



**2018**  
**SUSTAINABILITY**  
**REPORT**



**ELDORADO BRASIL**  
2018  
SUSTAINABILITY  
REPORT

# Summary

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# Priority topics

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In a gesture of transparency and accountability towards its stakeholders, Eldorado Brasil is publishing its 2018 Sustainability Report, presenting the results of the operation from January 1 to December 31 – quantitative and qualitative data on the indicators for the company's material topics. **102-50 102-51 102-52**

The content of the publication was elaborated and reported in accordance with the core option of Global Reporting Initiative (GRI) Standards methodology and principles. The scope of this publication was defined in alignment with the Eldorado Sustainability Policy and the topics whose management and monitoring stakeholders consider to be relevant for the company's operations and business model. **102-40**

The list of material topics defined for the communication of results in this report was reviewed in June 2017 based on an online stakeholder consultation process, interviews with company leaders, as well as analysis of company documents. These stakeholder groups indicated the following as strategic topics: **102-47**

- > Human capital,
- > Generation of employment and income;
- > Social impact on surrounding communities;
- > Efficient use of resources;
- > Climate strategy and preservation of biodiversity;
- > Good forestry management practices;
- > Corporate governance and compliance;
- > Stakeholder engagement;
- > Business growth strategies.



The list of material topics was reviewed in June 2017.

## Contact

Any doubts and comments related to the Sustainability Report may be addressed to [sustentabilidade@eldoradobrasil.com.br](mailto:sustentabilidade@eldoradobrasil.com.br)

The financial statements include banks and institutions with which Eldorado undertakes financial operations such as investments, derivatives and loans. These are: Banestes; Banco Mercedes-Benz; Banco Volkswagen; Banco do Brasil; BNDES; Bradesco; Caixa Econômica Federal; Caterpillar; ABC Brasil; Credit Suisse; ECAs (EKN, Finnvera, OekB); HP Financial Services; Itaú; Banco Lage Landen; FI-FGTS; Banco Pine; Santander; Banco Daycoval.

TOPIC 102-47	SCOPE	EXTENT OF IMPACT <sup>1</sup>	GRI ASPECT	INDICATORS
<b>Developing human capital</b>	Investments in retaining and developing talent, employee benefits and satisfaction, knowledge and talent management and specialization of manpower.	• Employees • Society	• Employment and education	401-1, 401-2, 404-1 and 404-3
<b>Generation of employment and income</b>	Generation of employment, income, mobilizing the local economy, socio-environmental impacts and incentives for education and culture in the locations in which the company operates.	• Society	• Indirect economic impacts • Local communities	203-2 and 413-1
<b>Social impact on surrounding communities</b>	Impact reduction, such as degradation of the local road network, increased violence and generation of dust and noise.	• Society	• Local communities	413-2
<b>Efficient use of resources</b>	Responsible use and consumption of water, energy and other resources and efficient waste and effluent management.	• Forestry partners • Suppliers • Employees • Society	• Energy • Water • Effluents • Waste	302-1, 303-1, 303-3, 306-1 and 306-2
<b>Preservation of biodiversity</b>	Strategies to combat the proliferation of insects and pests on the plantations, and the preservation of local flora and fauna.	• Forestry partners • Suppliers • Society	• Biodiversity	304-1 and 304-2
<b>Good forestry management practices practices<sup>2</sup></b>	Sustainable forestry stewardship, including the preservation and correct use of the soil.	• Forestry partners • Suppliers • Employees • Society	-	-
<b>Corporate governance and compliance</b>	Good corporate governance practices, ethical business conduct and anti-corruption mechanisms, including management of complaints and grievances.	• Society • Public authorities • Consumers • Forestry partners • Suppliers	• Anti-corruption • Compliance • Complaints and grievances	205-1 and 419-1
<b>Climate strategy</b>	The impact of climate change on the operations, including the increase in the average global temperature, alterations in rainfall patterns and the occurrence of prolonged droughts, affecting the plantations and the transportation of products, as well as the monitoring of greenhouse gas emissions, carbon sequestration and emissions reduction measures.	• Forestry partners • Suppliers • Employees • Society	• Economic performance • Emissions	201-2, 305-1, 305-2, 305-3, 305-4 and 305-5
<b>Transparency and stakeholder engagement</b>	Projects to engage main stakeholder groups, communication channels made available and enhancement of the company's response capacity.	• Customers • Forestry partners • Suppliers • Employees • Society • Public authorities	• Stakeholder engagement	-
<b>Business growth strategies</b>	Profitability, cost competitiveness, return for shareholders, business expansion and financial management.	• Managers • Employees	• Economic performance	201-1

<sup>1</sup> This indicates the main stakeholder groups impacted by the topic, inside and outside the Eldorado operations, showing for which groups the material topics are more critical.

<sup>2</sup> For the topics forestry management, transparency and stakeholder engagement, there are no directly related GRI performance indicators. However, throughout the report Eldorado Brasil communicates how it manages these topics.

# Eldorado's approach to stakeholder engagement

102-43 102-44

Eldorado publishes its Sustainability Report and Public Summary of the Forestry Stewardship Plan. These two reports are published and shared, providing stakeholders with information on the business, demonstrating the company's Economic, Environmental and Social performance, as well as the good practices it employs. Moreover, periodic relationship agendas are in place, whereby stakeholders are heard and the main communication channels, such as the Ethics Line, the former Ombudsman service, are divulged. There follows a list of the main stakeholder groups and respective engagement measures, as well as the main concerns raised by stakeholders.

Eldorado maintains close relations with its stakeholders and disseminates its principal results in a sustainability report and a forestry stewardship plan.

## COMMUNITIES AND CIVIL SOCIETY

- > Periodic meetings with communities;
- > Development of social programs – agro-ecological vegetable production, training courses in the communities and settlements;
- > Constant dissemination of the company's communication channels, including the Ethics Line (former Ombudsman channel);
- > Provision of a contact center to receive community requests;
- > Concerns raised by stakeholders – need for routine engagement to ensure a transparent, harmonious relationship with all the communities in the company's area of influence and with civil society as a whole.

## CUSTOMERS

- > Organization of face to face meetings, forums and commercial events with customers throughout the year;
- > Routine company engagement;

- > Concerns raised by stakeholders: not consolidated up to publication of the report.

## GOVERNMENT AND ORGANIZATIONS

- > Periodic meetings, partnerships for undertaking infrastructure measures;
- > Establishment of contact center to receive requests;
- > Constant participation in working groups aimed at promoting improvements in the region (monthly basis);
- > Company's routine engagement;
- > Concerns raised by stakeholders: ensure a positive agenda with local governments, contributing towards sustainable local development.

## NGOS AND FORUMS 102-13

- > Participation in sector meetings, forums and working groups to discuss public policies, relevant subjects for the sector's development and for sustainable development;

- > Member of the WWF Mato Grosso do Sul Forum, monthly participation in meetings; Company's routine engagement;
- > Concerns raised by stakeholders: pursuit of balance in our operations based on the triple bottom line concept, that is, Environmental, Social and Economic aspects.

## SUPPLIERS

- > Registration and engagement of suppliers to ensure partners' practices are compliant with the Eldorado Code of Conduct;
- > Company's routine engagement.

## SHAREHOLDERS AND INVESTORS

- > Contact by telephone and, less frequently, in person – the company's routine engagement;
- > Concerns raised by stakeholders: information on the company's financial and operational performance.

## EMPLOYEES

- > Disclosure of the company's results;
- > Internal communication program – communications, magazines, radio, management notice boards, among other internal communication media;
- > Organization of training programs;
- > Posting of job vacancies and internal recruitment;
- > Remuneration and benefits policy;
- > Innovation program awards;
- > Concerns raised by the stakeholders: pursuit of constant employee growth and development, ensuring quality of life and safety.



# Message from the CEO

102-14

2018 was a year of extremely positive results, the best ever for Eldorado. We have been in the market since 2012, and we continue to improve in every aspect of our operation. We achieved a new pulp production record, with 1.715 million metric tons in 2018. Our net income was R\$ 816 million, up 14% compared with the previous year, with 33% growth in gross revenue, at R\$ 5.6 billion.

There was an upward trend in pulp demand and in paper prices, driven mainly by China, which enabled pulp prices to keep up with this increase. Another key factor related to the Chinese market was the priority given to companies with good environmental practices, principally with respect to pollutants. Our pulp has FSC® and PEFC certification, reinforcing our competitive differential – a factor which is also important in Europe and the United States. Moreover, China has the target of eliminating the importation of pulp which is not ecologically correct by the end of 2020. For Eldorado, this represents an opportunity for gains in business over the coming years and endorses the importance of good socioenvironmental practices in the global market.

On the other hand, the high availability of paper in the sector and high product stocks led to a decrease in the price of pulp, resulting in a drop in sales to the Chinese market in the fourth quarter of 2018. We took advantage of this situation to readjust our stocks, making more of the product available for sale, ending the year with excess stock and having commercialized 1.590 million metric tons of pulp. We increased our presence in tissue, the fastest growing segment in function of the Gross Domestic Product (GDP), population growth and economic development.

Our business is complemented by the commercialization of the excess energy from the Eldorado industrial operation. In addition to being self-sufficient, we have a license to export 50 MW to the energy grid. As part of our investment strategy in this market, we will start work on our thermoelectric plant in 2019, which will supply 100% renewable energy generated based on the biomass from our forestry operation from 2021.

In pursuit of gains in efficiency and the quality of our internal transportation, we created the Haulage area, which will be responsible for transporting 30% of the timber to meet the mill's demand. We restructured Compliance management, creating a management area with full responsibility for compliance. This is directly linked to the Ethics Committee, reporting to the Eldorado Board of Directors. This will enable us to reinforce a culture of ethical conduct at all levels of our business model and operations.

## Quality in stakeholder relations is important for Eldorado Brasil.

For the future, we project an increase in pulp demand worldwide, based on an upward trend in paper consumption of around 1.5% a year, which represents an additional demand of at least 1 million metric tons per annum.

We have forged ever closer relations with our customers. We are also concerned about fostering relations with business partners who employ good management practices, aligned with our philosophy and organizational culture, who enjoy financial health and who recognize the differentials and quality of Eldorado pulp.

Given these positive results, I wish to thank all of our employees. They are a source of pride for the company. Their proximity and engagement in the values of our organizational culture constitute differentials for Eldorado. The commitment and talent of all these people were fundamental drivers of our performance. With pleasure I invite you to appreciate the company's main highlights in 2018 in our Sustainability Report.

Enjoy reading it!

**Aguinaldo Ramos Gomes Filho**  
CEO

# Eldorado

102-1 102-2 102-3 102-4 102-5 102-6

# Eldorado's bleached eucalyptus pulp has FSC® and PEFC certification

Eldorado Brasil, a joint stock company, is specialized in producing bleached eucalyptus pulp, used in the manufacture of packaging, personal hygiene tissue products, office materials, print media, decoration and special papers such as card terminal paper rolls.

## PURSUIT OF GLOBAL LEADERSHIP OF THE PULP MARKET

Eldorado pulp is commercialized in 45 countries in Latin America, North America, Europe, Oceania, Africa and Asia as the base material for products in four segments. 102-2 102-6

Eldorado pulp is commercialized in 45 countries in North America, Latin America, Europe, Africa, Asia and Oceania.



### TISSUE

Comfort and personal hygiene products – toilet paper, paper towels, napkins, facial cleansing tissues and wet wipes.



### CARD

Packaging for medicines, beverages, food products and makeup.



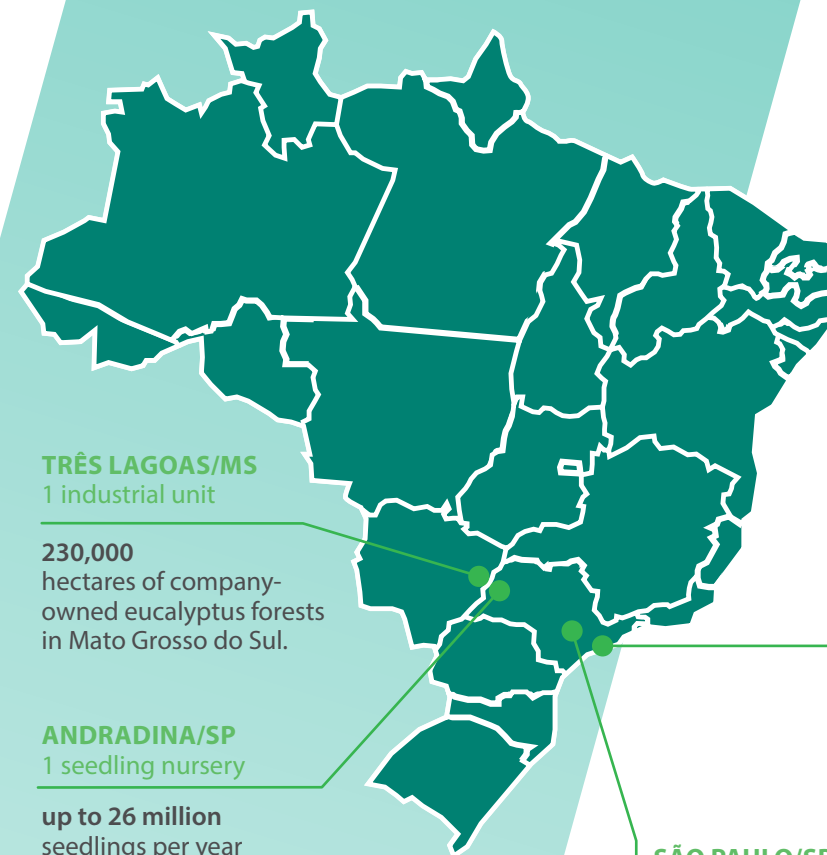
### PRINTING AND WRITING

Notebooks, office materials, books, newspapers, magazines and advertising banners, among other products.



### SPECIAL PAPERS

Paper rolls for card terminals, decorative papers, among other types.



**TRÊS LAGOAS/MS**  
1 industrial unit

**230,000** hectares of company-owned eucalyptus forests in Mato Grosso do Sul.

**ANDRADINA/SP**  
1 seedling nursery

**up to 26 million** seedlings per year dispatch capacity  
**159,000 m<sup>2</sup>** of built area

**3 INTERNATIONAL OFFICES**  
USA - Austria - China



**SANTOS/SP**  
1 company owned port terminal

and capacity to operate terminals in other regions of the country

**SÃO PAULO/SP**  
Administrative headquarters and commercial office

## Mission

To build relations based on trust with our shareholders, our people and our partners through the constant enhancement of our planted, renewable forestry assets.

## Vision

Eldorado Brasil as a global leader in the pulp industry, building new ways to generate value.

## Values 102-16

- Owner Mindset
- Determination
- Discipline
- Availability
- Simplicity
- Humility
- Frankness

## 2018 highlights

102-7

**3,660 employees**

Customers in

**45 countries**

**1,715 million** tons of pulp produced

**5.6 million** m<sup>3</sup> of timber transported to the industrial operation (annual average)





# Governance

Eldorado Brasil is registered with Brazil's securities exchange commission (CVM or Comissão de Valores Mobiliários) as a B1 category publicly-traded company. It applies the differentiated corporate governance practices adopted by companies on the Novo Mercado, although it is not listed on the B3 (former BM&FBovespa) exchange.

## Governance structure

Eldorado's highest governance body is the Board of Directors, which performs its activities with the support of the Fiscal Council and the Executive Board. **102-18**

### BOARD OF DIRECTORS

The Board conducts the company's business, monitoring and overseeing management and the executive directors. It comprises seven members – who represent all the shareholders –, as well as an independent member, in line with Novo Mercado rules.

The board members are elected in the General Shareholder Meetings for terms of one year and may be re-elected. They meet periodically or as necessary. The chairman of the Eldorado Board may not exercise the role of CEO.

**The Fiscal Council** – consists of three members.

- > It is responsible for overseeing the company's administration.
- > It analyzes the Annual Management Report, the balance sheet and the quarterly financial statements.

**Advisory committees** – these provide support for the Board of Directors. They hold periodic meetings and are made up of representatives of the shareholders and Eldorado employees.

- > Audit, Finance and Risk Management;
- > Related Parties and Conflicts of Interest;
- > People and Development;
- > Sustainability and Social Responsibility.

**Executive board** – comprising the CEO and seven other directors, is responsible for executing company strategy.

- > Industrial Director;
- > Forestry Director;
- > Financial Director;
- > Commercial Operations, Logistics and Investor Relations Director;
- > Legal Director;
- > HR, Sustainability and Communication Director;
- > Haulage Director.

## Investor relations

Every three months Eldorado discloses the results for the period to analysts and investors. The Investor Relations area is responsible for upholding good relationship practices that ensure transparency for these stakeholders

### ELDORADO OWNERSHIP BREAKDOWN

50.59%

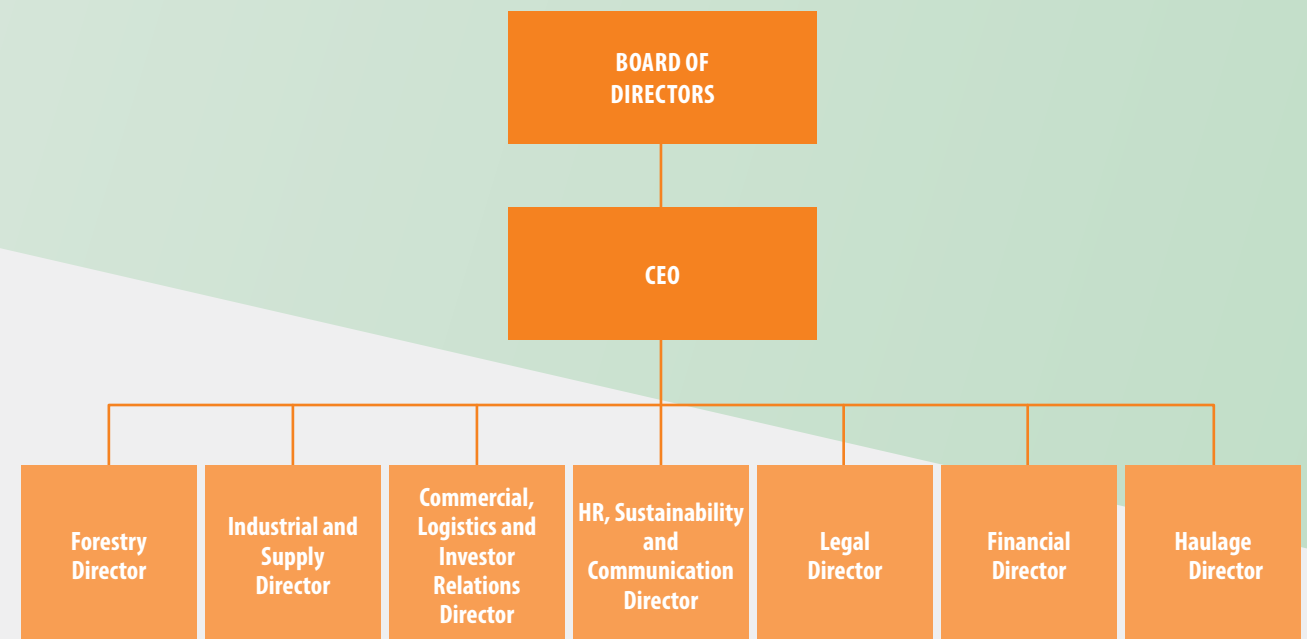
J&F Investimentos  
(controlling shareholder)



49.40%

CA Investment (Brazil)  
S.A. – company of the  
Paper Excellence group

### ORGANIZATIONAL CHART



\*Reporting directly to the Board of Directors

# Ethics and anti-corruption

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Eldorado Brasil believes that all professional activities should be developed based on solid principles of ethics, compliance and transparency in business. As a benchmark in the pulp market, the company plans and discloses its activities in accordance with the highest standards of integrity, the law and internal policies. This was the reason that Eldorado Brasil elaborated the Eldorado Code of Conduct, based on the company's culture and values: owner mindset, determination, discipline, availability, simplicity, frankness and humility.

The Eldorado Code of Conduct sets forth the main guidelines of behavior to be upheld by its employees, as well as partners and suppliers that maintain business relationships with the company. Eldorado Brasil assumes the commitment to comply with all the laws applicable to its economic activities and further commits to disseminating conduct based on the principles of ethics, integrity, transparency and honesty.

The Eldorado Code of Conduct reflects the company's culture and values.

## Operations submitted to corruption-related risk assessments

When applicable, reports made to the Ombudsman are subjected to analysis for the risk of corruption – injurious actions involving company employees and public entities/agents (*further information on the Ombudsman on page 22*). 205-1



Eldorado has a compliance-related communication policy which produces documents containing information aimed at disseminating its culture based on integrity.

For this reason, the Code of Conduct, is the company's main anti-corruption policy. The guidelines set forth in this code promote compliance with the law, equal and fair treatment, guarantee of employee privacy, combating harassment and abuse of power, ensuring information security, respect for intellectual property, the prevention and resolution of conflicts of interest, among other topics addressed in alignment with the legislation in the countries in which Eldorado Brasil operates.

The code also addresses questions related to health, safety and the environment, financial statements and accounting records, suppliers and service providers, gifts and presents, shareholders, investors and analysts, government authorities and regulatory agencies, press relations, employee responsibilities, sanctions and penalties, the Ethics Committee and the Ombudsman.

In 2018, Eldorado continued to undertake periodic compliance-related communications underscoring important information on anti-corruption measures by means of posters, webcards and totems that publicize the company's communication channels. Audio spots with information on compliance were also played on the Eldorado radio station on the buses which transport the forestry operation teams.

Moreover, Eldorado has standard anti-corruption clauses in its contracts with suppliers. All suppliers are submitted to an internal registration process which requires the provision of control documents and a declaration of compliance with the terms of the company's Code of Conduct. In addition to an Ethics Committee, which oversees the investigation of reports and recommends disciplinary measures and opportunities for improvement, the company has a Sustainability Committee, a Personnel Committee and direct

Eldorado is constantly submitted to external audits to assess compliance risks.

channels for contacts with local communities. These exchange information, clarify doubts and help identify any environmental issues, such as fires and pests. The company's objective is to maintain a transparent, open line of communication with the community and stakeholders so that it may develop its economic activities with the lowest possible impact.

These measures help reinforce support for management in compliance-related questions, as well as clearly signaling management and shareholder positioning on compliance, integrity, honesty and ethical conduct in business.

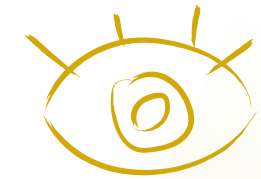
Eldorado is constantly submitted to external audits to assess compliance risks. Furthermore, Eldorado Brasil is certified by the Forest Stewardship Council® (FSC®) and by CERFLOR, (Programa Brasileiro de Certificação Florestal), the Brazilian forestry certification body, attesting to the company's good social and environmental practices. These certifications involve annual external audits that assess the environmental, social and economic criteria required by the certification standards.

Any conflicts of interest are analyzed by means of contacts with the Ombudsman and by Ethics Committee meetings, which studies the cases in hand and recommends the measures to be taken. Additionally, Eldorado is currently elaborating a specific internal policy on conflicts of interest to identify and address this kind of situation and inform employee conduct.

Eldorado has internal control procedures to manage the hiring of third-parties and the approval of payments. All payments are duly entered in the company's accounts.

The company has always organized periodic training courses for employees. These include anti-corruption programs and programs to address improper conduct based on Brazil's Anti-Corruption law. The intention is to develop specific programs aimed at the areas of greater risk in the company.

Courses were given in 2016 and 2017. In 2019, programs focused on combating corruption and fraud will be organized for management and employees.



In recent years management and employees have received anti-corruption and anti-fraud training.

## Managing stakeholder relations 103-2

Throughout 2018, the Eldorado Brasil Ombudsman was available to receive reports on any breaches of the Eldorado Code of Conduct, internal policies and the legislation in force. As well as reports of irregularities, the Ombudsman may be accessed for complaints, suggestions, doubts and praise. The channel received 245 complaints which were forwarded to and resolved by the competent areas. These contacts included irregularities, complaints and suggestions. For purposes of comparison, in 2017 56 complaints were received, while the figure for 2016 was 64. The increase in the number of contacts demonstrates that after a number of internal

and external publicity campaigns, use of the tool has grown among employees, local communities and third-parties, who are now more attentive to potential irregularities. Eldorado management is committed to providing the support necessary to ensure the reporting channels are put to good use, driving constant internal improvements, while ensuring that reports of irregularities are investigated in order to identify and mitigate any business risks (*further information about stakeholder relations and engagement on page 6*).

The channel is available to all stakeholders via the company website, telephone, email or via direct

contact with Compliance area professionals. Eldorado Brasil encourages its stakeholders to use the Ombudsman channel in good faith, enabling the company to identify any irregularities that are communicated in a responsible and honest manner.

The Eldorado Ombudsman is an important tool for the company's Compliance Program. The process is as follows:



## ETHICS COMMITTEE

The Eldorado Ethics Committee has the autonomy and authority necessary to coordinate and assess investigations into the incidents reported to the Ombudsman channel. Comprising representatives of the Human Resources, Legal, Finance and Procurement areas, the Ethics Committee recommends measures aligned with the company's Compliance Program, be it to prevent, detect or correct any irregularities, or to encourage company employees and stakeholders to act in an ethical and integral manner.

In 2019, the Ombudsman channels were renamed the Ethics Line. They maintain the same objective, that of enabling secure, anonymous and confidential reports. In addition to adopting preventive measures to support company goals and risk management, the compliance team seeks to generate synergies with the other departments in the company. Eldorado will continue to enhance its compliance controls, investing in new tools to prevent, detect and correct any irregularities identified.

The Ethics Line is available via the following channels:

[www.linhaetica.eldoradobrasil.com.br](http://www.linhaetica.eldoradobrasil.com.br)

[linhaetica@eldoradobrasil.com.br](mailto:linhaetica@eldoradobrasil.com.br)

0800 527 5280



## Risk management <sup>102-11</sup>

The risk management plan is conducted in accordance with best market practices.

Risk management at Eldorado is conducted by the CEO, with support from the company's executive directors. The management plan is cascaded down to the areas responsible for administering the different risks and their respective preventive and impact mitigation measures.

These processes are conducted in line with best market practices, comprehending risk monitoring, anticipating potential risks for the business and the company's operation, with a view to preventing or minimizing their effects and ensuring business sustainability.

Eldorado monitors the following risks:

- > Inherent to its operations – forestry, industrial, transportation (between its operations), commercial and logistics (product distribution to the market);
- > Reputation and image;
- > Impacts of legislation on the business;
- > Related to information technology;
- > Related to supplies and the supplier chain;
- > Financial – market risks (exchange and interest rates);
- > Environmental – climate change;
- > Social – related to local communities and risks that could impact the operation.

## financial implications and other risks and opportunities arising from climate change <sup>201-2</sup>

### RISK: PROLONGED PERIODS OF DROUGHT

May cause water shortages in the reservoirs and at water catchment points.

### IMPACT

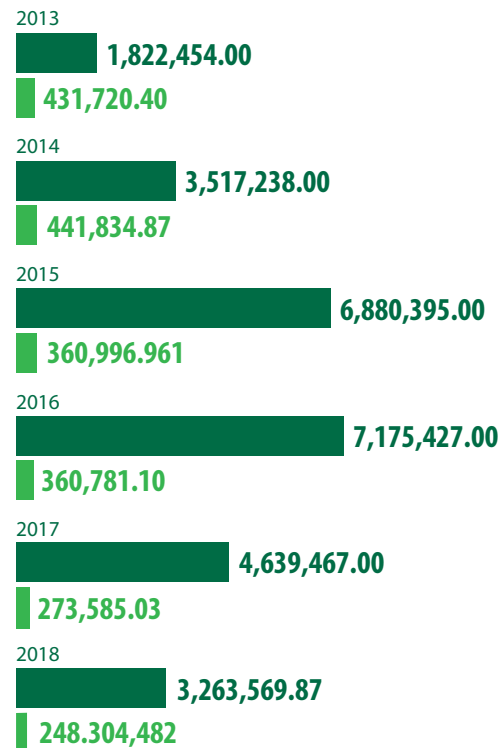
- > Increase in the average distance between the water catchment areas and the forestry stewardship areas.
- > Significant increase in the operational costs of planting and forestry maintenance as a result of water scarcity close to the plantations, meaning water needs to be transported a greater distance.

### RISK MANAGEMENT

- > Development of clones that are more resistant to water scarcity. An experimental network aimed at selecting clones and defining factors pertinent to forestry stewardship better adapted to future climatic conditions, ensuring that the plantations are robust enough to tolerate climate change by requiring fewer resources such as water and nutrients.
- > Study of water catchment points and their respective permanent preservation and conservation areas with a view to analyzing the best alternatives for routes and access in order to mitigate potential environmental impacts as far as possible.
- > Establishment of a joint study with the Federal University of Mato Grosso do Sul (UFMS) to identify water and environmental vulnerability in the micro water basins in which the company's forests are located.
- > Development of the "When and How Much to Irrigate" project. This innovates with the projection of reductions of up to 30% in water consumption when it is fully implanted.
- > Implantation of studies and projects to raise capital.

**CARBON REMOVAL  
– PLANTED FORESTS**

(TCO<sub>2</sub>e) X GHG EMISSIONS (TCO<sub>2</sub>e)<sup>1</sup>



**OPPORTUNITIES RELATED TO THE RISKS**

The forestry base also contributes to the native vegetation areas in these areas, ensuring that stewardship is undertaken in an environmentally correct manner, preventing environmental impacts and their effects on climate change (*further information on Eldorado's voluntary certifications on page 36*).

The Eldorado forest areas constitute an important asset for offsetting greenhouse gas (GHG) emissions, including CO<sub>2</sub>. They generate carbon credits, which are measurement units that correspond to tCO<sub>2</sub>e (one metric ton of CO<sub>2</sub>). This is why the Eldorado forestry operation contributes towards offsetting and neutralizing the emissions from the company's production process, resulting in a positive balance.

Carbon credits represent a future commercial opportunity for this stock when carbon pricing and trading are recognized in Brazil, as is already the reality in a number of other countries.

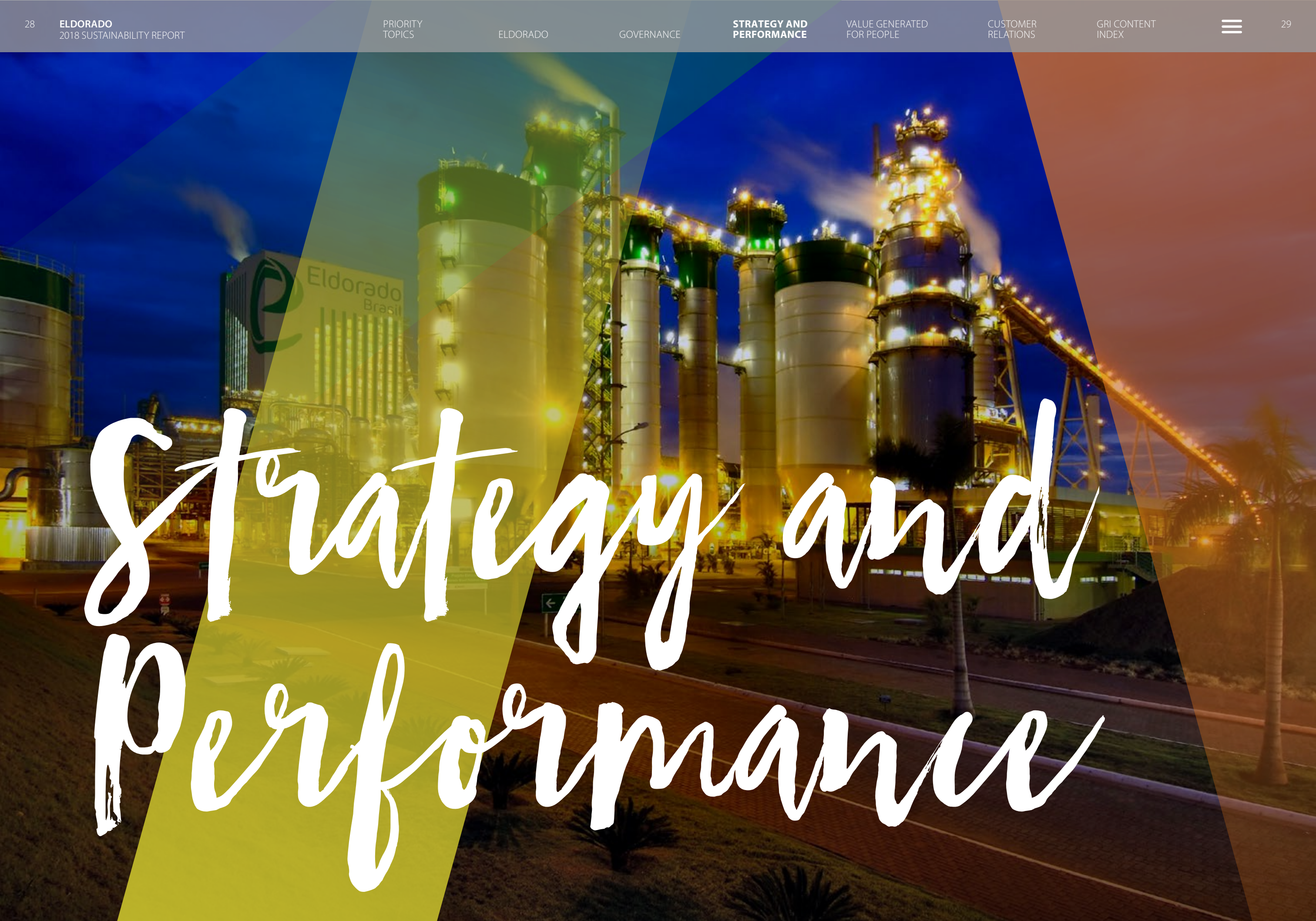
Eldorado is conducting its 6<sup>th</sup> full greenhouse gas (GHG Protocol) inventory. In 2018, Eldorado joined the group of companies that participate in the atmospheric emissions simulation program developed by FGV (Fundação Getulio Vargas) and BVRIO (Instituto BVRio and Bolsa de Valores Ambientais).



In the future, the publication of the Full Greenhouse Gas (GHG) Inventory and participation in the group of companies that do simulations in the atmospheric emissions market could ensure the availability of investment capital for Eldorado.

Eldorado employs an environmental practice index which monitors the main parameters of atmospheric emissions, water, legislation and production process characteristics, ensuring the maintenance of operational limits that are more restrictive than the legislation, with a view to guaranteeing business sustainability and increased environmental efficiency.

1. Quantification of carbon removal, adopting the IPCC (Intergovernmental Panel on Climate Change) protocol. Planted forests: Biomass + Leaf litter



# Strategy and Performance

# 40% growth in EBITDA in 2018

Eldorado ended 2018 with EBITDA (earnings before interest, taxes, depreciation and amortization) of R\$ 3.114 billion, 40% up on the previous year, and an EBITDA margin of 67%. Net revenue totaled R\$ 4.6 billion, an increase of 38% over 2017. Net income in the year was R\$ 816 million, 14% higher than in 2017.

The company ended the year with a funding availability of approximately R\$ 830 million. As in previous years, the operating results are worthy of note. This is the result of the production volume of 1.715 million metric tons in 2018, slightly higher than the 2017 figure, and 14% above the Eldorado production unit's nominal capacity.

# 1,715

**million metric tons  
in production volume  
in 2018**



# Excellence in commercial performance

201-1

With total sales of 1.590 million metric tons of pulp, once again Eldorado had an excellent performance in sales volume, all the more significant considering the retraction in market demand in the last quarter of the year.

Gross revenue in 2018 was R\$ 5.6 billion, 33% up on the previous year. The increase was due mainly to higher pulp prices. The company's net revenue in the year was R\$ 4.6 billion, 38% higher than in 2017.

The accounting information is consolidated pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in accordance with the pronouncements, interpretations and guidance of Brazil's Comitê de Pronunciamentos Contábeis (CPC), approved by resolutions from the Conselho Federal de Contabilidade (CFC) and aligned with CVM (Comissão de Valores Mobiliários) standards. Eldorado is submitted to external audit processes and uses the integrated SAP system to control accounting balances and transactions. **103 | 201**

## DIRECT ECONOMIC VALUE GENERATED (R\$) 201-1

GENERATED	2016	2017	2018
Revenues	3,168,529.00	3,753,651.00	5,004,133.00
Sales of merchandise, products and services	2,996,140.00	3,384,540.00	4,746,984.00
Non-operational	172,389.00	369,111.00	257,149.00
Inputs acquired from third-parties	-1,218,313.00	-1,142,228.00	-1,353,939.00
Cost of merchandise and services sold	-1,218,313.00	-1,142,228.00	-1,353,939.00
Gross added value	1,950,216.00	2,611,423.00	3,650,194.00
Retentions	-256,862.00	-431,727.00	-400,624.00
Depreciation, amortization and depletion	-256,862.00	-431,727.00	-400,624.00
Net added value produced by the organization	1,693,354.00	2,179,969.00	3,249,570.00
Added value received in transfer	98,196.00	39,835.00	29,729.00
Financial revenues	98,196.00	39,835.00	29,729.00
Total added value for distribution	1,791,550.00	2,219,531.00	3,279,299.00



**ECONOMIC VALUE DISTRIBUTED (R\$) 201-1**

DISTRIBUTED	2016	2017	2018
Personnel and charges	504,686.00	338,368.00	362,867.00
Taxes, charges and contributions	-105,869.00	207,726.00	429,457.00
Interest and rents	1,106,196.00	960,070.00	1,671,095.00
Retained profit/loss	286,537.00	713,367.00	815,880.00
<b>TOTAL</b>	<b>1,791,550.00</b>	<b>2,219,531.00</b>	<b>3,279,299.00</b>

**ECONOMIC VALUE RETAINED (R\$) 201-1**

RETAINED	2016	2017	2018
"Direct economic value generated" less "Economic value distributed"	1,376,979.00	1,534,120.00	1,724,834.00

**FINANCIAL RESULTS 201-1**

	2016	2017	2018
Gross revenue (R\$ million)	3,460.00	4,067.00	5,636.00
EBITDA (R\$ million)	1,585.00	2,221.00	3,114.00
Production capacity (millions of metric tons)	1.5	1.5	1.5
Actual production (millions of metric tons)	1,638	1,708	1,715
Sales volume (thousands of metric tons)	1,665	1,721	1,590
Total added value for distribution (R\$ million)	1,791.55	2,219.53	3,279.29

General note: The data above are presented in accordance with the accrual method. The portion of economic value generated and distributed outside Brazil is not significant.

# Operational excellence

103 | 203, 103 | 413

The Eldorado operations include the industrial facility in Três Lagoas (Mato Grosso do Sul), and a forestry area in farms (company-owned, leased and partnerships) located in 13 municipalities, including Três Lagoas (*further information about the Eldorado operation in the infograph on page 66*).

The negative and positive social and economic aspects and impacts of the company's activities are assessed in the areas surrounding the forestry operations (*further information about relations with surrounding communities on page 8*).

In the industrial operation, management is focused on gains in operational performance from the reduction in energy consumption, effluent and waste generation, atmospheric emissions and the consumption of chemicals.

Forestry Operation:  
technology and  
painstaking  
analysis to prevent  
and mitigate  
environmental  
impacts.

**FIRE PREVENTION SYSTEM**

- > Monitoring using full HD cameras in 11 towers capable of detecting starting points of fires and sharing images of the forestry areas.
- > The system detects the starting points of fires and issues warnings automatically. It provides 360° visibility in real time, 24 hours a day.
- > Access to meteorological stations that share information in real time about the climatic conditions in each one of the regions monitored.

**NANO SATELLITE VISUALIZATION OF THE FARMS**

- > Nano satellites photograph the forest area every three days.
- > These provide a level of visibility that enables the identification of damages in the area being monitored.

**3D IMAGES OF FARMS**

- > The farm monitoring resources include images taken by drones.
- > Software builds 3D images of the farms, identifying the exact relief of each, indicating areas of native forest, rainwater corridors (mapped based on simulation of rainfall), permanent preservation and legal reserve areas, and timber transportation corridors.
- > This permits the tracing of planting lines and prevents erosion.
- > The images are stored in an information bank in the software that operates the tractors.
- > The program locates the information about the area on the actual site, enabling automated planting.
- > These resources result in a 3% economy in planted area and help prevent erosion.

**2018 RESULTS**

A year marked by growth

EBITDA:

**R\$ 3.114**  
billion (+40%)

NET INCOME:

**R\$ 816**  
million (+14%)

GROSS REVENUE:

**R\$ 5.6**  
billion (+33%)

**1.715 million**  
metric tons of pulp in the year (+14%)

**1.590 million**  
metric tons of pulp sold

### PLANT NUTRITION MANAGEMENT SYSTEM IN THE PLANTING AREAS

- > The system determines the plants' nutritional balance and recommends the type and degree of fertilizer use.
- > Soil analysis is conducted by a system calibrated for specific soil and climate conditions and genetic materials, enabling identification of the production potential of each farm.
- > The technology optimizes the use of fertilizers and ensures that the forests receive the ideal quantities for their growth, guaranteeing that nutritional deficits or excesses do not jeopardize the development of the vegetation.
- > At 18 months, the nutritional aspects of the eucalyptus forest are monitored again, using foliar analysis to measure the vigor of the trees and, if necessary, prescribe the application of fertilizers.

### CULTIVATION OF SEEDLINGS IN 2030/2040 CLIMATIC CONDITIONS

- > The "Tree of the Future" project, a partnership between Eldorado and Embrapa, generated possible climate change scenarios up to the year 2040, based on modeling techniques recognized, validated and accepted by climate scientists.
- > The scenarios generated enable Eldorado to carry out field experiments in regions of Brazil whose climate characteristics are compatible with those projected in the study – with soil conditions, relief and altitude similar to those of the forests in which the company's eucalyptus are presently cultivated. The purpose of the study is to enable the selection of clones and stewardship techniques best adapted to the possible new scenarios.
- > The initiative is part of the study Climate Change Impacts on Eucalyptus Productivity for the region in which Eldorado operates and is aimed at maintaining sustainable forestry production practices.

### SOFTWARE TO REDUCE DIESEL CONSUMPTION

- > The trucks that transport the timber use an educative software that monitors the vehicle and contributes towards good driving practices.
- > As a result, diesel consumption has decreased by 18% and 7.8 million kilograms of CO<sub>2</sub> emissions have been avoided.

### PEST CONTROL VIA BIOLOGICAL MECHANISM

- > Eldorado conducts research into the multiplication and release of natural enemies as a means of controlling the main eucalyptus pests biologically.
- > The multiplication of these agents is conducted in the company's own laboratory. They are released to restore the balance where insect overpopulation puts the cultivation areas at risk.
- > Biological control is part of Eldorado's Integrated Pest Management program, with the release of natural enemies in approximately 2,000 hectares of forest land each month.



Eldorado conducts research focused on cultivation in 2030/2040 climatic conditions.

## Co-creation between leaders and start-ups

Eldorado has drafted its technological path, mapping all the technologies available in the market that deliver solutions to enhance the company's operations. During 2018 Innovation Day, Eldorado brought 80 managers and 12 Brazilian start-ups together to analyze the company's technological path. This co-creative effort culminated in the development of 95 initiatives with technological solutions for the forestry and agricultural sector having the potential to deliver value for the Eldorado operations and business model.

## Control center with 24-hour monitoring

In 2018, Eldorado Brasil created its operational control center, with panels and sensors that monitor all the forestry operations, 24 hours a day, seven days a week.

The IRES (Forestry Intelligence Center in the Portuguese acronym) expanded monitoring of the planted areas. The same control room enables visualization of the images captured, the data monitored and the vehicle tracking system, with online monitoring of all the trucks and vehicles that operate internally. The company also stepped up the use of nano satellites for recording all the planting and harvesting stages of the operation on a daily basis.

The monitoring center represents significant gains in quality control, risk management, and the identification of opportunities for improvements. It has also boosted the perception of opportunities for developing projects to drive greater operational excellence in general. The center enables the assessment of conditions of the soil, silviculture and climate, providing up-to-date weather forecasts. All this information is available in a single room where the operational leaders and managers work. Innovation generates important knowledge that enables value creation for the company.

### IRES carries out monitoring:

- > **Logistics** – Transportation/Highways (real time)
- > **Fires** (11 full HD cameras) (real time)
- > **Position and sensing of equipment and vehicles**
- > **Climate Information** (rainfall, wind, temperature)
- > **Positioning of Operational Fronts** (real time)
- > **Production Status** (silviculture, harvesting, transportation and SSO)

# Certifications and good practices <sup>103|419</sup>

## > FSC® Forestry Certification (FSC-C113536 and FSC-C113939) – Forest Stewardship Council®

Attests to the application of responsible practices in forestry stewardship and in the production chain, applied in a socially and environmentally responsible manner.

## > Programa Brasileiro de Certificação Florestal (CERFLOR)

This certification demonstrates sustainable forestry management, with the application of best practices in technical, social and environmental terms.

## > PEFC (Programme for the Endorsement of Forest Certification)

Non-governmental organization dedicated to promoting Sustainable Forestry Management.

## > Sustainability Reports

Annual publication of GRI report, developed in accordance with Global Reporting Initiative methodology (*further information on page 6*).

## > Greenhouse Gas (GHG) Inventory

Full Scope 1, 2 and 3 GHG inventory.

## > HIGHLY PROTECTED RISK (HPR)

This seal attests to the high level of the accident prevention system – in procedures and asset protection –, as well as the quality of equipment safety and fire protection systems.

## > Equator Principles

Audits aligned with the Equator Principles. These are conducted in accordance with socioenvironmental and management policies for financing using criteria based on International Finance Corporation (IFC) standards.

FSC®, Cerflor  
and PEFC

Voluntary  
certifications and  
good practices are  
an integral part  
of Eldorado Brasil  
processes.

# Haulage Area

In pursuit of greater productivity and business sustainability in the medium and long-term, specifically in relation to timber supplies for the pulp mill, at the beginning of 2019 Eldorado Brasil created its own internal transportation area.

This area has its own assets to meet part of the mill demand and accounts for 30% of timber transportation. The department works with targets to drive operational efficiency in the following areas: mechanical availability of equipment, volume transported in cubic meters, metric tons of timber transported, average distance covered, fuel consumption, employee turnover, overtime, among other indicators. The Haulage Area will continue to invest in assets over the coming years to boost the percentage coverage of mill demand.

# Industrial operation: production capacity is higher than nominal capacity

## High operational efficiency is an Eldorado Brasil competitive differential

96% efficiency in the mill, 6% higher than the average efficiency rate in the Brazilian pulp market.

In the Eldorado Brasil industrial operation, the mill in Três Lagoas (MS) has a nominal production capacity of 1.5 million metric tons of pulp. In 2018, the company produced 1.715 million metric tons. This is the result of efficient processes and good practices allied with the high level of equipment availability, permitting the mill to operate continuously.

In line with the operational schedule, the mill was shut down in November for preventive equipment maintenance. No shutdown is scheduled for 2019 due to a change in norms which extended the interval between maintenance shutdowns from 12 to 15 months. With this alteration, Eldorado estimates that it will have an additional 10 days of production in 2019.

## People are our major differential in production

People management is a key attribute in value generation for the Eldorado production process. The management model focused on employee activities in routine operations enables the effective creation of solutions to drive opportunities for improvement and leverages the employment of best practices (*further information on page 33*).

Ranging from senior through middle

management to the teams on the shop floor, all employees are involved in decision making in our industrial activities. Management proximity with the teams that handle routine manufacturing activities drives quality and efficiency in the operation and the rapid and strategic resolution of problems. Information and data about the operation of the Eldorado Brasil mill may be accessed by everyone, from the principal leaders to the operational team.

# Eldorado's 4.0 Plant and best practices inspire the market

The Eldorado mill has an intelligence room located beside the operational control room, with a trained team and technology providers who support the monitoring and management of performance indicators, with data provided online in real time.

## Focus on detail and systemic vision

Technical and management training, aligned with a culture based on owner mindset, cooperation and a systemic vision ensure precision in the activities of the team in the industrial operation, while reinforcing cooperation.

Quality relations between leaders and subordinates is another priority in the operational routine, valuing the scope of each employee's work (further information on page 56).



### ENERGY SELF-SUFFICIENCY

The Eldorado Brasil mill can export up to **50 MWh a day** which is commercialized on the national energy grid.

Direct greenhouse gas emissions from the generation of electricity, heat or steam (in T CO<sub>2</sub> equivalent)

**2017: 273,585.03**  
**2018: 248.304,482**

Water consumption (m<sup>3</sup> per metric ton)  
**Projected: 34**  
**Consumed: 25**

Effluent generation (m<sup>3</sup> per metric ton)  
**Projected x Generated**  
**30 to 21.11 m<sup>3</sup>/ton**



### Emissions are one of Eldorado Brasil's main concerns

The indicators are within the parameters established by the environmental authorities. For over three years, the company has been operating at, on average, 30% below the legal emissions limits.



### HPR Certification

The Eldorado mill has HPR (Highly Protected Risk) certification, awarded to industries that have high level loss prevention systems in place, both in procedures and in assets.



### INOVAR PROGRAM

Eldorado recognizes and rewards the best ideas from employees who create initiatives in the Inovar Program. This stimulates new ideas and the development of innovative projects, building a more creative environment and reinforcing a culture of innovation. The program has already generated over 700 ideas in three years, of which 70% have been implanted as projects.

More than 700 ideas in just 3 years, with over 70% implanted.



### PEOPLE, ACTION AND MOVEMENT PROGRAM

Based on participative management, the program encourages dialogue among employees so that they share information and ideas about practices and the operation.

It is focused on identifying the main organizational factors that have a positive impact on activities in the industrial area.

It stimulates people to:

- > Understand the meaning of their work;
- > Influence working conditions, relationships and the processes in which they are involved;
- > Be empowered, creative and proactive;
- > Assume responsibilities with self-assurance;
- > Share ideas and information;
- > Create, participate and innovate;
- > Engage.

Launched in 2018, workshops for 203 employees were organized under the program.

# Energy management

Energy management is the responsibility of the energy production area, supported by the process area. Management policy in this area is aimed at boosting production while reducing operational costs and energy consumption. For years the company has been committed to optimizing energy consumption. It has an internal program called Ciceel which disseminates the importance of conscious energy consumption in the production and administrative areas. **103 | 302**



Energy Efficiency

### ENERGY CONSUMPTION WITHIN THE ORGANIZATION 302-1

#### CONSUMPTION OF FUEL FROM NON-RENEWABLE SOURCES (GJ) 302-1

	2016	2017	2018
Fuel Oil	1,043,671.6	1,019,190.60	1,287,640.53
LPG used in forklift trucks	4,752.20	5,061.51	8,944.8
Diesel - used in generators/internal vehicles	1,659,471.28	890,087.77	756,815.26
Gasoline - fleet	14,822.12	11,152.51	18,698.50
Natural gas - lime kiln	NA	1,959,901.71	1,619,339.21
<b>TOTAL</b>	<b>2,722,717.20</b>	<b>3,885,394.10</b>	<b>3,691,438.31</b>

#### CONSUMPTION INTENSITY OF FUELS FROM NON-RENEWABLE SOURCES (GJ/1000 ADT)

Fuel Oil	637.16	596.72	750.65
LPG – used in forklift trucks	2.90	2.96	5.21

#### CONSUMPTION OF FUEL FROM RENEWABLE SOURCES (GJ) 302-1

Liquor	30,809,525.40	31,918,957.57	33,504,338.15
Biomass	4,319,063.88	3563701.29	1,892,589.66
Biodiesel - diesel content	116,602.9	70620.39	60,046.43
Ethanol - gasoline content	3,731.42	2807.61	4,707.29
<b>TOTAL</b>	<b>35,248,923.60</b>	<b>35,556,086.86</b>	<b>35,461,681.54</b>

#### ENERGY CONSUMED (GJ) 302-1

ELECTRICITY	4,765,082.44	4,439,354.58	4,335,656.73
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#### ENERGY SOLD (GJ) 302-1

ELECTRICITY	658,646.32	840,002.46	1,050,231.46
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#### TOTAL ENERGY CONSUMED (GJ) 302-1

<b>TOTAL</b>	<b>42,078,076.93</b>	<b>41,080,931.38</b>	<b>42,438,545.12</b>
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#### ENERGY CONSUMPTION INTENSITY (GJ/1000 ADT)

<b>TOTAL ENERGY CONSUMED</b>	<b>25,688.69</b>	<b>24,052.07</b>	<b>24,740.23</b>
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# Managing emissions

Eldorado employs an environmental practice index which monitors the main parameters of production process atmospheric emissions, subject or not to legislation, ensuring the maintenance of operational limits that are more restrictive than the legislation, with a view to guaranteeing business sustainability and increased environmental efficiency.

All atmospheric emissions are monitored online, 24 hours a day, at their fixed sources. The data are compiled and reported to the environmental authority in an atmospheric emissions report on a monthly basis. Additionally, every six months Eldorado contracts a qualified company duly accredited by INMETRO to conduct off-line monitoring of its emissions. The report by this company is used to compare Eldorado's online analysis with the one produced via the off-line methodology. All the sensors are calibrated periodically in accordance with the recommendations of the manufacturers. The company also participates in the Greenhouse Gas Inventory (GHG Protocol) run by FGV. **103 | 305**

The environmental practice index monitors the main parameters of atmospheric emissions, subject or not to legislation, inherent to the production process.



## DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1) 305-1

DIRECT GREENHOUSE GAS EMISSIONS (T CO <sub>2</sub> EQUIVALENT)			
	2016	2017	2018
Agriculture (use of fertilizers)	32,861.47	32,586.30	33,015.10
Generation of electricity, heat or steam	169,829.47	147,828	135,888.04
Transportation of materials, products, waste, employees and passengers	135,339.62	78,747.2	66,202.929
Solid waste and liquid effluents	9,448.01	10,127	10,359.89
Fugitive emissions	11,507.74	3,671.44	1,944.88
<b>TOTAL GROSS CO<sub>2</sub> EMISSIONS</b>	<b>358,986.33</b>	<b>272,959.94</b>	<b>247,410.861</b>

Note 1: Gases included in the calculations – Carbon dioxide; Methane; Nitrous oxide; Hydrofluorocarbons; Sulfur hexafluoride.  
Note 2: Source of emission factors used was the Brazilian GHG Protocol Program.

## INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2) 305-2

	2016	2017	2018
<b>INDIRECT EMISSIONS FROM THE ACQUISITION OF ENERGY (T CO<sub>2</sub> EQUIVALENT)</b>			
<b>TOTAL</b>	<b>1,794.75</b>	<b>878</b>	<b>893,621</b>

## OTHER GREENHOUSE GAS EMISSIONS (T CO<sub>2</sub> EQUIVALENT) 305-3

Upstream transportation and distribution (third-party fleet)	5,046.080	5,525.070	44,817.626
Downstream transportation and distribution (third-party fleet)	110,344.54	300,272.189	294,697.62
Business travel	333.97	283.61	234.30
Employee commuting <sup>1</sup>	4,452.50	4,763.78	4,764.72
<b>TOTAL</b>	<b>120,177.093</b>	<b>310,844.64</b>	<b>344,514.256</b>
<b>BIOGENIC CO<sub>2</sub> EMISSIONS (CO<sub>2</sub> EQUIVALENT) 305-3</b>			
<b>TOTAL</b>	<b>851.02</b>	<b>625.09</b>	<b>5,495.427</b>

<sup>1</sup> Employee commuting (home-work) was added in this reporting cycle.

Note 1: Gases included in the calculations: Carbon dioxide; Nitrous oxide; Methane.  
Note 2: Source of emission factors used was the Brazilian GHG Protocol Program.

## GREENHOUSE GAS EMISSIONS INTENSITY 305-4

	2016	2017	2018
Metric tons of pulp produced (ADT)	1,637,784.00	1,708,094.00	1,715,366.00
<b>TOTAL GHG EMISSIONS (T CO<sub>2</sub> EQUIVALENT)</b>	<b>360,781.08</b>	<b>273,585.03</b>	<b>248,304.482</b>
<b>GREENHOUSE GAS EMISSIONS INTENSITY (T CO<sub>2</sub>eq/ADT)</b>	<b>0.22</b>	<b>0.16</b>	<b>0.14</b>

Note 1: Types of GHG emissions included in the intensity rate: Scopes 1 and 2.

Note 2: Gases included in the calculations: Carbon dioxide; Methane; Nitrous oxide; Hydrofluorocarbons; Sulfur hexafluoride.

## REDUCTION IN GREENHOUSE GAS EMISSIONS 305-5

REDUCTIONS IN GHG EMISSIONS (T CO <sub>2</sub> EQUIVALENT)			
	2016	2017	2018
Reductions in direct emissions (Scope 1)	29,450.84	86,026.58	25,280.548
Reductions in indirect emissions from the acquisition of energy (Scope 2)	-	916.8	-
Reductions in other indirect emissions (Scope 3)	-	-	-
<b>TOTAL GHG EMISSIONS REDUCTIONS</b>	<b>29,450.84</b>	<b>86,943.39</b>	<b>25,280.548</b>

Note 2: Gases included in the calculations: Carbon dioxide; Methane; Nitrous oxide; Hydrofluorocarbons; Sulfur hexafluoride.

# Water

Water consumption at the mill is monitored using daily indicators aimed at optimizing consumption. The monitoring is conducted by the utilities production area, supported by the process area. In general terms, the targets are focused on promoting a gradual reduction in water consumption through a management routine that identifies and addresses deviations and promotes continuous improvement. Eldorado also develops projects aimed at minimizing consumption or reusing process water. **103 | 303**

The reduction targets for the volume of water consumed in the Eldorado operations are for specific annual consumption. The data for 2018 demonstrate that there was a reduction in absolute consumption in spite of the increase in production. This is the result of a daily management routine that minimizes deviations and promotes continuous improvement. **303-1**



Daily monitoring of water indicators.

	2016	2017	2018
<b>WATER WITHDRAWN BY SOURCE<sup>1</sup> (M<sup>3</sup>) 303-1</b>			
Surface water, including wetlands, rivers, lakes and oceans	43,181,518.35	43,681,742.54	43,483,540.34
Ground water	350,642.00	291,860.00	210,100.00
<b>TOTAL</b>	<b>43,532,160.35</b>	<b>43,973,602.54</b>	<b>43,693,640.35</b>
<b>WATER CONSUMPTION INTENSITY (M<sup>3</sup>/1000 ADT)</b>			
Surface water	26,362.34	25,711.60	25,349.42
<b>RECYCLED AND REUSED WATER<sup>2</sup> (M<sup>3</sup>) 303-3</b>			
Water recycled and reused by the organization (m <sup>3</sup> )	283,977,832.92	275,575,775.71	258,892,369.83
Water withdrawn (m <sup>3</sup> )	43,532,160.35	43,973,602.54	43,693,640.35
Water reused and recycled as a percentage of new water withdrawn	652%	627%	593%
Water recycled and reused as a percentage of total water consumed	87%	86%	86%
New water withdrawn as a percentage of total water consumed	13%	14%	14%
<b>WATER RECIRCULATION INTENSITY<sup>2</sup> (M<sup>3</sup>/1000 ADT)</b>			
Recirculated water	173,368.64	161,344.13	150,925.44

Note 1: Surface water volume is measured by an online flow meter.

Note 2: The recirculated water is calculated based on flow measurement instruments.

# Effluent and waste management

Solid waste management at Eldorado Brasil is aligned with the directives set forth in Brazil's National Solid Waste Policy and Solid Waste Management Plan (PGRS), including actions related to the generation, destination and reduction of waste. Since 2016 Eldorado Brasil has been developing plans to halve the disposal of industrial waste in landfills by 2021. **103 | 306**

Biological sludge will be used as a source of energy, which will also reduce waste generation.

In 2018, the test plan for burning the biological sludge generated in the biomass boiler wastewater treatment plant was concluded. This volume corresponds to over 40% of the total waste currently disposed of in landfills. Burning the sludge will reduce the volume disposed of in landfills and enable reuse of the material to generate electricity. Another practice that is contributing to lower waste disposal in landfills is the reuse of lime sludge for soil amendment. All the procedures are in accordance with regulatory agency guidelines. **103 | 306**

In parallel, for internal waste movement, Eldorado employs a management system for all the machinery and trucks involved in these operations, providing information on the volume and destination of the waste. All waste management is conducted online via monitoring software. **103 | 306**

## WATER DISCHARGE BY QUALITY AND DESTINATION 306-1

DESTINATION	TREATMENT METHOD	2016	2017	2018
<b>TOTAL VOLUME (M<sup>3</sup>) OF PLANNED AND UNPLANNED WATER DISCHARGES</b>				
Surface sources	Physical-Biological Treatment	33,975,291.29	34,444,150.32	36,257,474
<b>EFFLUENT DISCHARGE INTENSITY (TON./1000 ADT)</b>				
Effluents discharged		20,741.94	20,166.36	21,113.87

**WASTE, BY TYPE AND DISPOSAL METHOD** 306-2

	2016	2017	2018
<b>DISPOSAL OF NON-HAZARDOUS WASTE (T)</b>			
Recycling – industrial	2,990.63	1,715.53	2,319
Recycling – forestry		564	480
Landfill – Class II Internal Industrial Landfill - Industrial	109,513.59	111,943.36	114,972
Landfill – Class II External Industrial Landfill – Forestry	338.97	572.64	672.80
Co-processing – Industrial	226,424.8	194,844.25	223,024.94
<b>TOTAL</b>	<b>339,267.99</b>	<b>309,639.78</b>	<b>341,468.74</b>
<b>DISPOSAL OF HAZARDOUS WASTE (T)</b>			
Landfill (class I industrial landfill) Industrial and Forestry	409.5	683.32	867.36
Re-refining - Industrial	11.8	24.73	26.6
<b>TOTAL</b>	<b>421.30</b>	<b>708.05</b>	<b>893.96</b>
<b>SOLID WASTE GENERATION INTENSITY (T/1000 ADT)</b>			
Solid waste generated	207.38	181.37	199.59

Note: information provided by the company contracted to dispose of waste.

## Managing biodiversity

103 | 304

The main measures related to preserving biodiversity include environmental education for neighboring communities, training for employees, and ongoing monitoring of flora and fauna – in particular birds and medium-sized and large mammals.

Eldorado has only two properties located close to conservation areas (parks and reservations). All activities and operations in these areas involve consultation of the stewardship plans and the unit managers to ensure compliance with local requirements. In the 2017 report the company published information related to the its High Conservation Value Areas (AAVC). This information is not provided in this year's report because the content is outside the scope of the indicator.

## Significant impacts of activities, products and services on biodiversity

304-2

Eldorado Brasil has projects and programs in place that are aimed at maximizing the benefits generated by forestry plantations and minimizing any possible negative effects caused by its forestry operations. The company established a matrix with methods and criteria for identifying and assessing aspects and the possible environmental impacts of its activities, products and services. To verify how flora and fauna are affected, the company conducts periodic monitoring processes to measure environmental quality, water resources, forestry resources and fauna.





Proximity is defined as properties located within 5 km of protected or high conservation value areas: **304-1**

- > Parque Natural Municipal do Pombo – located in Três Lagoas (MS), in the domain of the municipal government. Eldorado has leased properties close to the park. The operation in the park involves extraction in an area of 9.42km<sup>2</sup>. It had a terrestrial ecosystem of value to biodiversity;
- > APA Estadual Estrada Parque de Piraputanga – located in Dois Irmãos do Buriti (MS). It is a surface area with protected areas adjacent to it. The operation in the protected area (APA) involves extraction in an area of 8.42km<sup>2</sup>. It has a terrestrial ecosystem of value to biodiversity.

The company has a number of initiatives in place to ensure the safety and protection of its forestry areas. Monitoring is aimed at:

- > Identifying fires;
- > Checking the conditions of roads, fire breaks and water catchment points;
- > Protecting property;
- > Identifying the presence of cattle, pests, garbage and damage to flora and fauna.

#### FIRE BRIGADE

Eldorado maintains a fire brigade which is trained and equipped to deal with any incidents, both in conservation and reforestation areas. As an improvement, the company implanted its Forestry Base Monitoring System, comprising cameras mounted on 11 strategically located towers. It also provided training for its 22 fire brigades. As a result, damage cause by forest fires was reduced by 70% compared with the average for the last three years.

#### ENVIRONMENTAL EDUCATION FOR THE COMMUNITY

Every year, the company organizes environmental education initiatives for local communities and employees, seeking to engage people in monitoring local flora and fauna and demonstrating the importance of biodiversity (*further information on page 68*).

#### ENVIRONMENTAL MANAGEMENT

At Eldorado Brasil, environmental management is a constant, integrated into all of the company's activities. In addition to the environmental norms and recommendations incorporated into internal procedures, a number of structured measures are in place to guarantee that all processes are compliant with environmental legislation and good practices, contributing towards the sustainability of the business (*further information on page 38*).



Eldorado is committed to protecting and preserving environmental conservation areas and local biodiversity.



The company actively monitors and maintains natural resources, contributing to the improvement of environmental conditions and the recuperation of degraded areas.

Eldorado Brasil also pays particular attention to water resources, specifically monitoring catchment areas, always operating in compliance with legislation and in accordance with best practices aimed at guaranteeing the availability and the rational use of water (*further information about risk-related opportunities on page 26*).

#### IDENTIFICATION OF ENVIRONMENTAL POTENTIAL

The monitoring conducted by the company identifies environmental conservation areas, as well as the specific attributes of potential High Conservation Value Areas (AAVC in the Portuguese acronym). Eldorado Brasil conducts studies to assess the most important areas for the conservation of biodiversity, in full alignment with the guidelines set forth in forestry certifications. One of the priorities in this process is identifying and reclaiming degraded areas, in particular areas that are legally protected as Permanent Preservation Areas (APP) and Legal Reservations (RL).

The monitoring and maintenance of natural resources is an integral part of environmental management at Eldorado.

# Value generated for people

# Eldorado employees are a true differential for the business

It is by means of our people, their motivation and their freedom to create that the company is able to achieve ever more extraordinary results, a consequence of the excellence of mature and efficient teams. Constantly updating employees' qualifications is one of the company's competitive advantages and a means of valuing its talents. To this end, Eldorado invests in ongoing training and development programs, consolidating knowledge and opportunities for learning, growth and professional fulfillment, building an environment in which people are proud to be part of the company.



The Eldorado employees, their motivation and their freedom to create are responsible for the company's extraordinary results.

## EMPLOYEES BY TYPE OF WORK CONTRACT AND GENDER 102-8

TYPE OF CONTRACT	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Fixed term	90	22	122	-	-	-	85	25	110
Permanent	3,908	760	4,668	3,222	582	3,804	3,040	510	3,550
<b>TOTAL</b>	<b>3,998</b>	<b>782</b>	<b>4,780</b>	<b>3,222</b>	<b>582</b>	<b>3,804</b>	<b>3,125</b>	<b>535</b>	<b>3,660</b>

## EMPLOYEES BY TYPE OF WORK CONTRACT AND REGION 102-8

REGION	2016			2017			2018		
	Fixed term	Perma- nent	Total	Fixed term	Perma- nent	Total	Fixed term	Perma- nent	Total
Midwest	NA	NA	4,480	-	3,575	3,575	108	3,289	3,397
Southeast	NA	NA	300	-	229	229	2	261	263
<b>TOTAL</b>	<b>112</b>	<b>4,668</b>	<b>4,780</b>	<b>0</b>	<b>3,804</b>	<b>3,804</b>	<b>110</b>	<b>3,550</b>	<b>3,660</b>

## EMPLOYEES BY TYPE OF EMPLOYMENT 102-8

TYPE OF EMPLOYMENT	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time	3,998	782	4,780	3,197	570	3,767	3,097	522	3,619
Part-time	-	-	0	25	12	37	28	13	41
<b>TOTAL</b>	<b>3,998</b>	<b>782</b>	<b>4,780</b>	<b>3,222</b>	<b>582</b>	<b>3,804</b>	<b>3,125</b>	<b>535</b>	<b>3,660</b>

# 3,660

employees in 2018

#### EMPLOYEES BY AGE GROUP 102-8

	2018
< 30 years	1,012
From 30 to 50 years	2,213
> 50 years	435
<b>TOTAL</b>	<b>3,660</b>

#### EMPLOYEES BY FUNCTIONAL CATEGORY 102-8

	2018
Director level	5
Management	30
Heads/coordination	70
Technical/supervision	358
Administrative	365
Operational	2,791
Trainee	0
Apprentices	29
Interns	12
<b>TOTAL</b>	<b>3,660</b>

#### CONTRACTED EMPLOYEES, BY AGE GROUP 401-1

	2016		2017		2018	
	Nº	Rate	Nº	Rate	Nº	Rate
< 30 years	934	0.20	192	0.05	226	0.06
From 30 to 50 years	906	0.19	235	0.06	324	0.09
> 50 years	148	0.03	36	0.01	57	0.02
<b>TOTAL</b>	<b>1,988</b>	<b>0.42</b>	<b>453</b>	<b>0.12</b>	<b>607</b>	<b>0.17</b>



#### CONTRACTED EMPLOYEES, BY GENDER 401-1

	2016		2017		2018	
	Nº	Rate	Nº	Rate	Nº	Rate
Men	1,605	0.34	367	0.10	522	0.14
Women	383	0.08	86	0.02	85	0.02
<b>TOTAL</b>	<b>1,988</b>	<b>0.42</b>	<b>453</b>	<b>0.12</b>	<b>607</b>	<b>0.17</b>

#### CONTRACTED EMPLOYEES, BY REGION 401-1

	2016		2017		2018	
	Nº	Rate	Nº	Rate	Nº	Rate
Midwest	1,878	0.39	431	0.11	566	0.15
Southeast	110	0.02	22	0.01	41	0.01
<b>TOTAL</b>	<b>1,988</b>	<b>0.42</b>	<b>453</b>	<b>0.12</b>	<b>607</b>	<b>0.17</b>

#### EMPLOYEES WHO LEFT THE COMPANY, BY AGE GROUP 401-1

	2016		2017		2018	
	Nº	Rate	Nº	Rate	Nº	Rate
< 30 years	812	0.50	485	0.32	156	0.04
From 30 to 50 years	959	0.36	809	0.23	562	0.15
> 50 years	192	0.37	136	0.20	114	0.03
<b>TOTAL</b>	<b>1,963</b>	<b>0.41</b>	<b>1,430</b>	<b>0.25</b>	<b>832</b>	<b>0.23</b>

#### EMPLOYEES WHO LEFT THE COMPANY, BY GENDER 401-1

	2016		2017		2018	
	Nº	Rate	Nº	Rate	Nº	Rate
Men	1,568	0.40	1,143	0.23	696	0.19
Women	395	0.50	287	0.32	136	0.04
<b>TOTAL</b>	<b>1,963</b>	<b>0.41</b>	<b>1,430</b>	<b>0.25</b>	<b>832</b>	<b>0.23</b>

#### EMPLOYEES WHO LEFT THE COMPANY, BY REGION 401-1

	2016		2017		2018	
	Nº	Rate	Nº	Rate	Nº	Rate
Midwest	1,904	0.42	1,336	0.35	720	0.20
Southeast	59	0.28	94	0.02	112	0.03
<b>TOTAL</b>	<b>1,963</b>	<b>0.41</b>	<b>1,430</b>	<b>0.37</b>	<b>832</b>	<b>0.23</b>

# Our people



Our products are commercialized in **45 countries** in Latin America, North America, Europe, Oceania, Africa and Asia.

We produced **1.715 million metric tons** of pulp in 2018 and obtained **a net income of R\$ 816 million**.

**3,660**  
employees in 2018  
100% company employees

These results were only made possible by the work of our **3,660 employees**

**100%**  
company employees – maintenance services

**distributed throughout our operations in**



## Powered by an owner mindset

From apprentices and interns to senior management, we are a team of ambassadors of the Eldorado values, that guide everything we do in our daily routines:

- Owner mindset
- Simplicity
- Humility
- Availability
- Frankness
- Determination



## Business partners

Personnel specialists work in each one of the operations – forestry, industrial, administrative and logistics.

They keep track of the employees and assess criteria such as satisfaction, people development and remuneration.

They focus on developing and retaining talent and support human resources-related risk management, in conjunction with the directors of each operation.



## We leverage talents

We strive to ensure quality of life, a cheerful workplace and to promote the development of each employee.

We conduct salary surveys to remain aligned with the best remuneration practices in the sector.

Our performance review involves individual and corporate targets, with an orientation to individual performance.

Our values committee also assesses how employees have achieved their results, taking into account alignment with Eldorado values.

**31,501**  
hours of training  
with programs in the management, technical and behavioral areas.

**98,863,20**  
hours of education

**12,509**  
people trained

**27** man/hours  
per person

**67,362**  
hours in legal training  
(focused on regulatory norms)

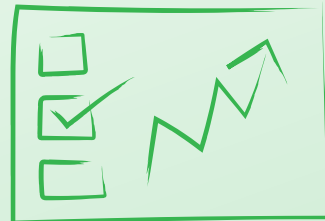
**+ than 4,000**  
hours training  
in programs for people management positions

**+ than 14,000**  
hours of distance learning courses

# Processes that integrate people management

## INDUCTION PROGRAM

This program is for new hires, helping them to adapt to the organizational context. It consists of institutional contents such as: company mission, vision, values and drivers; Human Resources processes, work safety practices, workers' health and the environment.



Training at Eldorado is in accordance with a specific matrix for each company area, aligned with the technical knowledge and scope required for the function.

## TRAINING

Eldorado has a dynamic, competitive and innovative culture. The successive records in results and advances in performance in all areas are proof that the company is manned by high performance professionals. Each achievement represents the results of all the investments made in training and developing people. In 2018, there was a total of 98,863.20 hours of training in the company. The number of people trained was 12,509, making an average of 27 hours training for each employee. **404-1**

In the company, safe behavior is of paramount importance.

Personnel development goes beyond mandatory training courses. Worthy of note among the various development measures was the attention paid to leaders, with more than 4,000 hours of training programs for positions involving people management, ranging from leaders in the operational areas to the company's senior management.

Other investments are channeled into technical training, such as work instructions, specific courses for employees in the maintenance and operational areas, both in the industrial and the forestry operations. In the behavioral area, team development programs were initiated in a number of company areas.

It should also be noted that Eldorado has invested heavily in e-learning courses, which totaled more than 14,000 hours in 2018. For the coming year, the target is to expand the portfolio of distance learning courses available on the company's digital education platform.

### Legal training

– focused on regulatory norms (NR)

The Organizational Development, Occupational Safety and Occupational Medicine areas identify the mandatory training required by regulatory norms, in accordance with specific jobs, activities, areas and scopes. In 2018, 67,362 hours of legal training was carried out, demonstrating the company's concern for compliance with safety guidelines.

### Technical, Operational and/or Behavioral training

The purpose of development programs is to improve employees' knowledge and/or hone specific skills for their area of activity. During the year, 31,501 hours of training were dedicated to team development and operational development in specific company areas.

### On the Job Training

This tool is designed to enable employees to improve their skills and working techniques, as well as acquiring new knowledge and experience. Training takes place on the job and entails practices such as:

- > Learning different activities in the work routine;
- > Operational training for employees;
- > Training in specific documents for the area.

**98,863**  
hours of training

**12,509**  
people trained

**27**  
hours per person

## Succession: training mill coordinators

In 2018, the company organized a program to train new mill coordinators. This entailed more than 800 hours of practical accompaniment in the industrial operation for eight employees currently occupying Technical Assistant and Panel Operator II positions.

This initiative was the continuation of a medium to long-term development program, a component of Eldorado strategy to prepare future successors to assume the position of Factory Coordinator, conditional on the opening of vacancies or promotions. This is part of the company's preparations for the possible expansion of the 2<sup>nd</sup> production line.



**Leadership development**

Eldorado has the mission of developing leaders aligned with the drivers of its organizational culture, values and strategic planning. By means of measures based on the leadership pipelines (educator leader, manager leader, strategic leader, builder of the future), the objective is to create an environment conducive to engagement, promoting sustainability and generating value for the business.

In 2018, another 110 people managers took part in training and/or development programs. Worthy of note was the Harvest Leader Development Program, involving more than 30 leaders who received over 2,000 hours of technical, operational and behavioral training and development activities.

The purpose of the program was to develop their assertiveness, stimulating them to take the initiative and assume the posture of leaders, using group dynamics to expand their vision of the whole and adopt the behavior expected of leaders capable of developing people.

The effectiveness of each component of the training is monitored by the managers responsible. In the case of technical/operational training, gains may best be seen in the indicators that show the increase in mechanical availability and the reduction in rework and machinery breakage, as well as the reduced consumption and cost of diesel, for example.

The results of behavioral training are monitored constantly based on feedback from the participants' managers, such as the identification of the employees who ask more questions and pay more attention to costs, showing evolution, improved performance and a better overall understanding of the business.

**Supertalentos Program**

This is for apprentices and interns, and is aimed at providing opportunities for technical and behavioral development so that they may execute their work with greater self-assurance, while expanding their overall vision of the way the Eldorado business model works.

The program gives the participants the opportunity to engage in practical activities, while furthering their development by means of basic, technical or higher education courses in teaching institutions.

**Coaching and Individual Development Plan (PDI)**

Eldorado provides coaching sessions for employees when the need is identified in their Individual Development Plan (PDI). This is one of the measures that contributes to the development of the employees' competencies because it helps them to clearly identify their goals on both a personal and professional level. By means of coaching, they create and develop strategies to enable them to achieve their objectives. In 2018, nine employees from diverse company areas benefited from this process.

Eldorado has the mission of developing leaders aligned with the drivers of the organization's culture.

**Educational partnerships**

Eldorado maintains partnership in the education area. In a series of agreements with teaching institutions, the company gives employees and their dependents discounts on language, graduate and postgraduate programs. Eldorado also offers subsidies for nurseries, primary, secondary and technical education, driving development, training and qualification. Currently Eldorado has agreements with 52 educational institutions in the cities of Três Lagoas (MS), Ilha Solteira (SP), Água Clara (MS) and Andradina (SP), where the company has operations.

**52** teaching institutions maintain agreements with Eldorado, in the states of Mato Grosso do Sul and São Paulo.

**AVERAGE HOURS OF TRAINING PER EMPLOYEE BY GENDER 404-1**

	2016	2017	2018
Men	26.43	38.33	28.83
Women	61.61	21.62	16.38
<b>TOTAL</b>	<b>32.19</b>	<b>35.77</b>	<b>27.01</b>

**AVERAGE HOURS OF TRAINING FOR EMPLOYEES BY FUNCTIONAL CATEGORY 404-1**

	2016	2017	2018
Director level	12.5	4.25	6.4
Management	24.29	41	24.17
Heads/coordination	38.46	48.32	39.65
Technical/supervision	62.96	55.94	82.23
Administrative	38.3	22.75	9.16
Operational	27.89	34.43	21.68
Apprentices	73	37.81	62.93
Interns	157.9	107	25.54
<b>TOTAL</b>	<b>32.19</b>	<b>35.77</b>	<b>27.01</b>

**PERFORMANCE REVIEW 404-3**

At Eldorado, the Performance Review is more than just a Human Resources practice. It is a tool that is aimed at tracking employee development in a constructive manner. From a collective standpoint, it enables managers to be transparent in relation to what is required and expected in terms of the alignment of each employee.

A 360° assessment results in a series of behavioral analyses of the those being assessed, such as professional posture and interpersonal relations, some of the key criteria observed based on adherence to company values.

### The 360° Assessment is conducted based on the seven Eldorado values

- Owner mindset
- Determination
- Discipline
- Availability
- Frankness
- Humility
- Simplicity

The company maintains annual review cycles based on a system that provides a 360° vision of performance. Each participating employee undertakes a self-assessment and also assesses his/her manager, peers and subordinates (if this is the case). The employee is also assessed by internal clients and suppliers.

The 360° assessment is followed by the stage conducted by the People Committee for positions involving people or technical management. The purpose of this evaluation is to align perceptions and consolidate development opportunities for the employees being assessed.

After this comes the feedback stage, in which the manager presents the employee with the results of his/her assessment – scores received and, more importantly, comments related to the perceptions of those involved in the assessment. The company considers this to be a significant stage because it enables the employee and manager to reinforce their relationship, underscoring the employee's strengths and identifying opportunities for improvement that are transformed into individual action plans which are tracked and reviewed in the short, medium and/or long-term.

### Performance management

The tool facilitates the personnel management process by delivering a 360° performance assessment aimed at developing and tracking the individual's professional and organizational growth based on the behaviors demonstrated.

**EMPLOYEES RECEIVING PERFORMANCE REVIEWS BY FUNCTIONAL CATEGORY (%) 404-3**

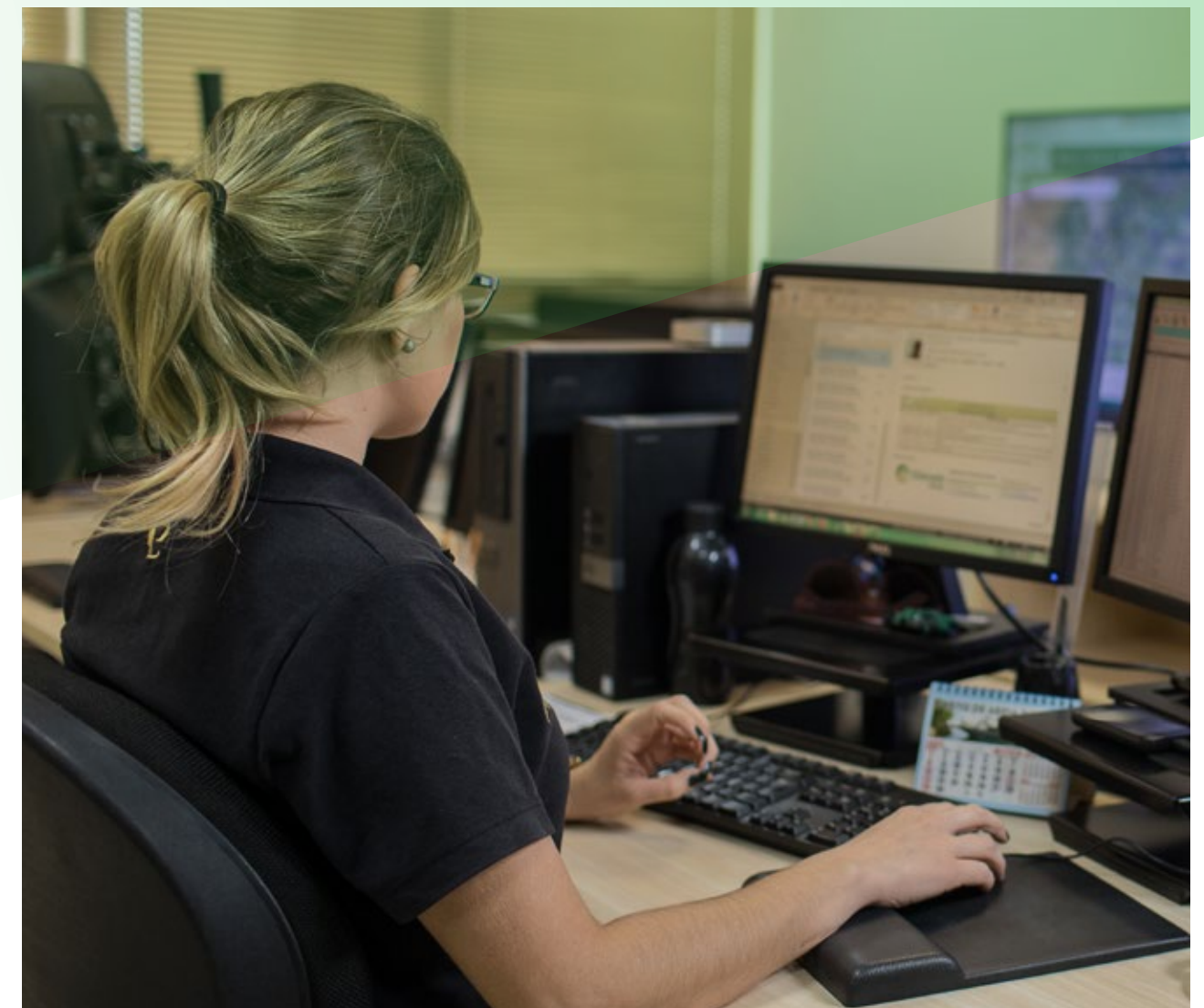
	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
CEO	100		100	100	-	100	100	-	100
Director level	75	0	75	100	-	100	100	-	100
Management	100	100	100	100	100	100	96	100	97
Heads/coordination	98.40	100	98.4	100	100	100	98	80	96
Technical/supervision	47	62.10	47	62.1	48.2	64.8	62	69	62
Administrative	0	0		10.5	6.9	8.6	10	8	9
Operational	0	0		7.6	3.6	7.1	7	3	7
<b>TOTAL</b>	<b>6.2</b>	<b>4.0</b>	<b>5.8</b>	<b>16.3</b>	<b>10.5</b>	<b>15.4</b>	<b>16</b>	<b>11</b>	<b>15</b>

**REMUNERATION AND BENEFITS**

The Remuneration and Benefits policy is aligned with good market practice, internal and external competitiveness, metrics for fixed remuneration, admission, termination, variable remuneration and benefits.

The main premises and targets are related to the annual personnel budget, observing labor legislation and the collective labor agreements in force. The company monitors and reports on the work force, admissions, terminations, length of service, average age, gender, in addition to other data.

Third-parties are managed by the contract area, part of the Procurement management structure. The area controls all third-party contracts, ensuring compliance with contracts, legislation, labor and occupational safety standards and personal protective equipment requirements.





Company policies establish criteria for employee career development, with metrics for internal movements, changes in position, salary, promotions, merit, variable remuneration, the establishment of targets, criteria for achieving them and means of payment.

For example, policy on promotion respects the salary parity established by law, minimum and maximum salary alterations, salary adjustments when necessary, minimum length of time in function for eligibility, level of knowledge and education necessary for the proposed position, rules for the approval and validation of the personnel budget.

Eldorado also has Recruitment and Selection procedures aimed at establishing the guidelines, criteria and responsibilities that inform the recruitment and selection process, ensuring that the positions are filled with a commitment to treating candidates and employees fairly in the selection process with no discrimination based on social, racial, cultural and economic considerations.

The company prioritizes local candidates, selecting those whose competencies and values demonstrate that their employment will be sustainable.



## The company prioritizes hiring local candidates.

During the year, internal employees who participate in interview processes received training on how to conduct fair, coherent and correct selection processes, maintaining impartiality when conducting interviews and valuing the essence of the candidate.

The company also conducted workshops in universities to provide guidance for students on how to behave in interviews and how to prepare a resume that is attractive to the market. Eldorado divulges job opportunities by means of the local governments in the cities in which it operates, in newspapers and in recruitment sites, with the objective of ensuring the entire community has access to such opportunities.

The company also has a procedure for supporting professionals who are terminated when an operational front is closed. This process involves support in the form of guidance on preparing a resume, behavioral training, in addition to free courses. Eldorado has apprentices in its team. The company also seeks to reinsert socially underprivileged young people in the labor market.

# Local communities

103|203, 103|413

Eldorado Brasil has a matrix through which it assesses social and economic impacts in the areas in which the company operates. The matrix encompasses positive and negative aspects of the company's operations, such as the generation of noise and dust, as well as reductions in the generation of employment, indicated by the local community when the matrix was updated in 2017 (*further information in the 2016 Sustainability Report: <http://www.eldoradobrasil.com.br/Sustentabilidade/Sustentabilidade-Eldorado/Relatorio-de-Sustentabilidade>*).

The company plans and implements measures to manage and to monitor these effects with a view to developing preventive and mitigation measures, which also address social projects. The Sustainability area monitors social aspects and impacts using the revised social matrix. This involves visits to the communities adjacent to the company's stewardship units.

The results are published annually in the Sustainability Report (GRI), in the Forestry Stewardship Plan Summary and in the report made to the environmental agency IMASUL (Instituto de Meio Ambiente de Mato Grosso do Sul), all of which are public documents.

On an annual basis, Eldorado shares its indicator data with local communities and has mechanisms aimed at enhancing investments for driving the socioeconomic and environmental development of the regions in which it operates, such as, for example, in the socioenvironmental aspect and impact matrix.

Matrix assesses socioeconomic impacts in the company's operational areas.

## Significant actual or potential negative impacts on local communities 413-2

### FORESTRY OPERATION

#### Actual impacts:

- > Particulate emissions (dust generation);
- > Degradation of road network.

#### Potential impacts:

- > Reduction in employment;
- > Water withdrawal;
- > Proliferation of insects;
- > Speeding by trucks transporting timber;
- > Risk of contamination by agricultural chemicals;
- > Risk of accidents with loads of timber;
- > Increase in consumption of crops by fauna.

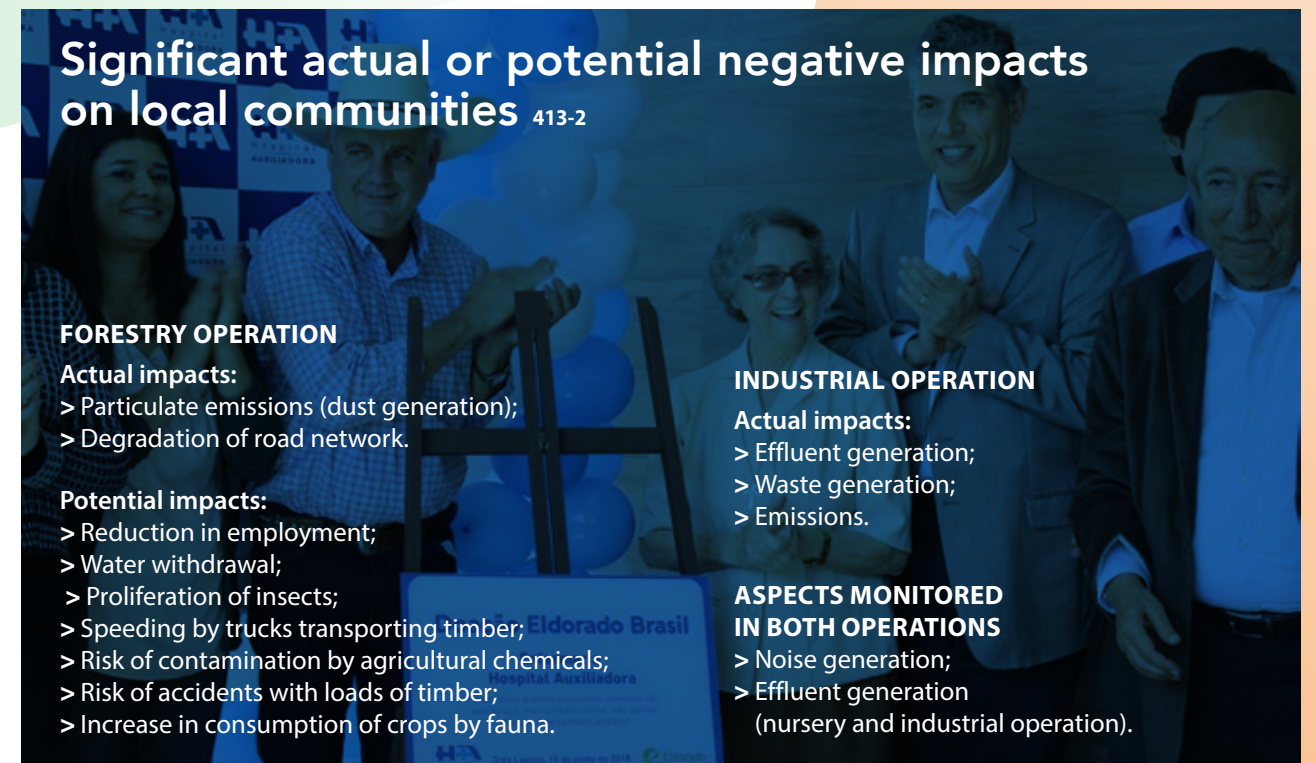
### INDUSTRIAL OPERATION

#### Actual impacts:

- > Effluent generation;
- > Waste generation;
- > Emissions.

### ASPECTS MONITORED IN BOTH OPERATIONS

- > Noise generation;
- > Effluent generation (nursery and industrial operation).



As is the case with all enterprises, social responsibility is one of the strategies to promote sustainable development and, with effective management, it is possible to generate value for the local community.

Eldorado maintains indicators to measure the satisfaction of its local communities. This entails conducting periodic public consultations with stakeholders such as municipal and state authorities, development departments, unions and social organizations. The company also monitors aspects such as the promotion of education, income generation, the Human Development Index, among other social indicators.

Based on demands made by the communities, the company takes an active role in promoting improvements, both in terms of infrastructure and socioeconomic factors, in its area of influence. To do this, it forms partnerships with universities, technical assistance bodies, local companies, settlements, among other organizations.

The degree of physical or economic isolation is not one of the potential impacts assessed by the company, since this was not identified as a characteristic of the operation.

The sustainability area is also responsible for overseeing relationships and engaging all stakeholders, including the local communities. The company conducts annual audits for its Forest Stewardship Council® (FSC®) and CERFLOR (Programa Brasileiro de Certificação Florestal) certifications, which attest to the conformance of community-related measures with the standards required by these voluntary certifications (*further information on page 36*).

Eldorado Brasil maintains a data bank listing all the stakeholders involved in its processes and business model, with information on contacts, demands, requests and a record of visits made. It also



Eldorado conducts its operations with a view to generating positive value for the local community, organizing satisfaction surveys related to its activities in the region.

provides communication channels through which these groups may report suspected breaches of the company's Code of Ethics, make complaints, suggestions, praise or request information (*further information on page 24*).

The company nurtures its relations with these stakeholder groups, seeking to engage public authorities, institutions, communities, customers and society in general. Meetings with these stakeholder groups are held on a monthly basis, demonstrating the maintenance of solid, transparent relations.

#### SOCIOENVIRONMENTAL ENGAGEMENT AND RELATIONSHIP (RES IN THE PORTUGUESE ACRONYM)

Through its Socioenvironmental Engagement and Relationship program (RES), Eldorado communicates directly with residents, neighbors and communities affected by its operational activities.

The directly affected parties are identified in advance and are assessed in accordance with pre-established criteria; Part of the process involves a visit by the Sustainability team, which is used to record environmental, social and economic information related to these parties.

The team provides the parties with a telephone number for contact, establishing a channel for dialogue and promoting integration between Eldorado Brasil and the community.

## The Eldorado Sustainability Policy

Eldorado Brasil has a Sustainability Policy that sets forth guidelines for the operation and for the business. Sustainability is a strategic driver for the company, which is committed to:

1. Ensuring competitiveness with responsible socioenvironmental conduct;
2. Complying with legislation and with the requirements established by the Forest Stewardship Council;
3. Innovating and developing technologies that guarantee business competitiveness while preventing pollution;
4. Making sustainable use of natural resources and caring for local biodiversity;
5. Contributing towards compliance with the Brazilian iNDCs related to planted forests and

the generation of renewable energy;

6. Building ethical and transparent relations with stakeholders;
7. Ensuring working conditions with equal rights and with no discrimination based on gender, race or color;
8. Providing a motivating work environment underpinned by occupational health and safety criteria;
9. Investing in the ongoing development of employees and developing a culture of continuous improvement.

## The following measures were undertaken in the Industrial and Forestry operations: 203-2, 413-1

- > Social impact and gender impact assessments based on participative processes;
- > Environmental impact assessments and continuous monitoring;
- > Public dissemination of the environmental and social impact assessments;
- > Local development programs based on community needs;
- > Stakeholder engagement plans based on mapping exercises;
- > Formation of committees and development of wide-ranging local community consultation processes, including vulnerable groups;
- > Constitution of labor councils, occupational health and safety committees and other employee representation bodies to discuss impacts;
- > Implementation of formal complaint and grievance processes for local communities.

## ELDORADO SUSTAINABILITY PROGRAM (PES)

This is focused on developing environmental education and social actions in the municipalities within the company's area of influence. It has a sustainability group called "PES on the ground", which provides support for the development of the program activities.

### THE PROGRAM FOCUSES ON THREE STAKEHOLDER GROUPS

- > **PES schools** – involving the development of socioenvironmental activities for students in primary and secondary schools and for municipal and state school teachers and employees;
- > **PES communities** – this front disseminates information about the company and the ways in which it helps improve quality of life for the community;
- > **PES employees** – engaged in developing socioenvironmental education activities for Eldorado Brasil employees.

## Promoting local development

A key directive for Eldorado is the promotion of local development with social responsibility, because building genuine partnerships and close, transparent relations with the communities surrounding its operations is an integral part of its culture, based on the understanding that this further boosts the credibility of the business, driving gains for all the parties involved.

The excellent growth rates achieved since the company arrived in Três Lagoas (MS), where its forestry and industrial operations are located, attest to the importance of stakeholder engagement. Before the start up of the mill, the plant construction work generated thousands of direct and indirect jobs.

The other municipalities in the region of the company's activities also benefit from increased income, infrastructure investments and higher consumption of locally produced goods.



Local development and social responsibility are strategic questions for Eldorado.



Eldorado has transparent communication channels that are attentive to and provide rapid responses to the business's diverse stakeholder groups. This furthers the potential for the collective construction of the company's ambitions and future plans (*further information on page 8*).

By means of the projects it develops, meetings with stakeholders, environmental education measures, the undertaking of construction work and the contribution of materials and equipment, among other actions, Eldorado continuously expands its activities among the most diverse sectors of society.

Aligned with its social commitment, the company undertakes to not use any form of slave or child labor, nor employ any other types of degrading work practices, such as forced labor, illegal recruitment or maintaining workers under slave-like conditions.

Eldorado invests in improvements and the purchase of materials for services that have a positive impact on the local community

The measures undertaken in the social area are aimed at strengthening local communities and the autonomy of their residents. In 2018, the company undertook the following actions:

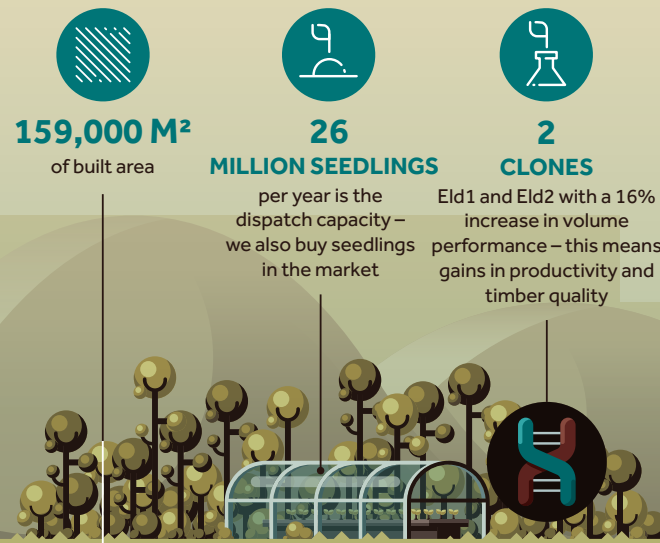
- > Contribution of 60 beds to the children's education center Centro de Educação Infantil (CEINF) Margarida Tomazia de Paula, benefiting around 150 children aged from 7 months to 3 years and 11 months of age, in Inocência (MS).
- > Construction of 380 meters of wire fencing for the soccer school Escolinha de Futebol Recanto do Galo, a social organization in Três Lagoas (MS).
- > Donation of equipment – industrial stove, extractor and mosquito netting for bedrooms – for the home for the elderly Lar dos Idosos Eurípedes Barsanulpho, in Três Lagoas (MS).
- > Donation of materials and inputs for scientific production at the Três Lagoas campus of the Federal University of Mato Grosso do Sul (UFMS), to be used in the development of sustainability-related projects.
- > Remodeling of the clinic for users of the public healthcare system (SUS) at the Hospital Auxiliadora in Três Lagoas (MS). The new wing occupies an area of 240 m<sup>2</sup>, with four wards and 10 beds. It has air conditioning and is compliant with modern hospital hotel requirements.
- > Donation of an adapted bus for the Mato Grosso do Sul Justice Court (TJMS), to be used for the mobile judicial service which will support the local Três Lagoas court.
- > Adaptation of a single cabin S10 pickup truck to a basic model ambulance in benefit of underprivileged members of the municipality, donated to the Três Lagoas fire brigade.
- > Community healthcare actions focused on preventing illness and promoting health, involving the distribution of informational pamphlets about basic healthcare and active health preservation and the distribution of oral hygiene kits in schools, in partnership with local public health departments.
- > Dissemination of the company's communication channels – the Eldorado Brasil Ombudsman service and the email address of the Sustainability area.
- > Training courses to promote the sustainable development of communities in Eldorado Brasil's area of influence. In partnership with SENAR MS (Serviço Nacional de Aprendizagem Rural), the company provided training for residents in areas under the direct influence of company operations. All the courses are programmed in accordance with public needs and suggestions.

## Integrated and Sustainable Agro-ecological Production (PAIS in the Portuguese acronym)

Social technology that enables small-holders to farm organically, producing crops without using agricultural chemical products, with a view to preserving the environment, guaranteeing food safety and promoting economic development. In partnership with SEBRAE, Eldorado implanted 45 PAIS kits in settlements in the municipalities of Três Lagoas and Selvíria, in Mato Grosso do Sul. In a partnership with the settlements, Eldorado buys the produce for consumption in its canteen. In 2018, the company bought 21.5 metric tons of organic produce from these smallholders for consumption in the mill canteen and the restaurants in Selvíria and Inocência.

# The forest and the Eldorado Value Chain

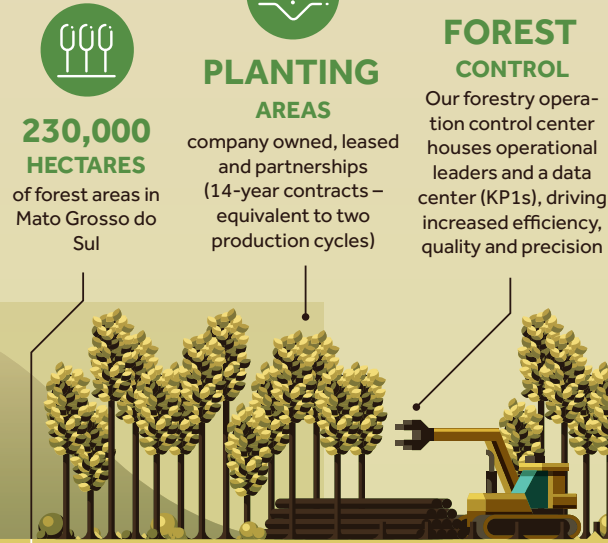
3,660 employees are engaged in our forestry, industrial, commercial and administrative activities. Their work is responsible for the quality of the production processes and the eucalyptus pulp fiber we commercialize.



The research work is done by 28 employees in the Technology and Forestry Improvement areas, with qualifications ranging from Master's to Post-doctoral degrees in the areas of Forestry Engineering, Agronomic Engineering and Agricultural Techniques.

## NURSERY

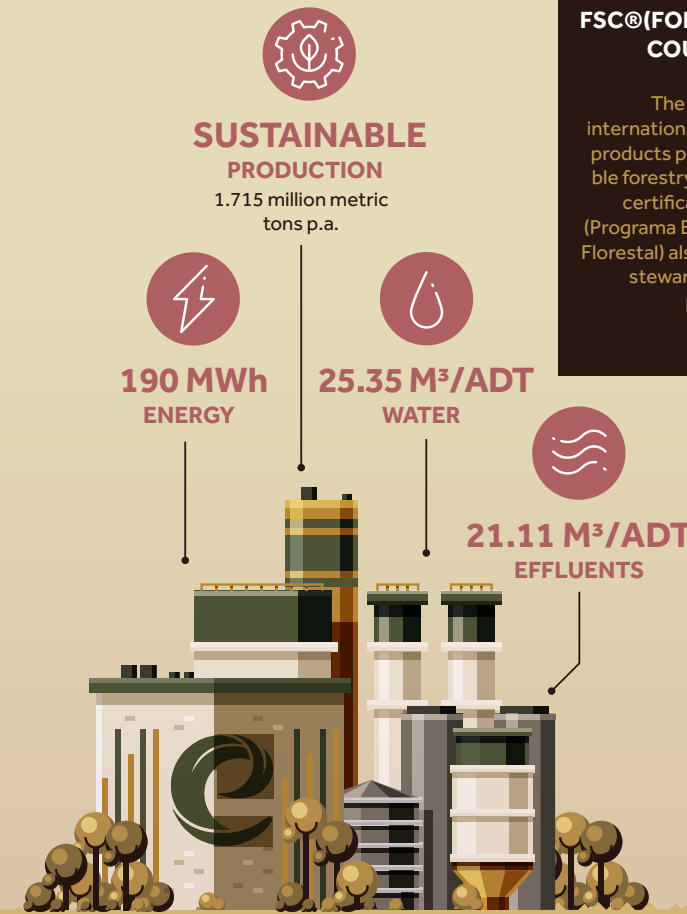
In addition to producing seedlings, the nursery is a research center for developing and improving clones for the company's planted forests.



The Forestry operation produces the best eucalyptus timber, ensuring the differentiated quality of Eldorado eucalyptus pulp fiber.

## FOREST

The cycle from growing the seedling to harvesting the eucalyptus, the raw material for our pulp fiber, lasts 7 years. 2,234 employees are engaged in forestry activities.



The Environmental Practice Rate (IPA) Monitors the main atmospheric emission parameters (subject or not to legislation) inherent to the production process.

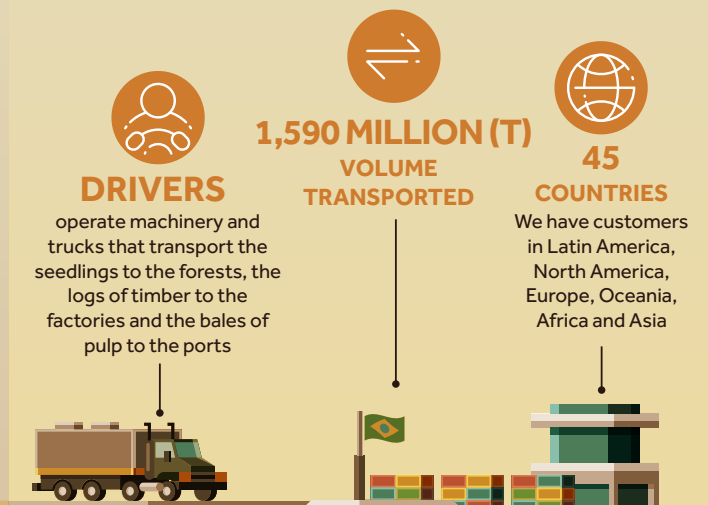
## INDUSTRY

The Eldorado 4.0 factory inspires the market.

**FSC®(FOREST STEWARDSHIP COUNCIL®) & CERFLOR**

The FSC® seal is recognized internationally and identifies timber products produced using responsible forestry practices. The Brazilian certification program CERFLOR (Programa Brasileiro de Certificação Florestal) also identifies trustworthy stewardship that employs best practices. They indicate:

- ✓ Respect for biodiversity.
- ✓ Eldorado's commitment to social responsibility.
- ✓ Guarantee of origin and technically correct and socially and environmentally responsible forest stewardship.
- ✓ A competitive differential for timber products and the production process, highly valued in markets such as Europe, China and the United States.



Eldorado adopts a strategy of direct selling to the customers, with commercial offices in the markets in which the company is present, and knows the real needs of each business partner.

## LOGISTICS & CUSTOMERS

Our commercial offices operate as local players, maintaining close relations with clients to meet all of their needs.

## GENERATING POSITIVE IMPACT



### SOCIAL VALUE

- We hire local workers and contract local suppliers
- 21.5 metric tons of food bought from PAIS producers
- Support for schools, hospitals and other local organizations, with the donation of materials, vehicles and small-scale building works, such as the remodeling of clinic for public health service (SUS) patients at the Hospital Auxiliadora, in Três Lagoas (MS)



### ENVIRONMENTAL VALUE

- A total of 3,742,231,614 tCO<sub>2</sub>eq of carbon sequestered by our planted and native forests
- Our operation has negative emissions
- We are self-sufficient in energy generation – we sold 1,050,231.46 GJ to the grid in 2018
- High efficiency in effluent and waste management



### ECONOMIC VALUE

- 1.715 million metric tons of pulp produced
- R\$ 816 million in net income, 14% growth
- R\$ 5.6 billion in gross revenues, 33% growth

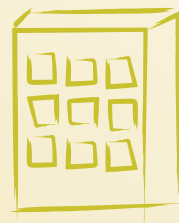


# Customer relations

# Direct selling to customers and competitive differential

Eldorado adopts a strategy of selling directly to customers, with commercial offices in the markets in which it is present that operate as local players. This creates a differential in the company's relations with customers, promoting proximity, as well as knowledge of each business partner's real needs.

- > The head office in São Paulo (SP): serves the Brazilian and Latin American markets;
- > The office in Austria: takes care of the European, Middle Eastern and African markets.
- > The office in China: is responsible for Asia;
- > The office in the United States: sells to the US, Canadian and Mexican markets.



Overseas commercial offices operate as local players.

International sales operations are conducted in accordance with the requirements and recommendations of the competent authorities and international legislations – such as the European Timber Regulation (EUTR) and the Bundesinstitut für Risikobewertung (BfR), in Germany ; and the regulations of the United States Food and Drug Administration (FDA) and the Lacey Act, in the United States.

The company also responds to a series of customer questionnaires attesting to the sustainable, socially and environmentally responsible origin of its timber, in addition to demonstrating the conformity of company practices to an effective environmental and quality management system. .



# Supplier relations

102-9

Eldorado has 370 partners in its supplier chain, providing either inputs or services. All the companies in the Eldorado value chain must commit to abiding by the Code of Ethics and sign a term of commitment containing clauses that prohibit child and forced labor. Eldorado also includes specific clauses related to unacceptable conduct as set forth in Brazil's anti-corruption law, law 12.846/2013.

The company promotes the development of local firms with a view to doing business with them in the future. In parallel, it is careful to minimize the risk of economic dependence on the part of small suppliers. For this reason, Eldorado analyzes the financial situation of each partner.

All suppliers contracted in 2018 were screened to verify the observation of human rights, labor rights and compliance with environmental legislation. No cases of significant negative impacts were identified.

In 2018, all suppliers were screened to verify observation of human rights, labor rights and compliance with environmental legislation.



# GRI content index

102-55

GRI STANDARD	DISCLOSURE	PAGE/URL	OMIS- SION	SUSTAINABLE DEVELOP- MENT GOALS
<b>GENERAL DISCLOSURES</b>				
<b>Organizational profile</b>				
GRI 102: Standard disclosures 2016	102-1 Name of organization	12		
	102-2 Activities, brands, products and services	12 and 14		
	102-3 Location of head office	12		
	102-4 Location of operations	12		
	102-5 Nature of ownership and legal form	12		
	102-6 Markets served	12 and 14		
	102-7 Scale of organization	15		
	102-8 Information about employees and workers	53 and 54		8
	102-9 Supplier chain	75		
	102-10 Significant changes in the organization and its supplier chain	There were no significant changes in the year.		
	102-11 Approach to precautionary principle	25		
	102-12 Initiatives developed externally	Eldorado does not subscribe to, sign or endorse charters or other initiatives developed externally		
	102-13 Participation in associations	9		
<b>Strategy</b>				
GRI 102: Standard disclosures 2016	102-14 Declaration from senior decision maker	10		
<b>Ethics and integrity</b>				
GRI 102: Standard disclosures 2016	102-16 Values, principles, standards and norms of behavior	15		16

GRI STANDARD	DISCLOSURE	PAGE/URL	OMIS- SION	SUSTAINABLE DEVELOP- MENT GOALS
<b>Governance</b>				
GRI 102: Standard disclosures 2016	102-18 Governance structure	18		
<b>Stakeholder engagement</b>				
GRI 102: Standard disclosures 2016	102-40 List of stakeholder groups	6		
	102-41 Collective bargaining agreements	100% of Eldorado employees are covered by collective bargaining agreements. 80		8
	102-42 Identification and selection of stakeholder groups	6		
	102-43 Approach to stakeholder engagement	8		
	102-44 Key topics and concerns raised	8		
<b>Reporting practice</b>				
GRI 102: Standard disclosures 2016	102-45 Entities included in the consolidated financial statements	6		
	102-46 Defining report content and topic boundaries	6		
	102-47 List of material topics	6		
	102-48 Restatements of information	6		
	102-49 Changes in reporting	There were no changes in relation to the topics reported by Eldorado and their respective boundaries.		
	102-50 Reporting period	6		
	102-51 Date of most recent report	6		
	102-52 Reporting cycle	6		
	102-53 Contact point for questions regarding the report	6		
	102-54 Claims of reporting in accordance with the GRI Standards	Core Option		
	102-55 GRI Content Index	76		
	102-56 External assurance	The report was not assured externally		

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	SUSTAINABLE DEVELOPMENT GOALS
<b>MATERIAL TOPICS</b>				
<b>Economic performance</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	31		
	103-2 Management approach and its components	22		1, 5, 8, 16
	103-3 Evolution of management approach	31		
<b>GRI 201: Economic performance 2016</b>	201-1 Direct economic value generated and distributed	31 and 32		2, 5, 7, 8, 9
	201-2 Financial implications and other risks and opportunities due to climate change	25		13
<b>Indirect economic impacts</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	65		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	65		
<b>GRI 203: Indirect economic impacts 2016</b>	203-2 Significant indirect economic impacts	66		1, 2, 3, 8, 10, 17
<b>Anti-corruption</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	20		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	20		
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	21		16
<b>Energy</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	41		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	41		

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	SUSTAINABLE DEVELOPMENT GOALS
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	41		7, 8, 12, 13
<b>Water</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	44		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	44		
<b>GRI 303: Water 2016</b>	303-1 Total water withdrawal by source	44		6, 7
	303-3 Percentage and total volume of water recycled and reused	44		6, 8, 12
<b>Biodiversity</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	46		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	46		
<b>GRI 304: Biodiversity 2016</b>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	48		6, 14, 15
	304-2 Significant impacts of activities, products, and services on biodiversity	47		6, 14, 15
<b>Emissions</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	42		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	42		
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) greenhouse gas emissions	43		3, 12, 13, 14, 15
	305-2 Indirect (Scope 2) greenhouse gas emissions	43		3, 12, 13, 14, 15
	305-3 Other indirect (Scope 3) greenhouse gas emissions	43		3, 12, 13, 14, 15
	305-4 Greenhouse gas emissions intensity	43		13, 14, 15
	305-5 Reduction in greenhouse gas emissions	43		13, 14, 15



GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	SUSTAINABLE DEVELOPMENT GOALS
<b>Effluents and waste</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	45		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	45		
<b>GRI 306: Effluents and waste 2016</b>	306-1 Water discharge by quality and destination	45		3, 6, 12, 14
	306-2 Waste by type and disposal method	45		3, 6, 12
<b>Employment</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	51		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	51		
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	54 and 55		5, 8
	401-2 Benefits provided to full-time employees that are not provided to temporary employees	All part-time and/or temporary employees are entitled to the same benefits as full-time employees. 77		8
<b>Training and education</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	50		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	50		
<b>GRI 404: Training and education 2016</b>	404-1 Average hours of training per year per employee	58 and 61		4, 5, 8
	404-3 Percentage of employees receiving regular performance and career development reviews	62		5, 8
<b>Local communities</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	65		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	65		

GRI STANDARD	DISCLOSURE	PAGE/URL	OMISSION	SUSTAINABLE DEVELOPMENT GOALS
<b>GRI 413: Local communities 2016</b>	413-1 Operations with local community engagement, impact assessment, and development programs	66		
	413-2 Operations with significant actual or potential negative impacts on local communities	65		1, 2
<b>Socio-economic compliance</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its boundary	36		
	103-2 Management approach and its components	22		
	103-3 Evolution of management approach	36		
<b>GRI 419: Socio-economic compliance 2016</b>	419-1 Non-compliance with laws and regulations in the social and economic area		No significant fines were levied in 2018 - Relevant authorities did not identify any significant irregularities in the company in 2018. Target: Maintain the positive results in inspections by authorities in 2018, also reducing the amount paid out in fines. 81	16

**SUSTAINABLE DEVELOPMENT GOALS**

- |   |   |
|---|---|
| <b>1. No poverty</b>                              | <b>10. Reduced inequalities</b>                   |
| <b>2. Zero hunger</b>                             | <b>11. Sustainable cities and communities</b>     |
| <b>3. Good health and well-being</b>              | <b>12. Responsible consumption and production</b> |
| <b>4. Quality education</b>                       | <b>13. Climate action</b>                         |
| <b>5. Gender equality</b>                         | <b>14. Life below water</b>                       |
| <b>6. Clean water and sanitation</b>              | <b>15. Life on land</b>                           |
| <b>7. Affordable and clean energy</b>             | <b>16. Peace, justice and strong institutions</b> |
| <b>8. Decent work and economic growth</b>         | <b>17. Partnerships for the goals</b>             |
| <b>9. Industry, innovation and infrastructure</b> |   |

# Credits

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