

# GFD Program

**Duratex**

Supplier  
Management

Statement of Results **2020**



gestão origami

## INTRODUCTION

In 2012, Gestão Origami participated in the design and structuring of the **Duratex Supplier Management (GFD) Program**, which aims to engage suppliers and promote the adoption of sustainable practices throughout Duratex's supply chain.

The first self-assessment questionnaires were sent to suppliers in 2013 and, since then, there have been more than 1,000 independent assessments and approximately 250 audit visits carried out in annual assessment cycles involving approximately 400 Duratex suppliers.

The Responsible Supply Chain is one of the substantive themes in Duratex's sustainability strategy. It aims to enhance the Company's positive socio-environmental impact from end to end, through tracking, monitoring and continuous improvement of the activities of its entire supply chain.

Independently, Gestão Origami acts as a consulting partner of Duratex in this process, carrying out the development, periodic review and dissemination of the supplier self-assessment socio-environmental questionnaire; consolidating and analyzing the responses provided; and carrying out audit visits; with the aim of identifying the main highlights and points of attention, and of advising on the implementation of actions, processes and innovations that can adapt and improve the social and environmental performance of the suppliers. This analysis is carried out from both the perspective of risk management – i.e. minimizing operational, strategic and reputational risks arising from the different operations in Duratex's value chain – and from the perspective of developing the supply chain in favor of a sustainable and responsible business environment.

Year after year, GFD has shown continual advancement in the socio-environmental performance of its participants, as demonstrated through better results in the performance of suppliers who have remained in the program since the beginning. The results obtained from the compilation and analysis of data, and from the information obtained on site, give a broad perspective of how the risks are managed and how the economic, social and environmental benefits of the business are being exploited. They also guide the program's plans and targets, in keeping with the company's strategy, investment and ways of working.

The Report herein details the consolidated results of the eight editions of the **Duratex Supplier Management Program**, run in 2020, and also seeks to recognize those suppliers that have developed exceptional practices in managing their activities and processes in conducting their business. It should be noted that the year was challenging not only for Duratex but for society as a whole, due to the impact of the COVID-19 pandemic. This atypical year meant that the entire cycle of the GFD Program had to be adjusted, with changes to the work schedule reflecting, in particular, the impossibility of conducting face-to-face visits. However, this restriction did not prevent the assessments from being carried out. Thanks to the support of the suppliers, these took place virtually, but were carried out with the same quality and technical rigor as in previous years.

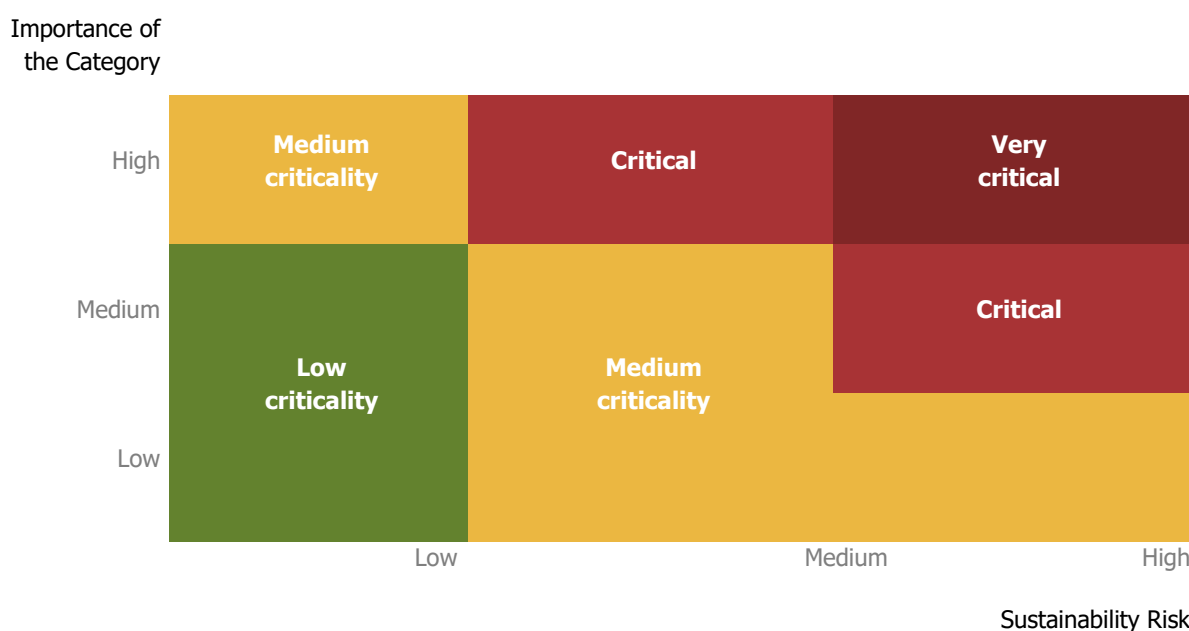
## SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

The GFD program encompasses a structured management process, defined by socio-environmental, economic, compliance and quality criteria, and aims to create synergy and share Duratex's Mission, Vision and Values with its suppliers. The Program is one of the Company's main mechanisms for managing the relationship with suppliers and aims to encourage the adoption of practices that will contribute to more sustainable businesses and a fairer society.

With a view to aligning sustainable purchasing practices with ISO 20400 guidelines, in 2017, Duratex structured a Sustainable Purchasing System. The focus of this system is to understand the supply chain and prioritize processes for purchasing categories, that is, the specific actions for each category taking into account: the level of criticality; the facilitators or enablers of the processes selected; and the policies, including the formalization of criteria for the planning, specification, selection, evaluation and monitoring of suppliers.

To this end, the selection of suppliers that participate in the GFD Program, among the more than 6,700 companies that make up Duratex's active supplier base, is based on analysis of a criticality matrix, which assesses, on one axis, Importance of the Category, considering: (i) Impact on production / productivity, (ii) Influence on the product; (iii) Influence on cost; and on the other axis, Sustainability Risk, considering: (i) Exposure and incidence of socio-environmental problems, (ii) Co-responsibility (probability), (iii) Reputation (probability).

The chart below illustrates the logic behind Duratex's supply chain criticality matrix:



## **DIMENSIONS FOR ANALYZING THE GFD PROGRAM**

The evaluation of the socio-environmental practices of suppliers in the GFD program encompasses seven analysis dimensions, each of which is comprised of a set of specific questions, which have different weights according to the sector and size of the companies responding.

The analysis dimensions are:

### **COMPLIANCE**

This relates to compliance with a series of legal and technical requirements for the different business fronts that ensure better management and minimize risk to the organization. It implies knowledge and compliance with legislation and norms applicable to the company. Compliance is extremely important as failure to comply with some legal requirements and obligations can lead to sanctions, financial losses, difficulties in obtaining or renewing operating licenses, or significant harm to the organization's image.

### **LABOR**

Labor relations can be defined as the company's rules and practices that structure the relationship with its employees, being comprised of all of the processes and practices adopted by the company for optimizing and ensuring the consistent management of human resources.

### **HEALTH & SAFETY**

This dimension includes the set of measures and policies adopted by the company with a view to ensuring a safe and healthy working environment, minimizing accidents and occupational sickness, and protecting the integrity, productive capacity and physical and mental well-being of employees.





## **ENVIRONMENT**

The concept of environment at the company refers to the environmental management practices adopted by the organization, which aim to minimize the environmental impacts arising from its economic activities. The sustainability of the business is directly linked to efficient environmental management, which legitimizes the company's operations, reduces costs, and prevents risks and penalties arising from non-compliance with applicable rules or legal requirements.

## **COMMUNITY RELATIONS**

Community Relations relates to the set of initiatives and practices aimed at establishing positive relations with the communities in the vicinity of the company's operations. The management of the impact of operations on local communities must take into account the specific characteristics and needs of the people impacted by the business and should seek active involvement in debates that affect them directly or indirectly. Establishing dialogue regarding the impact of operations that impact people's daily lives allows for the recognition and resolution of conflicts arising, as well as support for local socio-economic or welfare projects that address specific needs of that community. The inclusion of local communities contributes to creating a trusting, transparent relationship, which brings direct benefits to the company's operations by removing the need for crisis management and the costs therein and contributes to the organization's good reputation.

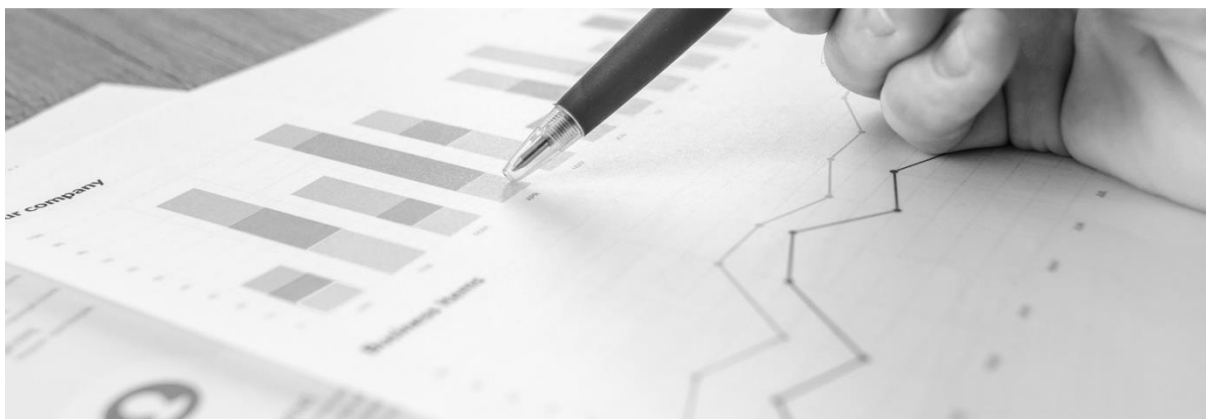
## **ETHICS & HUMAN RIGHTS**

This dimension encompasses the set of principles, guidelines and practices that involve the management of sensitive issues, such as child or slave labor; management conduct, integrity and oversight in combating corruption at all levels; unfair competitive practices; the promotion of gender equality; the combating of the sexual exploitation of children and adolescents; and others. The development of formal policies, and their effective promotion and implementation, together with mechanisms for impartial auditing and the handling of complaints and disclosures, legitimizes the company's operations and demonstrates respect for laws and conventions. It also contributes significantly from a human resources perspective, in establishing the company as a safe and proactive place for combating non-compliance with Ethical and Human Rights principles through prompt and efficient sanctions and countermeasures.

## **SUSTAINABILITY**

Sustainability Management integrates socio-environmental considerations into the company's operations and value chain. It contemplates the life cycle of the products and services offered, with a view to the adoption of policies and practices that promote efficient production processes, innovation and sustainable practices in the other links of the value chain.

## DEVELOPMENT OF THE GFD PROGRAM IN 2020



Each year, as part of a process of continuous improvement and development, Origami Management supports Duratex in reviewing the supplier self-assessment questionnaire, with a view to tracking progress on socio-environmental subjects. To this end, for the 2020 cycle 16 questions on the GFD questionnaire were added or modified. The main additions or alterations were, by dimension:

### COMPLIANCE:

- **Environmental compliance – Grant for the use of surface or underground water resources:** although this was already a question checked with the suppliers who received audit visits, it was decided to include it in the questionnaire, in order to map the compliance with this license on the part of all GFD participants to which the question is applicable;
- **Legal compliance – Implementation of the General Data Protection Law (Law No. 13.709, of August 14, 2018):** the so-called LGPD regulates personal data handling, with a view to ensuring citizens' privacy and data protection. The question seeks to assess whether suppliers have already analyzed and implemented actions needed to comply with the LGPD, and whether audits are planned or carried out on Information Security and the Privacy and Data Protection Program;
- **Legal compliance - Training on the General Data Protection Law (Law No. 13.709, of August 14, 2018):** in relation to awareness / training on LGPD items, the questionnaire assesses whether the company periodically carries out educational activities, communications or training related to the subject for employees and third parties;
- **Legal compliance – Federal Anti-Corruption Law and Decree (12,846/2013 and 8,420/2015, respectively):** with respect to the fight against corruption, although this topic was already included in previous versions of the questionnaire, an explicit reference to the Law and the Federal Anti-corruption Decree has been included;
- **Conflict of Interest – Existence of family relationship:** this question aims to establish whether the company's directors, partners or legal representatives have a family relationship

with any Duratex employee. Should the answer be affirmative, the supplier must provide: i) full name and/or social insurance number of the employee; ii) position held; iii) full name and/or social insurance number of the relative and; iv) nature of connection.

- **Government Relations – Interaction with public bodies:** This question seeks to identify whether any company employee represents, or will represent, Duratex in any activity and/or has, or will have, contact with public bodies when representing Duratex. Should the answer be affirmative, all public bodies with which there is contact should be listed;
- **Government Relations - Performance in public office:** this final question included in the Compliance dimension seeks to assess whether the company's directors, partners or legal representatives hold public office and/or perform a PEP function (politically exposed person: who performs or has performed in the last 5 years, in Brazil or other countries, positions, jobs or significant public functions). If the answer is affirmative, the company is asked to inform the name and social insurance number of the employee and the position held.

## ENVIRONMENT:

- **Water consumption and discharge – Setting and achievement of water consumption reduction targets:** Duratex considers that the setting of environmental targets is one of the main mechanisms for promoting the improvement of the organization's environmental performance. Thus, in order to highlight the importance of this area, a specific question has been included regarding the setting and achievement of a target to reduce water consumption from operations;
- **Atmospheric Emissions and Greenhouse Gas Emissions:** although there was already a specific question in the previous questionnaire about the company's practices in relation to emissions, with a view to clarification, the question was divided into two parts, distinguishing between "atmospheric emissions" (emissions of atmospheric pollutants controlled by relevant legislation, such as nitrogen oxides, sulfur oxides, particulate materials, etc.) and "greenhouse gas emissions" (emissions with the potential to retain heat in the atmosphere, such as carbon dioxide, methane, nitrous oxide, refrigerant gases, etc.);
- **Greenhouse Gas (GHG) Emissions – setting and achieving targets for reducing GHG emissions:** as with water, a question has been included on targets for reducing GHG emissions, with a view to assessing the extent to which suppliers have explicit commitments related to climate change;
- **Energy consumption – setting and achieving targets for reducing energy consumption:** for some sectors, energy consumption covers one of the main environmental impacts arising from operations. Thus, this question aims to assess commitments to reducing energy consumption;
- **Waste management and disposal – waste-related targets (waste reduction, increased recycling, reduction in landfills, etc.):** similarly, a specific assessment has been included relating to the existence and fulfillment of targets aimed at reducing waste;

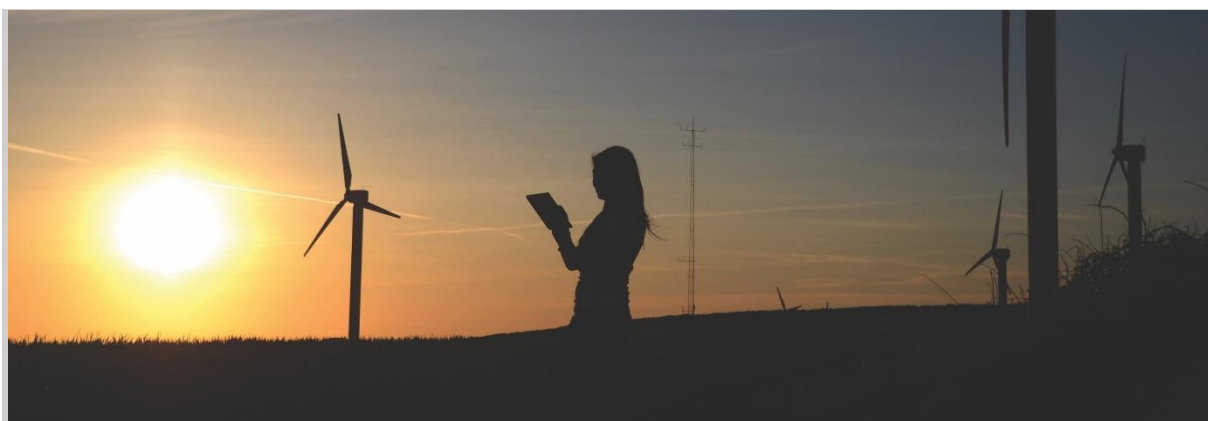
- **Energy matrix/electricity:** although there was already a question that assessed the percentage of renewable sources in companies' energy matrix, a distinction has been made between companies in the electricity sector and other companies, with separate questions for each.

#### **ETHICS & HUMAN RIGHTS:**

- **Existence of a Code of Conduct:** since its first iterations, the GFD questionnaire has included specific questions on various topics that, in general, relate to a Code of Conduct, such as moral and sexual harassment, discrimination, corruption, and others. In the companies that received the audit visits, the existence or not of policies or codes of conduct relating to these topics was already verified. However, the self-assessment questionnaire did not include a specific question regarding the existence of a Code of Conduct policy. If the supplier affirms that it has a Code of Conduct, a copy of the document is requested, or the website location where it can be found.

#### **SUSTAINABILITY MANAGEMENT**

- **Socio-environmental management of suppliers:** in order to contribute to the dissemination of sustainable practices in the other links of the value chain, the GFD already assessed whether suppliers had systemic initiatives or structured programs for managing suppliers that focus on social and environmental issues. Elaborating on this theme, two questions have been included that seek to identify the criteria for selecting the company's critical suppliers, as well as the types of initiatives for evaluating critical suppliers



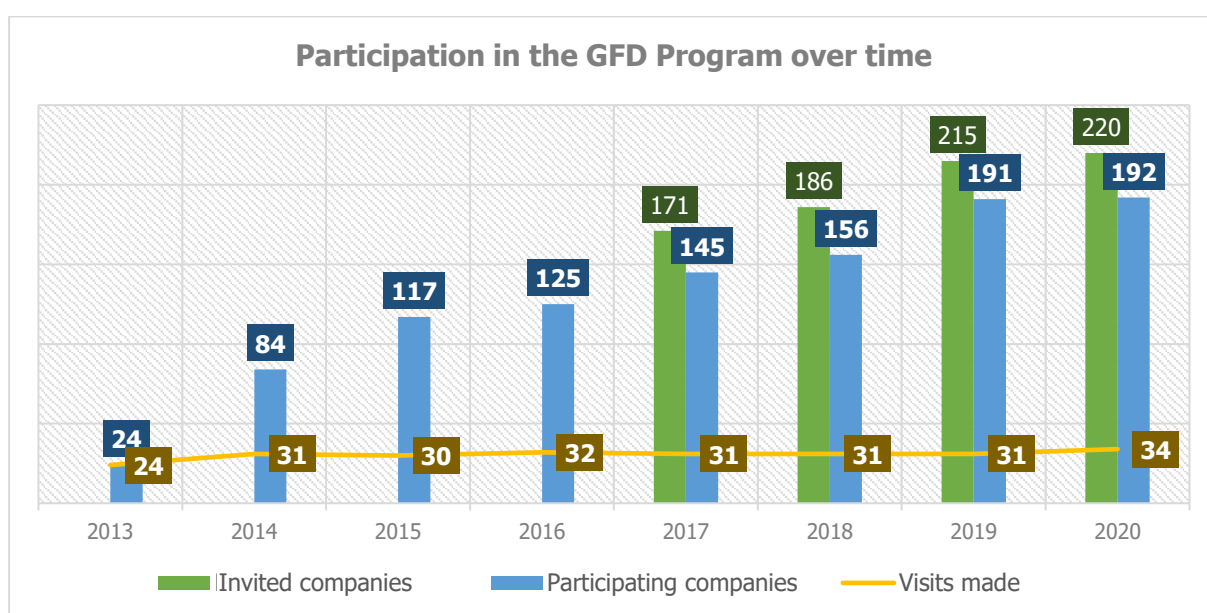


## 2020 RESULTS

### PARTICIPATION OF SUPPLIERS

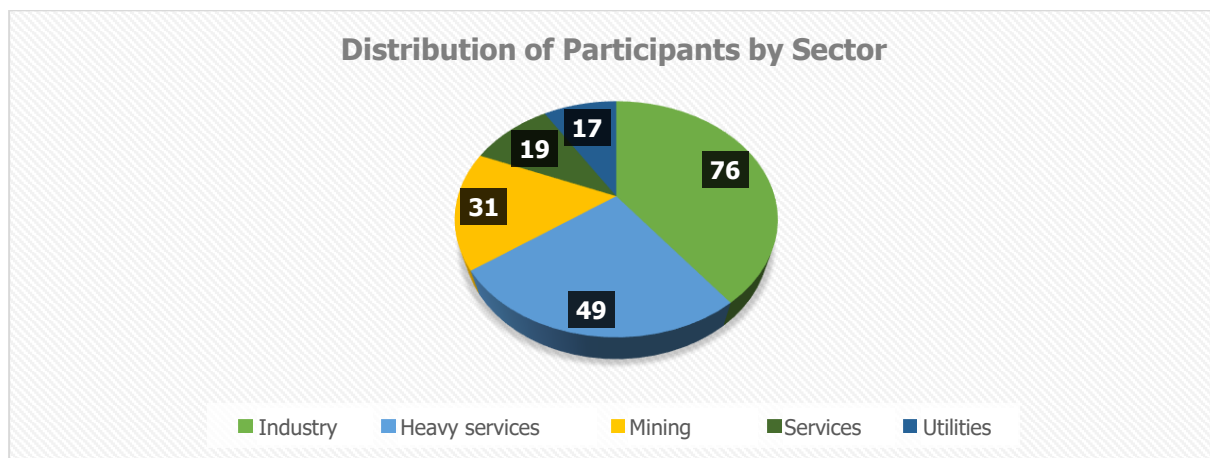
Since its launch, the GFD Program has been engaging increasingly greater numbers of Duratex suppliers, with the number of participants rising from 24 suppliers in 2013 to 192 suppliers in 2020.

Of the total number of suppliers participating in the program, approximately 30 suppliers are assessed in more detail through an on-site visit.

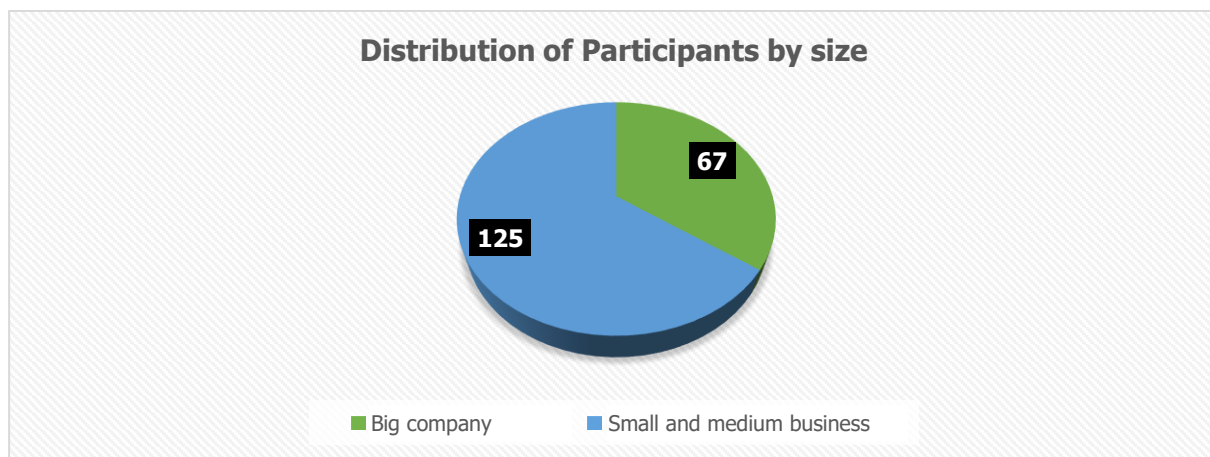


In the eighth edition of the GFD, 220 suppliers were invited to participate in the program and fill out the self-assessment questionnaire. As shown above, Duratex's Supply area selected these companies using the criticality matrix, considering the supplier's industry, share of the Company's total purchases, and history of participation in the GFD Program. Of the total number of suppliers invited, there were **192 respondents**. This represents a response rate of 87%, a figure that continues the trend of over 85% responding since the launch of the program.

The graphs below show the distribution of respondents by macro sectors (Manufacturing, Mining, Heavy Services, Services and Utilities) and by size (Large Companies and SMEs):

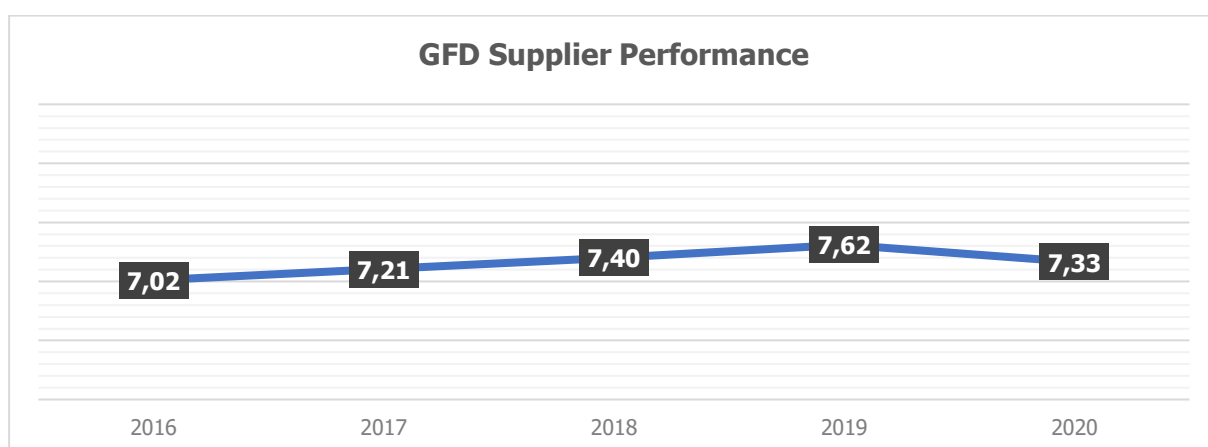


As has happened historically with the GFD Program, there is a concentration of participation of small and medium enterprises (SME), operating in the Manufacturing and Heavy Services sectors, although, in the case of Manufacturing, this participation has fallen significantly over the last three years (58% in 2018, 49% in 2019 and 40% in 2020). On the other hand, the Mining and Utilities sectors, normally having a lower participation, had an increased participation last year, moving from 9% to 16% and from 7% to 9%, respectively, mainly due to suppliers in the ceramic tiles business (Ceusa and Portinari) participating for the first time.



## PERFORMANCE ON THE PROGRAM

In 2020, participating suppliers obtained a consolidated average score on the GFD Program of **7.33**, slightly lower than the average for the previous two years. The main reason for this fall is the inclusion of new questions (as presented in the section "Development of the GFD Program in 2020"), as well as the entry of new suppliers, who mainly serve Ceusa and Portinari. The chart below shows the social and environmental performance of suppliers in recent years:



*Note: In years prior to 2016, the methodology for calculating the scores on the GFD Program was different, so scores are not directly comparable.*

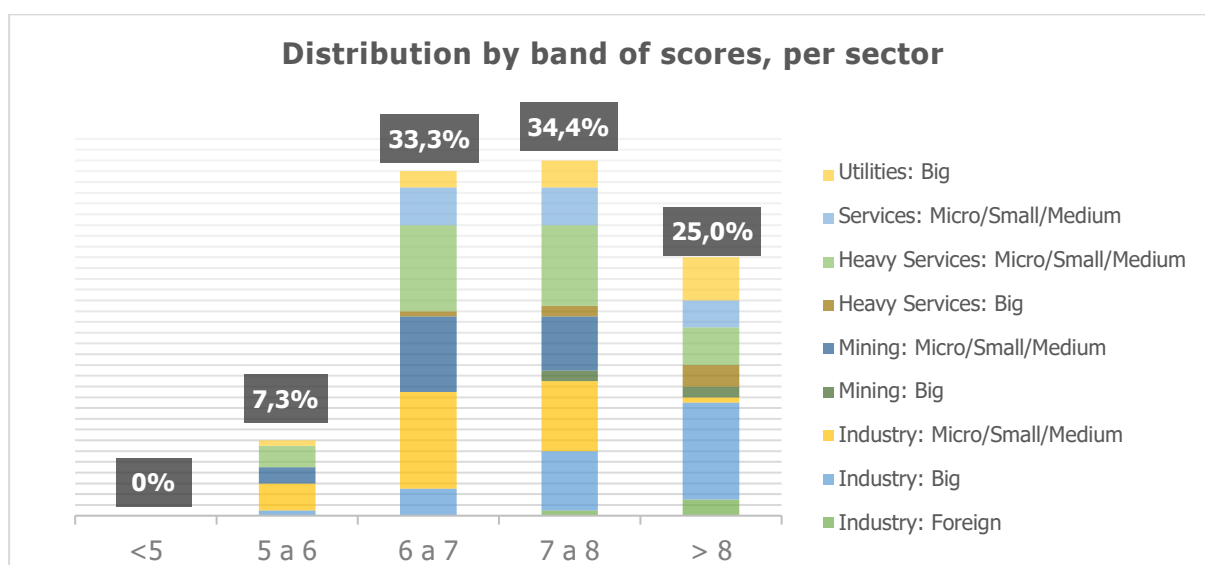
In keeping with previous results, in general, foreign companies had the highest average GFD score (8.48), followed by companies in the Heavy Services sector - Large Companies (8.19) and Mining - Large Companies (8.09 ). On the other hand, the Mining sector – SME, and Manufacturing – SME, had the lowest averages (6.8), although these results represented an improvement on previous years.



**Average score of participating suppliers in 2020, by size and sector:**

Sector	Number of participants	Average score
Manufacturing: Foreign	4	8.48
Heavy Services: Large	7	8.19
Mining: Large	4	8.09
Manufacturing: Large	35	8.03
Utilities: Large	17	7.81
Services: Micro/Small/Medium	19	7.35
Heavy Services: Micro/Small/Medium	42	7.00
Mining: Micro/Small/Medium	27	6.81
Manufacturing: Micro/Small/Medium	37	6.80
<b>Total</b>	<b>192</b>	<b>7.33</b>

In 2020, the percentage of suppliers who obtained a GFD assessment equal to or above 8.0 fell from 35% to 25%, being the first time since the beginning of the program that there has been a fall. This result arose mainly from the inclusion of new topics and, consequently, an increase in the level of requirements in relation to the socio-environmental performance of suppliers. The percentage of participants with scores between 7.0 and 8.0 fell from 39% to 34% of the total, while the percentage of suppliers with scores between 6.0 and 7.0 rose from 22% to 34% of the total. It should be noted that this year, as in the previous year, no supplier participating in the GFD scored less than 5.0, a significant improvement given that 3% of total respondents in 2017 fell into this category. It should also be noted, however, that 14 suppliers (7% of the participants) scored below 6.0, revealing the challenge that Duratex still faces in supporting this group in raising its socio-environmental performance.



## **ASSESSMENT PER DIMENSION**

For each of the dimensions analyzed, the extent to which the suppliers, have adhered overall to each of the topics is evaluated – that is, whether they have practices or policies that address the respective themes.

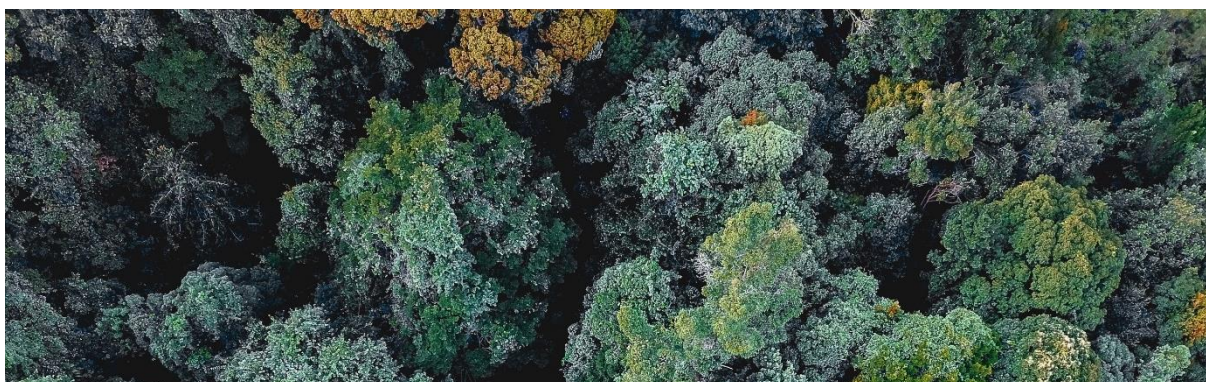
As shown in the chart below, as in previous years, suppliers, in general, have naturally adhered to issues relating to regulation and/or legislation, such as Compliance (average adherence of 86.8%), Health and Safety (77.3%) and Environment (66.6%), while issues related to the dimensions of Management (43.4%), Ethics and Human Rights (54.7%) and Labor (59.6%) have shown a lower level of adherence.

Comparing the sectors, there has been a better performance from large companies operating in the Manufacturing, Mining and Utilities sectors with respect to Health and Safety, with three cases where the average adherence to the issues in this dimension (all above 88%) was higher than adherence to the “Compliance” dimension. This stems mainly from the demanding regulatory standards with respect to this issue in Brazil, which require, large companies in particular, to act responsibly in conducting operations, ensuring safe and healthy working conditions for employees.

Also of note is the Heavy Services - Large Company sector in the Ethics and Human Rights dimension, whose average adherence was 85%, significantly higher than the average for the other sectors. Similarly, large companies in the Mining sector stand out in the Labor dimension, with 84% adherence.

In the Environment dimension, the main highlight was the Services - SME sector, which had an average adherence of 83%. It is of note, however, that many issues applicable to manufacturing or mining companies are not applicable to companies in the Services sector, since the environmental impact generated by this latter group is considerably lower.

With respect to the size of the companies, with the exception of the Compliance dimension, the performance of large companies differs from that of small and medium-sized companies. For example, this year, the average adherence of SMEs to the Management dimension was 40 percentage points lower than the adherence reported for large companies (28% versus 68% respectively), which reveals the importance of Duratex's encouragement and support for micro, small and medium suppliers in relation to the dissemination of sustainability practices.





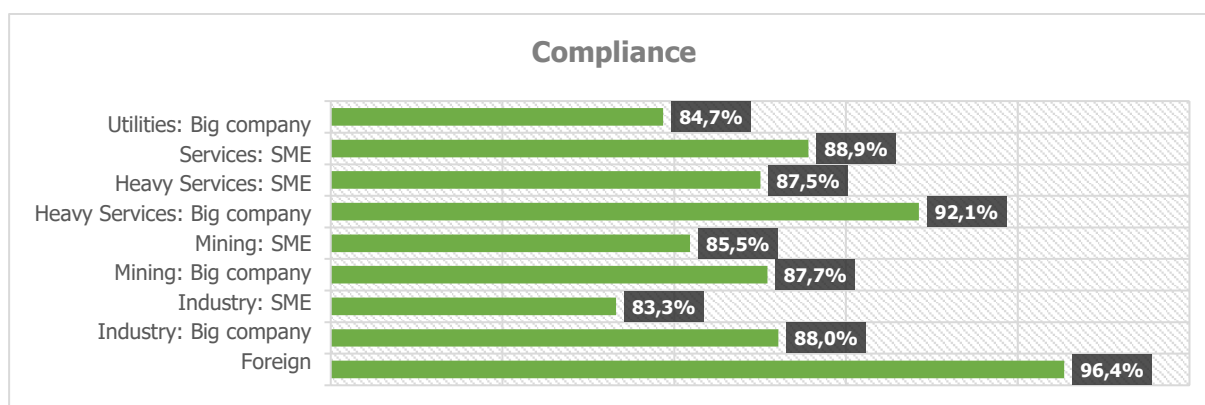
The main results for 2020 relating to each of the GFD dimensions are presented below:

## Compliance

For a supplier to be showing compliance, it is necessary to comply with all applicable legal obligations, and for there to be no outstanding cases or disputes with the relevant bodies. Suppliers are requested to submit any records, certificates or affidavits that demonstrate the supplier is in compliance.

As mentioned above, the questions related to Compliance are those that, historically, present the highest level of adherence among GFD participants (87% on average). This suggests that, in general, companies prove they are in compliance with respect to their legal obligations, given the absence of cases registered with the relevant authorities.

Even so, in 2020, 30 suppliers (or 16% of the total number of participating companies) had some type of action pending, mainly related to the absence of a Federal and State Debt Clearance Certificate. Of the total, 3 companies did not have an Operating License and another 3 companies did not have the Environmental License needed to carry out their activities. Although the pandemic may have contributed to the difficulty in obtaining and/or renewing licenses and other documentation, this data reflects the reality regarding Duratex's suppliers in recent years, reinforcing the need to continue focusing on this area. Duratex emphasizes to suppliers the importance of fulfilling legal obligations as a fundamental aspect of the sustainable management of its business.

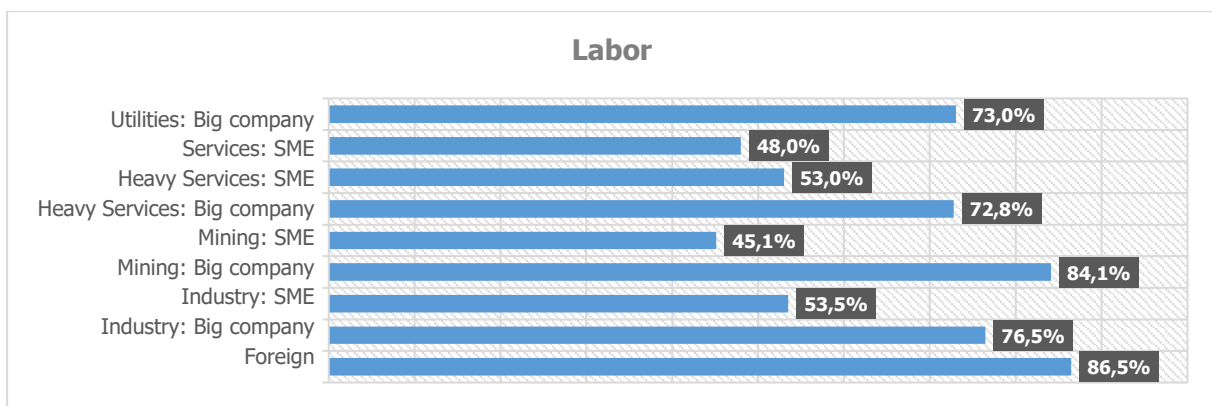


## Labor

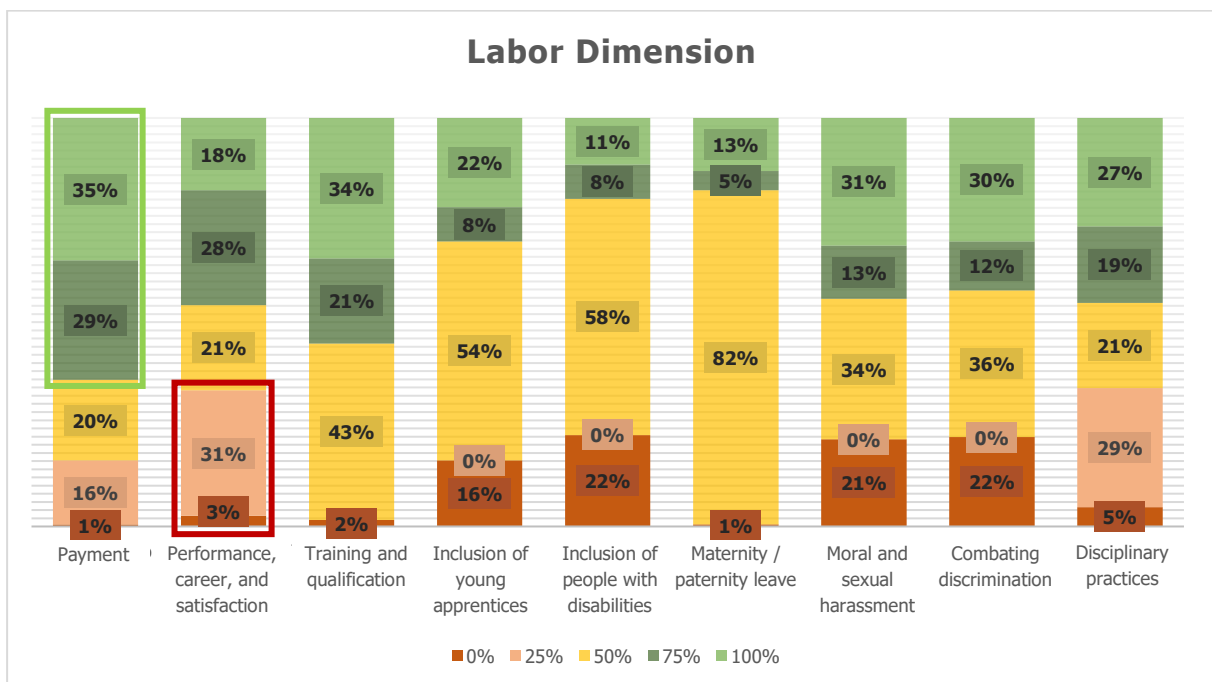
The Labor dimension within the GFD is analyzed from nine questions that address how suppliers ensure healthy working conditions and relationships, and in an environment that values the care and development of employees, namely:

- Remuneration and benefits;
- Performance evaluation, career development and employee satisfaction;
- Training and development programs and activities;
  - Hiring and development of young apprentices;

- Inclusion and development of people with disabilities;
- Support initiatives and flexible conditions for the return to work following maternity/paternity leave;
- Actions aimed at combating moral and sexual harassment in the workplace;
- Actions aimed at combating discrimination in the workplace;
- The establishment of fair and previously agreed disciplinary practices.



The chart below shows the distribution of scores for each of these questions, with scores ranging from 0%, when the company has no practices related to the topic, to 100%, when the company presents robust, high quality initiatives.



The graph also reveals the poorest performing indicator, that is, the indicator with the highest number of companies saying they do not have practices related to the topic or that the initiatives are incipient or sporadic – with a performance index between 0% and 25%; and the highest performing indicator, that is, the indicator with the highest number of companies saying they have well established practices related to the topic – with a performance index between 75% and 100%. From the graph, it can be seen that many companies do not have initiatives aimed at performance assessment processes, career opportunities, satisfaction or climate surveys, or actions for employee participation in internal decisions.

On the other hand, the issue with the highest adherence rate was related to remuneration practices, since many companies evaluated seek to offer salaries or benefits above the market in order to attract the best professionals. The level of adherence to this indicator in recent years has advanced from 40% in 2017 to 73% in 2019. However, in 2020, there was a reduction to 64%, a direct reflection of the financial difficulties reported by some companies during the covid-19 pandemic.

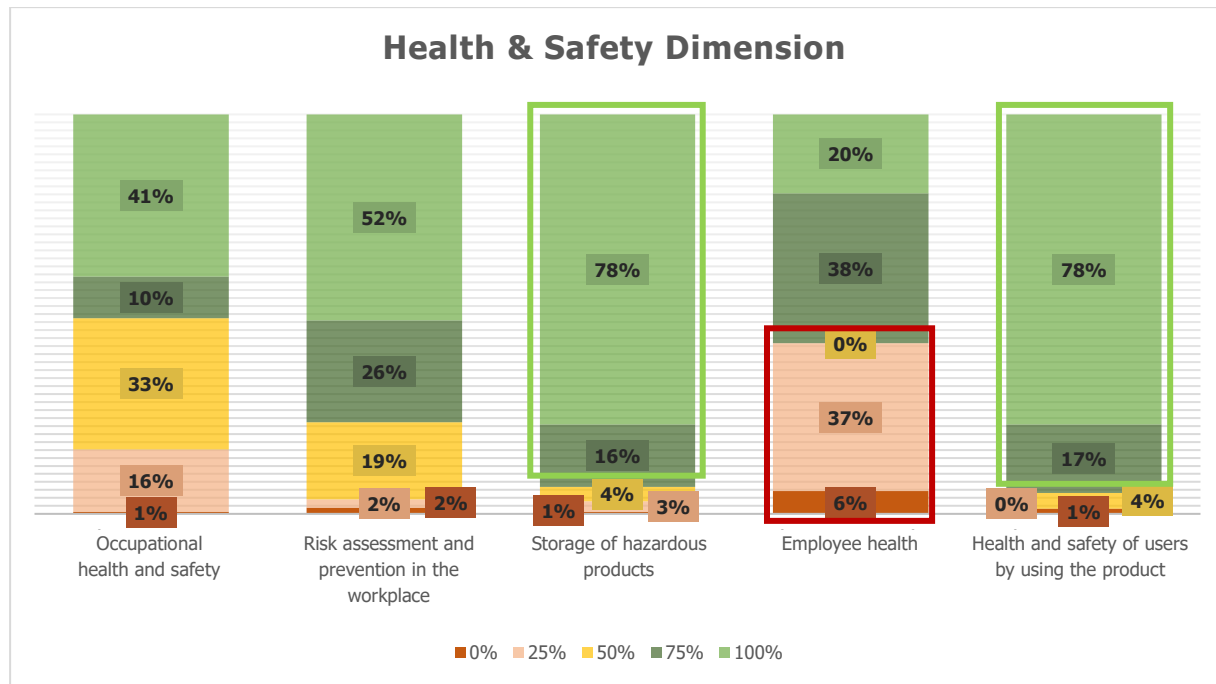
### Health & Safety

The main topics evaluated in this dimension, which aims to ensure a safe and healthy working environment for employees, are:

- Occupational health and safety (compliance with Labor Standards and Regulations);
- Assessment and prevention of risks in the working environment;
- Storage of hazardous products;
- Initiatives designed to improve employee health and quality of life;
- Health and safety of users arising from the use of products / services.



In 2020, Health and Safety issues had the second highest level of adherence (the Compliance dimension placed first), with 77.3%, after taking into account the results from all sectors. This year, all of the topics showed an adherence of greater than 50%, and in the case of the poorest performing indicator – employee health promotion – 43% of respondents said they did not have practices related to the topic. On the other hand, the question relating to the storage of dangerous products, which is highly regulated in various sectors, including a specific NR on this topic (NR 32), typically receives the highest number of positive responses. This year the adherence rate reached 93%, a score similar to that obtained for 'Health and Safety of users in using products / services.

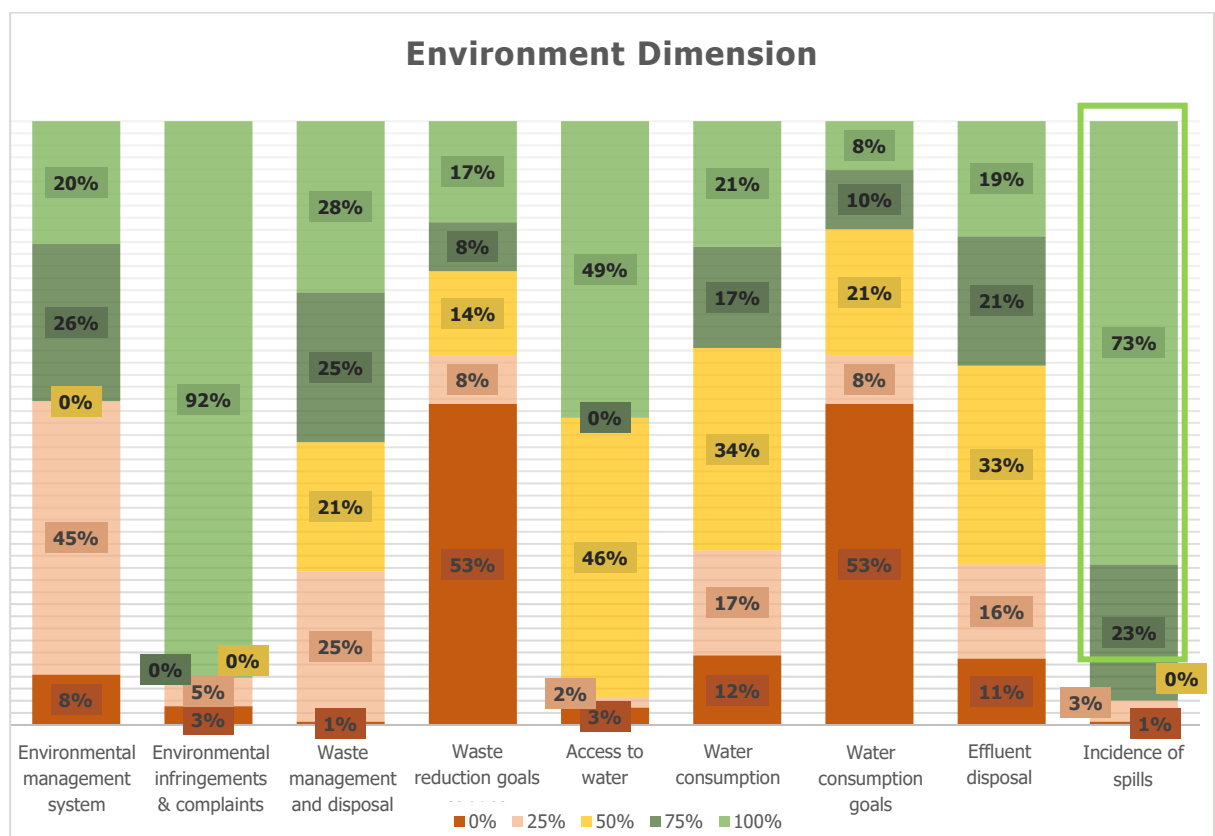
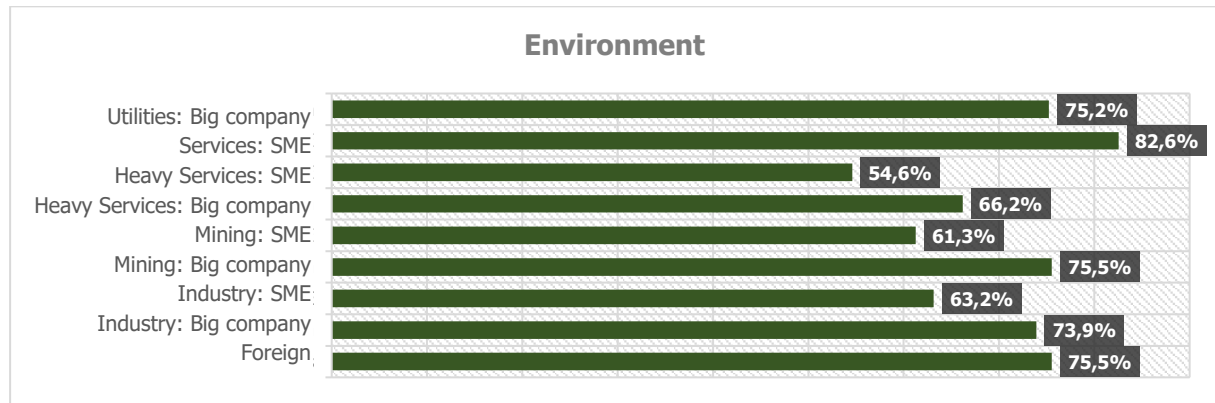


## Environment

With respect to the Environment dimension of the GFD Program, the following topics are covered:

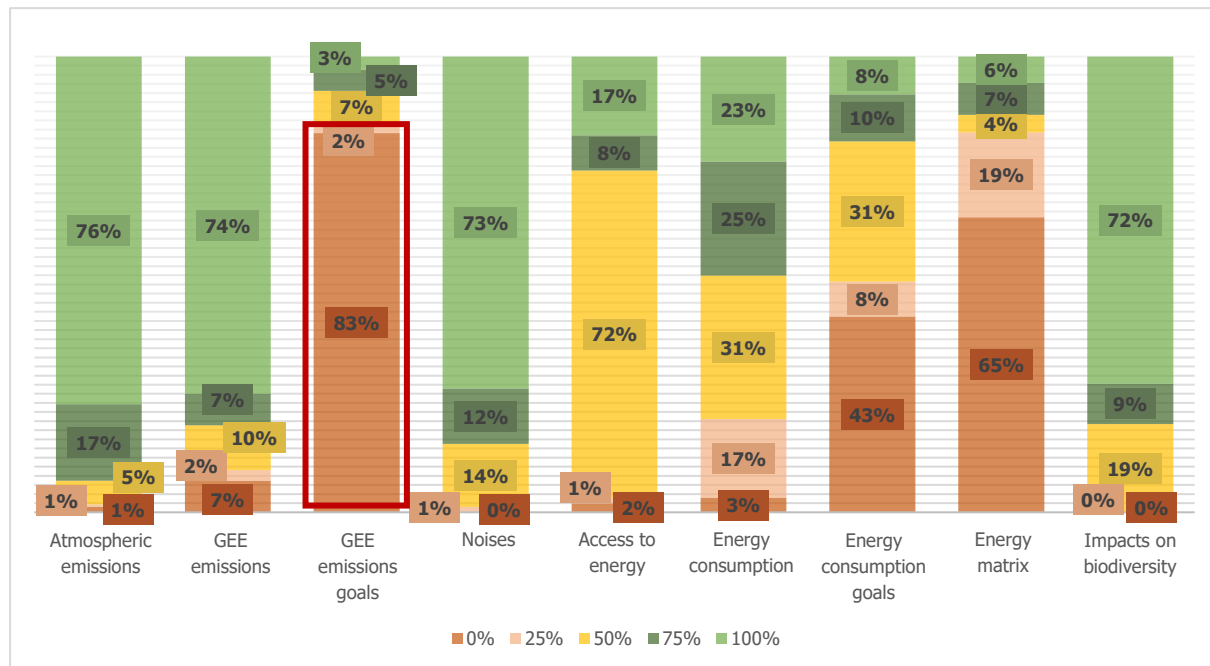
- Existence of an environmental management system;
- Incidence of environmental infractions or complaints;
- Waste management and disposal (reduction initiatives and targets);
- Water (sufficient access to quality water, level of consumption, targets to reduce consumption, effluent discharge and incidence of significant leakage/losses);
- Energy (sufficient access to quality energy, level of consumption, targets to reduce consumption, energy matrix);
- Atmospheric emissions;
- GHG emissions (initiatives and targets to reduce emissions);
- Noise;
- Biodiversity (impact of the operation on biodiversity, and conservation actions);
- Use of renewable or recycled raw materials,
- Product and packaging recovery initiatives;
- Environmental tracing of origins of wood (in the case of sectors that use native wood);
- Freight efficiency (in the case of the Transport sector);

- Energy efficiency, electricity matrix, initiatives aimed at energy conservation (in the case of the Energy sector);

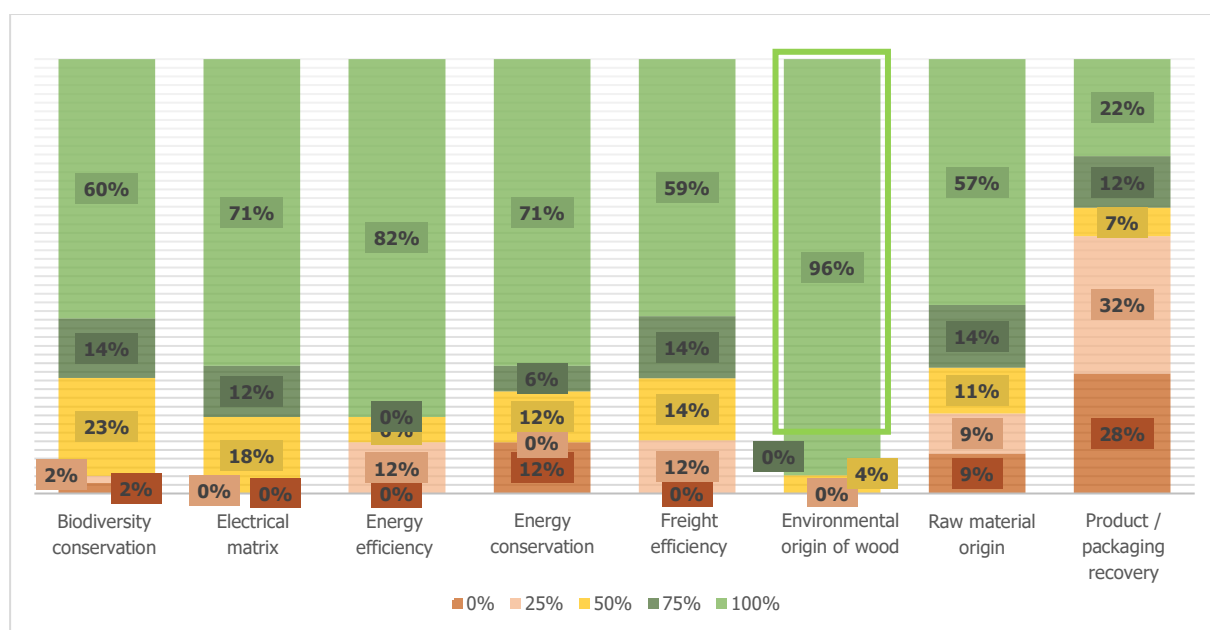


Among the 26 topics analyzed relating to the Environment dimension, the indicator with the lowest score that regarding GHG emission targets, as 83% of participants reported not having targets and 2% reported having targets, but not having achieved them in the prior year. Only 5 companies, or 3% of the total, reported having exceeded their targets. This topic shows the enormous challenge that exists in addressing climate issues in the country.



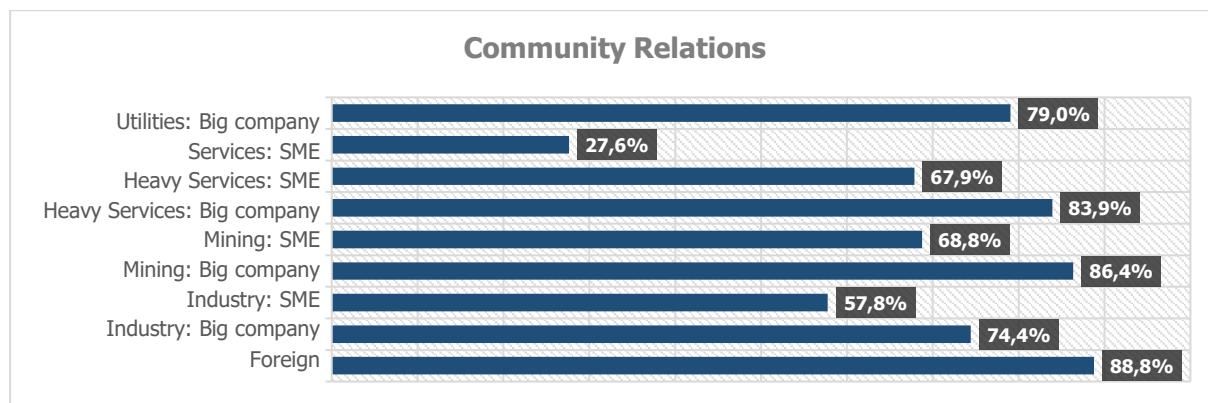


On the other hand, the majority of companies (96% of respondents) received a high evaluation regarding the incidence of significant spills of chemical products and/or effluents, stating that they have not had any critical cases in the last 12 months, in addition to having specific controls for prevention. Naturally, the fact that this type of incidence is regulated by environmental agencies and may incur fines or sanctions dictates that the issue receives greater attention from companies. Similarly, for companies for which the question is applicable (95 suppliers out of 192 evaluated), the item that assesses the environmental origin of wood used by suppliers also showed a rate of compliance of 96%.



### Community Relations

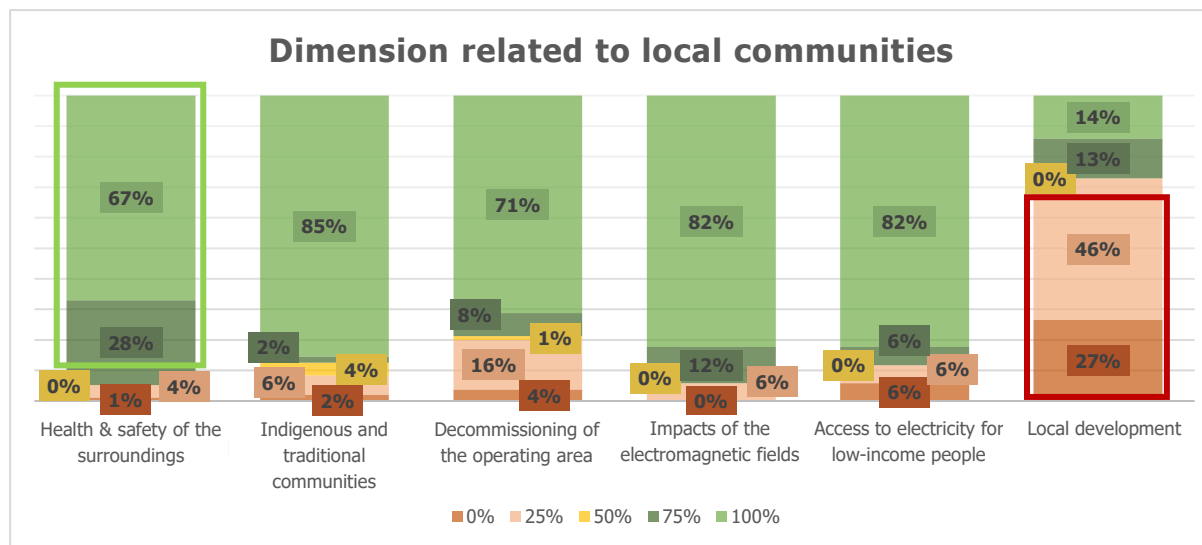
With respect to the relationship with surrounding communities, there is an average level of adherence of 66% considering all sectors, a significant advance versus recent years, for which the average has been around 55%.



This dimension covers the maintenance of a transparent and respectful relationship with local communities and the direct or indirect participation of the company in solving social and environmental problems. Topics include:

- Social actions or initiatives aimed at local socioeconomic development;
- Initiatives that safeguard and promote the health and safety of the surrounding areas;
- Relationship with indigenous peoples and traditional communities that inhabit the region where the operation is located;
- Presence of a decommissioning plan for the area that includes not only environmental aspects, but also actions aimed at the economic/fiscal independence in the region (in the case of mining companies);
- Health risks related to exposure to electromagnetic fields, as well as initiatives focused on expanding access to electricity for low-income groups (in the case of the Energy sector)



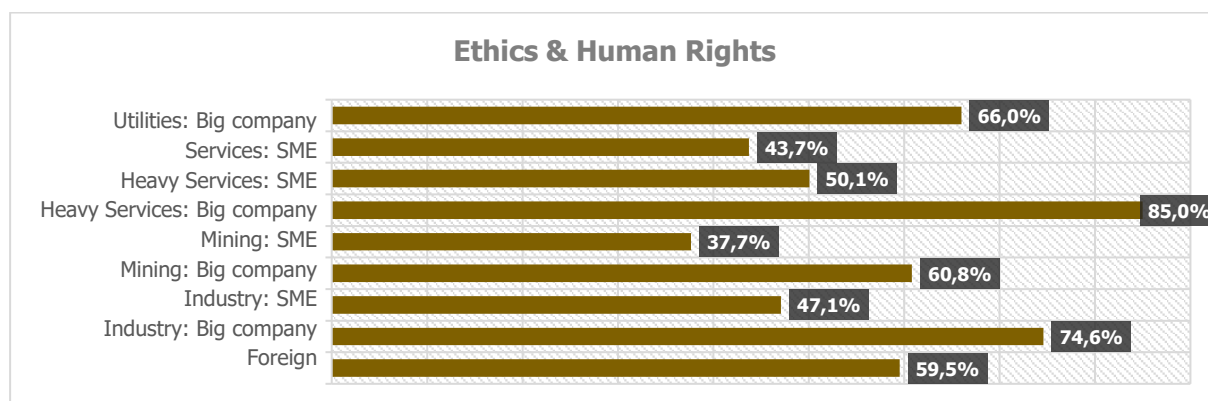


Social projects or initiatives targeting development of local communities, in general, are rarely carried out by most suppliers, and is the item receiving the lowest score in this dimension (27% of companies responded that they have some type of social program). The few companies that do this are, for the most part, large companies that have structured social responsibility programs or volunteer schemes in needy communities. On the other hand, the indicator that assesses actions aimed at health and safety in the local communities showed an adherence of 95%, which is the highest scoring indicator in this dimension.

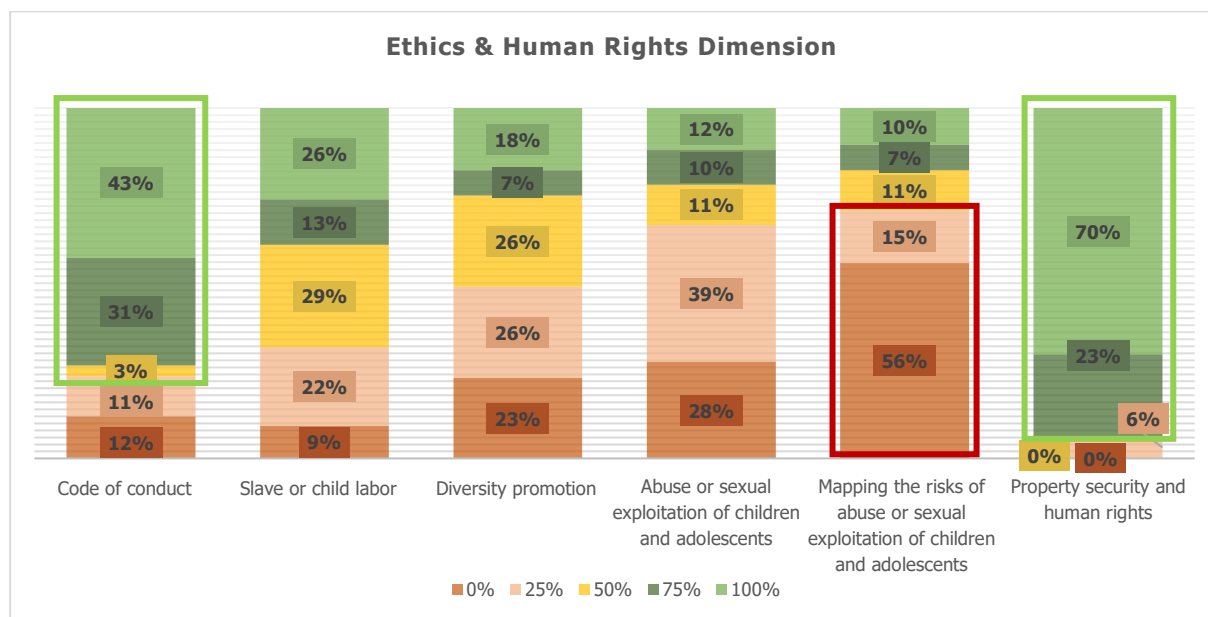
### Ethics & Human Rights

With respect to Ethics and Human Rights, the GFD includes the following topics:

- Existence of a Code of Conduct;
- Actions to combat child or slave labor;
- Programs or initiatives that promote diversity;
- Actions to combat the sexual exploitation of children and adolescents;
- Risk mapping regarding the sexual exploitation of children and adolescents in the operations and in the value chain;
- Property rights and human rights.



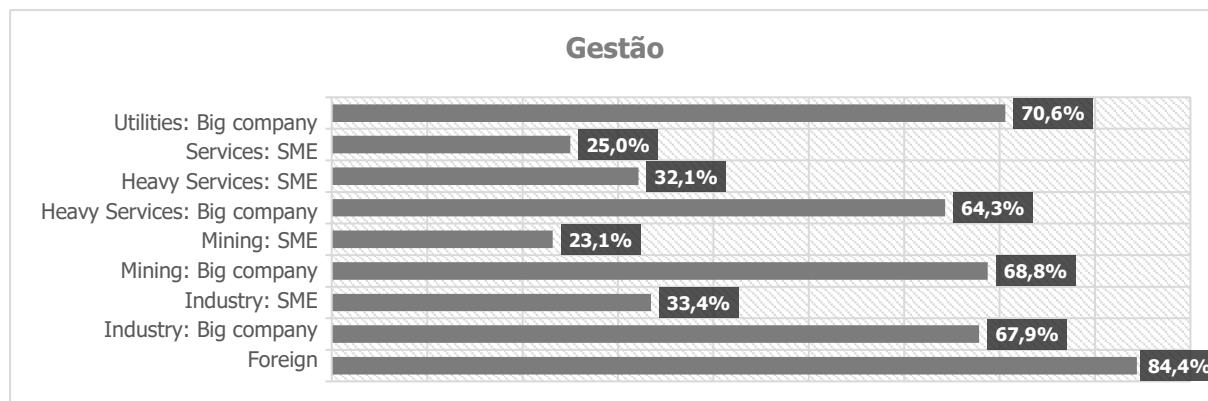
The average level of adherence for this dimension was 55%, similar to that reported last year. Among the topics considered, few companies reported that they carry out actions to map and monitor risks related to the sexual exploitation of children and adolescents in their operation and in the wider value chain (18% of the total, the same rate as for the previous two years). 71% of respondents reported not having any type of mapping relating to this topic, suggesting that this remains a great challenge among Brazilian companies. On the other hand, 94% of respondents said they protected their property using a private security team (contracted and/or outsourced) trained and updated in human rights and the use of force, while 74% said they had a Code of Conduct.



### Sustainability Management

Finally, the Sustainability Management dimension continued to report the lowest level of adherence (43% of all sectors covered), with few advances in the last two years. This dimension considers only two questions, with two sub questions:

- Socio-environmental management of suppliers, that is, the extent to which the company has initiatives that seek to encourage its suppliers to adopt sustainable practices in their business (e.g. adoption of social and environmental clauses in contracts, request for compliance documents, the carrying out of external audits, etc.). If the company answers yes, two other questions arise, namely:
  - Criteria for selecting the company’s critical suppliers
  - Types of initiative for assessing the company’s critical suppliers
- Initiatives or programs aimed at the research and development of products and services.

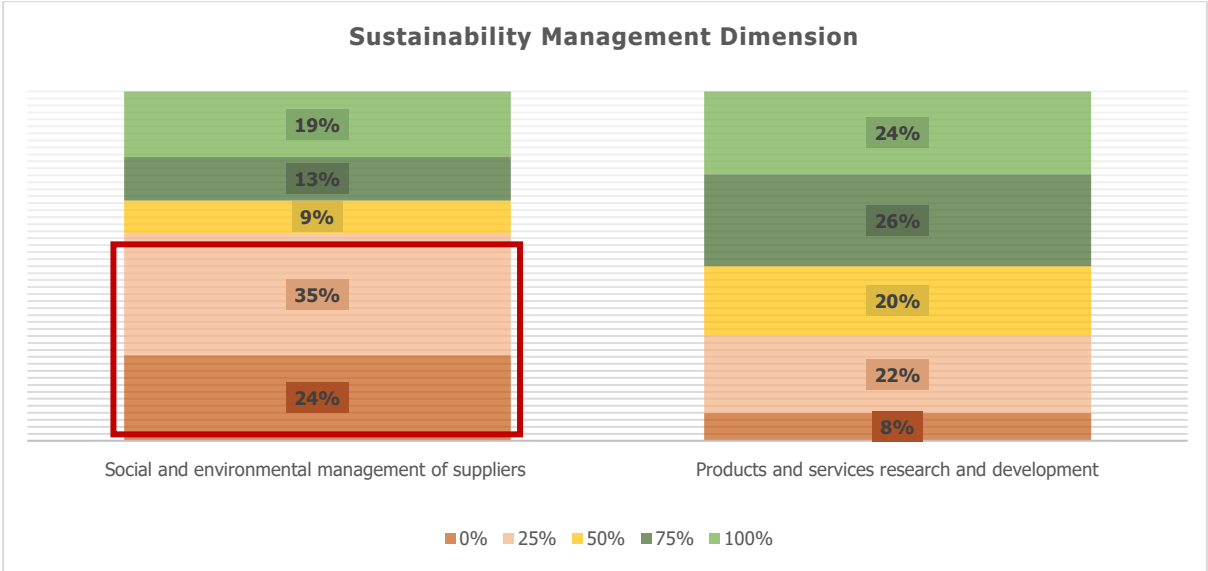


Both questions had a median evaluation, since most companies reported not having initiatives in this area, or only sporadic activities, and in the case of the social and environmental management of suppliers, the score was lower, with 59% of respondents reporting having no initiative relating to this topic. For companies that reported having some type of action, the main findings are:

Criteria for selecting the company's critical suppliers:	Types of initiatives for assessing the company's critical suppliers:
A. The company has no assessment of the criticality of suppliers <b>50 suppliers</b>	A. The company does not have initiatives for assessing critical suppliers <b>49 suppliers</b>
B. Expenditure with the supplier <b>95 suppliers</b>	B. Send a self-evaluation questionnaire <b>53 suppliers</b>
C. Number of annual transactions with the supplier <b>44 suppliers</b>	C. Occasional on site visit to critical suppliers, when need identified <b>78 suppliers</b>
D. Type of contract <b>54 suppliers</b>	D. Periodic on site visit to critical suppliers <b>48 suppliers</b>
E. Importance to the business of the product / service offered <b>113 suppliers</b>	E. Initiatives for the development of suppliers in strategic areas <b>52 suppliers</b>



Given Duratex’s commitment to encourage its suppliers to promote sustainability in their own value chains, ensuring sustainable action from end to end of the chain, the importance of this dimension is clear.



## AWARD BEST SUPPLIERS 2020

Arising from the GFD, in 2014 Duratex launched the **Best Suppliers Award**, which recognizes business partners that distinguish themselves for their operating practices in their sector, as well as those suppliers most engaged with action plans and improvement activities. In addition to the award for each sector of activity (split between SMEs and Large Companies), the suppliers most engaged with the program are shown recognition.



Thus, each year, Duratex recognizes suppliers that have distinguished themselves for their business practices, which have been identified on visits carried out as part of the GFD Program. This recognition seeks to reward the progress of suppliers in incorporating sustainability practices into their businesses, as well as to inspire other companies to adopt similar practices.

This year, due to hygiene restrictions arising from the pandemic, it has not been possible to hold the annual supplier recognition event. However, all of the award-winning suppliers have received a trophy in recognition, while in January 2021, videoconferences were held with each supplier to recognize the good practices implemented.



Below is a list of the suppliers that stood out in the 2020 edition, for each of the segments covered, together with a description of the main achievements:

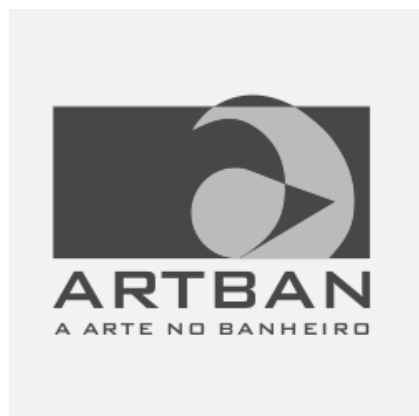
## **MANUFACTURING (LARGE COMPANY): BASF**



### **Achievements:**

- Adoption of criteria for life cycle analysis, including the development of life cycle studies by Fundação Espaço ECO;
- Partnership with Integrare organization to contract suppliers owned by minority groups or those with disabilities;
- Held LGBTalks, bringing together employees and external guests, discussing issues such as homosexuality and the importance of this topic within an organization
- Recichain Program, aimed at boosting the recycling chain by issuing certificates for use by companies with legal recycling quotas.

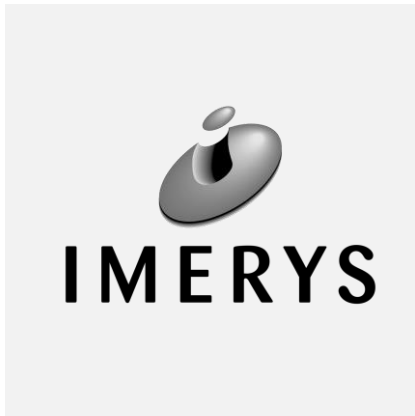
## **MANUFACTURING (SMALL & MEDIUM ENTERPRISE): ARTBAN**



### **Achievements:**

- Code of Ethics and Conduct widely disseminated to employees, detailing procedures for anonymous disclosure, ensuring confidentiality;
- HR Management: in process of structuring a career and assessment plan for all employees;
- Diversity & inclusion: hiring of 2 employees with disabilities, even though there was no quota or obligation;
- Environmental management: changes to the final finishing process. Using sandpaper, it allowed a 50% reduction in total water consumption and water reuse in the production process.

MINING (LARGE COMPANY): **PARÁ PIGMENTOS**



**Achievements:**

- Compliance and anti-corruption: robust structure and global guidelines related to Compliance, including online training and an anonymous channel for disclosures run by a third-party company;
- HR Management: existence of PPR for all employees, in accordance with the positions and functions performed / plus carried out an annual global climate survey
- ISO 9001, ISO 14001 and OSHAS 18001 certification;
- Corporate targets related to water, waste and emissions, plus projects and actions to achieve targets (reported quarterly to corporate, through an integrated system);
- Robust program for serving and involving the community (development, health program, etc.), including with traditional peoples;
- Global committee to address the topics of Diversity and Inclusion (award)

MINING (SMALL & MEDIUM ENTERPRISE): **MINERAÇÃO ELIAS JORGE**



**Achievements:**

- Code of Ethics, including critical topics relating to human rights;
- Offer of benefits additional to those agreed with the union;
- Process of maturation of management practices, driven by the obtention of the AVCB;
- Introduction of employee health awareness campaigns;
- Periodic employee surveys relating to the internal climate.

HEAVY SERVICES (LARGE COMPANY): **COSTA TEIXEIRA**



**Achievements:**

- Programs for the development of drivers: *Giants of the Highway* and *Crystals of the Highway*, the latter aimed at developing female drivers;
- Annual employee satisfaction survey;
- Code of Ethics, including critical topics relating to human rights;
- Maintenance checklist and automated diagnosis of emissions. Award program for more efficient consumption;
- Awareness program regarding sexual exploitation of children and adolescents, in partnership with the *Na Mão Certa* program.

HEAVY SERVICES (SMALL & MEDIUM ENTERPRISE): **DLT LOGÍSTICA**



**Achievements:**

- LGPD: the company is aware of the law and is in the process of developing the necessary controls;
- Quality Management System certified to the ISO 9001 standard with a Quality Audit to verify compliance;
- Structured program for hiring and promoting Young Apprentices in several sectors (fleet, operations, HR, admin), both in head office and in the branches;
- Structured Code of Conduct with actions geared towards Compliance;
- Fuel consumption targets for drivers plus training and awareness activities;
- Major focus of the company's board with relation to social projects (e.g. Amigo do Bairro da Juventude seal).



SERVICES (SMALL & MEDIUM ENTERPRISE): **JM LUBRIFICANTES**



**Achievements:**

- Process for reviewing Code of Conduct, to include themes not covered previously;
- *Say It* program: open to suggestions, criticism or disclosure from employees;
- With respect to all environmental aspects, the company seeks to mitigate impact (e.g. rainwater capture and reuse in washers, solar energy generation - surplus sold to the public network, campaigns with city hall to visit the operation in order to learn about the process of water catchment / cistern);
- *Open Doors* program for local communities.

UTILITIES (LARGE COMPANY): **LIQUIGÁS**



**Achievements:**

- Robust effluent treatment system, capable of providing water to the quality required for reuse in Liquigás' production activities;
- Reduction in the consumption of paint for repainting, with the new paint having a higher solids content and a lower quantity of solvents, reducing the generation of sludge and emissions of volatile organic compounds (VOCs) into the atmosphere;
- Escola de Negócios Granel (Eneg): on-site training aimed at developing employees in the bulk area by teaching and sharing of knowledge and experiences to support them in carrying out their respective functions;
- Seal from the Gender and Race Equality Program, which has the objective of recognizing actions carried out that promote gender and race equality.

## ENGAGEMENT WITH GFD: **ARMIL MINERAÇÃO**



### **Achievements:**

- In the process of implementing ISO 9001 and ISO 14001;
- A Code of Conduct has been developed from the recommendations coming out of the previous GFD cycles;
- Occupational health: as well as carrying out periodic examinations, there is an ergonomics program, supported by a physiotherapist, who conducts labor gymnastics with employees;
- Environmental management: investment in equipment (gas washer) to reduce the dust generated in the crushing process;
- Environmental protection: maintenance of a voluntary private natural heritage reserve and seedling nursery



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