedures, training and an indicator oversight model in accordance with the visual management board methodology.

In the Wood Division industrial units in particular, we have created an Integrated Management System that centralizes environmental management, quality and improvement and occupational health and safety mechanisms. Our goal is to simplify routines and processes, making the most of synergies to obtain greater efficiency and lower costs.



31%

of water consumed was reused

18%

year-over-year reduction in water consumption



WATER AND EFFLUENTS

Water is an essential natural resource for the continuity and growth of our business. It is used to both manage our forests and in industrial units, at different stages of the production process. Most of the water we use (nearly 95%) is collected from rivers and artesian wells installed at units.

Investments in reuse systems and operational enhancements focused on greater efficiency and reducing waste are relevant for Duratex to be able to be ahead of any situation where there is a scarcity of water resources and it becomes more costly to obtain water. This risk has always been considered by the company in its strategic decisions, but it intensified in 2014, when the country underwent one of its most critical droughts.

Water collection (thousands of m³)*



*Considers only units in Brazil.

100%

of effluents generated at the Taquari unit are reused

In the last year, the water reuse system implemented at the Taquari (RS) unit in late 2016 was operating at full capacity. With this, 100% of the effluents generated at this Wood Division unit began to be reused after treatment, leading to a 47% reduction in volume collected from the river that supplies the industrial plant and eliminating disposal of effluents.

In Botucatu (SP), where we produce the Duratree line (fiberboard), we reduced water consumption by changing out leaky equipment, by reactivating and adjusting reuse and recirculation systems, by installing valves to improve control and through awareness-raising actions aimed at employees.

There were improvements in managing collection from artesian wells and in controlling the consumption target at the Recife (PE) Sanitary Ware unit. At the João Pessoa (PB) Sanitary Ware unit, with adaptations to factory facilities, the Deca Division unit reduced the need to wash facilities, resulting in less water consumption and generation of fewer effluents.



79%
of energy consumed came from renewable resources

7%
less energy consumed than the year before

ENERGY

Energy consumption at Duratex has continually dropped, year after year, as a result of actions that make industrial equipment and manufacturing processes more efficient. In addition to this progress, we have also sought to increase the share of renewable resources in our energy mix, particularly through alternatives for generating energy by burning biomass, a renewable input that is a byproduct of our own production process.

At Wood Division units, one of the processes demanding the most energy is the production of heat by boilers that supply the wood fiber particle dryers. Adaptations were made to this equipment at the Taquari (RS) unit, allowing biomass to be used in place of Liquefied Petroleum Gas (LPG), which led to a 95% drop in the use of this fossil fuel and lowered costs by around BRL 1.2 million compared to 2015.

In 2017, we began operation of a new biomass energy generation plant at the Agudos (SP) unit. Previously, thermal energy was produced by burning natural gas. This replacement will allow wood scraps (peels, fibers, powder) to be reused as fuel.

Natural gas also feeds the sanitary ware manufacturing processes, which is why the Deca Division units (Sanitary Ware Recife, Sanitary Ware Paraíba and Sanitary Ware São Leopoldo)

have invested in various improvements to equipment and facilities. They therefore gained greater efficiency in drying systems and in enameling items, lowering energy consumption.

The São Leopoldo (RS) unit also began a study to monitor electricity consumption in operating the clay and enamel mills, according to the guidelines of the ISO 50001 standard (energy management). The goal is to find opportunities to improve the industrial process, despite not seeking certification.

Energy consumed (thousands of GJ)*



*Considers only units in Brazil.

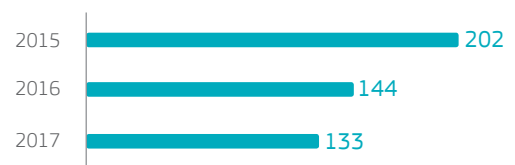


MATERIALS AND WASTE

Cutting back on consumption of raw materials in production processes and in generating waste and disposing it in landfills provides Duratex cost savings, while also driving a business model with fewer social and environmental impacts. These are the guidelines for the investments and improvement actions we are carrying out at our industrial and forestry units.

Initiatives to recover and reuse waste, in our own process and in other production chains, hold great importance to enhance our performance.

Waste disposal (thousands of tons)*



*Considers only units in Brazil.

For example, all Sanitary Ware units in the Deca Division are equipped with crushing machines, which grind the fragments of broken items, allowing them to be used in making pottery clay. Approximately 55% of this waste (called pitchers) is already reused in this manner, creating a reduction of 7,300 tons annually in consumption of raw material, along with annual savings of nearly BRL 1 million. The remainder (45%) is not used, because of our quality standards.

At Jundiá (SP) Sanitary Ware unit, a new project was developed to eliminate disposal of pitchers into landfills. The plant began to send the waste to an outside partner for production of fire bricks with the material that could not be reincorporated into the production process, resulting in savings of BRL 85,300 annually by avoiding waste disposal costs.

At the Hydra unit, in Aracaju (SE), our employees invested in a system that allows paperboard boxes to be replaced with boxes made of recycled plastic that comes from our production process. These boxes are made using waste from the unit, generating annual savings of BRL 120,000 and a 98% plastic recycling rate. Around 10,000 paperboard boxes are no longer discarded every month.

At the Wood Division, we have continued to reuse biomass and sludge ash coming from treatment of effluents to produce natural fertilizers at the composting plants installed at the Agudos (SP) and Uberaba (MG) units. In 2017, around 37,000 tons of waste was not sent to landfills as a result of this initiative.

At Deca Metals, we continue to collect zinc oxide waste from foundries and nickel hydroxide, which comes from electroplating processes, reselling it to third parties that use the material in other production processes. In the last year, we have recovered 45,800 tons of these materials. In addition, in 2017 we set up the Kaizen Promotion Office (KPO) area, identifying and proposing continual improvements in industrial processes at Metals units. Projects developed in the last year by this new structure have allowed us to stop using 15.3 tons of brass, resulting in financial gains of around BRL 3 million.

RECYCLING OF SHOWERS

The Hydra units in Tubarão (SC) and Aracaju (SE) created dedicated production lines for recycling the brand's electric showerheads. Products are received disassembled and the parts are separated for reuse in manufacturing new products. Plastic parts return to the production process as raw material and components that cannot be reused are sold to partners who use them in other production chains.

8%

less waste discarded by volume than the year before

Around 39,000 items

were reused in 2017

5.9 tons

of copper were reused





OUR TARGETS FOR 2025

Target	Status	In 2017
To cut relative water consumption by 10%		In relation to 2016, we reduced relative consumption by 18% at Paneling and by 31% at Hydra
To send 20% less relative waste to landfills		Paneling brought this indicator down by around 10%
To have 95% of the energy mix come from renewable resources to generate thermal energy at Paneling units (by 2018)		In 2017, 89% of the energy mix at Paneling came from renewable sources
To lower relative energy consumption at Deca and Hydra by 20%		Relative consumption was higher at Hydra (6.5%) and Sanitary Ware (10%)
To consider social and environmental criteria in 100% of new project development		A system of assessment and development of new projects, considering these criteria, is ongoing
To perform LCA (Life-Cycle Assessment) for the highest volume products in each business		The LCA study for the selected Metals division product will be concluded in 2018
To implement a social and environmental program within two years at acquired companies		The timeline with the phases necessary for implementation of the new acquisitions program was established in 2017



17%

year-over-year reduction in direct GHG emissions (Brazil and Colombia)


Climate Change

On a global scale, climate change is a risk to all businesses and is at the center of discussions on the social and environmental impacts of today's economic activities. That is why this theme has been continually included and reinforced in our business agenda, seeking alternatives to cut the GHG emissions coming from our activities. Our Sustainability Strategy establishes targets for all of the business units to achieve in this sense.

Our chief management tool for monitoring our performance is the emissions inventory, prepared annually according to the guidelines of the Brazilian GHG Protocol Program. Since 2011, the information made available in our inventory has been audited by an outside company, a practice that has earned us the GHG Protocol Gold Seal, as a testament to the high level of transparency in communicating our data related to this theme.

Our forest carbon inventory, developed based on GHG Protocol and Intergovernmental Panel on Climate Change (IPCC) guidelines, shows that our forestry operations have a positive carbon balance. This means that during their lifecycle, the trees in our forestry areas capture more CO₂ from the atmosphere than we emit in our activities.





We also take part in different corporate initiatives related to the topic of Climate Change. We therefore contribute to progress in discussions and the exchange of experiences and knowledge regarding fighting and adapting to climate changes in Brazil and around the world.

 [Click to find out more Forums where Duratex contributes to discussion of this theme](#)

SUSTAINABILITY FESTIVAL

In São Paulo, we were one of the sponsors of the seventh edition of the Virada Sustentável, a sustainability festival inspired by the 17 Sustainable Development Goals (SDGs). We took part in the Panel on Climate Change, introducing the mitigating actions adopted by Duratex and the need to adapt business. In the “Not all trash is trash” initiative, we encouraged correct disposal of sanitary ware and metals in the Jardim Lapenna district (East Zone of São Paulo) and held the Guided Tour through Ibirapuera Park, with the participation of botanist Ricardo Cardim, detailing the biodiversity found in this famous postcard of the city.

OUR TARGETS FOR 2025

Target	Status	In 2017
Reduce absolute GHG emissions by 25% (scope 1)		Cut scope 1 emissions by 18% compared to 2016
Lower relative GHG emissions at Paneling by 50% (scope 1)		Lessen scope 1-related emissions by 14% in relation to 2016
Lower relative GHG emissions at Deca and Hydra by 10% (scope 1)		Metals achieved a 15% reduction, year-over-year. We are enhancing measurement of our emissions at Hydra
Increase measurement of scope 3 emissions by 50%		We have drafted a plan to expand verification of scope 3 emissions that involves the suppliers that take part in our GFD program



Sustainable Forest Management

Our Eucalyptus forests provide the wood we use to make MDP and MDF paneling and wood flooring. Growing this input using sustainable forestry management practices, assuring the maintenance and conservation of nature areas and protection of biodiversity, allows us to achieve long-term results and become more competitive while lowering costs and gaining efficiency.

FOREST CERTIFICATION

The management practices we adopt have been certified according to the Forest Stewardship Council® (FSC®) standards since 1995. This certification covers both eucalyptus production in our forests as well as the chain of custody, guaranteeing traceability and the provenance of the wood we use at our industrial units.

In 2017, we actively took part in discussions on updating the FSC® standards. Notable among updates are those related to the use of chemicals in certified areas and system governance, in addition to participation in the FSC® General Assembly, a global event held every three years where the organization's directions and strategies are discussed.

Over the last year, we have implemented a new system to assess partners who provide wood for the Wood Division operation in Rio Grande do Sul; we are self-sufficient in regards to this input in São Paulo and Minas Gerais. Procedures adopted provide a more in-depth analysis of aspects related to labor, land ownership, taxes, the environment and occupational health and safety. We supported 52 properties in 2017, with the result of enhancing management and the practices adopted in our value chain.

“Duratex is a pioneer in FSC® certification and has enlarged its commitment during these last 20-plus years of partnership. Including these standards in the Sustainability Strategy, looking to the future, is very important to strengthen this relationship”

Aline Tristão Bernardes,
Executive Director of FSC Brazil



GENETIC IMPROVEMENT

Duratex has had a genetic improvement program for over 40 years, aimed at selecting the species of eucalyptus that best adapt to different climate conditions and have the highest standards of quality (such as density and resistance to pests and diseases). This investment is strategic so that we can be more productive, reduce the use of natural resources in planted forests and have consistently higher quality inputs.

One of the techniques used in this process is hybridization, where two different species are used to create a hybrid that can be up to 40% more productive than the original plants. However, this research, analysis and selection process can last up to 15 years before a new species is planted commercially.



The four basic concepts orienting our forestry management

Zero tillage

- Leaves and branches from the previous forests are not removed from the ground, protecting it and providing nutrients for future plants

Soil fertilization program

- Studies on the soil conditions and nutritional state of trees determine the best formulas and methods for applying fertilizers, therefore guaranteeing maximum productivity

Pest control

- The presence of wildlife in conservation areas on Duratex farms contributes to the biological control of pests that are found in forests. When necessary, agrochemicals are applied to these areas, always according to the best practices for the safety of people and the environment

Fire control

- Actions guarantee prevention and combating of forest fires, so as to protect crop and conservation areas, as well as the community and employees, machinery and company facilities



15

*biodiversity
projects developed
in 2017*

BIODIVERSITY

Along with our planted forests, we maintain areas of native vegetation containing habitats suited to the development of local fauna and flora. These areas are connected through the biodiversity corridors at our units, making it feasible to preserve animal and plant species. Studies done since the 1970s in partnership with universities in the conservation areas have monitored the positive impacts of the biodiversity conservation actions we carry out.

The corridors and biodiversity are implemented at the Monte Alegre (Agudos) and Rio Claro (Lençóis Paulista) farms. Studies are preferably done in areas that are representative of local conditions. In 2017, 15 projects were developed at the Estrela do Sul, Uberaba (MG), Taquari (RS), Agudos and Lençóis Paulista (SP) units. The results are

published among the scientific community through papers, dissertations and theses, moreover contributing to educating specialists in these areas of study.

MONITORING OF FORESTS

Since 2008, we have supported the Torre de Fluxo co-op program, which has a research unit set up on a 200-hectare area on one of our farms. With this instrument, we have developed mechanisms for long-term monitoring of the flows of carbon, water and nutrients in our forests, aimed at guaranteeing its healthy development and the environmental balance of the regions where we operate.









Led by the Forestry Science and Research Institute (Ipef), French Agricultural Research

Center (CIRAD) and the Luiz de Queiroz College of Agriculture (ESALQ), this initiative periodically collects data on the planted forests, aimed at the study of best practices to optimize the production and sustainability of farms.

DIGITALIZATION IN THE FIELD

In 2017, we implemented a new technology at our forestry units, allowing for digital notation of all field production. Using tablets installed on harvesting and forestry equipment, the process of determining tasks to be executed during the day and entry of production data was digitalized, lowering the risk of errors due to manual notations and increasing productivity. This initiative is a first in Brazil's forestry industry.

OUR TARGETS FOR 2025

Target	Status	In 2017
<i>Use 5% fewer pesticides per effectively planted hectare, maintaining desirable production levels</i>		<i>We carried out diagnoses of our equipment. Adjustments were proposed and are being executed. We also work to reinforce the operational team training and acquire more modern equipment.</i>
<i>Cut water consumption from irrigation per hectare by 50%</i>		<i>In 2017, we had consumption of 6.18 m³/ha. Improvements and changes are being made to advance this goal</i>
<i>Influence 100% of neighboring landowners of conservation areas larger than 500 hectares and in a radius of 2 km to use regional connectivity</i>		<i>We began a reassessment of our Rural Environmental Registry aimed at revising our proposed Legal Reserve and planning for more relevant connections from an environmental standpoint</i>
<i>For 100% of communities to be involved in harvest planning</i>		<i>We revised the procedures of this activity and restructured teams to hold consultations and dialogs. We work year-round to train teams and adjust tools to the reality of operations.</i>
<i>Double genetic bases</i>		<i>We planted new genetic bases in various regions where Duratex and Caetex operate throughout 2016 and 2017</i>
<i>Assure that 100% of our own areas are under certified management</i>		<i>At the end of 2017, 91.7% of the management area was covered by FSC® certification. This number considers all company areas and areas leased by Duratex as well as Caetex areas. Because Caetex gained area and due to the sale of some certified farms in Rio Grande do Sul, this indicator fell by 2 percentage points</i>
<i>Increase dry mass per hectare by 10% (by 2035)</i>		<i>Our dry mass per hectare increased over these last two years and actions were carried out for us to make progress in 2018</i>
<i>For 80% of developed areas to be certified (by 2035)</i>		<i>In 2017, a due diligence system was implemented for controlled wood sourcing. Through this system, we assure the compliance of our suppliers of non-certified wood, including partnership programs, with labor, environmental, land ownership, tax and occupational health and safety laws, establishing the bases for future certification.</i>



Responsible Supply Chain

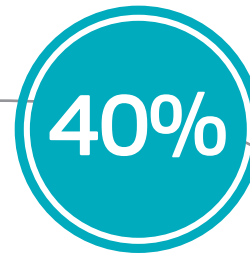
In order for our purpose to materialize and our customers and consumers to benefit from Solutions for Better Living, it is essential that we engage our entire value chain. When our suppliers commit to sustainable development, the positive impacts of our business model are amplified and create even more value and well-being for all stakeholders.

SUPPLIER MANAGEMENT

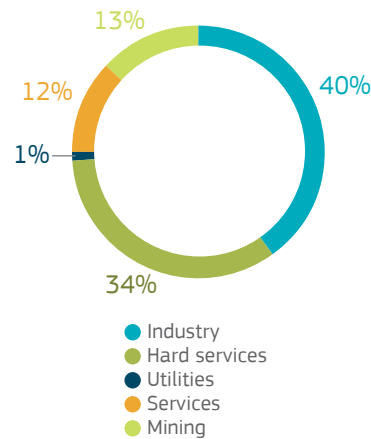
Since 2012, we have had the Duratex Supplier Management program or GFD, its acronym in Portuguese, a complete set of mechanisms to identify, select and monitor the social, environmental, economic and quality performance of a group of companies that provide products and services that are essential for the continuity of our operations.

In 2017, the GFD underwent reformulations and enhancements, with the goal of further stimulating suppliers to adopt best practices and incorporate our values. Companies that have similar social and environmental impacts are now grouped into five general sectors. In the last year, participants were classified into these groups according to the graphs at right/left.

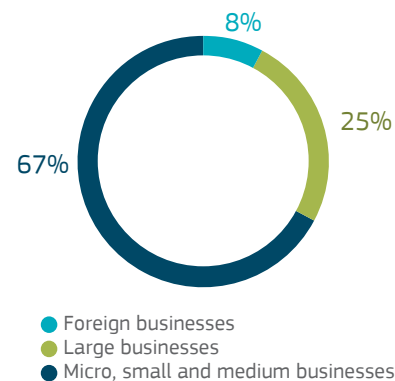
In the GFD dynamic, the suppliers selected are asked to answer a self-assessment questionnaire. The selection criteria are the volume of payments made to the supplier, the criticalness of their sector of operation to our business and their history of participation in the program. In 2017, 85% of the companies asked to take part in this process answered the questionnaire.



Suppliers by category



Suppliers by size



SUSTAINABILITY IN THE SUPPLY CHAIN

Our methodology for analyzing and selecting suppliers was revised in 2017, with the goal of incorporating sustainability criteria into the procurement process. We looked at our partners' activities and grouped them into 39 categories, which we used to map the most critical and highest risk social and environmental aspects. Based on this matrix, we established the appropriate management measures for each category, according to the stage of the relationship: pre-contract, negotiation and contracting – with supplier monitoring and/or development.

Supplier recognition

Every year, we recognize outstanding suppliers in the GFD assessment and monitoring cycle. Outstanding practices are identified during technical visits made to company facilities and awards are aimed at valuing advancement in incorporating sustainability practices into business, in addition to inspiring other companies to adopt similar measures.

In 2017, the Best Suppliers Award promoted a special event at the Assis Chateaubriand Museum of Art of São Paulo auditorium. Suppliers were honored in their categories of operation.

The supplier that best applied the GFD action plan was also recognized, with recommendations to enhance their sustainability practices, as well as the supplier most committed to combating sexual exploitation of children and adolescents, in synergy with the "Na Mão Certa" (In the Right Lane) program, developed by the Childhood Brasil NGO and of which we have been a signatory since 2007.



SUPPLIER CONDUCT GUIDE

In 2017, we launched the Duratex Supplier Conduct Guide, a manual explaining which behaviors will not be tolerated in our value chain. Among these attitudes are corrupt practices of any kind, violation of labor laws and lack of transparency. Adhesion by suppliers to the Conduct Guide and the Declaration of Awareness and Commitment to Combating Corruption is assured by a clause established in contracts executed with Duratex.



PROTECTING CHILDREN

We are signatories of Childhood Brasil's "Na Mão Certa" program, aimed at combating exploration and sexual abuse of children and adolescents. To raise awareness among our suppliers providing transport services, we carry out an awareness-raising initiative, "You are a Hero to Kids," on September 16 (Trucker Day). This initiative has mobilized our industrial units and promoted talks, shown informational videos and distributed folders to drivers, discussing the importance of combating sexual exploration of children and adolescents on the nation's highways.



Another initiative on this front was a meeting held in the municipality of Jundiaí (SP) with 35 representatives of carriers providing services to Duratex. The goal was to raise awareness among partners of the importance of combating sexual abuse and exploration of children and adolescents on roads. To do this, a talk was given by Childhood Brasil to raise awareness, showing cases of carriers that are signatories of the "Na Mão Certa" program and opening up a dialog with leaders from our supplies area.



DIALOGS WITH SUPPLIERS

In an effort to encourage the publics in our supply chain to adopt more sustainable practices, we periodically hold Dialogs with Suppliers, face-to-face meetings where our suppliers are invited to debate topics related to sustainability. The second edition, held in 2017, was focused on the theme of "Human Rights."

With talks by representatives from Movimento Mulher 360 and the Childhood Brasil NGO, this meeting discussed aspects of gender equality at organizations and combating child sexual exploitation; it was attended by 28 suppliers.

OUR TARGETS FOR 2025

Target	Status	In 2017
For 80% of strategic suppliers to have a performance rate of greater than or equal to 8 in the Duratex Supplier Management Program		In 2017, 27% of strategic suppliers had a performance rate of equal to or greater than 8
For 100% of strategic purchases to consider social and environmental criteria		Our procurement system was revised in 2017 and we developed a risk matrix for 39 supply categories
For 100% of critical suppliers to be assessed up to the 2nd level of the supply chain		There is an ongoing plan to assess 2 nd level suppliers in our chain

Products and Services

The search for sustainable innovations in products and services is driven by our purpose to offer Solutions for Better Living. Our initiatives are aimed at contributing to a circular economy, which values the use of renewable inputs, reuse of materials and fewer social and environmental impacts.

Up to
70%

*water savings
can be achieved
with **Deca
economizers***

COMFORT AND SUSTAINABILITY

We introduced the market to Deca Comfort technology at Expo Revestir 2017, one of the biggest architecture and construction industry shows, this product brings more comfort to consumers while also helping to save water resources. This innovation, which has no impact on the design of taps and mixers, guarantees a standard flow, regardless of whether a building has low or high pressure plumbing system. This results in a smooth and constant jet of water that does not cause unpleasant splashing when washing hands, for instance. The system was patented and is found across the entire Deca line.

PORTFOLIO DIVERSIFICATION

In the Ceusa product line, flat ceramic shingles with digital printing are one of the biggest innovations to be incorporated into our portfolio. Waste generated in the polishing and rectification stages of ceramic tiles and flooring is reused to manufacture this product. Around 10.5% of the clay used to produce the shingles is made of raw material reused in the production process.



**DURATEX CAME IN
FIRST IN VALOR ECONÔMICO
NEWSPAPER'S BRAZIL
INNOVATION 2017 RANKING,
WITH SPECIAL MENTION FOR
THE HYBRID POLO SHOWER**

ANTI-HUMIDITY TECHNOLOGY

The Wood Division launched Ultra Premium MDF paneling, with superior technology to increase the product's resistance to humidity. With this innovation, we are providing customers with more options to have quality and design in bathroom, kitchen and laundry room furniture and coverings, for instance. With seven different standards of finish and a five year warranty against termites, Ultra Premium MDF is also ideal for beachfront environments, where relative humidity is usually higher.

INNOVATION IN THE BATHROOM

The Hydra Polo Hybrid shower, launched on the market in 2017, is one of the products that best exemplifies the search for sustainability in providing solutions that improve consumers' quality of life. This item is equipped with an electrical heating element that complements water heating, preventing waste. In addition, its hybrid system allows the ideal temperature to be reached with any kind of heating system and its 30-centimeter showerhead provides for a unique sensation of comfort and well-being.

INNOVATION MARATHON

In December 2017, we gathered 65 participants with an entrepreneurial profile at the Duratex Hackathon, to co-create innovative solutions for the Wood Division. Over three days, guests were split into groups to come up with ideas that covered the Product, Marketing, Technology and Sustainability areas. The proposals presented were assessed by a panel (made up of Duratex leaders and employees along with outside specialists), who chose the three best based on criteria such as quality, innovation and impact. In 2018, these contributions will be analyzed for possible implementation at the company.

13
innovative
ideas

were presented
by the
participants in
the *Duratex*
Hackathon

A new vision for Innovation

The Innovation Group was created in 2017 to act as a catalyst for innovative corporate culture at Duratex. Its goal is to open and firmly establish approaches that assist our employees to work and find solutions to business challenges in a new way.

In its first active year, the Group was geared towards building a portfolio of tools capable of driving a culture of innovation. In 2018, our goal is to find opportunities for employees interested in this topic to be able to more actively participate in activities and be stimulated to act as multipliers of innovation.

One of the pillars to be developed by the Innovation Group is the Imagine Program, which is being reformulated to cover all innovation initiatives (whether radical or incremental) at Duratex.



OUR TARGETS FOR 2025

Target	Status	In 2017
<i>For 100% of Wood products to have less E2 by 2018 and E1 by 2021*</i>		<i>E2 developed according to current standards. In 2017, 47% of our shipments were low-emission (E0, E1 and CARB) products</i>
<i>To develop two alternatives for renewable raw materials for manufacture of Deca and Hydra products</i>		<i>We are in the process of investigating our main products in the production chains, aimed at identifying opportunities to replace relevant raw materials for the production process</i>
<i>To have revenue of BRL 20 million coming from PróÁgua services</i>		<i>In 2017, PróÁgua had BRL 766,000 in gross revenue</i>
<i>For 100% of the finished metals and Deca toilets portfolio to be eco-efficient</i>		<i>We reached 16.7% of the portfolio for eco-efficient toilets in 2017. For metals, the new Deca Comfort technology is found in 100% of bathroom products</i>
<i>For 25% of the sales volume at Hydra to be eco-efficient products</i>		<i>In 2017, we reached a rate of 24.3% of eco-efficient products by sales volume</i>
<i>To lead implementation of a reverse logistics model</i>		<i>A proposal for a business model is under development</i>



Our strategy



8
RECENT WORK AND ECONOMIC GROWTH

9
INDUSTRIAL REVENUE AND INFRASTRUCTURE

Duratex 2025

Having strengthened our new culture and revised our value proposition, in addition to having more efficient processes, we are prepared for a new cycle of growth. With our new purpose – Solutions for Better Living – as a backdrop, we have dedicated efforts to building new strategic planning, called Duratex 2025.

We seek to do new business with innovation and sustainability, bringing quality of life, comfort, design, innovation and well-being to our consumers. In the diagnosis done in relation to our targets and future plans, we identified four avenues to direct the company's growth.

Pillars of support

- Sustainability
- Digital Transformation
- SGD
- Innovation

Digital platform

- We aim to connect the construction, interior design and remodeling community, **adding value** for everyone involved in the consumer journey, through digital products and services
- We purchased a minority stake in the Viva Decora startup, a digital platform with content and services on architecture, design and décor, to be closer to our strategic publics

Solutions for living spaces

- We will use our brands as to **leverage value** in offering **complete solutions** for finishing and decorating environments
- The purchase of Ceusa, a high-tech ceramic tiles manufacturer, is diversifying our portfolio of solutions for consumers

Water solutions

- We seek to be leaders and a pioneering spirit in **complete solutions** for heating and **managing water consumption**

Forestry solutions

- We will maximize creation of value, developing new **business opportunities** with our **forestry expertise**

Next steps



Lower inflation and interest rates in 2017 made room for better credit conditions, signaling renewed economic growth in Brazil, albeit at a slow and gradual pace. Recovery in the civil construction sector will be decisive in setting a faster pace of growth for our business. The real estate market still has high inventory and fewer new developments are being placed on the market, signaling that our business is still facing major challenges in 2018.

For 2018, the Brazilian Association of the Construction Materials Industry (ABRAMAT) is projecting growth of 1.5% for the index that measures the industry's revenue growth, in relation to a drop of 4% the year before.

Along with the long-term vision and efforts to reach our strategic goals, as outlined in the Duratex 2025 plan, we will maintain the company's more immediate priorities. We expect to resume activities at the Itapetininga (SP) unit, where we make MDP and MDF panels, in April 2018.

Internally, we will continue to strive to modernize the organization, adopting measures to simplify processes, decentralize decisions and increasingly integrate the corporate and business areas. To achieve more robust results, we will move forward on Duratex Management System (SGD) actions, aimed at making our operations more profitable, lowering costs and net debt and optimizing working capital. In addition to financial gains, we are looking to develop a management of excellence in our production chain.

In conjunction with operational and financial efforts, we will continue to work to finalize the transformation of our corporate culture, which has been planned and developed since 2015. The results of this investment are long term, but they have already begun to be noticed insofar as we have raised our ability to attract young talent, recognize qualified professionals who are aligned with the Way of Being and Doing and innovate in how we related with each other and do business with our customers.

GRI Appen dix



GRI Appendix

102-8 e 102-41 |

At the end of 2017, we had 10,763 employees in Brazil, all covered by collective bargaining agreements or accords. No significant activity is done by third parties or other workers that are not company employees. In addition, there was no significant variation in staff numbers in relation to 2016, nor were we subject to seasonal variations in employee numbers. Information is monitored continually by Duratex in the payroll ERP systems.

NUMBER OF EMPLOYEES IN BRAZIL BY WORK CONTRACT*

	2017		2016		2015	
	Indefinite term	Fixed term	Indefinite term	Fixed term	Indefinite term	Fixed term
By gender						
Men	8,532	203	8,752	169	8,611	181
Women	1,599	98	1,515	93	1,215	62
Total	10,131	301	10,267	262	9,826	243
By region						
Northeast	2,078	99	na	na	na	na
Southeast	6,963	170	na	na	na	na
South	1,090	32	na	na	na	na
Total	10,131	301	10,267	262	9,826	243

*Considers Duratex units in the Deca, Wood and Central Office divisions. In addition to these, at the end of 2017, we had 331 employees at Ceusa, which was acquired in the second semester. All of these workers were covered by collective bargaining agreements and accords. Broken down by gender, 22% were women and 78% were men. Of total employees, 12 were apprentices, with these employees being the only ones working part time and on a fixed-term work contract.

NUMBER OF EMPLOYEES BY JOB TYPE AND GENDER IN 2017

	Full time*	Part time**
Men	8,569	166
Women	1,601	96
Total	10,170	262

*Between 150 and 220 work hours per month.

**Up to 120 work hours per month.

102-9 |

At the end of 2017, we had 6,435 active suppliers in our database. Total expenditures for the year were BRL 2.2 billion, which is 13.4% less year-over-year, as a result of the company's saving efforts.

102-12 |

Duratex endorses the following external initiatives: Global Compact, Sustainable Leadership Program, Pró-Ética (Instituto Ethos), Na Mão Certa Program (Childhood Brasil), Movimento Mulher 360, Center for Sustainability Studies of Fundação Getulio Vargas (FGV) Corporate Initiatives, Brazilian Integrated Reporting Oversight Commission, Brazilian GHG Protocol Program and the Carbon Disclosure Project.

102-13 |

Through involvement with associations and trade organizations, we anticipate trends and keep pace with progress in the market. Corporately, we participate in the Brazilian Association of Publicly Traded Companies (Associação Brasileira das Companhias Abertas - Abrasca), the Federation of Industries of the State of São Paulo (Federação das Indústrias do Estado de São Paulo - Fiesp), the Brazilian Institute of Investor Relations (Instituto Brasileiro de Relações com Investidores - IBRI) and Instituto Ethos. Under the auspices of our forestry activities, associations considered strategic to are: Association of Forestry Companies of Rio Grande do Sul (Associação Gaúcha de Empresas Florestais - Ageflor); Forestry Association of Minas Gerais (Associação Mineira de Silvicultura - AMS); São Paulo Association of Planted Forest Producers (Associação Paulista de Produtores de Florestas Plantadas - Florestar); FSC International and FSC Brazil (Forest Stewardship Council); Brazilian Tree Industry (Ibá); Forestry Science and Research Institute (Ipef); and Forestry Investigation Society (Sociedade de Investigações Florestais - SIF). Notable among these is Ibá, where we have a representative on the Advisory Board; Ipef, which promotes forest management studies; and the FSC, an international reference in promoting responsible forest management. Under the auspices of Deca Division activities, we are a member of and are engaged in specific projects at the Brazilian Association of Building Systems Engineering (Associação Brasileira de Engenharia de Sistemas Prediais - Abrasip); the Brazilian Association for the Development of Hospital Building (Associação Brasileira para o Desenvolvimento do Edifício Hospitalar - ABDEH); and the Green Building Council Brazil (GBCB).

102-17 |

The number of contacts received by the Ombudsman in 2017 rose by 19% compared to the previous year, as a result of the maturity of the channel and of its credibility and its reach among various stakeholders (employees, suppliers, customers, consumers, communities, etc.). The number of grievances was 39% higher, year-over-year. We investigate any deviations indicated in all cases and apply the appropriate disciplinary measures.

CONTACTS RECEIVED BY THE OMBUDSMAN BY PUBLIC

	2017	2016	2015
Employees			
Total contacts received	535	385	412
Contacts sent for assessment and positioning*	372	318	364
Matters generated based on forwarded contacts	453	373	437
Suppliers			
Total contacts received	65	66	51
Contacts handled through the Ombudsman's formal process	40	33	13
Contacts sent for first level processing	17	25	21
Contacts not processed*	8	8	17
Matters generated based on contacts formally processed by the Ombudsman	42	38	15
Other publics**			
Total contacts	769	698	648

*The remaining contacts were not resolved due to insufficient information or discontinuation by the person making the contact or resolution prior to the start of the Ombudsman process.

**Contacts from other publics, which are not formally served by the Ombudsman, were forwarded to first level service channels.

102-21 |

The Office of the Corporate Sustainability and Communications Manager at Duratex is responsible for conducting consultation processes among stakeholders and forwarding key conclusions from these listening sessions to the company's governance through the Sustainability Committee. Incorporation of these themes in the company's guidelines is assured by the Sustainability Strategy.

102-28 |

A formal assessment of the Board of Directors, its advisory Committees and their members is done every two years, under the supervision of the People, Governance and Appointments Committee. This process involves self-assessments and peer assessments and includes an individual feedback stage to define action plans for continual improvement of each member. The last cycle took place in 2016.

CONTACTS PROCESSED BY THE OMBUDSMAN BY TYPE (%)*

	2017	2016	2015
Critical	77.8	78.1	85.6
Grievance (ethical misconduct)	15.8	13.6	4.4
Suggestion	1.6	1.5	4.7
Question	1.2	2.2	2.0
Compliment	3.6	4.6	3.3
Total number of matters processed	495	411	452

*Numbers calculated based on total matters processed by the Ombudsman for stakeholders formally served by this channel (employees and suppliers).

GRIEVANCES RECEIVED BY THE OMBUDSMAN BY STATUS

	2017	2016	2015
With grounds	28	15	9
Without grounds	10	3	6
Inconclusive	5	1	3
Not investigated*	13	11	0
Under investigation	23	26	2
Total grievances received	79	56	20

*Grievances related with cases already analyzed or that did not provide enough information for verification.

102-34 |

All reports received by the Ombudsman are sent to the director of the related area, to the CEO and to the Chairman of the Board of Directors.

102-35 |

Board members receive fixed monthly compensation paid as fees and they may choose to receive benefits. In addition to receiving a fixed monthly compensation determined based on market surveys, Executive Board members also receive variable pay based on short- and long-term incentives. This variable compensation is connected to corporate, business and individual goals that are aligned with the company's strategy and that include aspects of social and environmental performance. To align the interests of executives and Duratex in the long-term, stock options are offered to executives.

102-40 e 102-42 |

Duratex continually promotes engagement of its stakeholders (employees, customers, suppliers, communities, shareholders and civil society) through institutional communications, meetings and contacts with various areas of the company. In the process of defining the Sustainability Strategy in particular, which establishes the material themes for the Annual Report, opinion-makers and employees were engaged directly.

102-45 |

Duratex's financial statements consolidate all of the company's operations in Brazil and abroad. Information under the scope of the GRI does not include Duratex Colombia and Ceusa activities, unless otherwise indicated.

102-47 |

The main topics and concerns raised by the company's stakeholders during the process of creating the Sustainability Strategy were consolidated in its pillars and themes. A direct correlation cannot be made between the topics raised by each group of stakeholders.

102-48 |

The 301-1 and 302-3 indicators were re-presented.

102-49 |

There were no significant changes to the scope of the report in relation to the last year.

102-51 |

The last edition of the Annual Report, regarding Duratex activities in 2016, was published in March 2017.

102-52 |

The reporting cycle is annual.

102-54 |

This report was drafted according to the GRI Standards: Core option.

202-1 |

There is no difference in the entry-level salary at the company between men and women and there was no significant variation in the proportion between this compensation and the national minimum wage from 2016 to 2017.

**PROPORTION BETWEEN
ENTRY-LEVEL WAGE AND
LOWEST WAGE**

	2017	2016
Number of workers paid their industry's minimum wage	625	946
Lowest amount paid as the industry minimum (BRL)	950	880
National minimum wage (BRL)	937	880
Proportion between entry-level wage and lowest wage	101%	100%

204-1 |

In the last year, BRL 838.6 million was paid to suppliers located in the same municipalities as our units, accounting for 38% of all expenditures with suppliers in 2017.

205-3 |

The Ombudsman received 21 grievances related to seven cases of private corruption in 2017. Of these, two cases were found to have grounds and respective measures were applied according to internal standards. One case was not investigated, due to insufficient information to verify the grievance, and another was found to be inconclusive after an investigation by Internal Auditing. Three other cases were under investigation at the end of the period. There were no occurrences identified involving government agencies.

206-1 |

Duratex has never been involved in legal actions related to non-compliance with the principle of fair competition.

301-1

MATERIALS CONSUMED
BY THE DECA DIVISION (TONS)

	2017	2016
Renewable resources		
Paper and paperboard packaging	1,583.3	1,676.3
Wood packaging	4,806.2	3,330.4
Subtotal	6,389.4	5,006.7
Non-renewable resources		
Imported components (units)	15,563,037	14,782,321
Domestic components (units)	77,377,492	80,504,209
Flapwheels and flapdisks (units)	152,193	178,263
Plastic packaging	527.9	512.7
Chemicals	1,384.8	1,414.6
Plaster	9,103.1	10,278.0
Enamel inputs*	2,710.0	32,348.5
Clay inputs**	53,726.4	97,312.2
Molding sand	1,795.3	2,934.2
Clamshell	12.5	23.6
Bronze casting	13,367.8	11,980.6
Brass casting	5,184.3	7,301.8
Brass	3,582.1	4,051.0
Plastic	1,103.4	1,623.7
Zamak	457.0	688.5
Subtotal	92,954.7	170,469.4
Total	99,344.2	175,476.1
Percentage of materials from renewable resources	6.4%	2.9%

*Enamel inputs include dyes, feldspar, silicate, carbonate and zinc oxide.

**Clay inputs include kaolin, clay, crushed stone, granite, quartz and phyllite.

MATERIALS CONSUMED AT THE
HYDRA DIVISION (TONS)

	2017	2016
Renewable resources		
Paper and cardboard packaging (units)	25,269,169	34,790,841
Non-renewable resources		
Imported components (units)	16,724,163	13,561,292
National components (units)	116,015,370	104,161,964
Steel	17.5	17.8
Resin	2,496.4	2,553.3
Brass	62.7	41.6
Resistance wire	136.7	112.7
Total	2,713.4	2,725.4
Percentage of materials from renewable sources	na	na

MATERIALS CONSUMED
AT THE WOOD DIVISION (TONS)*

	2017	2016
Renewable resources		
Organic compound-type fertilizers	20,475.8	21,797.2
Process wood (wet basis)	3,240,769.1	3,152,741.5
Sawed wood (wet basis)	565.9	4,813.9
Paper	10,481.8	12,872.8
Subtotal	3,272,292.6	3,192,225.4
Non-renewable resources		
Traditional fertilizers	34,497.3	33,101.3
Wax emulsion	9,002.7	538.9
Formalin	90,347.0	93,294.6
Lubricant	916.1	449.0
Melamine	5,583.4	5,681.0
Methanol	60,108.7	60,644.7
Resin	88,572.9	86,865.6
Aluminum sulfate	919.6	2,182.2
Ammonium sulfate	1,837.5	2,035.1
Paint	1,913.4	1,799.5
Urea	83,274.8	83,110.5
Other materials	8,668.3	8,931.5
Subtotal	385,641.8	378,633.9
Total	3,657,934.4	3,570,859.3
Percentage of materials from renewable resources	89.5%	89.4%

*In 2016, only consumption of wax emulsion was shown for one Panels unit. Consumption of Sawed wood was lower in 2017 as a result of a drop in Duratree production.

301-2 |

At the Deca division, 9% of materials came from recycling. To find this percentage, we considered 100% of inputs from bronze, brass and zamak casting (22,591.2 tons), whose chain promotes infinite recycling and reuse of these metals, 34,357.1 tons of porcelain and 61.2 tons of plastic that were reused at industrial units.

302-1 |

ENERGY CONSUMPTION IN BRAZIL (GJ)*	2017	2016	2015
A. Energy generated through fuel consumption			
Biomass	5,174,451.3	5,523,965.5	5,575,326.1
Diesel	328,500.3	344,825.5	380,918.5
Ethanol	8,179.3	8,026.4	353.0
Natural gas	1,444,336.2	1,558,314.7	1,633,825.5
Gasoline	14,666.9	13,298.2	24,997.0
LPG	46,600.1	91,292.0	102,300.3
Heavy fuel oil (HFO)	258,091.1	252,019.1	398,156.6
Subtotal	7,274,825.1	7,791,741.4	8,115,877.1
Percentage of energy generated using renewable fuels	71%	72%	69%
B. Energy acquired			
Electricity	2,553,136.4	2,725,630.3	2,942,076.3
C. Total			
Total energy consumption (A + B)	9,827,961.5	10,517,371.7	11,057,953.3
Percentage of renewable energy over total energy consumption	79%	73%	71%

*Ethanol and biomass are considered fuels from renewable resources. The percentages of diesel (biodiesel) and gasoline (anhydrous ethanol) are also used to calculate the percentage of renewable fuels, according to the parameters of Brazil's National Petroleum Agency (Agência Nacional do Petróleo - ANP). In relation to electricity acquired, percentages are considered according to the monthly monitoring bulletin issued by the Brazilian Ministry of Mines and Energy's Brazilian Electric System. Duratex only acquires electricity and does not sell energy.

ENERGY CONSUMPTION IN COLOMBIA (GJ)*

	2017	2016
A. Energy generated through fuel consumption		
Biomass	128,809.3	301,830.4
Diesel	8,676.6	9,254.2
Natural gas	68,471.9	61,280.4
Gasoline	0.0	505.1
LPG	82,487.4	83,290.2
Heavy fuel oil (HFO)	0.0	7,377.0
Subtotal	288,445.2	463,537.3
B. Energy acquired		
Electricity	196,081.8	213,105.9
C. Total		
Total energy consumption (A + B)	484,527.0	676,643.1

*Duratex only acquires electricity and does not sell energy in Colombia. We only consider biomass as a renewable fuel.

302-3 |

ENERGY INTENSITY INDICATORS IN BRAZIL	2017	2016*
Deca Metals (GJ/item)	0.0117	0.0160
Deca Sanitary Ware (GJ/kg)	0.0129	0.0125
Hydra (GJ/item)	0.0057	0.0054
Panels (GJ/m ³ of paneling)	3.6258	3.795

*2016 energy intensity values for Hydra and Panels were revised.

303-1 e 303-3 |

In 2017, the system to use rainwater to irrigate the eucalyptus tree nursery in Lençóis Paulista (SP) had a negative impact on eucalyptus production. The saplings are still very sensitive to diseases and the use of this water poses risks to this process. Duratex is studying alternatives for the best use of rainwater in other processes.

WATER CONSUMPTION IN BRAZIL (M ³)	2017	2016	2015
Water collected			
Surface water	1,676,624.2	2,461,704.8	2,453,671.5
Groundwater	2,318,916.8	2,441,744.7	2,226,616.3
Directly collected rainwater	0.0	0.0	4,032.0
Effluents from other organizations	0.0	0.0	0.0
Public supply or supply from specialized companies	290,196.8	308,601.8	432,901.0
Total	4,285,737.8	5,212,051.3	5,117,220.8
Reused water			
Volume of reused water	1,338,006.2	2,605,864.7	2,520,021.3
Percentage of water reused over total collected	31.2%	50.0%	49.2%

WATER CONSUMPTION IN COLOMBIA (M ³)*	2017	2016
Surface water	131,564.2	132,552
Groundwater	6,042.0	0
Directly collected rainwater	0.0	0
Effluents from other organizations	0.0	0
Public supply or supply from specialized companies	14,920.2	14,902
Total	152,585.4	147,454

*Duratex Colombia does not have any water reuse processes.

304-3 |

FORESTRY AREAS AT DURATEX IN 2016 BY STATE (HECTARES)		2017			2016		
	Ownership list	Planted forests	Improvements	Conservation	Planted forests	Improvements	Conservation
São Paulo	Leased	17,816.3	1,235.1	7,240.3	16,542.1	1,134.9	5,453.9
	Owned	74,403.9	4,388.1	25,370.1	75,782.6	4,520.3	25,940.5
	Partnership	1,340.6	660.3	0.0	1,759.0	866.4	0.0
Minas Gerais	Leased	75,607.0	3,314.4	29,188.5	75,934.8	3,312.4	29,274.9
	Owned	0.0	0.0	0.0	0.0	0.0	0.0
	Partnership	877.9	432.4	0.0	877.9	432.4	0.0
Rio Grande do Sul	Leased	1,564.2	187.2	800.6	1,565.2	186.2	800.6
	Owned	3,268.3	191.0	2,532.0	3,925.5	298.4	3,005.1
	Partnership	13,630.9	11,152.5	0.0	12,653.9	10,353.2	0.0
Total		188,509.1	21,561.0	65,131.5	189,041.0	21,104.2	64,475.0

305-1, 305-2 and 305-3 |

INVENTORY OF GREENHOUSE GAS EMISSIONS AT DURATEX IN BRAZIL (tCO ₂ e)*	2017	2016	2015
Scope 1	156,280.6	189,496.2	198,272.6
Scope 2	64,277.2	61,609.1	101,936.2
Scope 3	164,184.6	128,431.6	153,330.8
Total	384,742.4	379,536.9	453,539.6
Biogenic emissions			
Scope 1	5,039,722.6	4,932,351.7	626,632.9
Scope 3	10,870.8	8,067.2	9,308.8
Biogenic removals			
Scope 1	5,662,111.6	5,486,446.4	0.0

*Emissions from changes to soil use do not consider emissions originating from fires in native vegetation areas, but rather only consider Duratex operational areas, since the guidelines regarding reporting of these emissions are under discussion with the Brazilian GHG Protocol Emissions Program. Reduction in scope 1 is based on the greater amount of energy generated using renewable fuels and lower total energy consumption at Duratex, compared to 2016. An increase in scope 3 emissions is due to changes in logistical transport, allowing for accounting of the corresponding emissions.

INVENTORY OF GREENHOUSE GAS EMISSIONS AT DURATEX IN COLOMBIA (tCO ₂ e)*	2017	2016	2015
Scope 1	9,905.2	10,531.7	11,724.8
Scope 2**	11,436.0	13,683.7	11,561.9
Total	21,341.3	12,181.2	23,286.7

*2016 emissions factor amount changed to calculate scope 2 in Colombia.

**Scope 3 impacted as a result of the difference in Colombia's GRID emissions factors from 2016 to 2017.

305-4 |

GHG EMISSIONS INTENSITY INDICATORS IN BRAZIL*

	2017	2016
Deca Metals (tCO ₂ e/item)	0.000229763	0.000271581
Deca Sanitary Ware (tCO ₂ e/kg)	0.000617542	0.000595641
Hydra (tCO ₂ e/item)	0.000020847	0.000012714
Panels (tCO ₂ e/m ³ of paneling)	0.035128473	0.040842508

*Considers only scope 1 emissions.

306-2 |

WASTE DISPOSAL (TONS)	2017	2016	2015
By class			
Hazardous	4,792.7	5,194.0	7,745.5
Non-Hazardous	127,817.2	138,861.9	193,725.9
Total	132,609.9	144,055.9	201,471.3
By disposal method			
Recycling	27,714.9	37,223.1	54,603.7
Reuse	19,761.8	2,053.8	11,427.3
Landfill	7,092.6	5,721.4	3,228.2
Industrial landfill	15,926.8	22,016.6	29,243.5
Co-processing	2,174.7	1,823.6	3,322.7
Incineration	1.5	47.6	40.0
Composting	11,298.1	21,112.0	17,503.2
Autoclave	0.1	0.5	300.0
Energy generation	46,055.9	52,241.2	80,135.6
Return to supplier	510.4	372.6	419.4
Decontamination	40.5	117.8	226.5
Chemical treatment	2,032.7	1,325.7	1,021.2
Total	132,609.9	144,055.9	201,471.3

307-1 |

The Metals unit in Jacareí (SP) received a notice of violation with warning, without application of a fine, as a result of the collection of a water sample from a storm drain, the test results of which found concentrations of copper and lead in excess of legal parameters. Duratex promptly submitted a response to the São Paulo State Environmental Company showing that all applicable measures were taken towards remedying the problem found, as well as clarifying that we will continue to take necessary monitoring measures applicable to this situation.

308-1 and 414-1 |

All new suppliers are subject to assessment of documents with the Transparency Portal (a federal government website indicating whether records exist on companies consulted under several areas), the Federal Revenue Service (situations related to Taxpayer ID) and Sintegra (state level). Supplier registration is only approved if there is no impediment with these sources. For suppliers treating waste, an internal certification group at the company looks at specific documentation (such as operating licenses and licensure from the Fire Department and Federal Police) and makes visits to companies' facilities. This certification is revised from time to time by updating documents and, if necessary, making new visits to the location.

308-2 and 414-2 |

Of the 171 companies assessed under the auspices of the Duratex Supplier Management (GFD) program, only 4 had irregularities that the company considered critical. The results of these evaluations were presented in December 2017 and, based on them, we are putting together action plans along with these suppliers to remedy the gaps found.

401-1 |

NUMBER OF HIRES AND TERMINATIONS	2017		2016		2015	
	Hiring	Layoffs	Hiring	Layoffs	Hiring	Layoffs
By gender						
Women	448	491	554	632	429	598
Men	1,264	1,628	1,812	2,184	1,748	2,643
By age group						
30 and under	1,095	1,099	1,557	1,454	1,413	1,559
Between 31 and 50	596	895	797	1,173	735	1,440
51 and over	21	125	12	189	29	242
By region						
Northeast	481	540	532	515	247	291
Southeast	962	1,246	1,391	1,713	1,383	2,255
South	269	333	443	588	547	695
Total	1,712	2,119	2,366	2,816	2,177	3,241

HIRING AND TURNOVER RATES*	2017		2016		2015	
	Contracting rate*	Rate of turnover**	Contracting rate*	Rate of turnover**	Contracting rate*	Rate of turnover**
By gender						
Women	26.4	27.7	34.5	36.9	33.6	40.2
Men	14.5	16.6	20.3	22.4	19.9	25.0
By age group						
30 and under	29.3	29.4	39.8	38.5	41.3	43.5
Between 31 and 50	10.0	12.5	13.5	16.7	12.7	18.8
51 and over	2.8	9.8	1.7	14.3	3.4	15.8
By region						
Northeast	22.1	23.4	26.7	26.3	19.6	21.4
Southeast	13.5	15.5	19.4	21.6	18.6	24.5
South	24.0	26.8	32.6	38.0	39.6	45.0
Total	16.4	18.4	22.5	24.6	21.6	26.9

*Hiring rate – number of hires over headcount at the end of the period.

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

401-3 |

MATERNITY/PATERNITY LEAVE	2017		2016		2015		2014		2013	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Total employees eligible for leave	341	93	252	72	374	88	375	67	406	66
Total employees that took leave	341	93	252	72	374	88	375	67	406	66
Total employees that returned to work following leave	341	68	252	66	371	88	375	67	405	66
Total employees that remained employed 1 year after returning from leave	na	na	212	35	307	54	292	29	361	33
Rate of return following leave	100%	73%	100%	92%	100%	100%	100%	100%	100%	100%
Rate of retention following leave	na	na	84%	49%	82%	61%	78%	43%	89%	50%

403-2 |

ATTENDANCE AND ACCIDENT SEVERITY RATES AMONG EMPLOYEES*	2017		2016		2015	
	Frequency rate	Gravity rate	Frequency rate	Gravity rate	Frequency rate	Gravity rate
By business						
Forestry	3.1	110.6	4.2	111.6	7.3	561.0
Panels	5.2	1,586.9	2.7	75.6	6.9	291.4
Deca	4.8	155.6	3.2	146.6	4.4	54.8
Hydra-Corona	5.3	37.3	2.7	111.7	na	na
Ceusa	na	na	na	na	na	na
Central Office**	0.0	0.0	2.1	13.7	na	na
Consolidated Duratex	4.5	438.1	3.1	116.7	5.4	180.4
By region						
Northeast	7.0	78.0	2.0	53.1	6.9	83.5
Southeast	3.9	601.0	3.4	128.6	7.2	222.1
South	4.2	110.7	3.1	139.6	2.6	206.3
Consolidado Duratex	4.5	438.1	3.1	116.7	5.4	180.4

*Rates are calculated according to the guidelines of ABNT (Brazilian Technical Standards Association) standard NBR 14280. The accident rate is equal to the number of accidents with time off for every 1 million man-hours of risk exposure. The accident seriousness rate is equal to the number of days lost or debited for every 1 million man-hours of risk exposure. Breakdown by gender is not available, since the management process of registering accidents does not include this information.

**There were no typical accidents with time off in 2017 at the central office.

ABSENTEEISM AMONG EMPLOYEES BY REGION*

	2017	2016	2015
Northeast	4.6%	7.6%	na
Southeast	2.8%	5.4%	na
South	4.4%	11.4%	na
Consolidated Duratex	3.4%	6.6%	6.4%

*Total justified, excused, justified and legal absences, medical certificates and time off over total expected hours

404-3 |

PERCENTAGE OF EMPLOYEES WHO RECEIVED PERFORMANCE ASSESSMENTS IN 2017

By gender	
Men	6.7%
Women	7.1%
Overall	6.8%
By job level*	
Management	100.0%
Coordination	100.0%
Supervisor	100.0%
Superior	9.5%
Trainees	100.0%
Overall	6.8%

*Administrative, technical and operational level workers and apprentices are not eligible for GIP.

405-1 |

We increased participation in governance (Board of Directors and Executive Board) by women from 9.5% to 19.2% from 2016 to 2017. In relation to segmentation of this public by age group, we ended the period at 30.8% of members aged 31 to 50 (compared to 28.6% in 2016). The other 69.2% of members were aged 51 and over (compared to 71.4% in 2016). Staff diversity indicators are shown in the tables below.

BREAKDOWN
OF JOB LEVELS BY
GENDER (%)

	2017		2016		2015	
	Men	Women	Men	Women	Men	Women
Management	86.7	13.3	91.4	8.6	91.6	8.4
Coordination	80.7	19.3	82.2	17.8	83.5	16.5
Supervisor	92.4	7.6	90.3	9.7	92.2	7.8
Superior	64.5	35.5	64.8	35.2	63.4	36.6
Trainees	50.0	50.0	43.8	56.3	40.6	59.4
Administrative	62.4	37.6	62.8	37.2	70.0	30.0
Technical Staff	94.3	5.7	93.4	6.6	94.0	6.0
Operational Staff	89.6	10.4	90.9	9.1	93.6	6.4
Apprentices	67.4	32.6	64.5	35.5	74.5	25.5
Total	83.7	16.3	84.7	15.3	87.3	12.7

BREAKDOWN OF LEVELS
BY AGE GROUP (%)

	2017			2016			2015		
	30 and under	Between 31 and 50	51 and over	30 and under	Between 31 and 50	51 and over	30 and under	Between 31 and 50	51 and over
Management	0.0	72.0	28.0	1.2	70.4	28.4	1.1	63.0	35.9
Coordination	9.6	77.7	12.7	5.4	80.5	14.1	7.6	72.5	19.8
Supervisor	13.0	75.6	11.4	17.2	73.1	9.7	16.3	67.5	16.3
Superior	37.1	57.6	5.3	34.7	59.1	6.2	33.7	56.8	9.5
Trainees	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0
Administrative	50.4	45.3	4.4	51.6	44.4	4.0	49.1	45.3	5.6
Technical Staff	22.6	69.7	7.7	24.7	67.4	7.9	26.8	63.4	9.8
Operational Staff	34.1	58.4	7.6	36.4	56.9	6.7	35.3	57.0	7.7
Apprentices	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0
Total	35.8	57.0	7.1	37.2	56.1	6.7	35.9	55.7	8.4

404-1 |

AVERAGE TRAINING HOURS PER EMPLOYEE	2017	2016	2015
By gender			
Men	32.4	25.8	33.2
Women	41.8	11.7	19.2
By job level*			
Management	47.8	17.1	28.4
Coordination	29.0	30.1	56.3
Supervisor	23.4	34.7	77.5
Superior	17.8	12	24.8
Trainees	143.2	204.8	210.2
Administrative	9.2	13.7	8.4
Technical Staff	21.7	51.7	31.3
Operational Staff	15.2	23.1	33
Apprentices	177.4	18.2	4.3
Geral	34.4	23.6	31.4

*In 2017, we considered training hours under the responsibility of Corporate HR and the Team and Intern categories under the responsibility of their Superiors.

**Accounting by job level in 2016 does not include 8,462 training hours on safety and 1,101 CETEC Metals São Paulo education hours, since it was not possible to map the job levels involved in these training sessions. These hours were only considered in calculating the overall average training hours per employee in 2016.

EMPLOYEES BY RACE (%)*	2017	2016	2015
White	61,5	63,4	69,4
Mixed race	31,3	29,3	23,9
Black	7,0	7,1	6,4
Asian	0,2	0,2	0,2

*Information on race is self-declared by employees

405-2 |

	2017			2016			2015		
	Women	Men	Proportion	Women	Men	Proportion	Women	Men	Proportion
Management	23,843	25,423	93.8%	24,722.97	24,333.19	101.6%	24,248.43	24,568.31	98.7%
Coordination	10,955	11,741	93.3%	10,666.84	11,268.98	94.7%	10,251.08	10,882.06	94.2%
Supervisor	6,838	6,296	108.6%	6,171.83	5,874.67	105.1%	6,177.49	5,951.62	103.8%
Superior	5,044	5,091	99.1%	4,776.77	5,104.52	93.6%	4,733.17	4,907.88	96.4%
Trainees	5,186	5,186	100.0%	5,270.39	5,087.85	103.6%	5,402.82	5,121.98	105.5%
Administrative	1,829	1,895	96.5%	1,777.80	1,833.26	97.0%	1,818.72	1,781.71	102.1%
Technical Staff	2,910	3,563	81.7%	2,608.54	3,425.55	76.1%	2,605.85	3,325.58	78.4%
Operational Staff	1,220	2,050	59.5%	1,231.74	1,939.98	63.5%	1,339.11	1,920.58	69.7%
Apprentices	557	559	99.6%	556.42	559.46	99.5%	523.16	488.28	107.1%
Staff average	2,864	2,685	106.7%	6,420.37	6,603.05	97.2%	6,344.42	6,549.78	96.9%

408-1 and 409-1 |

On self-assessment questionnaires and in visits by the GFD program, we include questions related to the topics of child and forced or compulsory labor. We have not identified any occurrence of this kind of work among these suppliers since the program's creation in 2012.

413-2 |

We continually seek to minimize the negative local impacts inherent to the activities of our business. At forestry units, high-priority aspects of action are dust emissions and any damage to unpaved roads due to truck traffic. In this aspect, we follow strict logistics planning and carry out preventive actions, such as wetting routes prior to use and changing operating hours. In industrial activities, impacts regard noise and particulate emissions and are mostly found at units near urban areas: Metals São Paulo (SP), São Leopoldo (RS) and Tubarão (SC) at the Deca Division and Uberaba (MG), Agudos (SP) and Taquari (RS) at the Wood Division. We have developed a Monitoring Plan at these locations to guarantee that sound and air pollution are within legal limits and we have created a formal procedure for registering, processing and resolving the demands of these publics.

416-1 |

In 2017, 45.9% of covered panels sold by the company had Protekto treatment, a differential that increases the useful life of products and lowers the risk of proliferation of bacteria and mold.

419-1 |

No significant fines or sanctions were received for non-compliance with socio-economic laws and regulations in 2017.

GRI content index



GRI STANDARD	DISCLOSURE	PAGE/OBSERVATIONS	OMISSIONS
GRI 101 Foundation 2016			
General standards			
GRI 102 General standards 2016	Organizational profile		
	102-1 Name of the organization	4	-
	102-2 Activities, brands, products, and services	6	-
	102-3 Location of headquarters	75	-
	102-4 Location of operations	6	-
	102-5 Ownership and legal form	7 and 13	-
	102-6 Markets served	6	-
	102-7 Scale of the organization	6, 7, 26, 27 and 31	-
	102-8 Information on employees and other workers	60	-
	102-9 Supply chain	51 and 60	-
	102-10 Significant changes to the organization and its supply chain	23	-
	102-11 Precautionary principle or approach	47	-
	102-12 External initiatives	60	-
	102-13 Membership of associations	60	-
	Strategy		
	102-14 Statement from senior decision-maker	10	-
	102-15 Key impacts, risks, and opportunities	15	-
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behavior	17 and 20	-
	102-17 Mechanisms for advice and concerns about ethics	17 and 61	-
	Governance		
	102-18 Governance structure	14	-
	102-21 Consulting stakeholders on economic, environmental and social topics	61	-
	102-28 Evaluating the highest governance body's performance	61	-
	102-34 Nature and total number of critical concerns	62	-
102-35 Remuneration policies	62	-	
Stakeholder engagement			
102-40 List of stakeholder groups	29 and 62	-	
102-41 Collective bargaining agreements	60	-	
102-42 Identifying and selecting stakeholders	29 and 62	-	
102-43 Approach to stakeholder engagement	29	-	
102-44 Key topics and concerns raised	28	-	

GRI 102-55

GRI STANDARD	DISCLOSURE	PAGE/OBSERVATIONS	OMISSIONS
General standards			
GRI 102 General standards 2016	Reporting practice		
	102-45 Entities included in the consolidated financial statements	62	-
	102-46 Defining report content and topic Boundaries	29	-
	102-47 List of material topics	28 and 62	-
	102-48 Restatements of information	62	-
	102-49 Changes in reporting	62	-
	102-50 Reporting period	4	-
	102-51 Date of most recent report	62	-
	102-52 Reporting cycle	62	-
	102-53 Contact point for questions regarding the report	5	-
	102-54 Claims of reporting in accordance with the GRI Standards	62	-
	102-55 GRI content index	71, 72 and 73	-
102-56 External assurance	4 and 74	-	
Material theme People			
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 37	-
	103-2 The management approach and its components	31, 32, 33, 37, 38, 39 and 40	-
	103-3 Evaluation of the management approach	31, 32, 33, 37, 38, 39 and 40	-
GRI 202 Market presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	62	-
GRI 203 Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	39	-
GRI 401 Employment 2016	401-1 New employee hires and employee turnover	32 and 67	-
	401-3 Parental leave	68	-
GRI 403 Occupational health and safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	32 and 68	-
	404-1 Average hours of training per year per employee	69	-
GRI 404 Training and education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	32 and 68	-
	405-1 Diversity of governance bodies and employees	33 and 69	-
GRI 405 Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	70	-
	413-1 Operations with local community engagement, impact assessments, and development programs	38	-
GRI 413 Local communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	70	-

GRI STANDARD	DISCLOSURE	PAGE/OBSERVATIONS	OMISSIONS
Material theme Processes			
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	25, 41, 46, 47 and 51	-
	103-2 The management approach and its components	25, 26, 27, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51 and 52	-
	103-3 Evaluation of the management approach	25, 26, 27, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51 and 52	-
GRI 201 Economic performance 2016	201-1 Direct economic value generated and distributed	26	-
	201-2 Financial implications and other risks and opportunities due to climate change	46	-
GRI 204 Procurement practices 2016	204-1 Proportion of spending on local suppliers	62	-
GRI 301 Materials 2016	301-1 Materials used by weight or volume	44 and 63	-
	301-2 Recycled input materials used	44 and 63	-
GRI 302 Energy 2016	302-1 Energy consumption within the organization	43 and 64	-
	302-3 Energy intensity	64	-
GRI 303 Water 2016	303-1 Water withdrawal by source	42 and 64	-
	303-3 Water recycled and reused	42 and 64	-
GRI 304 Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	47, 48 and 49	-
	304-3 Habitats protected or restored	65	-
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	65	-
	305-2 Energy indirect (Scope 2) GHG emissions	65	-
	305-3 Other indirect (Scope 3) GHG emissions	65	-
	305-4 GHG emissions intensity	66	-
GRI 306 Effluents and waste 2016	306-2 Waste by type and disposal method	44 and 66	-
GRI 307 Cumplimiento ambiental 2016	307-1 Non-compliance with environmental laws and regulations	66	-
GRI 308 Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	66	-
	308-2 Negative environmental impacts in the supply chain and actions taken	66	-
GRI 408 Child labor 2016	408-1 Operations and suppliers at significant risk of incidents of child labor	70	-
GRI 409 Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	70	-
GRI 414 Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	66	-
	414-2 Negative social impacts in the supply chain and actions taken	66	-
Material theme Products and services			
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	34 and 53	-
	103-2 The management approach and its components	34, 35, 36, 53, 54 and 55	-
	103-3 Evaluation of the management approach	34, 35, 36, 53, 54 and 55	-
GRI 416 Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	53, 54 and 70	-
Material theme Governance and compliance			
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	17	-
	103-2 The management approach and its components	17	-
	103-3 Evaluation of the management approach	17	-
GRI 205 Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	62	-
GRI 206 Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	62	-
GRI 419 Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	70	-

Limited assurance report issued by independent auditors

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

Introduction

We have been engaged by Duratex S.A. (Duratex or "Company") to apply limited assurance procedures on the sustainability information disclosed in Duratex's Annual Report 2017, related to the year ended December 31st, 2017.

Responsibilities of Duratex's Management

The Management of Duratex is responsible for adequately preparing and presenting the sustainability information in the Annual Report 2017 in accordance with the Standards for Sustainability Report of Global Reporting Initiative -GRI, as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the Annual Report 2017 based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared based on NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC and equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Duratex's Annual Report 2017, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of questions and interviews with the Management of Duratex and other professionals of the Company involved in the preparation of the information disclosed in the Annual Report 2017 and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the Annual Report 2017 taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the Annual Report 2017, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) Engagement planning: considering the material aspects for Duratex's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Duratex's Annual Report 2017. This analysis defined the indicators to be checked in details;
- (b) Understanding and analysis of disclosed information related to material aspects management;
- (c) Analysis of preparation processes of the Annual Report 2017 and its structure and content, based on the Principles of Content and Quality of the Standards for sustainability report of the Global Reporting Initiative - GRI (GRI-Standards);
- (d) Evaluation of non financial indicators selected:
 - Understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
 - Application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Annual Report 2017;
 - Analysis of evidence supporting the disclosed information;
 - Visits to Duratex's operations and offices for application of these procedures, and items (b) and (c);
- (e) Analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- (f) comparison of financial indicators with the financial statements and/or accounting records.

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

Scope and limitations

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

assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the Annual Report 2017.

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

Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in Duratex's Annual Report 2017 is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI- Standards), as well as its source records and files.

São Paulo, March 05th, 2018

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CRC 2SP034262/O-4 F-SP

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Accountant CRC 1SP135597/O-6

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