Introduction

Duratex in 2013 laid down the groundwork for its sustainability planning, dubbed Sustainability Platform 2016. Built on a participatory process, the Platform represents the development of the sustainability strategy of the company, taking into account the views of internal and external stakeholders in regard to the impact of its activities.

The Platform is based on three key areas: Dialogue and Relations, Environmental Management and Performance, Transparency and Accountability in Business. The key areas include seven strategic topics that were chosen with the purpose of guiding the creation of Duratex’s sustainability agenda in the medium term.

In order to ensure the effective implementation of the strategy, the Platform’s targets, initially for 2014, were defined and publicly presented the following year. The development of the programs and actions associated to the key areas and strategic topics that have become the platform’s targets, were created to define structural issues, enhance management, strengthen the integration of social and environmental aspects in decision making, as well as address the critical impact of the operations, processes and products.

In this document the company will show the evolution of the strategy described in the Platform, redesigned so it can be incorporated to the business planning launch - Duratex 2020, and will report on the commitments undertaken in 2014. It also give a brief summary of the key points learned and the challenges faced in the first year of implementation of its planning.

The purpose of this report is to continue the dialogue started during the development of the Sustainability Platform and gradually enhance the work model proposed in the planning. And it is also an invitation for anyone interested in seeing more about the work that the company has been developing to expand its business vision by incorporating issues that go beyond traditional economic matters, within its management and its strategy.

We hope you enjoy the read!
Duratex 2020

Business planning linked to sustainability guidelines

“The platform is part of Duratex 2020. So much so that major expansion projects, new factories, etc., as of now, are also assessed by the Sustainability Committee. The growth is not equal, it will occur to the extent that we find opportunities for diversification, internationalization and, organically, when the markets where we operate grow. But it will always occur taking into account sustainability.”

Salo Seibel
Chairman of the Board of Directors and member of the Duratex Sustainability Committee

In 2014 Duratex consolidated its strategic business planning - Duratex 2020, designed to organize, guide and outline the targets and actions of the company in the medium term. Duratex 2020 is directly linked to the guidelines described in the Sustainability Platform, which was also restructured in 2014, and had its goals aligned with the new strategic planning. A new roadmap was created to give continuity to the existing projects and it will assign new programs until 2020, taking into consideration the priority key areas and topics mentioned earlier.

On the following pages, in addition to the performance of the 2014 targets, you will see the Sustainability Platform with a 2020 horizon (attached), which aims to develop a systemic business outlook with Sustainability as a value attribute in strategic planning and within the Duratex management model.

The main goal of the Platform, approved by the Board of Directors and shareholders at the end of 2014, is to reach a strategic management level in all of its foundations: governance, economic, environmental and social*. In practice, the company aims to reach 2020 with sustainability as another pillar of its business generating long-term value.

Goals & Targets*

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Current stage</th>
<th>Target for 2016</th>
<th>Target for 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Strategic</td>
<td>Strategic</td>
<td>Strategic</td>
</tr>
<tr>
<td>Environmental</td>
<td>Managerial</td>
<td>Strategic</td>
<td>Strategic</td>
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<tr>
<td>Economic</td>
<td>Managerial</td>
<td>Strategic</td>
<td>Strategic</td>
</tr>
<tr>
<td>Social</td>
<td>Compliance</td>
<td>Managerial</td>
<td>Strategic</td>
</tr>
</tbody>
</table>


Compliance
Policies and procedures to comply with the laws: “We will do what has to be done”

Managerial
Incorporate “Part of the Business” into the management process

Strategic
Integrate sustainability in the business strategies: competitive edge
Sustainability Platform

The strategy was developed for Duratex to reach a level of strategic management in the governance, economic, environment and social aspects until 2020

“The Planning and Sustainability Platform walk side by side. If we want to grow, we must evolve in sustainability. We have made progress in governance and in the environmental and economic areas. We want to progress further in the social field and ensure that sustainability is translated into actual actions, contributing to the results.”

Antonio Joaquim de Oliveira
CEO of Duratex

Roadmap

Revision of Platform to align with 2020 strategic planning

In the figure below, the items in bold represent projects that have already started.
Assessment of performance of Sustainability Platform

Business planning aligned with social/environmental performance in accountability

“For a company that has long-term strategic vision, there is nothing better than combining two words that sum up the fundamental pillars of this strategy: sustainable growth! Within this context, the Sustainability Platform becomes a true platform for the launch of targets, programs and... dreams!

The targets tell us what we want to achieve, the programs show us how to achieve it, the dreams signal a future of business perennity, the continuity of Duratex’s long history of success.

Álvaro Antonio Cardoso de Sousa
Chairman and independent member of the Duratex Sustainability Committee

In 2014, Duratex established a process to define and publish the Sustainability Platform targets with the aim of involving different company areas in an agenda that includes the social/environmental aspects in business management.

In order to strengthen the new sustainability management process and speed up its internal incorporation, the goals of the platform were aligned, whenever possible, in accordance with the current methodology adopted by Duratex, to the non-financial targets linked to the variable remuneration of the executives.

The results of the programs and actions developed for the achievement of the 2014 targets, in every key area and topic of the Platform, are shown below. The process, structured in this way, aims to contribute to the improvement of our management, governance and communication.

<table>
<thead>
<tr>
<th>CHALLENGES OF THE TARGET-SETTING PROCESS</th>
<th>PROGRESS MADE AND LESSONS LEARNED</th>
</tr>
</thead>
<tbody>
<tr>
<td>◦ align planning schedules and the budget of the areas involved in the development of the targets;</td>
<td>◦ strengthen the commitment to transparency and best corporate governance practices;</td>
</tr>
<tr>
<td>◦ define assessment models to achieve the targets, with qualitative and quantitative indicators;</td>
<td>◦ increase awareness of the benefits of the actions aimed at sustainability, transcending the cost aspect;</td>
</tr>
<tr>
<td>◦ set absolute environmental goals, considering business diversity, organic or acquisition-based growth, economic and market fluctuations and methodologies for internal assessment of environmental performance in the units;</td>
<td>◦ work the sustainability into organizational culture in a way that makes it transversal and integrated with the business.</td>
</tr>
</tbody>
</table>
Assessment of Performance of Sustainability Platform

In 2014, 23 goals were defined to monitor the development of Duratex’s sustainability agenda. Of the total, 15 were achieved.

### 2014 Table of Targets

<table>
<thead>
<tr>
<th>Target achieved</th>
<th>Target partially achieved</th>
<th>Target not achieved</th>
</tr>
</thead>
</table>

#### DIALOGUE AND RELATIONS

<table>
<thead>
<tr>
<th>People</th>
<th>Employees</th>
<th>Leaders</th>
<th>Senior management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and safety - Duraseg ✔️</td>
<td>Critical issues of the Climate Survey ✔️</td>
<td>This is Us Workshop ✔️</td>
<td>Awareness and engagement - leadership ✔️</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quality of relations</th>
<th>Suppliers</th>
<th>Customers</th>
<th>Community</th>
<th>Experts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platform Communication ✔️</td>
<td>Awareness and engagement - sales force ✔️</td>
<td>Structuring dialogue with communities ✔️</td>
<td>Diagnosis and Social Investment strategy ✔️</td>
<td>GFD – TOS ✔️</td>
</tr>
<tr>
<td>GFD - Dialogue with suppliers ✔️</td>
<td></td>
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</tbody>
</table>

#### ENVIRONMENTAL MANAGEMENT AND PERFORMANCE

<table>
<thead>
<tr>
<th>Efficient use of resources and energy</th>
<th>Waste and emissions management</th>
<th>Conservation and biodiversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment of watershed sustainability index ✔️</td>
<td>Review of waste approval procedures ✔️</td>
<td>Regional biodiversity strategies ✔️</td>
</tr>
<tr>
<td>Energy matrix ✔️</td>
<td>Reuse of waste - sanitary ware ✔️</td>
<td></td>
</tr>
</tbody>
</table>

| Environmental Management System (SAP) ✔️ | Economic sensitivity analysis of environmental aspects ✔️ | Environmental indicators ✔️ |

#### TRANSPARENCY AND ACCOUNTABILITY IN BUSINESS

<table>
<thead>
<tr>
<th>Quality and impact of products</th>
<th>Inclusion of social and environmental criteria in management and reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cradle to cradle project - Circular Economy ✔️</td>
<td>GRIG4 and Integrated Reporting ✔️</td>
</tr>
<tr>
<td>Analysis of scenarios: Legal requirements ✔️</td>
<td>Social Performance Indicators of Duratex ✔️</td>
</tr>
<tr>
<td></td>
<td>Sustainability and variable remuneration of executives ✔️</td>
</tr>
</tbody>
</table>
DIALOGUE AND RELATIONS

This key area aims to develop a culture of dialogue, structure social management and improve the relationship with priority internal and external audiences.

In order to organize the actions of this key area, the audiences were divided into two groups by topic. The first (People) is the workforce composed of company employees, leaders and senior management. The second (Quality of relations) has an external focus and includes suppliers, customers, experts and the surrounding communities.

TOPIC

People

Health and safety - Duraseg

ACHEIVED

Duraseg, the health management and occupational safety system, defines the policy governing this issue, the operation manual and the procedures that must be adopted. It seeks to bring about a cultural change in which Safety is no longer considered a concern of a specific area and becomes part of everyday life for everybody, not only employees, but also those in other groups that interact with the company. With this approach, we seek to eliminate hazardous situations and accidents that still occur within our organization. Unfortunately, despite the Company having made an effort to improve the safety of its employees by reinforcing training, we had four fatalities in 2014, one being a traffic accident and three in the forestry operations. Efforts are being made and actions are being implemented to get to the root of these occurrences.

Target

Ensure that 90% of the management system stages of the Program planned for 2014 is implemented by committing, within the deadline set for the 2014 Fund Allocation Plan (Plano de Alocação de Recursos - PAR), investments related to NR12 (regulatory standard for occupational safety in machinery and equipment).

Results

Procedure Pillar:

100% of procedures linked to health and occupational safety laws have been reviewed.

The six “elements” (managerial procedures) of the Management System planned for 2014 and the control of the Health and Safety Laws have been implemented in all units. All other elements (27) will be implemented throughout 2015 and 2016.

The Dangers and Hazards Revision for 94% of the Industrial and Forestry units have been concluded.

Equipment Pillar:

R$ 21.4 million has been earmarked for investments to adapt equipment to the NR-12 standard in the Industrial and Forestry units (97% of the value planned for the year).

People Pillar:

The Health and Safety Policy has been disclosed to 100% of the employees.

The training of internal auditors and hazard and danger evaluators has been concluded in all units (400 people trained in three business units).

Five of the nine safety rules have been disclosed to 100% of the employees (the others will be announced in early 2015) and the communication channel for reporting accidents has been implemented.

In-field training for use and interpretation of Hazard and Danger Spreadsheets and regarding legal aspects has been conducted.
Challenges & opportunities
Complex project of vital importance to Duratex. A challenge for the continuation of the good results of the program will be to maintain all employees and leaders engaged in the next work stages, after the initial startup effort. The ultimate goal is to create a culture of safety aimed at “Zero Accidents,” based on the implementation of the behavioral module for leaders in 2015 and for the whole team in 2016. In 2015, the Duraseg team will work to attain ISO 18,001 certification for the ceramic factories of Louças Sul (São Leopoldo), Louças Queimados (Rio de Janeiro) and metal fixture plant Metais Jundiaí (São Paulo) in Deca, and for the panel and forestry industrial units in Agudos and Taquari (São Paulo). The importance of Duraseg is evidenced by its incorporation to the target program linked to the variable remuneration of the executives.

Employee satisfaction
Duratex conducted a wide Climate Survey at the end of 2013 that included employees from all company levels. In 2014, the main points studied in this survey were worked with the employees and two targets based on the results were included in the Sustainability Platform.

The actions developed aimed to disseminate the results of the Climate Survey, build action plans and coordinate their implementation, ensuring that the employees receive feedback about the main critical issues pointed out by them.

Critical issues of the Climate Survey

<table>
<thead>
<tr>
<th>ACHIEVED</th>
<th>INVESTMENTS INTERNAL FUNDS</th>
</tr>
</thead>
</table>

The comprehensive program addressed the main issues uncovered by the climate survey.

**Target**
Coordinate the implementation of Action Plans based on the results of the Climate Survey.

**Results**
- 139 action plans developed - 31 in Deca, 68 in Wood and 38 in the central office - to address the critical issues found.
- Two corporate action plans were created for the main issues: internal recruitment and strengthening of company values (This is Us Workshop described in detail on the next page).

**Challenges & opportunities**
The development and monitoring of action plans in partnership with managements and boards, based on vast research enabled by the survey, created a great opportunity for the ongoing improvement of people management at Duratex. A communication campaign will be set up in 2015 to give more visibility to new actions, a challenge faced in the development of the project. The next climate survey will be held in the second half of 2015.
This is Us Workshop

This project reflects Duratex’s values and identity so they can be incorporated into everyday business. Worked on since 2010, the This is Us Workshop was reformatted in 2014 and became a workshop for discussions set up in each business unit. Through games, videos and experiences, managers analyze, practice concepts and behaviors, reflect and debate on the management of their teams.

**Target**
Implement the This is Us Workshop in 2014 to strengthen leadership in adherence to the program and the practice of company values.

**Results**
The This is Us Workshops include the following stages:
- Leaders: 30 groups, 645 trained leaders, adherence of 100%; managers: 3 groups, adherence of 75%, 64 participants.
- The This is Us challenge with 10 challenges and 200 testimonials collected during its performance by the Duratex leaders.
- The overall average in the assessment of the training by the leaders was 4.6 and 4.4 by the managers on a scale from 0 to 5, standing between “met” and “above expectations” on the scale.

**Challenges & opportunities**
The greatest challenge faced in the project was to ensure the participation of 100% of the managers in the meetings. The solution found to achieve the target was to set up a final group in January 2015. By addressing core values, such as human enhancement, the project made not only professional learning possible but was also an opportunity for the participants to grow on a personal, as well as a citizenship level.
Awareness and engagement - Leadership

The Program consisted of the development of training in partnership with the Dom Cabral Foundation addressing content related to history, scenarios, innovation and competitiveness gains linked to sustainability.

**Target**
- Development of the sustainability module and its inclusion in the Leadership Development Program for managers, coordinators and supervisors.

**Results**
- The following participated in the training: 56 coordinators in 224 hours of training (in 3 groups) and 12 managers in 48 hours of training (1 group).
- The training satisfaction index for managers and coordinators was over 90%, standing between “met” and “exceeded expectations” in the rating scale.

**Challenges & opportunities**
- The great challenge of the project was to be able to reach the supervision level while maintaining the same model defined by the coordinators and managers, given the large number of supervisors. 312 supervisors work for the company in units located nationwide. An alternative model of internal dissemination, through lectures given by the business sustainability areas of Deca and Wood, were adopted so that the contents of the Platform could be gradually introduced to all units. The model is supported by internal communication actions.

**TOPIC**

Quality of relations

Platform Communication

**Target**
- Development of the sustainability module and its inclusion in the Leadership Development Program for managers, coordinators and supervisors.

**Results**
- Creation of a communication campaign with its own visual identity and content selected in accordance with the pillars of the Platform.
- Development of unique wall murals to disseminate the topics of the Platform, set up in all the plants: 23 wall murals installed in the units and the Main Office.
- A video about the Platform was shown in the restaurants of the units, made available on the intranet and on Facebook (fanpage of Duratex).
- 598 publications about the topics of the Platform in internal (306) and external (292) communication channels.
Challenges & opportunities

The objective of the communication strategy of the Platform was to simplify the language, without losing content, in order to make it more user-friendly for different audiences. The big challenge was to explain the Sustainability Platform in a simple and educational manner, respecting the diversity. The production of the animated video about the platform was one of the communication means used to help disseminate the content. Another format used was the installation of unique wall murals for the disclosure of selected materials, describing the pillars of the Platform, which gave greater visibility to the actions developed by Duratex in the priority key areas.

Awareness and engagement - sales force

The main objective of the project was to train the employees of the Commercial and Marketing boards of the Deca and Wood business divisions to support them in conveying the company’s sustainability practices to customers. The scope covered in the training included the Sustainability Platform and contents (conceptual and practical) related to sustainability and business.

Target

Have 70% of the employees of the commercial and marketing areas, of the Wood and Deca business units, trained and qualified by December 2014.

Results

The proposed target was exceeded in all business divisions:

- More than 90% of the employees of the Deca and Wood divisions were trained in 2014, totaling around 800 professionals, including own staff and third parties (the latter only at the Wood unit).
- The training took three hours, totaling 2,400 hours.
- Development of booklets with content related to the subject to support the trained professionals during contact with customers and consumers.

Challenges & opportunities

The training helped to create a base to expand the dialogue about sustainability with customers and consumers, based on the preparation of employees who work directly with these strategic audiences. Dialogue opens up possibilities for the identification of new partnerships, trends and opportunities. The main difficulty was reaching the team as a whole, given the large number and the geographic dispersion of employees and third parties. In order to ensure the range proposed, local multipliers were trained and the training schedules, that were already defined by the areas, were adapted.
Structuring dialogue with communities

**Target**
Develop and implement the Dialogue Pilot Project in Uberaba, in the community surrounding Duratex’s plant.

**Results**
The pilot project involved the actions:
- Assessment, characterization, analysis and prioritization of internal and external audiences.
- Diagnosis of communication channels.
- Identification of issues that are relevant to local dialogue.
- Development of action plan for dialogue and relations.
- Training and engagement of the unit’s internal team.

**Challenges & opportunities**
The methodology used made it possible to expand the knowledge of the community surrounding the plant and marked the start of an improvement in dialogue and relations in the regions where several Duratex units are located. The implementation of the relationship plan will take place in 2015 with the continuation of the training of the local employees in charge of the dialogue process in the unit. The engagement and preparation of the team is considered essential for the attainment of the long-term results - an effective engagement of the company with the local community.

Diagnosis and Social Investment strategy

**Target**
Review and approve the social investment policies and define and approve a social investment strategy.

**Results**
- Revise Duratex’s social policy, which was renamed Social Responsibility Policy, incorporating the Social Investment and Stakeholder Engagement Policies.
- Development of social identity, strengthening the relationship of social investment with the business and the company’s strategy.
- Definition of processes for the analysis and selection of projects, with a provision to raise funds for projects through tender, available on the Duratex website.
Challenges & opportunities

With the definition of the guidelines, social investment becomes strategic aimed at improving the quality of life of communities where the company operates and aligning the business demands with the expectations of local communities. The structuring of an assessment and selection process for projects and the creation of the tender have also added more transparency and clarity, strengthening and enhancing the activities of Duratex in the communities. The challenge in the achievement of this goal was the difficulty in organizing the agenda of the internal leaders, who were part of the interview process, essential for ensuring the alignment of the expectations of the directors. The process was delayed, but the target was reached on time.

Duratex Supplier Management (Gestão de Fornecedores Duratex - GFD)

Created in 2011 and aligned to the Sustainability Platform in 2013, the GFD addresses Duratex’s values with its suppliers, identifies risks and opportunities in the chain, creates stronger bonds and encourages good practices. The program sets metrics to monitor suppliers, through a questionnaire, scheduled visits and document control, taking into account the legal, social and environmental aspects.

In 2014, two goals linked to improving supplier management were established in the Program as part of the Sustainability Platform: working in partnership with critical and strategic suppliers and setting up a dialogue meeting.

GFD - Top 5

The actions sought to strengthen the relationship, in the partnership model, with five suppliers chosen based on the diagnosis made by the GFD in 2013. Three suppliers with the opportunity for mutual development and two suppliers with potential to exchange experiences regarding the Supplier Management practices were selected.

Target

Presentation of the report with the five cases of mutual development, describing the positive results attained: risk mitigation, exchange of good practices that result in the implementation of new criteria for the management of suppliers in Duratex and improvements in the process of critical and strategic suppliers.

Results

According to the project standards, that ensure the confidentiality of information provided by the partners, the names of the participating companies will not be disclosed, only their business sector.

All projects developed started with a diagnosis, which involved questionnaires and on site visits, with the help of a specialized consulting firm. After the survey, feedback meetings were held and improvement actions were planned in combination.
**Cases developed:**

- **Business sector:** Metallurgical industry. **Topic addressed:** best practices in health and safety.
- **Business sector:** Mineral processing industry. **Topics addressed:** best practices in health and safety, corporate social investment and relationship with surrounding communities.
- **Business sector:** Metallurgical industry. **Topics addressed:** best practices in health and safety and internal management, waste management, structuring of corporate social responsibility and respect for diversity.
- **Business sector:** Chemical industry. **Topics addressed:** best practices in supplier management.
- **Business sector:** Trade. **Topics addressed:** innovation and technology aimed at sustainability.

**Challenges & opportunities**

The stronger tie with suppliers brings great opportunities for the creation of value and mutual learning. Out of the five suppliers, two have become benchmarks to Duratex, due to the high management level of their chain. The other three were able to improve their practices with the support of Duratex and the expert consulting firm. The challenge of this project is to increase the partnership actions to a greater number of suppliers, maintaining the level of quality. The collaborative actions will continue in 2015 with new projects under development.

**GFD - Dialogue with suppliers**

<table>
<thead>
<tr>
<th>ACHIEVED</th>
<th>INVESTMENTS R$ 20 THOUSAND</th>
</tr>
</thead>
</table>

**Target**

Event held with suppliers (3rd GFD Meeting). Internal presentation and for the suppliers of the report with the results of the research of their perception of Duratex (transparency, relationship, technical capacity, availability and business conditions / processes).

**Results**

- The 3rd GFD Meeting was held in November 2014 and included the presentation of the progress of the Program over the year.
- 68 companies that supply materials and provide services to the company attended the meeting.
- The survey for the assessment of the suppliers’ relationship with Duratex was concluded and presented in the 3rd GFD Meeting.
- 84 partner companies answered the survey's questionnaire.
- In total, 122 companies were analyzed by the program in 2014, and 31 of them were visited.

**Challenges & opportunities**

The results of the survey identified opportunities for improvement in various aspects of supplier management, such as in the deadlines for meeting requests. The information obtained via the questionnaires will be used as the basis for the improvement of internal processes and also to identify good practices that have already been adopted and should be strengthened. The GFD plans to continue monitoring the perception of the suppliers in relation to Duratex, through questionnaires, under the aspects of transparency, relationship, technical skills, availability, and business conditions / processes.
## 2015 Sustainability Targets

<table>
<thead>
<tr>
<th>Program</th>
<th>Goal</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health and safety - Duraseg</strong></td>
<td>Ensure the implementation of all actions provided for in the Duraseg program (2015).</td>
<td>Number of actions.</td>
<td>100% of the actions planned in the year.</td>
</tr>
</tbody>
</table>

### Quality of relations

<table>
<thead>
<tr>
<th>Program</th>
<th>Goal</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structuring dialogue with communities</strong></td>
<td>Establish close, mutual and ongoing relationship with the community in which Duratex is included with the development and implementation of the pilot project in Uberaba.</td>
<td>Achieving the items of the 2015 action plan.</td>
<td>Minimum of 80% of the items of the plan implemented, including actions with various stakeholders (employees, community leaders, press, government).</td>
</tr>
<tr>
<td><strong>Implementation of social investment strategy</strong></td>
<td>Structure the Social Investment management process aligned with the new Social Responsibility Policy.</td>
<td>Definition and approval of the operational procedure of the Steering Committee.</td>
<td>Definition and approval of the operational procedure of the Supervision Commission for evaluation and selection of social investment projects, aligned to Duratex’s new Social Responsibility policy, and approval of projects to be supported in 2016 until November 2015, within the budget.</td>
</tr>
<tr>
<td><strong>Duratex Supplier Management (GFD) GFD - Social and Environmental Criteria</strong></td>
<td>Develop the supplier registration and analysis process based on social/environmental criteria.</td>
<td>Study of a supplier analysis tool based on social/environmental criteria.</td>
<td>Definition of supplier analysis tool based on social/environmental criteria to be used at Duratex, its deployment plan and the necessary budget.</td>
</tr>
<tr>
<td><strong>Duratex Supplier Management (GFD) GFD - Top 5 (continued)</strong></td>
<td>Strengthen the relationship, in a partnership model of mutual development, with five suppliers selected based on the GFD data.</td>
<td>Definition of GFD actions that address development in partnership with the five suppliers.</td>
<td>Presentation of the report with the five cases of mutual development, describing the positive results attained: risk mitigation, exchange of good practices that result in the implementation of new criteria in supplier management at Duratex and improvements in the process of strategic suppliers.</td>
</tr>
</tbody>
</table>
ENVIRONMENTAL MANAGEMENT AND PERFORMANCE

According to the nature of Duratex’s industrial activities in its two major business divisions, it is essential to maintain ongoing investments to improve processes and operations in order to reduce even more the intrinsic negative impact on the business. Likewise, investments aim to also enhance the company’s ability to generate positive effects through its operations. The key areas of management and performance were created to develop a strategic vision of environmental management for Duratex, through revision, innovation and the development of new processes and procedures. As a benchmark in standard of quality and responsibility, the management systems adopted by Duratex are certified by the standards of the Forest Stewardship Council® (FSC®) – forest management and chain of custody –, ISO 9001 (quality) and ISO 14001 (environmental management).

In 2014, the total investments and expenses involved in environmental protection actions amounted to R$ 48,588,522.14. For more information, go to the Annual and Sustainability Report at: www.duratex.com.br.

Economic sensitivity analysis of environmental aspects

<table>
<thead>
<tr>
<th>Target</th>
<th>Implementation of the model for economic sensitivity analysis under the aspects of greenhouse gas emissions, energy and water.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results</td>
<td>Development of a pilot project focused on the aspect of energy to understand the impact of the environment outside the company (inductors), creation of possible stress scenarios and analysis of economic impact related to these different scenarios and how they affect the company’s value.</td>
</tr>
<tr>
<td></td>
<td>Construction of a tool, with the support of the controller area, for internal use and management of the subject in a systemic and strategic manner.</td>
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<tr>
<td></td>
<td>The first diagnosis pointed to transversal and specific challenges, which led to recommendations for the continuance of the project, taking into consideration every aspect studied (water, energy, greenhouse gases, waste and effluents). The diagnosis showed water as the next aspect to be studied and modeled.</td>
</tr>
</tbody>
</table>

Sources used for the diagnosis

**INTERNAL**
- Interviews: 21 executives
- Visits: made to different BUs
- Analysis: Internal documents

**EXTERNAL**
- Analysis of regulations in various spheres
- Analysis of trends (global, national and sectoral agreements and treaties)
- Governance: analysis of topics of Brazil
- Analysis of jurisprudence related to regulations
- Analysis of events related to topics
- Analysis of scientific studies
**Challenges & opportunities**

The project was targeted at accomplishing in 2014 the economic sensitivity analysis models under the aspects of greenhouse gas, energy and water. However, after the work started, an initial diagnosis was undertaken in five environmental aspects (water, energy, emissions, effluents and waste) and a pilot study was drawn up based on the results. The pilot study allowed us to test the assumptions of the model and its use as a work tool for the company’s in-house teams. As such, the target was partially achieved. The adaptation made in the original proposal, however, engaged the internal areas more fully with the project and led to greater trust in the model. Based on the diagnosis, energy was the topic chosen to be worked on in 2014 since it was the aspect that had the greatest amount of information.

The diagnosis identified the need to work on the water aspect as a priority in 2015. It also showed that, in the short and medium term, it is not recommendable to perform an economic impact study under the aspects of effluents and waste, but rather invest in implementing projects that increase the closed loop (related to circular economy, like cradle to cradle). A project associated with this recommendation, which was already part of Duratex’s planning in the Platform, is described in the key areas of transparency and accountability in business in this document.

**Environmental management system (SAP)**

**PARTIALLY ACHIEVED**

This project aims to implement a single system to monitor Duratex's environmental indicators, standardizing and ensuring the information of all business units. The implementation of the System increases reliability in the data and makes it easier to verify and audit externally.

**Target**

Have 100% of the reports of SAP System indicators implemented, with the exception of the Deca Hydra (Santa Catarina) and Queimados (Rio de Janeiro) units.

**Results**

- Partial implementation of the EC (Environmental Compliance) and EHS (Environment, Health and Safety Management) modules of the SAP system in the Deca and Wood units and partial reporting of environmental indicators such as water, energy, effluents and waste in 2014 directly in this system, through the unit’s focal points.

**Challenges & opportunities**

The improvements arising from system implementation, including the standardization of the data collection environment, ease of access to information, ongoing monitoring of environmental performance and the targets defined, enable a faster and more effective identification of opportunities to reduce the fuel use of resources and impacts caused by business. Among the challenges found were maintaining trained professionals in the system power jobs, given the turnover of the internal team, and difficulties to standardize the data report for all units. A few of the proposed solutions were to ensure new training programs and boost the training of employees, who have been trained previously, and to define focal points in the business areas so that improvements could be implemented.

The next steps of the program are to implement the system in the recently acquired industrial units. This also includes its improvement with an updated version of the Environmental Compliance module (EC); the integration of MM (Material Management) and EC (Environmental Compliance) modules to make data collection and training for its users easier.

*Investments refer to costs for training conducted in 2014. Investments for the acquisition of the SAP system and environmental modules were not taken into account.*
Environmental indicators

Duratex has set targets to monitor its environmental performance since 2007, when environmental indicators for industrial activity were mapped and defined. At the time, relative targets were defined, in an attempt to evidence the reduction of natural resource use, input and energy per unit produced. The first absolute reduction target for greenhouse gas (GHG) was put in place in 2012. The scope was expanded in 2013 and the absolute reduction targets for the Deca and Panels Divisions were defined, also in the aspects of water usage and effluent disposal. The Deca Division also incorporated absolute targets for the reduction of electricity usage, as well as for the disposal of waste in landfills, all applied in 2014.

**Target & Results**

The tables below show the predefined targets for the assessment of the company’s environmental performance in 2014. The targets achieved are the result of actions implemented by Duratex, in every environmental aspect, described in detail in the 2014 Sustainability Report (available at the company’s website, www.duratex.com.br). In addition to the actions implemented by the company to improve performance, the reach of the targets was extended as a result of lower production levels caused by the slowdown of the national economy.

The tables below show the performance as compared with the targets established, in 2014:

<table>
<thead>
<tr>
<th>Biannual target for GHG reduction related to Reduction target</th>
<th>Reduction target</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions of greenhouse gases (GHG) of scope I (direct emissions)</td>
<td>0.7%</td>
<td>18%</td>
</tr>
</tbody>
</table>

**DECA SANITARY WARE***

<table>
<thead>
<tr>
<th>Reduction target</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption</td>
<td>3.20%</td>
</tr>
<tr>
<td>Total power consumption</td>
<td>2.10%</td>
</tr>
<tr>
<td>Electricity consumption</td>
<td>1.00%</td>
</tr>
<tr>
<td>Disposal of effluents</td>
<td>7.40%</td>
</tr>
<tr>
<td>Disposal of waste in landfill</td>
<td>4.50%</td>
</tr>
</tbody>
</table>

**DECA METALS**

<table>
<thead>
<tr>
<th>Reduction target</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption</td>
<td>0.40%</td>
</tr>
<tr>
<td>Total power consumption</td>
<td>0.60%</td>
</tr>
<tr>
<td>Electricity consumption</td>
<td>0.50%</td>
</tr>
<tr>
<td>Disposal of effluents</td>
<td>0.40%</td>
</tr>
<tr>
<td>Disposal of waste in landfill</td>
<td>49.10%</td>
</tr>
</tbody>
</table>

**Wood (includes only industrial panel operations)**

<table>
<thead>
<tr>
<th>Reduction target</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption</td>
<td>1.50%</td>
</tr>
<tr>
<td>Total power consumption</td>
<td>Maintain the 2013 energy consumption levels. Total energy: 9,108,371.39 GJ</td>
</tr>
<tr>
<td>Electricity consumption</td>
<td>Maintain the 2013 energy consumption levels. Electricity: 2,634,808.51 GJ</td>
</tr>
<tr>
<td>Disposal of effluents</td>
<td>3.00%</td>
</tr>
<tr>
<td>Disposal of waste in landfill</td>
<td>Maintain the volume of waste sent to landfill from 2013 to 13,319.50 tons</td>
</tr>
</tbody>
</table>

The goal for electricity in 2014 was not met in Panels, due to the downturn in demand which made it difficult to reach the best operating model, generating an increase in energy consumption per unit produced. At the allocation of waste for landfills, the Panels unit of Uberaba registered an increase in 2014 due to an adjustment in the composting process of industrial waste, as well as in the allocation of wood waste that did not meet the technical specifications for the generation of energy.
Challenges & opportunities

Increasing the size of the business and contributing extensively to economic development, whilst reducing the environmental impact of production activities, is a dilemma faced by organizations such as Duratex that are committed to sustainability. Improving the activities that have already been developed and investing in disruptive innovation in processes, products and within its own business model are ways to reconcile expectations with demands, which are often conflicting. Increasing the study of methodologies for the creation of targets also becomes a challenge in itself but is needed to enhance the internal capacity of gauging the impact (positive and negative) of the company’s actions. The challenges also gain a new dimension to the extent that the interrelations of the actions are considered when measuring their performance on environmental, social and economical aspects which, in practice, do not dissociate. Given the complexity of the matter, progress and setbacks are expected along the way. On the other hand, the search for innovation and constant improvement in performance analysis, increasingly integrating the sustainability of the business, from the company’s standpoint, is a way to boost its contribution to society in a more permanent manner and to put into practice its vision, mission and values.

NEW BUSINESS OPPORTUNITIES

ProÁgua – savings for the customer

The Deca division kicked off in 2013 the ProÁgua methodology aimed at reducing water waste in all types of buildings located in urban centers and began to offer it to customers in 2014. Through this continuous management program, Deca performs a series of planned actions, such as a detailed diagnosis of the environments, the elimination of leak sources, the installation of saving products and technologies and an effective contribution to communication and awareness about more efficient ways for water to consume water. The São Paulo Museum of Art (Museu de Arte de São Paulo - MASP) implemented the service and reduced its water consumption by more than 40%. The partnership between Deca and the city government of Atibaia in São Paulo state involves implementing ProÁgua in all municipal buildings in 2015. More information about the project is available in www.deca.com.br/sustentabilidade/pro-agua link.

The stages of ProÁgua

- Preliminary analysis
- Sectorized metering
- Management and planning
- Leak detection
- Products and technologies
- Building diagnosis
- Maintenance plan
- Improvement of consumption habits
- Diagnoses of consumption habits
- Reuse Rainwater use
The purpose of this project is to understand the state of water resources in watersheds where the units of Duratex operate and assist the company in determining the risk of shortages in each plant, in order to prioritize mitigation actions and strategic planning. In addition to analyzing the sustainability of the watersheds, a risk assessment matrix has been developed that enables the company to assess the risk of water shortages whenever there are significant changes in the risk parameters of each industrial plant. In 2013, the project included the units in São Paulo and, in 2014, was broadened to Minas Gerais, Rio Grande do Sul and the northeast region.

**Target**
Publication of the results of the study to assess the sustainability index of watersheds.

**Results**
- Comprehensive research about the current state of the water resources and tendencies, covering aspects such as climate change, water supply risk, etc.
- Analysis of sustainability index of water resources in each watershed, using international indicators.
- Development of a risk assessment matrix, which enables the company to evaluate and re-evaluate the risk of water shortages, based on the risk parameters of each industrial plant.
- The recommendations of the study point to the industrial plants, the search for reduced dependence on natural water sources through investments in water efficiency, water reuse, effluent reduction and water loss as well as the development of contingency plans to anticipate possible water shortages.

**Challenges & opportunities**
The project enabled the company to carry out a comprehensive assessment of the state of the water resources of the units and to predict how some aspects may affect the company. The risk analysis matrix developed shows the units where it is recommended for the company to monitor carefully the situation and find alternative water sources. The main challenge encountered in the development of the study was the unavailability of data referring to the same periods for all the river sheds in the study. This project considers the latest data available by watershed committees and government agencies, such as the National Water Agency (Agência Nacional de Água - ANA) and the Brazilian Geography and Statistics Institute (Instituto Brasileiro de Geografia e Estatística - IBGE), in addition to international organizations.

*The Water Availability project cited in the document of the Sustainability Platform Targets was renamed Assessment of Watershed Sustainability Index.*
Making the energy matrix of Duratex more competitive, safe and sustainable are the main objectives of the studies conducted by the supplies area, in partnership with suppliers to find solutions with less impact and that involve replacing the energy sources currently used in factories.

**Target**

Conduct a study to replace GMP fuel (oil with a low pour point) with a greener alternative in three factories - Botucatu (São Paulo), Itapetininga (São Paulo) and São Leopoldo (Rio Grande do Sul).

**Results**

- In the São Paulo units of Botucatu and Itapetininga (not currently served by local natural gas distributors), the Supply area set up a preliminary study to evaluate the possibility of replacing BPF oil for renewable natural gas from biogás in vinasse which processes and purifies it to make biomethane, through a supply proposal sent by the partner company.
- For the unit in São Leopoldo (Rio Grande do Sul), the company contacted a local natural gas distributor and found specialized suppliers to evaluate the economic feasibility of converting the unit’s equipment for use with natural gas at an estimated cost of R$ 500,000.

**Challenges & opportunities**

The research conducted so far has not generated enough input to justify a change in the energy matrix proposed in the units under study. The main setbacks have been the development of specific local suppliers and a guarantee of the economic feasibility of supply, considering technical input issues (efficiency gains, maintenance, filters, storage, etc.). On the other hand, the project has created the opportunity for the development of new suppliers, to ensure the supply of the new fuel in the regions under study, and for upgrades in the industrial techniques related to the use of a new renewable raw material, with less environmental impact. For these reasons, Duratex's technical teams and supplier company will develop, based on the input generated in 2014, a detailed study to support the negotiation of commercial terms to make the implementation of the project a reality.
Waste and emissions management

Waste management

The objectives of the two targets aimed at waste in 2014 are to improve the management in the chain and work on innovative projects to reduce their generation.

Review of waste approval procedures

<table>
<thead>
<tr>
<th>ACHIEVED</th>
<th>INVESTMENTS INTERNAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>The project sought to minimize the company’s risks in the supply chain and standardize the approval criteria for the technical teams that perform the assessment.</td>
<td></td>
</tr>
</tbody>
</table>

**Target**

Develop an approval model and manage suppliers, the waste collectors, by reviewing the procedure on the matter and defining the flow of responsibilities in Duratex’s internal areas.

**Resultados**

- Definition of guidelines for approval and disapproval of waste collectors.
- Description of the procedures and duties for approval of suppliers.

**Challenges & opportunities**

The improved management will encourage the development of partner suppliers by supporting the adaptation of their activities when risks are identified during the approval process. It will also focus, through the systematization of information, on the development of new suppliers and the identification of opportunities to improve waste disposal.
Reuse of waste - sanitary ware

Conducted on two fronts, this project aimed to increase the reuse of waste in the manufacture of sanitary ware. At first, crushing systems were developed and implemented to reduce the discarded pieces into granular material (less than 8mm thick) for reuse. All the sanitary ware units of the Deca division were equipped with the system except the plant in Queimados (Rio de Janeiro), which already has this system installed. The second front focused on the lab development of a base formula that could use the new material to manufacture sanitary ware, with no change in the quality of the end product.

Target
Increase the use of broken mass ceramics, reusing 33% of the production scraps in Deca factories.

Results
- Reused 39% of production scraps in Deca factories.
- The new formula led to a drop of 490 tons / month in the acquisition of raw material, representing savings of R$ 61 thousand a month in the purchase of raw material, and a decrease of R$ 23 thousand a month in the cost to transport the material to the landfill.

Challenges & opportunities
A multi-area team was formed to look for innovative solutions to transform discarded sanitary ware into raw material for the productive process. The challenge was in the need to find new ways to work in both project fronts (crushing of discarded material and structuring of the product). The meeting of professionals from various fields and backgrounds allowed us to reach the proposed goal. In addition to cutting down on waste disposal and the use of raw material from a non-renewable source (used to produce sanitary ware), the project ensured a significant cost reduction on both fronts. Thanks to the good results, the project will continue, with the search for the development of new formulas to make further use of the scraps generated in the production process.

TOPIC
Conservation and biodiversity
Duratex develops actions and biodiversity protection programs, manages forests and uses natural resources rationally in its approximately 272,000 hectares of land, which is partly owned, partly leased and partly developed, as well as monitors plant and wildlife. The wildlife research shows that the species continue in the study areas and that new species are being located as the work progresses. This area includes planted forests, conservation areas and areas for other uses (electricity networks, rural buildings, etc.).

Besides operating in areas directly linked to the business, Duratex realizes the need to work the issue of biodiversity in actions outside the company to enable it to operate more effectively for the objectives of conservation, noting regional characteristics in the landscape.
Regional strategies for biodiversity

The aim of the project was to contribute with groups of experts, participating in integrated sector work with government agencies to develop regional biodiversity conservation strategies. The proposal, in 2014, was to encourage companies and organizations to provide information about regional plant and wildlife, aiming to build in the future a platform that brings together the information generated by different sources and to allow a wider range of cooperation activities.

**Target**

Add 15 companies or partners in a sectoral cooperative action to develop regional strategies (out-of-company) for biodiversity conservation.

**Results**

- Development of a cooperative study for the project “Population and taxonomic study aimed at reintroducing the boll weevil (Sporophila maximiliani)” to be developed in the Private Reserve of Natural Heritage (RPPN) Olavo Egydio Setubal, at the Rio Claro Farm in Lençóis Paulista.
- The project will last five years and will involve six institutions, in addition to Duratex: TFCA (Tropical Forest Conservation Act), Funbio (Brazilian Biodiversity Fund), Pró-Terra Institute, MZUSP (Museum of Zoology of the University of São Paulo), UFSCar (Federal University of São Carlos) and Feosp (Ornithological Federation of São State Paulo).
- The relevance of the study lies in the initiative to reintroduce into this reserve a highly endangered bird.
- The birds to be acclimated and reintroduced will come from breeders duly accredited by the Brazilian Institute of Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis - IBAMA).
- Information about the conservation of wildlife will be disseminated through the project to the entire network of directly involved institutions, generating subsidies for initiatives to conserve other endangered species.

**Challenges & opportunities**

The sharing of information from previous studies conducted by companies, government agencies, universities, research organizations and the third sector will create many opportunities to expand the knowledge base about the impact of productive activities on biodiversity and the balance of ecosystems. However, the strategies that lead to the realization of synergy actions between agribusiness companies committed to biodiversity projects should be improved. The project will continue in 2015 with emphasis on expanding the engagement of companies so they can formally adhere to the Program.
<table>
<thead>
<tr>
<th>Environmental management and performance</th>
<th>Goal</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic sensitivity analysis of environmental aspects - water</td>
<td>Definition of quantitative scenarios to clarify risks and opportunities for Duratex (considering consolidated data).</td>
<td>Develop a model and issue a report about the economic sensitivity analysis project for the water aspect and conduct a workshop to train internal sustainability teams, controllership, energy efficiency, finance, procurement (purchase of water and energy) in the use of analytical tools developed for water and energy.</td>
<td>Definition and implementation of an economic sensitivity analysis model for the water aspect. Creation of a workshop to train the Sustainability, procurement, controllership and finance team. By November 2015, on budget.</td>
</tr>
<tr>
<td>Environmental management system (SAP) improvement of environmental indexes and targets</td>
<td>Improve the environmental management system tool of Duratex (SAP).</td>
<td>Approve and implement plan for Duratex’s environmental management system tool (SAP).</td>
<td>Define improvement plan for Duratex’s environmental management and monitoring system tool (SAP) and implement the actions set forth in the 2015 plan.</td>
</tr>
</tbody>
</table>

### Efficient use of resources and energy

<table>
<thead>
<tr>
<th>Goal</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set water consumption targets.</td>
<td>% of absolute reduction in consumption</td>
<td>Reduction in water consumption: 21.5% in Deca Metals division; 10.63% in Deca Sanitary Ware division; 0.20% in the Wood Panels division.</td>
</tr>
<tr>
<td>Set energy consumption reduction targets.</td>
<td>% of absolute reduction in consumption</td>
<td>Reduction in total energy consumption: 6.04% in Deca Metals division; 14.57% in Deca Sanitary Ware division; 5% in the Wood Panels division. Reduction in electricity consumption: 7.47% in Deca Metals division; 10.91% in Deca Louças division; increase of 5% in the Wood Panels division.</td>
</tr>
</tbody>
</table>

### Waste and emissions management

<table>
<thead>
<tr>
<th>Goal</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop work plan for adaptation to low carbon savings.</td>
<td>Approval of the governance plan and model.</td>
<td>Create action governance plan and model that enables the company to migrate gradually to low carbon savings.</td>
</tr>
<tr>
<td>Set a goal for reduction of emissions of greenhouse gases.</td>
<td>% of absolute reduction</td>
<td>1.0% of GHG emission reduction in scope 1, consolidated in the company.</td>
</tr>
</tbody>
</table>

### Conservation and biodiversity

<table>
<thead>
<tr>
<th>Goal</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribute to biodiversity conservation, participating in cooperative projects developed in the industry, with groups of experts and government agencies. Search regional scope projects.</td>
<td>Projects concluded.</td>
<td>Develop Bicudo Project*. Add 15 companies to the project for integration of information about flora and fauna.</td>
</tr>
</tbody>
</table>

* Cooperative project refers to the “Population and taxonomic study aimed at reintroducing the boll weevil (Sporophila maximiliani)” a highly endangered species.
TRANSPARENCY AND ACCOUNTABILITY IN BUSINESS

Duratex aims to have by 2020 social and environmental criteria integrated to its management, using such as tools to identify business risks and opportunities to add value to products. As such, it adopts international standards, models and criteria, as well as certified management systems, to assess its performance. These tools make the process of accountability to employees, suppliers, customers, consumers, governments, regulators and society in general more transparent.

TOPIC
Quality and impact of products
Cradle to cradle project - Circular economy

ACHIEVED            INVESTMENTS R$ 12 THOUSAND

In its first stage, the project brought together a core of multiple areas to look into opportunities to implement a circular economy program in Duratex. A theoretical/practical training program with a conceptual and debate-oriented structure was set up using case studies. The concept of a circular economy proposes the development of an industrial system that replaces the idea of “end of life” of a product by means of a new outlook in the design of materials, products, systems, and business models.

Target
Execution of the first stage of the internal training workshop project under the “C2C” concept and presentation of the workshop results for the Sustainability Committee of senior management.

Results

1 Workshop (duration of 8 hrs), held in May 2014, was attended by 36 participants: managers, coordinators, sales promoters, engineers, analysts, designers and supervisors.
2 The training was organized by the following areas: Deca Application Engineering, the managements of Marketing and Products and the Pre- and Post-Sales Technical Department and by the Managements of Business Development and Sustainability.

In the analysis of the first phase of the work, six key elements of potential action were preliminarily identified:

1 Improve waste management: invest in product innovation to eliminate waste and the scrap from the production line and ensure efficiency in reverse logistics.
2 Gain resilience through the diversity of solutions: products designed to return to the supply chain and reduce dependence on non-renewable virgin raw materials.
3 Explore the potential of product services: to create a differential for various market segments drawing the brand nearer to the customer.
4 Plan the expectation of material performance: enable the adoption of technologies for product recovery, through the field of “performance expectation” of materials.
5 Think of “systemic” productive chains: build a relationship in the supply chain that creates value for the parts while strengthening the group and multiplying the resources in this process.
6 Promote the generation of energy from renewable sources: have a viable technological strategy to reduce dependence on non-renewable energy sources.
Challenges & opportunities

The Circular Economy aims to create an industrial system that is intentionally regenerative, focused on using renewable energy, eliminating the use of toxic chemicals and the concept of waste, fostering the growth of new business models. The challenges of sustainability that can turn into innovation forces were discussed with the employees in the startup phase of the project in 2014. In 2015, a new training stage will be held, continuing the change that has already started taking place to consolidate concepts and evaluate formats to deploy practical experiences based on the vision of a circular economy.

Analysis of scenarios: legal requirements

<table>
<thead>
<tr>
<th>Achieved</th>
<th>Investments</th>
<th>Internal Funds</th>
</tr>
</thead>
</table>

The project’s objective was to review and ensure the effectiveness of the procedures adopted by the company to meet legal requirements in factories and the risks of emergency situations by checking the link between such procedures and the environmental management systems of the units. It also seeks to establish the link between the above procedures and the environmental management systems of the units.

Target

Presentation and approval of procedures relating to the legal requirements under the scope of the board, the CEO and the Sustainability Committee.

Results

Through diagnosis, it was found that the environmental management of the company is structured to protect the interests of the company, considering the specifics of the activities of each business division (Deca and Wood).

Challenges & opportunities

The project became an opportunity to review and clarify the procedures that are currently adopted by the company in that which refers to its environmental management system. The next steps include identifying possible process improvements by the environmental managers of each business unit (Deca and Wood) based on the previously prepared corporate diagnosis.
Inclusion of social and environmental criteria in management and reporting

GRI G4 and integrated reporting

In alignment with transparency and accountability, the company has adopted international standards, models and criteria, in addition to certified management systems, to assess its performance. It is also present in the main sustainability market indexes, ISE (Bovespa Corporate Sustainability Index) and the Dow Jones Sustainability Index Emerging Markets (NYSE), and includes targets related to sustainability in the variable compensation of its executives.

In line with the improvement of transparency in its reporting format, the company adhered in 2013 to the GRI G4 version and in 2014, took another step towards an integrated reporting model by adopting the structure and content based on this standard.

**Target**

Development and implementation of a work plan to improve the 2014 Annual and Sustainability Report.

**Results**

- Development and implementation of a work plan in 2014, based on the following analyses:
  - of performance in market indexes (Dow Jones Sustainability Index and Corporate Sustainability Index – ISE Bovespa)
  - of responses to sustainability indexes answered in 2013 (GRI G4 - Global Reporting Initiative);
  - of adherence to Integrated Reporting framework;
  - of convergence with the Sustainability Platform and Duratex 2020.

**7 levels to generate value**

<table>
<thead>
<tr>
<th>Scope of GRI materiality</th>
<th>Systematization</th>
<th>Creating value for innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Current business model</td>
<td>4 - Market Analysis</td>
<td>6 - Opportunities Alignment with PGE 2020</td>
</tr>
<tr>
<td>2 - Impact on society</td>
<td>5 - Targets and goals</td>
<td>7 - Redesigning business model</td>
</tr>
<tr>
<td>3 - Material topics</td>
<td>Platform Targets</td>
<td></td>
</tr>
<tr>
<td>Sustainability Platform</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Creation of internal workshop to improve the process of collection, monitoring and analysis of indicators, with specialized consulting support.
- Presentation of reporting process in the Sustainability Committee.

**Challenges & opportunities**

The reporting process, more than preparing a formal document for accountability, represents an opportunity to analyze the results of management and the actions undertaken as compared with the challenges and future opportunities that present themselves to the business. The process gained strategic importance when the leaders also became involved in its development, increasing its ability to bring about change internally. One of the challenges found was the need to further integrate the environmental, economic and financial information, based on the proposal of integrated reporting, in line with the model already used which is based on guidelines of the Global Reporting Initiative (GRI G4).
Social Performance Indicators of Duratex

In the second half of 2014, with the goal of raising input under the company’s social aspect, an Ethos index workshop was held with the attendance of 30 employees from different departments, units and levels, plus the support and a lecture put together by the Ethos Institute. Perceptions of the participants about topics related to social performance, which will later be incorporated into the process of prioritizing indexes, were discussed in the group meeting. This process will also consider the Sustainability Platform, the social indicators present in the Dow Jones Sustainability Index, in the Corporate Sustainability Index of BM&FBovespa and the guidelines of the Global Reporting Initiative (GRI G4), the methodology used to create the company’s annual and sustainability report.

**Target**
Organization of an Ethos index workshop and presentation of report with results, pointing to the indexes to be monitored in Duratex’s social performance.

**Results**
- Two days of activities were organized, one for the workshop and application of the Ethos indicators, and another for the presentation of results and the creation of an action to improve internal management.
- In the meetings, the 30 employees in attendance shared their perceptions and proposals for improvement actions through group discussions and consensus.
- The Ethos indicators process gave rise to the Diagnosis Report, containing a performance review of internal management, based on group discussions.
- The results will help define the foundation for the construction of the company’s management system for social performance indicators that will continue to be discussed in 2015.

**Challenges & opportunities**
Defining indicators aligned with the company’s values to measure the performance of actions and programs related to social aspects is of fundamental importance towards achieving the premise of the Sustainability Platform to operate strategically, in the social sphere as well, by 2020. The consultation made with the application of Ethos indicators enabled us to verify the perspectives of employees from several company areas, units and levels, which enriched the improvement discussions and the proposals. Relying on internal engagement to internally approve the conditions for the definition of indicators in order to measure the company’s social performance will be the challenge in 2015.
For the second consecutive year, Duratex has included sustainability targets in the variable compensation of its executives, measuring the results attained. In 2014, the goal was to align the targets of the Balance Score Card (BSC) to the Platform, with the aim of advancing the implementation of the sustainability strategy.

**Target**

Increase the number of contracts with sustainability targets, in order to integrate the topic in the strategy of the internal areas. The BSC is applicable to the CEO, vice-presidents, directors and managers.

**Results**

- In 2013 and 2014, sustainability targets were included in the contract of the CEO, 2 vice-presidents, 8 directors and 79 managers.
- Despite the high index reached in 2014, the target was not reached.
- In 2013, 98 targets were added, a percentage of 99% of contracts with sustainability targets and in 2014, 93 targets, accounting for 94%.

**Challenges & opportunities**

The inclusion of sustainability targets in the annual targets contracts of executives works as a tool to prioritize the implementation of the sustainability strategy for the business, by treating the subject transversally. One difficulty found in implementing the BSC methodology under the sustainability concept, in some projects, was in defining objective and clear metrics to measure the results, whether they were qualitative or quantitative. In 2014, the project included the construction of targets also for coordinators, with the same social/environmental methodology and criteria in the performance assessment.
## TRANSPARENCY AND ACCOUNTABILITY IN BUSINESS

### 2015 Sustainability Targets

<table>
<thead>
<tr>
<th>Program</th>
<th>Goal</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cradle to cradle project - Circular economy</strong></td>
<td>Complete the second stage of training in Circular Economy.</td>
<td>Development and presentation of report to the Executive Board.</td>
<td>Performance of 2a stages of training in circular economy and reporting with strategy and project continuity action plan between 2016 and 2020.</td>
</tr>
<tr>
<td><strong>Product labeling</strong></td>
<td>Establish monitoring and follow-up process under environmental aspects by product.</td>
<td>Pilot project containing the development of the technical specifications of a product by business division, including environmental information.</td>
<td>Development of report containing a model of the technical form in the product, considering the aspects of water and energy consumption, carbon emissions and toxicity of components.</td>
</tr>
</tbody>
</table>

### Calculation of gains with good practices and innovation
- Evaluate financial gains after the implementation of good practices related to environmental management in the industrial plants.  
  - Development and internal dissemination of the project’s results, conducted in partnership with the Sustainability Study of the Getulio Vargas Foundation (GVces) and the Foundation itself (FGV).  
  - Define methodology and conduct a calculation study of gains with good environmental practices, with the technical assistance of FGVCes.

### Ongoing improvement of market indicators and voluntary commitments
- Define action plans for gaps identified in the Company Benchmarking Report, developed by consulting firm RobecoSAM -Sustainability Investing.  
  - Development and presentation of action plans to the areas in charge.  
  - Develop and submit to the areas in charge action plans for the improvement of internal management, based on the result of the convergence of gaps with lower performance and greater weight in the analysis of the Dow Jones Sustainability Indexes.

### GRI G4 and Integrated Reporting
- Improve the integrated reporting model (identify influence of capital and its impact on Duratex’s business model).  
  - Define the strategy and implement a model of capital influence.  
  - Publish the Annual and Sustainability Report (RAS) in 2015 considering the capital model and its impact on business (evolution for integrated reporting).

### Pre- and Post-Deal Sustainability Policies
- Consolidate sustainability criteria, aligned to strategic business planning, and procedures to guide the negotiations related to the company’s new business (expansion, new business, mergers & acquisitions).  
  - Approval of policy and procedures.  
  - Develop and approve policy and detailed procedures that define the sustainability criteria and guide negotiations related to the company’s new business (expansion, new business, mergers & acquisitions).

### Social Performance Indicators of Duratex
- Define priority criteria and social indicators to be monitored by the company.  
  - Definition and approval of indexes.  
  - Develop and approve sustainability policies and procedures to adapt Duratex's new business values, policies, practices and procedures and promote ongoing improvements in the company's current and future business.

### Quality and impact of products

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<th>Target</th>
</tr>
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<td>Policy approval and procedures.</td>
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</tr>
<tr>
<td>Definition and approval of indexes.</td>
<td>Develop and approve indexes to be monitored for evaluation of Duratex’s social performance and those responsible for its collection, monitoring and analysis.</td>
</tr>
</tbody>
</table>
## Sustainability Agenda

<table>
<thead>
<tr>
<th>Vision 2016</th>
<th>Vision 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dialogue and relations</strong></td>
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</tr>
<tr>
<td>Define and implement social indicators and performance targets and structure them within the scope of an integrated management system.</td>
<td>Implement specific relationship strategies for priority stakeholders of the company.</td>
</tr>
<tr>
<td>Ensure implementation of the people management and work safety plan, integrated with sustainability assumptions and references.</td>
<td>Develop action plan to adapt the working conditions to the new social demands focused on improving the quality of life.</td>
</tr>
<tr>
<td>Define and implement a policy to engage stakeholders, including methodologies to assess and prioritize them.</td>
<td>Develop a schedule of commitments geared towards Human Rights and valuing diversity.</td>
</tr>
<tr>
<td>Develop a diagnosis and an action plan for social/environmental and economic impacts of the units and operations.</td>
<td>Define and engagement plan for customers, clients and specifiers aimed at innovation and product development, combining the principles of sustainability.</td>
</tr>
<tr>
<td>Develop the supplier registration and analysis process based on social/environmental, as well as economic, criteria.</td>
<td>Define a proposal for action in public policies to generate value in a way which contributes to the sustainable development of society.</td>
</tr>
<tr>
<td>Develop and implement social investment planning (goals, targets, budgets, flow, structure and modus operandi).</td>
<td>Develop models of partnership with stakeholders and social entrepreneurship.</td>
</tr>
<tr>
<td>Review social policy and related standards.</td>
<td>Develop an integrated system for analysis of environmental and economic data to support strategic decision-making in business.</td>
</tr>
</tbody>
</table>

<table>
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<th>Environmental management and performance</th>
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<td>Define and implement an environmental performance management system, improving an existing collection system based on SAP.</td>
<td>Develop economic sensitivity analysis of environmental issues (water, energy and emissions).</td>
</tr>
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<td>Gradually define absolute water and energy conservation targets, reduce the disposal of effluents and greenhouse gas emissions and reduce the disposal of waste in landfills.</td>
<td>Develop a diagnosis and action plan for energy matrix adaptation, focusing on reducing emissions and pollutants and diversifying sources.</td>
</tr>
<tr>
<td>Investigate the sustainability of the watersheds where the industrial units are located.</td>
<td>Develop and implement monitoring indicators for biodiversity, considering the analysis of high-value conservation areas.</td>
</tr>
<tr>
<td>Assist the group of experts by participating in integrated sector work with government agencies to develop regional biodiversity conservation strategies (out-of-company).</td>
<td>Develop experience focusing on the analysis of ecosystem services.</td>
</tr>
<tr>
<td>Develop and implement a process of risk analysis and opportunities related to climate change (adaptation to a low carbon economy).</td>
<td>Develop models of partnership with stakeholders and social entrepreneurship.</td>
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</tbody>
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<th>Transparency and accountability in business</th>
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</thead>
<tbody>
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<td>Develop a circular economy project, from cradle to cradle.</td>
<td>Develop and publish integrated strategic planning for innovation and sustainability.</td>
</tr>
<tr>
<td>Improve the integrated reporting model (identify influence of capital and its impact on Duratex's business model).</td>
<td>Improve and implement a structured process to analyze the impact of products on environmental quality and health throughout the entire use cycle (from raw materials to use and disposal).</td>
</tr>
<tr>
<td>Develop a program for analysis and ongoing improvement of market indicators and voluntary commitments.</td>
<td>Ensure a framework of sustainability and governance in new business and operations in line with the guidelines, strategies and corporate practices of Duratex.</td>
</tr>
<tr>
<td>Develop analysis and calculation of gains obtained through projects that resulted in innovative actions and best practices in sustainability.</td>
<td>Analyze and review policies, training and practices to prevent corruption and to ensure fair practices in trade relations.</td>
</tr>
<tr>
<td>Expand BSC alignment to sustainability vision.</td>
<td>Develop communication plan (internally and externally) with a focus on transparency and strengthen sustainability as a brand and image attribute.</td>
</tr>
<tr>
<td>Include sustainability criteria in expansion projects, mergers &amp; acquisition of new business.</td>
<td>Set goals related to quality and impact of products under the aspect of sustainability.</td>
</tr>
<tr>
<td>Develop sustainability strategy to plan and adapt new business (Duratex sustainability standard and new business models, innovative products, new materials etc.).</td>
<td></td>
</tr>
</tbody>
</table>
CREDITS

Editing and general coordination
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