

SUSTAINABILITY
REPORT | 2017

Portobello
shop

Portobello



GROWING TOGETHER, **INNOVATING**
AND BUILDING A BETTER **ENVIRONMENT** TO LIVE IN.

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01 **PRESENTATION**



Portobello

Letter From the President

102-14



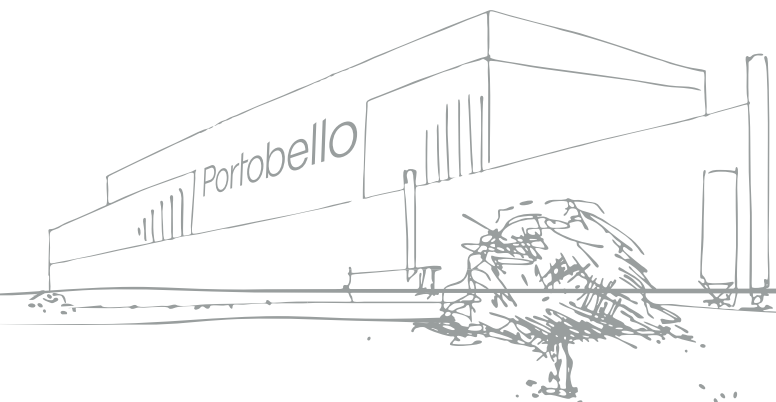
Cesar Gomes Junior
President

We ended 2017 confident that we have overcome the main challenges generated by the adverse conditions in politics and macroeconomics. Our results show a positive economic performance, with the recovery of profitability and investment capacity, reinforcing our commitment to sustainable growth and endorsing the strategy and business model of the Portobello brand.

We believe that continuous growth creates opportunities for all stakeholders, especially our employees, partners and the communities where we operate. Growing together is part of our commitment to Sustainability and sharing our main social, environmental and economic responsibility actions gives us great satisfaction, motivates us to continuously evolve and do even more in 2018.

Our employees and partners make up the greatest asset of our company, so I would like thank you all for the work and cooperation and invite you to continue exercising the attributes and values of our brand, as it will allow us to build a better environment for everyone.

Happy reading!



Report

102-50; 102-51; 102-52

Sustainability is part of Portobello's values and strategic drivers. And since 2015, its sustainability report is drawn up based on the GRI guidelines.

In 2017, the report was developed in accordance with the GRI Standards, adapting to the transition to G4 guidelines and maintaining the essential "agreed" option.

The main results reported by the company from January 1, 2017 to December 31, 2017 will be presented approaching the economic, social and environmental areas, including the Portobello brand with its factory in Tijucas (SC) and the Pointer brand with its factory in Marechal Deodoro (AL).



Portobello



Pointer

Portobello

Materiality

102-40; 102-42; 102-43; 102-46; 102-54

In 2017, the company maintained the eight themes, which encompass 18 material aspects, determined two years earlier.

The themes were defined based on sectoral studies and references in sustainability, in order to identify the most important ones. Then, strategic audiences were consulted by the company's managers seeking to determine Portobello's priority themes.

An online survey was also conducted involving the following audiences: employees, members of the community of Tijucas (SC), suppliers, customers and architects, in addition to in-depth interviews with key executives of the company.

In 2017, an alignment study was applied between material themes and the corporate strategic planning for the next five years, reinforcing sustainability's value proposition with the strategic drivers of the company.



102-44

MATERIAL TOPIC (102-47)	IMPORTANCE (103-1-a)	WHO IS IMPACTED (103 1-b; 103-1-c)	GRI STANDARDS	INDICATORS
Governance and Transparency	Visibility to stakeholders, image and reputation management, ethics and anti-corruption practices	Leadership and Local Governments	Socioeconomic Compliance	419-1
Excellence in the Management of Attributes (Brand, Logistic Model and Multichannel Distribution)	Conservative management in periods of crisis, expansion of competitive advantages, management of brands	Suppliers, operating units, employees, logistics operators and retail	Economic Performance Marketing and Labeling	201-1 416-1
Product Innovation	Demand for sustainable products, seek product differentiation, market positioning	Operational units, employees and customers	-	102-43
Sustainable Supply Chain	Traceability and source of raw materials, development of suppliers, liability and risks in the chain	Suppliers and Operational Units	Materials Products and Services Biodiversity Environmental Evaluation of Suppliers Social Evaluation of Suppliers	301-2 301-3 304-2 308-2 409-1; 414-2
Operational Excellence	Water pressure, high energy demand, concept already implemented at the new plant	Operational Units, Local Communities and Employees	Energy Water Emissions Effluents and Waste	302-1; 302-3 303-1; 303-3 305-1 306-1; 306-2
Development and Management of People	The theme is transversal to several aspects, human capital deemed strategic, need to broaden the organizational climate	Employees and Retail	Training and Education Complaint Mechanisms Employment	404-1; 404-3 103-2-c-vi 401-2
Occupational Health and Safety	Safety culture, well-established practices, attention to industrial activity	Suppliers, operational units, employees and logistics operators	Occupational Health and Safety	403-1; 403-2
Proximity and Community Involvement	Strong relationship with the communities (Tijucas and Marechal Deodoro), social license to operate and alignment of expectations, impact on the workplace	Local Communities and Employees	Local Communities Indirect Economic Impacts	413-1 203-2

Highlights of the Year

SOCIAL HIGHLIGHTS

INDICATOR	2015	2016	2017
Employees Compensation	181,591,000.00	202,652,000.24	199,587,956.64
Social Programs*	944,266.00	1,107,950.00	1,559,449.24
Internal Marketing Events	762,000.00	530,404.00	235,725.65
People Development (Technical training and leadership)	597,725.00	887,340.00	873,232.26

*Values include Incentive Law projects.

ENVIRONMENTAL HIGHLIGHTS

INDICATOR	2015		2016		2017	
PORTOBELLO	PORTOBELLO	POINTER	PORTOBELLO	POINTER	PORTOBELLO	POINTER
Direct emissions of greenhouse gases (tCO2eq))	134,952	15,663	149,856	30,566	164,704	25,375
Material from recycling (t)	248,849	7,105	231,590	8,573	248,044	8.550
Waste disposal (t)	12,557	463	5,144	431	5,795	405
Non-hazardous waste (t)	12,490	463	5,001	426	5695	401
Hazardous waste (t)	67	0	143	5	100	4
Energy consumption (GJ)	3,684,241	440,935	3,595,030	731,181	3,691,358	610,374
Renewable energy consumption (GJ)	402,198	59,662	424,806	87,176	435065	75,731
Non-renewable energy consumption (GJ)	3,282,043	381,273	3,170,223	644,005	3256293	534,643
Captured water volume (m³)	344,495	24,400	315,414	82,681	330,536	62,939

ECONOMIC HIGHLIGHTS

INDICATOR (R\$ THOUSAND)	2015	2016	2017
Gross revenue	1,345,015	1,301,050	1,277,945
Net revenue	1,060,395	1,016,400	1,023,937
Gross income	396,202	363,202	417,020
Gross Margin	37.40%	35.70%	40.70%
EBITA	134,405	75,808	189,017
Net income	52,673	2,142	64,170
Net debt	501,654	464,241	394,367
Investments	88,340	25,387	46,528
Taxes	294,408	286,525	286,304
Distributed dividends	12,505	505	30,464

Sustainability Concept

The environment we live in is the essence of our business.

This belief is part of Portobello's mission and indicates the importance of sustainability for the company.

Growing together is Portobello's vision of sustainability and expresses the idea of shared and continuous generation of value.

Portobello believes that transforming the environment into a better place to live in is the result of teamwork, not only of its employees, but also of its partners, suppliers, partners and the community where it operates. The management of sustainability is structured based on the classic concept of triple-bottom line, with actions in the areas of Social, Environmental and Economic Responsibility.

Portobello



Sustainability Management Structure



SOCIAL RESPONSIBILITY

Our People

Strategic Principles

- Promote health, safety, well-being and development of people;
- Prioritize children and sports in social projects;
- Be a partner of the community, supporting good initiatives of social responsibility;
- Stimulate culture and participate in the volunteer work of its employees.

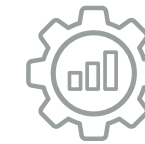


ENVIRONMENTAL RESPONSIBILITY

Our Product

Strategic Principles

- Exercise sustainable design and innovation;
- Boost the sustainability of ceramic materials;
- Cultivate and support good practices aimed at environmental protection.



ECONOMIC RESPONSIBILITY

Our Business

Strategic Principles

- Commit to excellence in results;
- Create conditions to generate value for everyone;
- Adopt good management practices and governance, prioritizing meritocracy.

The economic pillar becomes active through the economic and financial management of the company, which is conducted by the company's management throughout its governance process.

Sustainability Management at Portobello

In 2017, sustainability management focused on engagement and communication actions involving some of its main stakeholders, such as employees, customers and the community.

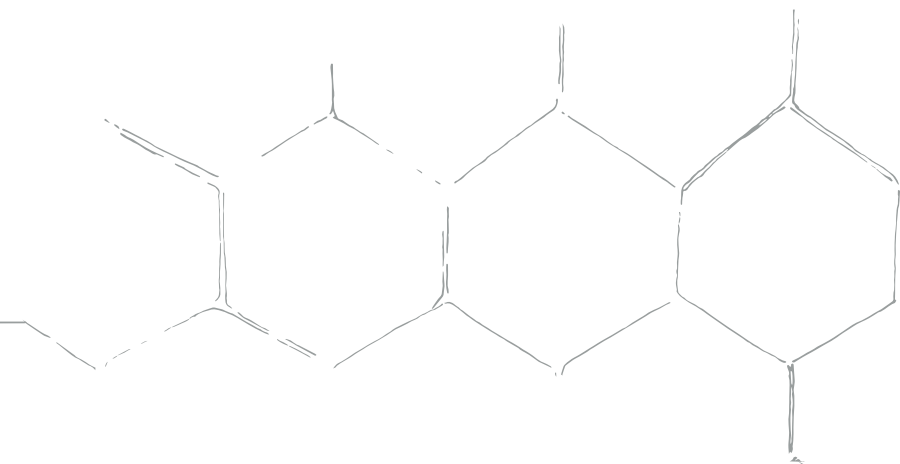
The purpose was to act in the acculturation and involvement of these stakeholders to introduce sustainability practices in their day-to-day in the social, environmental and economic spheres.

In 2017, we further strengthened the Social, Environmental and Communication Committees, which are formed by employees from different areas with the purpose of generating and managing the knowledge on the respective themes, guiding and monitoring the implementation of specific actions.



“We understand that we could do something in the ceramic industry and generate jobs and opportunities for the young people in Tijucas.”

Cesar Bastos Gomes
Founder and Chairman
of Portobello's Board of
Directors



Profile and Governance

102-3; 102-4; 102-5

HISTORY OF PORTOBELLO

The company began with the creation of its first brand, Portobello, founded in 1979, in the city of Tijucas, in Santa Catarina. Portobello is the result of the entrepreneurial vision of its founder, who was unhappy that his homeland was only known for being a dormitory town. As a result, he made a commitment to build a company that would enable the growth and development of the region.

The ceramic activity, common at the site, was the starting point for a company focused on innovation and differentiation, already present in its essence. In 2015, the Portobello Group was established. Portobello has two operations in Brazil: Portobello Tijucas (SC) and Pointer Marechal Deodoro (AL).

Portobello



Timeline



1979
Beginning of Portobello ceramics activities.



1984
Product innovation with the launch of the 1st line of high-traffic floors, the line called Carga Pesada (Heavy Load).



1991
Product innovation with the launch of tiling for facades.



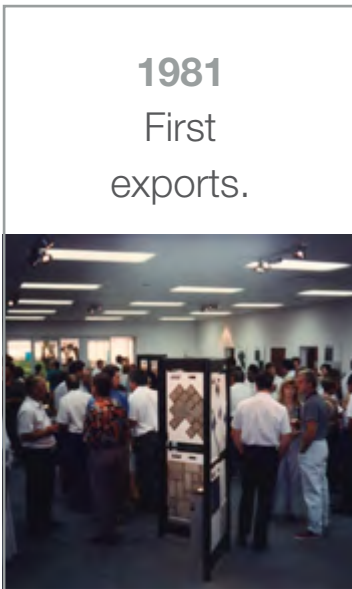
1998
Launch of Portobello Shop's Franchise Network.



2001
Product innovation with the production of porcelain tiles.



2008
Expansion of the Industrial Park and consolidation of Portobello Shop's Store Network with 100 stores.



1987
Expansion of the Industrial Park, reaching 1 million m²/month.

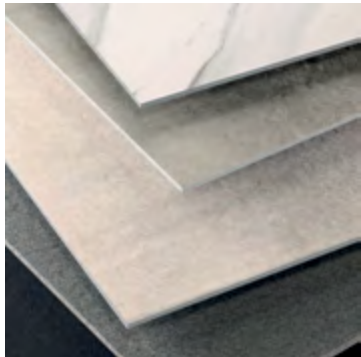


2000
Beginning of the use of Natural Gas, clean energy for furnaces and dryers.



2008
IPO in Novo Mercado Bovespa.





2010

Product innovation with the launch of a thinner porcelain tile - Extra Fino - simultaneously with the Italian brands.



2012

Portobello becomes the largest ceramic tile company in Latin America.



2014

Investments in Pointer's Plant.

POINTER



2015

Launch of Pointer with the opening of the new plant in Alagoas.



2016

Launch of Portobello Collection: Architecture in Motion – In and Out.



2016

Launch of Pointer Collection: Morada Brasileira - Raízes, with the participation of Marcelo Rosenbaum.

2011
Beginning of production with digital printing technology.

2013
Launch of Large Formats.

2015
Establishment of Portobello Group.

Portobello Grupo

2016
Beginning of the project called Oficina Portobello

2016
LEED Green Building Standard Shop Project.

2017
Launch of Oficina Portobello project in stores in Santa Catarina.

Portobello in Figures

102-1; 102-7

38 years of history



2.770
EMPLOYEES



144 Portobello
SHOP STORES



2 production
SITES



Publicly-held
COMPANY



ANNUAL SALES OVER
40 million m²



R\$1,3 billion
IN REVENUES



DISTRIBUTION TO MORE THAN
60 countries

Distribution Channels

102-6

Portobello operates in the tiling market through the following channels:

Domestic Market

PORTOBELLO SHOP

144 stores across Brazil.

RESALE

Presence in the main multi-brand stores in the country.

ENGINEERING

Specialized service to large works.

Foreign Market

Exports to more than 60 countries.

Portobello



Block of Control

102-18

Publicly-held company and member of the Novo Mercado Bovespa. Administered by a Board of Directors and a Board of Executive Officers. The company also has an Audit Committee.

The brands follow the Board of Director's management guidelines, the regulations of the Brazilian Corporations Law and the Company's Bylaws.

CONTROLLING GROUP

Established in 2015, through a Shareholders' Agreement, the Controlling Group exercises family governance in search of stability and long-term value generation for the company. This governance process reinforces the commitment to sustainability, aiming at the growth of the company and its stakeholders.



Controlling Group

BOARD OF DIRECTORS

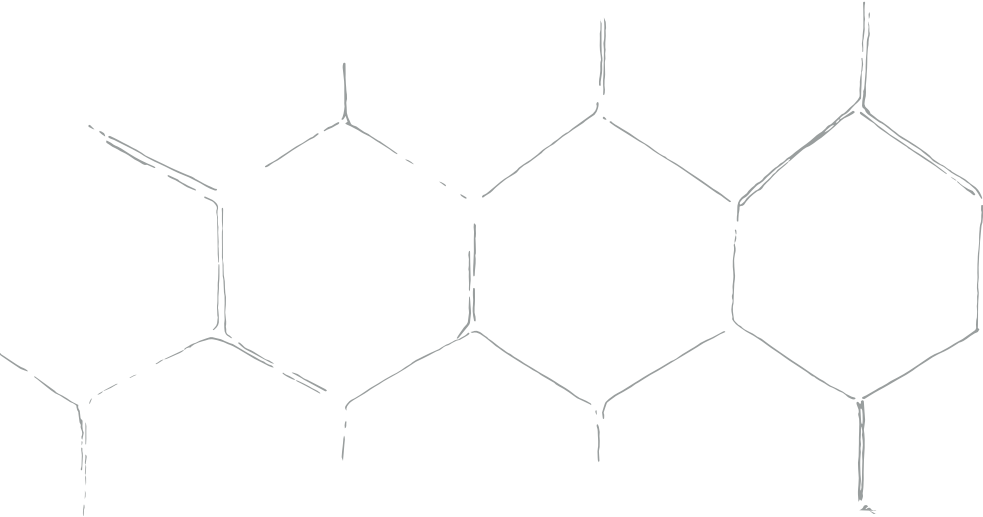
Portobello’s Board of Directors, with a mandate since 2016, consists of seven members, four of whom are independent. Its main activities are to establish the strategic guidelines for the group and to elect the members of the Corporate Board with executive role.

NOME	CARGO
Cesar Bastos Gomes	President
Cesar Gomes Júnior	Vice President (Chief Executive Officer)
Nilton Torres de Bastos Filho	Board member
Roberto Alves de Souza Waddington	Independent Board member
Plínio Villares Musetti	Independent Board member
Glauco José Côte	Independent Board member
Mário José Gonzaga Petrelli	Independent Board member

AUDIT COMMITTEE

The Audit Committee is established to oversee the Management actions, check the company’s accounts and issue opinions regarding matters within its competence. The effective performance of the Audit Committee enhances the transparency and legitimacy of the company’s accounts.

NAME
Jorge Muller
Maro Marcos Hadlich Filho
Peter Edward Mr Wilson



02 OUR BRANDS



Portobello

102-16

MISSION

The environment we live in is the essence of our business.

VISION

To be a Brazilian leader in innovation, creating and distributing solutions for environments to a growing number of people.

VALUES

Focus on Results - Deliver and generate value.

Growing Together - Virtuous circle of opportunities.

Innovation and Design - Culture of new and better solutions.
Transform environments and thrill people.

Meritocracy - We can always do better.

Sustainability - Commitment to the environment.

Portobello



Positioning

PORTOBELLO

102-2

Portobello is the design brand that creates and distributes contemporary products and services to individuals and companies seeking to make projects and dreams come true with originality, quality and at a fair price.

COMPETITIVE ADVANTAGES:

- Brand;
- Product;
- Logistics;
- Reliability in the Relationships;
- Multichannel;
- Architects and Designers.

Portobello

Portobello



Positioning

PORTOBELLO SHOP

102-2

Portobello Shop is the retail chain specializing in ceramic tiles and complements, offering a unique shopping experience in stores and in digital environments, for specification and purchase of Portobello products.

COMPETITIVE ADVANTAGES:

- Brand;
- Product;
- Logistics;
- Reliability in the Relationships;
- Shopping Experience;
- Architects and Designers.

Portobello
shop

Portobello



Positioning

OFFICINA PORTOBELLO

102-2

Unique solutions in the art of porcelain tiling. Combination of artisan mastery and cutting edge technology for special cuts, objects, furniture and countertops.

COMPETITIVE ADVANTAGES:

- Brand;
- Product;
- Logistics;
- Reliability in the Relationships;
- Customization;
- Architects and Designers;
- The Art of Porcelain Tiling.

Officina
Portobello

Portobello



Positioning

POINTER

102-2

Pointer produces and distributes ceramic tiles for people looking for solutions with design, quality and competitive price.

COMPETITIVE ADVANTAGES:

- Brand;
- Product;
- Logistics;
- Reliability in the Relationships;
- Digital Connection;
- Quality;
- Competitive Price.

POINTER

Portobello



Satisfaction Survey

102-43



Portobello has two sources to measure satisfaction with the Company's processes, products and services:

1. Satisfaction survey with architects performed online. Held on an annual basis and for the period from Jul/16 to Jul/17;
2. Satisfaction survey with all customers who contacted our Customer Service, checking their intention to recommend the brand after sales.

The result of the surveys (Customer Service + Architects) in 2017 reached 90% of satisfaction, thus generating the Customer Satisfaction Indicator, standardized by ISO, whose target is 90% of satisfied customers.

In 2017, Portobello won the RA1000 certification from the website Reclame AQUÍ.

Companies that have this certification show their customers that they are committed with after-sales, raising the degree of confidence in their brand, products and services.

The RA1000 Certification was created with the purpose of highlighting the companies that have excellent service and solution rates in the website Reclame AQUÍ.

Portobello at Expo Revestir 2017

Marking its presence since the first edition of Expo Revestir, 15 years ago, Portobello participated with the launch of the In&Out/Pure Matter Collection in 2017.

The 600 m2 booth was developed in metal structure that is re-used with each new layout, since 2015. The environments are created based on the collection's profile, launched every year. Always connected with the international launches and trends in the world of ceramics, architecture and interior design, but recycling and reusing the basic structure.

Portobello



Portobello Shop Features

In 2017, Portobello Shop expanded the size of the stores. New spaces in a project that reinforces the strategy of delivering a complete solution to customers. As a pioneer in the market, Officina Portobello was launched in Santa Catarina and completes the mix of exclusive products of the stores.

NETWORK FEATURES:

- Exclusive products with complete portfolio for all environments;
- Complete display with decorated environments and panels;
- Furniture, accessories and custom-cut porcelain tiles;
- Specialized technical assistance with the design of layouts and three-dimensional view;
- Virtual reality, applications that allow real-time simulation and budget.

Portobello



Portobello+architecture

Portobello+architecture is Portobello's relationship program with architecture professionals that features over 20,000 participants.

Portobello recognizes the importance of professionals as protagonists in its innovation gear and structures this relationship in three pillars:

- The participation of professionals in the process of creation and development of our products in our Innovation Gear;
- Provision of tools, presentations, workshops and content in general, to improve knowledge;
- Professional Development and the generation of value through the Recognition and Dissemination of the professionals' work.

Portobello
+arquitectura

Portobello



Main actions carried out by the Program in 2017:

Visits to the Factory in the Portobello Experience Program



International research trip



Workshops and Specialized presentations



Cycle of Presentations in parallel with Revestir



Product clinics



Presentations on trends and launches for groups of specifiers in Stores



National cultural tours

Portfolio Highlights

416-1

CLEARBAC

Unglazed porcelain tiles that contain bactericidal materials, a component that kills 99.9% of bacteria, ensuring greater safety and hygiene to customers, recommended for places that need constant sterilization, such as hospitals, medical and dental clinics, day care centers, schools, among others.

EXTRA FINO

Portobello is the first Brazilian company to produce porcelain with reduced thickness. The ultra thin porcelain tile Extra Fino causes less impact throughout the chain. It also facilitates handling and application, ensuring better working conditions for construction professionals.

SPESSORATO

2cm thick porcelain tile that can be used without the need of adhesive mortar, since it can be applied directly on the grass, stone, gravel and sand.

BARDOT AND GEPPETTO LINE

Mosaics produced with natural reforestation wood.

Clearbac



Extra fino



Spessorato



Bardot and Geppetto Line

Portfolio Highlights

416-1

SURFACES FOR EXTERNAL USE

Technical features such as slip resistance make it possible to expand the potential places of use, replacing mainly natural materials such as stones and woods, with greater durability and safety.

VENTILATED FACADE SYSTEM

With a partner company, Portobello developed the ventilated facade system. This system consists of having an air gap between the outer wall of the building and the tiling, providing better thermal and acoustic comfort for the users.

REPRODUCTION IN WOOD, STONES AND MARBLES

Porcelain tiles that reproduce a natural product, avoiding extraction from nature.



Surfaces for external use

Ventilated facade system



Reproduction in wood, stones and marbles

03 OUR PEOPLE



Portobello

Our People

Portobello believes that it is always possible to do better and guides its actions towards the development and recognition of its employees. The Development and Management of People and Occupational Health and Safety actions reinforce the company's commitment to the environment and the belief of growing together.

With the external audience, the participation in social programs involves employees, through voluntary actions, in addition to the sustainability management structure, which reflects the company's beliefs.



Portobello

PEOPLE MANAGEMENT

- Adoption of the best practices of People Management integrated between the business units.
- Meritocracy as the essence of management, through the implementation of a System of Goals and Indicators.
- Semi-annual performance evaluation and structured feedback for a good development of employees.
- Technical and behavioral training aimed at professional growth.
- Wide benefits for all employees.
- Investment in actions for the well-being of employees.

EMPLOYEES PROFILE

102-8

TOTAL EMPLOYEES BY TYPE OF JOB, EMPLOYMENT CONTRACT AND REGION

FUNCTIONAL LEVEL	2015		2016		2017	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Board	12	0	10	0	10	0
Director	7	0	7	0	5	0
Superintendent	8	0	9	0	5	1
Manager	36	11	32	16	29	7
Coordinator	96	60	90	66	60	19
Others	1898	793	1907	757	1846	698
Trainee	2	1	0	0	0	0
Apprentice	23	17	35	39	37	29
Intern	15	17	20	10	15	9
TOTAL BY GENDER	2097	899	2110	888	2007	763
TOTAL	2996		2998		2770	

TYPE OF EMPLOYMENT CONTRACT

	2015		2016		2017	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Limited time	38	34	55	49	52	38
Unlimited time	2059	865	2055	839	1955	725
TOTAL BY GENDER	2097	899	2110	888	2007	763
TOTAL	2996		2998		2770	

	2015		2016		2017	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Full time	2059	865	2055	839	1955	725
Part time	38	34	55	49	52	38
TOTAL BY GENDER	2097	899	2110	888	2007	763
TOTAL	2996		2998		2770	

BY REGION

	2015		2016		2017	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Portobello	1785	850	1803	832	1750	705
Pointer	312	49	307	56	257	58
TOTAL BY GENDER	2097	899	2110	888	2007	763
TOTAL	2996		2998		2770	

COMPLIANCE WITH LAWS

103-2-c-vi, 419-1

In 2017, the Group registered the filing of 111 labor claims. In addition, it also registered the filing of 131 civil actions from customers and 32 civil actions in general. Portobello has filed the respective defenses and answers required to safeguard its rights, analyzing each of the cases individually, and always in compliance with the Brazilian civil and labor laws.

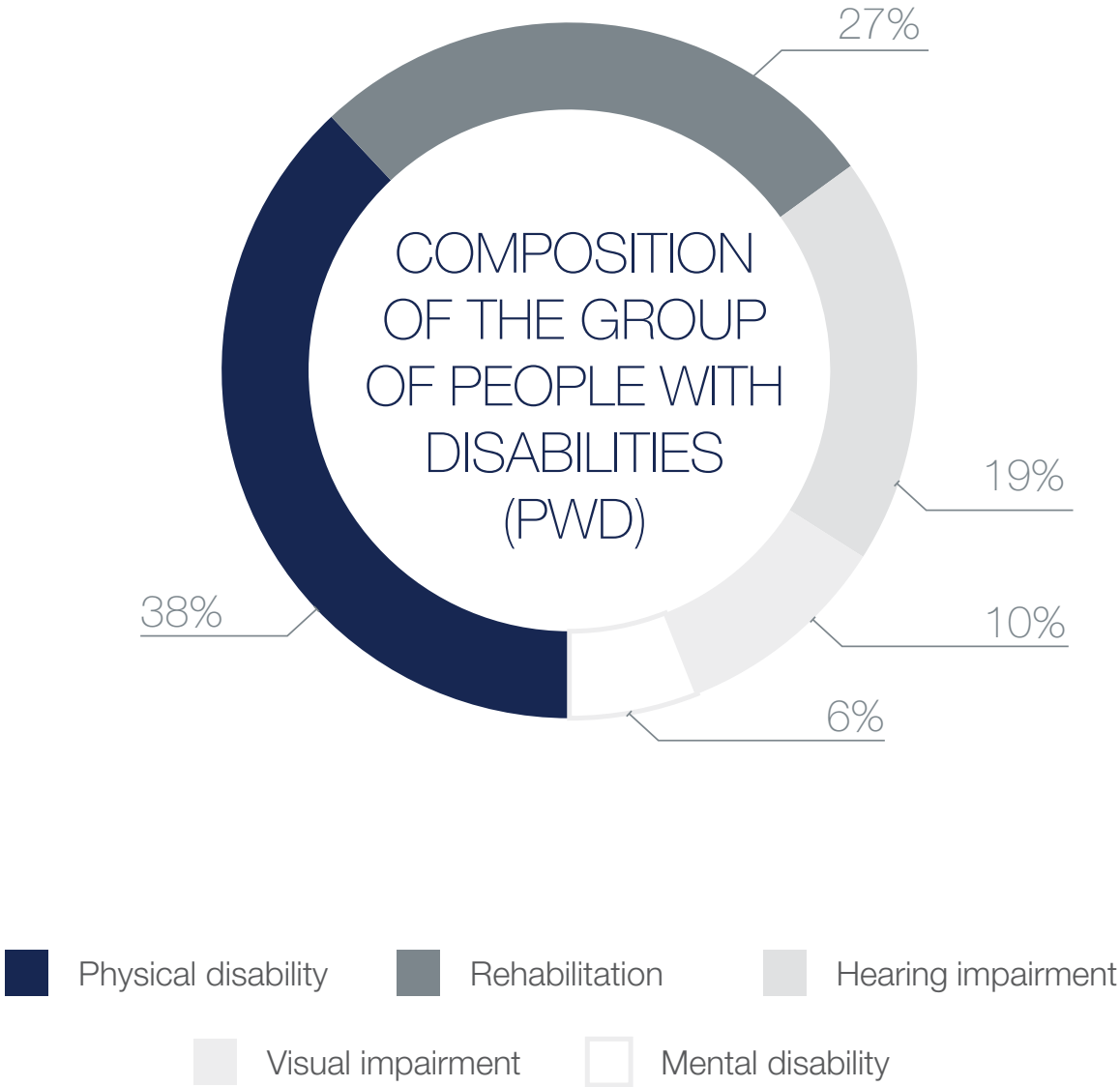
Last year, Portobello disbursed R\$ 1,389 million referring to amounts deposited in labor suits. There were no payment of fines for civil actions.

- P - problems solved
- O - orientations
- R - recommendations
- T - taking care of the planet earth should be done by everyone
- O - observe and listen
- B - beautiful teachings
- E - experts
- L - loyalty to the company
- L - lead the company to move forward
- O - open to listen to everyone

Iara Aparecida Vieira
Elementary School Brilho do Sol
Winner of the sentence contest on Sustainability

INCLUSION PROGRAM

Portobello has partnerships with local institutions to offer job opportunities to people with disabilities. In 2017, the company met 92.2% of the quota.



PERCENTAGE OF THE GROUP OF PEOPLE WITH DISABILITIES BY AREA

AREA	% PCD'S
Administrative	7.3%
Commercial	30.3%
Industrial	57.8%
Pointer Unit	4.6%

Benefits

401-2

In order to ensure the well-being of the internal staff, Portobello has a wide range of benefits, which meets the requirements of the labor laws and collective bargaining agreements, as well as mandatory issues.

The following benefits are offered across the company:

- Health Insurance Plan;
- Pharmaceutical Care;
- Dental Care;
- Meal voucher or Restaurant at the company;
- Assiduity Bonus;
- Transportation voucher;
- Profit Sharing Program;
- Discount on the purchase of Portobello and Pointer products;
- Life Insurance.

Portobello's unit in Tijucas (SC), where most employees are concentrated, has a package of structured benefits that also includes:

- Paycheck Advance;
- Day Care/Babysitter Agreement;
- Portobello Mom Program;
- Assistance to dependents with disabilities;
- Payroll backed financing loan;
- Vacation Allowance.

PARTNERSHIP WITH INSTITUTIONS

In 2017, partnerships were established with several educational institutions, to provide employees with a discount on the admission to higher education, postgraduate and language courses.

Development and Training

404-1; 404-3

Portobello focuses on the development of its employees through training programs and performance assessments. As an incentive to development in 2017, more than 35,000 hours were dedicated to training in the company and 8% of the total number of employees went through a performance assessment.

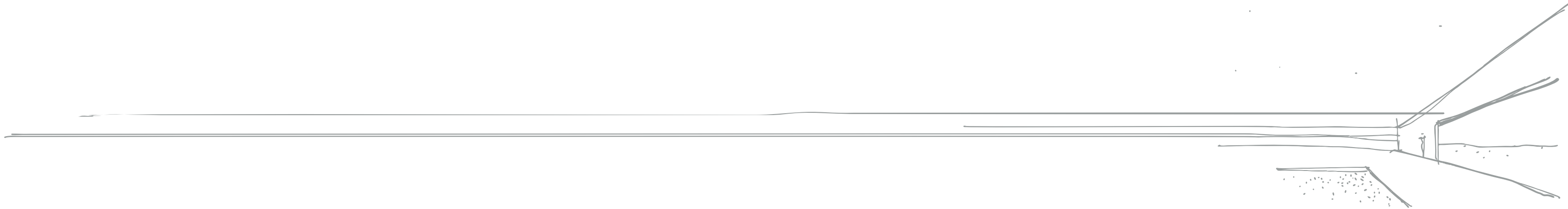
180-DEGREE PERFORMANCE ASSESSMENT

In 2017, the 180-degree Performance Assessment process was extended to the Coordinators level, thus covering all management levels.

MENTORING

In 2017, the cycle was closed with the first mentoring group.

In the second semester, the second mentoring group began with new members, with the purpose of supporting the development of leaders through the transfer of information and experiences lived by the mentor.



COMPETENCY DEVELOPMENT PROGRAM

In 2017, the guiding competencies program was implemented at Pointer, a program that focuses on the development and training of employees, and that has been in effect since 2015 at Portobello.

The competencies are:

Organizational Competencies

- Focus on the Result;
- Sense of Ownership;
- Innovation.

Leadership Competencies

- Development of Talents;
- Search for Competitiveness;
- Focus on the Customer;
- Agility in Management;
- Valuing Different Opinions.

The Competency Development Program consists of a set of activities carried out through face-to-face meetings (workshops) and activities developed in an online platform (gamification).

Portobello



Portobello Managers

IMMERSION

In 2017, a team of 31 managers participated in the Leader of the Future immersion program. The program has two training modalities, Fundamentals of Leadership, aimed at those who took on the leadership less than three years ago and the Executive modality, for managers with at least three years of leadership experience.

TALENTS SYSTEM

In 2017, the Talents System was launched to promote all the assessment processes of the company's employees and the management of internal talents.

CAREER DEPLOYMENT/ASSESSMENT

In 2017, Portobello implemented two new careers: Administrative and Technical. The purpose of each career is to present more clearly the development and growth paths in the company. Approximately 460 employees were evaluated in this process.

PORTOBELLO CAREERS

OPERATIONAL – Factory operators and sales promoters.

CAREER Y – Specialists in the creative, technical and maintenance areas.

LEADERSHIP – Production, Maintenance and CQPA.

COMMERCIAL – Sales and negotiation with clients.

TECHNICAL – Professionals with specific knowledge and operationalization on a particular subject, who could become specialists in Career Y.

ADMINISTRATIVE – Other areas of the company.

BEHAVIORAL TRAINING

Throughout 2017, several behavioral training sessions were conducted, intended for all employees and focused on personal and professional development:

Safety Academy: through an immersion program, professionals develop self-knowledge activities and are motivated to the challenges of the positions they hold. In 2017, 78 meetings were held between the Coordination staff, Leaders, Operators, Technicians and Administrators.

TECHNICAL TRAINING

Subsidized by the company, in 2017, 76 employees participated in the technical training courses in ceramics and electromechanics, which on average have a 2-year duration.

DISTANCE LEARNING WEBSITE – EAD PORTAL

With the support of EAD portal, Portobello trains professionals from all over Brazil. Focused on the commercial staff, the platform brings technical and conceptual content to more than 6,600 professionals.

Portobello



Graduation of the class of Technical Training in Ceramics

TRAINING FOR THE COMMUNITY

In 2017, the training courses were extended to the local community.

The Sustainability area provided training to institutions, addressing Tax Incentive Laws, with specialized consultants in the subject.

Philanthropic institutions such as nursing homes, Associations of Parents and Friends of Exceptional Children (APAEs), athletes, taxable profit companies and accounting firms were invited to learn more about the Rouanet Law, the Sports Incentive Law, FIA, the Elderly Fund, the National Program to Support Health Care of People with Disabilities (PRONAS) and the National Support Program to Oncology (PRONON).



VALUING TALENTS

Created with the purpose of valuing the commitment and dedication of its employees, the Highlight Program rewards employees who have an outstanding attitude and continuously seek to improve safety, organization, cleanliness and productivity in their activities.

EMPLOYEES OF THE MONTH: selected from each area, totaling 418 employees recognized during the year. Each “Employee of the Month” receives a bonus in their Food Card, in addition to participating in a special lunch in recognition of their efforts, with the participation of their managers.

EMPLOYEES OF THE YEAR: selected among the Employees of the Month from each sector, totaling 12 employees. The Employees of the Year participate in an event with the presence of the Management, Chairman of the Board, Managers and family members, and they receive recognition plaques and special gifts.



Highlights of the Year 2017

INTERNSHIP

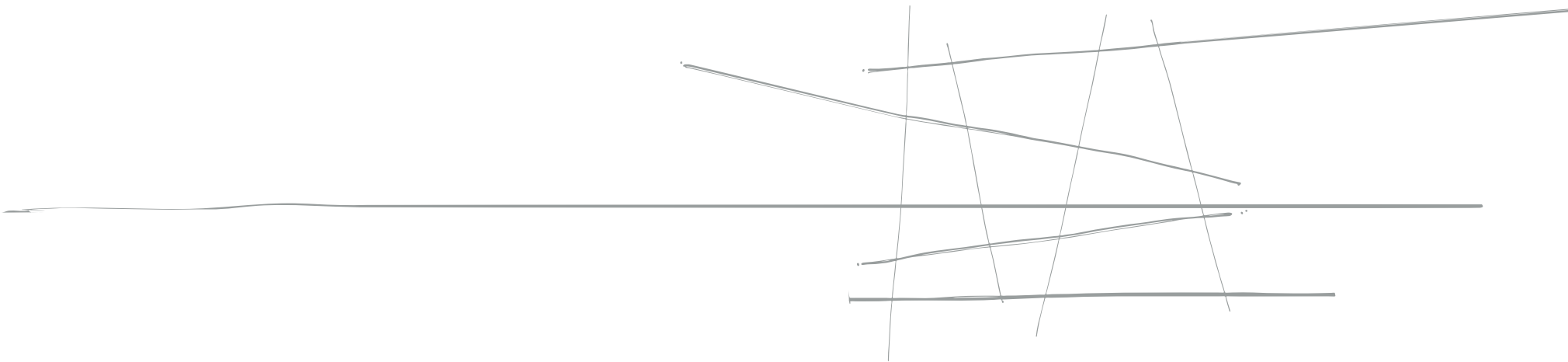
On average, 30 internship job opportunities are offered to academic students in several areas of the company. Interns have the mission to develop an improvement project for the sector where they work, based on the PDCA methodology, in addition to receiving training and guidance to develop this project over the course of one year. In 2017, a total of 6 interns were formally hired in the company.

YOUNG APPRENTICES

Portobello and Pointer offer job opportunities to young people aged 14 to 24 years old, enrolled in the Industrial Learning courses offered by SENAI, with a workload of 4 hours a day, and their wage corresponds to half a minimum wage according to the state wage floor. In 2017, four courses were offered: Ceramist, Networking and Computer Maintenance, Electromechanics and Administrative Assistant.

The Industrial Learning Course for Administrative Assistants offers work hours in the administrative areas of the company. The course takes place some days in SENAI and other days in the company so that students practice what they learned.

The job opening consists of at least 5% of apprentices in relation to the total number of employees, pursuant to Law No. 10097/2000.



Health and Safety

The company's vision on health and safety aims at improving the quality of life of all people involved in its activities, including employees, suppliers, partners and the community in which it operates.

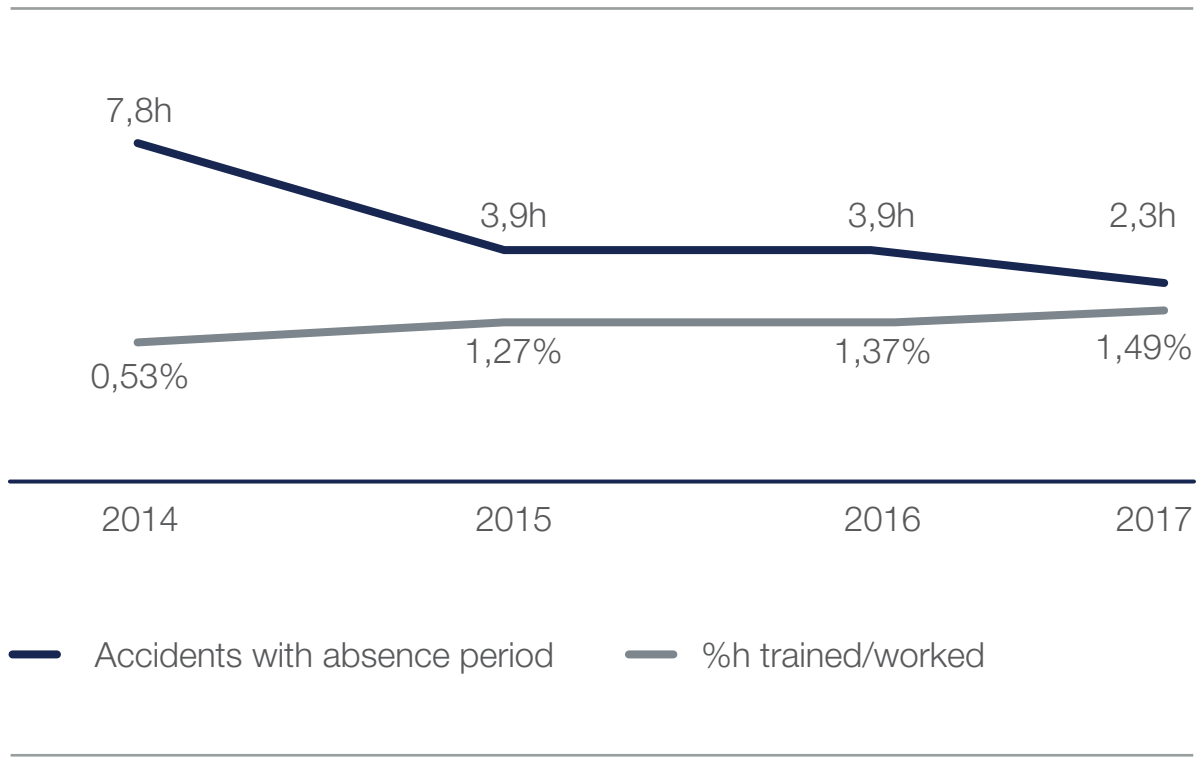
Over the past 5 years, the company has focused on changing its culture in relation to health and safety by heavily investing in training.

In addition to mandatory training, based on the Regulatory Standards, safety awareness training is provided to both operational and leadership levels. The training to the operational staff were largely given by the managers themselves. That is why it is part of the strategy of making everyone responsible for the subject.

Portobello



At Portobello, in 2017, the goal was to dedicate 1.45% of the hours worked on the subject, but it was exceeded, reaching the rate of 1.49%.



The increase in training hours since 2013 has led to a significant reduction in the frequency of temporary absence periods.

One of the highlights of the training courses is the adoption of the Daily Dialog on Safety, called DDS. This practice, in which the subject is discussed everyday among the leaders and their teams, in addition to the e-mails sent to all employees on a daily basis, has been crucial in this process of cultural change.

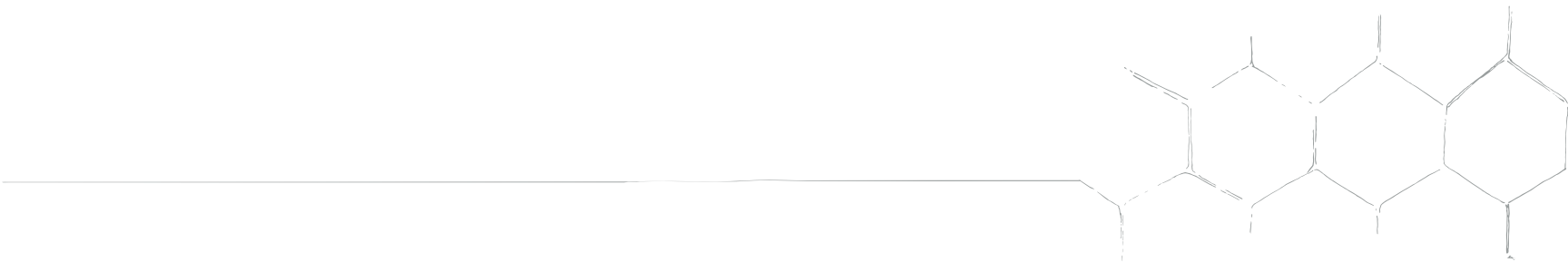
Portobello

SAFETY TOOLS

Among the tools used in the process of cultural change, we point out the behavioral approach carried out by managers to identify misconducts and guide employees to adopt the correct conduct.

In 2017, the practice hitherto performed by managers and coordinators was extended to the level of production leaders. Another important tool is the investigation of all accidents, seeking root causes that help eliminate the hazards and risks of the operation.

The process of investigation of accidents was improved and is now performed at the level for high potential incidents. In 2017, we expanded the registration of investigations for these incidents. In 2018, the goal is to record all incidents.



RESULTS

At Portobello, in 2017, there has been a significant evolution in the frequency rate of accidents with temporary absence periods, with a rate of 2.3. At Pointer, there was a decrease from 14.4 in 2016 to 9.3 in 2017. The rate does not include out-sourced personnel.

The total number of injuries was **REDUCED BY 30%**, and this figure is also the result of measures taken over the past 5 years.

Portobello broke the record of 6 months with no accidents with temporary absence period and **POINTER, 7 MONTHS**.

SINCE 2012, THERE ARE NO RECORDS OF FATAL ACCIDENTS IN THE COMPANY.

PB5 COMPLETED 2 YEARS WITHOUT ACCIDENTS WITH TEMPORARY ABSENCE PERIOD.

During the year, approximately **R\$ 1 MILLION WAS INVESTED IN IMPROVEMENTS** in the machinery and equipment protections, a measure that reduces the potential for accidents and is part of the adjustment to NR12.

Portobello



SAFETY MANAGEMENT

EXECUTIVE COMMITTEE ON OCCUPATIONAL SAFETY AND HEALTH (OSH) – Formed by the President, Vice President and Management. This committee meets in case of high relevance decisions.

OSH MANAGEMENT COMMITTEE – Formed by the Corporate Industrial Director, Industrial Director of Portobello, Logistics Superintendent, as well as managers from several areas, such as Safety and Sustainability, Maintenance, Technical and Industrial Management, Industrial Engineering, Supplies, Logistics and HR. They meet on a monthly basis to report indicators, assess accident investigations, discuss problems and proposals for improvements within the company.

OSH MANAGEMENT SUBCOMMITTEES – Formed by managers from the Industrial and Logistics areas, their coordinators and other leaders. They meet on a monthly basis to address unit issues.

SAFETY, ORGANIZATION AND CLEANING COMMITTEE – Formed by production, logistics, safety and sustainability, maintenance and supplies managers, in addition to representatives of the Internal Commission on Accident Prevention (CIPA) and environmental representatives. The purpose of this committee is to conduct weekly rounds to identify misconducts.

INTERNAL COMMISSION ON ACCIDENT PREVENTION

- CIPA – In 2017, the Ergonomics Committee was set up, responsible for analyzing the ergonomic conditions of the workplaces and for proposing improvements. It includes representatives of the production, logistics, Specialized Services in Occupational Health and Safety (SESMT) and administrative areas.

CIPA's ACTIONS

The Internal Commission on Accident Prevention acts in compliance with legal requirements and is formed by representatives from several areas, representing 100% of the company's employees.

Since 2016, at Portobello, the election of CIPA is held electronically, facilitating the participation of employees. During 2017, campaigns were promoted on the risks associated with the flow of forklifts, behavioral approaches, upgrade of the company's risk map and preparation of a pilot newspaper to disseminate topics on safety.

OCCUPATIONAL ACCIDENT PREVENTION WEEK
(SIPAT)

One of CIPA’s duties is to promote the Occupational Accident Prevention Week - SIPAT. At Portobello, SIPAT is a large event involving the entire company. During the week, booths are set up by all areas of the company to present improvements made for health, safety and environment. In 2017, SIPAT’s theme was “We Are All Responsible,” to reflect on what impacts people’s daily lives in relation to health and safety issues. Among the reflections:

- Taking responsibility for life is to be aware that a wrong attitude can cause accidents and inconveniences. But on the other hand, the practice of healthy attitudes leads to a safer and happier life.

- Teaching, encouraging and giving examples of safety are positive attitudes that lead to the success of the company.

In 2017, a regularity test was implemented in the forklift operation, identifying the safest Forklift Operator, and the Treasure Hunt, carried out by the managers, with extended participation of external teams.

At Pointer, the theme was “Prevent, Act and Take Care,” and there were theater performances, lectures, motivational activities and sweepstakes. This event had the purpose of raising awareness and guide employees on the importance of environmental preservation, prevention of occupational accidents and diseases.

SIPAT IN NUMBERS AT PORTOBELLO

SIPAT	2014	2015	2016	2017
Training	2,408	2,671	3,348	4,114
Activities records	696	816	827	684
Stands (average participation)	340	375	427	515

RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM AND
WORK-RELATED DEATHS, BY REGION AND GENDER

403-2

HEALTH AND SAFETY RATES OF EMPLOYEES (HIRED AND OUTSOURCED EMPLOYEES), BY GENDER	2015		2016		2017	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Number of injuries	258	61	277	52	199	32
Injury rate (frequency)	47.0	11.7	41.1	7.7	35.0	4.5
Number of occupational diseases	280	132	317	89	277	92
Occupational disease rate (frequency)	41.1	19.4	47.1	13.2	42.0	14.5
Total days lost (as a result of occupational accidents or disease)	1446	604	1605	291	1153	362
Lost days rate	212,39	88.72	203.98	77.50	174.87	54.90
Rate of absenteeism (absence from work due to any disability)	0.85%	1.06%	0.80%	1.30%	0.79%	1.02%
TOTAL DEATHS	0	0	0	0	0	0

HEALTH AND SAFETY RATES OF EMPLOYEES (HIRED AND OUTSOURCED EMPLOYEES), BY GENDER	2015		2016		2017	
	PORTOBELLO	POINTER	PORTOBELLO	POINTER	PORTOBELLO	POINTER
Injury rate	54.8	15.0	52.2	48.3	39.6	40.9
Occupational disease rate	60.5		61.7	76.4	57.9	46.2
Total days lost	2050		1605	291	1438	77
Rate of absenteeism	0.95%	0.56%	0.93%	1.00%	0.87%	0.75%
TOTAL DEATHS	0	0	0	0	0	0

Portobello

HEALTH CARE CAMPAIGNS

- Influenza vaccine. In 2017, 1,374 doses were administered.
- Distribution of serum for hydration on high temperature days.
- Occupational medicine.
- Medical care and emergency care.
- Hearing Control Program (PCA).
- Breathing Program: to help employees change their smoking habits, the company implemented a program with psychologists and doctors. It is a group behavioral approach, conducted in periodical meetings, offered to all employees who smoke and wish to stop smoking.
- Colorful Quarter: Portobello and Pointer promote a campaign with employees in October, November and December to raise awareness of breast cancer, prostate cancer and AIDS, respectively.

Portobello



Social Actions and Programs

413-1

PORTOBELLO VOLUNTEER PROGRAM

As a way of continuing the voluntary actions already promoted, the Social Committee launched the Volunteer Program with the main objective of contributing to the improvement of people’s quality of life, encouraging employees to get involved in social actions.

OUR FRONTS OF ACTION:



Voluntary Actions

- Workers’ Day Party;
- Children’s Party;
- Events held by Municipal Governments and Private Companies.

Solidarity Campaigns

- Christmas Campaign;
- Winter Clothing Donation Campaign;
- Events of Entities;
- Visits to hospitals, nursing homes and day care centers.

Solidarity Donations

- Assistance to employees, if necessary, in case of illness or material losses as a result of natural disasters (flood, windstorm).

Pro-Life Actions

- Blood Donation;
- Platelet Donation;
- Health Actions.

SOCIAL RESPONSIBILITY CERTIFICATE

The Legislative Assembly of Santa Catarina , pursuant to Law No. 12918, of January 23, 2004, established the Social Responsibility Certificate of Santa Catarina, to recognize and praise private companies, public enterprises and nonprofit organizations, operating in Santa Catarina and having the socio-environmental responsibility included in their management policies.

In 2017, Portobello received this recognition, as a result of the practice of its social responsibility guidelines.



Certificate Handover Ceremony



WORKERS' DAY

Seeking to integrate the company, employees and their families, the Workers' Day party is a traditional event that has been going on for more than 30 years.

To ensure the promotion of this event, more than 100 volunteer employees dedicate to organizing and holding the party.

"Sustainability is salvation and will contribute to our nation. We will build a better world and save our world."

Pietro M. Amaral

Elementary School Mercedes Julia Adão
Winner of the sentence contest on Sustainability

Portobello



CHILDREN'S PARTY

Portobello Children's Party also counted on the participation of a group of 41 volunteer employees who guaranteed the success of the event, organizing it, welcoming all guests, practicing activities, preparing goodies and taking care of safety.

At Pointer, Children's Day was also celebrated with a party at the plant. Employees and their children participated in the activity, which featured music, games and artistic performances.

EASTER CELEBRATION – VOLUNTARY ACTION

As a way of supporting institutions dedicated to the development of children and adolescents in the surrounding communities, at Easter, Pointer gave chocolates to children of the Barra Nova Social Education Center, located in the city of Marechal Deodoro. This center takes care of 40 vulnerable children, offering study, dance and cooking workshops, food and accommodation.



Children's Party

THE 2017 EVENT
WAS ATTENDED BY

449 PARENTS AND
423 CHILDREN

CHRISTMAS CAMPAIGN – VOLUNTARY ACTION

Portobello’s Christmas Campaign has been going on for more than 25 years engaging employees of all units. Employees participate in the action by donating gifts to children.



OVER THE PAST FOUR YEARS,
3.850 gifts
WERE COLLECTED AND
DISTRIBUTED TO CHILDREN.

In the 2017 edition, Portobello’s Christmas Campaign benefited 850 children and adults, including the institutions and communities of Tijucas.

At Pointer, the Christmas Campaign benefited 144 children from the Nei Ednalma Teixeira school, in Barra Nova, in the city of Marechal Deodoro. More than 100 employees participated in the campaign.

Portobello

In addition to the Christmas Campaign, Portobello made a donation to the nursing home Lar Santa Maria da Paz, in an action with the franchisees where the amount allocated to Christmas gifts was transferred to the nursing home in Tijucas.



Christmas Campaign – Voluntary Action

WINTER CLOTHING DONATION CAMPAIGN

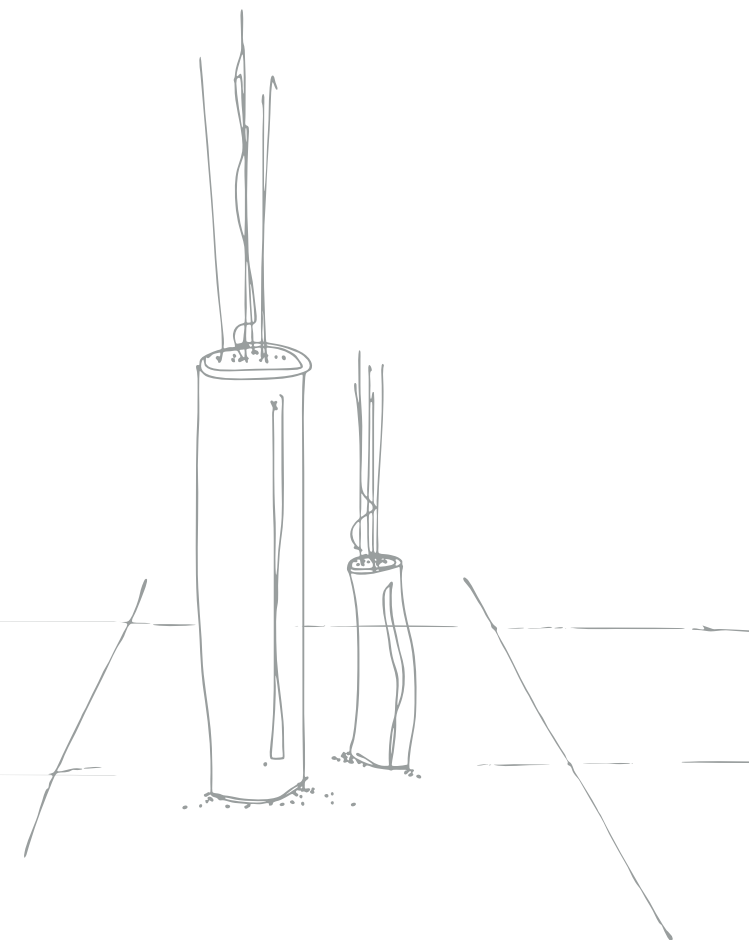
Portobello's Winter Clothing Donation Campaign has been going on for more than 10 years. In 2017, the clothes were sent to the Department of Social Action and to Lar Santa Maria da Paz, in Tijucas.

The company also participated in the campaign by donating blankets to the elderly of Lar Santa Maria da Paz and to the Social Assistance Reference Center (CRAS). At Portobello Shop, an action was also promoted for the nursing home Asilo Irmão Joaquim, located in Florianópolis, where food, hygiene products and clothes were collected.

DONATIONS TO FLOOD VICTIMS

Heavy rains that hit the state of Alagoas in July left 5,000 people homeless in the city of Marechal Deodoro, where Pointer is located. The plant, with the collaboration of employees and the community, donated 2500 bottles of water (1.5 liter) to the Municipality, which distributed them across its 15 shelters to accommodate and help flood victims.

In October, a campaign was also promoted for the collection of baby items. All products donated by Portobello's employees were delivered to the Social Assistance Reference Center (CRAS) to help mothers.



SIPAT SOCIAL

SUSTAINABILITY STAND: environment dedicated to the dissemination of the main social actions of Portobello and launch of the volunteer program.

FOOD AND PRODUCT DONATIONS: more than 650 hygiene and grocery items and 400kg of food were collected and delivered to the institutions Lar Santa Maria da Paz, Casa Mar AMAS and APAE in Tijucas.

PRIZE DONATED TO THE COMMUNITY: the winning team of SIPAT 2017 donated the prize for the organization of an event for pregnant women assisted by the Social Assistance Reference Center (CRAS), which provides assistance to socially vulnerable families.

DONATIONS

Portobello has a ceramic tiles donation policy. The key beneficiaries are non-profit institutions located in the surrounding communities of Portobello and Pointer.



IN 2017,
84 entities
WERE ASSISTED

A TOTAL OF
30.133,84 m²
OF TILES DONATED

“Sustainability means reducing, recycling and reusing in order not to pollute the world with garbage.”

Jaqueline J. Lourenço
Elementary School
João Caetano
Winner of the sentence contest on Sustainability

CORAL ANJOS LUZ - CHOIR

Coral Anjos Luz is a project sponsored by Portobello for more than 10 years. Seeking to integrate families, the members of the choir initially consisted of employees' children. Currently, the group has 35 members and was extended to children and teenagers aged 6 to 13 years old from the local community. Assisted by a teacher, children rehearse every week, and perform at events in the region.

SUPPORT FOR THE DEVELOPMENT OF INSTITUTIONS

Portobello supports institutions in search of new forms of fundraising. An example was the incentive to the Patchwork art made by the volunteers of Lar Santa Maria da Paz. The company helped the entity find the raw material supplier and the necessary training for making bags, toiletry bags and aprons for sale. Throughout 2017, Portobello and Portobello Shop ordered approximately 1,000 items from Lar Santa Maria da Paz, to use as gifts at company events.

SUPPORT TO CULTURE

Portobello supported the launch of the literary work Memórias do Zé Marmita, written by historian Leopoldo Barentin, who brings back memories of funny facts and stories about the city of Tijucas.

Portobello



PROJECTS PROMOTED VIA INCENTIVE LAWS

The symbolic checks for the projects assisted by the company through tax incentive laws were handed over during an event held in February 2017.

The projects benefited were Hapkido and Musicando (Music Project), through the Fund for Childhood and Adolescence (FIA), and the Palliative Home Care Program, in partnership with the Santa Catarina Blood Center Support Foundation and Cepon, through Pronon.

SPORTS SPONSORSHIP

Portobello sponsors the professional Paralympics-tennis player and employee, Ymanitu Geon Silva.

In 2017, due to the results achieved in the competitions during the year, he joined the TOP 10 OF THE WORLD RANKING in the Quad category, closing the year in 8th position. It is the first time that a Brazilian tennis player is among the top 10 in the world.

Ymanitu
Geon Silva

Portobello



PRÊMIO EMPRESA AMIGA DA CRIANÇA CHILD-FRIENDLY COMPANY TITLE

Portobello received, from the Municipal Council for the Rights of Children and Adolescents of Tijucas, the “Child-Friendly Company” title for the support given to projects promoted by the Municipality’s Fund for Childhood and Adolescence, which are:

HAPKIDO - MARTIAL ARTS FOR CHILDREN AND ADOLESCENTS AT SOCIAL RISK

The Hapkido project began in the first half of 2016 and teaches martial arts to children and adolescents of the community. It also includes children and adolescents referred by the Prosecutor’s Office for the Protection of Childhood for the provision of socio-educational measures. A total of 168 children and adolescents participate in the project. In 2017, 11 athletes from Tijucas joined the Brazilian National Team of Hapkido for the South American competition.

All athletes of the city achieved good results and were accredited to receive the Athlete Scholarship, granted by the Brazilian Confederation of Hapkido (CBHO).

168 children and adolescents participate in the project.

Portobello



MUSICANDO (MUSIC PROJECT - RECOVERY OF SELF-ESTEEM THROUGH MUSIC)

Created in 2016, together with the Municipality of Tijucas and the Social Assistance Reference Center (CRAS), this music project encompasses children and adolescents at social risk, through the collective teaching of music. The Program provides singing lessons and initiation to string and wind instruments.

In 2017, the project assisted 100 children and adolescents.

Portobello



PROGRAMA CRESCER - GROWING UP PROGRAM

Reinforcing its commitment to the environment, Portobello created the Growing Up Program, a partnership with the Association of Employees of Ceramic Companies (ADEC) and SESI/SC institutions, with the purpose of providing assistance and promote the development of children and adolescents of the community. On average, 200 students, aged between 6 and 13 years old, from the city of Tijucas, participated in the program before or after school hours.

The program includes activities of introduction to sports and socio-educational activities, approaching several aspects such as discipline, responsibility, cooperation and respect. The program also includes mini courses that address subjects such as conscious consumption, personal hygiene, sustainability, traffic education and volunteering.

Portobello



ADEC OLYMPICS

The ADEC Olympics, held in April, are already part of Portobello's calendar of events, with the participation of the company's employees and their families, including children from the age of 5 years.

748

EMPLOYEES AND FAMILY MEMBERS
PARTICIPATED IN THE EVENT IN 2017.

Portobello



04 OUR PRODUCT



“What does sustainability mean? It means helping the world by recycling and avoiding pollution. We need to make the world a better place for us and our children.”

Enderson Mickael

Elementary School Santa Terezinha
Winner of the sentence contest on Sustainability.

Our Product

Portobello's Environmental Responsibility is structured in three vectors. The first one expresses the business opportunities in the development of new and increasingly sustainable products and the company's option to invest in technologies and processes in line with sustainability.

Ceramic is made of an inert material, essentially clay, involves a production process with potentially low environmental impact and use of clean energy, and is recyclable after use; these and other aspects point to the opportunity to increasingly harness these natural characteristics of the ceramic material as the second vector for sustainability. The third vector reaffirms the company's belief in the shared responsibility for protecting the environment along the supply chain, cultivating and supporting good practices in that direction.

"It's important to protect the environment to
have a better future."

Amanda W. Teixeira.

Elementary School Marclílio Marcos Silva
Winner of the sentence contest on Sustainability

Portobello

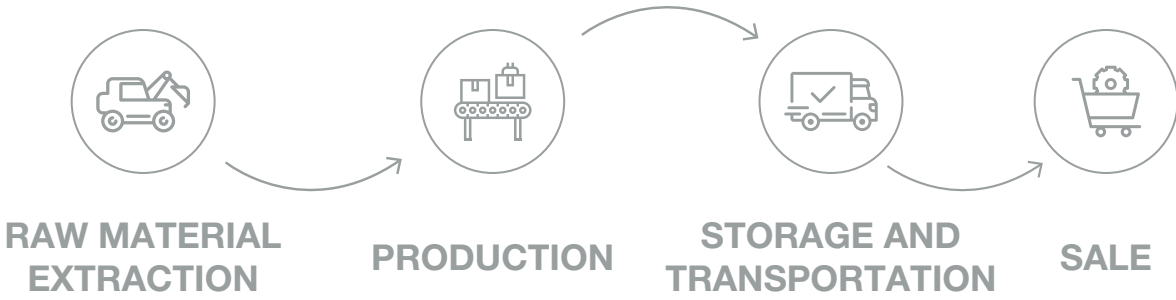


Supply Chain

102-9

TECHNOLOGY THAT GOES FROM ONE END TO THE OTHER

Portobello’s supply chain includes from the development of suppliers to the delivery of the product to the final customer.



409-1; 414-2

Portobello’s contracts with its suppliers include the following clause:

“Social and Environmental Responsibility”, which establishes the commitment to the following aspects:

- Fighting slave and child labor practices;
- Fighting discrimination in relation to gender, origin, race, color, physical condition, among others;
- Environmental protection.

Portobello



Quarries and Biodiversity

304-2; 308-2

Portobello has a business unit specializing in Mining, focused on the exclusive management of the first stage of the production chain - extraction of raw material from quarries. This area accounts for 15% of the total raw material used in its mass. In addition, it acts as technical support in the control and development of the quarries of partners that supply raw materials to Portobello.

The extraction in each quarry has different degrees of environmental and social impact in the region in which it is inserted.

Portobello makes an effort to reduce these impacts and gives special attention to the recovery phase aiming at the return of the area to its natural vocation, which may be mainly agriculture, livestock, fish farming or reforestation. In some cases, reforestation is carried out with native species to recover biodiversity. In 2017, 4,500 native seedlings were planted in the South and Northeast, for the reforestation and recovery of the local flora.

Portobello



Studies and investments were made to request two new areas, aiming at:

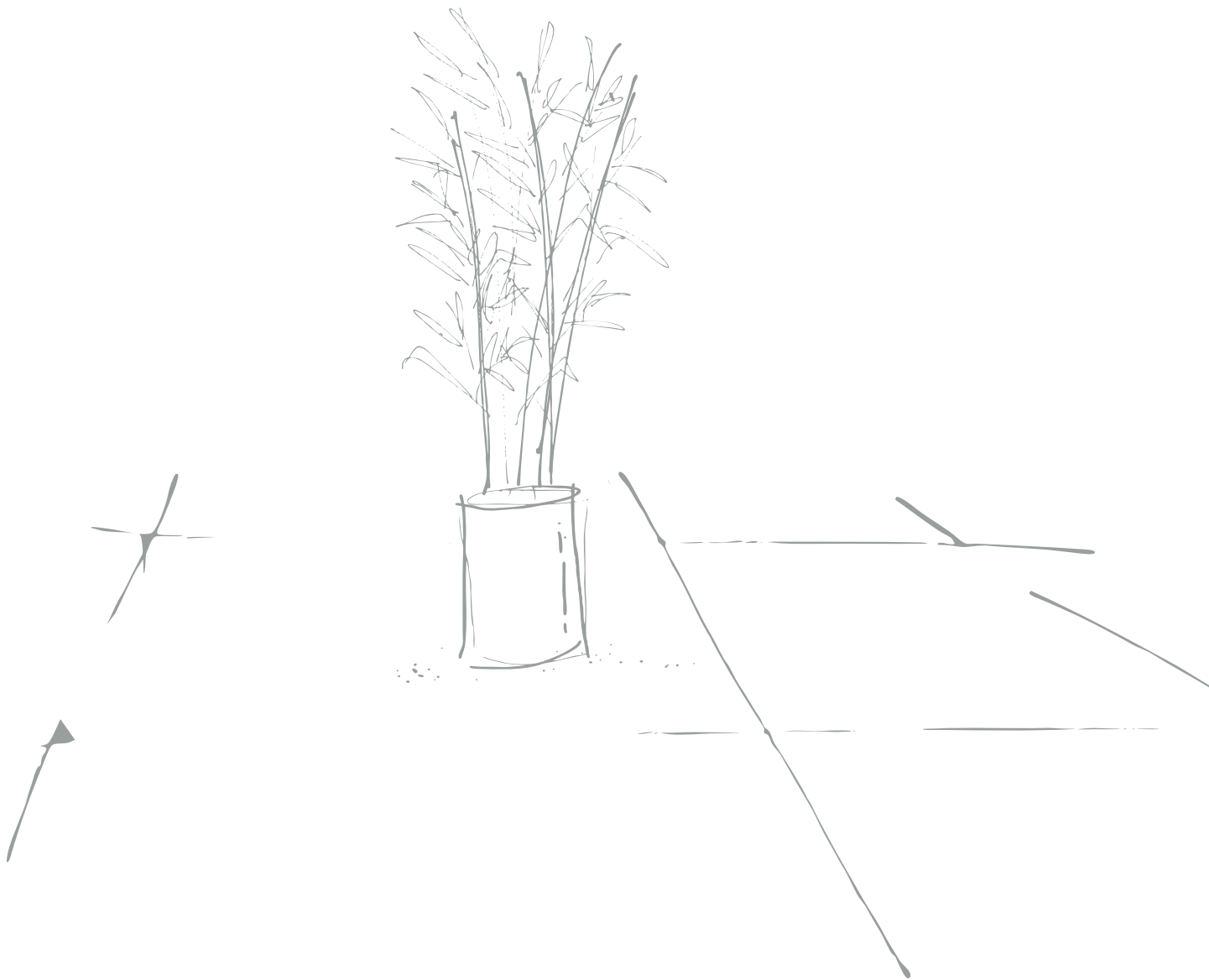
- Reduction of emissions of pollutant gases from transportation due to the reduced distance from the quarries to the consumer unit, by approximately 100km and volumes exceeding 4000 tons per month (48 million kg per year).
- Guaranteed supply for more than 20 years of operation, since the reserves exceed 2 million tons.
- Low environmental impact, since the mining site is already modified by man. Currently there is a large pasture without water courses and native forest, so there is no negative environmental impact in the area. However, during the extraction, recoveries will be made in order to recompose the original landscape with possible improvements in relation to the original mined area.

In 2017, all quarries met the requirements or conditions of the current environmental law.

ENVIRONMENTAL ASSESSMENT OF SUPPLIERS

YEAR	TOTAL NUMBER OF SUPPLIERS SUBJECT TO ENVIRONMENTAL IMPACT ASSESSMENT
2015	22
2016	24
2017	34*

* Including potential new suppliers

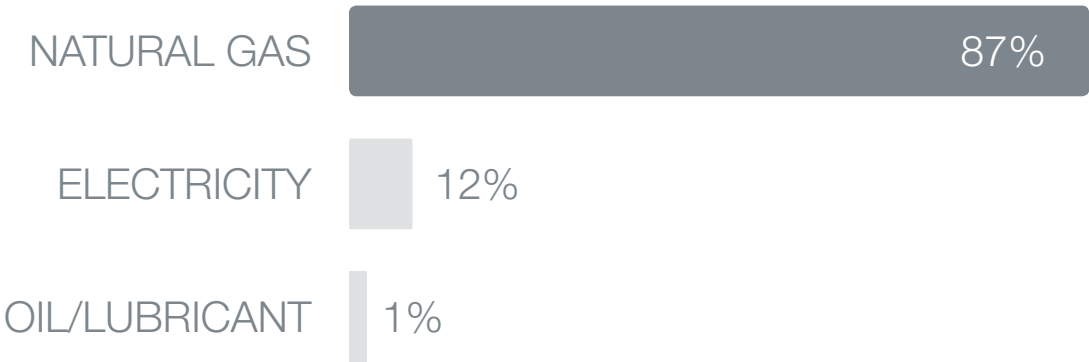


Environmental Efficiency

ENERGY

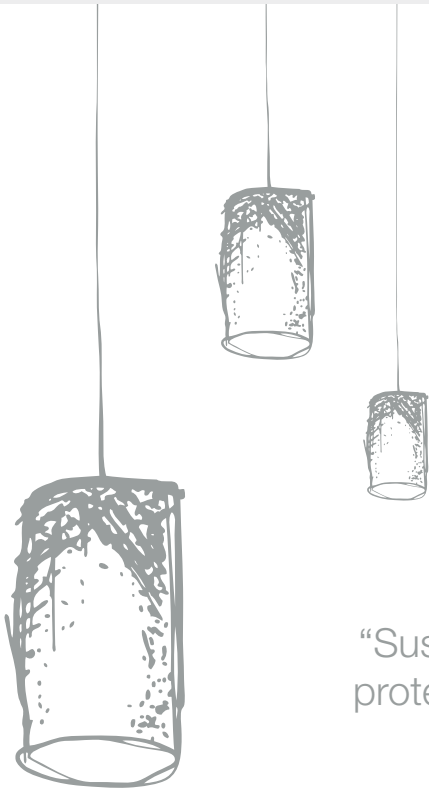
The energy matrix of Portobello and Pointer plants consist of natural gas (considered the cleanest energy among non-renewable sources), electricity (considered as a renewable source in the Brazilian context), photovoltaic panels and diesel/lubricants in the following proportions:

DISTRIBUTION OF THE ENERGY MATRIX OF PORTOBELLO PLANTS



Portobello

In 2017, the lighting of all plants and administrative building of Portobello began its standardization process with the replacement by reflectors and LED lamps.



“Sustainability means taking care of our planet, protecting and helping in the growth of nature.”

Hiandra Letícia Serafim
Elementary School Campo Novo
Winner of the sentence contest on Sustainability

ENERGY CONSUMPTION BY SOURCE AND OPERATION OF PORTOBELLO PLANTS

302-1

ENERGY SOURCE	PORTOBELLO CONSUMPTION (GJ)	POINTER CONSUMPTION (GJ)	TOTAL BY SOURCE (GJ)
Wet Natural Gas (GJ)	3,241,600.25	534,643.39	3,776,243.64
Diesel fuel	13,362.52	0	13,362.52
Lubricants	1,330.60	0	1,330.60
Electric power (hydro)	435,065.67	75,731.45	510,797.13
TOTAL	3,691,359.04	610,374.84	4,301,733.89

EVOLUTION OF ENERGY CONSUMPTION AT PORTOBELLO, BY TYPE OF SOURCE

TYPE OF SOURCE	2015	2016	2017
Total non-renewable energy consumption (GJ)	3,282,043.31	3,170,223.46	3,256,293.37
Total renewable energy consumption (GJ)	402,198.02	424,806.11	435,065.67
TOTAL	3,684,241.33	3,595,029.58	3,691,359.04

One of the indicators of energy efficiency is gas consumption per m² (GJ/m²). In the process adopted at Portobello plant, gas consumption per square meter produced was 5.50 GJ/m², in 2017.

ENERGY INTENSITY AT PORTOBELLO
(GJ/M² PRODUCED)

302-3



“Protecting nature is easier than restoring it.”

Carlos Eduardo Machado
Elementary School Madre Sabina
Winner of the sentence contest on Sustainability

FRITZ MÜLLER AWARD

Portobello participated in the 19th edition of the Fritz Müller Award in the Air Pollution Control category.

Promoted by Environmental Foundation of Santa Catarina (FATMA), the award, which recognizes environmental protection initiatives in the state of Santa Catarina, going beyond what is determined by the legislation, received the registration of projects from 70 companies in 2017.

The winning project presented by Portobello, “Recovery of Heat from the Burning Process with the Purpose of Reducing Natural Gas Consumption,” details the results of the project implemented in two of the company’s plants, the factories of glazed and unglazed porcelain tiles, as they are the ones with the highest production and, consequently, higher consumption of gas/m².

The project, initiated in 2014, aims at reducing natural gas consumption through the recovery of heat from kilns, using it in the ceramics atomization and drying process at the plants. This has led to a reduction not only in gas consumption (by approximately 15% in only one of the factories) but also in CO₂ emissions, by more than 5%.



Award Ceremony



Portobello

EMISSIONS

In 2017, Portobello improved the monitoring of gas emissions, taking into account the consumption of diesel fuel for the transportation of employees by bus, the trucks that make internal deliveries and the transportation of raw materials (clays, enamels and packaging).

EVOLUTION OF GREENHOUSE GAS EMISSIONS AT PORTOBELLO (tCO₂eq)



*The increased emission is a result of the change in the production mix to larger products (190x90, 60x120) and the inclusion of monitoring of gases emitted by transportation vehicles.

TOTAL DIRECT GREENHOUSE GAS EMISSIONS (tCO₂eq)

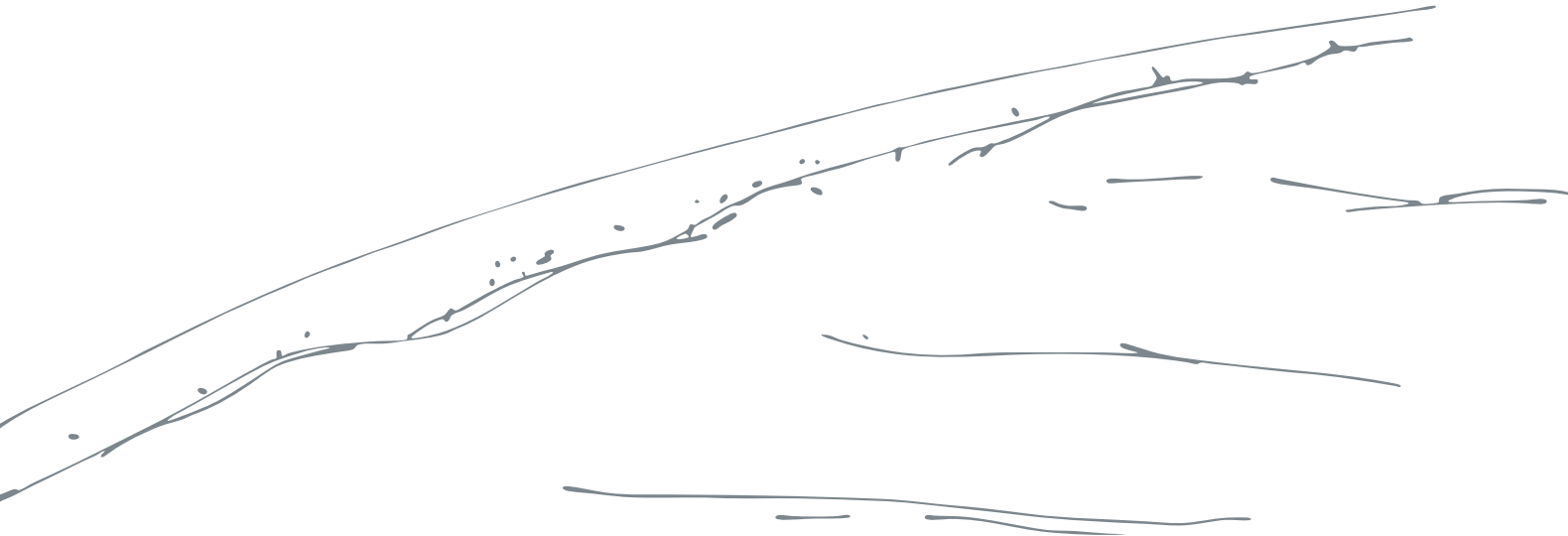
305-1

COMPANY	2015	2016	2017
Portobello	134,952	161,028	164,704
Pointer	-	30,565	25,375
TOTAL	134,952	191,594	190,079

WATER

Portobello has two effluent treatment plants, which cover the production process, while Pointer has one treatment plant. Thus, the circuit is 100% closed, which means that nothing goes back to the environment. Therefore, water collection takes place in much smaller volumes and is used only as a replacement of losses caused by water evaporation in the process and to supply of bathrooms, dining halls and laboratories.

In 2017, 398,095 m³ of water were collected, 10.3% of which, used for human consumption, such as in bathrooms and dining halls, were treated and discharged in the rainwater system. The percentage used for manufacturing (89.7%) remained in the circuit and used in its entirety.



Portobello



PORTOBELLO’S WATER COLLECTION, BY SOURCE AND OPERATION (M³)

303-1; 303-3

WATER SOURCE	PORTOBELLO CONSUMPTION (M³)	POINTER CONSUMPTION (M³)	TOTAL CONSUMPTION BY SOURCE (M³)
Surface water (rivers, lakes, wetlands, oceans)	34%	0%	34%
Underground water	66%	100%	66%
TOTAL	330,536	62,939	393,475

WATER CAMPAIGN

In 2017, Portobello started a campaign that aims at reducing the consumption of clean water in the administrative building - where more than 250 people circulate on a daily basis.

Among the actions of the campaign are:

- Installation of water meters to individually monitor water consumption in the building;
- Installation of Dual Flush toilet systems and flow reducers in all bathrooms and kitchens of the administrative building;
- Timer adjustment of automatic taps;
- Dissemination of educational campaigns on water consumption in the company’s media, as well as newsletters in all bathrooms.

PORTOBELLO’S DISPOSAL OF EFFLUENTS (FLOW M³/H)

306-1



At Portobello, sanitary effluents are treated by means of activated sludge systems. In 2017, the discharges occurred at a flow rate of 4.67 m3/h and were sent to the plant’s rainfall system.

“We will take care of our planet, recycling waste and saving water, so that we can have a better quality of life in the future .”

Kailane M. de Oliveira

Elementary School Dep. Walter Vicente Gomes
Winner of the sentence contest on Sustainability

WASTE

All residues from processing and processing chain are duly managed: approximately 95% are reused and the others are recycled. Only 0.5% of the total volume is discarded in industrial landfills.

Since 2016, abrasive waste that were previously sent to industrial landfill as tailings is now used as drainage material between the layers of waste in the industrial landfill.



Portobello

DISPOSAL OF NON-HAZARDOUS WASTE (IN TONS)

306-2

	2015	2016	2017	WASTE INCLUDED
Recycling	11,901.76	3804.4	4490.05	Metal scrap, cardboard, plastic, industrial oil, mixed, wood, construction waste, polishing sludge
Recycling (Pointer)	73.72	112.28	102.31	
Landfill	89.64	86.61	86.61	Waste from bathrooms and dining areas
Landfill (Pointer)	389.6	314.12	298.73	Organic and non-recyclable waste
Industrial landfill	498.29	927.9	1117.89	Class II Waste (rubbers, hoses, mixed waste and others). Abrasives*
TOTAL	12,953.01	5,245.31	6,095.59	-

DISPOSAL OF NON-HAZARDOUS WASTE (IN TONS)

306-2

	2015	2016	2017	WASTE INCLUDED
Recycling	27.8	31.07	23.62	Hydraulic oil
Landfill (Pointer)	-	4.73	3.98	
Industrial Landfill	39.45	111.53	76.53	Grease sludge, solvents, residues contaminated with thinner , grease, and solvents; ambulatory waste
TOTAL	67.25	147.33	104.13	-

MATERIALS

With the waste recovery system of the industrial process, both Portobello and Pointer use various materials from recycling (refractory roller, glass, shards, industrial treatment plant sludge, treatment plant sludge, polishing and residues recovered internally).

In total, the set of recycled materials in the ceramic mass reaches 17%. At Pointer, due to the dry production system, this percentage is reduced to 3% of recycled materials.

EVOLUTION IN THE USE OF RECYCLED MATERIALS AT PORTOBELLO



	2015		2016		2017	
CERAMIC MASS IN THE PRODUCTION PROCESS	QUANTITY USED (TON)	QUANTITY DERIVED FROM RECYCLING (TON)	QUANTITY USED (TON)	QUANTITY DERIVED FROM RECYCLING (TON)	QUANTITY USED (TON)	QUANTITY DERIVED FROM RECYCLING (TON)
Portobello	699,098.82	124,429.42	703,174.61	115,794.80	691,898.01	118,765.86
Pointer	135112.566	3,552.40	217,906.00	6,537.18	171,802.00	6,872.08

PACKAGING

301-3

All product packaging has recycling signs, guiding customers to properly dispose them.

The boxes used are made of recyclable paper and are mostly assembled with intelligent design, which reduces the material consumption.

The pallets for the assembly of the boxes are already made from reforested wood.

At Portobello’s unit, in Tijucas, there is a repair shop that recovers minor breakdowns of pallets used at the plant or discarded by customers. In 2017, approximately 45,672 pallets were recovered.

YEAR	NUMBER OF PALLETS RECOVERED
2015	38,800
2016	46,725
2017	45,672

Portobello

REVERSE LOGISTICS

In 2017, Portobello performed some actions to develop the reverse logistics process - although the direct reverse logistics system is not yet applied:

- Return of pallets;
- Packaging disposal instructions;
- Initiatives to approach partners;
- Return of more than 29,000 items such as pallets and metal supports from Portobello DCs.



“Deforestation and pollution must stop and plantations, reuse and recycling must continue to ensure that everyone has a good and clean place to live.”

Luiz Felipe Giacomossi
Elementary School Osmário Giacomossi
Winner of the sentence contest on Sustainability.

PERCENTAGE OF PACKAGING MATERIALS FROM RECYCLING

301-2

TYPE OF MATERIAL	OPERATION	QUANTITY USED (TON)	QUANTITY DERIVED FROM RECYCLING (TON)	% DERIVED FROM RECYCLING
Cardboard	Portobello	5,707.37	3,624.72	64%
	Pointer	733.20	653.00	89%
Plastic tape (for arching)	Portobello	126.50	63.25	50%
	Pointer	65.25	43.10	66%
Palett	Portobello	8,393.5	3,700.77	44%
	Pointer	100,918.00	0.00	0%

“The world is not a trash can, stop throwing trash on the ground. To act now is to think of the future!”

Mariana Leite Albanas
Elementary School Prof. Ondina Maria Dias
Winner of the sentence contest on Sustainability

Sustainability Training and Awareness

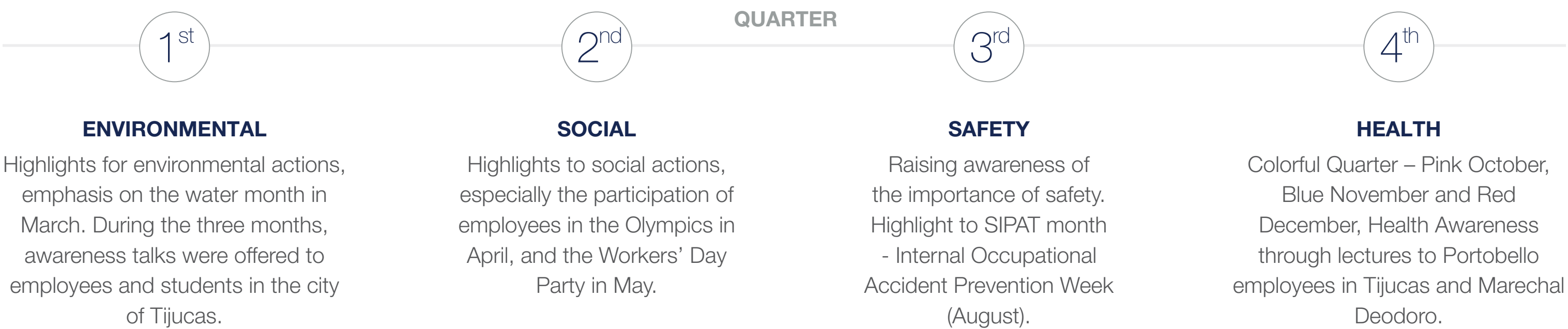
In 2017, Portobello focused on environmental and social awareness and education, involving employees, customers and the community.

Numerous actions were conducted with the purpose of explaining to employees and customers the concept of Sustainability and company’s practices.

“Teaching old and young people that the environment has to be protected, because it needs us, but we need it for everything.”

Edenildo A. Goetten
Elementary School Monsenhor Augusto Zucco
Winner of the sentence contest on Sustainability.

PORTOBELLO’S COMMUNICATION WAS PLANNED WITH QUARTERLY THEMES:



Environmental Education

Main environmental education actions carried out in 2017:

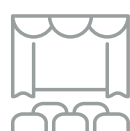
MARCH



WATER MONTH

Lecture promoted by Portobello with 507 students from SENAI Tijucas on the importance of water and the effluent treatment process performed by Portobello.

APRIL



ENVIRONMENTAL CINEMA

A movie session with 148 students who participate in the Growing Up Program at Portobello. They watched movies related to environmental themes, emphasizing the importance of environmental preservation.

MAY



TECHNICAL VISIT TO QUARRIES

Technical visit to Quarries by the class of Technical Training in Ceramics of SENAI Tijucas/SC and presentation focused on raw materials of the ceramic segment, environmental controls, environmental recovery, mining operation and good practices in mining.



INTERNAL OCCUPATIONAL ACCIDENT PREVENTION WEEK (SIPAT) AT POINTER

Sustainability was addressed during the Internal Occupational Accident Prevention Week at Pointer, at a stand at the “Environmental Exhibition” held by the Environmental Institute of Alagoas (IMA), in addition to the donation of seedlings to employees.

JUNE

PORTOBELLO’S ANNIVERSARY MONTH

Portobello was visited by 253 children, students from 11 schools of the municipal education system.



On the occasion, the students received seedlings of trees and participated in the sentence contest on Sustainability.

The award ceremony of the contest was attended by representatives of Portobello’s Management, the Department of Social Action and Education of Tijucas, as well as parents, winning students, directors and teachers from each participating school.

JULY

ENVIRONMENTAL CAMPAIGN WITH EMPLOYEES AND CUSTOMERS

More than 50 photographs taken by employees on the subject decorated the walls of the dining halls.



Distribution of cultivation kit to customers of Portobello’s stores.

Communication campaign on the main environmental actions promoted by Portobello to the Portobello Shop Network.

AUGUST



GROWING UP PROGRAM AT SIPAT

Exhibition of toys produced with recycled material by students of the Growing Up Program during the Internal Occupational Accident Prevention Week (SIPAT) at Portobello.

SEPTEMBER

TREE DAY

Distribution of 300 seedlings to employees in the 3 work shifts. Planting of 32 seedlings by the students of the Growing Up Program in an area covering almost 600m² at ADEC.

CRAIBEIRA, TREE SYMBOL OF ALAGOAS MARKS THE PARTNERSHIP BETWEEN POINTER AND SEAGRI

Pointer planted 1,000 native seedlings of the species: Ingazeira, Peroba Rosa, Goitizeiro, Jaqueira do Brejo, Sabonetes, Pau Sangue, Canafistula, Imperial, Seriguela and Umbú Cajá.

The seedlings were donated by the Department of Agriculture, Livestock, Fisheries and Aquaculture of the State of Alagoas - Seagri, with the purpose of recovering the native area.



OCTOBER

YOUNG APPRENTICES

Lecture on sustainability and actions promoted by the company for 109 students participating in the Young Apprentice Program.

NOVEMBER

ENVIRONMENTAL VISITS

Students of the Growing Up Program, winners of SIPAT contest, visit the Tamar Project and the Rio Vermelho State Park. Both projects, carried out in Florianópolis (SC), addressed subjects on environmental preservation and recovery of animals victims of marine pollution, trafficking and deforestation.



DECEMBER



MONTHLY ENVIRONMENTAL DIALOGUE

During all of months of 2017, the Monthly Environmental Dialogue (DMA) took place, a special moment with the employees of the plants to reflect on the main environmental issues.

In total, 95% of Portobello's employees participated in the training.

05 OUR BUSINESS

Portobello

Our Business

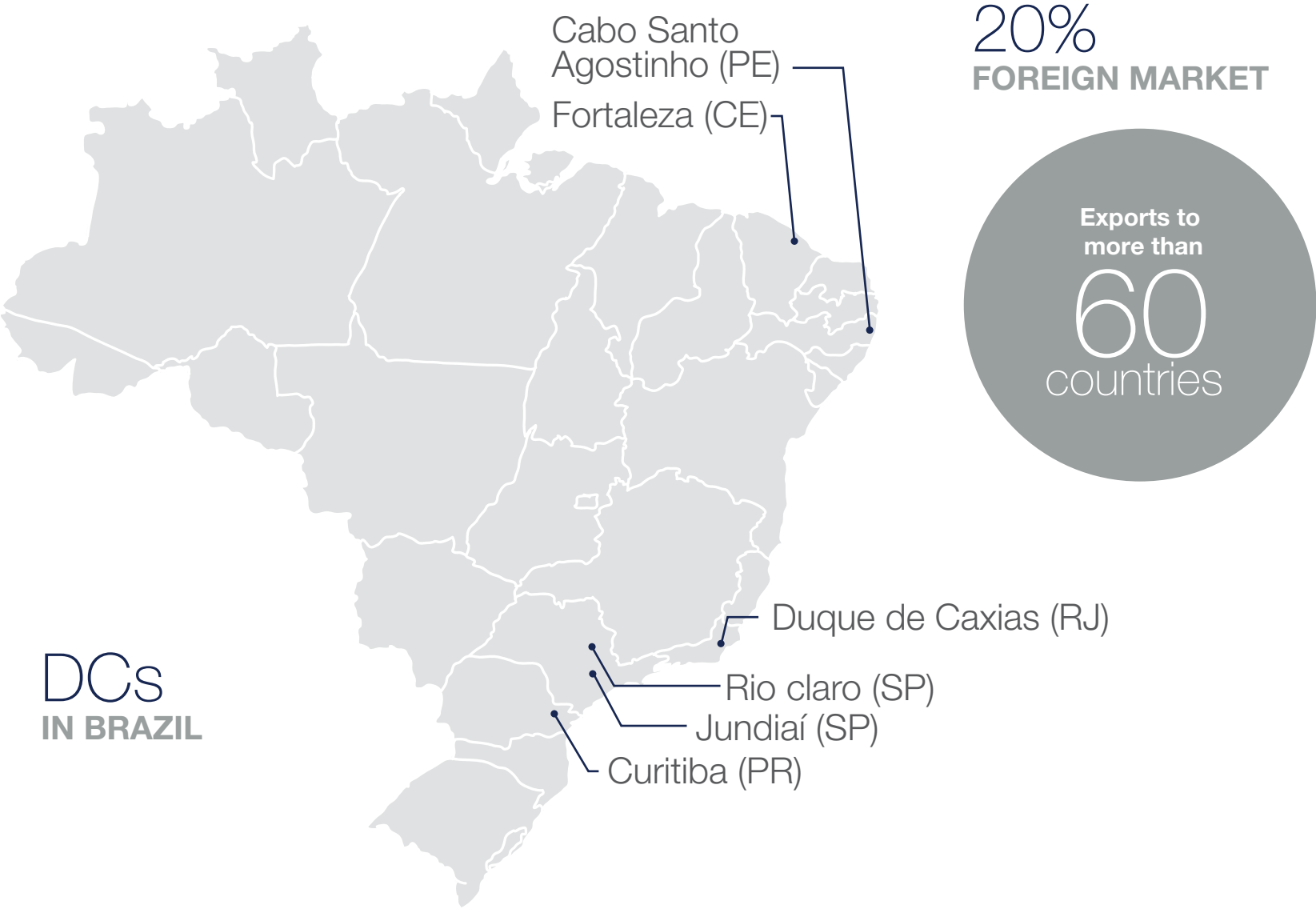
102-6

MARKET AND LOGISTICS MODEL

Portobello is today the largest ceramic tile company in Latin America, with a gross revenue of more than R\$ 1.3 billion. Its sales, over 40 million square meters of tiles, meet the domestic market through Portobello Shop network, home centers, developers and builders, as well as customers from the five continents, with the Portobello and Pointer brands.

The logistics model of Portobello comprises 5 centers (Curitiba-PR, Jundiai-SP, Duque de Caxias-RJ and Cabo Santo Agostinho-PE) integrated to the central distribution center in Tijucas, to supply the final consumers, while the support unit in Rio Claro-SP assists the engineering and resale channels.

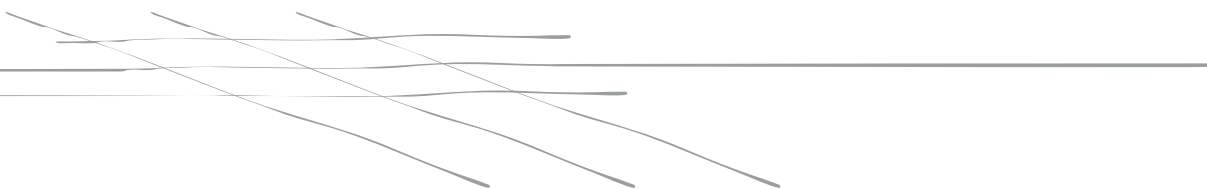
Pointer has a logistics base near the plant in Marechal Deodoro and a distribution center in Fortaleza.



2017 Key Figures

The Company ended 2017 with positive results, in a year whose economic instability seemed to never end, and the sector's performance was once again far below expectations. Throughout this year, the strategy was to increase profitability, based on the internal attributes and levers of results, which proved to be an appropriate alternative. Exports hit records and represented a good alternative in view of the volatile scenario and the retraction of the domestic market.

The positive result for the year is in line with the Management's expectations. The good performance of the margins, coupled with the adequacy of expenses, demonstrate the company's confidence in its strategy, business model, management and competitive advantages.



Portobello

HIGHLIGHTS

Revenue in the year totaled **R\$ 1,278 MILLION**, similar to the previous year;

Gross Income of **R\$ 417 MILLION** in 2017 and **R\$ 363 MILLION** in 2016, growth of 15%;

Net income of **R\$ 64 MILLION**;

Reduction of net debt of **R\$ 70 MILLION**, 15% less than in 2016;

EBITDA reaches an annual record of **R\$ 189 MILLION** in 2017, with an EBITDA margin of 18.5%. Growth of 64% and 7% in margin when compared to 2016;

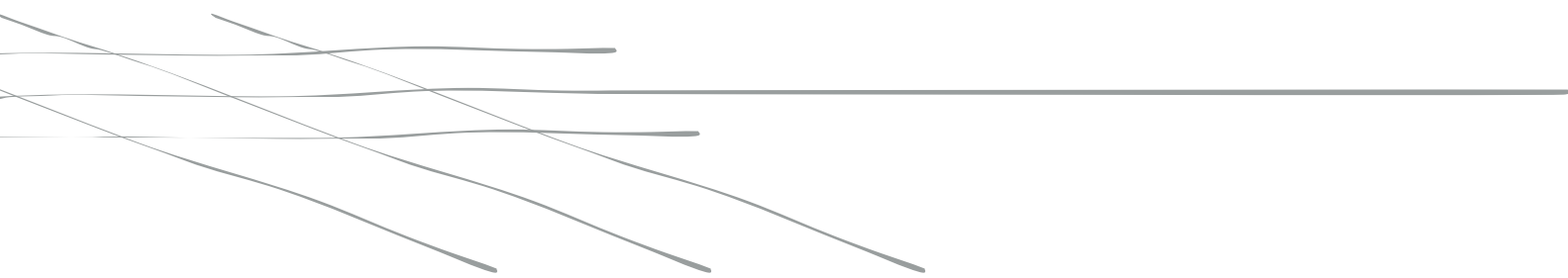
170% VALUE INCREASE in the share price and 288% in the average financial volume in the last 12 months.

2017 Key Figures

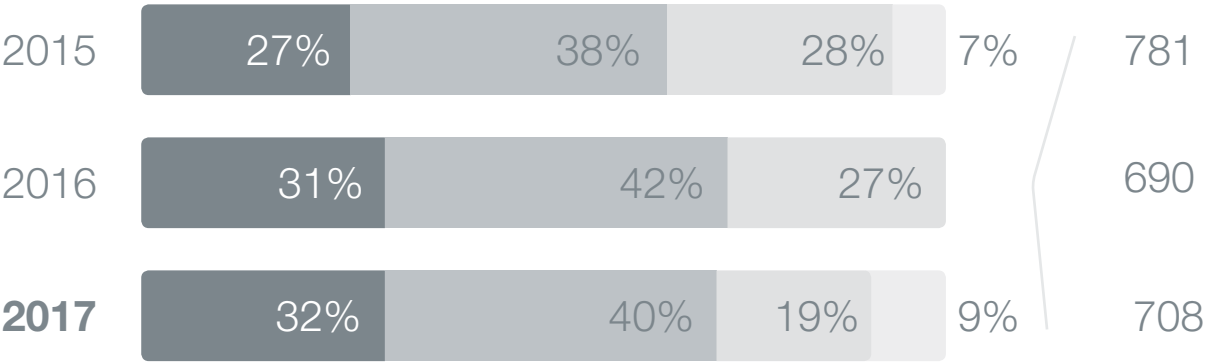
VALUE ADDED

201-1

Value added is the demonstration of the wealth shared among employees, community, government, shareholders and creditors (economic agents who contributed to its generation). In 2017, it totaled R\$ 708 million (R\$ 690 million in 2016). Of this amount, 40% was allocated to taxes, 32% to labor compensation (personnel), 19% to third-party compensation and 9% retained as profit for the period.



VALUE ADDED



- Personnel
- Taxes and fees
- Third-party capital compensation
- Equity compensation

2017 Key Figures

INDIRECT ECONOMIC IMPACTS

203-2

Certificate of Excellence for its Social Inclusion Practice

POINTER

Pointer received a certificate of excellence from the Regional Labor Court of Alagoas (TRT/AL) in recognition for the Young Apprentice program. The program includes the participation of 108 young people (in Marechal Deodoro-AL and Tijucas-SC) and assists in the economy of the region by supporting the entry of young people in the job market.

INVESTMENTS

In the second half of 2017, there has been a recovery of organic investments and the year ended with R\$ 47 million. Of this amount, R\$ 29 million (60%) corresponds to the preparation and upgrade of the industrial park in Tijucas for the production of products with higher value added and larger formats. The other investments were allocated to own stores (16%), adjustments in the industrial park in Alagoas (7%) and systems (4%).

INVESTMENTS

2015	R\$ 88 million
2016	R\$ 25 million
2017	R\$ 47 million

06

RECOGNITION

Portobello

Awards Received in 2017

- National Innovation Award in the Marketing category, by Portobello.
- Anamaco Award - 3rd place in Large Clients of the Ceramic Tiles segment, by Portobello.
- Fritz Müller Award - Sustainability, by Portobello.
- Child-Friendly Company Title - Social Actions, by Portobello.
- Certificate of Social Responsibility from the Legislative Assembly of Santa Catarina, by Portobello.
- RA 1000 Certification, by Portobello.
- Top Of Mind Award – Casa e Mercado Magazine, by Portobello:
 - 1st place in the ceramic/porcelain tile category;
 - 2nd place in the ceramic and glass tiles category;
 - 3rd place in the cement floor category.
- RDI Design offered by ABF (Brazilian Franchising Association) - Silver in the Design and Innovation category by Oficina Portobello.

- Top Marketing and Sales Award from the Association of Sales and Marketing Leaders of Brazil (ADVBS/SC) - in the Retail category, by Oficina Portobello.
- Seal of Excellence in Franchising - Master Category, by Portobello Shop.
- Best Franchises - Pequenas Empresas Grandes Negócios Magazine, by Portobello Shop.
- Top of Mind Award – Casa e Mercado Magazine (1st place in the ceramic floors and tiles store/boutique category), by Portobello Shop.



07 GRI SUMMARY



Portobello

102-55

SECTION (ASPECT/INDICATOR)	DESCRIPTION	PAGE/RESPONSE
OVERALL CONTENT - GRI 101; 102 and 103		
STRATEGY AND ANALYSIS		
102-14	Message from the President.	5
ORGANIZATIONAL PROFILE		
102-1	Name of organization.	18
102-2	Primary brands, products and services.	24
102-3	Location of company’s headquarters.	15
102-4	Countries where the organization operates or where its main operations are located.	15
102-5	Nature of ownership and legal form.	15
102-6	Markets served.	19 and 91
102-7	Scale of organization.	18
102-8	Total number of employees by type of job, employment contract and region.	37
102-41	Percentage of employees covered by collective bargaining agreement.	The Collective Bargaining Agreement is applied to all employees except for statutory directors, Board members and interns. The percentage covered is 99.5%. For salary adjustment purposes, the agreement covers up to the level of coordination with the exception of interns and apprentices, covering 95.1% of the total number of employees.
102-9	Describe the organization's supply chain.	71
102-49	Primary changes during the reporting period.	Not applicable

SECTION (ASPECT/INDICATOR)		DESCRIPTION	PAGE/RESPONSE
102-11		Description of how the precautionary principle is addressed by the organization.	“The Company does not adopt the practice of operating financial instruments with purposes other than hedge protection. The risk monitoring and management strategy has been conducted mainly by the Company’s financial area, a continuous process, in compliance with with the foreign exchange exposure guidelines, and all decisions regarding transactions involving any risk to the Company are evaluated and approved in advance by the Company’s Management.”
102-12		Charters, principles or other externally developed initiatives.	Portobello is not a signatory to international charters, principles or voluntary commitments.
102-13		Membership in national or international associations and organizations.	Portobello participates in the following associations: Commercial and Industrial Association of Tijuca (ACIT) and National Association of Ceramic Manufacturers (Anfacer)
LIST OF MATERIAL ASPECTS IDENTIFIED AND BOUNDARIES			
102-46 / 102-54		Process for defining report content.	7
102-47		List of material topics.	8
103-1-a		Material topics.	8
103-1-b		Materiality and limits of each aspect within the organization.	8
103-1-c		Materiality and limits of each aspect outside the organization.	8
102-48		Reformulations of information provided in previous reports.	Not Applicable.
102-49		Significant changes in scope.	Not Applicable.

SECTION (ASPECT/INDICATOR)	DESCRIPTION	PAGE/RESPONSE
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups engaged by the organization.	7
102-42	Basis for identification and selection of stakeholders with whom to engage.	7
102-43	Approach to stakeholder engagement.	7 and 28
102-44	Key topics and concerns raised through stakeholder engagement.	8
REPORT PROFILE		
102-50	Period covered by the report for the information presented.	6
102-51	Date of the most recent previous report and report boundary.	6
102-52	Reporting cycle.	6
102-53	Contact info for questions regarding the report or its content.	sustentabilidade@portobello.com.br
102-55	Table that identifies the location of information in the report.	98
102-56	Policy and current practice with regard to seeking external assurance for the report.	No external audit of this Report was conducted. There is a commitment to audit the next versions.
GOVERNANCE		
102-18	Governance structure of the organization.	20
ETHICS AND INTEGRITY		
102-16	Mission statements and values, codes of conduct and relevant internal principles.	23

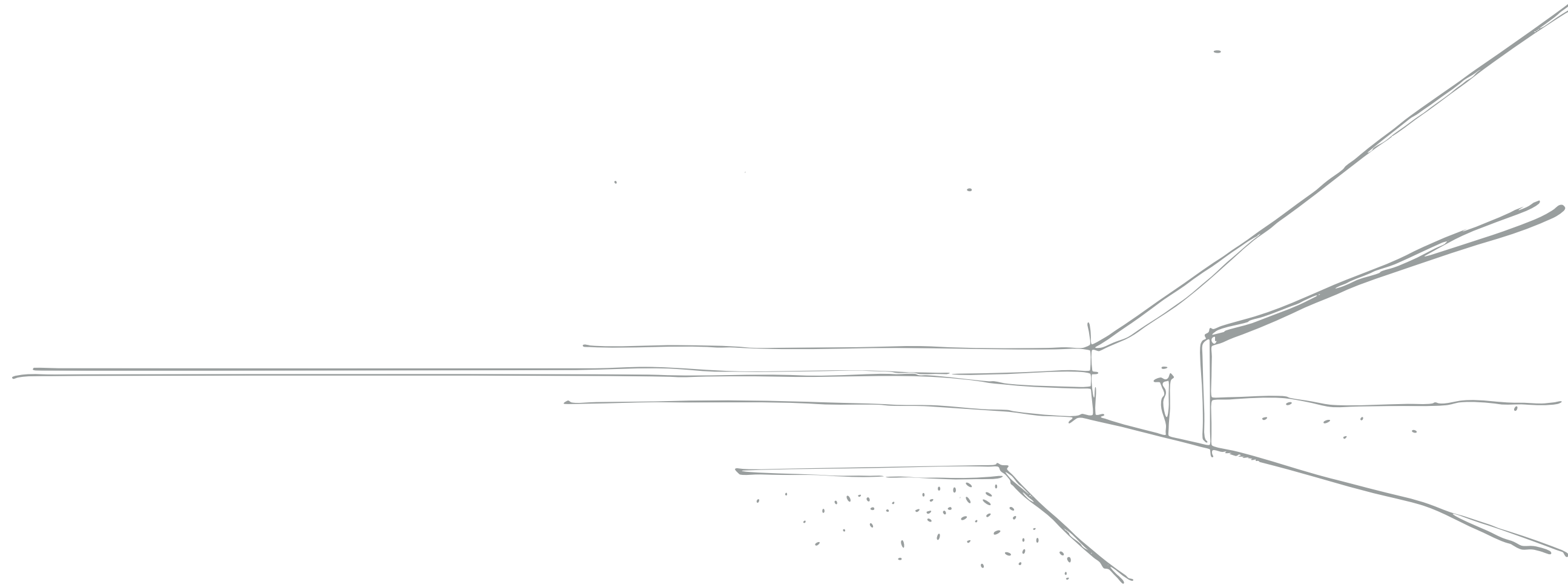
SECTION (ASPECT/INDICATOR)	DESCRIPTION	PAGE/RESPONSE
SPECIFIC CONTENT		
ECONOMIC CATEGORY - GRI 200		
ECONOMIC PERFORMANCE	MANAGEMENT APPROACH	92, 93 AND 94
201-1	Direct economic value generated and distributed.	93
INDIRECT ECONOMIC IMPACTS	MANAGEMENT APPROACH	94
203-2	Description of significant indirect economic impacts.	94
ENVIRONMENTAL CATEGORY - GRI 300		
MATERIALS	MANAGEMENT APPROACH	83, 84 AND 85
301-2	Percentage of materials used from recycling.	85
ENERGY	MANAGEMENT APPROACH	72, 73, 74, 75 AND 76
302-1	Direct energy consumption broken down by primary energy source.	75
302-3	Energy Intensity.	76
WATER	MANAGEMENT APPROACH	79, 80 AND 81
303-1	Total water collected by source.	80
303-3	Percentage and total volume of water recycled and reused.	80
BIODIVERSITY	MANAGEMENT APPROACH	72
304-2	Significant impacts on the biodiversity of activities, products, and services.	72

SECTION (ASPECT/INDICATOR)	DESCRIPTION	PAGE/RESPONSE
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305-1	Total direct greenhouse gas emissions.	78
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306-1	Total water discharge, broken down by quality and destination.	81
306-2	Total weight of waste, broken down by type and arrangement.	82
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301-3	Percentage of products and packaging recovered, by product category.	84
ENVIRONMENTAL EVALUATION OF SUPPLIERS	MANAGEMENT APPROACH	70 AND 71
308-2	Significant actual or potential environmental impacts in the supply chain and measures taken.	71
SOCIAL CATEGORY - GRI 400		
SOCIAL DIMENSION - LABOR PRACTICES		
EMPLOYMENT	MANAGEMENT APPROACH	63 TO 41
401-2	Benefits granted to full-time employees that are not offered to temporary workers.	41
OCCUPATIONAL HEALTH AND SAFETY	MANAGEMENT APPROACH	50 TO 56
403-1	Percentage of employees represented on formal safety and health committees.	52
403-2	Types and rates of injury, occupational disease, lost days, absenteeism and number of deaths.	54

SECTION (ASPECT/INDICATOR)	DESCRIPTION	PAGE/RESPONSE
TRAINING AND EDUCATION	MANAGEMENT APPROACH	42 TO 49
404-1	Average hours of training per year.	42
404-3	Percentage of employees receiving performance reviews.	42
MECHANISMS FOR COMPLAINTS RELATED TO LABOR PRACTICES	MANAGEMENT APPROACH	39
103-2-c-vi	Number of complaints on labor practices submitted, addressed and resolved by formal complaint mechanisms.	39
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409-1	Significant actual and potential human rights impacts in the supply chain and measures taken.	71
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413-1	Operations with implemented local community engagement, impact assessment and development programs.	56
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419-1	Description of significant fines and total number of non-monetary sanctions.	39
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414-2	Significant actual and potential negative impacts of the supply chain in society and measures taken in this regard.	71

SECTION (ASPECT/INDICATOR)	DESCRIPTION	PAGE/RESPONSE
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102-43	Results of surveys measuring customer satisfaction.	28

Portobello



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