



2016 ANNUAL REPORT



Duratex

2016 Annual Report

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





INTRODUCTION

Welcome to Duratex

- G4-3

Since 2004, we have published our Annual Report to provide the market and society with information on how we created value for all of our stakeholders through our processes, products and services. Our goal is to clearly and objectively show how we manage risks and leverage the economic, social and environmental benefits of our business while also defining strategy, investments and the manner in which the company is managed.

- G4-29 | G4-30

Like the last edition, this Report was drafted according to the G4 version of the GRI (Global Reporting Initiative), under the Core option, and follows the Integrated Reporting guidelines developed by the IIRC (International Integrated Reporting Council). Data and information collected to comply with GRI indicators regard the period from January 1 to December 31, 2016 and cover all units in Brazil - some indicators of economic and environmental aspects (G4-9, G4-EC1, G4-EN3, G4-EN8, G4-EN13, G4-EN15, G4-EN16 and G4-EN17) also include Tablemac, a paneling manufacturer subsidiary in

Colombia. Our Report was also subject to independent external assurance, a practice we have used since 2011 to guarantee information quality for stakeholders.

- G4-17 | G4-28 | G4-32 | G4-33

In addition to this complete version, available in Portuguese and English, we have an Executive Summary of the Report for stakeholders, containing the main highlights for the period in a concise format. This item was published in tandem with the release of Financial Statements, to provide greater agility and transparency in communicating our social and environmental performance. All documents can be accessed on the company's website, at the Investor Relations and Sustainability area.

Questions, suggestions and comments on our Annual Report can be sent by e-mail to investidores@duratex.com.br e sustentabilidade@duratex.com.br. - G4-31

Happy reading.

MESSAGES FROM THE COMPANY'S LEADERS



A new chapter in our history G4-1

Crises are a part of capitalism, and although they demand fast and responsible action from those in power for resolution, they will always be present, alternating with cycles of greater prosperity. Since Duratex was founded in 1951, our business has grown significantly during times of economic growth, showing great resilience during times of austerity.

For example, we faced the oil crisis in the 1970s and hyperinflation in the 1980s and 1990s. More recently, we learned how to seize opportunities and keep pace with the country's development, driven by the Real Plan, inflationary control and higher Brazilian incomes. And, between the ups and downs of the Brazilian economy, we celebrated our 65-year anniversary in 2016, the year of the worst and longest recession in the nation's history.

Seeing how much we have grown our business over these more than six decades is a source of pride. With solidity and discipline, we have made investments and important acquisitions in both of the company's divisions, expanding our portfolio and market share, nationally and internationally. With the current economic conditions and downturn in consumption in Brazil, 2016 was a year when we prioritized our internal agenda to grow stronger, while the economy gradually begins to recover.

We have done this consistently since 2014, seeking to reduce costs and boost the efficiency of our processes. With the

quality of our products, the strength of our brands and our competitiveness, we are managing to make it through this moment with above average performance in the market. The efforts we have made in the foreign market have also contributed to this outcome, with export revenues up by 32%.

Investments in preparing and training our employees have been fundamental to dealing with this scenario. Our leaders are engaged with strategic objectives and committed to strengthening a culture aimed at efficiency and sustainable results as well as to the long-term growth of our business, with a balance between economic and financial management and social and environmental aspects.

Indications for 2017 point toward renewed, albeit slow, growth for the country. So our significant installed capacity in both the Wood and Deca divisions, along with the solid enhancement of our governance and management, places us in a privileged position to be able to accelerate our business when this new cycle of growth takes full effect in Brazil. With confidence and dedication, we are writing a new chapter of success in our history.



Salo Davi Seibel
Chairman of the Board of Directors

We are strengthening bases for our growth G4-1

In the year when we celebrate our 65-year anniversary, Duratex has strengthened efficiency and competitiveness as its pillars of action to confront the challenges of the new macroeconomic conditions in Brazil. We have solidified the SGD (Duratex Management System) with greater efforts placed in projects aimed at lowering costs within our operations, and we have achieved impressive results – such as an 8.5% drop in general and administrative expenses. These kinds of results, even in an adverse scenario with less demand in the civil construction sector, show how we are increasingly structured to guarantee our position as a leader when the market resumes growth.

The industry in which we operate has changed radically since 2014, impacted by a sluggish Brazilian economy, making it necessary to review our targets for growth. In this context, boosting exports to reduce the company's dependency on the domestic market and diversifying business risks is a strategic guideline. In 2016, foreign market revenue, comprised of exports plus Tablemac sales, was 24.5% higher than in 2015, totaling BRL 750 million. Year-over-year wood panel exports were also up by 34.6%. In the Deca division, exports grew by 20.9% over the last year, but we still need to overcome the logistical and development challenges of products for foreign markets.

In the last year, we began building a new strategic plan, which will be finalized in 2017 and will outline Duratex investment guidelines up to 2025. Considering this same timeline, we already have the Sustainability Strategy, revised last year in an effort to further clarify the social and environmental development goals of our business to all stakeholders and provide guidelines for management of risks

as well as identify opportunities to create value from an environmental, social and economic standpoint. With this, we will also leverage our contributions to the ten principles of the Global Compact, to which we have been a signatory since 2008.

To strengthen our strategy, we started a wide-ranging process of reviewing and enhancing our corporate culture. We began to jointly build Our Way of Being and Doing, which expresses the values, behaviors and commitments we are building upon to conduct our business.

From the operational standpoint, one of the high points of the last year was a 39% drop in the number of accidents at our units compared to 2015. This improved performance is directly related to the success of the Duraseg Management System and to incorporation of the culture of safety by our employees, especially with effective action by managers in monitoring, controlling and advising their teams. This is a good result, but we must continue to improve to achieve an increasingly safe and accident-free operation.

At the end of the last year, the market began to show signs of recovery, but renewed growth should be gradual and slow throughout 2017. At Duratex, we are working to continually enhance our processes and attitudes, striving to make our company increasingly competitive and capable of anticipating trends that will impact our business.



Antonio Joaquim de Oliveira
Chief Executive Officer

BUSINESS MODEL





Growth and responsibility for 65 years G4-9

We are a publicly traded company celebrating our 65-year anniversary in 2016. With two business divisions - Wood and Deca - we are working to produce and sell products for the furniture and finishings sectors in the civil construction industry. We have 15 industrial units located in the South, Southeast and Northeast regions of Brazil and three additional Tablemac units in Colombia, our subsidiary manufacturing wood paneling in which we hold a 99% stake. G4-6 | G4-8

Notable among the products in our portfolio are MDP and MDF paneling, fiberboard sheets, wood flooring, sanitary ware and metals and electric showerheads. In addition to serving the Brazilian market, our products reach over 50 countries, spread across every continent except Antarctica, with a special presence in South America, Central America, Africa and the USA. G4-8

In addition to our factories, we have 275,000 hectares of forests in Brazil and 11,000 hectares in Colombia, where we are developing eucalyptus plantations using best management practices and actions to conserve native areas. In 1995, we were the first company in South America to receive FSC® (Forest Stewardship Council®) certification for forestry management. Our chain of custody is also certified, assuring the traceability of wood used in our production process.

In our forest areas in Brazil and Colombia, we produce eucalyptus seedlings in nurseries, planting them at our own farms and at leased farms and using the wood to supply the fiberboard and paneling factories. We also manufacture the resin used to bind the particles and fibers in MDP and MDF panels. Verticalization of operations and the proximity between planted areas and industrial units are some of our main competitive advantages, adding value to our business at a lower cost.

MAP OF OPERATIONS

OUR INTANGIBLE ASSETS AND COMPETITIVE ADVANTAGES

Click on the texts below to learn about how we manage our competitive edges, creating value for our business

Recognition

EXAME Sustainability Guide

We were named model company of the year in sustainability in the Construction Materials category.

Folha Top of Mind

Our Deca brand is the most recalled by consumers in the sanitary ware and metals category.

Best of Dinheiro 2016

We came in first place in the Construction Material and Décor category.

FIESP Environmental Merit Award

We were given an honorable mention for our energy efficiency project at the Deca division's Metals São Paulo (SP) unit.

ISE 2016/2017

We were selected for the 9th year running to be part of the BM&FBovespa Corporate Sustainability Index portfolio.

Transparency Trophy 2016 - Anefac

We were the winners in the category of companies with net revenue of up to BRL 5 billion.

Pro-Ethics Company 2016 - Federal Controller of Brazil and Instituto Ethos

We were recognized for the second time as a company committed to integrity, transparency and fighting corruption.

Época Reclame Aqui Award

Our Deca brand was chosen by customers for the 2nd year straight as the best manufacturer of sanitary ware and metals.

Anamaco 2016 Award

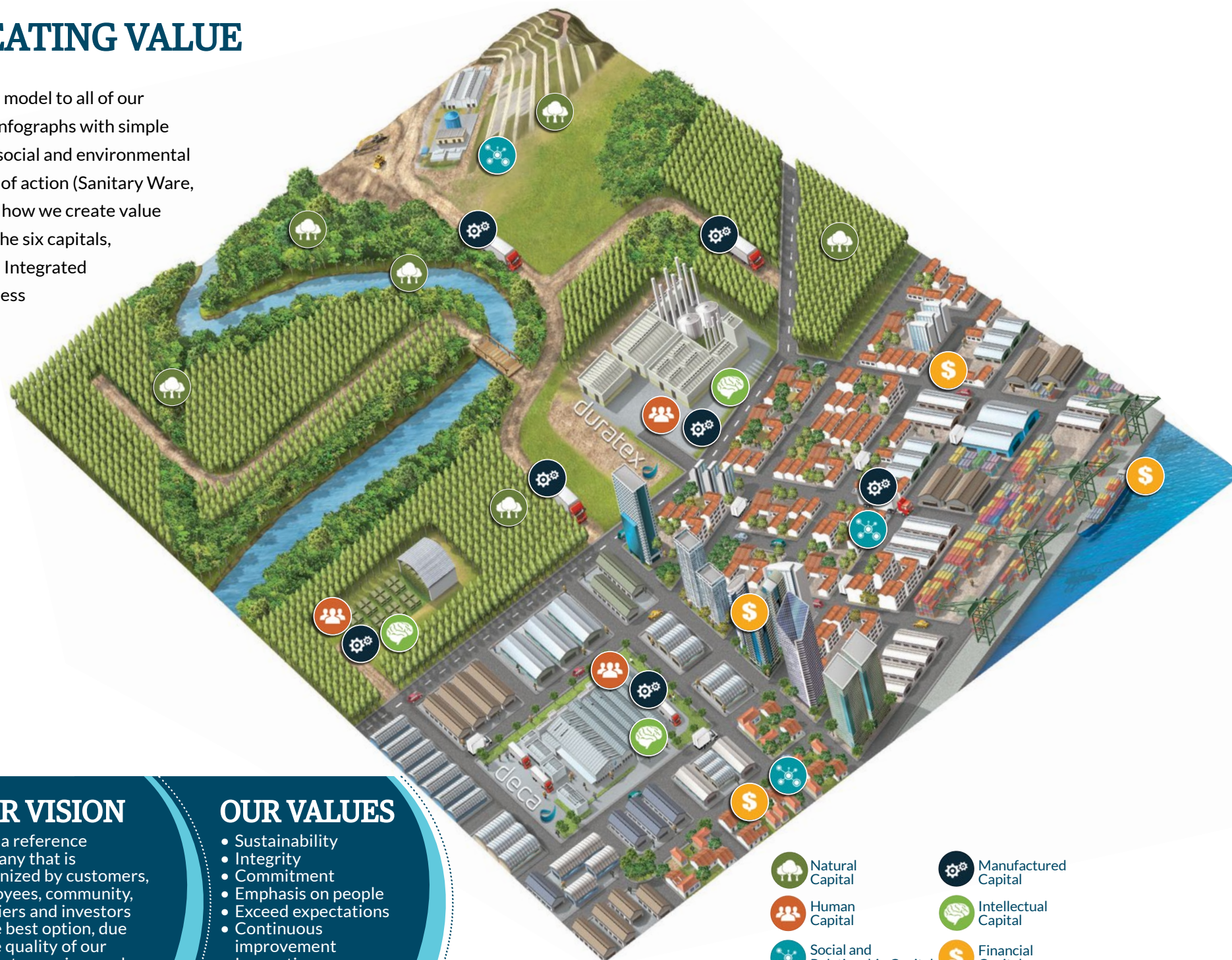
Hydra-Corona placed second in the Showers, Electric Showerheads and Electric Faucets (recommended by major customers).

Grupo Revenda Award

Our Hydra-Corona brand placed second in the Showerheads and Electric Faucets category with the Fit and Slim Faucet products for the best product mix of 2016.

OUR WAY OF CREATING VALUE

In 2016, the way we communicate our model to all of our stakeholders evolved. We developed infographs with simple depictions of our processes and good social and environmental practices within each of our segments of action (Sanitary Ware, Metals, Panels and Forestry), showing how we create value through our products and services in the six capitals, as proposed by the IIRC (International Integrated Reporting Council). At our units, business models are displayed in locations with large movement of people, contributing to the engagement of our employees and to give visibility to our visitors.



G4-56

OUR MISSION

To meet our customer's requirements with excellence, by developing and offering products and services that contribute to the improvement of people's quality of life, while generating wealth in a sustainable manner.

OUR VISION

To be a reference company that is recognized by customers, employees, community, suppliers and investors as the best option, due to the quality of our products, services and relationships.

OUR VALUES

- Sustainability
- Integrity
- Commitment
- Emphasis on people
- Exceed expectations
- Continuous improvement
- Innovation



*Go to [our website](#) and see how we generate value in each capital

GOVERNANCE AND COMPLIANCE



Solidity and ethics in our governance G4-34

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDGs:

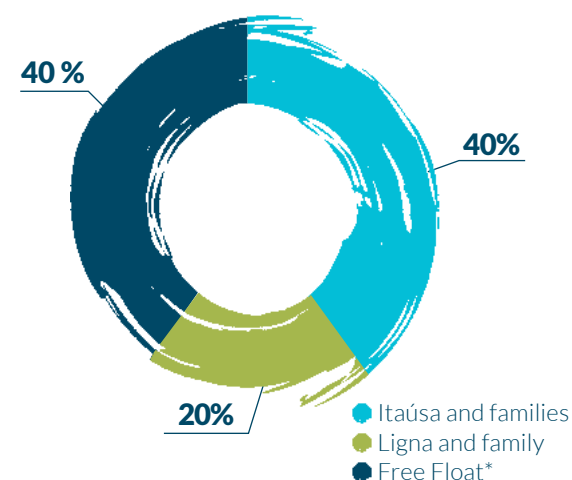


We are a publicly listed company that adopts the best governance practices and maintains an ethical and transparent relationship with the capital market and with all other stakeholders. Our shares are listed in the BM&FBovespa Novo Mercado segment, which contains companies with the highest standards of corporate governance in Brazil; we have also been part of the ISE (Corporate Sustainability Index) for nine years running, which shows our solidity and our advances in managing social, environmental and economic aspects.

G4-7

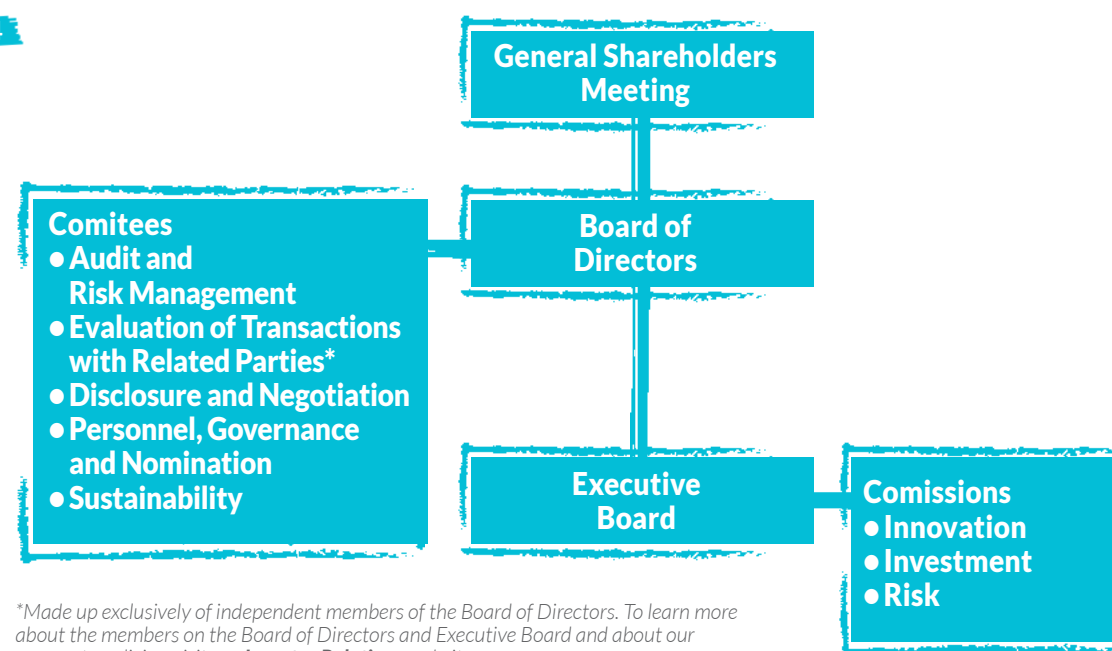
Our governance structure is made up of the Board of Directors, which establishes the strategic direction of the business, and by the Executive Board. With nine members – six representing the controlling companies and three independent members – the Board of Directors is supported by five Committees that assess and address the most relevant aspects of our administration. Our Executive Board is made up of 11 members – the CEO, two Vice Presidents (Wood and Deca) and eight Directors of administrative, commercial and operational areas.

Shareholding structure as at the end of december 2016 (in %)



*Percentage of floating shares on the market.

Governance structure



*Made up exclusively of independent members of the Board of Directors. To learn more about the members on the Board of Directors and Executive Board and about our corporate policies, visit our **Investor Relations** website.

Every two years, under the supervision of the Personnel, Governance and Appointments Committee, we carry out a formal assessment of the Board of Directors, Committees and their members, in a process that includes self-assessments and peer assessments. At the end, each Board or Committee member is given individual feedback and establishes action plans to continually enhance their work. The last assessment cycle was held in 2016. G4-44

In addition to the assessment process, the company also has a compensation strategy for Board members and directors. Board members

receive fixed monthly compensation paid as fees and they may choose to receive benefits. In addition to receiving a fixed monthly compensation determined based on market surveys, Executive Board members also receive variable pay based on short- and long-term incentives. This variable compensation is connected to corporate, business and individual goals that are aligned with the company's strategy and that include aspects of social and environmental performance. To align the interests of executives and Duratex in the long-term, stock options are offered to executives. G4-51

Risk management contributes to our continual growth G4-2

To assure our longevity and capacity to create value, we have an organizational structure to manage risk in our business. The main tool guiding this process is the Duratex risk map, created in 2011 and revised every two years using evaluations and analyses by managers from the administrative and operational areas.

Mapping done in the last cycle identified 54 risks, categorized into five areas: strategic, governance, financial, operational and regulatory. In 2016, we conducted a broad review of the social and environmental risks of our business, considering themes such as water, power, atmospheric emissions, supplier relations, community relations and others.

Risks mapped are prioritized using a tool that assesses the degree of impact and vulnerability to which we are exposed. This matrix allows us to classify each risk as low, medium, high or critical. For high and critical risks, we establish mitigation plans and risk managers are designated for continual monitoring.

The governance of this process is carried out by the Risk Commission, whose head is the CFO and which also includes five other managers. During the last year, the sustainability

department was formally included within this structure. The Commission is also responsible for providing accountability every semester for action plans executed to the Audit and Risk Management Committee, which advises our Board of Directors.



Risk management structure at Duratex

Board of Directors
Definition of acceptable levels of risk exposure at Duratex

Audit and Risk Management Committee
Monitoring of risk management and reporting to the Board of Directors on the results of assessments

Risk Commission
Assessment of risks and proposal of actions for mitigation. Monitoring of the execution of action plans and reporting to the Executive Board and the Committee

Risk manager
Monitoring of risks under the manager's responsibility and support in defining action plans

Process manager
Management of risks related to the process and implementation of action plans

For more information on management of risks at Duratex, see the Reference Form, items 4.1 and 5.1.

Transparency in our relationships with stakeholders G4-DMA

More than complying with the standards and laws that apply to our activities, we believe that conducting our business in a sustainable way means treating relationships with all of our stakeholders ethically and transparently. Our employees develop their activities according to corporate policies and the Code of Ethics and Conduct, which specifies our commitments and guidelines regarding interactions with our stakeholders. These documents are available to everyone on our website, under **Investor Relations**.

G4-56

A multidisciplinary work group, put together in 2016, guarantees constant review and updating of the Code. These guidelines are distributed and compliance with policies is assured by the work of the Legal Compliance area, which is in charge of the **Fair Competition Protection and Integrity** and **Anti-Corruption** programs. This area is also involved when signing any agreement concerning any public agency or organization.

Every two years, our leaders are trained and educated on anti-corruption aspects and advised to pass along this knowledge to their



establishes administrative measures and even termination of supplier contracts if there is any corruption in our activities; however, there have been no such cases under the scope of Law no. 12.846/2013 (Clean Company Act). We have also never been involved in legal actions related to non-compliance with the principle of fair competition. G4-SO7

In addition to training, our employees are advised to communicate suspected corruption to the Ombudsmen, which was set up in 2012. This is the main channel for questions, criticism, suggestions and reports of cases that are not compliant with the law or with our policies, guaranteeing the confidentiality of information and allowing those making reports to remain anonymous and protecting them from retaliation. Ombudsman activities are monitored through monthly reports sent to all upper management and through accountability provided every six months to the Executive Board and to the Personnel, Governance and Appointment and Auditing and Risk Management committees. G4-57 | G4-58

teams. In 2016, we also began to train the young people that benefit from the Formare social program (read more on page 30), raising awareness about anti-corruption matters. We have an Anti-Corruption Policy that

All reports received by the Ombudsman are sent to the director of the related area, to the CEO and to the Chairman of the Board of Directors. The investigation may also involve Internal Auditing, when fraud is suspected, and Legal Compliance, if it is related to situations of corruption with government agencies.

In 2016, 56 reports were received; of these, 26 are still being investigated and 11 were not investigated because they were related to cases that were already analyzed or because not enough information was available to investigate them. Among the 19 whose investigations were concluded, 15 were considered to be with grounds, 3 without grounds and 1 inconclusive. The increase in the number of reports in relation to the last year, when 20 reports of this kind were received, is a reflection of the maturity and credibility of this channel among our publics. **G4-50 | G4-58**

Among the 56 communications received during the year, 16 reported the occurrence of 12 cases of private corruption. Two cases, reported on three different occasions, were confirmed and the respective sanctions were applied as established by internal rules. Another ten cases, communicated through 13 different reports, are still being investigated. There were no occurrences identified involving government agencies. **G4-50 | G4-SO5**

In all channels available for contacting the Ombudsman, the person making the contact may identify themselves or remain anonymous. Secrecy and confidentiality are guaranteed, even for those who identify themselves. We do not permit retaliation against anyone who accesses the Ombudsman or who collaborates with Ombudsman findings.



Every two years, our leaders are trained and educated on anti-corruption aspects and advised to pass along this knowledge to their teams

How to access the Ombudsman Department

G4-57 | G4-58



ouvidoria@duratex.com.br



www.duratex.com.br/pt/ouvidoria



0800 55 7577



A/C Ouvidoria Duratex
Av. Paulista, 1.938 - 9th floor
São Paulo - SP
CEP 01310-942



Employees have access to the Ombudsman through collection boxes at company units and through the intranet.



Suppliers can access this channel directly using the Supplier Portal
<http://portalforneceadores.duratex.com.br/>

MARKET CONTEXT



Market challenges lead us to new frontiers

The performance of our business has been impacted by the economic situation in Brazil, which has been sluggish since 2014, and by the civil construction and furniture sectors, both of which were negatively affected by higher inflation, interest rates and unemployment rates.

With this set of factors, the two biggest markets where Duratex operates showed downward year-over-year growth in 2016. For this period, wood panel consumption in

Brazil was down by 2.2%, according to data from Ibá (Brazilian Tree Industry). The Wood division shipped 2.6% less in volume, considering consolidated results from Brazil and Colombia. Using the same comparison, revenue from the construction materials industry was 11.5% lower, according to the Abramet (Brazilian Association of the Construction Materials Industry) index. With better performance than the rest of the market, the Deca division's revenues were 3.7% lower.

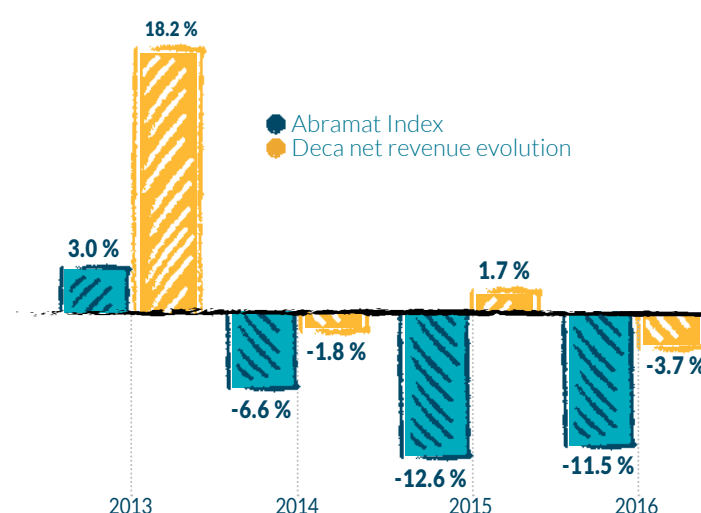
This result is the direct result of projects and actions developed under the auspices of the SGD (Duratex Management System), which enhanced processes and increased efficiency across our production chain – from highlighting production and inventory management to managing the performance of sales teams. Moreover, we have outperformed our competitors, with additional support from investments made to improve customer service and the quality of services provided and to strengthen recognition of our brands and relationships with architects, specifiers and tastemakers.

24.5%
growth
in our foreign
market net
revenues*

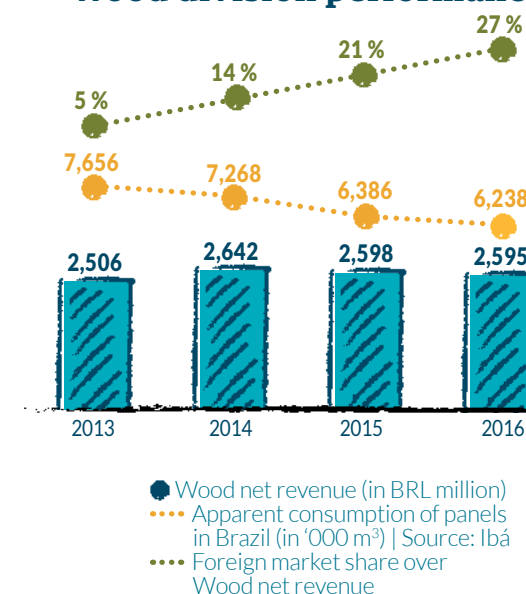
*Includes exports from Brazil and Tablemac



Deca division performance



Wood division performance



To offset falling demand in the domestic market, the country's biggest wood paneling manufacturers have looked to increase exports. In the last year, Brazilian panel sales in the foreign market have increased 62% in relation to 2015, according to a survey by Ibá. Aware of this opportunity, we began to structure our operations in 2014 to serve these new markets, outlining a plan for export growth – in 2016, Brazilian sales abroad were up by 32.0% year-over-year.

To reinforce our action in the foreign market, we have opened a distribution center in Peru and we invested approximately BRL 93 million

to increase our share in Tablemac from 80.62% to 99%, our subsidiary manufacturing wood panels in Colombia.

In the Deca division, penetration in foreign markets is substantial in South American countries where the brand's quality is recognized among consumers. In other regions, such as Africa, we are looking at investing in marketing and publicity to take advantage of the opportunities on the market. At Hydra-Corona, showerhead exports can also be leveraged in markets that, like Brazil, mostly use electricity to power products.



Our products
reach



than 50 countries



Efficiency and productivity in our operations G4-DMA

In our strategy to grow and respond to the economic adversity, we continue to focus on developing cost-cutting and efficiency-boosting initiatives, actions that are part of the SGD (Duratex Management System), a system based on financial gains resulting from enhancement of our processes. At the start of the SGD, there were around 300 macro actions; at the end of 2016, there were over 800 actions. Notable within this context are Zero-Based Budgeting, review of our logistics model and tight control of consumption of raw materials. There are also projects to optimize back office activities and improve the sales model.

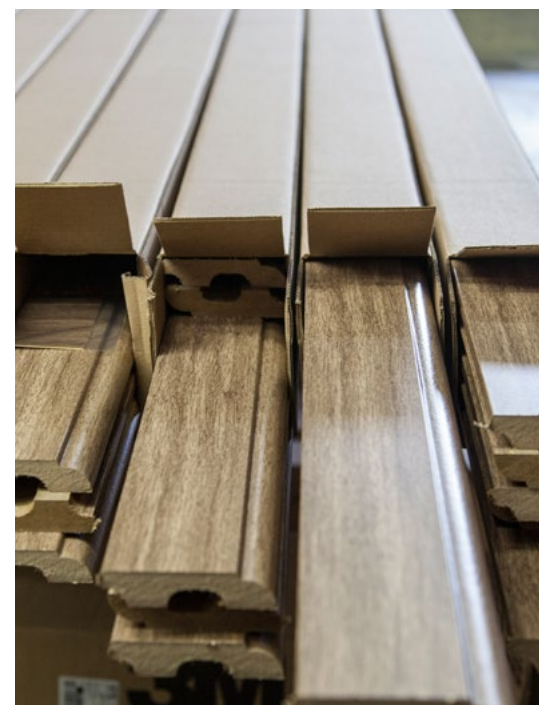
With the actions covered under the SGD, general and administrative expenses were 8.5% lower in 2016 than the year prior, with the costs of products sold rising by just 2.9%. For comparison purposes, accumulated inflation over the last 12 months was 6.3%, showing our commitment to good management of our revenues and increased operational efficiency.

The drop in domestic market consumption affected the growth of our net revenues. Not considering Tablemac operations and exports,

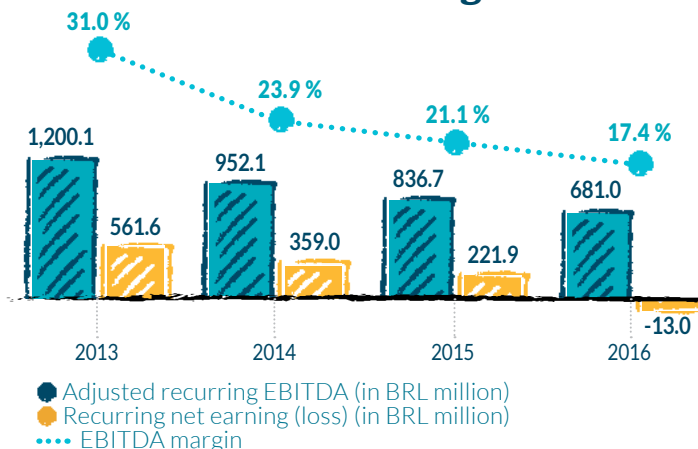
this indicator fell by 6.0% year-over-year. This performance was partially offset by a 24.5% increase in foreign market revenues during the same period. With this, our consolidated net revenue totaled BRL 3.9 billion at the end of the period – 1.3% less than the year prior.

Our financial performance reflected the challenging scenario we faced in 2016. Even with all of the internal initiatives aimed at efficiency and cost management, we had an 18.6% drop in EBITDA (earnings before interest, taxes, depreciation and amortization). Our investments for the year totaled BRL 474 million and went towards maintaining forestry and industrial operations.

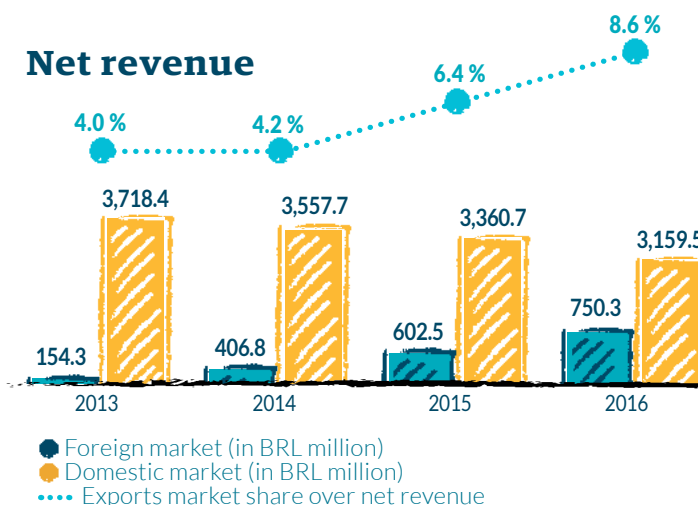
Net earnings for the year were BRL 26.2 million, turning around first quarter losses. Our ability to recover come from cutting costs and improved prices and sales of forests (read more in the box on the next page). Moreover, land sales resulted in a total of BRL 61.7 million in 2016. Sale of these farms is part of the plan to demobilize assets that are not essential to the company.



EBITDA and net earning



Net revenue



COST MANAGEMENT AND OPTIMIZATION IN THE FORESTRY OPERATION

One of our biggest competitive advantages is the proximity of our forests to industrial plants and, to deal with a scenario of less consumption, we focused operational efforts on the planted areas closest to the factories. This also allowed us to lower logistics costs and to more rationally use resources available for investments. In line with our guidelines in the Duratex Management System, the forestry operation also remained focused on lowering costs and optimizing resources in 2016.

Over recent years, falling consumer market demand for paneling has created a surplus of wood, since forestry planning was done according to the cycle of development

of planted forests (six years), when there were no signs of deterioration in macroeconomic conditions. In relation to this challenge, we strengthened our third-party wood sales operation, in the form of processed wood (chips), logs and standing forests. Worth mentioning in 2016 are standing forest sales of BRL 87.6 million.

It is important to note that the volume of wood we produce continues to be sufficient to guarantee supply for our factories and also to serve customers in other segments. Nevertheless, these sales do not compromise the capacity to supply our own panel manufacturing operations with wood.

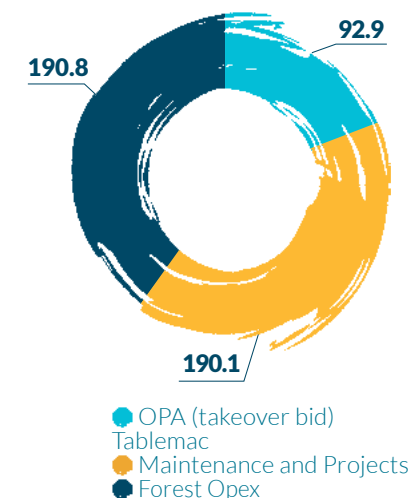
However, this has no impact on the capacity to supply our industries, since these areas are far from industrial units and are more valuable for other economic activities.

The company had accumulated BRL 2.04 billion in net debt at the year's end. With this, the annual accumulated leverage level (ratio of net debt to EBITDA) is 2.99 times. For 2017, there is a notable trend towards lower financial expenditures, a result of a reduction in net debt and falling interest rates.

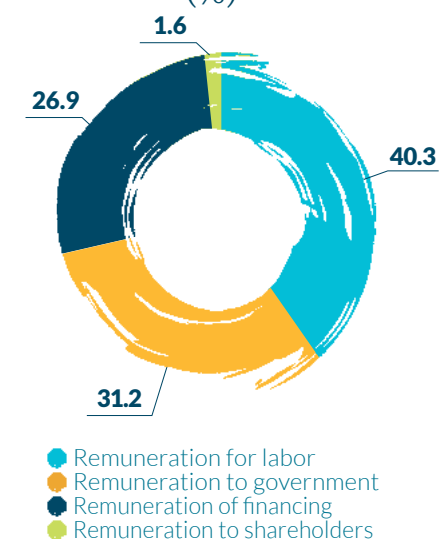
Added value at the end of 2016 totaled BRL 1,657.4 million. Of this total, BRL 516.5 million, or 31.2% of the total, went to the federal, state and municipal governments in the form of taxes and contributions. By statute, shareholders are guaranteed a minimum required dividend corresponding to 30% of the adjusted net earnings for the period. Through a proposal by the Board of Directors, a dividend of BRL 6 million was paid out, equal to BRL 0.008780 per share. **G4-EC1**



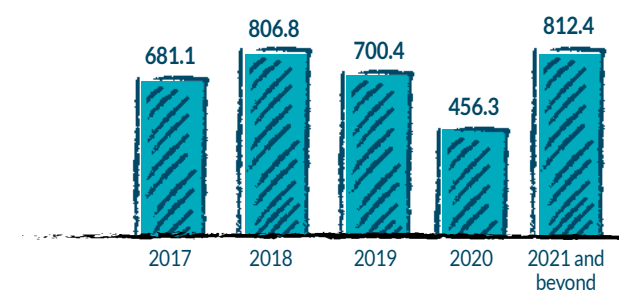
Investments in 2016 (in BRL million)



Distribution of value added **G4-EC1** (%)



Amortization timeline (in BRL million)



OUR STRATEGY



Drivers of our growth G4-2

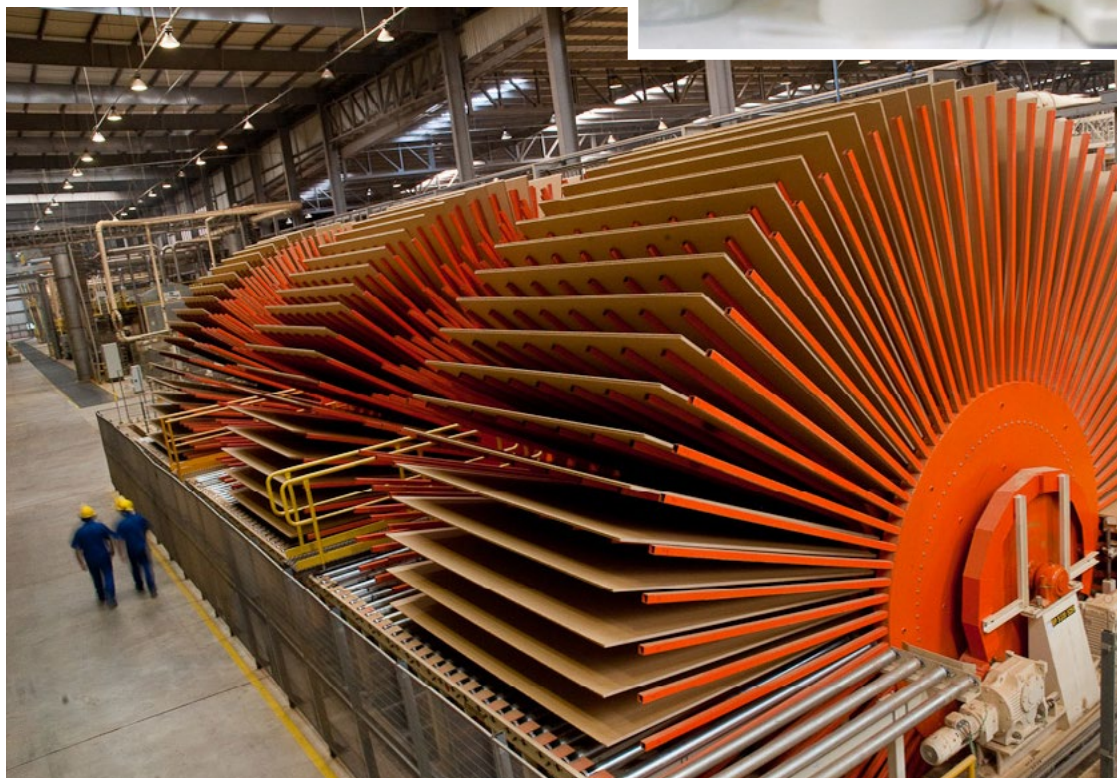
Through our activities, we offer products and services that contribute to improving people's quality of life and to sustainably creating value for all or our stakeholders – shareholders and investors, employees, suppliers, customers, the communities surrounding our units and society in general. Under our operating model, we seek to anticipate trends so that we are able to adapt and meet the needs of our publics.

To expand this value creation, the growth of our business is based on a solid governance structure and consistent strategic planning, which considers social, environmental and economic impacts and that has three guiding pillars: increased exports, organic growth of production capacity and acquisition of new business in segments that have related opportunities for the markets in which we operate.

In relation to the new macroeconomic scenario and market conditions, we began reviewing this strategic planning in 2016 and will finalize this review in 2017, presenting new goals to be achieved by 2025. We also began a wide-ranging project to revitalize the company's corporate culture, focused on reinforcing ethical values, revising aspects that require improvement and incorporating new attitudes that will lead us towards

strategic goals. This movement involved shareholders, the executive board, managers and coordinators in order to build **Our Way of Being and Doing**.

Throughout 2017, our new culture will be introduced and spread to all company employees, using long-term work that will consolidate the most efficient and productive way for us to do business.



In 2017,
our new corporate
culture will begin
to be spread to all
employees

Pilars for sustainable development

G4-2

The social and environmental impacts of business are also considered in strategic definition of our investments and action plans. The way we address these aspects within activities and operations was improved over the last year, with the review of the Sustainability Strategy, which was collectively created by Duratex areas and managers in 2016, with broad involvement of the Sustainability Committee and submitted for analysis and approval by the Board of Directors.

The strategy has pillars and relevant themes upon which we have established the social and environmental performance targets to be achieved by 2025. For each pillar, we also defined our aspirations, which show our commitments to the sustainable development of business and society. Starting with the 2017 Annual Report, we will begin to provide accountability for these commitments to all of our stakeholders.

Since 2013, when we formalized our first sustainability commitments, we have expanded incorporation of

corporate responsibility into the company's management. In the last five years (2012-2016), we reduced waste disposal by 31%, due to internal reuse actions – the reduction in production volumes also contributed to this decline. Direct emissions of greenhouse gases decreased by 29%. Another step forward was OHSAS 18001 certification of 11 units between 2015 and 2016, establishing guidelines and standards for increased safety of operations and to prevent accidents.

With the review of the Sustainability Strategy, we are trying to make our goals and commitments even more clear and aligned with the reality of the production and administrative areas, dividing responsibility among all employees so that our growth is continual and perennial.

This evolutionary and learning process is proof of our commitment to improving our management and growing value creation. In the upcoming chapters, we will describe the connection of actions and investments made in our business with the pillars and relevant themes in our Sustainability Strategy.

Sustainability strategy

PILARS	Sustainability strategy			New businesses models
	People	Processes	Products and services	
		Extending the positive environmental impact throughout the chain	Innovating with sustainable solutions	
ASPIRATIONS	Developing people and creating a value network	We continually improve the operations, targeting environmental balance in the value chain	We aim to be a benchmark in supplying competitive and sustainable solutions that combine design, technology, high quality and innovation	Building new business with sustainability
	We promote the development of employees, customers, consumers and local communities			We seek new business models which create value for the stakeholders regarding the environmental, social and economic challenges
TOPICS	<ul style="list-style-type: none"> Working conditions and employee development Customers and consumers engagement Local community relations and development 	<ul style="list-style-type: none"> Ecoefficiency Climate change Sustainable forest management Sustainable supply chain 	<ul style="list-style-type: none"> Sustainable raw materials and solutions 	We do not cover material themes to our business in this pillar, but rather investigative areas that are being analyzed by the shareholders. This work is treated as strategic and confidential, which is why we do not report on it in a specific chapter of this document

How we build our Sustainability Strategy

G4-24 | G4-25 | G4-26 | G4-27

The process of building our Sustainability Strategy began with analysis of internal Duratex policies and documents, of current practices and of evaluations of our performance using platforms and methodologies recognized by the market – DJSI (Dow Jones Sustainability Index) and the ISE (BM&FBovespa Corporate Sustainability Index).

We also surveyed inputs and assessments using interviews with company executives and external stakeholders (opinion-makers), in addition to studies and documents produced by organized civil society organizations – such as the FSC®. We furthermore performed benchmarking studies, involving evaluation of the sustainability management strategy and mechanisms used by 15 companies in the wood, sanitary ware and metals and electric showerheads sectors as well as representatives from other segments recognized for having adopted good practices.

Next, through an executive workshop and recommendations from the Sustainability Committee and the Board of Directors, we are enhancing our aspirations and material themes within each pillar of the Strategy. The challenges and opportunities of each topic were discussed over eight thematic meetings involving employees from several areas of the company. These groups also did intense work to collectively build targets to reach by 2025 for each theme, along with strategic planning. In 2017,

we will establish a performance management system that will help us to identify the need to make course corrections. We will also begin to provide annual accounting for this performance. We already reported some environmental indicators on a quarterly basis along with financial results in 2016.

The diagnosis made based on this information, with support from external consultants, shows that sustainability is part of the view of shareholders and is found within the company's strategic guidelines. However, we have the challenge of translating this vision to all of our employees using greater proximity to the business, so that goals are clearly understood and pursued and the value we create for society can be better measured.



Definition of the materiality matrix G4-18

The content of our Annual Report is aligned with the pillars of our Sustainability Strategy and also considers the requirements of the ISE (BM&FBovespa Corporate Sustainability Index) and of the DJSI (New York Stock Exchange's Dow Jones Sustainability Index).

Material themes that define the scope of our Report are those found in the Strategy pillars. In addition to these themes, we identified the need to include the Governance and Compliance theme in the report, providing accountability of our management in the ethical and transparent execution of our activities.

All material themes are transversally relevant to our activities. Each topic has more or less relevance at each business according to the goals established in the Strategy. Geographically, aspects are material in all regions where our units are located. G4-20 | G4-21

The investments and initiatives we develop related to each theme contribute to promoting sustainable development and are in line with global corporate responsibility demands, such as the 17 SDGs (Sustainable Development Goals) proposed by the United Nations. In the upcoming chapters, we will use icons to show our stakeholders the SDGs most strongly related with each material theme.



In addition to the Sustainability Strategy's pillars, our Report considers market demands such as ISE and DJSI



PEOPLE

Developing people and
creating a value network

OUR ASPIRATION

We promote the development
of employees, customers, consumers
and local communities

STRATEGIC TOPICS



Working conditions and employee development G4-DMA

WHY IS THIS TOPIC RELEVANT?

Creating and maintaining a safe and motivational workplace is essential to achieving our strategic goals. Our employees have a higher level of engagement and commitment with the values and organizational culture when we support their professional development and reduce the risk of accidents in our operations.

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDGs:



OUR ADVANCES IN 2016

The human capital management strategy at our company was revised in 2016, regarding new challenges and priorities. We made a balance sheet of action plans executed since 2014, when we defined our objectives in line with strategic planning, and we redirected initiatives – such as updating the leadership succession map – in order to guarantee that we are always able to have employees who are prepared and engaged to take over new positions.

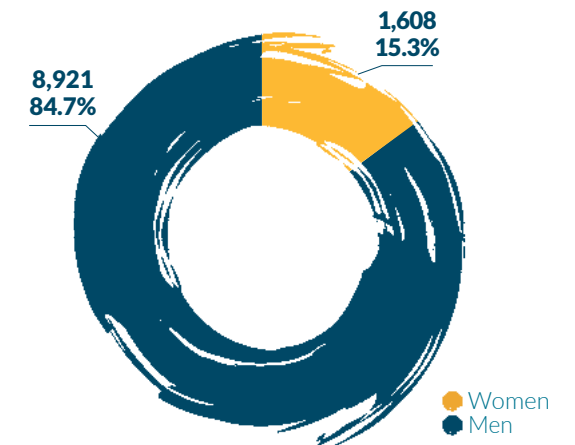
There were 11,100 employees at the end of 2016 in our units in Brazil and abroad, 9.7% less than in relation to our team in 2015. Most (57%) staff reductions took place

in Colombia. In Brazil, we are implementing actions to improve the use of the production capacity at our factories in Tubarão (SC) and Aracaju (SE), while also adjusting the production level at other industrial units to market demands. Based on these factors, there was a need to adapt the staff. At Hydra-Corona, we shut down operations at the electric showerhead unit in Guarulhos (SP) to better use production capacity. G4-13

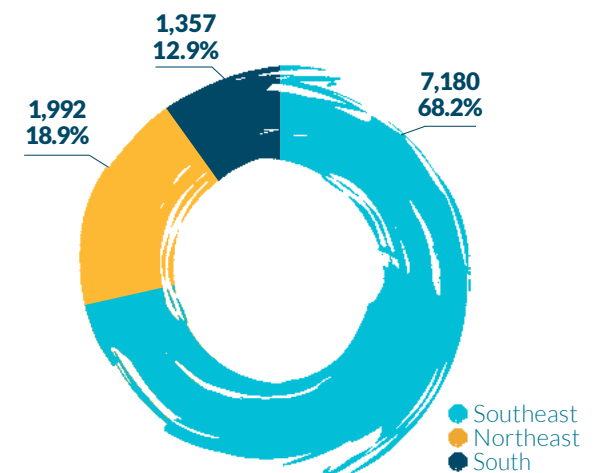
Also in 2016, we carried out the third edition of our trainee program, which received over 11,000 registrations from recent graduates. The 18 professionals selected started working at the company in early 2017.

Integrated Personnel Management, fewer accidents, promotion of diversity and education for sustainability were some of our highlights during the year

Employees in Brazil by gender* G4-10



Employees in Brazil by region* G4-10



*Does not consider the Duratex's 584 employees abroad.

Competency assessment - G4-DMA

Within our operations, our goal is to foster and offer opportunities so that our employees are able to develop at the company. GIP (Integrated Personnel Management) is an integrated system that provides support for all of the tools and processes we execute to do this.

In the annual competency assessment cycle, employees eligible to take part in the process perform a self-assessment of their performance and are assessed by their managers. These assessments are gauged at a later stage and used during feedback meetings, where each employee, along with their leader, defines a PDI (Individual Development Plan) for the next cycle. In 2016, we held training for managers that conduct these assessments and established tools that make it possible to better show our employees' competencies and strengths.

This is an important step for us to overcome the challenge of continually developing leaders who are open to dialog, which strengthens our ability to attract the best talent to our business and keep them at the company. At the same time, the GIP provides tools to identify employees with the potential to hold leadership positions within our succession plan and to drive the company towards strategic goals.

The GIP competency assessment is being expanded every year, reaching a greater number of workers. In 2016, in addition to the directors, managers and coordinators, specialists and supervisors from all of the units and senior analysts from the central office were systematically included. At the Aracaju (SE) unit, leaders were assessed for the first time as part of the pro-



cess of integrating Corona, which was acquired in 2015. Altogether, 691 employees were given performance assessments in the period. - G4-LA11

Based on definition of the PDIs, we encourage our employees to take a leading role in developing their careers and we contribute to this growth through training focused on leadership, strategic management and business know-how.

We held a total of 258,000 hours of training for our employees. One of the chief topics covered at training sessions held in 2016 was dissemination of the new organizational culture and of Our Way

ENGAGEMENT OF OUR EMPLOYEES

In 2016, we launched our Education for Sustainability Program, geared towards raising awareness and educating all of our employees on this topic. In a round of dialog with around 25 professionals, participants discuss the topics of energy, water, climate change, human rights, social and environmental risks, and more – and their impacts on the world, on Brazil and on their everyday professional and personal lives. In the last year, over 100 multipliers conducted dialogs in all of our units, reaching around 2,000 employees.

The goal of the Program is to raise awareness among and train the majority of our employees on the topic of sustainability before the end of the first half of 2017. Over 90% of industrial and forestry units, in addition to the central office, have already begun training.



of Being and Doing to shareholders, directors, managers and coordinators, with 23 workshops held for these groups. In 2017, this training will be expanded to all of our leaders, including the supervisory level, in order to continue to enhance leadership and management competencies in line with the new culture. Our Way of Being and Doing will be presented to all employees in 2017.



Diversity - G4-DMA

We believe that diversity is the source of added value, competitiveness and social responsibility. That is why we are clear in our Code of Ethics that discrimination is not allowed based on ethnicity, gender, political ideology, sexual preferences, religion, culture or disability. In addition to raising awareness among leaders, we have an Ombudsman that investigates and takes necessary measures in relation to reports that may come in regarding this topic.

In this respect, we work on a few different fronts. One of them is “For All”, an inclusive program for PCDs (workers with disabilities). There are currently over 400 PCDs spread throughout our operating units.

To discuss the topic of women's empowerment, in 2016 we were the first company in the construction materials industry to become a signatory of the Women 360 Movement, which joins together companies willing to spread diversity and expand women's participation in the Brazilian job market. **G4-15**

At the end of 2016, Duratex had 262 apprentices. The Formare Apprentice Program, offering low-income young people from the communities where we operate the opportunity to get their first job as well as career and citizenship education, started during the year. The Program's first class within this new format – it was already a company tradition to execute the Formare Program from the social aspect (read more on page 36) – began in Botucatu (SP) with a class of 18 young people, ages 18 and 19. They are taking the Production Operator course, with practical and theoretical classes given by 38 volunteer employees. The program will be extended to our other units by 2018.

In regards to gender diversity, we are part of a group of companies that discusses and promotes the empowerment of women in the job market as well as in society – the Women 360 Movement. We have assessed the effectiveness of these practices and built action plans to foster gender equality. In order to make it easier for employees to readapt after maternity leave, we provide a day-care stipend, with a variable duration according to each business unit. In addition, we have adopted the practice of consolidating breastfeeding breaks during one hour at the start or end of the work day, as the mother chooses, until children are six months old.



Botucatu (SP) and Uberaba (MG) paneling units and for the Botucatu and Lençóis Paulista (SP) forestry units. Another seven units had already been certified in 2015 and underwent the certification maintenance process in 2016.

Over the last year, our leaders made over 21,000 observations in industrial operations, in the forestry management areas and in offices. Within this procedure, managers assess the activities performed by employees from an operational safety standpoint and provide feedback that praises good practices and discusses points of caution and improvement to be implemented.

In 2016, we achieved a 39% reduction in accidents compared to the previous year and our strategy is to continue working to lower the accident frequency rate with our own and third-party employees.

Safety - G4-DMA

To promote an even safer workplace for our employees, we rely on the Duraseg Management System, whose actions are aimed at raising awareness and at dialog among leaders and teams to foster a culture of safety and observation of situations of risk. We obtained OHSAS 18001 in 2016 for the

Duraseg results



FEWER ACCIDENTS*



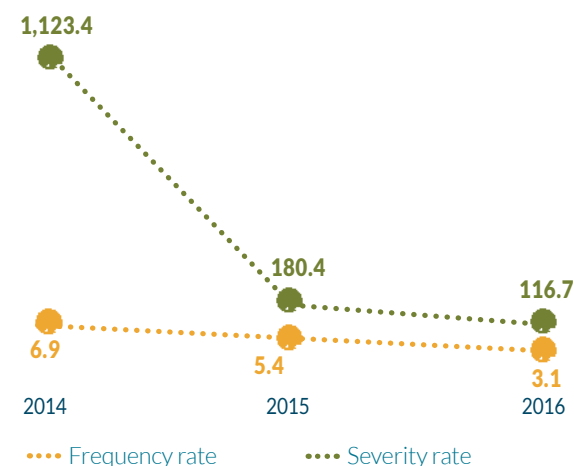
LESS HOURS LOST ON ACCIDENTS WITH TIME OFF*



SAFETY OBSERVATIONS MADE BY LEADERS

*Comparison between 2016 and 2015. Data for 2015 were adjusted and now include information for the Central Office and for Hydra-Corona Tubarão. In 2016, we also included data for Hydra-Corona Aracaju and Guarulhos, which began to be monitored in this last year.

Safety indicators - G4-LA6



OUR FUTURE VISION

The investments we make to provide a safe and motivational workplace for our employees contribute to increasing engagement with our strategy and in working towards established goals; yet we can still enhance our practices to encourage dialog, cooperation and an exchange of ideas among all teams, elements that are essential to valuing our human capital. In this sense, under the theme of work conditions and employee development, we have undertaken the following commitments, to be achieved by 2025:

- To have attendance rate with time off equal to or less than 1 for company and third-party employees
- To have a rate of adhesion to the new culture equal to or more than 85%
- To be among the best companies to work for (by 2020)
- For 80% of leaders to be recognized for honest and open dialog and for personnel development
- To have 70% of jobs filled through internal transfers

Customers and consumers engagement G4-DMA

WHY IS THIS TOPIC RELEVANT?

Our company seeks to contribute to well-being and improving people's quality of life, reducing the environmental impact in production processes and in the useful life of products. We want our customers and consumers to increasingly recognize and appreciate the attributes of innovation and sustainability in our products. And to do this, we should stay focused on the high standard of product quality, on excellence in service and in services provided and on building new solutions along with these publics.

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDG:



OUR ADVANCES IN 2016

At the Wood division, we serve the furniture, civil construction and retail industries; and in the Deca division, our partners include a broad and diverse customer base – home improvement centers, small construction goods stores, builders, hotels and shopping centers, and more. Architects, carpenters, plumbing installers and other specialists are a relevant public in our market, since they deal directly with our products and are able to reinforce their qualities and differentials for end consumers.

Building loyalty to our brands with these publics is part of our operational strategy. We are constantly making investments in this by developing different relationship channels. Notable among these is the Deca Design Space, located in the city of São Paulo, where

architects and customers can see the latest products and launches from our portfolio and can find inspiration to develop their projects, with contributions from our technical team.

We offer free courses and training at our industrial units for carpenters and plumbing installers. In 2016, investments of around BRL 766,000 were made in these initiatives, positively impacting over 16,000 professionals in the sectors we serve. We will seek to further expand these actions in the coming years, reinforcing the loyalty of these opinion-makers to our brands and the recognition of our products' attributes of sustainability and innovation.

To support resellers and storeowners, with a focus on small and mid-sized retailers in the construction goods sector, one of our biggest

advances was the directing of specific sales promotion campaigns. For instance, the "I'm with Deca" program promotes loyalty among these customers by offering a product mix suited to the sales profile along with market and publicity tools that contribute to driving sales for our customers.

We have made progress in the use of market intelligence tools so that we are even more agile in identifying our customers' needs; this allows us to monitor the evolution of our customers' sales to end consumers (the so-called sell-out) and to forecast market trends.

One of the biggest innovations we put into practice is the Enter Project, a new sales model supported by digital tools that will give us an even closer and more efficient relationship

Stronger partnerships with customers, training for installers and agility in service were our biggest actions for the year

INSTALLER FESTIVAL

The Installer Festival, an event aimed at plumbing industry professionals, was held once again at the Jundiaí (SP) unit in 2016. Approximately 2,300 installers come for a social event at the factory and learned about our industrial facilities and production processes while taking part in free training and courses.

We aim to use this initiative to strengthen relations with these professionals and influence them to choose our brands' products. Training actions give us the opportunity to educate the workforce and show the quality and innovation differentials of our products.



with customers. The central element of the project is software that will make interacting with our target audiences more agile and will even allow orders to be made online and virtually tracked in real-time. Tests of the new platform were carried out in 2016 and implementation is expected to be finalized in the first half of 2017.

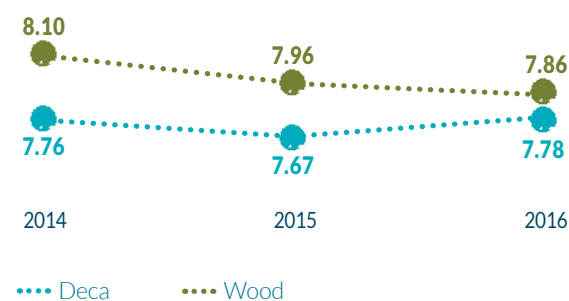
Every year, we carry out satisfaction surveys with the various clients in the Deca and Wood divisions, conducted by an external and independent organization that is a global leader in customized surveys. The data found allows for monitoring the rate of satisfaction by product type and by different customer groups, in addition

to providing extensive analyses for each aspect evaluated and regarding the company's relationship with its customers. This information is fundamental to enhance our strategies and processes, strengthening our brands and relationships with this public. **G4-PR5**

At the Wood division, the overall rate of satisfaction of our customers was slightly lower and the main opportunities for improvement are in the service channels and in the product delivery service. The rate for the same period for the Deca division was higher among major customers. It is worth noting that the recommendation rate in the Deca survey was 90%. **G4-PR5**

Rate of customer satisfaction (0 to 10)

G4-PR5



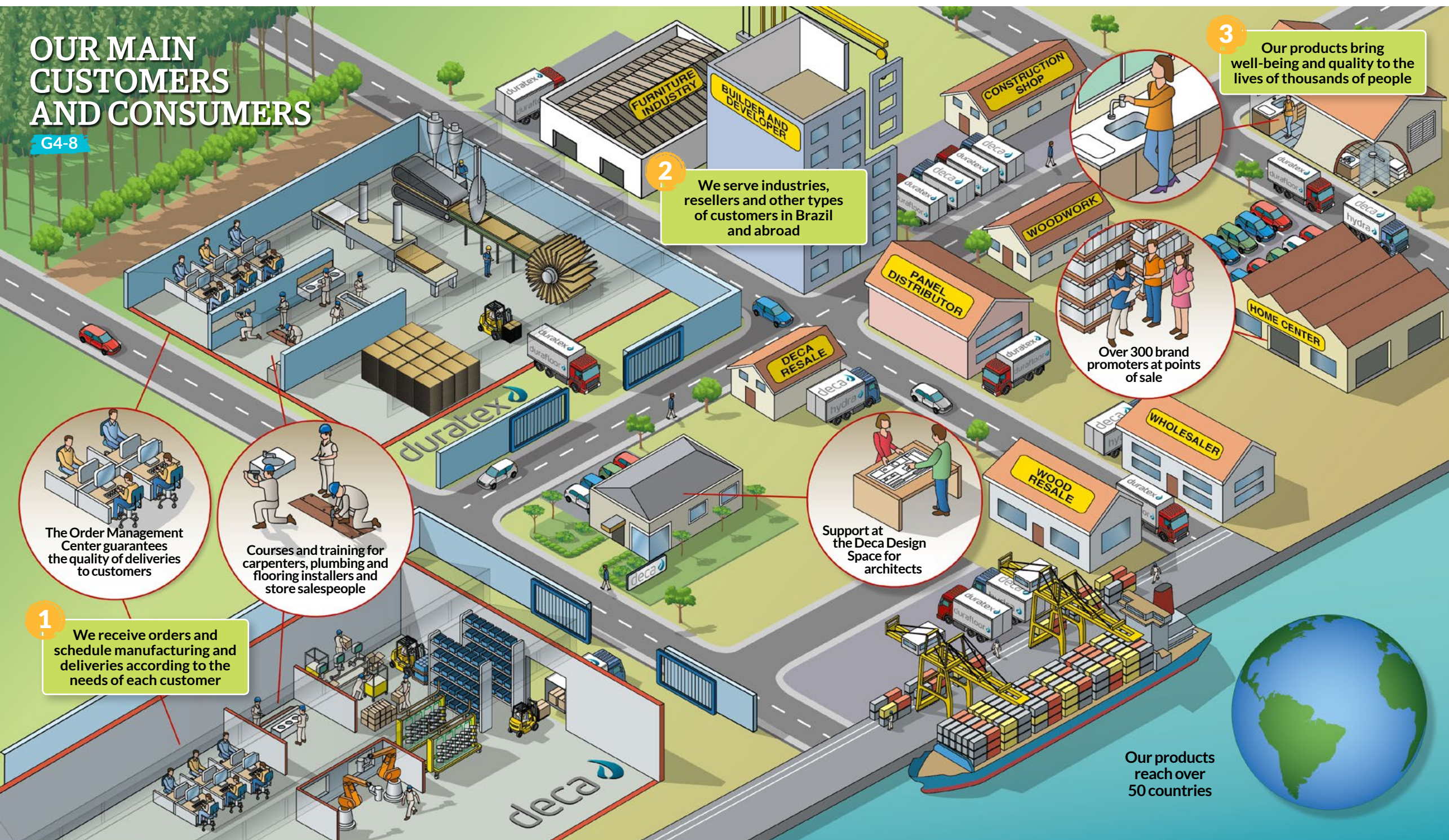
OUR FUTURE VISION

With the growth of digital communications tools in recent years, interaction with customers and consumers has been more and more dynamic and agile. We want to work even more closely with these publics and be able to provide innovative solutions not only through products, but also through services that meet their needs. By forecasting demands and jointly and collaboratively creating solutions, we will increase people's well-being and recognition of our attributes of innovation and sustainability. In this sense, under the theme of customer and consumer engagement, we have undertaken the following commitments, to be achieved by 2025:

- To develop 50% of the product portfolio using the co-creation model
- For 90% of carpenters, installers and electricians to be trained/qualified
- To be the favored brand of 60% of carpenters and 70% of plumbing installers and electricians
- For 20% of revenue from Wood Authorized Technical Assistance Posts (*Postos Autorizados de Assistência Técnica - PAATs*) to come from our services
- To be recognized by 90% of domestic market consumers for the attributes of sustainability and innovation
- To be recognized by 50% of foreign market consumers for the attributes of sustainability and innovation

OUR MAIN CUSTOMERS AND CONSUMERS

G4-8



Local community relations and development G4-DMA

WHY IS THIS TOPIC RELEVANT?

Our industrial and forestry units are spread across various regions of Brazil and our business model generates value for neighboring communities through social initiatives and projects. It is important to develop mechanisms for dialog that allow for identification of the demands and needs of this public in relation to our activities in order to direct our investments and increase our capacity to promote the well-being of people across our value chain.

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDGs:



OUR ADVANCES IN 2016

To enhance and strengthen our relations with the communities neighboring our units and to promote their development along with our business, in 2016 we focused our efforts on identifying the publics that are impacted and influence our activities in the regions where we operate. Mapping of these community stakeholders is important to support actions and projects that will be developed over the coming years.

As a second step, we put together mechanisms to identify and understand the demands of our neighboring communities. Last year, we held two Dialog Sessions with this public to find the most critical topics for the

region and define our action in order to contribute to resolving local demands. These two initiatives took place at the Deca division unit in São Leopoldo (RS) and the Wood division unit in Agudos (SP). At these meetings, we open up space to share perceptions, challenges and opportunities with community members, neighboring companies, the government and other relevant local players. The result of these listening sessions provides support for us to enhance our action in the region and to evolve our local engagement strategy. As of 2017, other communities will be heard through the Dialog Sessions. G4-SO1

We have structured systematic processes to listen to demands from local communities and share experiences

"We were invited to a talk with Duratex and were able to discuss the situation in the city and the company's participation to improve this coexistence. It was a quite interesting experience; I'd never taken part of an activity like this."

Janete Guerini
*Associação Vida Nova,
in São Leopoldo (RS)*

At forestry units, some of the main aspects highlighted by stakeholders are an increase in dust and occasional damage to unpaved roads caused by truck traffic during the wood harvest. To minimize these impacts, we developed strict logistics planning and executed preventive actions, such as wetting routes prior to use and changing operating hours.

G4-EN34 | G4-SO2

OUR VOLUNTEER PROGRAM

In 2016, we built the D+ Value volunteer program at the company, offering our employees the chance to have new experiences and to be able to use their skills and abilities to benefit communities. The program was launched on December 5 (International Volunteer Day) and, for its first action, it promoted the sponsorship of 1,500 socially vulnerable children attending school at or living at 26 charity organizations in the regions where we operate.

D+ Value initiatives and actions are built around three cornerstones:

- Citizenship: encompasses drives and visits to philanthropic organizations.
- Education: aimed at promoting professional training in the communities where we operate.
- Environment: promotes raising awareness and spreading information about the environment to society through volunteer talks.



In industrial operations, the main local impacts identified were at the Metals São Paulo (SP), São Leopoldo (RS) and Tubarão (SC) (Deca division) and Uberaba (MG), Agudos (SP) and Taquari (RS) (Wood division) units, located near urban areas. Topics of concern in these communities are related to noise and emission of particulates. We have developed a Monitoring Plan at these locations to guarantee that sound and air pollution are within legal limits and we have created a formal procedure for registering, processing and resolving the demands of these publics. Moreover, the online service channels of

the Ombudsman and Sustainability Division are available to receive complaints and grievances.

G4-EN34 | G4-SO2

Investments in social projects are aimed at benefiting the communities surrounding our units. Our strategy of action is carried out based on two main focuses – Education and Environment. On the educational front, one of the main initiatives is the Formare Program, held in partnership with Fundação lochpe, which offers professional education courses at Duratex factories for low-income youth. The Program received an investment of BRL 665,000 in the last year. **G4-EC7**

In 2016, within the ProÁgua program (read more on page 57), we remodeled all of the bathrooms at the Luz e Lápis Early Childhood Education Center, which provides free schooling for 234 children ages 1 to 6 at its two units on the south side of the city of São Paulo. Under the scope of the recently launched volunteer program (see more in the chart), we also sponsored the Institution in a toy drive for Christmas, relying on the support of several company volunteers in collecting products and delivering presents. Also last year, cost-saving Deca products were donated to remodel bathrooms at Hospital Amparo Maternal, which serves pregnant teens at social risk.

In its first major initiative, the D+ Value volunteer program sponsored 1,500 children at 26 organizations

ENVIRONMENTAL EDUCATION AND SOCIAL USE OF OUR FORESTS

Through a visiting center open to the public at the Agudos (SP) unit, known as the AVAP (Piatan Environmental Experience Area), we seek to spread the concepts of sustainable planted forestry management to communities along with the social and environmental benefits of our activities. This location has a multimedia room, an expo center and trails in the forest area so that visitors can see the companies production processes and learn about the measures adopted to preserve natural resources and care for people. We welcomed around 3,000 visitors, mostly hotel executives from big chains.

We also continually use our forests socially, which consists of making use of the structures in our planted areas to carry out production or recreational activities other than wood production. Partnerships are currently developed to create bee colonies and produce honey, to use pasture areas in forests, to grow crops in areas where trees cannot be planted, to use roads for hiking, biking and rally competitions and to hold military training.

All of these activities meet the demands of local communities and follow guidelines to certify the benefits generated. Public presence in forest areas contributes to spreading the importance of the care and benefits of forestry management, while also supporting oversight of any instances of non-compliance and identifying forest fires.



OUR FUTURE VISION

Our business model creates value for society and contributes to social development in the regions where we are present. By opening up dialog with neighboring communities, through interaction between our employees and local representatives, we are able to better identify regional demands and apply efforts and resources towards relationships with these publics, in an integrated manner and in connection with our strategic planning. In this sense, for the theme of relationships with the community and local development, our commitments for 2025 are:

- An 80% approval rate for the community engagement process
- 100% of managers exposed to a local community experience
- 10 employees per operating unit acting as agents of engagement, qualified to hold a dialog with the community
- Influencing two public policies per location where we are present
- 75% recognition of the attribute of social and environmental responsibility within the communities where operational units are present
- Measuring and communicating positive impacts in 100% of the communities where operational units are present

PROCESSES

Extending the positive environmental impact throughout the chain

OUR ASPIRATION

We continually improve the operations, targeting environmental balance in the value chain

STRATEGIC TOPICS



Ecoefficiency G4-DMA

WHY IS THIS TOPIC RELEVANT?

To develop alternatives for continued growth with less water and power consumption and less generation of waste and effluents, it is essential to guarantee the longevity of business and contribute to the environment. Companies that plan for this scenario, where there will be fewer natural resources and companies that are concerned with having a positive impact also expand their opportunities to lower costs, mitigate risks and make gains in competitiveness. In this sense, the premises of our business are to enhance our efficiency in environmental aspects and reduce the pressure we exert on the availability of inputs and the quality of the environment.

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDGs:



OUR ADVANCES IN 2016

We adopt best environmental management practices in our forestry and industrial operations in order to promote efficient use of natural resources and minimize our environmental impacts. The goal of our investments and projects that we develop is to:

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

To boost ecoefficiency in our processes, we make continual investments in modernizing our equipment and in adopting different solutions. In 2016, our investments in this area totaled BRL 41.3 million. Of this total, 58% went to adequate waste disposal, treatment of atmospheric emissions and maintenance and operation. G4-EN31

Environmental management of our business, including monitoring of risks and action plans for mitigation, follows the guidelines of our Environmental Management System (SGA), certified at ten units according to the ISO 14001 standard. Through the environmental modules of the SAP tool, we monitor different indicators related to consumption of energy, fuel and water along with treatment and disposal of effluents and waste. G4-14

In 2016, we finalized enhancement of this system to guarantee uniformity between our operating units, processes and controls for these indicators, making information more reliable and making analysis of our environmental performance more agile. This oversight is done monthly, at meetings involving unit managers where action plans are discussed and defined in order to guarantee that the targets established are met. During the same year, we also began to report on this performance to company investors on a quarterly basis, along with financial results. G4-14

Water and effluents G4-DMA

We remain focused on continually reducing the environmental impact of our processes



To promote reduction in water consumed in our operations, we are constantly striving to enhance efficiency through initiatives and new reuse technologies.

At the Wood division, the main investments in new equipment and solutions of this kind were made nearly a decade ago and as a result we have reduced the amount of water needed to produce 1 m³ of product by nearly half. In the last

year at the Taquari (RS) unit, we finished a project to reuse effluents generated from manufacturing panels within the operation - the results of this initiative will be much more apparent as of 2017. In Botucatu (SP), we expanded the water recovery and reuse system used in the fiberboard production process for all of the unit's lines.

At the Deca division, the chief initiatives for

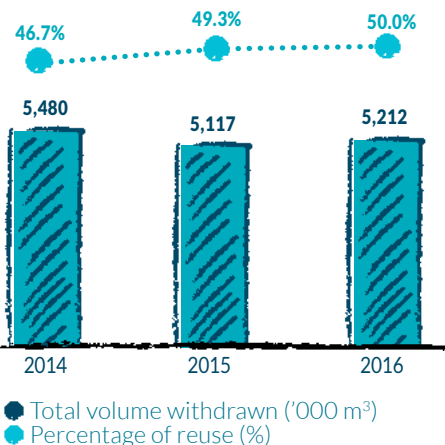
"Two years ago, concerned by the drought, we accelerated a series of actions to lower water and power consumption at factories. We mapped the units and began to adjust machinery, invest in automation and implement reuse. The operators already understood this motivation and suggested improvements and ideas to lower consumption of water, energy and inputs."

Ronaldo Ruas
Employee at Deca Metais

50% OF WATER COLLECTED IS REUSED

Water consumption*

G4-EN8 | G4-EN10



*Considers only units in Brazil.



reducing water consumption were related to enhancement of the reuse and leak monitoring processes. At the Metals units, improvements to the electroplating production stages and baths for parts also contributed to lowering water consumption. At the Aracaju (SE) unit, we made changes to the water recirculation system used in quality testing, which is no longer discarded.

Water consumption in 2016 totaled 5.2 million m³. Despite the enhancement initiatives carried out, our consumption was 1.9% higher year-over-year, as a result of production being directed to less water-efficient lines. In spite of this increase, water reuse in our processes rose to 50.0% of total water collected (2.6 million m³). In Colombia, Tablemac collected 147,500m3 of water at its units, 27% less than in 2015. **G4-EN8 | G4-EN10**

There were notable initiatives to recirculate water and control leaks in the last year



Water consumption per production (relative indicator)

	Target for the period	Performance in 2016
Sanitary ware	10% reduction	16.8% reduction
Metals	Maintain 2015 performance	13.4% increase, because the lower levels of production made it impossible to reach the maximum efficiency of the processes
Panels	Maintain 2015 performance	12.9 increase, due to the directing of production to less efficient lines for this aspect

Effluent discharge per production (relative indicator)

	Target for the period	Performance in 2016
Sanitary ware	7.7% reduction	27.9% reduction
Metals	Maintain 2015 performance	3.4% reduction
Panels	Maintain 2015 performance	10.9 increase, due to the directing of production to less efficient lines for this aspect

EFFICIENCY ACROSS THE PRODUCTION CHAIN

In addition to adopting alternatives for our operations to have less environmental impact, we also seek to identify and quantify the footprint of our products across their production chain. In 2016, the Deca division kicked off a pilot project, done in conjunction with GVCes (Fundação Getúlio Vargas Center for Sustainability Studies), to study the water and carbon footprint of the Aspen faucet, one of the company's bestselling models in its competitive line. The goal of the study was to do a complete analysis of the environmental impacts, from extraction of raw materials to its post-consumer disposal. We expect to include the analysis of this products entire life cycle in 2017. A similar water footprint study was done two years ago for MDF at the Wood division.

Another initiative we continued in 2016 was the expansion of Catchment Basin Assessment studies, carried out from 2013 to 2014. In the last year, we have finalized mapping of risks and water dependence at our units, considering the volume used in production processes, the region where the factories are located and the collection sources used. This study contributes to reaffirming that our actions to reduce water consumption are on the right path.

To make our water management and management of water risks more transparent, we voluntarily take part in the CDP Water program, a global reporting system of environmental performance indicators that assists investors in the decision-making process. Our 2016 report was given a grade of B (on a scale of A to F).



Energy - G4-DMA

We are constantly seeking to increase the energy efficiency of our production processes within our business and to expand the use of renewable resources in our energy mix. In 2016, 73.2% of total energy we consumed was generated from clean sources. Considering this renewable portion, 71.8% was generated from use of biomass.

Because biomass is a renewable input that results from our own production process, development of projects that increase its reuse to generate thermal energy are quite relevant within our strategy. At the Taquari (RS) unit, in 2016 we finished installing mills that process waste from panel manufacturing, sending this waste to combustors that generate the hot gas needed to dry the wood particles. With this, the factory has practically stopped consuming fossil fuels and generated an annual savings of approximately BRL 3 million in the production process – also meeting the SGD (Duratex Management System) guideline of being more efficient and lowering costs. This technology had already been incorporated at the Itapetininga (SP) unit in 2015.

At the Metals São Paulo unit, different investments were put towards modernizing industrial equipment and factory facilities, leading to an approximately 30% reduction in monthly electricity consumption from 2014 to 2016. Our initiatives were recognized by the 22nd edition of the Fiesp Environmental Merit Award. Among other actions, we installed capacitors to better use energy in metal smelting ovens, we modern-

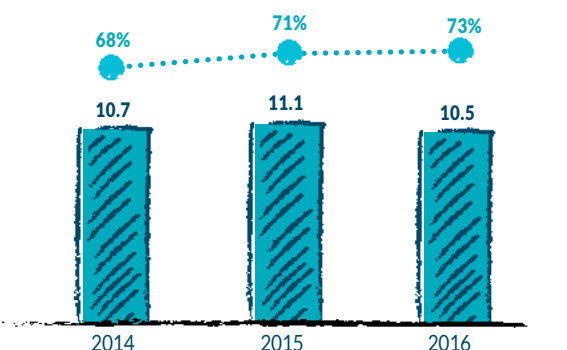
ized compressed air generation and electroplating systems and we automated lighting systems to prevent waste.

In 2016, our total power consumption was 10.5 million GJ, 4.9% less than the year before. In Colombia, another 677,000 GJ was consumed by Tablemac, 71.9% more than in 2015; this was the result of improvements made to reporting of data and increased consumption of some fuels, such as LPG. - G4-EN3¹

¹Preliminary data are subject to change based on the auditing process.

73.2% OF ENERGY CONSUMED IS FROM RENEWABLE RESOURCES

Energy consumption* - G4-EN3¹



● Total energy consumption (millions of GJ)
● Percentage of renewable sources in the energy mix (%)

*Considers only units in Brazil.



Electricity consumption per production (relative indicator)

	Target for the period	Performance in 2016
Sanitary ware	6.4% reduction	Increase of 5.9% (Deca Sanitary Ware) and 11.6% (Deca Metals), because the lower levels of production made it impossible to reach the maximum efficiency of the processes
Metals	Maintain 2015 performance	
Panels	Maintain 2015 performance	1.0% reduction

Energy consumption per production (relative indicator)

	Target for the period	Performance in 2016
Sanitary ware	Redução de 11,7%	14.5% reduction
Metals	Maintain 2015 performance	12.2% increase, because the lower levels of production made it impossible to reach the maximum efficiency of the processes
Panels	Maintain 2015 performance	3.6% increase, due to the directing of production to less efficient lines for this aspect

Materials and waste - G4-DMA

Looking for alternatives and solutions to reuse materials in our production process, or in other production chains, is a constant in our operations. With the investments we have made over recent years, we have been able to reduce waste discarded as well as waste sent to landfills.

In the fabrication of sanitary ware at the Deca division, parts that do not meet quality standards are reprocessed in grinders, allowing some of the material to be re-incorporated into production of the ceramic clay. Within this stage, we also reuse some of the clay recovered in the effluent treatment phase. In 2016, around 33,000 tons of material was recovered at sanitary ware factories.

In the metal production process, 100% of brass and bronze waste is recovered. We also capture zinc oxide waste from foundries and recover nickel hydroxide from electroplating, which is resold to third parties to be incorporated at other industrial stages. We recycle residual material from plastic injection at the Jundiaí (SP) metals and Hydra (SE and SC) showerheads units.

In the Wood division, one of the biggest initiatives is reuse of biomass ash, resulting from the thermal energy generation process, and of sludge, coming from the ef-

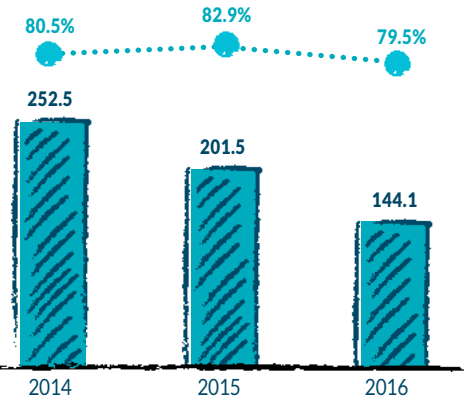


Waste sent to landfills

	Target for the period	Performance in 2016
Sanitary ware	4.8% reduction	7.7% reduction
Metals	Maintain 2015 performance	13.3 reduction
Panels	Maintain 2015 performance	24.1% reduction



Waste disposal*
G4-EN23



*Considers only units in Brazil.
**Includes waste sent for recycling, reuse, co-processing, composting and power generation.

The total volume of waste discarded in 2016 was 28.5% lower than in the previous year

fluent treatment process, which goes to composting plants that produce natural fertilizers used in our forest areas. We have two composting units, in Agudos (SP) and Uberaba (MG), which prevented 22,000 tons of waste from going to landfills in 2016.

Duratex sent 14.6% less waste to landfills and total waste discarded was 144,000 tons, down 28.5% from 2015, as a result of a dip in production and internal reuse of waste. In relation to consumption of materials, 3.6 million tons of total inputs were used at the Wood division, with 89.4% of this volume coming from renewable sources. At the Deca and Hydra-Corona units, we consumed 173,500 tons of raw materials, in addition to 213 million components (parts for our products that had already been processed when we acquired them from our suppliers).

G4-EN1 | G4-EN23



"I began working at Duratex 14 years ago and was able to accompany the company's growth. I currently work in the environment area and I monitor the compound organic fertilizer factory we have at the Agudos unit. All of the sludge from effluent treatment and the ash from boilers used to be sent to landfills, but now it is reused and becomes raw material to produce the fertilizer we used in our own forests, closing the entire cycle. I see that this kind of care and investment by the Company motivates workers to adopt more sustainable behavior and they are proud to tell their kids about the good practices in use at the place where we work."

Priscila Serralvo Rodrigues
Employee at Panels

OUR FUTURE VISION

Scarcity of natural resources and the social impacts of industrial operations are significant risks to the longevity of the business. Increased power generation costs and a lack of available water during droughts are, for example, aspects that increase risks and require innovations and continual improvement. Moreover, promoting environmental conservation has been part of the company's culture since it was founded, originating with our own shareholders' vision for the business. In this sense, under the theme of ecoefficiency, our commitments to achieve by 2025 are:

- To cut relative water consumption by 10%
- To send 20% less relative waste to landfills
- To have 95% of the energy mix come from renewable resources to generate thermal energy at Paneling units (by 2018)
- To lower relative energy consumption at Deca and Hydra by 20%
- To consider social and environmental criteria in 100% of new project development
- To perform LCA (Life-Cycle Assessment) for the highest volume products in each business
- To implement a social and environmental program within two years at acquired companies

Climate change G4-DMA | G4-EC2

WHY IS THIS TOPIC RELEVANT?

One of the world's biggest challenges today is to keep global temperature increases below 2°C. We recognize the role of companies in this context, not just in reducing their emissions, but also in engaging the publics in their value chain so that we can contribute to these efforts in a cooperative way. Climate change and its consequences can pose a major risk to today's economies, but they can also become a driver for the development of new technologies and lower-impact business models. The low carbon economy is a road of no return.

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDG:



OUR ADVANCES IN 2016

Management of climate change has continually evolved at our company, through studies and partnerships that allow us to identify risks and opportunities for our business associated with this theme. In 2016, we began to implement the Low Carbon Economy Plan, aimed at enhancing insertion of this theme within our business so that it is considered more and more in our strategy and in decision-making.

The first of the three phases planned to implement the Plan will be finalized in the first half of 2017 with a broad diagnosis of the company's greenhouse gas emissions history, practices from benchmark companies on this theme, market trends and demands regarding climate change (such as ISE, Dow Jones and CDP), related laws and agreements (such as the Paris Agreement), and more. The next steps will be aimed at promoting alignment of this entire diagnosis with the corporate strategy and at defining actions to mitigate emissions and adapt to climate changes, while also reporting on and communicating actions implemented with a focus on engaging with and educating our stakeholders.

Also as part of our actions on this theme, we revised mapping of risks and opportunities associated with climate change in the last year. Each risk and opportunity was detailed according to the potential impact it could generate, such as increasing operational costs, generating more revenue, etc. We also mapped the likelihood for these risks to occur, estimated the time in which they could occur and the magnitude of the impact and looked at possible financial implications and mechanisms that we have adopted to manage them. The Low Carbon Economy Plan will also contribute to our enhancement of this mapping.

For 2016, we focused on development of a Low Carbon Economy Plan, action in discussion groups on this topic and understanding carbon pricing



The map of risks associated with climate changes is available to stakeholders in the questionnaire we voluntarily submit to the CDP every year. Those interested can register for free at www.cdpla.net and access the document using the website's search engine.

In 2016, we moreover sought to make advances in estimating the financial implications for these risks and opportunities, using the carbon pricing already adopted in some countries and the possible rise in energy costs based on drought scenarios as premises. Other studies developed in 2014 and 2015, such as the pilot project to value ecosystem services and analysis of economic sensitivity to environmental aspects, also contribute to increasing our understanding of the possible financial impacts of this theme on our business.

These analyses are continually being expanded, as new information and research is developed internally or in conjunction with organizations working on this theme, such as the GVCes (Fundação Getúlio Vargas Center for Sustainability Studies) Companies for the Climate.

Since 2014, we have discussed evolution in carbon pricing and tools for adapting to climate change at this forum. We also collaborate with a Volunteer Emissions Trade System, which simulates a working Cap&Trade type emissions market. Under this model, the total volume of emissions is restricted and companies participating in the system buy and sell credits to manage their respective GHG emissions limits.

"Duratex is an active participant on the five fronts of corporate initiatives developed by the GVCes. In the Companies for the Climate platform, for instance, the company took the opportunity to try out the negotiation simulation environment and offered important contributions to our meetings."

Mariana Nicoletti

Researcher GVCes - Center for Sustainability Studies at Fundação Getúlio Vargas



This simulation not only prepares us for future trends in carbon pricing, but also allows us to contribute to building a possible economic instrument within the Brazilian market. At the end of 2016, the initiative submitted recommendations for building this market in Brazil to the Brazilian government, considering the experience we had in the group.

In the last year, we have also joined two work groups (Valuing Ecosystem Services and Restoration and Reforestation) of the Brazilian Coalition on Climate, Forests and Agriculture - a multi-sector movement bringing together companies in the forestry industry, pulp and paper, agribusiness, representatives of academia, trade associations and civil organizations in the environment and climate area. The Coalition advocates for 17 proposals to reduce greenhouse gas (GHG) emissions and promote a low carbon economy. Taking part in these meetings allows trends on this theme to be internalized at the company, relating them with businesses, maturing practices adopted, improving management of risks and opportunities and preparing for future scenarios. **G4-15**

In 2016, our Investor Relations manager took part in a meeting held by the FSB (Financial Stability Board), led by Michael Bloomberg, a businessman and the former Mayor of New York City, to debate how companies can report to the market on risks and opportuni-



ties related to climate changes, contributing to investment decisions.

Also last year, we welcomed Alexandre Kossoy, a specialist and leader in Latin America's CPLC (Carbon Pricing Leadership Coalition), to discuss advances in the global carbon pricing agenda. This topic began to be internalized at our company and included participation of the financial and investor relations areas to assess how these trends are related and are integrated with our business. Regarding reduction of GHG emissions, our main in-



initiatives were related with increasing renewable resources in our energy mix and the energy efficiency of our production processes. Projects to replace fossil fuels with biomass to generate thermal energy and actions to reduce energy consumption contributed to reaching our goal in 2016 (read more on page 43).

These efforts are continual and are maintained despite the fact that our business has a positive carbon balance. This means that during their lifecycle, the trees in our forestry areas capture more carbon from the atmos-

phere than we emit in our production activities. This data is obtained through forest carbon and GHG emissions inventories that we draft each year, according to the guidelines of the Brazilian GHG Protocol Program. Our GHG inventory has undergone external auditing since 2011.

In 2016, our direct GHG emissions were 188,592.37 tCO₂e, 4.9% less than in 2015.

- G4-EN15¹

Our management and performance related to GHG emissions are reported on to stakeholders through the annual questionnaire we submit voluntarily to the CDP (Carbon Disclosure Project), which joins global environmental performance indicators from companies to assist investors in the decision-making process. In 2016, our report was given a grade of A-, placing the company in the Leadership category of the CDP. In relation to management of risks and opportunities within this theme, we received a grade of A and were considered a reference.

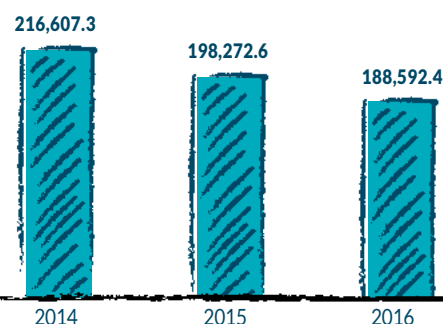
OUR FUTURE VISION

Climate change, its impacts, risks and opportunities have gained more and more space in the global agenda. Companies have the potential and should contribute to reducing GHG emissions and to combating global warming, promoting innovation, incorporating new technologies into production processes and articulating partnerships for the value chain and public organizations to develop joint solutions. In this sense, under the theme of climate change, our commitments to achieve by 2025 are:

- Reduce absolute GHG emissions at Duratex by 25% (scope 1)
- Reduce relative GHG emissions at Panels by 50% (scope 1)
- Reduce GHG emissions at Deca and Hydra by 10% (scope 1)
- Increase measurement of scope 3 emissions by 50%



**Direct GHG emissions -
Scope 1 (tCO₂e) - G4-EN15¹**



¹Preliminary data are subject to change based on the auditing process. Our final GHG emissions inventory will be available online at the Brazilian GHG Protocol Program [website](#).



Sustainable forest management G4-DMA | G4-EN12

WHY IS THIS TOPIC RELEVANT?

Planted eucalyptus forests play a central role in our business model, since they provide raw material for production of panels and flooring. Just like with native areas, they need a balanced ecosystem to be able to develop during their cycle of growth, which lasts approximately six years. Our sustainable management practices assure maintenance of conservation areas and rational use of natural resources, such as water and soil, allowing for long-term production of this input that supplies our factories.

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDGs:



OUR ADVANCES IN 2016

We have a total of 275,000 hectares of forest areas in Brazil, 23% of which are set aside for conservation. We continue to adopt best forestry management practices, certified since 1995 according to FSC standards, guaranteeing maintenance of conservation areas and habitats suited to development of fauna and flora. The habitat corridors in our forest areas are interspersed with planted eucalyptus, allowing for connection between conservation areas and facilitating the movement of animals and the proliferation of plants. G4-EN13

In Rio Grande do Sul, we also support producers by encouraging their environmental licensing processes, sharing our intellectual capital so that these entrepreneurs meet all of the legal requirements for forestry management. In 2016, 31 properties were supported.

Since the 1970s, we have promoted studies and research in conservation areas, which contribute to development of research in Brazil and whose results are shared with the scientific community through theses, dissertations, papers and participation at congresses. In addition, we continually monitor the diversity of species in our areas of influence, identifying the

permanence of rates of biodiversity and the appearance of new species over the years, including endangered species.

Since 1977, we have carried out various studies on plant and animal life through partnerships with universities and research institutions that showed considerable diversity of wildlife and plant life in various physiognomies in the forest plantations studied.

In 2016, we developed two plant projects: one in partnership with Unesp/Botucatu and another with the Federal University of Uberlândia. In relation to studies of animal life, we have seven ongoing projects with these universities. Biodiversity studies are focused on the High Conservation Value Areas that we identified in the states of São Paulo and Minas Gerais. In these locations, measures to protect the values identified are intensified through actions prohibiting hunting and fishing, patrols by forest rangers, actions for preservation and mitigation of forest fires, reduced speed limits and control of invasive species. All actions adopted protect old growth forests and, as a result, rare species that are endangered or threatened within the local flora and fauna.

Genetic enhancement of eucalyptus seedlings and management of our forests were at the center of our investments



MONITORING OF PLANTED FORESTS

To understand the impacts of using natural resources, the influence of climate seasonality and the sustainability of planted forests, there must be long-term monitoring of the flows of carbon, water and nutrients in these ecosystems. We at Duratex are one of nine companies that have participated in the “Flow Tower” cooperative project since 2008, with an experimental research base set up in a 200-hectare area of one of our farms.

Coordinated by the IPEF (Forestry Science and Research Institute), CIRAD (Agricultural Research for Development) and Esalq/USP (Luiz de Queiroz College of Agriculture at the University of São

Paulo), the project continued in 2016, increasing collection of data and information that help to formulate practical recommendations to optimize production and guarantee sustainability of crops.

The project has supplied relevant information to improve forestry management, such as reducing divisions in soil fertilization. This project also showed that one hectare of planted forest sequesters more than one ton of CO₂ per month and that, following harvest, the carbon balance goes back to being positive seven months after the new crops are planted.

An important part of our forest production process is the genetic improvement program, which started in the 1960s and has constantly generated more productive genetic materials that are adapted to the conditions of our company’s action. In recent years, different species of eucalyptus have been introduced in regions where we operate in an effort to enrich the genetic base and allow trees to be generated for commercial planting which, in addition to their high productivity, are resistant to pests, forest diseases and environmental stresses such as drought and cold.

In addition to increasing the productivity of our farms in Brazil, this knowledge has been shared with Tablemac, our subsidiary in Colombia which has 11,000 hectares of planted forests, contributing to improving productivity in these areas. In 2016, we made around BRL 2.7 million in investments in research in the forest area, including genetic enhancement resources.

“Duratex is on 18 of our councils and has made a significant contribution to building our strategy of action. Between 48 and 50 company employees participate in Ibá work groups during the year.”

Elizabeth de Carvalhaes
CEO of Ibá (Brazilian Tree Industry)

OUR FUTURE VISION

Mechanization in forestry processes has been intensifying in Brazil, resulting in gains in productivity, more efficiency and lower costs. Technology is an ally of the forest industry and can contribute to increasing production while using less water for irrigation and fewer pesticides. At the same time, the growth of the planted areas should be accompanied by stronger actions to conserve biodiversity and native forest areas. Adoption of good management practices should permeate the operations of large as well as small producers, solidifying sustainable development of one of the most important sectors in the Brazilian economy. In this sense, under the theme of sustainable forest management, our commitments to achieve by 2025 are:

- Use 5% fewer pesticides per effectively planted hectare, maintaining desirable production levels
 - Cut water consumption from irrigation per hectare by 50%
 - Influence 100% of neighboring landowners of conservation areas larger than 500 hectares and in a radius of 2 km to use connectivity
 - For 100% of communities to be involved in harvest planning
 - Double genetic bases
 - Assure that 100% of our own areas are under certified management
- Targets for 2035 are:
- Increase mass per hectare by 10%
 - For 80% of developed areas to be certified

Sustainable supply chain G4-12 | G4-DMA

WHY IS THIS TOPIC RELEVANT?

Looking beyond the limits of our production units is not a matter of choice. In managing possible risks to the continuity of our business, we can contribute to the sustainable development of our partners. In addition to quality and competitive prices, we need to be aware of the work conditions and the environmental impacts of our supply chain. Our suppliers' actions contribute to increasing positive impacts and generating value for our business.

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDGs:



OUR ADVANCES IN 2016

The GFD (Duratex Supplier Management) program is our main mechanism for promoting development of our suppliers and mitigating risks in our supply chain. Through assessments, visits to partners, self-assessment questionnaires, one-to-one meetings and workshops, we make contributions so that these companies can identify priority aspects for enhancement within their management systems and models, with a focus on the sustainable development of business.

The GFD was implemented in 2012 and functions through annual participant assessment cycles. Supplier performance is evaluated based on the following aspects:

- Compliance with legal and technical demands
- Labor relations
- Health and safety
- Environment
- Relations with neighbors
- Ethics and human rights
- Management for sustainability

This structured management allows us to monitor our partners in relation to various risks, including our company's legal co-responsibility. Notable among social and environmental risks are some that have already been mapped by area of supplier action (see chart on page 53). These aspects are incorporated into self-assessment questionnaires and are part of the criteria analyzed during visits to GFD participants. While financial risk, which does not depend on area of action, is measured based on analysis of each supplier's ability to fulfill their short-term financial obligations, also known as the current ratio. In addition, we access external databases with evaluations such as ratings, financial capacity, history of market negotiations and legal supplier documents.

We also count on a specific set of rules for contracting services at our production units. In these cases, we require a set of documents from our suppliers with proof of these companies' good standing in fiscal and labor matters. We also perform an assessment of each unit using safety teams, looking at the activities provided by each contractor.



8.1k SUPPLIERS
IN 2016



157 GFD
PARTICIPANTS
IN 2016



BRL 2.5 billion PAID TO SUPPLIERS
IN 2016, WITH 42%
TO GFD PARTICIPANT
COMPANIES WHO HAD
EXPENDITURES DURING
THE YEAR*

**Of the 157 GFD participants, only 145 were contracted by Duratex during the year. The rest were assessed by the program based on selection criteria, even though they did not work with the company in 2016.*

Supplier engagement and advances in the GFD program were our main actions for the period

PROTECTING AND CARING FOR CHILDREN

G4-HR5 | G4-HR6

Under the scope of relations with our suppliers, the In the Right Lane program, developed by the Childhood Brasil organization, is one of the main initiatives for combating the abuse and sexual exploitation of children and adolescents on Brazilian highways. In 2016, we became sponsors of the initiative and held a training workshop with 22 employees from different units – most from the Shipping area and who interact directly with logistics service providers.

As a result of this workshop, we developed an action plan with campaigns to engage and raise awareness about this topic, such as the National Week of Combating Child and Adolescent Sexual Exploitation, with banners being hung and brochures handed out at units, and Trucker Day, the celebration of

which included dialogs and awareness-raising between our teams and our partners' drivers.

On self-assessment questionnaires and in visits by the GFD program, we include questions related to the topics of child and forced or compulsory labor. We have not identified any occurrence of this kind of work among these suppliers since the program's creation in 2012. Even so, we continue to pay attention to this topic and monitor external sources that point out regions of greater vulnerability to us.



In 2016, the 17 GFD self-assessment questionnaires were revised to include new indicators related to the inclusion of women at companies and adherence to external commitments, such as the Women 360 Movement and the In the Right Lane Program. Of the 157 companies taking part in the cycle last year, 120 answered the self-assessment. Of these respondents, 27 were visited along with another 5 that did not respond to the questionnaire, but that were included in the vis-

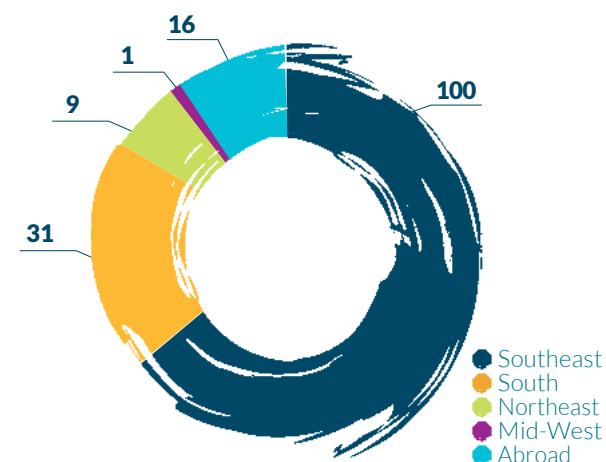
it agenda because of their strategic relevance.

G4-EN33 | G4-LA15 | G4-HR11 | G4-SO10

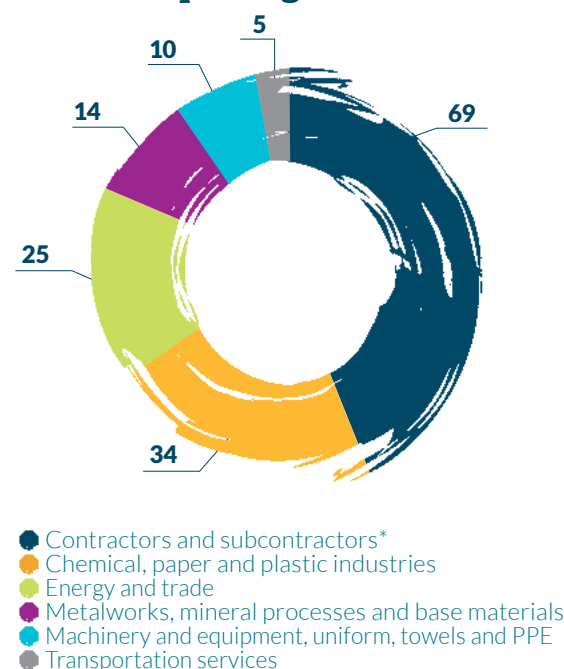
Among all companies assessed, 10 companies were found to have irregularities in documentation, with three related to labor aspects and seven to environmental aspects. In all of the cases, feedback was sent with recommendations for developing plans of action, which will be monitored starting in 2017.

G4-EN33 | G4-LA15 | G4-HR11 | G4-SO10

GFD participants per region



GFD participants per segment



*Waste treatment, laundry service, civil construction, food, wood processing and security service.

MAIN RISKS MAPPED IN THE SUPPLY CHAIN

Environmental

- Storage of hazardous products – for the chemical and plastic industries and for transport services
- Environmental provenance of raw material – for metalworks, wood processing and civil construction
- Spills and water disposal – for metalworks, plastic industry and mineral processing
- Impacts on biodiversity and waste disposal - for paper industry, energy and waste treatment

Social

- Health and safety of workers – for all categories
- Conflicts with surrounding area – for mineral processing and paper industry
- Sexual exploitation of minors – for transport services
- Compulsory labor – for civil construction



At the end of 2016, we held two workshops in which the Supplies team and some of our suppliers took part. At these meetings, we reinforced the strategic role that supplier management plays at the company to guarantee the continuity of the business and mitigate legal and reputational risks. Among activities developed, we did an exercise to define social and environmental criteria that could be considered to prioritize

the choice of suppliers during a competition. We also educated participants on the topics of sustainability and ethical conduct.

In addition to the GFD, in 2016 we began to support our suppliers in enhancing their businesses through the ICV Global (Innovation and Sustainability in Global Value Chains) program. The goal of the initiative, promoted by GVCes (Center for Sustainability Studies) and by Apex-Brasil (Bra-

zilian Trade and Investment Promotion Agency) is to contribute to internationalization of small companies that are supported by their sustainable attributes. We are the anchor company of this project and have acted as drivers of sustainable practices among the companies that are part of our value chain so that they can further develop their business and reach new markets.

OUR FUTURE VISION

The longevity and sustainability of our business depends on a responsible supply chain that shares our values and commitments. Incorporation of social and environmental criteria in hiring processes contributes to us performing better and we are able to mitigate risks in our business. At the same time, it stimulates the companies that have partnered with us to adopt good management practices and to spread the benefits of responsible and ethical business. In this sense, under the theme of responsible supply chain, our commitments to achieve by 2025 are:

- For 80% of strategic suppliers to have a performance rate equal to or greater than 8
- For 100% of strategic purchases to consider social and environmental criteria
- For 100% of critical suppliers to be assessed up to the 2nd level of the supply chain

PRODUCTS AND SERVICES

Innovating with sustainable solutions

OUR ASPIRATION

We aim to be a benchmark in supplying competitive and sustainable solutions that combine design, technology, high quality and innovation

STRATEGIC TOPIC



Sustainable raw materials and solutions G4-DMA | G4-EN27 | G4-PR1

WHY IS THIS TOPIC RELEVANT?

We are experiencing a period of transition to a circular economy, increasingly geared towards renewable inputs and products with less social and environmental impact. In this context, the search for unique raw materials is not just an alternative for improving cost management and production processes, but also a leverage for generating value and the reputation of our brands. Innovation and the search for sustainable solutions have become essential in anticipating consumer behavior and in implementing new ways of producing and developing our products.

IN THIS TOPIC, OUR ACTIONS AND INVESTMENTS CONTRIBUTE TO THE FOLLOWING SDGs:



We are committed to developing solutions that guarantee people's well-being and comfort, with less social and environmental impact and with the efficient use of natural resources, such as water and power. To do this, we rely on a set of assessment practices for our products, ranging from their development to quality management at operational units. In aftersales services, we monitor possible defects and other demands from customers in order to enhance our practices and our portfolio.

Deca Division

We rely on efficient Deca and Hydra-Corona products, which allow for less water and power consumption during their use as compared to traditional models. In 2016, we remained focused on increasing the offer of these products by launching nine efficient products. Notable among these are faucets with sensors or that shut off automatically, toilets designed for less water flow and flow restrictors that can be placed on products that have already been installed.

OUR ADVANCES IN 2016



In 2016, we expanded the portfolio of Deca efficient products and innovated in the shower line

Our business area Hydra-Corona also offers products, such as the Polo Hybrid shower, that exemplify how we are seeking to reduce environmental impacts and increase consumer well-being. This product uses electricity to heat water when bathing begins, compared to the gas system, which does not reach full functionality, guaranteeing comfort without wasting cold water.

In addition to products offered, we developed ProÁgua to support our customers in adopting eco-efficient solutions, from the planning stage to selection of products. This service is available for residential, commercial, industrial, health and education buildings, carrying out actions for water reuse and use of rainwater, detecting leaks and measuring consumption. Deca spe-

“Product diversification and design not only respects the environment, but they are the differentials I see at Duratex. In relation to Deca, which is the brand we are closest to, efforts are made to achieve quality and to always stay up-to-date in the market, with new technologies and more eco-efficiency. This kind of product has been in greater and greater demand among my customers, especially after the drought we recently went through.”

Dado Castello Branco
Architect

cialists study strategies on a case by case basis to find the best way to save and then set up a maintenance plan.

In 2016, we also innovated in our industrial processes with the implementation of an automatic machining system to transform plaster blocks into molds for fabrication of sanitary ware. The first projects have already begun to be executed and are expected to cut the total development time for our products by up to 50%, by replacing the manual procedure.

INNOVATION IN OUR BUSINESS

To promote innovation in our products and processes, we encourage and continually train our employees to be aware of and look for new solutions. One of the chief actions carried out in 2016 along these lines was Innovation Week, which brought together Duratex representatives and leading guests on this topic.

Among subjects discussed at the event were the history of innovation at Duratex, creativity and entrepreneurship in the digital age and technologies that are changing the civil construction industry. In addition, virtual reality glasses were made available to employees so that they could see the company's other units through an innovative digital experience.

Within our strategy, it is our goal to strengthen the culture of innovation and value employees with innovative profiles. The Imagine Program, in action at the company since 2012, is evidence of our openness to receiving suggestions for ideas from all of our professionals. If these ideas qualify as innovative, they are awarded.

Last year, to further drive our innovation management, we began a review of governance on this theme and of our internal processes. This will be an important step so that we may continue to forecast trends and grow in the medium and long term.



Wood division

Our Wood division offers wood panels made from certified reforestation wood, contributing to relieving pressure on native forest areas as well as reducing the use of illegally obtained supplies. Furthermore, 46% of coated panels sold in 2016 had Protekto treatment, a differential that increases the useful life of products and lowers the risk of proliferation of bacteria and mold.

Our portfolio also features MadeFibra Fire, the first flame-retardant MDF in the Brazilian market. Another new product is MDP Ultra, ideal for use in more humid environments. Exclusively sold abroad, this panel especially meets the demand of customers and consumers in Andean countries, whose weather conditions require more resistant products.

We also continue to enhance our production processes to use less resin (whose ingredients contain formaldehyde) in the process of binding the particles and fibers in MDP and MDF panels. The technology we use in our production process has allowed for a gradual reduction of this kind of input; however, one of the biggest challenges for industry companies within this process is to balance environmental advantages with economic and financial impacts as well as increased production costs.



In Brazil, we are one of the manufacturers of wood paneling and flooring to promote gradual reduction of formaldehyde and increase the competitiveness of Brazilian products internationally, placing them in line with the strictest international standards.

The E1 type panels we produce mostly serve the European and American markets and in the United States, they meet the regulatory standards of the CARB (California Air Resources Board). Moreover, all coated panels sold can also be classified as E1, because the coating carries out the formaldehyde encapsulation process, restricting its emission. In 2016, coated panels accounted for approximately 43.2% of shipped products.



Our panels are made with certified reforestation wood and, in some lines, they have special treatments to promote health and safety benefits for consumers



OUR FUTURE VISION

Searching for solutions that reduce environmental impacts and increase the well-being of our consumers is one of the focuses of our business and guides our efforts and investments. Increasing the eco-efficiency of our products is a commitment we have undertaken in line with our vision and strategy to promote sustainable development and that moreover benefits customers and consumers with more sustainable innovations. Our contribution should also be increasingly directed towards building industry strategies and public policies that lower our products' impact after they are used. Strengthening reverse logistics mechanisms and reusing materials in the production chain generates benefits for the companies involved in our value chain and society as a whole. In line with these guidelines, we have major commitments to the innovation theme and to sustainable products:

- For 100% of Wood products to have less E2 by 2018 and E1 by 2021*
- To develop two alternatives for renewable raw materials for manufacture of Deca and Hydra products
- To have revenue of BRL 20 million coming from ProÁgua services
- For 100% of the finished metals and Deca toilets portfolio to be ecoefficient
- For 25% of the sales volume at Hydra to be ecoefficient products
- To lead implementation of a reverse logistics model

*E1 and E2 are classes of formaldehyde emissions according to Brazilian NBR standards 15316-2/2015 and 15810-2/2013 for MDF and MDP panels, which are aligned with European standards. For uncoated panels, E1 has an emission of less than or equal to 8 mg of formaldehyde per 100 g of dry paneling and E2 has an emission of greater than 8 mg less than or equal to 30 mg of formaldehyde per 100 g of dry paneling (Perforator method). For coated panels, E1 has an emission of less than or equal to 3.5 mg of formaldehyde/m²h and E2 has an emission of greater than 3.5 mg and less than or equal to 8 mg of formaldehyde/m²h (Gas Analyses method).

OUTLOOK



We are prepared for the future

Brazilian economic indicators show that recovery of the Brazilian market, which is fundamental to driving the growth of our business, will be a slow and gradual process throughout 2017.

Amidst this scenario, we will remain strategically focused on building an increasingly efficient, competitive and innovative company. The actions of the SGD (Duratex Management System) will be maintained and expanded, together with the improvement of working capital management, in an effort to lower costs, cut expenses and obtain financial gains. The results we have attained over the last two years are permanent and better prepare us to seize the opportunities that will arise when the economy gains strength.

On our strategic agenda, we will work to automate our production control and inventory management processes, streamlining decision-making and management of our resources. To support our commercial area, we are intensifying investments in digital tools to allow for closer and more dynamic relationships with our customers. Among our teams, we are increasing the use of collaborative work technologies, which will result in more agility and productivity.

Our customers will directly benefit from the restructuring of product shipping, transport and delivery activities. Our new logistics model will give our process more quality and efficiency.

In addition to operational and financial goals, we continue to disseminate our Sustainability Strategy, pursuing the targets outlined for each pillar and relevant theme for our business. To continue to generate and share value with all of our stakeholders, we should promote reduction of environmental impacts in our products, development of more eco-efficient processes, engagement of customers, consumers, employees and neighboring communities with our vision of sustainability and dissemination of good practices throughout our supplier chain.

Continued review of our corporate culture, a process we began in 2016, is another important element to achieving our strategic goals. With Our Way of Being and Doing, our leaders and employees will be even more confident and prepared for the challenges that lie ahead. Our main goal is to sustainably evolve our business. Increased revenue and sales in the domestic and foreign markets will be accompanied with man-



agement of efficient investments, geared toward reducing economic and socio-environmental risks in forestry and industrial operations as well as toward seizing opportunities in new business models. We are more and more prepared for a new cycle of growth.

GRI APPENDIX



Additional disclosures information

G4-10 and G4-11 The tables (at right) refer to the professionals working in Duratex operations in Brazil. In addition to these workers, at the end of 2016 we had 578 employees at Tablemac (Colombia), 5 at the Duratex North America subsidiary office (USA) and 1 at Duratex Andina (Peru). We don't have freelance workers at relevant activities of our operations. All employees in Brazil are hired according to the Consolidated Labor Laws (CLT – Decree-Law no. 5.452/1943) and are covered by collective bargaining agreements. Hiring of interns is governed by a specific law (Law no. 11.778/2008).

The incorporation of Corona employees onto our staff contributed to increasing our workforce in the last year and gave the Northeast region a greater share of our headcount. The number of third parties in particular saw a significant increase as a result of maintenance and auditing activities at the Agudos (SP) unit of the Wood division.

WORKFORCE BY REGION ¹	2016	2015	2014
Northeast	2,217	1,436	1,488
Southeast	10,359	10,252	11,068
South	1,798	2,011	1,901
Total	14,374	13,699	14,457

¹Breakdown of the workforce by gender in each region is not available, since third-party workers are not segmented by gender.

WORKFORCE BY EMPLOYMENT RELATIONSHIP AND GENDER	2016			2015			2014		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Members of the governance (Board of Directors and Executive Board)	2	19	21	2	19	21	1	19	20
Employees	1,608	8,921	10,529	1,277	8,792	10,069	1,446	9,685	11,131
Student trainees	22	41	63	23	34	57	35	34	69
Continuous outsourced ¹	nd	nd	1,880	nd	nd	1,682	nd	nd	1,460
Non-continuous outsourced ²	nd	nd	1881	nd	nd	1,870	nd	nd	1,777
Total	nd	nd	14,374	nd	nd	13,699	nd	nd	14,457

¹Working permanently at units, in cleaning services or receptionists, for instance.

²Referring to work with a specific duration, such as equipment maintenance.

EMPLOYEES BY WORK CONTRACT, JOB AND GENDER	2016			2015			2014		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Set period	93	169	262	62	181	243	70	191	261
Open-ended period	1,515	8,752	10,267	1,215	8,611	9,826	1,376	9,494	10,870
Full-time ¹	1,489	8,740	10,229	1,201	8,599	9,800	1,365	9,481	10,846
Part-time ²	26	12	38	14	12	26	11	13	24
Total	1,608	8,921	10,529	1,277	8,792	10,069	1,446	9,685	11,131

¹150 to 220 hours per month.

²Up to 120 hours per month.

G4-15 In addition to the Women 360 Movement and to work groups in the Brazilian Coalition on Climate, Forests and Agriculture, in the last year we have also maintained our support of the following initiatives: Center for Sustainability Studies at Fundação Getúlio Vargas (GVCes); Brazilian Commission on Integrated Reporting Oversight; Global Compact (UN); Sustainable Leadership Platform (Ideia Sustentável); Pró Ética (Instituto Ethos); Brazilian GHG Protocol Program; and In the Right Lane Program (Childhood Brasil).

G4-16 Our participation in associations and industry organizations contributed to our ability to forecast market trends and keep pace with changes in regulations and other matters relevant to the areas in which we act. Corporately, we are present at Brazilian Association of Public Companies (Abrasca), Federation of Industries of the State of São Paulo (Fiesp), the Brazilian Institute of Investor Relations (IBRI), and the Instituto Ethos. We actively engage as a member of the respective governance bodies at all of these organizations (except for Instituto Ethos) and by taking part in commissions and work groups (except for Fiesp).

Under the auspice of our forestry activities, associations considered strategic to the company are: Association of Forestry Companies of Rio Grande do Sul (Ageflor); Silviculture Association of Minas Gerais (AMS); São Paulo Association of Planted Forest Producers

(Florestar); FSC International and FSC Brazil (Forest Stewardship Council); Brazilian Tree Industry (Ibá); Forestry Science and Research Institute (Ipef); and Forestry Investigation Society (SIF). Notable among these is Ibá, where we have a representative on the Advisory Board; Ipef, which promotes forest management studies; and the FSC, an international reference in promoting responsible forest management. We are active participants in commissions and initiatives at these three organizations.

Under the auspices of Deca division activities, we are a member of and participate in specific projects at the Brazilian Association of Building Systems Engineering (Abrasip); the Brazilian Association for the Development of Hospital Building (ABDEH); and the Green Building Council Brazil (GBCB). We also make financial contributions to the Brazilian Association for the Development of Hospital Building and the GBCB to hold events, congresses and trade shows.

G4-19 and G4-21

MATERIAL TOPIC	GRI aspect	Stakeholder with material interest
People	Economic performance Market presence Indirect economic impacts Environmental grievance mechanisms Employment Occupational health and safety Training and education Diversity and equal opportunity Child labor Forced or compulsory labor Human rights grievance mechanisms Local communities Grievance mechanisms for impacts on society Product and service labeling	Employees, customers, communities and non-governmental organizations
Processes	Economic performance Procurement practices Energy Water Biodiversity Emissions Effluents and waste Overall Supplier environmental assessment Supplier assessment for labor practices Supplier human rights assessment Supplier assessment for impacts on society	Employees, suppliers, government, regulatory bodies and non-governmental organizations
Products and services	Materials Products and services Customer health and safety	Customers, consumers and regulatory bodies
New businesses models	-	Shareholders
Governance and compliance	Compliance (environmental) Labor practices grievance mechanisms Anti-corruption Anti-competitive behavior Compliance (social – society) Compliance (social – product responsibility)	Employees, government, regulatory bodies and non-governmental organizations

G4-23 There were no significant changes in relation to the scope and material aspect boundaries covered by the Annual Report.

G4-37 The stakeholder consulting processes are done by the Corporate Sustainability Management Department of Duratex. With two coordination offices in the Deca and Wood business areas, it is responsible for strategic management of the theme, including consulting processes, analyses of risks and opportunities and consolidation of key indicators, among other duties. Through the Sustainability Strategy, we guarantee that this topic is incorporated into business guidelines and establish goals and targets for management. The engagement of governance occurs systematically in the meetings of the Sustainability Committee.

G4-57 and G4-58 The Ombudsman is our main channel for taking questions and reports related to legal and ethical premises in conducting our business. It formally serves employees and suppliers, in addition to directing any manifestations from other publics to first level channels and handling manifestations related to ethical dilemmas. All contacts are confidential and

can be made anonymously; moreover, there is a guarantee of no retaliation against anyone that accesses this channel or collaborates with its investigations. Returns on manifestations are provided at two moments: within two business days to confirm receipt of the contact and then within 30 days to provide a response. These timelines do not apply to whistleblowing, investigation of which may last longer based on the need to find information and evidence. The Ombudsman has a satisfaction survey for those that identify themselves when making contact, providing an assessment of response time and quality as well as service provided. The results of this survey are not disclosed, since there is not a substantial statistical base.

In 2016, the Ombudsman received 451 reports from employees and suppliers, 77.83% of which were processed. The remaining contacts were not resolved due to insufficient information or discontinuation by the person making the contact. Considering matters covered, 52% were related to human resources processes, leadership attitudes and payment and supplies processes. Most of these matters had been covered at other times, which shows the more consistent and appropriate use of the channel as an additional

level for resolving demands. Among contacts made, three were related to requests for guidance on conduct in line with our guidelines and policies.

In addition to the Ombudsman, the Audit and Risk Management Committee has a direct chan-

nel (comite.auditoria@duratex.com.br) available to all stakeholders, where non-compliance with laws or regulatory standards and fraud and errors in internal controls and in accounting and audit activities can be reported.

CONTACTS RECEIVED BY THE OMBUDSMAN BY PUBLIC ¹	2016	2015	2014
Employees	385	412	670
Suppliers	66	51	36
Total	451	463	706

¹Moreover, in 2016, the Ombudsman received 698 contacts from other stakeholders that are not served by this channel and which were directed to first instance service channels.

CONTACTS TREATED BY THE OMBUDSMAN BY TYPE (%) ¹	2016	2015	2014
Criticism	78.1	85.6	81.8
Report (ethical misconduct)	13.6	4.4	2.9
Suggestion	1.5	4.7	4.5
Query	2.2	2.0	2.3
Compliment	4.6	3.3	8.5

¹Numbers calculated based on total matters processed by the Ombudsman for stakeholders formally served by this channel (employees and suppliers). In 2016, there were 411 matters treated.

G4-EC5 and G4-LA13 Compensation of all of our employees is defined based on annual salary surveys of the market. Based on market methodology, we assess each position to classify it into different levels of the salary table; in addition, we keep tabs on market practices for variable pay and benefits. This methodology has been used since 2012 for directors and managers and since 2015 for other employees. This model reinforces the Duratex commitment in managing the Diversity (gender, race or any other aspect) of its employees, guaranteeing equality in the compensation package. Apprentices and interns are governed according to the determinations of Brazilian law and by agreements and collective bargaining in each location.

At the end of 2016, our headcount included 262 apprentices, whose pay is proportional to the national minimum wage. In addition to these apprentices, the base salary for 946 employees at our units was defined by respective agreements and local collective bargaining. Of these, 10 worked at Aracaju (SE), where the base salary for the category is equal to the national minimum monthly salary of BRL 880.00. The base salary for each unit is established by an agreement or by collective bargaining. In our compensation practices, we use this amount as a reference, regardless of the current national minimum wage.

BASE SALARY BY GENDER AND FUNCTIONAL CATEGORY (BRL) ¹	2016			2015			2014		
	Women	Men	Proportion	Women	Men	Proportion	Women	Men	Proportion
Management	24,722.97	24,333.19	101.6%	24,248.43	24,568.31	98.7%	20,177.23	21,080.86	95.7%
Coordination	10,666.84	11,268.98	94.7%	10,251.08	10,882.06	94.2%	9,292.65	10,210.98	91.0%
Supervisor	6,171.83	5,874.67	105.1%	6,177.49	5,951.62	103.8%	5,542.19	5,668.69	97.8%
Superior	4,776.77	5,104.52	93.6%	4,733.17	4,907.88	96.4%	4,400.23	4,735.04	92.9%
Trainee	5,270.39	5,087.85	103.6%	5,402.82	5,121.98	105.5%	4,880.16	4,530.48	107.7%
Administrative	1,777.80	1,833.26	97.0%	1,818.72	1,781.71	102.1%	1,748.14	1,650.69	105.9%
Technical	2,608.54	3,425.55	76.1%	2,605.85	3,325.58	78.4%	2,530.81	3,129.47	80.9%
Operational	1,231.74	1,939.98	63.5%	1,339.11	1,920.58	69.7%	1,238.45	1,826.84	67.8%
Apprentices	556.42	559.46	99.5%	523.16	488.28	107.1%	477.59	422.33	113.1%
Average on the staff	6,420.37	6,603.05	97.2%	6,344.42	6,549.78	96.9%	5,587.50	5,917.26	94.4%

¹Variations between the base salary for men and women are explained by the consolidation of different positions at each job level and by individual factors, such as merit-based raises and salary readjustments for employees. The company does not consider gender, age or any other aspect of diversity when establishing compensation for our staff.

G4-EC7 One highlight of social investment is the Formare program, providing professional training for low-income youth ages 16 to 18. Classes are given voluntarily by our employees. In 2016, we invested around BRL 665,000 holding this program at the Botucatu, Itapetininga, João Pessoa, Recife, Taquari and Uberaba units.

G4-EC9, G4-EN32, G4-LA14, G4-HR10 and G4-SO9 Supplier procurement at the company is governed by the **Policy for the Acquisition of Goods and Services**, available on the supplier website.

With each new contract, companies undergo assessment of documents, which includes consultation of the Federal Revenue Service, of the Sintegra (Integrated Fiscal Information System) and of the Ceis (National Registry of Reputable and Suspended Companies). Supplier registration is only approved if there is no impediment with these sources. For suppliers treating waste, an internal certification group at the company looks at specific documentation (such as operating licenses and licensure from the Fire Department and Federal Police) and makes visits to companies' fa-

cilities. This certification is revised from time to time by updating documents and, if necessary, making new visits to the location.

We do not have formal criteria in our **Policy for Acquisition of Goods and Services** for local contracts, but our buyers consider proximity to our units as one of the criteria for day-to-day selection of operations. In 2016, 17% of total supplier expenditures went to local companies (in the same municipality as our units), compared to 11.7% in 2015.

G4-EN1 In the Wood division, 3.6 million tons of materials were consumed in the last year, 12.0% less than in 2015. Notable among the biggest variations was a 41% reduction in the use of traditional fertilizer, because we did not use limestone in second rotation forests and based on review of fertilizing recommendations. Another significant change was that the urea and formaldehyde concentrate was no longer used, since it was only used at the Itapetininga (SP) unit, whose operations continued to be suspended last year. In addition, 95% less paraffin emulsion was purchased year-over-year, since it was restricted to supplying the Duratree line at the Botucatu (SP) unit.

At the Deca division, consumption of materials totaled 175,000 tons, in addition to 95 million components - a comparison with 2015 could not be done because of the consolidation method was changed. At showerhead units (Hydra-Corona), we consumed 2,700 tons of raw materials and 118 million components.

G4-EN2 At the Deca division, 30% of materials came from recycling. To find this percentage, we considered 100% of inputs from smelting of bronze, brass and zamak (19,282.4 tons), whose chain promotes infinite recycling and re-use of these metals, 33,173.19 tons of porcelain and 63.4 tons of plastic that were reused at industrial units.

MATERIALS CONSUMED AT WOOD DIVISION (TONS)	2016	2015	2014
Renewable sources			
Organic compost-based fertilizer	21,797.2	17,048.6	14,180.0
Processed wood (humid)	3,152,741.5	3,599,781.2	3,639,485.6
Sawn wood (humid)	4,813.9	5,764.1	4,906.5
Paper	12,872.8	14,408.0	14,809.5
Subtotal	3,192,225.4	3,637,002.0	3,673,381.6
Non-renewable sources			
Traditional fertilizer	33,101.3	55,803.9	67,238.0
Concentrated urea formaldehyde	0.0	2,053.4	7,821.9
Paraffin emulsion	538.9	10,026.3	11,671.3
Formaldehyde	93,294.6	81,768.8	101,423.4
Lubricants	449.0	541.2	600.7
Melamine	5,681.0	7,280.1	7,057.2
Methanol	60,644.7	52,495.8	57,653.9
Resin	86,865.6	123,167.2	117,982.4
Aluminium sulphate	2,182.2	2,689.3	2,063.9
Ammonium sulphate	2,035.1	2,078.7	2,704.6
Paint	1,799.5	1,293.8	2,146.7
Urea	83,110.5	72,107.2	85,479.2
Other materials	8,931.5	9,649.2	10,411.1
Subtotal	378,633.9	420,955.1	474,254.3
Total	3,570,859.3	4,057,957.0	4,147,635.9
Percentage of materials from renewable sources	89.4%	89.6%	88.6%

MATERIALS CONSUMED AT HYDRA-CORONA IN 2016 (TONS) ¹	
Steel	17.8
Resin	2,553.3
Brass	41.6
Resistance wire	112.7
Total	2,725.4
Percentage of materials from renewable sources²	0.0%

MATERIALS CONSUMED AT DECA DIVISION IN 2016 (TONS) ¹	
Renewable sources	
Paperboard packaging	1,676.3
Wood packaging	3,330.4
Subtotal	5,006.8
Non-renewable sources	
Plastic packaging	23.7
Chemicals	1,414.6
Plaster	10,278.0
Enamel inputs ²	32,348.5
Clay inputs ³	97,312.2
Casting sand	2,934.2
Clanshell	195.1
Cast bronze	11,980.6
Cast brass	7,301.8
Brass	4,051.0
Plastic	1,623.7
Zamak	688.5
Subtotal	170,151.9
Total	175,158.7
Percentage of materials from renewable sources	2.9%

¹The consolidation method was revised in 2016, preventing a comparison with 2015 information. In addition to the materials listed above, we consumed 95.3 million units of components (84.5% of them from national suppliers) and 178,300 wheels and files for finishing of metals.

²Enamel inputs include dyes, feldspar, silicate, carbonate and zinc oxide.

³Clay inputs include kaolin, clay, crushed stone, granite, quartz and phyllite.

¹This is the first year reporting Hydra information. In addition to the materials listed at left, we consumed 117.7 million units of components (88.5% of them from national suppliers), 9.5 million meters of cables and insulation and 34.8 million paper and paperboard packages.

²Among significant production inputs, only paper and paperboard packaging comes from a renewable resource. It was not possible to convert the number of packages into tons to find this percentage and we are adjusting our controls to incorporate this information into future reports.

G4-EN3*

ENERGY CONSUMPTION IN BRASIL (GJ) ¹	2016	2015	2014
A. Energy generated by fuel consumption			
Biomass	5,523,965.5	5,575,326.1	4,751,740.9
Diesel	344,825.5	380,918.5	346,230.0
Ethanol	8,026.4	353.0	1,511.7
Natural gas	1,558,314.7	1,633,825.5	1,849,568.8
Gasoline	13,298.2	24,997.0	27,762.1
LPG	91,292.0	102,300.3	114,542.1
BPF oil	252,019.1	398,156.6	505,664.5
Subtotal	7,791,741.4	8,115,877.1	7,597,020.1
Percentage of energy generated from renewable sources fuels	72%	69%	63%
B. Acquired energy			
Electricity	2,725,630.3	2,942,076.3	3,145,431.4
C. Total			
Total energy consumption (A + B)	10,517,371.7	11,057,953.3	10,742,451.5
Percentage of renewable energy over total consumption	73%	71%	68%

¹Ethanol and biomass are considered fuels from renewable resources. The percentages of diesel (biodiesel) and gasoline (anhydrous ethanol) are also used to calculate the percentage of renewable fuels, according to the parameters of Brazil's National Petroleum Agency (Agência Nacional do Petróleo - ANP). In relation to acquired energy, the percentage is considered according to the results found in the monthly monitoring bulletin issued by the Brazilian Ministry of Mines and Energy's Brazilian Electric System. only buys electricity and does not sell energy.

ENERGY CONSUMPTION IN COLOMBIA IN 2016(GJ)¹

A. Energy generated by fuel consumption	
Biomass	301,830.4
Diesel	9,254.2
Natural gas	61,280.4
Gasoline	505.1
LPG	83,290.2
BPF oil	7,377.0
B. Acquired energy	
Electricity	213,105.9
C. Total	
Total energy consumption (A + B)	676,643.1

¹Information on the percentage of energy consumed that comes from renewable resources is not available. Tablemac only acquires electricity and does not sell energy.

G4-EN5*
INDICATORS OF ENERGY INTENSITY IN BRAZIL IN 2016 (GJ/PRODUCTION)

Deca Metals (GJ/item)	0.0160
Deca Sanitary Ware (GJ/kg)	0.0117
Hydra-Corona (GJ/item)	0.0184
Panels (GJ/m ³ of panels)	3.8300

*Preliminary data are subject to change based on the auditing process.

G4-EN8 and G4-EN10

WATER CONSUMPTION IN BRASIL (M ³) ¹	2016	2015	2014
Water withdrawal			
Surface water	2,461,704.8	2,453,671.5	2,607,780.5
Groundwater	2,441,744.7	2,226,616.3	2,485,059.8
Directed collected rainwater	0.0	4,032.0	11,233.0
Public supply or supply from specialized companies	308,601.8	432,901.0	376,349.6
Total	5,212,051.3	5,117,220.8	5,480,422.9
Water reused			
Volume of water recycled/reused	2,605,864.7	2,520,021.3	2,561,127.0
Percentage of water reuse over total withdrawal	50.0%	49.3%	46.7%

¹Duratex does not consume water that comes from other organizations' effluents.

WATER CONSUMPTION IN COLOMBIA IN 2016 (M ³) ¹	
Surface water	132,552
Public supply or supply from specialized companies	14,902
Total	147,454

¹Tablemac does not have processes to reuse water nor does it collect water from subterranean sources, from rain or from other organizations' effluents.

G4-EN13 Every time we acquire a new area for forest planting, we generate a positive impact on conserving biodiversity. Because in most cases the regions were previously used for commercial activ-

ities, we not only prevent suppression of native forest, but also contribute to natural partial regeneration of these areas.

DURATEX FOREST AREAS PER STATE IN 2016 (HECTARES)	Type of ownership	Planted forests	Improved areas	Conservation
São Paulo	Leased	16,542.1	1,134.9	5,453.9
	Owned	75,782.6	4,520.3	25,940.5
	Incentivised	1,759.0	866.4	0.0
Minas Gerais	Leased	75,934.8	3,312.4	29,274.9
	Owned	0.0	0.0	0.0
	Incentivised	877.9	432.4	0.0
Rio Grande do Sul	Leased	1,565.2	186.2	800.6
	Owned	3,925.5	298.4	3,005.1
	Incentivised	12,653.9	10,353.2	0.0
Total		189,041.0	21,104.2	64,745.0

G4-EN15, G4-EN16, G4-EN17 and G4-EN18**

We had total GHG emissions of 449,100 tCO₂e in 2016, compared to 453,500 tCO₂e in 2015. The 4.9% drop in scope 1 emissions is a result of actions to lower power consumption (see more on page 43) and of a dip in production levels. The scope 2 result was 39.6% lower than the previous year, as a result of less electricity consumption and a reduction in the emissions factor based on less thermoelectric plant use in Brazil in 2016. Scope 3 emissions were 29.7% higher, based on better monitoring of this scope of emissions. The intensity of emissions was 0.000012367 tCO₂/part for

Hydra, 0.000303871 tCO₂/part for Metals (36% higher*), 0.000599011 tCO₂/kg for Sanitary Ware (8.9% lower*) and 0.041024654 tCO₂/m³ for Panels (2% higher*).

In Colombia, we carried out an inventory of scope 1 and 2 emissions for the third consecutive year, which totaled 12,181.2 tCO₂e, 10.2% less than in 2015.

*Year-over-year.

**Preliminary data are subject to change based on the auditing process. Our final GHG emissions inventory will be available online at the Brazilian GHG Protocol Program [website](#).

DURATEX GREENHOUSE GAS EMISSIONS INVENTORY (tCO ₂ e)	2016	2015	2014
Scope 1	188,592.4	198,272.6	216,607.3
Scope 2	61,609.1	101,936.2	118,396.2
Scope 3	198,890.2	153,330.8	152,449.0
Total	449,091.7	453,539.6	487,452.5

TABLEMAC GREENHOUSE GAS EMISSIONS INVENTORY (tCO ₂ e)	2016	2015	2014
Scope 1	10,531.7	11,724.8	14,707.5
Scope 2	1,649.5	11,561.9	10,021.5
Total	12,181.2	23,286.7	24,729.0

G4-EN23

WASTE DISPOSAL (TONS)	2016	2015	2014
By class			
Hazardous	5,194.0	7,745.5	6,191.3
Non-hazardous	138,861.9	193,725.9	246,272.1
Total	144,055.9	201,471.3	252,463.4
By disposal method			
Recycling	37,223.1	54,603.7	73,308.5
Reuse	2,053.8	11,427.3	159.9
Sanitary landfill	5,721.4	3,228.2	22,899.0
Industrial landfill	22,016.6	29,243.5	24,927.7
Co-processing	1,823.6	3,322.7	2,268.4
Incineration	47.6	40.0	239.4
Composting	21,112.0	17,503.2	15,971.2
Pressure cooker	0.5	300.0	0.0
Electricity generation	52,241.2	80,135.6	111,427.1
Returns to supplier	372.6	419.4	514.9
Decontamination	117.8	226.5	2.4
Chemical treatment	1,325.7	1,021.2	744.9
Total	144,055.9	201,471.3	252,463.4

G4-EN29, G4-SO8 and G4-PR9

We have a history of strictly complying with all laws in every area in which we operate, in line with our Values, Code of Ethics and Conduct and corporate policies. In addition to action in the legal area, constantly monitoring new laws that apply to our business, we also maintain internal control

systems, such as the Environmental Management System. As a result of this management, in 2016 we received no significant fines or non-monetary sanctions for non-compliance with laws and regulations (including environmental regulations and those related to supplying and using products).

G4-EN31

INVESTMENTS IN AND EXPENDITURES ON ENVIRONMENTAL PROTECTION (BRL)	2016	2015	2014
Waste treatment and disposal	18,192,978.54	19,308,806.36	19,623,109.40
Treatment of emissions (ex. costs from filters, agents)	580,397.49	323,565.67	187,423.81
Depreciation of specific equipment and costs from materials and maintenance and operation services as well as personnel expenses for this purpose	5,217,176.84	4,420,973.90	3,937,980.81
Subtotal - Costs of waste disposal, treatment of emissions and mitigation	23,990,552.87	24,053,345.93	23,748,514.02
Personnel used in education and training	41,454.58	85,109.01	115,625.82
External environmental management services	3,278,023.47	3,075,890.41	2,750,357.05
External certification of management systems	194,124.15	336,217.12	179,745.33
Personnel for general environmental management activities	3,834,718.22	4,890,768.06	4,198,164.97
Research and development	3,517,088.21	4,624,922.54	13,278,820.35
Other environmental management costs	6,479,466.00	5,494,680.15	4,317,294.60
Subtotal - Costs of prevention and environmental management	17,344,874.63	18,507,587.29	24,840,008.12
Total	41,335,427.50	42,560,933.22	48,588,522.14

G4-EN34, G4-HR12 and G4-SO11

Most grievances for the year were received directly by our units. At the Deca division, local communities communicated 16 demands related to noise: 11 in São Paulo, 2 in Aracaju, 2 in São Leopoldo and 1 in Jundiaí. At the Wood division, there were 19 total complaints related to environmental impacts, concerning noise from industrial operations (specifically in 2016, there was a higher number of complaints in January due to heavy rainfall), and 5 reports of social impacts, such as nuisance caused by wood transport operations. We received 2 reports through the corporate

sustentabilidade@duratex.com.br channel, regarding the use of disposable plastic cups at the Central Office and questions about vapor emissions at the Agudos factory. Finally, the Ombudsman had 8 contacts, whose main themes were odors, smoke and noise at our units. All grievances are processed by the various community contact channels and we provide stakeholders involved with a formal return from the company concerning the matters brought up. All grievances that remained open at the end of the period were awaiting third-party action for finalization and are being monitored by our teams.

GRIEVANCES AND COMPLAINTS RELATED TO IMPACTS ¹	2016		2015		2014	
	Environ- mental	Social	Environ- mental	Social	Environ- mental	Social
Received during the year	42	7	26	3	22	5
Received and processed during the year	42	7	26	3	22	5
Received, processed and resolved during the year ²	38	6	25	3	22	5
Received in prior periods and resolved during the year	1	1	0	0	0	0

¹No complaints were received related to human rights impacts in the last three years.

²Grievances that were not resolved during the year depended on third-party action and are being monitored by the company.

G4-LA1 The turnover rate at Duratex in 2016 was 24.6% less than the 26.9% for the year prior. The biggest changes during the year resulted from changes to the Hydra business model in Guarulhos

and from partial paralyzation of activities at the Itapetininga (SP) unit, in addition to internal actions to control turnover.

NUMBER OF HIRINGS AND DISMISSALS	2016		2015		2014	
	Hirings	Dismissals	Hirings	Dismissals	Hirings	Dismissals
By gender						
Women	554	632	429	598	278	453
Men	1,812	2,184	1,748	2,643	1,807	2,373
By age group						
Up to 30 years of age	1,557	1,454	1,413	1,559	1,317	1,505
Between 31 and 50	797	1,173	735	1,440	727	1,151
Over 51 years of age	12	189	29	242	41	170
By region						
Northeast	532	515	247	291	356	505
Southeast	1,391	1,713	1,383	2,255	1,514	1,880
South	443	588	547	695	215	441
Total	2,366	2,816	2,177	3,241	2,085	2,826

HIRING AND TURNOVER RATES (%)	2016		2015		2014	
	Hiring rate ¹	Turnover rate ²	Hiring rate ¹	Turnover rate ²	Hiring rate ¹	Turnover rate ²
By gender						
Women	34.5	36.9	33.6	40.2	19.2	25.3
Men	20.3	22.4	19.9	25.0	18.7	21.6
By age group						
Up to 30 years of age	39.8	38.5	41.3	43.5	32.9	35.3
Between 31 and 50	13.5	16.7	12.7	18.8	11.7	15.1
Over 51 years of age	1.7	14.3	3.4	15.8	4.4	11.3
By region						
Northeast	26.7	26.3	19.6	21.4	27.3	33.0
Southeast	19.4	21.6	18.6	24.5	18.2	20.4
South	32.6	38.0	39.6	45.0	14.1	21.5
Total	22.5	24.6	21.6	26.9	18.7	22.1

¹Hiring rate = number of hirings over the headcount by the end of the period.

²Turnover rate = average between hirings and dismissals over the headcount by the end of the period.

G4-LA3 We complied with Brazilian laws regarding maternity and paternity leave.

MATERNITY/PATERNITY LEAVE ¹	2016		2015		2014		2013	
	Women	Men	Women	Men	Women	Men	Women	Men
Total employees entitled to maternity/paternity leave	72	252	88	374	67	375	66	406
Total employees that took maternity/paternity leave	72	252	88	374	67	375	66	406
Total employees that returned to work following leave	66	252	88	371	67	375	66	405
Total employees that remained employed one year after returning from leave	na	na	54	307	29	292	33	361
Rate of return after maternity/paternity leave ²	91.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.8%
Rate of retention after maternity/paternity leave	na	na	61.4%	82.1%	43.3%	77.9%	50.0%	88.9%

¹Data shown again based on revision of their basis. **G4-22**

²At the end of the year, 6 women were still on maternity leave. This means that the return rate for 2016 could reach 100%.

G4-LA6 Improvement in our safety indicators is a reflection of actions resulting from the Duraseg Management System. These initiatives also cover third parties that work at our units, from orientation education to investigation of accidents and suggestions for action plans. Like the year before, we had no deaths in our operations. Considering active and inactive employees, the absenteeism rate at Duratex was 6.6% in 2016, compared to 6.4% in 2015.

ABSENTEEISM RATE BY REGION IN 2016*	
Northeast	7.6%
Southeast	5.4%
South	11.4%
Consolidated	6.6%

*We do not have a breakdown of the absenteeism rate by gender.

ACCIDENTS FREQUENCY RATE ¹	2016	2015	2014
By business			
Forestry	4.2	7.3	13.6
Panels	2.7	6.9	11.4
Deca	3.2	4.4	4.5
Hydra-Corona	2.7	na	na
Headquarters	2.1	na	na
Consolidated Duratex	3.1	5.4	6.9
By region			
Northeast	2.0	6.9	4.2
Southeast	3.4	7.2	4.2
South	3.1	2.6	7.6
Consolidated Duratex	3.1	5.4	6.9

¹Only accidents with time-off that involve employees are considered. As of this year, we are now incorporating Hydra-Corona division and Central Office information in this indicator. Rates are calculated according to the guidelines of ABNT (Brazilian Technical Standards Association) standard NBR 14280. The accident rate is equal to the number of accidents with time off for every 1 million man-hours of risk exposure. The accident seriousness rate is equal to the number of days lost or debited for every 1 million man-hours of risk exposure. Breakdown by gender is not available, since the management process of registering accidents does not include this information.

ACCIDENTS SEVERITY RATE ¹	2016	2015	2014
By business			
Forestry	111.6	561.0	na
Panels	75.6	291.4	na
Deca	146.6	54.8	na
Hydra-Corona	111.7	na	na
Headquarters	13.7	na	na
Consolidated Duratex	116.7	180.4	1.123.4
By region			
Northeast	53.1	83.5	91.7
Southeast	128.6	222.1	415.5
South	139.6	206.3	1.353.5
Consolidated Duratex	116.7	180.4	1.123.4

G4-LA9 Education for our employees includes technical, behavioral and leadership training, encouragement of language learning, scholarships and participation in outside courses. Our education platform is split among classroom modules, online modules and on-the-job actions, therefore valuing practical learning. Moreover, we encourage each employee to have a development plan that uses 70-20-10 methodology, which establishes 70% on-the-job learning, 20% of learning through interactions (benchmarking, networking and feedback) and 10% of learning from formal training. We also have a specific strategy for young talent, such as trainees, for whom we have developed a platform that covers concepts of leadership, innovation, marketing and sales, sustainability, and other topics. The focus of action in 2016 was on technical and operational training as well as actions in the Culture management project and leadership development.

G4-LA11 Performance assessment is done annually with eligible employees admitted by August 31, through GIP (Integrated Personnel Management).

AVERAGE TRAINING HOURS PER EMPLOYEE ¹	2016	2015	2014
By gender			
Women	11.7	19.2	17.9
Men	25.8	33.2	20.7
By functional category			
Management	17.1	28.4	33.7
Coordination	30.1	56.3	40.3
Supervisor	34.7	77.5	42.0
Superior	12.0	24.8	22.4
Trainee	204.8	210.2	347.4
Administrative	13.7	8.4	14.1
Technical	51.7	31.3	32.1
Operational	23.1	33.0	17.5
Apprentices	18.2	4.3	2.9
General	23.6	31.4	20.3

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

G4-LA16 We report on our grievances and complaints related to labor practices according to the lawsuits brought against the company under the auspices of Brazil's Labor Courts. Because of this, we do not have the autonomy to fully manage the progress of demands, with the number of requests processed and resolved depending on their proceedings in the courts. The most recurrent reasons are related to overtime and hazard pay. All grievances go through the pertinent courts of the Labor Courts and their resolution depends on individual analysis of each case.

LABOR PRACTICES GRIEVANCES AND COMPLAINTS ¹	2016	2015	2014
Received	1,252	1,019	907
Processed	544	558	477
Resolved	472	531	416

¹We don't monitor grievances by year received. Data are related to legal labor actions in which Duratex S.A. is involved. Grievances whose processes were opened during the period are considered as received; those that have had a hearing are classified as processed; and grievances where a definitive court ruling has been made or where the parties entered into an agreement are considered resolved.

EMPLOYEES WHO RECEIVED PERFORMANCE ASSESSMENTS BY FUNCTIONAL CATEGORY AND GENDER (%) ¹	2016		2015		2014	
	Women	Men	Women	Men	Women	Men
Management	100.0	97.3	85.7	97.4	nd	nd
Coordination	93.9	100.0	92.1	89.6	nd	nd
Supervisor	96.7	96.4	95.8	88.0	nd	nd
Superior	10.9	9.8	10.5	9.0	nd	nd
Trainee	100.0	100.0	57.9	46.2	nd	nd
Total on the staff	7.3	6.4	9.1	6.4	3.6	2.6

¹The CEO, Vice-President and Directors participate in the GIP, but are considered members of the governance and are not included among the numbers above. At the eligible functional levels, employees admitted until August 31 participate in the GIP.

G4-LA12 We believe that diversity is the source of added value, competitiveness and social responsibility. That is why we are clear in our Code of Ethics that discrimination is not allowed based on ethnicity, gender, political ideology, sexual preferences, religion, culture or disability. In addition to raising awareness among leaders, we have an Ombudsman that investigates and takes necessary measures in relation to reports that may be made regarding this topic.

DIVERSITY AMONG THE MEMBERS OF GOVERNANCE (%) ¹	2016	2015	2014
By gender			
Women	10.0	9.5	5.0
Men	90.0	90.5	95.0
By age group			
Up to 30 years of age	0.0	0.0	0.0
Between 30 and 50	28.6	19.0	15.0
Over 51 years of age	71.4	81.0	85.0

¹All members of governance are white.

EMPLOYEES BY ETHNICITY (%) ¹	2016	2015	2014
White	63.4	69.4	71.0
Mixed race	29.3	23.9	22.7
Black	7.1	6.4	6.1
Asian	0.2	0.2	0.2

¹Information on race is self-declared by employees. In 2016, Duratex had two professionals who self-declared as indigenous, compared to three in 2015 and one in 2014.

EMPLOYEES BY FUNCTIONAL CATEGORY AND GENDER (%)	2016		2015		2014	
	Women	Men	Women	Men	Women	Men
Management	8.6	91.4	8.4	91.6	8.7	91.3
Coordination	17.8	82.2	16.5	83.5	19.5	80.5
Supervisor	9.7	90.3	7.8	92.2	7.1	92.9
Superior	35.2	64.8	36.6	63.4	37.4	62.6
Trainee	56.3	43.8	59.4	40.6	66.7	33.3
Administrative	37.2	62.8	30.0	70.0	32.0	68.0
Technical	6.6	93.4	6.0	94.0	5.8	94.2
Operational	9.1	90.9	6.4	93.6	6.9	93.1
Apprentices	35.5	64.5	25.5	74.5	26.8	73.2
Total	15.3	84.7	12.7	87.3	13.0	87.0

EMPLOYEES BY FUNCTIONAL CATEGORY AND AGE GROUP (%)	2016			2015			2014		
	Up to 30 years of age	Between 30 and 50	Over 51 years of age	Up to 30 years of age	Between 30 and 50	Over 51 years of age	Up to 30 years of age	Between 30 and 50	Over 51 years of age
Management	1.2	70.4	28.4	0.0	65.1	34.9	1.1	63.0	35.9
Coordination	5.4	80.5	14.1	5.2	76.5	18.3	7.6	72.5	19.8
Supervisor	17.2	73.1	9.7	12.7	72.6	14.7	16.3	67.5	16.3
Superior	34.7	59.1	6.2	31.0	61.0	8.0	33.7	56.8	9.5
Trainee	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0
Administrative	51.6	44.4	4.0	47.5	46.4	6.1	49.1	45.3	5.6
Technical	24.7	67.4	7.9	23.7	67.4	8.9	26.8	63.4	9.8
Operational	36.4	56.9	6.7	33.3	58.4	8.3	35.3	57.0	7.7
Apprentices	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0
Total	37.2	56.1	6.7	33.9	57.6	8.5	35.9	55.7	8.4

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CATEGORY – ENVIRONMENTAL				
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	G4-EN3	43 and 68	The percentage for renewable resources within fuels and total energy consumption at Tablemac is not available.	
	G4-EN5	68	The energy intensity at Tablemac is not available.	
Water	G4-DMA	40	-	
	G4-EN8	40, 41 and 69	-	
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Biodiversity	G4-DMA	50	-	
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	G4-EN13	50 and 69	The area set aside for conservation at Tablemac is not available.	
Emissions	G4-DMA	46	-	
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	G4-EN16	69	-	
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	G4-EN18	69	Data on intensity of emissions at Tablemac is not available.	
Effluents and waste	G4-DMA	40 and 44	-	
	G4-EN23	44, 45 and 70	A breakdown by class in each method of disposal for our waste is not available.	
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	G4-EN27	56	We are unable to measure the impact of the reduced water and power consumption of our efficient products, since this depends on the conditions under which the consumer uses them.	

SPECIFIC STANDARD DISCLOSURES				
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Grievance mechanisms for impacts on society	G4-DMA	35	-	
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Compliance	G4-DMA	56	-	
	G4-PR9	70	-	



Limited assurance report issued by independent auditors

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

Introduction

We have been engaged by Duratex S.A. (Duratex or "Company") to apply limited assurance procedures on the sustainability information disclosed in Duratex's Annual Report 2016, related to the year ended December 31st, 2016.

Responsibilities of Duratex's Management

The Management of Duratex is responsible for adequately preparing and presenting the sustainability information in the Annual Report 2016 in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (GRI-G4), as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the Annual Report 2016 based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared based on NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC and equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Duratex's Annual Report 2016, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of questions and interviews with the Management of Duratex and other professionals of the Company involved in the preparation of the information disclosed in the Annual Report 2016 and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the Annual Report 2016 taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the Annual Report 2016, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) Engagement planning: considering the material aspects for Duratex's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Duratex's Annual Report 2016. This analysis defined the indicators to be checked in details;
- (b) Understanding and analysis of disclosed information related to material aspects management;
- (c) Analysis of preparation processes of the Annual Report 2016 and its structure and content, based on the Principles for Defining Report Content and Quality of the Global Reporting Initiative - GRI (GRI-G4);
- (d) Evaluation of non financial indicators selected:
 - Understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
 - Application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Annual Report 2016;
 - Analysis of evidence supporting the disclosed information;
 - Visits to Duratex's operations and offices for application of these procedures, and items (b) and (c);

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

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- (e) Analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- (f) comparison of financial indicators with the financial statements and/or accounting records.

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

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the Annual Report 2016.

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

Conclusão

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in Duratex's Annual Report 2016 is not fairly stated in all material aspects in accordance with the Global Reporting Initiative - GRI (GRI- G4), as well as its source records and files.

São Paulo, March 10th, 2017

KPMG Assessores Ltda.

CRC SP-023233/O-4

Eduardo V. Cipullo

Accountant CRC 1SP135597/O-6

KPMG Financial Risk & Actuarial Services Ltda.

Ricardo Algis Zibas

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



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